



**World Bank  
Document**

**COUNTRY PROCUREMENT ASSESSMENT REPORT**

**MAURITIUS**

**Volume I**

January 2002 – Revised July 2002  
Operational Quality and Knowledge Services  
Africa Region  
**The World Bank**

Exchange Rate

Monetary Unit = Mauritius rupee  
 US\$1 = M Rs28.8

Weights and Measures

Metric System

**ABBREVIATIONS AND ACRONYMS**

AG	Attorney General
AudGen	Auditor General
CAF	Coût Assurance Frêt
CAS	Country Assistance Strategy
CPAR	Country Procurement Assessment Report
Code	Procurement Code
COMESA	Common Market for Eastern and Southern Africa
CTB	Central Tender Board
DAO	Dossier d’Appel d’Offres
DWC	Development Work Corporation
GAO	Government Audit Office
HPC	High Powered Committee
ICC	Internal Control Cadre
IOC	Indian Ocean Conference
MAB	Management Audit Bureau
MOF	Ministry of Finance
MEF	Mauritius Employers’ Federation
PER	Public Expenditure Review
PERL	Public Expenditure Reform Loans
PAC	Public Accounts Committee
SADC	Southern African Development Community
TVA	Taxe sur la Valeur Ajoutée
UNCITRAL	United Nations Commission on International Trade Law

Financial Year

July 1- June 30

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Country Director:	Mr. Hafez Ghanem
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## EXECUTIVE SUMMARY

### 1. Introductory remarks

#### Context of the CPAR.

The 2001 CAS, under discussion between the Government of the Republic of Mauritius and the World Bank, proposes an assistance instrument that is different from those used in the past. Instead of carrying out a number of investment operations in selected sectors and individual pieces of sector work, a series of annual loans to finance Mauritius' overall budget would be provided to support key policy reforms, known as Public Expenditure Reform Loans (PERL). A pre-requisite for the use of PERLs is that there is agreement and understanding between Mauritius and the Bank on the adequacy of overall fiduciary accountability and procurement rules governing Mauritius' public sector. It has thus been agreed that a Country Procurement Assessment Report (CPAR) should be carried out as soon as possible before the presentation of the first PERL to the World Bank Board. The purpose of the CPAR is to assess (i) the efficiency, economy and transparency of the public procurement system; (ii) commercial practices in the private sector particularly in relation to importations, and (iii) the institutional capacity of bodies dealing with procurement in the country.

#### Historical context.

Mauritius' procurement system, similar to that found in other Anglophone countries, combines a stores system with tendering by a central tender board. Insofar as written, it states general principles. Attempts have been made to modernize the procurement system. A procurement law along UNCITRAL lines was introduced in 1999 but abolished shortly afterwards. While going back to its pre-UNCITRAL tender board system, the Government didn't give up on its plan to modernize procurement and to that end, it nominated a High Powered Committee (HPC) with a mandate to make recommendations for a new and modern procurement system that retains the best features of past and current laws. The HPCs report, to be furnished to the Prime Minister, is expected to be ready in early 2002. In parallel with the work of the HPC, a "Prevention of Corruption Act" and a "Financial Intelligence and Anti-Money Laundering Act" have been prepared by the Government and enacted by the National Assembly. The anti-corruption provisions and the prevention of money laundering in these bills are adequate to combat corruption in procurement and financial transactions. Moreover, the bill relating to Prevention of Corruption will create an authority/agency modeled upon the Hong Kong anti-corruption agency.

### 2. Summary of Critical Findings and brief analysis

Pursuant to the satisfactory rating of the implementation of the World Bank financed projects portfolio, the mission expanded its review to the whole procurement system regardless of the source of financing. The findings confirm that the system of public procurement and management, and the environment in which the private sector is evolving,

have reached an acceptable level, and that the initiatives taken by the Government will bring the necessary improvements to achieve the optimization of the use of public resources.

#### The existing system

Mauritius has made a credible effort to provide a framework of great transparency and accountability. It has strong institutional capacity. A checks and balances system is in place. Its audit system is working and the country is firmly committed to provision of a transparent climate where the general public can see and understand how public money is spent.

#### Recommended improvements

The recommended improvements are rather in line with the program that the Government has initiated. The main recommendations address the need to: (i) elaborate a legal framework giving the necessary orientations for the drafting of procedures and completion of regulations; (ii) standardize and computerize the procurement documentation, e.g. the bidding documents; (iii) strengthen the regulatory role of the CTB; (iv) train the staff in charge of public procurement at the level of all ministerial departments; (v) integrate the ex-post review of procurement compliance in the audits; (vi) streamline and simplify the import procedures; and (vii) review the economic performance and quality of imports carried out by the private sector and/or parastatal bodies.

#### Increase of transparency

A better performance in three specific areas would optimize public procurement's transparency and efficiency.

- Rumors concerning corruption in procurement could easily be countered by more transparent practices in bid opening and publication of awards.
- Data collection, assembly and analysis will assure that value for money is obtained. It will also alert the CTB to any undesirable practices that might exist in parts of the procurement system.
- Supervision of contracts, once put in place, seems weak – see the report of the Director of Audit that calls attention to instances for unwarranted overpayment or for quality not received. Closer supervision of goods, works and services received will require much more effort and input.

The current dynamic will certainly enable to achieve, in the medium term, the setting of an efficient and transparent management system in the institutions in charge of public procurement, as well as the promotion of a competitive private sector, operating in an environment conducive to its development and to the adequate implementation of public contracts.

The Bank has already established a dialogue and close partnership with Mauritius on the subject of procurement and reinforced it during the joint mission review. It is highly desirable that this relationship be maintained in the coming years, the focus being to increase the system's efficiency. A first report including detailed recommendations and a proposed action plan, delivered by the World Bank to the Government, is expected to serve the Government to finalize its own National Program. The Government has already taken actions for the immediate enactment of the "Financial Intelligence and Anti-Money Laundering Act 2002" and the "Prevention of Corruption Act 2002". It is anticipated that it will issue the necessary acts in order to ensure public bid opening of bids and publication of awards.

### 3. Outline of Recommended Action Plan

The system of public procurement and management, and the environment in which the private sector is evolving, have reached an acceptable level, and the present initiatives taken by the Government reflect its willingness to optimize the use of public resources.

The desirable improvements recommended by the mission are rather in line with the program that the Government has initiated, they mainly address the need to:

- (i) Elaborate a legal framework giving the necessary orientations for the drafting of procedures and completion of regulations;
- (ii) Standardize and computerize the procurement documentation, e.g. the bidding documents;
- (iii) Strengthen the regulatory role of the CTB;
- (iv) Train the staff in charge of public procurement at the level of all ministerial departments;
- (v) Integrate the ex-post review of procurement compliance in the audits; and
- (vi) Streamline and simplify the import procedures and review the economic performance and quality of imports carried out by the private sector and/or parastatal bodies.

**Measures to be taken by the public sector with regard to procurement** Measures need to be adopted at the following five levels: (a) the legal framework; (b) the practices; (c) the structures and capacities; (d) Controls; and (e) the appeals and anti-corruption measures, as well as prevention of money laundering.

(a) Legal framework A revision of the whole procurement legislation is recommended – The following measures are recommended:

- Issue procurement legislation in line with the guiding principles shown in Annex 3; and
- Integrate the provisions of the Central Tender Board Act 2000 and those of the Financial Management Manual in new legislation. Complete them on those points which are currently not regulated and cross-reference with all relevant related Acts, particularly those just enacted: The Financial Intelligence and Anti-Money Laundering Act 2002 and the Prevention of Corruption Act 2002.

(b) Practices Some practices are not in compliance with the World Bank Guidelines and do not correspond to International good practices – The following measures need to be adopted to enhance economy, efficiency and transparency.

- Issue instructions to ensure public bid opening of bids and publication of awards;
- Enhance the regulatory functions of the Central Tender Board (CTB) and made it clear that CTB should not conduct bid evaluation on the behalf of Technical Departments -- limiting its role to the oversight organization and clearing functions for large contracts;
- Issue standard documents including:
  - (i) Standard Bidding Documents (SBDs) for civil works, goods, and services and specific procurement as pharmaceutical, text books, commodities, supply and installation of complex industrial plants, lease contracts and concessions, and consultants services;
  - (ii) Pre-qualification documents;
  - (iii) Bid evaluation forms;
- Install a computerized procurement monitoring system;
- Introduce computerized data banks and other software with a view to gradually move to e-procurement.

(c) Structures and capacities Capacity of public sector staff is far above the average level. However, it is recommended to:

- Organize systematic training sessions for (i) staff dealing with procurement and (ii) private sector organizations.

(d) Control To enhance control it is recommended to take the following steps:

- Ensure that (i) annual audits include procurement post reviews which will deal with the performance of contracting authorities in applying procurement regulations and (ii) Departments/Ministries put in place a system to monitor and have consolidated data on all contracts/purchases below the CTB review threshold;

(e) Appeal and Anti-corruption Measures Recommended steps to be taken are:

- Formalize the appeal process currently practiced at the level of the Ministries/Departments and the CTB;
- Review the role of the Director of Audit Office, (i) with respect to the scrutiny of procurement processing, in compliance with the requirements of section 19 of the CTB Act 2000, and (ii) in connection with the provisions of the Prevention of Corruption Bill;

**Measures to be taken by the public sector with regard to commercial regulation and customs.** The quality of services in the import domain is globally satisfactory. The

review made it possible to identify a number of measures that would increase the efficiency of the system. The following changes need to be made in the regulations:

- Check the usefulness of current authorizations and delete those that bring no added value to the process or are obsolete;
- Connect Customs Services and Ministries information networks;
- Carry out an audit of STC to assess whether its procurement process meets the criteria of economy and efficiency;
- Facilitate access to training in procurement to the staff of private sector companies and parastatal bodies.

...

**Timetable and measures to be taken during the three annual PERLs**

<b>Triggers for the use of the PERLs</b>	<b>PUBLIC EXPENDITURE REFORM LOANS, PERL</b>		
	<b>CORE OF THE REFORM</b>		<b>FINE TUNING</b>
	<b>First annual PERL</b>	<b>Second annual PERL</b>	<b>Third annual PERL</b>
<p>Agree on Issuing a procurement legislation giving the necessary orientations for the drafting of procedures and completions regulations</p> <p>Adoption of a Fraud and Anti-corruption bill and a prevention of money laundering bill</p> <p><i>(see joint action plan and timetable by the Government and the WB)</i></p>	<ul style="list-style-type: none"> <li>- Strengthen the regulatory role of the Central Tender Board (CTB).</li> <li>- Issue instructions to ensure public opening of bids and publication of awards</li> <li>- Issue standard document including:               <ul style="list-style-type: none"> <li>(i) Standard Bidding Documents (SDBs) for civil works, goods, and commodities and specific procurement as pharmaceutical, text books, commodities, supply and installation of complex industrial plants, lease contracts and concessions, and consultants services;</li> <li>(ii) Pre-qualification documents; and</li> <li>(iii) Bid evaluation forms</li> </ul> </li> <li>- Ensure that annual audits include procurement post reviews that deal with the performance of contracting authorities in applying procurement regulations.</li> <li>- Review the function of the Director of Audit office, with respect to the scrutiny of procurement processing.</li> <li>- Require that Ministries/Departments keep consolidated data on procurement processes particularly for contracts below CTB review thresholds.</li> </ul>	<ul style="list-style-type: none"> <li>- Install a computerized procurement monitoring system.</li> <li>- Introduce computerized data banks and other software with a view to gradually move to E-procurement</li> <li>- Organize systematic training sessions for staff dealing with procurement and private sector organizations.</li> <li>- Check the usefulness of current authorizations and delete those that bring no added value to the process or are obsolete.</li> <li>- Carry out an audit of STC to assess whether its procurement process meets the criteria of economy and efficiency</li> <li>- Connect Customs Services and Ministries information Networks .</li> </ul>	<ul style="list-style-type: none"> <li>- Facilitate access to training in procurement to the staff of private sector companies and parastatal bodies</li> </ul>
	September -02	March -03	March-04
			March-05

## II MAIN REPORT

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## A- PREFACE

### 1. Date and Bases for Report

**Date of Report:** January 30, 2002

**Basis of Report:** This is the first report to be conducted in Mauritius, and is the result of a joint examination made by the Government and the World Bank. It is based on the analysis of work carried out by a Bank mission conducted by Mr. Slaheddine Ben-Halima, Senior Procurement Specialist who visited Mauritius on January 23rd 2002, and Mr. Bernard Abeillé, Regional Procurement Advisor who visited the island from January 23rd to February 3rd 2002.

The report includes conclusions from Ms. Mariette van Beek (Lawyer, Consultant), Mr. René Beckers (International Trade Specialist, Consultant) and Ms. Christine de Mariz Rozeira, (Economist, Consultant). The consultants' contribution was in the area of the legal and regulatory framework, practices and utilization of public contracts and the commercial regulation of imports.

The mission was able to meet with (i) staff responsible for procurement in various ministries, and in particular the big spenders of public funds and the MPI; (ii) the Director of Audit; (iii) the Central Tender Board (CTB) members; (iv) the chairman of the High Power Committee, HPC; (v) the members of the Public Accounts Committee, PAC; (vi) the customs and Port-Louis Port Authority; (vii) parastatals; and (viii) members of the business community including traders and importers, contractors and providers of consultancy services—see below the list of persons met. The mission was assisted on a day-to-day basis by Mr. Dhoorundhur (and his team) who was designated by the Government as the coordinating person for the CPAR.

### 2. Acknowledgements

The World Bank mission wishes to thank the Ministry of Finance, in particular Mr. Guptar, Director of Public Finance and Mr. Dhoorundhur, Principal Assistant Secretary in the Ministry of Finance, M. Baguant, Chairman of the CTB, Mr. Taujoo, Director of Audit, Mr. Duval, Chairman of PAC and also Mr. Beekarry, Deputy Attorney General, Chairman of the High Power Committee for their cooperation and their excellent work in organizing the deliberations and the meetings with the representatives of the parapublic and private sectors.

### 3. World Bank Team

	NAME	POSITION
<b>World Bank</b>	Bernard Abeillé	Regional Procurement Adviser
	Slaheddine Ben-Halima	Senior Procurement Specialist, TTL
	Mariette Van Beek	Consultant, Lawyer
	René Beckers	Consultant, Specialist on International Trade
	Christine de Mariz Rozeira	Consultant, Economist

4. List of the persons contacted**Representatives of the public sector**

Mr. K. Guptar	Director of Public Finance
Mr. Mohit Dhoorundhur	Principal Assistant Secretary
Mr. Rajun Jugurnath	Director of Management Audit Bureau
Mr. Madhukarlall Baguant	Chairman of the CTB
Mr. Dawood Zmanay	Vice Chairman of the CTB
Mr. J. Deville	Member Central Tender Board
Mr. D.M. Narain	Member of the Central Tender Board
Mr. N. Rozemond	Member of the Central Tender Board
Mr. D. Mannick	Member of the Central Tender Board
Mr. A. Doseeah	Member of the Central Tender Board
Mr. R. Thakoor	Member of the Central Tender Board
Mr. G. Bisasur	Member of the Central Tender Board
Mr. D. Rajah Gopal	Member of the Central Tender Board
Mr. N. Beekarry	Deputy Attorney General, Chairman High Power Committee
Mr. Moussa Taujoo	Director of Audit
Mrs. Philise Tse	Deputy Director of the Government Audit Office
Mr. Duval	Chairman, Public Accounts Committee
Mr. K. Naunkoo	Acting Head purchasing and supply Cadre
Mr. A. Mudhar	Chief Purchasing and Supply Officer
Mr. J. Ramsing	Principal Purchasing and Supply Officer
Mr. N. Bissessur	Deputy Comptroller of Customs
Mr. S. Gunnoo	Comptroller of Customs
Mr. Gerard Requin	Director of Pharmaceutical Services
Mrs. ML How Fok Cheung	Principal Assistant Secretary, Min. of Education and Scientific Research
Mr. R. Duva-Pentiah	Principal Assistant Secretary, Min. of Education and Scientific Research
Mr. G. Darell Hurree	Chief Engineer, Min. of Public Infrastructure
Mr. R. Maunthrooa	Chairman of Mauritius Ports Authority
Capt. W.T.C. Wong Chung Toi	Director General of Mauritius Ports Authority
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Mr. Aruna Bunwaree-Ramsaha	Finance Manager of Mauritius Ports Authority
Mr. Philippe Lam Loong In	Taffic Manager of Mauritius Ports Authority
Mr. Laulloo	Director, Wastewater Management Authority
Mr. Andatta Teelokee	Financial Manager of State Trading Corporation
Mr. Ravin Rao Dajee	General Manager of State Trading Corporation

**Representatives of the private sector**

Mr. Alain Bourdois	General Manager of Colas
Mr. Alan Sam-Soon	Envir. Consultant, Waste & Water Water Treatment
Mr. Azad Jeetun	Director of the Mauritius Employers' Federation
Mr. C. Brun	Manager Import Bills department, MCB
Mr. D. Martineau	Manager Loans& Guarantees Department, MCB
Mr. D. Ng Cheong Hin	General Manager of Danzas
Mr. J. E. Marion	Senior Manager of the Mauritius Commercial Bank Ltd.
Mr. JP. David Brink	Marketing Manager-Logistics of Freeport Operations LTD
Mr. Mahmood Cheeroo	S.G. of the Mauritius Chamber of Commerce and Industry
Mr. Mike Burman	Commercial Manager of Rehm- Grinaker
Mr. N. Merven	Director of IBL, Food and Distibution
Mr. Neil Potgieter	Managing Director of Rehm –Grinaker
Mr. Patrick Harel	Partner of S.I.G.M.A.- Ove Arup & Partners
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Mr. Pradeep N. Naik	Quality Control Manager of Ajanta pharma limited
Mr. Ramapee Gujadhur	Senior Manager of the Mauritius Commercial Bank Ltd.
Mr. Shirish Deshpande	Production Manager of Ajanta pharma limited
Mr. D. Ha Yeung	Partner, PricewaterhouseCoopers

**Borrowers Representatives**

Mr. Flavio Bello	Economic Advisor, European Union
Mr. John Loftus	European Union

## B. Background

### 1. Relevant Country Information

Mauritius' economic development continues to be considered as a success story in the Africa region. Since the last Country Assistance Strategy – presented to the Board in April 1997 – Mauritius experienced robust economic growth. GDP growth remained high averaging more than 5.8 percent per year between 1997 and 2000. While the immediate prospects are good, structural economic weaknesses have been exposed in recent years. There are important challenges and significant risks that Mauritius will need to address in the near future so the country can enter into its next phase of development and face the future with confidence. First, Mauritius' economic performance still relies on a fairly thin productive base: sugar, tourism and textiles. Second, large projected levels of public spending are putting pressure on the budget. Third, there continue to be persistent pockets of poverty, in spite of an expensive existing welfare system, which nonetheless fails to adequately protect the most vulnerable segments of the population. Unemployment is rising nationwide and has reached about 8 percent, with unemployment among women well above that of men.

**Table 1. Mauritius Key Economic Indicators**

	Period averages (fiscal years)				Estimates		Projection
	1981-85	1986-90	1991-95	1996-00	1999/00	2000/01 <sup>a</sup>	2001/02
GDP growth (% per year)	5.1	6.9	5.0	5.4	2.6	7.2	5.3
Non-Sugar gr. (CY)	4.2	8.1	6.1	6.0	5.8	5.9	..
Changes in CPI (avg - % per year)	7.8	8.3	6.6	6.2	5.3	4.4	6.0
Per Capita Income (US\$)	1,130	2,153	3,251	3,770	3,814	3,828	3,830
<b>Share of value added</b>							
Agriculture	15.7	13.9	10.4	7.9	5.9	6.3	6.5
Industry	27.0	33.1	32.6	31.5	31.6	31.2	31.1
Services	57.3	52.9	57.0	60.7	62.5	62.5	62.4
<i>As percent of GDP</i>							
Gross domestic investment	20.7	28.6	28.8	26.2	25.7	24.4	25.1
Gross domestic savings	18.8	25.3	24.3	24.4	23.7	25.3	25.3
Total revenue	22.4	23.3	20.1	19.6	20.4	18.3	18.3
Total expenditure	29.7	25.1	23.9	24.8	24.6	24.8	24.8
Overall fiscal balance	-7.4	-1.8	-3.6	-5.0	-3.8	-6.6	-6.5
External current account balance	-3.2	-0.6	-2.2	-0.9	-1.6	1.8	1.7
Total external debt <sup>c</sup>	52.5	39.8	37.2	42.4	41.1	38.7	39.4
Domestic debt (central govt.)	..	27.0	31.8	39.6	41.6	43.7	44.9
<i>Memo:</i>							
Exchange rate (Rupees/US\$)	12.7	14.1	17.1	23.9	25.5	27.6	30.4
REER (avg annual change) <sup>e</sup>	..	..	-1.3	1.9	5.8	2.8	-3.3
Gross foreign reserves <sup>d</sup>	0.6	3.2	4.3	3.1	2.9	3.3	3.8
GDP in US\$ millions	1117.9	2227.2	3527.4	4326.1	4423.8	4500.3	4537.3

Notes: (a) preliminary estimate; (b) for 1990 only; (c) includes ST debt, about 15 percent of GDP in 2000/01; (d) in months of imports; (e) Real Effective Exchange Rate, "minus" is depreciation. Also, CY denotes calendar years.

Source: Government of Mauritius, IMF and Bank estimates and projections.

**Table 2. Historical Expenditures (1995/96 and 2000/01) and Allocation for 2001/02**

As Percent of GDP	1995/96	2000/01	2001/02	Change in 2001/02	
				Total	o/w Capital
TOTAL EXPEND. (RECURR & CAPITAL)	23.8	24.3	25.2	<b>0.9</b>	<b>1.3</b>
<i>Community and social affairs</i>	<i>11.6</i>	<i>11.9</i>	<i>13.7</i>	<b>1.9</b>	<b>1.5</b>
Education	3.8	3.5	4.4	0.9	0.9
Health	2.0	1.9	2.0	0.1	0.1
Social Service & Welfare	4.1	4.5	4.6	0.1	0.1
Housing & Communities Amenities	1.3	1.7	2.2	0.5	0.4
Recreation & Cultural & Religious Affairs	0.4	0.4	0.5	0.1	0.1
<i>Other expenditure</i>	<i>12.2</i>	<i>12.4</i>	<i>11.5</i>	<b>-1.0</b>	<b>-0.2</b>
General Public Service	2.5	2.3	2.2	-0.1	0.1
Defense & Public Order	2.5	2.0	2.1	0.1	0.1
Fuel & Energy	0.0	0.0	0.0	0.0	0.0
Agriculture, Forest., Fishing & Hunting	1.3	1.1	1.0	-0.1	0.0
Mining, Manufacture & Construction	0.2	0.2	0.1	-0.1	0.0
Transport & Communication	0.9	1.0	0.7	-0.3	-0.4
Other Economic Affairs & Services	4.8	5.8	5.3	-0.5	-0.2

Note: The figures presented in the column for actual expenditures for 2000/01 relative to GDP match the budgeted allocations for that year.

Source: Government of Mauritius and Bank calculations.

### Imports Data (more economics data in part III volume II)

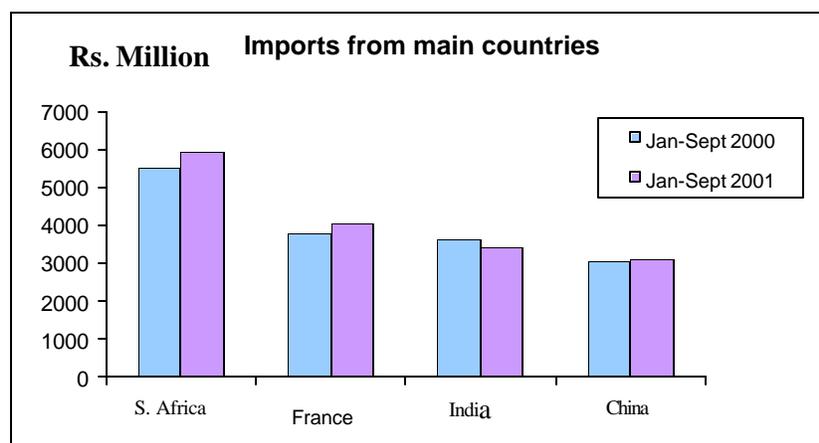
Mauritius is a member of various regional Customs organizations such as COMESA, SADC, and COI. Generally speaking, Mauritius has free imports. Port Louis is strategically situated in the heart of the Indian Ocean on shipping lines that link Africa, Asia and Australia. The port is of paramount importance to Mauritius and represents 99% of the country's imports and exports.

Annual Indicators	1996	1997	1998	1999	2000
GDP at market prices (MRs bn)	77,3	86,4	100,2	108,8	121,5
GDP (US \$ bn)	4,3	4,1	4,2	4,3	4,6
Real GDP growth (%)	5,7	5,5	5,6	3,4	8,6
Exports of goods fob (US \$m)	1,810.6	1,600.1	1,669.3	1,589.2	1,559.4
Imports of goods fob (US\$m)	2,136.3	2,036.1	1,933.3	2,107.9	1,953.3

December 3rd 2001, MRs 30,13:US\$1

The Mauritian private sector is well structured and does not only depend on public contracts for survival. It is estimated at 65% of the GDP, public contracts count for the rest.

The main countries exported to are France, South Africa, India and China (see table below):




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**Total imports of main commodities**

*Value (c.i.f.): Million Rupees*

Description	1999	2000 1/
Food and live animals	6 761	6 948
beverage and tobacco	527	369
Crude materials, inedible, except fuels	1667	1 654
Mineral fuels, lubricants & related products	4 046	6 450
Animal & vegetable oils and fats	569	455
Chemical & related products	3 882	4 260
Manufactured goods	17 036	17 570
Machinery & transport equipment	17 145	12 427
Miscellaneous manufactured articles	4842	4 710
Commodities & transactions	154	85
<b>Total imports</b>	<b>56 629</b>	<b>54 928</b>

1/ Provisional

Source: Central Statistics Office,  
FSC

The three major kinds of imports are machines and transportation vehicles, manufactured goods and food. The state company, STC is the first importer in Mauritius with an annual turnover of about 188 million dollars or about 10 % of total imports.

## 2. Bank portfolio in country (actual and planned)

	<b>Approval Date</b>	<b>Effective - ness Date</b>	<b>Closing Date</b>	<b>Net Com. (US\$mil)</b>	<b>Undisb. (US\$mil)</b>
Env. Sewerage & Sanitation	2/12/98	2/3/99	6/30/03	12.4	7.5
Financial Sector Infrastructure	4/4/00	7/24/00	6/30/03	4.8	2.2
Financial Sector Supervisory Authority	12/4/01	--	4/30/04	1.8	1.8
<b>TOTAL</b>				<b>19.0</b>	<b>11.5</b>

Planned are three annual PERLs in the amount of US\$40 million each.

## 3. Brief discussion on extend of government participation in CPAR

Upon arrival, the mission met at The Ministry of Finance with Mr. K. Guptar, Director Public Finance, Ministry of Finance, and Mr. Mohit Dhoorundhur, Principal Assistant Secretary. The mission was assisted on a day-to-day basis by Mr. Dhoorundhur (and his team) who was designated, earlier before the mission arrival, by the Government, to the World Bank, as the coordinating person for the CPAR. Therefore, the questionnaire to be filled out by the national team of persons involved in the procurement process, was sent to Mr. Dhoorundhur for communication to the national team. However, the latter did not have time to completely fill out the questionnaire before the arrival of the mission, but arrangements have been made to do it by mid-February.

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## **C. Discussion and Analysis of Findings**

Mauritius possesses a corpus of legislation and regulations that is remarkable for the region. It has made a credible effort to provide a framework of great transparency and accountability. Mauritius is also a model for the region in its procurement organization, training and equipping. It has an exemplary system of decentralized procurement coupled with centralized control by an independent Central Tender Board. Its record keeping allows for audit. In addition, it has strong institutional capacity. Indeed, the public sector counts many well-qualified people who fill the vacuum left by the procurement legislation with common-sense solutions. A checks and balances system in place: its audit system is working and the country is firmly committed to provision of a transparent climate where the general public can see and understand how public money is spent. However, some measures need to still be adopted to improve the current system as the legislative framework remains incomplete and there is an absence of formal procurement procedures.

Besides, the private sector operates satisfactorily, benefiting from a widespread network and modern commercial practices. The private sector is well organized and its volume of imports (65%) is higher than of the public sector (35%). However, as this report shows, measures must still be adopted in order to increase the public sector and private sector's efficiency and the transparency of its procurement processes.

### **Public Sector**

#### **1. Legal and Regulatory Framework**

##### **1.01 General recommendations to improve the legal and regulatory framework**

In view of the Government's stated wish to improve its current procurement system, the following general recommendations are made on the form and the scope of new procurement legislation.\*

- Complete the legislative framework and ensure that the new legislation is easily accessible.
- Prepare standard bidding documents
- Provide more choice and less discretion in the use of procurement methods
- Broaden the new procurement legislation's scope of application
- Increase thresholds to a more realistic level
- Provide for consistent application of procurement legislation
- Provide for a mechanism for review of procurement decisions

#### **Completion of the legislative framework and assuring its accessibility.**

##### **1.02 Topics not found in the legislation**

The legislation shows several lacunae. It describes who tenders or purchases, but not how. There are no specific rules concerning the methods to be used in case of international donor financing, when to use various procurement methods, what to do in exceptional circumstances, the required form of bidding documents, (pre)qualification of tenderers,

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\* Recommendations to change specific procedures and practices are found in chapters II, III and IV of this report.

public bid opening and publication of award, evaluation and contracting procedures, observance of time limits for various actions, or recourse of tenderers. There are no special rules on how to procure services of an intellectual and advisory nature, where the tender should emphasize quality rather than price. There are no special rules on how to tender for BOT or competitive grants of concessions, leases of public assets and similar private sector arrangements.\*\*

### 1.03 Legislation scattered

The current procurement legislation is distributed in various places and different entities are charged with its updating and amendments. The Financial Management Manual (the Manual is revised by the Ministry of Finance, the Central Tender Board Act 2000 falls under the aegis of the Prime Minister. Tender procedures are to be established by the CTB. The new Financial Services bill is supposed to address corruption, including corruption in procurement. Registration of contractors is done by the CIDB under separate legislation (see below in Chapter III).

#### **Problem:**

- Current legislation is incomplete and applicable provisions are scattered.

#### **Recommendations:**

- Make sure that Mauritius' legislative efforts fit in the framework of the COMESA plans, currently in an advanced stage, to draft new procurement legislation for the entire COMESA area.
- Integrate the provisions of the Central Tender Board Act 2000 and those of the Financial Management Manual in new legislation. Complete them on those points that are currently not regulated and cross-reference with all relevant related Acts (on nationality of companies, blacklisting, corruption, audit etc.).
- Favor the current model of a summary law such as the Central Tender Board Act 2000, but accompanied by extensive regulations.
- The law to be passed by the National Assembly, would determine who shall be responsible for the establishment and introduction of the necessary complementary regulations and procedures, and provide for a simple mechanism for updating and further elaboration of the regulations, for instance by the CTB.
- Introduce both Act and regulations at the same time.

## **Preparation of standard bidding documents**

### 1.04 Tender documents for works

For works, the Ministry of Public Infrastructure has developed various tender documents for national tendering that borrow from the model World Bank documents. The documents used are far from standardized. FIDIC is used for some large contracts. All other tender documents for works refer to the General Conditions of Contract which are based on the old East African model from 1965. Because they are so old, they have been open to interpretation and creative updating. According to contractors interviewed, there have been attempts to shift risk from

\*\* So far, the government has incorporated services, formerly provided by the government, into commercially oriented enterprises, such as the Road Fund, the Wastewater Management Authority and the Cargo Handling Corporation. There have been land leases to the private sector, both to hotels and in the harbor, and these were signed without any form of public tender. There haven't been any grants of concessions for service provisions for a fixed period of time to the private sector but interest in this form of private sector arrangement is expected to increase in the future.

the Government to the contractor, for instance the risk of mistakes in the government-made design, or the risk of changes in the (government's) tax regime.

#### 1.05 Tender documents for goods and services

No formal standard bidding documents for goods and services exist. Each ministry and public body prepares its own. Various editions of donor documents, sometimes further elaborated, circulate as well. For each tender, time is lost by tender committees 'reinventing the wheel' and prospective tenderers spending time reading documents to make sure the General Conditions haven't become special conditions.

##### **Problems:**

- Both the administration and the private sector are burdened with the review of ever-varying tender documents.
- Creative updating of General Conditions scares away serious contractors and increases tender prices of those still interested in bidding.

##### **Recommendations:**

- Prepare full sets of standard tender documents for goods, works and services, including sample requests for selective tenders, sample tender notices, invitations to submit proposals, pre-qualification documents, standard contracts, model evaluation reports for goods and works, model evaluation sheets for consultants' proposals, forms for submission of files to the CTB, sample award publication notices etc.
- Introduce standard tender documents together with the new procurement legislation, by formal legislation.
- Provide for updating authority of the standard tender documents, for instance by the CTB.

### **More choice and less discretion in the use of procurement methods**

#### 1.06 Use of appropriate procurement methods

The Manual does provide for more than one procurement method for low value tenders but is less than clear on what method of procurement is appropriate under what circumstances: Paragraph 30.4-21A through D basically leaves it up to an Accounting Officer or a Tender Committee to use direct purchase, selective tendering or open tendering as they see fit.

The Central Tender Board Act 2000 Act is rigidly numerical: all contracts above a certain value have to be tendered and reviewed by the CTB. The Act acknowledges no derogation to tendering, there is no possibility to use another method under any circumstances.

Neither the Manual nor the Central Tender Board Act 2000 specifies when international tendering is appropriate. Not addressed are how to deal with circumstances out of the ordinary, such as cases of emergency, where there is a limited number of suppliers/contractors, where copyright is held by one specific firm, when procuring art works, in case of military procurement etc.

**Problem:**

- The current legislation is inflexible and insufficiently takes into account unusual circumstances

**Recommendations:**

- In the new legislation, provide for open tendering as the basic method, then outline other methods of procurement and the specific circumstances under which they can be utilized as exceptions to this rule such as low value, exceptional circumstances (emergency), nature of the tender (defense articles etc.).
- Do not exclude whole categories from central review by CTB simply because tendering is not an appropriate method. Instead, provide for a variety of procurement methods for both low value and for major contracts, and let the CTB decide on a case by case basis whether it wants to review or not.
- Curtail the extreme discretion regarding choice of method of procurement of low value items, as found in the Manual.
- Specify when to use international tendering and establish international tendering procedures
- Provide that CTB can grant exceptions in case a method of procurement is patently unsuited to the tender in question.
- Provide for the CTB's ex-post review in case an emergency has prevented its earlier vetting and approval.

**Broadened scope of application for the new procurement legislation****1.07 Parastatal and local Government procurement**

Newly formed parastatal bodies that essentially carry out functions formerly entrusted to a ministry are not automatically subject to the provisions of the Central Tender Board Act 2000. Their procurement falls entirely outside the procurement legislation provisions unless they are specifically mentioned in the First Schedule to the Act. The Act operates on the principle of a positive list: only those listed are subject to its provisions. In some cases an omission from the Schedule is a political decision, in other cases an oversight.

There are no general rules for parastatal or local Government procurement below the threshold applicable to each. Most parastatals and local Government are believed to follow the same procedures as the ones prescribed by the Financial Management Manual for the central government, with a tender committee and relatively low thresholds for either direct purchase or request for quotations. As the threshold for review for parastatals and local government (ranging between Rs 10 and 25 million) is always substantially higher than the one that applies to the central Government, many of their contracts and even contract categories, such as consultants' contracts, never pass the CTB.

**1.08 Procurement in limited companies**

The Mauritius Government through its State Investment Corporation is majority shareholder in a small but growing number of commercial, limited companies such as Cargo Handling Corporation, Development Bank of Mauritius or SICOM. Procurement of limited companies in which the government has a majority participation or which benefit from transfers or subsidies from the budget falls entirely outside the scope of the procurement legislation,

because it is considered private rather than public procurement, notwithstanding the sometimes substantial sums of public money at stake.

**Problem:**

- The scope of the current legislation is restricted to part of public procurement. Procurement by parastatals and spending of public moneys through limited companies is not subject to any standards.

**Recommendations:**

- In the new legislation, to include a general definition of state enterprises or parastatals and a general statement of applicability of the legislation to all of them, unless they are specifically exempted (negative list).
- Draft guidelines for procurement procedures for both parastatals (for procurement below the review threshold applicable to them) for and limited companies in which the Government holds a majority share.
- Provide for both review and one-time approval by the CTB of a parastatal's internal procurement rules applicable to tenders with a value below the threshold.
- Provide for one-time review by the CTB of internal procurement rules for commercial companies in which the Government holds a majority share, to determine that minimum standards of openness are observed.
- Determine whether or what part of the new procurement legislation should apply to local authorities' tenders.

**Realistic thresholds**

**1.09 Thresholds for central review\***

The prior review threshold of Rs 1 million for central Government procurement, established less than a year ago, is unrealistically low. Given today's market prices for commonly used goods, even the purchase of a single vehicle is subject to the CTB's scrutiny, overburdening its services with low-value tenders. It has been suggested that a review threshold of Rs 2 million for goods, Rs 5 million for works and Rs 1 million for services would be acceptable for central Government procurement.

The threshold for central review of ministerial procurement is one-tenth of that for local authorities. It is between one tenth and one-twenty fifth of that applicable to some state enterprises and other governmental entities. These large differences are not well explained. The list of entities that have high threshold for CTB review seems eclectic. It is not obvious that the exemptions are based on procurement capacity of the entity concerned. For instance, when a ministry sets up a Fund or an Authority that from then on handles part of the activities formerly dealt with by that ministry, it is not self-evident that such a fund should benefit suddenly from a higher threshold than the one that used to apply to that ministry. It is also not evident that the Fund's procurement below the threshold of review should no longer be subject to any rules or central review.

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\* A threshold has two functions: it marks the point where one rather than another procurement method has to be used. And it marks the point where a tender has to be submitted to central review. The threshold for the central Government's method of procurement is currently Rs 200,000. Below that value, contracts are obtained through direct purchase or selective tender; above it, by open tender. The threshold for method of procurement in parastatals is not determined (see previous point).

### 1.10 Review when threshold is raised

Raising the review threshold for the central Government would streamline procedures. Though its prior review would be diminished, clear procurement legislation and standard bidding documents would prevent some of the aberrations that the current repetitive vetting of documents and award decisions are meant to spot. Uniform electronic reporting by all procuring entities and regular spot checks afterwards by the CTB would be another means to keep centralized control.

#### **Problem:**

- Thresholds are too low.

#### **Recommendations:**

- Study how many and what kinds of central Government contracts fall in the Rs 200,000 - 500,000 category and on the basis of those findings, determine whether the threshold for open tendering need to be raised to Rs 500,000 or Rs 1 million.
- Study the review threshold for local authorities and adjust accordingly.
- Raise the review thresholds for the central Government procurement of goods, works and services to realistic levels to prevent a glut of small tenders clogging the CTB's work program. Thereafter, decide annually whether to adjust them further.
- Maintain the review threshold for parastatals at their current level. Adjust them upward in case of demonstrated procurement ability (after adoption and observance of internal procurement rules, acceptable to the CTB)
- The new legislation need to provide for selective post-review of tenders (regardless of their value) by the CTB at any time during and after tendering.
- The new legislation ought to contain a prohibition to slice contracts for similar goods, works or services into smaller lots in order to avoid tendering and/or CTB scrutiny.

## **Consistent application of procurement legislation**

### 1.11 Supervision of the procurement process

The legislation charges different entities with the supervision of parts of the procurement process.

- The Minister of Finance is in charge of updating the rules in the Manual, including the thresholds that determine whether a contract has to follow tender procedures. The Manual is indeed updated every few years.
- The Prime Minister is given powers in the Central Tender Board Act 2000 to set the threshold according to which tenders have to be submitted to the CTB and to make other regulations. The threshold has been doubled in 2001.
- The CTB is entrusted with the establishment of appropriate tender procedures and the enforcement of the provisions of the Central Tender Board Act 2000. Article 19 of the Central Tender Board Act 2000 provides that the auditor of every public body shall state in his report whether major contracts have been referred to the CTB. Art. 7 (4) of the same Act further provides that where it comes to the knowledge of the CTB that a contract has been awarded or is about to be awarded in breach of the Act, the CTB shall forthwith report the matter to the Prime Minister, recommending such action as it may deem appropriate. Art. 20 provides severe penalties for the contravention of the Act.

### 1.12 Enforcement

The already summary provisions of the Central Tender Board Act 2000 are not necessarily observed. There is a consensus that some do not correspond to reality. For instance, the functions of the CTB are defined in art. 8 of the Act as -among other things- inviting tenders, receiving tenders and evaluating tenders. The CTB does indeed vet tender documents, but it doesn't advertise them. This is done in each beneficiary ministry. The CTB does receive and open tenders, but then both the technical and the financial evaluation of tenders is done by the beneficiary ministry. The CTB only reviews whether procedures have been respected and whether the recommendation of award, made by the beneficiary ministry, is supported by facts. The actual CTB role though not fully in compliance with the Act is what it ought to be and it is the opinion of the team that it ought to be pursued in the future.

However, more realistic provisions of the Central Tender Board Act 2000 are not observed either. The CTB is aware that many contracts, especially service contracts and contracts of certain procuring entities, are not submitted to it although they should be. Mechanization of reporting on procurement processes is likely to make the CTB progressively more aware, and at an earlier stage, of tenders that are not submitted to their review.

#### **Problems:**

- Respect for the Central Tender Board Act 2000 has eroded because its provisions are overreaching.
- Responsibility for updating and enforcement of procurement legislation is diffuse.
- In the last few years, the introduction, followed by the abolition, of the Public Procurement Transparency and Equity Act 1999 have caused the abolition and reestablishment of the CTB. A heavy workload combined with a general lack of support staff have prevented the CTB from concentrating fully on enforcement of the Central Tender Board Act 2000 and assertion of its authority.

#### **Recommendations:**

- In the new legislation, establish realistically which are the functions and tasks of each party involved in the procurement process (for instance do not give authority for evaluation to the CTB when such evaluation is actually carried out by beneficiary ministries).
- Enhance the regulatory functions of the Central Tender Board (CTB) and made it clearer that CTB should not conduct bid evaluation on the behalf of Technical Departments -- limiting its role to the oversight organization and clearing functions for large contracts;
- Determine who shall be the principal authority in charge of supervision and enforcement of the new legislation
- Enforcement of procurement legislation ought to be done at two levels: first by reaching consensus (by means of education, workshops and circulars) with various procuring entities that central review by the CTB can add valuable insights to the tender and in any event, is required by law; and then by actual use of section 20 of the Central Tender Board Act 2000.

## **Review of procurement decisions**

### 1.13 Review of procurement decisions

Review of bidders complaints is not addressed in the legislation. In practice, protests and complaints are at first instance addressed to the procuring ministry. Bidders who were not awarded the contract may, and do, use this opportunity to discuss the reasons they lost with the ministry. This may be their only way to find out how their bid price compared with that of other bidders. The ministry sometimes refers the complainant to the CTB for debriefing. In case the explanations of the ministry and the CTB don't satisfy a bidder, he may bring his dispute to the Mauritian courts which may take several months to decide but are perceived as fair and reasonably expeditious.

### 1.14 CTB's potential conflict of interest

If the CTB continues to debrief complaining bidders and offer a voluntary and non-binding mediation service to complaining bidders, public bodies and non-bidders who (initially) want to avoid litigation, it might be called upon to review its own earlier decision or approval of an award. For this reason, seeking the CTB's intervention would be voluntary and would in no way stand in the way of a bidder seeking conflict resolution through litigation, either after consulting the CTB or right away.

#### **Problem:**

Tenderers have no formal remedies.

#### **Recommendation:**

- Formalize the current practice to deal with bidders' complaints: review by the procuring entity and if desired also by the CTB; and/or judicial review. Each should take place within a defined, short period of time.
- A bidder's complaint would trigger an automatic suspension of procurement proceedings for no more than seven days, after which the procuring entity could proceed with the award, signature and execution of the contract and the complaining bidder could sue for damages.
- The Solicitor General's office need to review whether specific legislation could prevent a complaining bidder from obtaining an injunction preventing the procuring entity from signing or executing a contract, in the absence of alleged fraud or corruption.

## **2. Procedures and practices**

### **Coherence of procedures and practices**

2.01 In the virtual absence of (formal) procedures, procuring entities have invented practices with which to fill the void and none of these can be said to be illegal, just creative. The fact that the practices are not more diverse or disjointed is due to the strong centralization of the Mauritian procurement system, notably:

- The very low threshold for central review by the CTB has actually had a unifying effect on the application of procurement practices in Mauritius.
- A centrally trained stores/supplies officer (see Chapter 3) is part of every tender committee.

- All works, except very minor ones, are procured centrally by the Ministry of Public Infrastructure (MPI) on behalf of beneficiary ministries.

### **Improvement of procedures and practices**

2.02 Volume II outlines the various procurement procedures and practices found in Mauritius. Although many are generally satisfactory, a number of them need to be improved to enhance fairness and transparency of the procurement process.

**Problems:**

- Some procurement practices are neither economic nor efficient, or not in accordance with recommended best procurement practices.
- Preference for national tenderers has turned into active discrimination of foreign tenderers and protection of national monopolies.
- Form and extent of blacklisting is left to the discretion of the Administration
- The draft new CIDB legislation is supposed to address blacklisting of construction companies CIDB. If so, blacklisting of suppliers and consultants remains largely unregulated.
- The draft new CIDB legislation would also provide for registration and payment of fees as pre-requisite for participation to tendering for supply or services.
- Some procurement is reserved for Government-owned or related enterprises.
- Evaluations are carried out taking into account criteria not stated in the bidding documents,

**Recommendations:**

- Computerize procurement planning in the whole government.
- Study how to encourage joint purchasing of common user goods such as computers, cars, furniture, in order to benefit from price rebates.
- Establish clear rules on how to handle/release performance security and retention money.
- In the new legislation, establish detailed rules for the procurement of consultants' services, which allow evaluation on the basis of quality.
- As long as the CTB still receives tenders, it needs to equip itself with an adequate number of boxes or make other arrangements to be able to receive and securely store all tenders for a single contract in one box, separately from tenders for other contracts.
- Pursuant to his authority under the Central Tender Board Act 2000, the Prime Minister needs to direct the CTB, ministries and other public bodies to open all tenders in public, in the presence of all tenderers who have submitted a tender and are interested in attending; include in tender documents the time and place of bid opening and an invitation to attend; and publish awards of a tender in the same manner that tender was originally published
- Include rules on pre-qualification in the new legislation.
- Mauritian industry doesn't need protection from outside competition beyond a margin of preference for local suppliers and contractors. Instead: invite international bids for the supply of goods while demanding evidence of service capacity in parallel; and for works while requiring use of local, unskilled labor in parallel; and start registering foreign construction companies and allow them to establish themselves in Mauritius and to bid on *Government contracts*.
- Regulate blacklisting of all tenderers, by the CIDB or another entity – maybe the CTB – while observing the following minimum requirements: Blacklisting should be done on the basis of specific offenses (such as breach of contract, bribery etc.) rather than on the basis of such elastic terms as “lack of satisfaction”; there should be an objective finding of the offense, or a conviction by an independent entity; and blacklisting should be for a stated period of time.
- Allow participation to tendering even for those firms not already registered with CIDB under the condition that only if successful the bidder will complete the registration formalities.

- Carry out a study to determine: how many contracts a year go to DWC, for what kind of work and for what kind of amounts; whether DWC doesn't compete unfairly with small contractors that would like to establish themselves but cannot match the terms that the DWC - with the benefit of subsidized wages - can offer; and whether the blanket exemption from procurement rules to DWC is still justified.
- The CTB would give priority to examination of evaluation criteria when vetting documents, to assure that they are quantifiable.
  - . Use of the World Bank's standard bid evaluation forms, in anticipation of national standard bidding documents being developed.

### **3. Organization and resources**

#### **Model for the region**

3.01 Mauritius is a model for the region in its procurement organization, training and equipping. It has an exemplary system of decentralized procurement coupled with centralized control by an independent Central Tender Board. Its record keeping allows for audit. The public sector counts many well-qualified people who take their responsibilities seriously and fill the vacuum left by the procurement legislation with common-sense solutions.

#### **Tender committees**

3.02 Procurement above Rs 20,000 is handled by a ministerial or departmental tender committee. Tender committees consist of three high level civil servants: the Accounting Officer or his deputy, the Chief finance officer and the Chief stores officer.

- A Chief Accounting Officer is the permanent secretary of a ministry (as distinguished from the Minister who is the political head).
- A Chief Financial Officer is posted by the Ministry of Finance to serve the accounting officer in a ministry or department and act as his/her financial advisor
- A Stores officer is posted by the Ministry of Finance to serve the accounting officer for the management of stores and supply function.

#### **Stores officers**

3.03 In the Manual they are still called stores officers but an effort is underway to recognize the evolution of the 'purchasing and supply cadre' from guardians of the Government's assets to procurement professionals. Purchasing and supply officers are civil servants recruited, trained and paid by the Ministry of Finance which places one or two of them in every ministry and departments - not in parastatal bodies or local authorities. In addition to their traditional function of inventory control and disposal of Government assets, they are now oriented more and more towards supply, i.e. procurement. A purchasing and supply officer is a member of every tender committee.

#### **Training of stores officers**

3.04 Mauritius is in the process of creating a professional corps of procurement specialists. There are currently about 350 purchase and supply officers, the aim is to have 400. As a minimum, purchasing and supply officers have a high school diploma and at least four year's

civil service as clerical officers before being recruited. They are subsequently trained in the Ministry of Finance and are not posted until they have obtained their certificate. After that, they tend to stay in their job where they can be promoted several grades.

Currently training of stores officers is suspended in anticipation of an upgrade of the function – under consideration at the Ministry of Civil Service Affairs – and the publication of new procurement legislation. Meanwhile, the head of the purchasing and supply cadre is discussing the development of a curriculum for a higher-level certificate, or even a degree-level course in procurement with the University of Technology of Mauritius. The various modules of the curriculum would cover such topics as inventory control, economics, business law and management.

**Problems:**

- The importance of the purchase and supply cadre in the procurement process is not sufficiently recognized.
- The training of stores officers is assured by the Ministry of Finance. For that reason, their training tends to concentrate on the regulations found in the (Ministry of Finance's) Manual for low value procurement.

**Recommendations:**

- The new curriculum for purchasing and supply officers should provide training in procurement regardless of value.\*
- In anticipation of the new legislation, training of purchasing and supply officers could concentrate on courses in computerized procurement planning and reporting.
- Once put together, the training course for purchasing and supply officers, or some of its modules, would be made accessible to other persons dealing with procurement such as the Internal Control Cadre, the CTB and procurement staff in parastatals and local authorities.
- The function of a fully trained purchasing and supply officer needs to be upgraded and rewarded in recognition of its importance.
- The reports of purchasing and supply officers would be standardized according to a model agreed upon with the CTB, and copied by electronic means to CTB.

## **The Central Tender Board**

### 3.05 CTB organization

The CTB's seven members are appointed by the President of the Republic, after consultation of both the Prime Minister and the Leader of the opposition in Parliament. At the beginning and end of their (renewable) three-year mandate, they have to declare their personal assets and explain important increases or decreases.

The Central Tender Board Act 2000 provides for a quorum of three and majority voting. In practice, the CTB tends to decide by consensus. The CTB is paid out of public funds. Although the Central Tender Board Act 2000 mentions the possibility of charging user fees for its services, the CTB feels that the time is not yet ripe.

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\* It should include topics such as procurement planning and tracking, eprocurement, the procurement of consultants' service and the use of standard evaluation forms. Those who work on the training syllabus might want to check with the World Bank's Washington head office to see what is already available in that area.

### 3.06 Scope of CTB's current function

CTB is flooded with review of low-value procurement that takes much of its time and attention. Contracts of less than Rs 10 million are thought to provide well over half of the CTB's work but precise figures are not available. The larger tenders tend to come from three ministries: Public Infrastructure, Public Utilities and Health. There are maybe two to three dozen tenders at most from state enterprises each year, a small number of the total that is seen by the CTB, but they tend to be of high value.

Altogether, tenders in an aggregate approximately value of Rs 6 billion pass the CTB each year. It is not known what percentage of total Government procurement this represents. In fiscal 2001, the CTB held about 300 meetings, to consider about 1500 tenders. Due to a lack of procurement planning within the Administration and subsequent bunching at the end of the fiscal year, it may currently take about a month to get the CTB's decision.

### 3.07 Vetting, bid opening and review of award proposals

The CTB intervenes three times in each tender: vetting of procurement notice and bid documents, receiving and opening of tenders, and review of award proposals. Although article 8 of the Central Tender Board Act 2000 Act states that all tender documents shall be vetted, actually about 500 bid packages out of 1500 tenders were reviewed in fiscal 2001.

The added value of bid reception and opening by the CTB is questionable. As both tendering and evaluation are done by the beneficiary ministry, there is no real reason why that ministry wouldn't receive bids and open them itself, provided the necessary safeguards on security and openness are observed.

CTB reviews of award proposals take place without the presence of the beneficiary ministry. Annually, about 50 of those meetings necessitate further follow-up in the form of conferences with the tendering ministry.

### 3.08 Expertise

Although the seven members of the CTB are well qualified, they are said to lack the specialized technical expertise to understand tenders in the medical and engineering field. The Central Tender Board Act 2000 provides that they may seek outside expertise but this is not often done.

### 3.09 New functions for CTB

In addition to its current review function, there are three further functions in the:

- regulatory,
- administrative and
- remedial field

that are directly connected with the CTB's current mandate under the Central Tender Board Act 2000.

### 3.10 Regulatory function

The CTB is best placed to:

- Direct a request to change the new legislation to the Prime Minister, when necessary.
- Establish appropriate tender procedures and regulations, amend the regulations and the standard bidding documents.

- Take an active role to ensure compliance with the procurement legislation. See (para.1.27 of this report)
- Commission post reviews and procurement audits.

### 3.11 Administrative function

Although raw data on procurement is available, there is no place where consolidated procurement record are kept and there is no central review and analysis. The CTB is best placed to become a center for the collection, analysis and diffusion of procurement information.

- Collection. The CTB itself possesses a wealth of information on procurement. In addition, it should gain access to the information currently kept in ministries. Because of lack of mechanization, these data are not kept in an easily accessible way and do not allow statistical analysis or dissemination. Ministries keep records of capital expenditures. There are internal audit reports of ICC staff that touch on procurement. Purchase and supply officers keep records on all tenders, regardless of size, and reports on modifications. Some draft completion reports for each tender, keep an overseas purchases register and inventory lists for each office.
- Analysis. The CTB would take stock and analyze data on existing suppliers, contractors and consultants, and various prices paid for similar goods by different procurement entities. These data would be completed over time with commercially available data on current world prices and information on potential suppliers, contractors and consultants.
- Diffusion After analysis, data would be made accessible to all tenderers, first on paper, later in electronic form. The CTB would also prepare an annual report on the state of procurement for the National Assembly, including recommendations for changes in the law.

### 3.12 Remedies

The CTB would debrief complaining bidders and offer a voluntary and non-binding mediation service to complaining bidders, public bodies and non-bidders who (initially) want to avoid litigation, as outlined in paragraph 1.13 above.

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#### **Problem:**

- The CTB's workload is such that its work risks becoming quantitative rather than qualitative.
- Funding to create the necessary framework of information and knowledge in support of the CTB's work is not available.

#### **Recommendations:**

- The CTB's status, entirely independent from any of the ministries it has to supervise is a feature worth preserving.
- Retain the CTB's function of document review and review of evaluations and award proposals. · Transfer the responsibility for bid reception and opening from the CTB to tendering ministries or other entity. Provide that a member of the CTB may be invited to attend bid opening.
- Once thresholds are raised and bidding documents are standardized, the CTB would establish internal guidelines which would limit its vetting of bidding documents and review of evaluations to large-scale or specialized tenders whereas for the smaller contracts within the CTB's purview, a notice that standard documents and procedures have been used would suffice.

- Provide that the project manager in the beneficiary ministry may attend the CTB review meetings of the tender he/she helped prepare, in order to answer questions and to be fully aware of the CTB's comments.
- When vetting specialized tenders, CTB would be able to hire outside expertise, if necessary. It should have an adequate budget to do so.
- Study whether the number of CTB members actually involved in review of tenders could be reduced. A smaller number of CTB members, supported by outside experts where necessary, might be adequate.
- Provide that the CTB may audit the procurement process of a tender at any time.
- Add the regulatory, administrative and remedial functions to CTB's specific attributes.
- Determine what internal information on procurement is available and could be useful for statistical analysis. Provide for the obligation to provide data to the CTB by various persons in the administration, notably the purchase and supply cadre.
- Computerize various procurement data now kept by hand such as ledgers for tenders. At the CTB, set up a computerized system of statistics, databank and reporting to allow for analysis.
- At the CTB, set up a computerized system of statistics, databank and reporting to allow for analysis.
- Currently, the CTB has a secretary, but no real secretariat. Revise the internal administrative organization of CTB to provide for adequate staffing to undertake the new regulatory and administrative functions.
- Regularly inform procuring entities on new developments and the results of analytical work, by paper or electronic means.
- Issue circulars or regular newsletters to the private sector, to ensure that the latter is kept informed of the practices to be followed by the administration. The circulars would be accompanied by regular information meetings with both the public and the private sector.
- Conduct a study on how to introduce a change from paper-based procurement to e-procurement.

## 4. Audit

### 4.01 Internal and external audit

A succinct description of Mauritius' public accounting practices is found in two World Bank notes, of September 1998 and November 2001. Both notes are attached to this report. Together they describe a very comprehensive system of audit by the:

- Internal Control Cadre for internal audits
- Director of Audit for external audits.

### Internal audit

#### 4.02 Internal Control Cadre

Chapter 4 of the Financial Management Manual describes Mauritius' internal control and internal audit principles in detail. The Ministry of Finance posts internal auditors, members of the Internal Control Cadre (ICC) posted in all ministries and departments. The Ministry of Finance also pays, promotes and reassigns them. ICC staff's mandate includes evaluation of compliance with laws and regulations pertaining to the objectives of the ministry or department where they are placed. They are directly accountable to the supervising officer (the Accounting Officer, who may be the Permanent Secretary) in the ministry or department where they are posted. The latter reviews the ICC reports and recommends follow-up action.

ICC staff is trained by the Internal Control Unit within the Ministry of Finance. The Unit's remaining twelve qualified trainers train around sixty civil servants who do not necessarily have an auditors' background.

The **internal audit** function has changed since May 2001 (following MoF Circular No 6 of 2001) when senior officers previously assisting the Chief Internal Controller in supervisory works have been posted to the larger Ministries and Departments. Internal Control Roving Teams are covering smaller organizations. It has become a management tool for Accounting Officers in the administration of the respective Ministries and departments in the pursuit of value for money. Officers of Cadre who are in charge of Ministries and Departments now report progress to the ICC and seek guidance, only whenever required. The Internal Control Cadre (ICC)'s function is presently mainly focused on pre-service and in service training. The Director of Audit has drawn out attention to the fact that there should be no parallel audit which may be unconstitutional. The setting up of the new system and reporting to the Accounting Officers are in accordance with recommended auditing standards.

#### 4.03 Auditing of tenders

Section 19 of the Central Tender Board Act 2000 provides that "The auditor of every public body shall, in his annual report, state in his report whether sections 5 and 7 of this Act have been complied with." i.e. the obligation to consult the CTB in case of a major contract. ICC staff does indeed check whether thresholds are respected. Otherwise, pre-award auditing is non-existing; so is post-award auditing. Internal audit reports do not address the issue of value for money. With regard to procurement it is currently rather difficult to find comprehensive data enabling to compare consolidated figures showing the numbers of contracts per ministry, for what amounts and what procurement method was used. Nevertheless, and as per financial regulations, it is for the Accounting Officers of

Ministries/Departments together with the Purchasing and Supplies Cadre who should institute appropriate systems of management information for their respective Ministries/Departments.

**Problem:**

- Comprehensive and consolidated data -- showing the numbers of contracts per ministry, for what amounts, what procurement method was used and to what extent the procedure was adequate -- is not readily available in Ministries/Departments.

**Recommendations:**

- Design a format for both pre- and post-award procurement audits and integrate it in the yearly work programs of the audit.
- Accounting Officers of Ministries/Departments together with the Purchasing and Supplies Cadre would institute appropriate systems to monitor procurement process as part of management information for their respective Ministries/Departments.
- Consider auditing of a sample of pre-award tenders, by outside auditors.

**External audit**

4.04 Director of Audit

The office of the Director of Audit is established by the Constitution. Further details are worked out in the Finance and Audit Act of 1982. The Director of Audit (sometimes referred to as the Auditor General because his function is comparable with the Auditor General in various Anglophone countries) is nominated by the Public Service Commission after consultation with both the Prime Minister and the Leader of the Opposition. He is not subject to the direction or control of any person or authority. His audits are carried out on behalf of the National Assembly of Mauritius.

The Director of Audit and his extensive, competent staff are housed in a modern, computerized office. The Director is very well aware of developments of similar general accounting offices in other countries such as South Africa and Canada. The Director of Audit's office is financially independent. There is a limited budget to perform surprise visits and to obtain outside technical expertise. For instance, when investigating whether construction materials are of the desired quality, the Director of Audit has consulted the University of Mauritius' civil engineering department.

4.05 Mandate of Director of Audit

The Director of Audit's mandate includes making sure that all public funds disbursed by the central and local government, and by statutory bodies (parastatals) are applied to the purpose for which the National Assembly intended them and that all laws, directions and instructions are followed by public officers. The audits concentrate on identified risk areas; public procurement is one of them. Although procurement is one of the avowed priorities for audit, the Director of Audit does not audit the pre-award stage of procurement. This is left to ICC staff. Audits are carried out on contracts, regardless of the source of their financing. For instance, audit of World Bank financed projects may be conducted in parallel with those of private sector auditors.

4.06 Audit of limited companies

Limited companies set up under the Companies Act 1994, where the Government is the majority share owner, such as for example the Port Authority, the State Investment

Corporation and the National Housing Development Company, are audited by outside auditors pursuant to the Companies Act, not by the Director of Audit, although considerable amounts of public money are at stake and outside auditors do not look at issues with the government principle of value for money in mind.

#### 4.07 Audit reports

The Director of Audit's findings are described in extensive and frank annual reports, submitted to the Minister of Finance, who passes them on to the National Assembly. Presentation of reports through the Minister of Finance instead of directly to the Assembly is an anachronism but changing this practice would involve a change of the Constitution. After being sent to the National Assembly, the reports are also published on the internet: [www.gao.gov.mu](http://www.gao.gov.mu) or [www.mcb.lntnet.mu](http://www.mcb.lntnet.mu) where they receive a fair amount of scrutiny from the general public.

#### 4.08 Response to Director of Audit's report

In the future, the Director of Audit envisages that he will cooperate actively with the newly created anti-corruption agency in pursuing irregularities but currently, the Director of Audit has no powers to ensure that his recommendations are acted upon; he is limited to acting through others. Follow-up on the Director of Audit's findings is currently done by

- the administration itself, both through genuine internal efforts and through the recent establishment of an informal monitoring committee within the Ministry of Finance whose task it is to follow up on the recommendations of the Director of Audit and the Public Accounts Committee (see below) This initiative a new, it is not known what impact it will have.
- the public at large, including Mauritius' free and outspoken press that has access to various Government reports and writes extensively on perceived excesses.
- the Public Accounts Committee.

#### 4.09 Public Accounts Committee (PAC)

The PAC, created by Standing Orders of the National Assembly in 1995, has a membership of 10, including its Chairman. Its nine members are Members of Parliament, representatives from both the sitting government and the opposition parties. They are selected for five years. Its Chairman is the Speaker for the opposition and elected for five years as well, or until the Government changes.

PACs mandate is to examine the Government's audited accounts laid before the Assembly, together with the Director of Audit's report thereon, and report back to the Assembly. The PAC chooses the issues that it wants to examine by consensus. So far, it has concentrated on ministries, local authorities and some issues of general interest. Parastatals (most of which are audited by the Director of Audit) may be reviewed at a future occasion. Majority government owned companies which are not audited by the Director of Audit fall outside the mandate of the PAC as well.

The PAC interviews civil servants whereby the Director of Audit acts as its advisor. Sometimes it investigates by means of a commission of inquiry. The PAC meets every week. It publishes reports at irregular intervals. The current PAC has managed a report every six months which is freely available. The PAC is considering putting future reports on the Internet. Its findings, and the press coverage those generate, guarantee a form of follow-up on the Director of Audit's report.

**Problems:**

- The Director of Audit's mandate is too narrow.
- Follow-up on the Director of Audit's report is largely determined by political expediency and public opinion.

**Recommendations:**

In order to maintain its current high level of performance, the office of the Director of Audit should continue to receive an adequate budget to provide sufficient incentives and training of its staff and to have its investigative/forensic function strengthened with technical expertise.

The mandate of the Director of Audit would be broadened to give him access to and the right to comment on audits, carried out by private sector auditors in accordance with the Companies Act and the Statutory Bodies (Accounts and Audit) Act, of the accounts of limited companies in which the government has a majority interest.

Once the mandate of the Director of Audit has been expanded to review of the audits of government majority-owned limited companies, the mandate of the PAC would mirror this expansion as well.

- The Director of Audit would cooperate with the CTB in setting up a system of blacklisting of those firms found to have engaged in corruption or to have shortchanged the Government in one way or another.
- Carry out a study on how the Director of Audit could take a more active role in follow-up of his own recommendations.

**5. Public sector performance****Consensus building through consultation of the private sector and civil society**

As soon as the private sector is perceived as involved (for instance with the registration of contractors), the Government has shown great openness to involvement of the private sector. The CIDB, with its membership from both the public and the private sector, is an example for the region. The presidents of the Managers Federation and the Chamber of Commerce are consulted regularly by the Ministry of Finance on economic legislation.

All the more striking is that the HPC does not count members of the private sector among its members, especially in the light of the recent history of procurement law. One can only speculate that this is an oversight resulting from the perception of procurement as storekeeping: a government-internal exercise, rather than a partnership between public and private sector.

**Problem:**

- So far, the private sector has not been consulted on the new procurement legislative process.

**Recommendations:**

- In order to guarantee success with the introduction of the new law – invite formal comments from the private sector on the HPC report and later on the draft legislation, before going forward.

- Carefully plan introduction of the new procurement system, through public and private sector seminars and workshops

### Self policing

Transparency alone doesn't suffice to guarantee reduction of corruption. It should be coupled with a commitment to accountability. A government is committed to uphold its own laws and to implement the rules in place. With the information at its disposal in the various audit reports, findings of the PAC and press releases, it is up to the Government to take a more active role to ensure -through internal measures, financial pressure or in conjunction with the Attorney General's office - that its rules are respected and that irregularities noticed by the CTB, internal auditors, the Director of Audit, the PAC and the press are followed up on.

#### **Problem:**

- All parties need to be involved in the reform process.

#### **Recommendation:**

- In the framework of discussion of the HPCs recommendation, organize a workshop with representatives of the Director of Audit's office, the CTB, the PAC and representatives of civil society to determine how enforcement of the current legal framework can be improved.

## 6. Performance on Bank -Assisted Projects

6.01 The performance of projects financed by the Bank is satisfactory on the whole. Nevertheless, public contract management performance suffers from inadequate computerization. Thus, certain projects have been hindered by insufficient computerized activity and coordination between benefiting entities. Key questions concerning the project need to be asked before the project's implementation and computer capacity should be evaluated before the project is launched.

Recapitulation of the data for the seven Bank financed projects:

Project Name	Sector	Tot. com (\$M)	Project FY	Closing date	Outcome/Achievement of Objective
Tech Asst.	Finance	13.3	1994	1999	HS
Environ Monit & Dev	Urban Development	12.37	1991	1998	S
Agric Services	Agriculture	6	1991	1998	MS/MoS
Sugar Energy Development (L3458)--PAR	Environment	6	1992	1996	MS
Education Sector (ESDP)	Education	77.41	1993	1999	MU
H&T Education (HTEP)	Education	3.1	1995	1999	U
Ind and Vocat. Training (IVTP)	Social Protection	7.7	1992	1999	U

( HS= Highly Satisfactory, S= Satisfactory, U= Unsatisfactory, MoS= Moderately Satisfactory, MS= Marginally Satisfactory, MU= Marginally Unsatisfactory)

6.02. It appears that whether it pertains to a public contract financed by the Bank or a public contract directly financed by the government then the selection criteria are more respected in the first case than in the latter. This is explained by the efficient supervision of the Bank in its role of fiduciary control and who requires a before and after financial and technical of the Borrower's decision in contract attribution.

## **7. General Risk Assessment**

Overall, Mauritius' procurement regulations and practices provide a favorable environment for the implementation of projects financed by the Bank and other donors. The first risk is that the new procurement legislation will not be written. This risk is considered small – the previous government made a credible effort and the current one has, for its own reasons, taken up the challenge to do even better, and has nominated the HPC as a first step. The second risk is that the various legislations enacted or in force so far will entail contradictory provisions between them on the one hand and new legislation on the other hand. This is an issue that has been raised with the HPC and it was agreed that the new legislation need to pay special attention to provisions that tie-in with the other legislations/regulations such as: the CTB Act, the Financial Management Manual, the CIDB Act, The Financial Intelligence and Anti-Money Laundering Act 2002 and the Prevention of Corruption Act 2002, as well as the role of the Director of Audit Office. Lastly, the third risk concerns the relation between the new legislation and the COMESA. Mauritius' legislative efforts need to fit in the framework of the COMESA plans currently in an advanced stage to draft new procurement legislation for the entire COMESA area.

## **8. Recommended supervision plan and identification of unacceptable practices for use in Bank-financed projects**

Given the overall satisfactory assessment of (i) the performance of the projects financed by the Bank and (ii) the procurement environment, supervision would not be required for more than the regular and usual half year periodicity. Moreover, experience has shown that the majority of the contracts financed under Bank projects were subject to prior review, given their size and number.

As to the unacceptable practices, there are two issues: (i) if no changes are brought to the current practices, then no contract can be financed unless the bids were opened in public and the award published; and (ii) another potential contentious issue relates to the draft CIDB (registration of Consultants and Contractors) Act, which would mandates the prior registration with and payment of fees to the Board as a pre-requisite to the participation in any tendering in Mauritius. Every effort should be made to avoid such provision to materialize in the final draft. Alternatively, a provision would be included to enable those who are not registered to participate in the tendering, and only when they are awarded the contract would they be required to complete the registration formalities.

## The Private Sector

### 1. Competitiveness and Participation of Private Sector

The private sector in Mauritius is well structured and does not only depend on public contracts for survival. It is estimated at 65% of the GDP, public contracts making up the rest. The informal sector does not appear to threaten certain imports belonging to the «structured» sector.

#### The presence and participation of the private sector.

Equipment and construction companies exist, and service practices are well established in Mauritius and participate in bidding. The private sector deplors the lack of coherence on the part of the administration when it takes part in bidding. Generally speaking, consultants complain about CTB's lack of authority in awarding consultant contracts ; on the other hand contracts are often awarded to companies from a short list based on references and competence. For small contracts, this is not always the case as contracts are often awarded through personal relations without any reasons given.

#### Bidding for State supplies imports.

Government imports are subject to the same regulations as those in the private sector, namely presenting the same documents as for normal imports; they are also subject to customs and taxes that are debited directly from the concerned Ministry to the Ministry of Finances.

Some of the island's larger importers will not participate in bidding for supplies for the following reasons: they prefer to work with the private sector which is highly developed in the island because of joint interests between their various shareholders and clients. They do not feel they need public contracts to increase their business. Other importers complain that contracts at unbeatable prices are awarded to small importers who do not supply the necessary quantities to be competitive and then come to an agreement with the administration in order to obtain the compliance certificates, that do not reflect the reality of the order, thus showing a lack of transparency in supplies' contracts. Many small supplies are sold by private contract or through restricted consultation by fax with no real controls.

#### **Inherent problems in bidding:**

- Reductions leading to low prices lead one to suspect that the successful bidder made an incomplete delivery.

#### **Recommendations:**

- More transparency is advisable.
- Progressive elimination of private contracts except perhaps for small orders on the condition that a price sheet is presented by the suppliers to be readjusted every 6 months.
- Better coordination of government orders to be grouped into a coordinating entity: group orders together in order to receive better prices for the desired quantities.

- Have all government supplies orders inspected by an inspection company before embarkation for quantities and quality.

## **2. Performance on public procurement contracts**

### **Quality and price of imported medicine and pharmaceutical products is overseen and controlled.**

Imports of pharmaceutical products by accredited importers from the Pharmacy Board under the Ministry of Health is a first kind of importation and is very controlled. Accreditation procedures for a new medicine are strict in the sense that no new medicine can be imported without the authorization of the Pharmacy Board who analyses the documents furnished by the laboratory. Moreover, approval has to be obtained from the Ministry of Health for each arrival of medicine even if they were already approved by the Pharmacy Board. The Pharmacy Board is regularly informed of all recalled medicine by the WHO and automatically the said medicine is removed from circulation in Mauritius. For generic brands, there is no obligation or recommendation to use them, no quality laboratory able to carry out the analysis exists on the island.

Secondly, government bidding for hospital pharmaceutical supplies constitutes another kind of importation. This bidding is done annually for large quantities of medicine. For orders between 20 000 and 1 million rupees, a suppliers short list exists that bypasses CTB. It is to be noted however that given the concentrations of international pharmaceutical laboratories, monopolies in kind have emerged for certain medicine which restricts competition between wholesale importers.

Thirdly, raw materials imports for the manufacturing of pharmaceutical products constitute another kind of importation. Two private factories manufacture medicine in Mauritius operating with a license ; imports of raw materials for this purpose are subject to a control by the Pharmacy Board who regularly inspects the factories. This medicine is also sold locally and exempt from taxes except the sales tax. These two factories take part in the Ministry of Health's bidding for public supplies, but complain that they have to be paid in rupees whereas international suppliers are allowed to bid in dollars, which is considered as discriminatory treatment of local companies. These two factories are subject to controls by inspection companies before embarkation before exporting products to Africa.

#### **Analysis of the high cost of medicine:**

- There is a 41% maximum profit margin on imports officially authorized plus a sales tax of 12% making a total margin of 53% which appears to be excessive.

#### **Recommendation:**

- The high cost of medicines could be reduced by the promotion and systematic recommendation of generic medicine which is not presently the case.
- On the other hand, laboratory concentration results in monopolies of kind in certain medicine. Local manufacturing of generic medicine should be encouraged and a reduced or exemption from sales tax need to be studied.

### 3. Commercial Practices

Economic operators in Mauritius have a long tradition of international trade relations in Asia, Africa and Europe. Selection techniques and procedures for placing suppliers and manufacturers in competition with each other to obtain the best price hold no secrets for them. They work either through a central purchasing agency, especially for supermarkets, or through the Internet, or by regularly consulting their usual suppliers. Some are agents for brand names and thus obliged to follow the manufacturer's pricing. Many attend the various shows held in Mauritius and in the sub-region.

#### The specific case of the State Trading Corporation, STC

2.02 The state company, STC is the first importer in Mauritius with an approximate annual turnover of 188 million dollars, about 10 % of total imports. It was created at a time when Mauritius feared there would be scarcity in the imports of «sensitive » goods and still benefits from certain import monopolies such as oil imports excluding heavy oil (380 CST for electric plants that are imported directly through bidding) and all state subsidized rice. The rice in question is low-grade rice, 25% fragmented and the state subsidizes its importation, all other kinds of rice can be imported freely. STC also imports onions, potatoes and flour following annual quotas fixed by the government. The Government has reserved an import monopoly for STC, but it appears that the STC does not supply to the Government but rather, sells to the private sector directly.

#### **Problems inherent to STC**

- STC is on the list of para-state companies that have to be audited by the General Auditor, but this has not been done in the last 2 years.
- On the other hand, as bidding is applicable for contracts above 25 million roupies, STC should receive prior approval from the CTB to begin consultations, once its bidding procedures have been examined.

#### **Recommendations:**

- STC's bidding procedures need to be examined closely as should the timing when bidding is opened as they do not always benefit from world price fluctuations in raw materials. Staggering bidding over a year's period would perhaps result in substantial economies, especially with rice, flour and oil products.
- It would therefore be judicious to request FOB prices at the same time as CIF prices in order to evaluate shipping costs which cannot be calculated from a CIF price.
- An audit need to be carried out on STC in order to establish procurement procedures in compliance with economic principles and transparency.

## **Banks, credit instruments and insurance.**

The banking sector is well structured and well controlled by the Central Bank of Mauritius. Generally speaking, private banks are qualified in terms of international structure, allowing them to address all investment requests in Mauritius. The large majority of bank capital is Mauritian and access to credit is relatively easy for small and average scale companies and institutions. Rates vary between 8% and 13%. A development bank also exists in Mauritius, the « Development Bank of Mauritius». The freeport rate is 12%. Opening a letter of credit can be done easily as is the granting of security.

Insurance is mandatory for all shipping imports and exports ; there is no flat rate and private insurers and the state company SICOM compete (who nevertheless usually handles most of state company's insurance). An insurance certificate is mandatory for imports whether it be from Mauritius or overseas, there is no obligation to take out a policy with a Mauritian broker. Competition is open and the private sector fully uses this competition, which the administration does not yet do. Claims are usually settled within a reasonable time period if the enquiry has not revealed fraud or malpractice. Insurance is also mandatory for imports of supplies for the Mauritian government and parastatal companies and they are subject to taxes and customs duties.

### **Problems concerning security deposits and insurance:**

- Methods of application for obtaining security deposits is not standardized.
- Para-state companies and the administration only use SICOM for their insurance

### **Recommendations**

- Application methods need to be standardized by the administration.
- Perhaps the state insurance company SICOM should be gradually privatized to enable open competition and state and para-state companies should routinely consult the competition for their insurance needs.

## **4. Customs and Imports**

### **The linkage between customs services, imports process, and the port authority with a sound procurement system**

Due to the geographical position of Mauritius, imports play a significant part in the Mauritius economy (99% of the imports and exports arrive at Port Louis). Improvement of a country's system for procuring goods and works implies a sound imports process and efficient customs services. According to the level of taxes and the time necessary to obtain documents the value of the contracts can vary. A sound imports process as well as efficient customs services reduce costs and produce timely results. Therefore they have a great impact on the final cost of a transaction.

### **Major Findings**

Overall services in terms of imports and customs appear to be satisfactory in Mauritius. In order to develop economic activity the Mauritian government has supported a major investment

program that would reach world-class level. Port and customs computer management by a semi-state organization of common interests, the Mauritius Network System, MNS, allows for efficient management.

Nevertheless, this service could be improved if it were relieved of some of the importation administrative approvals that are meant to protect from imports unsafe for consumption, and are extremely restricting. Some food import quotas still exist.

## **Customs**

Mauritian customs collect 40 % of the country's fiscal revenue excluding sales taxes. Mauritius does not have an inspection system before embarkation and therefore all quality and quantity controls as well as problems stemming from goods being under-invoiced are handled at the Port Louis and the Port Louis and Mahébourg airports.

Customs also has to tackle counterfeits, drug and weapon trafficking and facilitate the task of exporting companies with finished goods in Freeport.

### **Total computerization of Customs helps with delays.**

Customs declarations are completely computerized from the entry shipping or airway manifest to exiting customs. Clearance agents with prior customs agreements and importers are linked by computer terminals to the central customs computer system, who is inter-connected with that of the port; by the same token, air and shipping agents are connected to the port and customs computer system to whom they give the goods manifest information. This total computerization reduces delays in administrative formalities especially as the goods manifests can be deposited before the ship's or airplane's arrival and can be modified in the event of deficit or excess at no cost to the shipping or airline company.

### **Automatic customs payment is fast**

Customs duties are automatically debited by the bank from the handlers or importers account. As soon as the money is received, the bank electronically notifies customs of the payment. In the same way, the port notifies customs of port disembarkation fees also paid by automatic debit from the importer's account. This results in reducing delays in obtaining the necessary voucher to retrieve goods and fast customs payments for the government

### **Obtaining importation approvals from the Ministries is restricting.**

As there is no pre-embarkation inspection system for goods, the Mauritian government has instituted a number of controls for imports requiring prior approvals to be presented for the major part of imports, resulting in administrative constraints that could lead to attempts at corruption. Only the Ministry of Trade is linked electronically to customs, the other ministries deliver manual approvals. Some of these documents are extremely restrictive for the importers and constitute a sort of protectionism. Specialized personnel are required to respond to the administration's sometimes overly bureaucratic requirements. The absence of these certificates or non-conformity of goods is sanctioned by fines and can lead to civil servant corruption.

### **Required certificates for entry into Mauritius weigh the import process down.**

The required list is most constraining. For example, the Food Act's certificate is applied in a most restrictive manner and even itemizes in detail the contents and exact dimensions of boxes for each arrival. This restrictive interpretation of texts leads to notorious abuses.

Obtaining an importation approval for a new product can take from 30 to 45 days as manufacturers often refuse to supply all the information required by the Ministry of Health. This document is not computerized.

Thus, the documents required by the Ministry of Health's agents are so constraining to import new food products that many importers refuse to import new products as their information requests necessitate such a meticulous procedure.

If these documents are presented to customs when the clearance documents is needed, the computer blocks delivery.

### **Inherent problems to administrative bureaucracy.**

Research carried out by the Ministry of Health's agents has become so constraining that food product importers refuse to import new products as they find the formalities to be excessive.

#### **Recommendations:**

- To begin with, alleviate verification procedures through an audit carried out by an independent consultant.
- If this is still too constraining, implement pre-embarkation controls by independent specialized companies who will carry out the verifications and communicate via the Internet the result of the controls, thereby eliminating all temptations of corruption resulting from the certificate presentation.

### **The inexistence of a customs value office makes goods evaluation imprecise.**

The Mauritian government applies the trade value such as it is defined by the World Trade Organization. However, there is neither a customs value office nor has customs value software been installed in the customs computer system. Customs officers hesitate and are afraid of under-invoicing, making their task most complicated. Customs management admits that they consult regularly with the WTO, French and English customs as well as the European Community to gather information on this subject but complains that they do not receive any serious input from Asian countries that export a large number of goods to Mauritius.

### **Clearance delays are satisfactory.**

There is a 5 working day free parking and clearance and delivery of goods takes place during this time frame. No port congestion has been noted. Moreover, customs does not offer credit to

economic operators; only the state company STC is allowed one month's credit for customs duty payments.

### **Clearance agents**

In principle, clearing customs is free however it is highly recommended to go through a clearance agent or an accredited broker. Many economic operators complain about customs officers' absenteeism entailing loss of time. Others complain about the high number of containers that the customs officers inspect that do not present any real risk of fraud. According to customs, 15% of the containers are inspected, according to importers and clearance agents the number is more like 50%.

Economic operators think that customs officers do a good job but that some lack flexibility and information. Importers regret that the General Customs Management only communicates instructions on the interpretation of the Code internally, if this were to be made public then there would be less litigation.

In summary, better communication between customs and economic operators is advisable.

### **Problems concerning customs**

- Economic operators are ill informed about customs' interpretation of the customs trade value (WTO) and the customs Code.

### **Recommendations**

- It would be wise to establish a better appreciation of the customs value of goods through software that would be updated regularly by the software manufacturer. A maintenance contract could be drawn up and MNS and customs personnel need to be trained appropriately.
- Container inspections could be reduced if merchandise was inspected before embarkation for quality and quantity of goods to be imported. Application of a special lead at embarkation could allow containers to be cleared immediately after the clearance document from customs is obtained from the computer, which would also avoid document duplication.
  - On the other hand, risk of fraud should be evaluated following the type of merchandise that is declared and the containers to be inspected should be designated by the computer in accordance with this risk as well as the customs officers who are to inspect them.
- Customs officers' absenteeism need to be contained by tracing it, if labor laws allow this.
- Information sessions need to be organized by customs to inform importers about their interpretation of customs texts and instructions.

## **The Port of Port Louis**

Port Louis is strategically situated in the heart of the Indian Ocean on shipping lines linking Africa, Asia and Australia. This port is of paramount importance to Mauritius and handles 99% of the country's imports and exports.

## **Port Louis, a modern and high-performance port**

First of all, to promote economic activity development, the Mauritian government has initiated a major investment program that will reach world-class standards. New work methods have been implemented especially in port handling and ocean recuperation, over 110 hectares covering three terminals and a free port zone. Handling is partly privatized, and handling of all loose goods (wheat, flour, cement) is done by private operators. This represents 54% of port tonnage and the remaining 46% is handled since 1983 by a state company that is independently managed (Cargo Handling Corporate Limited). It is responsible for on-board and land handling of the containers. The shareholders of this company are the Mauritian government by the State Investment Corporation of Mauritius and the Mauritius Ports Authority (MPA).

Port Louis operates 24 hours a day and last year handled 4.8 million goods including oil products. Handling crews work in three 8-hour shifts. The port gives importers 5 working days of free parking, which, taking into consideration the fact that both customs and the port are completely computerized allows goods to be cleared during this time frame if the necessary importation documents are in order.

Moreover, in order to attract transshipment, the port has instituted a price that is 50% less than an entry and exit accumulated price. The total number of handled containers was 157 420 for 1.4 million goods.

It is to be noted that in-customs port zones offer tight security resulting in competitive insurance coverage. These positives have accelerated the development of free port zones and attract industrial investors that create jobs and knowledge.

## **Port handling is being improved**

Notwithstanding, port handling could be improved in terms of management and at a technical level. The Mauritius Port Authority in partnership with the World Bank is seeking a strategic partner in the field of an international container operator. This partnership has for objective to make Port Louis an effective regional computer base for shipping and international trade. Thus, the partial privatization of the state company the Cargo handling Corporation Ltd is being envisaged at a 49% level and bidding will be launched. CHCL was given the operating concession for the whole container terminal including three portiques during the port extension construction.

Port authority appears determined to reform port administration by increasing its computer and management capabilities thus greatly reducing administrative formalities and improve port handling productivity. The goal is for the Mauritius Ports Authority (MPA) to enter into the world of e-commerce and develop an ultra-modern distribution platform in order to attract new investors and transform Port Louis into a large shipping platform giving manufacturing industries a more efficient work tool. A European Community training program has thus been launched.

**A remark on flat rate pricing:**

- Flat rate pricing for container handling has been introduced, thus excluding all additional invoicing and avoiding import costs fluctuation. Nevertheless, the applicable flat rate for container handling is somewhat higher than other ports.

**Recommendation:**

- The flat rate price for container handling is 158 dollars from on-board to the dockside truck ; it could be reduced by about 30 dollars to be in line with rates found in European ports.

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**D. Recommended Action Plan**

No.	Actions	World Bank	Government	Dates
<b>JOINT ACTION PLAN AND TIME TABLE by the Government and the World Bank on the reform of the Legal and Regulatory Framework</b>				
1	Aide-Mémoire of the January mission transmitted to Government	CD <sup>1</sup> transmits the aide-mémoire		Before 02/28/02
2	The Government would provide the Bank with: (i) feedback of the aide-mémoire; (ii) a copy of the draft regulation for the Construction Industry Development Board before its adoption; (iii) assurance they adopt the "Prevention of Corruption" Act, and the " Financial Intelligence and Anti-Money Laundering" Act; and (iv) a copy of the draft instructions (a) to the Central Tender Board (CTB) to systematically open bids at public bid opening, and (b) to Ministries and Departments to publish contract awards decisions.		MoF to consolidate feedbacks from various sources including HPC recommendations	Before 03/15/02
3	Preparation of draft CPAR and internal clearance at the WB level	internal Bank level		Between 03/15/02 and 05/30/02
4	Draft CPAR transmitted to Government	CD transmits draft		Before 06/30/02
5	Adoption of the "fraud and anti-corruption" bill, a prevention of money laundering bill, and instructions to ensure effectiveness of public bid opening and publication of contract awards		Govt issues the act and directives	Before negotiations of the PERL or before 04/29/02
6	Government prepares its own national program		Govt	Between 07/15/02 and 08/15/02
7	Government sends its own national program to the Bank		Government	Before 09/30/02
8	The Bank provides its comments to the Government on the draft national program	CD transmits comments		Before 09/30/02
9	Adoption of the national program on the basis of which new procurement legislation can be drafted (1)		Government	Before 10/30/02 or effectiveness of the Loan for the PERL
10	Joint review World Bank and Government of the national program related to the legal framework is completed		Government	Before the negotiations of the second PERL
11	Joint review with the Government of the completion of the entire national program		Government	Before the third PERL

<sup>1</sup> CD: Country Director

(1) The new procurement legislation need to integrate the following elements:

- Integrate the provisions of the Central Tender Board Act 2000 and those of the Financial Management manual. Favor the current model of a summary law such as the Central Tender Board Act 2000, but accompanied by extensive regulations
- Provide for open tendering as the basic method, then outline other methods of procurement than tendering and the specific circumstances under which they can be utilized, as exceptions to this rule: low value, exceptional circumstances, nature of the tender.
- Establish detailed rules for the procurement of consultants' services, which allow evaluation on the basis of quality
- Show a much higher thresholds and would contain a prohibition to slice contracts
- Include a general definition of state enterprises or parastatals and a general statement of applicability of the legislation to them, unless they are specifically exempted.
- Determine whether or what part of the new procurement legislation would apply to local authorities' tenders.
- Establish realistically which are the functions and tasks of each party involved in the proc. process
- Contain a prohibition to slice contracts for similar goods, works or services into smaller lots in order to avoid tendering and/or CTB scrutiny
- Draft guidelines for procurement procedures for both parastatals and limited companies
- Determine who shall be the principal authority in charge of supervision and enforcement of the new legislation
- Provide for selective post-review of tenders by the CTB at any time during and after tendering.



