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**19.1 Mauritius Shipping Corporation Ltd**

The MSCL is a state-owned company, incorporated in 1986. Its value, as a national carrier, has been more of a strategic nature as it provides security of sea transport and ensures shipping connections with Rodrigues and the Outer Islands.

After the sale of the MV Mauritius Pride in September 2014, the MSCL has been operating two vessels, namely the MV Mauritius Trochetia and chartered vessel MV ANNA. Therefore, two vessels have to be always available to avoid disruption in services.

***19.1.1 Loans to MSCL - Rs 107.2 million***

Loans totalling Rs 107.2 million were disbursed to the MSCL from 2010 to 2013 by Government. Out of this amount, Rs 37 million were granted on 6 October 2010, on the understanding that the Ministry of Finance and Economic Development (MOFED) would convert same into equity. The remaining loan of Rs 70.2 million was to meet the cost of dry-docking of the MV Mauritius Pride. According to the Consultant report submitted in October 2013, the cost was considered to be on the high side as the vessel had already exceeded its economic life.

*Repayment of Loan*

The initial repayments of the loans of Rs 37 million, Rs 45 million and Rs 25.2 million were scheduled to start in November 2011, June 2015 and June 2016 respectively.

On 23 May 2014, MOFED decided that the total loan of Rs 107.2 million would be
re-scheduled as part of the restructuring plan. Hence, repayments of the loan would be deferred as from 2017 on same terms and conditions which comprised repayment with interest of five per cent per annum and any penalty fee at the rate of two per cent per annum. However, no mention was made of the loan of Rs 37 million which was to be converted into equity.

As of 31 August 2017, the repayment terms had not been re-scheduled and no repayment had yet been made by MSCL. According to the MSCL financial statements for the year ended 30 June 2016, an amount of Rs 107.2 million was accounted as borrowings.

*Cost of dry-docking*

In 2012, after the MV Mauritius Pride returned from dry-docking, crane breakdowns and other defects were noted. Several discrepancies were also observed on the invoice issued by the shipyard company. It was then decided to refer the matter to relevant instances for further investigations. As of May 2014, out of the remaining loan of Rs 70.2 million, only an amount of Rs 46 million was paid to the shipyard company.

However, as of 31 August 2017, more than three years later, the status of the investigation was not known to the Ministry.

***Recommendations***

* The terms and conditions of financial assistance provided should be clearly defined and agreed by both parties, that is, the Government and the beneficiary at the outset in the loan agreement or the Memorandum of Understanding;
* A proper mechanism should be set up for the monitoring of repayment of loans and compliance with conditions of the loan agreements should be ensured.

***Ministry’s Reply***

* With regard to the loan of Rs 37 million, the issue of conversion to equity was still pending at the level of the Ministry of Finance and Economic Development;
* There has not been any legal claim from the shipyard company for the remaining balance under litigation. The latter did not have all supporting documents and did not follow the procedures as per agreement. Hence, it could not substantiate their remaining claims.
	1. **Procurement of a Vessel**

On 16 May 2014, Government agreed to the procurement of a second-hand cargo vessel, as the MV Mauritius Pride had ceased to be in operation since February 2014. The MV Mauritius Pride was sold in September 2014 for US $ 1.08 million since she had already reached its useful economic life and was becoming costly to operate and maintain, in compliance with international regulations.

The estimated cost of the cargo vessel was to be in the range of US $ 4 to 5 million depending on the age, the condition of the vessel and the prevailing market forces.
On 23 May 2014, the Ministry of Finance and Economic Development (MOFED) agreed to provide a loan of Rs 112 million to Mauritius Shipping Corporation Ltd (MSCL) for the acquisition of a second-hand container vessel.

***19.2.1 Chartering of a vessel in lieu of Acquisition***

On 4 July 2014, a Consultant was appointed, for a fee of US $ 8,000 to assist MSCL during the whole process of acquisition of a second-hand container or multipurpose vessel including the appointment of Shipbrokers.

On 21 November 2014, three Shipbrokers were appointed following the launching of Expression of Interest (EOI). As the Mauritius Trochetia, the only Government cargo vessel, was scheduled for its dry-docking in mid-January 2015, a back-up vessel was urgently needed.

According to both the Consultant and one of the Shipbrokers, an appropriate vessel with the specifications required by the MSCL was rare on the market. As of end of November 2014, the procurement procedure for the acquisition of the vessel had not been completed. The Shipbroker, was therefore instructed to proceed with the chartering of a vessel.

***19.2.2 Short-term Charter of Vessel - Rs 40 million***

Seven vessels were proposed for chartering, of which two proposals were found to be technically and financially responsive. The first one was MV Apolo*,* built in 2003 with deadline for replying to the proposal set on 13 February 2015. The second one was the MV ANNA built in 1998 which was five years older than the first one. Both vessels offered approximately the same charter rate.

However, the advice of the Consultant for a prompt reply to secure chartering of the MV Apolo was not followed. Consequently, the vessel was chartered from another company due to failure on the part of the MSCL in replying before the deadline.

On 28 February 2015, Government approved the chartering of vessel MV ANNA for an initial period of six months and agreed to finance the cost of the charter amounting to
Rs 40 million in the form of a grant. The vessel was delivered on 3 May 2015 with expiry of the charter date scheduled on 2 November 2015.

***19.2.3 Long-Term Charter of Vessel - Rs 120 million***

The procurement procedure for a container vessel had already been initiated at the Central Procurement Board (CPB) since 24 April 2015. As of November 2015, the procurement process had not been finalised. Therefore, the chartering of the MV ANNA was extended up to 19 February 2016 as a back-up vessel was urgently needed.

At the beginning of December 2015, the MSCL decided to acquire the MV ANNA through emergency procurement. As MV ANNA was nearly 20 years old, the Consultant advised MSCL not to proceed with the acquisition. Consequently, the MSCL opted for a long-term charter of the same vessel to avoid impending risks of considerable maintenance and repair related expenses.

The MOFED acceded to the request of MSCL for the renewal of the chartering of the MV ANNA until the acquisition of a new vessel. An annual estimated amount of
Rs 75 million was therefore provided in the budget 2016-17 and 2018-19.

The decision taken by MOFED not to entertain any further injection of money as it had already provided Rs 40 million for short-term chartering could therefore not be sustained due to delays in the procurement of a cargo vessel.

***19.2.4 Chartering Costs***

As of 30 June 2017, the total chartering costs amounted to Rs 162.62 million as shown in Table.19-1:

*Table* *19-1 Payments effected for chartering of vessels*

|  |  |  |
| --- | --- | --- |
| **Details** | **Period** | **Chartering Costs (Rs)** |
| Short Term Charter of Vessels | January to June 2015 | 15,000,000 |
| Short and Long Term Charter of Vessels | July 2015 to June 2016 | 72,620,000 |
| Long Term Charter of Vessels | July 2016 to June 2017 | 75,000,000 |
| **Total** |  |  **162,620,000** |

***19.2.5 Delays in the procurement of a second-hand cargo vessel***

Tenders for the procurement of a second-hand cargo vessel were launched on 24 July 2015. On 22 September 2015, after technical evaluation, the Bid Evaluation Committee (BEC) of the CPB recommended the MSCL to carry out physical inspections of the two selected vessels, namely the MV Madeleine and the MV Sara Nicolas. The findings were to be submitted to the BEC in order to proceed further with the evaluation exercise.

The physical inspections of the MV Madeleine and the MV Sara Nicolas were carried out and completed on 5 and 29 October 2015 respectively. However, the respective reports were not submitted to the CPB by the agreed expected date of 20 October and
13 November 2015, thus delaying the completion of the evaluation process.

The financial evaluation of the MV Madeleine was to be carried out by the BEC on
27 October 2015, but documents relating to the physical inspection of the MV Madeleine were missing. On 4 November 2015, the MSCL was informed accordingly, and on the next day, the broker informed MSCL that the ship had already been sold.

On 16 November 2015, nearly a month later, the MSCL sent Condition of Survey Report of the MV Sara Nicolas to the CPB. In the meantime, the charter period of the MV ANNA had already been renewed.

***19.2.6 Construction of a new Vessel***

As the back-up vessel was becoming urgent, in February 2016, the MSCL submitted a project proposal for the acquisition of a new cargo/multipurpose vessel to its Parent Ministry and Ministry of Finance and Economic Development.

The construction of a new vessel was expected to start as from June 2016 with expected completion date scheduled for end of June 2018. The cost of the construction of the new vessel was estimated at Rs 500 million.

On 3 May 2016, the MSCL made a request to the Procurement Policy Office for the preparation of a well-defined procurement guideline for the new vessel. On 19 June 2016, an invitation for expression of interest was forwarded to all Embassies and Consulates based in Mauritius for wide circulation.

***19.2.7 Cost/Benefit Analysis***

In July 2016, a cost-benefit analysis in respect of options pertaining to acquisition versus chartering of vessel was done. Details are shown Table19-2

*Table* *19-2 Cost/Benefit Analysis*

|  |  |
| --- | --- |
| **Cost / Rate per day** | **US $** |
| Actual Charter rate per day | 6,500 |
| Fixed Operating Costs per day for new vessel | 4,642 |
| **Savings per day on purchase** | **1,858** |

According to the analysis, the purchase option was better than the chartering option as a saving of approximately US $ 1,858 per day would be made. On 7 February 2017, nearly seven months later, the proposal was submitted to the Parent Ministry for approval.

***Conclusion***

As of 30 September 2017, more than three years after the disposal of the Mauritius Pride, the MSCL has not yet acquired a second hand/new vessel. Delays at different stages of procurement led to increased cost of chartering vessel MV ANNA.

Government was prepared in June 2014 to finance the acquisition of the Second hand vessel through a loan of Rs 112 million to the MSCL. However, as of September 2017, the cost of a new vessel would amount to more than four times the initial estimated cost.

More than 17 months later, the procurement process for the construction of the new vessel has not yet started. Therefore, the chartering of a vessel would again be required. The savings, as outlined in the cost-benefit analysis, have not been duly considered.

Besides, MV ANNA had reached the end of its useful economic life, and hence, Government would have to bear all the risks and consequences of chartering such a vessel.

The provision of Rs 500 million for the acquisition of the new vessel was not made in the Public Sector Investment Program. Besides, no funds were earmarked in the budget 2016-17 and 2017-18 for the acquisition. As such, the method of financing the acquisition of the new vessel has not yet been determined.

***Recommendations***

Projects should be closely and properly monitored in order to avoid unnecessary delays and excessive increase in costs. Procurement of the vessel, being considered as a major procurement, should be carried out with diligence.

It should be ensured that proper coordination and communication exist among the MSCL, the Ministry and other stakeholders to manage the project in an effective and efficient manner.

***Ministry’s Reply***

* The sale and purchase market of second hand vessels are highly volatile. Hence, while the procurement process was still in progress, the ship had already been sold whilst the physical technical inspection of the second ship revealed non conformity;
* The MSCL is in favour to procure a new Multipurpose/Container. The technical specifications for this vessel have been finalised and tenders will be floated after appropriate approval.
	1. **Aquaculture Projects -Fish Farming Zones**

For Large Scale production, application for aquaculture project is normally made to the Board of Investment (BOI) whereby a copy is sent to the Ministry. The BOI, through its Technical Committee, recommends the selected project to the Ministry. After obtaining necessary approval from the Ministry, an EIA Licence should be obtained from the Ministry of Social Security, National Solidarity, and Environment and Sustainable Development (MSS). The Promoter has to apply for a concession and an annual fee of
Rs 100,000 is to be paid to the Ministry of Housing and Lands. A Concession Deed is issued by the Prime Minister’s Office (PMO).

In May 2015, 31 Fish Farming Zones were proclaimed as per the Fisheries and Marine
Resources (Amendment of Schedule) Regulations, out of which 20 Zones were for Large Scale production, 10 for Small Scale production and one for the culture of oysters. The Fish Farming Zones for Small Scale production were allocated to fishermen after launching an Expression of Interest while the Zones for Large Scale Fish Farming were allocated to Promoters without doing so.

***19.3.1 Allocation of Zones***

As of 30 June 2017, of the 20 Large Scale Fish Farming Zones, 17 were allocated to Promoters and the remaining three had not yet been allocated. Eight Zones were allocated to the same Promoter A, of which five were already occupied and in operation prior to their proclamation. Besides, project proposals were already submitted to the BOI in 2013 and 2014 in respect of seven Zones.

***19.3.2 Costs of Projects***

The total costs of the projects for the 12 Zones allocated after proclamation were estimated at Rs 3,960 million. The letter of authorisation was given for these Zones in 2016 and early 2017, but as of end of August 2017, the projects have not yet started. They were either awaiting for EIA License or Deed of Concession.

Promoter B of one major project with estimated cost of Rs 3 billion, had applied for the occupation of two Zones at Le Morne and two Zones at Bambous. The Ministry had approved the proposals. A Memorandum of Understanding was signed by the Ministry and Promoter B in April 2016. Application for EIA was submitted to the MSS in May 2017.

***19.3.3 Status of Project***

Two years after the proclamation of the Fish Farming Zones for Large Scale production, 12 of the 20 Zones had not yet started operations and three of them had not yet been allocated.

In July 2017, Promoter B had decided not to go ahead with the Zones at Le Morne because of the tourism-related activity in the region. Therefore, nearly two years after their proclamation, it was found that the Le Morne Zones were not suitable for Fish Farming and they were also linked to the Le Morne Cultural Landscape World Heritage Site.

The Ministry granted authorisation for the use of the Fish Farming Zones based on the recommendation of the Technical Committee set up by the BOI. However, the Technical Committee did not include a representative of the Ministry of Tourism, who should be considered as an important stakeholder in respect of this project.

***Recommendations***

* An Expression of Interest should have been launched for the Large Scale aquaculture projects. This would have attracted a larger number of potential promoters, both foreign and local;
* Before the proclamation of Zones for Fish Farming, the Ministry should have obtained the views of relevant stakeholders to ensure that the identified Zones were suitable for implementation of the Fish Farming projects. The Ministry should ensure that a proper mechanism is in place to assess the viability of projects before authorisation for the use of public resources.

***Ministry’s Reply***

* An Expression of Interest was launched by the BOI in 2013 and no response was received. It must be pointed out that such projects require huge investments with high technological means;
* Three of the eight Zones allocated to the same promoter were awaiting the EIA Certificates to become operational;
* The BOI would be informed to have a representative of the Ministry of Tourism in the Technical Committee;
* The views of relevant stakeholders were obtained when the application for an EIA Certificate was dealt with. It would not be practical to seek views of stakeholders before proclamation of Zones, as details of the project were not available at that time.

**19.4 Vested Barachois**

In line with Government vision to promote fisheries and aquaculture development with a view to creating new jobs and boosting economic growth, the Ministry of Housing and Lands had vested six barachois in the Ministry of Ocean Economy, Marine Resources, Fisheries and Shipping (MOEMR) for aquaculture projects in 2013, 2015 and 2016 respectively.

On allocation of the barachois, the MOEMR issued a letter of intent to the Promoters provided that *“the barachois shall remain the property of the Ministry and conditions may be amended and new one may be added at any time should the need arise”.* The Promoters were, therefore, authorised to use the barachois for aquaculture projects jointly with the Ministry for a certain period of time on a pilot basis, as no lease agreement/deed of concession was drawn and no fee was charged for the use of the barachois.

In line with the Investment Promotion Act, project with initial investment of
US $ 100,000 may be registered with the Board of Investment (BOI) for support services, assistance, processing of the project proposal and assessment of its viability. Subsequently, through its Technical Committee, the BOI would make recommendations for authorisation of the project.

***19.4.1 Allocation of the Barachois***

As of 31 August 2017, the six barachois had been allocated to Promoters and the total estimated costs of the projects amounted to Rs 128 million. Four of the six barachois had already started operations.

The ‘Petit Barachois’ at Poudre d’Or covering an area of 9.3 hectares was allocated to Company X on 9 January 2014. The Company was authorised to undertake culture of oyster for an initial period of three years, which was subsequently renewed for another period of three years up to 2020.

The ‘Grand Barachois’ at Poudre d’Or, covering an extent of 52 hectares was allocated to Company Y in September 2015 for the sea cucumber project on a five-year pilot basis.

However, the allocation of all the barachois was done without launching an Expression of Interest for the aquaculture project.

*Vesting of the ‘Grand Barachois’*

On 22 June 2015, Company Y submitted its proposal to the Ministry for a Mud Crab, Sea Cucumber and Oysters Aquaculture Project at Poudre d’Or Barachois to the total extent of 61.3 hectares for the two barachois.

Some three months later, on 17 September 2015, the Ministry issued the letter of intent and authorised Company Y to undertake its project at the ‘Grand Barachois’ only to the extent of 52 hectares for an initial period of five years on a pilot basis and renewable on mutual consent.

Initially, the estimated cost of the project was Rs 100 million for an integrated polyculture project as a whole. The investment cost at the start-up phase was estimated at
Rs 30 million.

However, the promoter had submitted its project proposal directly to the MOEMRFS for approval instead of the BOI in line with the Investment Promotion Act.

***19.4.2 Facilities at Albion Fisheries and Research Centre (AFRC)***

On 29 December 2015, Company Y made a request to the Ministry to have access to some facilities at the AFRC for research and development activities on sea cucumber breeding and hatchery seed production. The facilities requested would be for a period of one year, renewable up to three years. On 26 February 2016, the Ministry agreed to the request but a Memorandum of Understanding (MOU) should be signed by both parties, prior to implementation of the project.

There was no evidence that an MOU was entered into between Company Y and the Ministry for the use of AFRC facilities.

***19.4.3 Revised Project Cost***

On 11 August 2016, Company Y informed the Ministry that, based on the amended feasibility study report issued by its Consultant on 1 August 2016, the cost of the project was revised to Rs 19.98 million due to the allocation of one Barachois and the culture of sea cucumber only. Hence, Company Y was qualified to apply for SME Development Scheme Certificate and eligible for financial assistance as the revised project cost was within the limit of Rs 20 million.

Therefore, the project cost was substantially reduced by some 80 per cent with a reduction in the area allocated by some 15 per cent and the culture of one component only.

However, as of 22 September 2017, the Company had not obtained the SME Development Scheme Certificate on the ground that Small and Medium Enterprises Development Authority (SMEDA) considered that the value of the project significantly exceeded the limit of Rs 20 million for a company to be eligible for financial assistance. Subsequently, Company Y was not entitled to any financial assistance from SMEDA.

***19.4.4 Present Status of the Project***

As of 30 September 2017, nearly two years after the authorisation was granted, the ‘Grand Barachois’ was still not operational.

***Recommendations***

* An Expression of Interest should have been launched for the allocation of public properties. This would have given wider opportunities to potential promoters;
* An agreement or a MOU should be entered into with both parties, whereby the terms and conditions would be clearly defined including the time frame for implementation of the project. Besides, the agreement should also contain a retrieval clause in case of long delays for starting the project;
* The Ministry should ensure that, proper procedures are followed, in line with the relevant legislations; and also the financial viability of project proposals should be properly assessed before authorisation.

***Ministry’s Reply***

* The project was reviewed by the Promoter taking into consideration the extent of land being allocated;
* Concerning the review of the value of the project by this Ministry, it should be pointed out that only one component of the whole project was estimated to be around Rs 19.98 million. The initial project value for the whole project has not changed.

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