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ORAL ANSWERS TO QUESTIONS

RICE AND FLOUR - SUBSIDIES

The Leader of the Opposition (Mr N. Bodha) (*By Private Notice*) asked the Minister of Industry, Small & Medium Enterprises, Commerce and Cooperatives whether, in regard to subsidies on rice and flour, he will state –

- (a) the new retail prices of both commodities after the proposed reorientation of Government policy in respect thereof, indicating its impact on products manufactured from those commodities, and
- (b) the measures that will be taken for the needy and for the beneficiaries of income support, in addition to the measures already announced in the Budget Speech.

Dr. Jeetah: Mr Speaker, Sir, the question of subsidies on rice and flour, has a long history embedded in the socio-economic evolution of the country, but more particularly as regards the downtrodden segment of the Mauritian population.

To protect the less fortunate segment of our population, successive Governments took the decision to subsidize the prices of these two basic commodities. This policy measure was part and parcel of a broader and human approach of the concept of the Welfare State. For the past ten years, the subsidies on rice and flour has been on the increase. From Rs306 m. in 1995-96, it has reached Rs400 m. in 2004-05. Estimates for period 2005-06 show no marked difference in this figure.

In the case of rice – “*Riz Ration*” as we say – the consumption pattern has evolved downward. From 37,200 metric tons in 2000, STC has imported, two years later, only 26,400 metric tons. For 2003, imports stood at 19,000 metric tons; 20,000 metric tons for 2004 and 2005.

In the case of flour, Mr Speaker, Sir, imports are as follows for the past five years – in 2001, it was 94,574 metric tons, for 2002, it was 76,428 metric tons; for 2003, it was 87,683 metric tons; for 2004, imports stood at 90,000 metric tons, and for 2005, the figure stood at 94,000 metric tons.

Mr Speaker, Sir, my colleague, the Deputy Prime Minister and Minister of Finance and Economic Development, rightly pointed out that Mauritius has to rethink its priorities on the issue of social protection. He stated, and I quote –

“The social safety net today comprises unfocused programmes that provide generous benefits for many that do not need them, but fails to support many that do.” End of quote.

With the passage of time, the use of universal price subsidies to attain social protection objectives can be undesirable for a number of reasons.

- (i) subsidies can result in an inefficiently high level of consumption, including wrong utilisation of subsidised goods.
- (ii) badly targeted subsidies can result in a substantial leakage of benefits to higher income households, thus increasing the fiscal cost of protecting the real incomes of lower income households. This is precisely what is happening. The two third wealthiest Mauritians absorb over half the benefits of the food subsidy programme, Mr Speaker, Sir. Meanwhile, because the assistance has to be spread so thinly it is inequitable and it is not adequate to protect the poorest.
- (iii) Subsidies can result in significant claims on scarce public resources that are diverted from more socially desirable public expenditures.
- (iv) Fourthly and finally the objectives of price subsidies can be more efficiently achieved through a well-designed and implemented social transfer programme.

The retail prices of ration rice and of flour after reorienting of subsidies will have to be adjusted. This is a complex exercise involving analysis of all components inherent in the price of rice and flour. The final price is being worked out. However, a first calculation gives an indication that the price of ration rice would increase by about 50%, i.e. from Rs3.50 to about Rs5.30 per half kg and that of flour by about 40%, i.e. from Rs3.75 to about Rs5.25 per half kg.

Mr Speaker, Sir, the increase in the price of flour will certainly have an impact on other commodities mainly bread which is a controlled product. Officers of my Ministry are currently working on the price of bread. The effect of the price rise upon other products which are not controlled such as pastries and fancy bread, etc will be left to the market forces. My Ministry is presently revisiting the Competition Act 2003 to better guard against monopolistic behaviour to ensure that the interests of consumers are safeguarded.

In answer to part (b) of the question, it is precisely because of the above undesirable features that we are reorienting the subsidies. This is being done in two ways –

- (i) to give subsidies in terms of income support to the needy only and to grant them 15% more;
- (ii) to reorient the savings to the empowerment fund that will help the poor.

This will ensure, Mr Speaker, Sir, that all the money earmarked for subsidies on rice and flour will now go to the poorest instead of the current substantial leakages today where higher income households take a disproportionate share of the subsidies. And I have to mention this again - all the money, each and every single cent, earmarked on subsidies is going to the poor. This is in line with our philosophy of helping the vulnerable groups who deserve our support.

It is proposed to compensate the 31,000 most vulnerable households which is an equivalent of about 124,000 persons, with a payment of Rs225. per month per household.

This payment compensates the average household fully for the likely price increases of flour, rice, bread and the school feeding programme and for the amount currently provided in the form of food aid, while also providing for an additional compensation of almost 15 percent in line with the policy of this Government to support those that need assistance.

The Government will implement the compensation in the form of a rebate on the CEB bill of the 31,000 most vulnerable households, already identified by the CEB under its programme to offer these households a tariff

at 'social rates'. The bottom 18,000 CEB customers are paying less than Rs225 a month. To compensate these households for the difference, Government will pay them an additional social aid. On production of their CEB bill and ID card, social aid will pay them to cover the difference between the compensation of Rs225 and the amount rebated on the bill. For other deserving cases not covered above, we will provide them the income support through social aid.

We are reallocating the savings of around Rs300m to part finance an Empowerment Programme destined for the poorest Mauritians. The Empowerment Programme will consist of several windows that we are currently designing including -

- (i) land for social housing,
- (ii) land for small entrepreneurs,
- (iii) a training and reskilling workforce programme. On the job training for up to 20,000 workers over the next five years with the assistance of the private sector,
- (iv) special programmes for the unemployed women and women entrepreneur support schemes,
- (v) five tourism villages,
- (vi) small enterprise parks to offer workshop facilities
- (vii) enterprise development and support
- (viii) assistance for outsourcing
- (ix) support for development of new entrepreneurs and SMEs

The Empowerment Programme allows us to focus on both job creation and social protection. It is expected to cost about Rs5 billion over the next five years. Rs750 m. will be spent next year to support the poor and the vulnerable.

Mr Speaker, Sir, we have had the political courage to rethink our priorities in social protection so as to increase substantially the support to those who really need it most.

Mr Bodha: Mr Speaker, Sir, L'Alliance Sociale ne peut pas être plus anti-sociale!

(Interruptions)

May I ask the hon. Minister how can he reconcile this policy and the Manifesto of the Labour Party and the lethal campaign they led saying that "*prix pas pou monter*"?

Dr. Jeetah: Mr Speaker, Sir, it is a well-known fact; and here for the benefit of the hon. Leader of the Opposition, I would like to quote John Kenneth Galbraith who is the most left-wing Economist.

(Interruptions)

Mr Speaker: Order! Order!

Dr. Jeetah: Mr Speaker, Sir, if you are so inclined to help the poor, give to the poor and do not give to the people who are doing well and hope that the poor will get a few bits and pieces. And this is what this Government is giving. It is targeting the people who are in need of assistance.

Mr Bodha: Mr Speaker, Sir, may I ask the Minister whom he qualifies as 'poor'?

Dr. Jeetah: Mr Speaker, Sir, this is according to the statistical figures that we have. We have from the CSO the figure of 31,000 families which qualify from this scale.

Mr Bodha: Mr Speaker, Sir, does the Minister agree with the statement made yesterday by hon. Miss Deerpalsing that subsidies do not form part of the Welfare State?

(Interruptions)

Dr. Jeetah: Obviously, the Leader of the Opposition will have to talk to my friend, hon. Miss Deerpalsing. What this Government is doing is re-targeting the resources. Mr Speaker, Sir, allow me to say why is it that we are having to go through these tough times. Who has been in power for the last five years, who have given us 2.7% growth.

(Interruptions)

Mr Speaker: Order! Order!

Dr. Jeetah: Mr Speaker, Sir, they have messed up each and every sector of the economy.

Mr Bodha: Mr Speaker, Sir, over five years, we spent Rs400 m. on subsidy annually and over five years it was Rs2.3 billion, Mr Speaker, Sir. My question was: does he agree that the new policy of Government is the dismantling of the Welfare State by disconnecting the Welfare State and the issue of subsidies?

Dr. Jeetah: No, Mr Speaker, Sir. Can I just remind the hon. Member that they increased the TVA by 50% and yet they increased the indebtedness of this country? What this Government is doing is that it is directing the scarce resources to the people who actually need it.

Mr Bodha: Mr Speaker, Sir, we did both. We gave the subsidies and we maintained the Welfare State.

(Interruptions)

Mr Speaker: Order! Order! Order, please!

Mr Bodha: Mr Speaker, Sir, will the hon. Minister agree that the figures he has given for the increase are the same figures which have been given by the International Monetary Fund and that they have been under the diktat of the International Monetary Fund?

Dr. Jeetah: No, Mr Speaker, Sir, we are responsible people, we care for the people. I'll have to say this again, we are redirecting the scarce resources which have been left to us because of the mismanagement of the previous Government.

(Interruptions)

Mr Bodha: Mr Speaker, Sir, I am not going to come on what they call the catastrophic bilan. What was the bilan in 2000? I am not going to come to that. May I ask the hon. Minister what would be the price of the local bread resulting from the increase in the price of flour?

Dr. Jeetah: Mr Speaker, Sir, I did reply to the hon. Leader of the Opposition that this is being calculated. We have a lot of elements in the calculation of price of bread. I would not want to go through it here as yet, it is not just only the raw materials. There are about ten other parameters that have to be taken into consideration. As the hon. Leader of the Opposition is well aware the price would have to be mentioned as soon as possible. I think it is on the 01 July that we would come up with the figures.

Mr Bodha: Mr Speaker, Sir, the report of the IMF says that the price of bread will increase by to another 20% in the weeks to come. Mr Speaker, Sir, may I ask the hon. Minister, apart from ration rice, what is he going to do to see to it that there is no an increase in the price of Basmati rice, for example?

Dr. Jeetah: Mr Speaker, Sir, this depends on market forces unless the hon. Leader of the Opposition is requesting me to control all prices. This Government is not for price control of all the products.

Mr Bodha: They were not for the control of prices! But that is what they said when they came in Government, Mr Speaker, Sir. And now the hon. Minister is saying that he is not going to control prices. In those days he said that prices were going to do down. Mr Speaker, Sir, how is the Minister going to monitor that there is no abuse in the price of rice, other than ration rice, with the increase of the price of the ration rice?

Dr. Jeetah: That is a fair question, Mr Speaker, Sir. We have the Consumer Protection Unit, which is going to look into the various price increases.

(Interruptions)

Mr Speaker: Order!

Dr. Jeetah: I have to state this again. This Government never mentioned that, we had price control as a policy per se, but I have said that so many times - and the hon. Member does not want to understand - that we look at essential commodities. I am saying this again. This is what this Government maintained. Besides, other than the commodities that the hon. Member is referring to, further to the announcement of the passing of this project, there are up to 1000 items whose prices will have to be reviewed, but I must say that these prices are not controlled and the Consumer Protection Unit will have to ensure that the price decrease goes to the consumers.

Mrs Dookun-Luchoomun: Mr Speaker, Sir, I just heard the hon. Minister state that subsidies normally lead to inefficiently high level of consumption. Is he aware that the poorest Mauritians consume mainly rice and flour as their basic commodities, and that they have no means to buy

better foodstuffs and that by removing all subsidies, the hon. Minister is making it harder for them to purchase their food?

Dr. Jeetah: Mr Speaker, Sir, if understood well, there are two elements in the question. The first part is, yes, we are fully aware of the difficulties of the poorest in Mauritius, that's why we are retargeting and we are giving an extra 15% to their requirement.

Secondly, the hon. Member would be aware that we are spending Rs5 billion on empowering people.

(Interruptions)

We want them to get better jobs to stand on their feet.

Mrs Dookun-Luchoomun: With the removal of the subsidies, we expect prices of commodities to rise. The Minister, himself, has just said that he is expecting rises in the prices of bread. May I ask the hon. Minister whether he is going to entertain any request from bakers for any further increase in the price of bread?

Dr. Jeetah: Well, this is a hypothetical question, Mr Speaker, Sir. I don't know whether the hon. Member can even ask this, as the Standing Orders....

(Interruptions)

In case there is any request, the officers of my Ministry will look into it; we do this as a matter of routine.

Mrs Hanoomanjee: Mr Speaker, Sir, taking into consideration the eating habits of Mauritians, we know that they usually consume 'dhol puri', 'farathas' and all that. The prices automatically will go up.

(Interruptions)

Mr Speaker: Order!

Mrs Hanoomanjee: Can the hon. Minister say whether this is not in direct contradiction to his policy of encouraging SMEs?

(Interruptions)

Dr. Jeetah: I could not hear the question.

Mr Speaker: Order, please! We can't hear the question of the hon. Member.

Mrs Hanoomanjee: I said that taking into consideration the eating habits of Mauritians, we know that they consume 'dhol puri', 'farathas' and that there are a lot of these which is being commercialised. Can the hon. Minister state whether his policy is not in direct contradiction with that of encouraging SMEs?

Dr. Jeetah: Mr Speaker, Sir, I think the hon. Member is wrong. There are two elements in the question again. The first element is that we are reorienting the subsidy to the people who actually need it and the extra Rs175 that people are getting over and above the income support will cater for those increases.

Secondly, as I said, we want to give to the people who actually need assistance. We do not want to spread the support so thinly that it does not make any difference ...

(Interruptions)

Mrs Hanoomanjee: Does the hon. Minister mean that those people who are in need do not consume the commodities that I have just mentioned?

Mr Speaker: If I get the hon. Minister right, I think he has just mentioned that the income support will go to the needy people.

Mrs Jeewa-Daureeawoo: Can the hon. Minister say whether there has been a study of the impact of the new prices on social aid beneficiaries?

Dr. Jeetah: Mr Speaker, Sir, the measures were announced last week. I think the hon. Member has to give us some time, but I must say that this measure has been well thought of. We are targeting the people who actually are in need and this is the policy of this Government.

Mrs Jeewa-Daureeawoo: Can I know from the hon. Minister how many beneficiaries of income support do we have as at today?

Dr. Jeetah: Mr Speaker, Sir, I have already mentioned all these figures. I said that that there were 31,000 households which make 124,000 people in all.

Mr Dowarkasing: Mr Speaker, Sir, in a recent reply given to the House, the hon. Minister stated that there are around 3,447 metric tons of ration rice already in stock in Mauritius. And now, he is increasing the price as at 01 July. May we know whether this price increase will eventually take into consideration the stock already available?

Dr. Jeetah: Yes, Mr Speaker, Sir.

Mr Dowarkasing: But then, provisions for the purchasing of this rice and the subsidy thereof have already been taken care of in the previous Budget. How is it that he is increasing the price on the stock which is already available?

Dr. Jeetah: Mr Speaker, Sir, we just mentioned that. The scarce resources have been targeted to the most needy of the country, and this is what we are doing.

Mr Dowarkasing: My question has not been answered, Mr Speaker, Sir. My question is very simple. Provision was already made in the previous Budget for the stock of ration rice which is already available and there has been subsidy on it. Now, as from 01 July, the hon. Minister is increasing the price of ration rice. In a certain manner, is the hon. Minister not putting some sort of double taxation on people?

Dr. Jeetah: Mr Speaker, Sir, there is a subsidy; there is no question of double taxation. The hon. Member ought to know that new policies have got nothing to do with stock.

(Interruptions)

Mr Speaker: Hon. Mrs Martin, first!

Mrs Martin: Thank you, Mr Speaker, Sir. The Minister and the Government are talking a lot about not stigmatising the needy. But then, the hon. Minister identified 124,000 families and said that they will benefit from social aid when in fact he is decreasing their purchasing power by increasing the price of rice and flour. Is that not a stigmatising process in itself?

Dr. Jeetah: Mr Speaker, Sir, nobody would have to go and queue and proclaim...

(Interruptions)

Nobody would have to go and fill in forms like the previous Government did! Here, we have chosen a very humane manner so that this does not actually take place.

Mr Lesjongard: Mr Speaker, Sir, may I ask the hon. Minister to confirm to the House whether the Empowerment Programme is a focus programme?

Dr. Jeetah: Yes, Mr Speaker, Sir, it is focussed on the poor and needy.

Mr Lesjongard: Since an amount of Rs750 m. has been earmarked for seven critical activities, may we know from the hon. Minister how this is going to be shared among those activities?

Dr. Jeetah: The hon. Member is a bit too fast. We are working on it. Mr Speaker, Sir, can I just invite the hon. Member, who was the former Minister of SMEs....

(Interruptions)

On Thursday, we shall be in Panchavati...

(Interruptions)

These are not just words, Mr Speaker, Sir. The actions start as soon as we speak.

Mr Lesjongard: Mr Speaker, Sir, these are words! That programme seems to be a *fourette-tout*

(Interruptions)

Mr Speaker: Order!

Mr Lesjongard: Let me tell you that it is not focussed...

Mr Speaker: Hon. Member, you cannot make a speech. Put the question.

Mr Lesjongard: The hon. Minister has not answered my question.

Mr Bodha: Mr Speaker, Sir, the number of income support is Rs225. May I ask the hon. Minister whether he believes that that sum is enough and whether the Government can consider an increase in the income support to the most needy?

Dr. Jeetah: Mr Speaker, Sir, these calculations have been made on the basis of the requirement through statistical figures, etc. Unless, the hon. Member is doubting the ability of the technicians to work out the figures. But, I must say that, out of whatever figure they came out with the Rs175 given is a 15% extra given as a further safety net.

Mrs Dookun-Luchoomun: The hon. Minister just mentioned that the income support will go to the poorest members of the community. May I ask the hon. Minister how he is going to cope with people who do not have an electricity bill and how these people are going to be supported?

(Interruptions)

Dr. Jeetah: That's a problem, Mr Speaker, Sir, nobody seems to listen! I did mention it. Let me just go through my answer again. I did mention that there are 18,000 CEB customers who are paying less than Rs225 a month. We would compensate the difference. I also said that for other deserving cases not covered above – I think I know what is the point which the hon. Member is making - we will provide them with an income support for social aid. This has been taken care of.

Opposition Members: How?

(Interruptions)

Mrs Dookun-Luchoomun: Mr Speaker, Sir, can I then ask the Minister how is he going to identify those people and whether or not they will, at one point in time, have to fill in some forms to show and to prove that they are deserving people?

Dr. Jeetah: Mr Speaker, Sir, the Ministry of Social Security will have to do this work.

Mr Soodhun: Mr Speaker, Sir, let me explain how much rice and flour are important commodities for the population.

(Interruptions)

Mr Speaker: Order!

Mr Soodhun: Mr Speaker, Sir, the fact that more than 90% of the population in the villages eat rice and flour...

Mr Speaker: Please!

Mr Soodhun: I just want to explain my question so that you can understand it. I come from a village and most of the hon. Members have to deal with the people in the villages. We know that their main commodity is flour. Let me tell you that with one pound of flour, you get only 4 *chapattis*!

Mr Speaker: What is the question of the hon. Member?

(Interruptions)

Order!

Mr Soodhun: And the people in the villages have to use five pounds of flour per family per day.

(Interruptions)

Mr Speaker: Order! Order! I am on my feet.

(Interruptions)

Hon. Soodhun, you have been a Member of Parliament for many, many years; you cannot make a speech before putting a question. So, you put your question now.

Mr Soodhun: My question is: can the Minister consult the Minister of Finance to review the decision because this issue of increase in the price of rice and flour was raised in the Tripartite Meeting. I would like to make an appeal to the Prime Minister to reconsider, at least, the new increase in the price of flour. I think that Government has to review the decision on the price of rice and flour.

Dr. Jeetah: I didn't find any question there, Mr Speaker, Sir. What's the question? He has to ask something.

(Interruptions)

Mr Speaker: Order!

Mrs Dookun-Luchoomun: Mr Speaker, Sir, may I ask the Minister whether he does not consider that with a compensation of only Rs135 per month, that this was not the time to remove all subsidies from commodities?

Dr. Jeetah: Mr Speaker, Sir, the hon. Member was part of the previous Government. She ought to know what mess they have left behind.

Mr Bodha: Mr Speaker, Sir, prices are flaring. We are not just talking about the price of rice and flour. All the prices are flaring.

Mr Speaker: I am sorry! The question relates to...

Mr Bodha: Government is granting a compensation of Rs135. Will the Minister agree that this Budget is the most uncaring budget of all the Budgets?

Dr. Jeetah: Mr Speaker, Sir, allow me to remind the hon. Leader of the Opposition that I have got a list of more than a thousand products which have been reviewed downwards.

Mr Speaker: Time is over!