Arjoon: Explore divestment of State assets

Economist Dr Vaalmikki Arjoon

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Divestment of state assets should be considered by the government in the upcoming budget as a means to address its debt burden according to economist Dr Vaalmikki Arjoon.

Dr Arjoon said, “The government inherited a very precarious situation with a debt burden that is over $144 billion, a significant overdraft in the Consolidated Fund of over $46 billion, and foreign reserves totalling US$4.8 billion in July, which is now lower than the country’s external debt by about $700 million.”

This he said mean the government would need to focus on six Ds in the budget, "deficit, divestments of state assets, dollar, diversification, decentralisation and debt management."

He said, "Now, since we are still in a tight financial spot, I would also urge that they consider the divestments or sale of certain state assets or state entities, because the proceeds from these sales will help to meet state spending without necessarily putting extra pressure on the debt levels, plus some of these entities and assets soak up a lot of much needed state finances each year through transfers, and these same state funds could be repurposed to more productive avenues, especially to fund the diversification thrust."

He said while the country does still have the option to borrow, it should adopt this approach, especially given geopolitical issues such as the US tariffs, contribute to external vulnerability afflicting the economy.

"They won't be able to escape borrowing at this point, but this can be done together with other financing options like divestments.

They might also be looking to provide some information, any revisions to study fiscal packages being offered to the energy companies to encourage greater investments in the local upstream sector, especially since 80 per cent of all foreign exchange earnings comes from energy exports.

The mid-year review would have outlined some strategies to boost non-energy production and exports.

So, I would expect this to be of particular focus, strategies that will engender greater confidence and make it easier to do business locally," said Dr Arjoon.

He felt that there should be additional focus on the reduction of the food import bill as well as review of options which could lead to foreign direct investment.

"For example, minimising disruptions are important with customs strategies to attract added non-energy foreign direct investment, all with the goal of boosting the diversification thrust and generating fresh and sustainable foreign exchange inflows. These must all be part of a medium-term debt and foreign exchange liquidity plan that could rebuild our reserves without choking private sector foreign exchange needs, a clear plan could also be presented to lower the food import bill," he said.

He said this is something that he expects to see and he recommended a revamp of the agricultural sector through introducing, for example, smart agricultural technologies and practices locally that can optimise the agricultural production per acreage, again, in line with the diversification thrust and reducing the dependency on food imports."

The date of the budget is yet to be announced.