

## **BUDGET 2012**

### **GROWTH FOR THE GREATER GOOD**

**Mr Speaker, Sir,**

I move that the Appropriation Bill 2012 be read a second time.

2. Mr Speaker, Sir, it is a great honour for me to present the seventh budget of the two consecutive mandates of this Government.

3. In 2005, this Government inherited, in the words of the previous Prime Minister, an 'Économie en état d'urgence'. And since then, Mauritius has had to deal with one external shock after another. This included the worst food price inflation and biggest surge in oil prices in decades, the worst financial turmoil in a hundred years, the worst economic crisis Europe has seen in a very long time, and now the relapse of global economic recovery.

4. It has been six years of assorted adversities.

5. But under the strong and effective leadership of the Prime Minister, supported by a committed cabinet, our country has weathered every storm.

6. These adverse global events have left many countries counting their misfortunes. But Mauritius has withstood all the shocks.

7. Since 2006, we have:

- created 9,400 jobs annually, compared to just 4,500 annually in the preceding 5 years;
- increased net international reserves to around 40 weeks of import cover;
- set out one of the simplest tax return systems in the world;
- made Mauritius one of the lowest income tax economies in the world;
- broadened the economic base with new sectors; and
- begun the democratisation of the economy.

8. Mr Speaker, Sir, we have pulled the economy out of the 'état d'urgence' and put it in an 'état de résilience' never seen before.

9. Every step of the way, the Government has managed the economy not only for growth but also for uplifting the life of every citizen.

10. This Government has thus blazed a new trail of prosperous development.

11. It has got both its rhetoric and its actions right - actions that match up to its promises.

12. In the future we know the challenges will be even tougher. But we will ride them out with even deeper determination.

13. As the saying goes, "it is only when it is dark that you can see the stars". Even in difficult times, opportunities will open up. We shall seize them. We shall seize them to create more wealth for our country and a better life for all our citizens.

### **GROWTH FOR THE GREATER GOOD**

14. Thus, Mr Speaker, Sir, Budget 2012 is about more growth. It is about **GROWTH FOR THE GREATER GOOD.**

15. Growth requires investment. And investment requires demand.

16. This budget faces up to the demand challenge.

17. It sets out a more intensive approach for export promotion and market development.

18. It also promotes further the opening of our economy.

19. It makes bold adjustments to tax policy so that it promotes rather than inhibits growth and social justice.

20. It announces institutional reforms to further embed efficiency and good governance.

21. And it takes the country a stride closer to the full democratisation of the economy.

22. Budget 2012 recognises the need to facilitate the rising trend of women seeking employment and will try to break the vicious circle for youth. No jobs without previous experience, and no experience without a previous job.

23. This Budget also goes to the roots of poverty and deals with its painful manifestations. We know poverty is a difficult multi-faceted scourge. It is not only a problem of material well-being but of human dignity as well. That is why we will mobilise the maximum efforts to face it down.

24. And Budget 2012 is about dealing with issues that resonate in the daily life of our people.

25. Finally, it addresses the need to take the country safely through the crisis.

26. The pursuit of GROWTH FOR THE GREATER GOOD will cut across the four main objectives which I announced a few weeks ago:

- **setting the basis for strong growth,**
- **riding out the crisis,**
- **improving our social protection, and**
- **fiscal reform.**

## **REVIEW OF THE GLOBAL AND DOMESTIC ECONOMIC BACKDROP**

27. But, Mr Speaker, Sir, first let me give the economic backdrop to the budget.

28. Three months ago I took office amidst fears that the world economy was once again in peril. These apprehensions have further intensified.

29. The global economy is fragile and fraught with uncertainty. Global trade is losing momentum. And consumer confidence is waning.

30. The wait for a robust upturn may be much longer than was anticipated.

31. But our own economy is showing strong resilience. The main economic indicators for 2011 show:

- a real GDP growth rate of around 4.2 percent;
- an unemployment rate of 7.8 percent;
- an inflation rate of 6.5 percent;
- a budget deficit estimated at 3.8 percent; and
- a public sector debt of 54.2 percent.

32. Despite the high fuel bills, the Balance of Payments is in surplus of 3 billion rupees.

### **BUDGET OUTLOOK**

33. Mr Speaker, Sir, for 2012, because of poor visibility as to where the global economy is heading, we are cautiously forecasting a growth rate of 4 percent. This will be the same as the growth rate of world GDP.

34. This budget will raise revenue of 76.9 billion rupees of which:

- 16.4 billion rupees from income taxes,
- 44.4 billion rupees from indirect taxes, and
- 3.4 billion rupees from grants and other budget support.

35. Expenditure will amount to 90.5 billion rupees. And as a result, the budget deficit for 2012 will be a respectable 3.8 percent of GDP. This is far lower than the 5.1 percent deficit we inherited from the previous Government.

36. To plan this low deficit, at a time when we know the economy needs to be stimulated, required some hard choices. And we chose responsibly.

37. We chose tax changes that enhance economic growth rather than fill the coffers of Government. We will raise, lower and even abolish some taxes.

38. We also chose to ensure the quality of the deficit. This means that in 2012 Government will borrow only to finance its investments – that is to create wealth in the future.

39. I am pleased to announce that Government will, for the first time in more than a decade, generate a surplus on its recurrent account.

40. However we still need to be prudent.

41. That is why we are reducing the public sector debt to GDP ratio to 54.1 percent in 2012. This is a significant improvement on the unsustainable debt of 62 percent that we inherited. The experience of Greece, Spain, Ireland, Italy and other countries holds valuable lessons for us. We are seeing how a debt debacle can undermine economic stability.

42. Thankfully, we are well on course to the 50 percent debt to GDP objective set in the law and to be achieved by 2018.

43. Mr Speaker, Sir, notwithstanding the resilience of our economy and the sustainability of our deficit and debt, we will hold the rein tightly.

### **SETTING THE BASIS FOR STRONG GROWTH**

44. Mr Speaker, Sir, there are ominous signs that trouble is in store.

45. There is urgency. Action must be taken now.

46. But, we must be rational and not merely reactive.

47. Mauritius has always been a nation of increasing prosperity. This should never change.

48. During the next three years we will set growth on a more sturdy course.

49. We will also set the base for a high-investment, high-productivity, high-efficiency, high-technology and high-wage economy.

50. We will do so because this is the surest way to join the league of high-income countries.

### ***Tax Policy to Boost Investment and Growth***

51. Mr Speaker, Sir, I will start with major changes in tax policies.

52. Some taxes are discouraging investment.

53. We have given some deep thought to the impact of taxes on dividends and interest on our economy. We have weighed their pros and cons. And we have decided on what is best for our country.

54. Mr Speaker, Sir, I am pleased to announce that I am completely abolishing the solidarity tax on dividends and interest, effective 1st January 2012.

55. Tax on dividends is a double tax. No one should be made to pay tax twice.

56. To tax interest income is to tax savings. And we do not want to penalise savings.

57. As regards capital gains tax, we all know that it will be a difficult year for the treasury. But our system of taxation on property is erratic and sometimes excessive. Here also we have weighed the pros and cons. And I have put the long-term interest of the country first.

58. I am pleased to announce that the capital gains tax on immovable property is being completely abolished and it will apply with immediate effect.

59. And I am not stopping here.

60. I am taking further the endeavour to reform our tax policy, to make it more just.

61. We have analysed very carefully the 'raison d'être' of the municipal tenant's tax which is payable on commercial properties. It is an unfair tax. It is not paid by landlords but by tenants – the very people who, by definition, can least afford to pay. There is also a wide disparity in the tax charged between each municipality. In some cases the tax can go up to 20 percent of the rent which can be a very substantial amount. There is uneven collection and wide tax evasion.

62. I am therefore pleased to announce the complete abolition of the municipal tenant's tax, effective 1st January 2012.

63. Government will compensate the municipalities for revenue foregone. This will represent some 175 million rupees per year.

64. We are also removing land transfer tax on the sale of immovable property by financial institutions relating to debt recovery.

65. Furthermore, Mr Speaker, Sir, in view of the difficult financial situation of some of our hotels, guest houses and tourist residences, they will, for 2012, pay the environment protection fee only if they are profitable.

66. And the tax holiday of Freeport operators which should end in 2013 will now be carried forward indefinitely.

### ***Enhancing Promotion Capacity***

67. Mr Speaker, Sir, I talked earlier about the importance of demand to investment decisions. To boost investment we must take our products to where demand is. We will do so very aggressively on our traditional markets in Europe and the USA.

68. And we will run more focused and more carefully thought-out promotion campaigns in India, China, and Africa, where the potential is unfolding at a rapid pace.

69. We will seek to maximise the synergies among public as well as private promotion agencies.

70. Since I took office, there has been formal coordination between promotion agencies in the public and private sectors. This will continue. They will collectively seek new markets for our sugar, fruits and vegetables, textiles, seafood, financial services, tourism, ICT/BPO, education, health care and other exports.

71. We are empowering BOI, now with a young professional at its head, to actively promote Mauritius to further develop the financial sector, ICT/BPO and the education and medical hubs.

72. Enterprise Mauritius, also with an experienced new CEO, will take care of promotion for manufactured goods and agricultural products.

73. We will organise an annual Mauritius Fair with the participation of foreign buyers and local enterprises.

74. Besides promotion abroad, the BOI will also facilitate inward investment. We want the BOI to offer a unique experience for investors.

75. The incremental promotional budgets of these organisations will be put in a National Resilience Fund.

76. Never before, Mr Speaker, Sir, has so much resources been made available to our promotion agencies to put Mauritius on the global map.

### ***Internationalising Our Economy***

77. Mr Speaker, Sir, as we promote Mauritius abroad as a quality destination for foreign direct investment, we must also internationalise our economy.

78. Government has decided to appoint two roving ambassadors for Africa and the Indian Ocean.

79. They will assist in widening the network of Double Taxation Avoidance Agreements and Investment Promotion and Protection Agreements with African states. We are planning to start with Algeria, Angola, Burkina Faso, Tanzania, and South Sudan.

80. But we won't get off the ground if we do not have better connectivity to the region. This is crucial. Our modern airport must become the new hub for the region, offering interconnection between Africa and the rest of the World.

81. What is certain is that our country requires frequent flights to Africa. This can only be viable under a hub concept, where passengers come to Mauritius on transit to other destinations.

### ***Investment Facilitation: Regaining the Momentum***

82. Mr Speaker, Sir, business facilitation is another core determinant in the investment equation.

83. The performance of Mauritius in many international rankings is a source of pride and joy for the entire nation. We are ranked:

First out of 53 countries in Africa on the Mo Ibrahim Index of African Governance.

First in Africa on the Fraser Institute's Economic Freedom Index.



And again first in Africa, in the World Bank's Ease of Doing Business report, for the 4th year running, well ahead of 2<sup>nd</sup> place South Africa.

84. However, these indicators should not be ground for complacency. Instead, they should be a source of inspiration to do even better.

85. To carry through our ambition to always be amongst the best, we have recently set up a Joint Public-Private Sector Business Facilitation Task Force. Its focus in 2012 will be to report on policies and actions to:

- remove remaining bottlenecks to investment and exports;
- simplify regulations; and
- save time for applicants.

86. Indeed, Mr Speaker, Sir, time is money says the old adage.

87. This is why Government has also invested in a new system to cut the time for registering property from 15 days to 2 days. The new system will be operational next week.

88. Recently, my colleagues have started to abolish numerous import permits except where they are absolutely necessary.

89. We are also amending the law to enable Permanent Residence holders to purchase an apartment. This should attract more foreign direct investment (FDI) and boost the construction industry while making more economic use of residential land.

### ***Opening more Economic Space at Home***

90. Mr Speaker, Sir, as we seek more economic space abroad, we will also broaden the scope for investment at home.

91. Government will do so by disinvesting from some of its commercial and industrial assets. Our aim is three-fold: to make better use of Government assets to generate wealth and employment, raise revenue to invest in new strategic sectors, and offer better facilities to the public.

92. Thus Government will disinvest from -

- The casinos,
- Domaine Les Pailles Properties,

- Port-Louis Waterfront Retail Outlets,
- The Belle Mare Tourist Village,
- Lakepoint Complex, and
- Offer a management contract for the Citadel.

### ***Reforming Institutions***

93. Mr Speaker, Sir, in recent years we have made significant efforts to reform our institutions. The payoff has matched up to our efforts. Our international ranking on governance bears this out.

94. However, the world keeps changing and we must adapt.

95. And today, I am pleased to announce a series of institutional reforms that will further consolidate our progress on governance, embed efficiency, provide greater satisfaction to employees, and improve service delivery.

96. Experts from Singapore are currently reviewing the functioning of the parastatals in the water and waste water sectors to improve delivery of services. It is expected that substantial reforms and investment will follow in the water sector.

97. Assistance from Singapore will also be used to review the organisation and functioning of the Mauritius Tourism Promotion Authority.

98. We have begun the search for a specialised Private Financial Institution to undertake the transformation of the DBM into a Micro, Small and Medium Enterprise Bank.

99. The Ministry of Fisheries will explore how to involve a strategic partner in the operations of the Albion Fisheries Research Centre.

100. Air Mauritius is conducting a strategic review to determine how best to position itself as our country opens air access and seeks to be a hub between Africa and the rest of the world. It is exploring the possibility to expand its network of partnerships with other airlines.

101. The IFC is assisting Government in identifying a Strategic Partner to develop Cargo Handling operations and transform Mauritius into a trans-shipment hub.

102. The new airport terminal is being built and operated under a management contract with Aéroports de Paris.

103. The Ministry of Agriculture is merging cess-financed institutions to save planters 287 million rupees a year.

104. In addition, the Office of Public Sector Governance has been set up under the Prime Minister's Office. It will, in priority, assist public enterprises to improve governance, efficiency, services and cut out waste.

105. We are amending the Public Procurement Act to secure efficiency gains, including obtaining expertise under Government to Government agreements.

106. In the same vein, Government will consider bulk purchases to reduce the cost of its procurement.

107. To improve access to public services, wherever possible, Government will open its offices on Saturdays.

108. Government is really all about people. To ensure that the civil service improves service delivery, we must focus on every public officer. We must unleash their full potential and constantly upgrade their knowledge, improve their skills and update their mindset.

109. A Civil Service College will begin operations by outsourcing courses on motivation and leadership including problem-solving skills and planning.

110. The reforms I have just announced are essential if we are to raise our people's income levels and quality of life and avoid the middle income trap which has ensnared many countries similar to Mauritius.

### ***Consolidating Agriculture***

111. Mr Speaker, Sir, business facilitation is an important leg of our efforts to buttress the supply side of our economy. But each industry also has its own specificities and concerns.

112. In the agriculture sector, the challenges are getting tougher every day. For two consecutive years, output in the sugar sector has contracted. Sugar cane planters need every support we can give. This year the total budget for the Ministry of Agro-Industry and Food Security will surge to

2.6 billion rupees, an increase of 700 million rupees compared to what was spent last year.

113. Thus the Sugar Insurance Fund Board (SIFB) will grant a 70 percent discount on premiums due for 2011. This should reduce cost by around 3,000 rupees per arpent.

114. As from next year, the SIFB will offer new policies that should bring further drastic cuts in the premiums.

115. The use of better equipment and machinery will enhance the quality of life and productivity of field workers, as well as add to our nation's food security. I am therefore pleased to announce a major incentive to the sector.

116. Henceforth Mr Speaker, Sir, all small planters and all small breeders will obtain full VAT refund on agricultural machinery, equipment and tools that they purchase in 2012. This will benefit some 23,000 sugar cane planters, some 6,000 horticultural producers and some 5,000 animal breeders, including cattle and pig breeders.

117. We are also maintaining the payment of an 80 percent advance to sugar planters as soon as their crops are sent to the mill.

118. We are committing 310 million rupees for continuing the programme of re-grouping small planters, de-rocking their lands and providing irrigation wherever needed.

### ***Ushering in a New Era of Agri-Technology and Bio Fuel***

119. Mr Speaker, Sir, Government is ushering in a new era of agri-technology and bio fuel. We are putting in place a framework to enable production of sugar cane ethanol for blending with gasoline. This will add value to our cane industry while at the same time bringing environmental benefits and increasing self-sufficiency in energy.

120. As provided for in the historic deal made by the Prime Minister, the stakeholders of the sugar industry will hold 35 percent of the equity of the ethanol company. Government will facilitate the acquisition of the shares through the Cane Democratisation Fund.

### ***Non-Sugar Agriculture: at the Service of Consumers***

121. Mr Speaker, Sir, as regards non-sugar agriculture it holds the key to food security and to lower prices for consumers.

122. The Agricultural Marketing Board will finance seed purchases so that there can be greater supply of potatoes, onions and garlic to consumers.

123. I am also committing resources to improve market intelligence to farmers. This will be crucial to avoid under-production which drives up prices for consumers and over-production which depresses farmers' income and threatens future output.

124. I am increasing the budget for food security by about 50 percent to 150 million rupees. Of this amount, 22 million rupees will be direct allocations to Rodrigues.

### ***Non-Sugar Agriculture: Stimulating the Export Drive***

125. Mr Speaker, Sir, non-sugar agriculture must also become more export-oriented. It not only expands our GDP but provides us with the necessary economies of scale to lower prices for our consumers.

126. But freight costs are holding back exports.

127. A new freight rebate scheme will therefore be introduced that will involve a 25 percent cost-subsidy element to be shared equally between producers and exporters.

128. At the same time, Mauritius must comply with the WTO trade discipline. I am therefore allocating the necessary resources to train and empower producers so they can export competitively, without subsidy, after the WTO derogation lapses in 2015.

129. We are also extending the Fair Trade certification facilities to all sectors of the economy, including producers of flowers, vegetables, fruits and honey. The facilities will be for cooperatives and other federations.

### ***Harnessing the Multiple Benefits of our Seas***

130. Mr Speaker, Sir, investment in the fisheries sector has multiple benefits. It improves the standard of living of fishermen, enhances our

quality of life, improves the environment, widens the choice of consumers and is of great value to the tourism industry.

131. Government will therefore invest in cutting edge technologies to better harness the economic potential of our marine resources.

132. We are committing 10 million rupees to:

- replenish our lagoons by releasing at least 300,000 fish fingerlings, and thousands of sea cucumbers in various areas, including Bambou Virieux, Grand Gaube, Albion and Pointe aux Sables; and
- create coral farms & reef sanctuaries.

133. But, Mr Speaker, Sir, this will only be possible if we have the total support of the local communities and importantly if lagoon supervision can be enhanced to a reasonable level.

134. An exchange programme will be put into place with Rodrigues Fisheries Protection Service to share knowledge and skills.

135. Mr Speaker, Sir, to lower costs for all registered fishermen, they will henceforth benefit from VAT refund on fishing gear, outboard and inboard engines of up to 25 hp as well as VHF radios.

136. In the same vein, we are refunding VAT on semi-industrial fishing vessels used by fishermen grouped in cooperatives.

137. We are also removing the 10 percent customs duty on refrigerated vehicles. This will benefit fishermen, producers of other foodstuff as well as consumers.

### ***Financial Services: the Linchpin of our Economy***

138. Mr Speaker, Sir, the financial services industry will continue to be the linchpin of our economy. We have taken it to great heights of success. But we will not rest on our laurels. We will provide strong support to the financial services industry to weave new business links with the rest of the world, comply fully with international norms and diversify its products.

139. The House has already passed legislation to promote Limited Partnerships.

140. We will soon set out the legal framework to promote:

- i. Foundations;
- ii. Private Occupational Pensions; and
- iii. New concepts of Trusts.

141. These should significantly widen the spectrum of financial vehicles in our jurisdiction.

142. The Government of Mauritius will continue to protect our country's best interest with regards to the India/Mauritius Double Taxation Avoidance Agreement.

143. The 'Code Civil Mauricien' will be amended to provide for an appropriate legal framework which would govern leasing of both immovable and movable property, especially finance leasing.

144. As regards the insurance sector, we are abrogating legislation that would have allowed local assets to be insured with an insurance company based in a foreign country in 2013.

***Tourism: Back to Basics***

145. Mr Speaker, Sir, Mauritius has built a worldwide reputation for the quality of its tourism based on living up to its brand and delivering consistently on its brand promise - high standards, a pristine environment and friendliness of its service.

146. We cannot afford to stray away from these basics.

147. And we will stick to these basics by re-adopting a three-pronged strategy focused on Attractiveness, Visibility and Accessibility.

148. Exaggerated claims are being made by some hotel operators on the internet that can undermine the reputation of the destination. To address this, an official rating system will be developed by the Tourism Authority, in collaboration with tour operators.

149. The Tourism Authority will also introduce voluntary Green certification which hoteliers can proudly display to their guests thereby gaining a marketing advantage.

150. As for our environment, there is far too much litter around.

151. Mr Speaker, Sir, if we want to remain a top class destination our citizens need to understand the importance of maintaining a pristine environment all around the island.

I am allocating 25 million rupees to the Tourism Authority to resume its comprehensive cleaning and embellishment programme.

152. And I am also allocating 13.5 million rupees for the MSPCA to intensify the campaign to control the population of stray dogs. This represents an increase of 10 million rupees over last year.

153. As regards visibility, we will intensify our promotion campaigns in traditional markets and fully exploit the growing potential on new markets.

154. Medical tourism offers good prospects for attracting more visitors. To encourage that sector I am restoring the VAT exemption on cosmetic surgery.

### *Giving a Push to Emerging Sectors*

155. Mr Speaker, Sir, I talked earlier about this Government's success in diversifying the economic base. A number of new sectors have emerged and contributed in no small way to the resilience of our economy. Government wants to facilitate further the development of these sectors.

156. ICT/BPO is one of them. Its weight in GDP is rising fast. Its growth is one of the highest. And it offers tremendous employment opportunities for our youth that must be fully tapped.

157. A second undersea fibre optic cable, LION 2 will be operational by mid-2012, thus ensuring continuity of service at all times.

158. We are further opening connectivity to give long distance telecom operators the right of access to connect to international gateways via our two landing stations. There will thus be more competition. And businesses will be able to connect to multiple service providers.

159. The ICT Act will be amended to allow the ICT Authority to intervene more effectively to ensure competition and competitive pricing of services. The measures I have just announced should go a long way to bring down cost and therefore lower prices of internet.



160. To develop human resources, Government will give occupation permits to workers in the ICT/BPO earning more than 30,000 rupees.

### ***Knowledge Centre of Excellence***

161. Mr Speaker, Sir, for the knowledge centre of excellence, Government has reviewed its procedures to speed up granting of student visas.

162. Foreign students will now be allowed to take up employment on a part-time basis for up to 20 hours a week except in the security sector. This should attract a greater number of foreign students to Mauritius.

163. And we will develop the capacity to cater for even more students. SLDC will reserve land next to the Knowledge Triangle in Réduit for campuses of renowned foreign tertiary education institutions.

### ***Setting the Framework for New High Value-Added Industries***

164. Mr Speaker, Sir, we are adding a completely new sector to our economic landscape and in particular to our tourism industry. Commercial marinas constitute a multi-billion dollar activity around the world. And Mauritius has what it takes to harness the full potential of marinas and their hinterland development to create jobs for our youth and more wealth for our nation. Moreover, it will be a strong selling proposition for the promotion of our tourism industry.

165. Government will set the regulatory framework to ensure international standards and environmental norms are met. And BOI will actively promote investment in this new sector.

166. Mr Speaker, Sir, Government is also introducing the legal framework to encourage the setting up of a film industry to attract international film producers of repute.

167. To stimulate the interest of foreign film makers, Government will contribute 25 percent to agreed expenses incurred in Mauritius with respect to the production of a film, as is the practice around the world.

168. It is hoped that this will give a major impetus to our film industry and open significant scope for our local film producers as well as artists and for unleashing talents, and increasing international visibility, besides attracting FDI.

169. BOI will be given the necessary mandate to accompany investors in this new venture.

### *Matching Skills with the Requirements of the Economy*

170. Mr Speaker, Sir, it is conventional wisdom that economic growth is dependent on the level of skills. Higher skills also hold the key to productivity, competitiveness, and the earning capacity of our workforce. In this Budget we are making special efforts on training that is directly related to the skills that the market is looking for.

171. And most of the new training will be aimed at our unemployed youth. Mr Speaker, Sir, youth unemployment in Mauritius, like in other countries is a cause for concern. We need to make our youth more employable by encouraging relevant and practical pre-job training.

172. I am introducing an innovative measure – the Sponsored Pre-job Training Initiative, which I hope will be used extensively by employers. Their contributions to the HRDC will henceforth be available not only to train existing employees but to prepare our youth for employment. The following conditions will apply:

- the duration of training should not exceed 6 months,
- HRDC will pay 60 percent and the prospective employer 40 percent of the training costs, and
- a stipend of 6,000 rupees per month per trainee will be paid on a 50:50 cost sharing basis.

173. In addition, delivery of all training schemes for the unemployed by HRDC, NEF and MITD will be consolidated along the above lines.

174. It is expected that in 2012, some 8,000 unemployed will be covered by these schemes.

175. The Commission for the Democratisation of the Economy will work with relevant Ministries to implement a pilot programme to empower vulnerable women through small scale farming projects.

176. The Central School of Nursing will be reorganised and expanded. Its syllabus will be revamped to cater for local needs, in particular the medical hub, and to prepare our students for work abroad.

177. And Government will encourage the setting up of private nursing schools.

178. The Medical Council Act will be amended to review the criteria for registration of general practitioners and specialists.

179. In addition, we are committing 87 million rupees for the pre-registration training of some 375 qualified medical graduates from both local and foreign universities.

180. Mr Speaker, Sir, we need to empower our youth to seize opportunities in the tourism industry. High-pay jobs on cruise ships are one of them.

181. Thus, training courses in hospitality on cruise ships will be run by the Sir Gaëtan Duval Hotel School. This will prepare many of our young people to take advantage of good employment opportunities.

182. In the same vein, courses on basic marine safety, fire fighting and elementary first aid will be offered by the Mauritius Maritime Training Academy. We expect some 500 young people to graduate from these courses every year.

183. Finally, we need to ensure that workers can move to more attractive jobs without worrying about accrued rights. To ensure that pensions and associated benefits are fully portable we will make the necessary legal amendments in the course of 2012.

### *Supporting SMEs*

184. Mr Speaker, Sir, I spoke earlier about every sector of the economy having its own specificities. The micro and SME sector is one of them.

185. In times of crisis they are the most vulnerable. And in a world of rising competition they have to struggle to stay relevant and profitable. Yet when they do succeed, they can make an irreplaceable contribution to the economy.

186. SMEs produce 37 percent of our GDP, that is, some 120 billion rupees worth of output. They give employment and provide a living to 250,000 men and women. And it is there that the culture of entrepreneurship takes root, grows and democratises the economy.

187. We know the fast onset of competition from emerging markets, the crisis in Europe and the sluggish global GDP growth can be very testing times for them. And their biggest frustration in facing up to these challenges is access to finance.

188. A number of actions have been taken in the past to address the issue of SME financing. The results have been limited at best. Admittedly it is a tough issue to crack. But this Government will not let up.

189. Mr Speaker, Sir, on SME financing, we will break the mould.

190. Today we will support them where they are hurting the most – by acting on the prohibitively high cost of credit. Interest rates of 14 percent and even higher are dangerously stifling the drive of entrepreneurs. They are threatening the growth, profitability and competitiveness of the SMEs. We need to remedy the situation. Others have tried and failed. But we shall not falter. And we will prevail.

191. After protracted negotiations, the banking sector has agreed to the release of 3 billion rupees at an affordable interest rate of 3 percent above the repo rate, that is 8.5 percent.

192. The main features of the scheme are as follows:

- New overdrafts and bank loans as well as renewal of existing facilities will be made at the rate of 8.5 percent.
- All processing costs and related charges will be waived.
- Participating banks will collectively make available 3 billion rupees for the next three years, that is, one billion rupees a year.
- The Equity Fund will provide a guarantee instrument to offer risk cover amounting to 35 percent of every loan and overdraft.
- Finally, banks will be allowed to claim the deduction from tax, in respect of SME bad debts without the need to have recourse to the courts.

193. With this scheme we are doing things differently to give maximum support to the SMEs. It is a revolutionary measure that addresses both access to and cost of finance. More importantly it does not cover only new operations but also benefits existing clients at renewal.

194. In addition, it covers both investment and working capital. Furthermore, there will be no red-tape or inordinate delays and no need to interface with Government.

195. Mr Speaker, Sir, the banks need to understand that the provision of credit to SMEs at a fair rate is central to Government's policy to ensure equal opportunities for all.

196. I would like here to express my gratitude to the Prime Minister, the Governor of the Bank of Mauritius and the commercial banks for their support in achieving this revolutionary measure.

197. New loans to SMEs at the DBM will also be capped at the repo rate plus 3 percent, that is 8.5 percent.

198. To further support the SMEs as well as other borrowers, Government is abolishing the inscription fee leviable on registered loans.

199. Furthermore, I am removing registration duty which ranges from 1,000 rupees to 10,000 rupees on loans not exceeding 1 million rupees.

200. As a result charges will be reduced to cover only processing costs of 1,000 rupees.

201. These two measures will cost Government around 70 million rupees.

### ***More Industrial Space at Lower Cost for SMEs***

202. Mr Speaker, Sir, lack of industrial space is another major hindrance to the development of the SME sector. It is also an environment hazard as many micro entrepreneurs use residential and other non-industrial space for their operations.

203. To remedy that situation Government is constructing an additional 175 units in industrial estates at five sites. They will be available to a wide array of SMEs, including mechanics, carpenters, metal workers, manufacturers and furniture makers.

204. The size of the units will be at least 500 square feet.

205. I am also pleased to announce that Government will give a discount of 50 percent on the rental in the first three years.

### ***More Government Contracts to SMEs***

206. Mr Speaker, Sir, we want to give SMEs a fair chance to work on Government contracts.

207. We are amending the law to provide for at least two SMEs in the short list of restricted bidding for procurement of up to 5 million rupees.

208. For low value procurement of up to 500,000 rupees per contract subject to restricted bids, the Public Procurement Office will issue a directive to include at least one SME in the shortlist.

209. The bidding documents will be simplified to encourage SMEs to submit bids.

### ***Democratising Entrepreneurship***

210. Mr Speaker, Sir, I have also given deep thought on how to support entrepreneurship generally. This is vital to democratisation.

211. Often the lack of income for the entrepreneur in the first year of operation is the most serious inhibition to starting a business.

212. To encourage those that deserve help, we are granting them up to 20,000 rupees a month to cover their living expenses. They must have an innovative proposal approved by the Mauritius Business Growth Scheme (MBGS). This will be integrated into the assistance provided by MBGS for business services and repaid on the same terms.

### **STEERING THE COUNTRY SAFELY THROUGH THE CRISIS**

213. Mr Speaker, Sir, if there is one thing that has had a pervasive influence on the preparation of the 2012 Budget, it is that the times call for utmost vigilance. We must prepare for the worst and hope for the best. The Budget we present today reflects this reality.

214. Going through the crisis, the responsibility of Government is clear.

215. It must provide leadership in investment and job creation. It is a responsibility we will not shirk.

216. We have therefore designed a Resilience Plan for the next three years covering enterprises of all sizes, but with a special focus on SMEs, infrastructure development and job creation. We do not want to be caught short if the crisis intensifies. The Resilience Plan is made up of four strategies.

***Strategy One: Supporting Enterprises at the Microeconomic Level***

217. Mr Speaker, Sir, Strategy One is to support enterprises at the microeconomic level. To this end, I am committing 7.3 billion rupees to a National Resilience Fund (NRF).

218. This is more than double the amount available to the Business Growth Fund.

219. Let me be absolutely clear on how the NRF will be used.

- It is a contingency fund.
- It will be used to strengthen the resilience of the economy.
- If matters get worse it will be used as a rainy day fund to shore up public finances.
- Money that is not needed will not be spent.
- And enterprises that will be supported will have to show concrete efforts at building permanent resilience.

220. I am therefore pleased to announce that resources from the NRF will be used to broaden the reach of the Leasing for Equipment Modernisation Schemes (LEMS) and to improve them. We are maintaining the LEMS because they have proved to be very successful instruments to support enterprises. To this day, more than 300 enterprises have benefited, 56 percent of which are SMEs.

221. I am therefore extending all facilities under the LEMS to December 2014.

222. And Mr Speaker, Sir, because of its successful record, I am also extending LEMS to all industries, including traders, as long as their turnover does not exceed 50 million rupees.

223. The 7.3 billion rupees that Government is committing will also be used to significantly increase support under the various on-going schemes, namely:

- The Guarantee for Import Loans,
- The Factoring Scheme for SMEs, and
- The Planters Harvest Scheme for small service providers.

224. We are also introducing a guarantee scheme under the NRF to enable SMEs to get insurance cover on their exports as well as on local sales.

225. In all Mr Speaker, Sir, the NRF will be used for the following:

- i. The LEMS
- ii. SME industrial parks
- iii. Overseas promotion campaigns
- iv. Youth employment programme
- v. Subsidised airfare to Rodrigues
- vi. Transformation of DBM
- vii. Participation of SMEs in fairs
- viii. Factoring scheme for SMEs
- ix. SME financing guarantee scheme
- x. Mauritius Business Growth Scheme
- xi. Film Incentive Framework
- xii. Equity Fund to support corporate restructuring

***Strategy Two: More Government Spending on Infrastructure***

226. Mr Speaker, Sir, Strategy Two will be to use Government spending on infrastructure as a lever to increase investment, employment and growth during the crisis.

227. We plan to inject next year 21.2 billion rupees in the economy for key infrastructure projects. This should give a major boost to the construction industry.



228. The pursuit of the Harbour Bridge and Métro léger projects will provide a significant stimulus to riding out the crisis.

229. We are keeping 1.5 billion rupees of the planned amount for projects approved and not yet ready for execution. We are urging the various ministries to speed up their implementation so as to prop up investment. The resources will be disbursed on a first-come-first-served basis.

### ***Strategy Three: Financial System Stability***

230. Mr Speaker, Sir, Strategy Three of the National Resilience Plan is to further build up the stability of our financial system.

231. Since 2008, global events have taught us that we can never be careful enough. Financial stability is an area where being ahead of the curve can pay hefty dividends.

232. In that regard, we have requested the IMF to make recommendations on how to ensure a well-coordinated watch on the stability of our financial system.

### ***Strategy Four: Coherent Macroeconomic Response***

233. Mr Speaker, Sir, Strategy Four will focus on macroeconomic policies. When the economy is buffeted by external shocks, coherence in fiscal and monetary policies is vital. I am thus setting up, in my Ministry, the necessary mechanism for determining, with the Bank of Mauritius, the accepted range of the rate of inflation. The Monetary Policy Committee will then decide on how to keep inflation within that agreed range.

## **SHARING PROSPERITY WITH ALL**

234. Mr Speaker, Sir, one of the key metrics of our success in achieving Growth for the Greater Good will be the narrowing of the gap between the rich and the poor.

235. Too many people are still not enjoying a fair share of the prosperity we have been creating.

236. Government spending on transfers, housing, health care and education, in other words on social spending, can make a big impact on sharing prosperity. As a compassionate Government this is where our focus has always been. Budget 2012 will take this commitment even further.

237. We have set the ball rolling on wage compensation. Government granted an increase of between 6.6 percent and 11.5 percent to workers in the low wage bracket.

238. Beneficiaries of the Basic Retirement Pension (BRP) will also be compensated for the increase in cost of living, as from January 2012. The monthly BRP will go up to 3,350 rupees for pensioners aged 60 to 89 years, to 9,975 rupees for those aged 90 to 99 years and to 11,320 rupees per month for centenarians.

239. But this is not the last station on the way to sharing prosperity with all.

240. Mr Speaker, Sir, we would not be walking the talk on sharing prosperity if we do not address the issue of exclusion.

241. We all know people who have worked hard, yet at the age of 60 have very little to show for it.

242. They have lived all their lives in the informal sector.

243. Thousands of our citizens, in particular part time and informal workers, household workers, gardeners, drivers, and casual agricultural workers do not participate in the benefits of the National Pension Fund. Many of these men and women take care of us in our daily life – provide us our meals, and take care of our children and our homes.

244. Today I believe it is our turn to take care of them. Today it is our turn to tell these men and women that we feel for them.

245. Mr Speaker, Sir, there are a couple of barriers that stand between them and entitlement to the benefits of the National Pension Fund.

246. Often, employers avoid registering their household employees because of the time and trouble that it involves and the administrative burden they have to face.

247. Often also, the employees themselves avoid registration so as not to pay their share of the contribution to the National Pension Fund (NPF) and Transitional Unemployment Benefit (TUB).

248. Mr Speaker, Sir, today we will remove these barriers.

249. I am pleased to announce that for all those earning up to 3,000 rupees a month, Government will now pay their share of the contribution to the National Pension Fund as well as pay their share of the Transitional Unemployment Benefit.

250. This effectively adds another 4 percent to their remuneration. On a salary of 3,000 rupees it amounts to 120 rupees per month which we will pay on their behalf into their NPF and TUB accounts. This will provide more pension for them in the future and is in addition to the hefty increase of 330 rupees granted during the salary compensation exercise.

251. Furthermore, the Mauritius Revenue Authority (MRA) will adapt its annual income tax return to enable registration of the employee and payment of the annual NPF contribution in one go by employers, without additional interest or penalty.

252. MRA will issue an annual income statement to each employee.

253. We will also professionalise housekeeping work. To this end the National Empowerment Fund (NEF) in collaboration with NGOs, will train some 500 domestic workers next year, and provide them with a certificate.

### ***Decent Housing Units for Every Family***

254. Mr Speaker, Sir, another most conspicuous manifestation of poverty in our country is the number of people who live in poor housing conditions - men, women, children and the elderly.

255. Many of the housing estates are fast becoming no man's land. There is a lack of regulation and discipline, poor sanitary facilities, poor water reticulation and wastewater disposal systems, to name but a few. Common areas are often in a state of dilapidation.

256. If we do not act now, we can imagine what the living conditions for these families will be like in the future. And this is not where we want to take our country and our society.

257. What these families need, is a clean, safe and healthy living environment.

258. For these families too, we are today taking meaningful action that will make a big difference to their life.

259. We are committing the necessary resources in 2012 to ensure that all the 44 NHDC housing estates have a functional syndic. Currently only 9 of them do.

260. For 2012 Government will contribute 200 rupees per housing unit, per month, that is 2,400 rupees per year per housing unit, to set up a syndic in all NHDC estates, except for the three middle-income ones. The residents will appoint their own syndic and will be encouraged to supplement Government's contribution. The main role of the syndic will be to ensure coordination, discipline, and maintain common areas in a clean and orderly state.

261. This will considerably improve the daily life of some 6,150 families.

262. In addition, we are committing resources to:

- rehabilitate the wastewater disposal system of housing estates;
- *rehabilitate water* supply on 15 NHDC estates; and
- carry out waterproofing works in housing estates at Rose Belle and Palma.

263. Mr Speaker, Sir, Government is also giving a major boost to the construction of more housing units. We will do so with an innovative new vehicle that will mobilise substantial amounts of financing for housing development.

We will encourage the setting up of not-for-profit Housing Development Trusts.

264. The main features of this new scheme are as follows:

- The Trusts will mobilise resources from the CSR fund of companies to meet one third of the costs.
- Government will bear another one third of the costs and will provide for the offsite infrastructure, if the project is within an agreed distance from existing infrastructure.
- Any land may be contributed for construction by these Trusts, as would any land acquired under the Prime Minister's deal with the sugar sector.
- Preference will be given to smaller sites that promote social inclusion.

- To lower costs to purchasers, the social housing projects of these Trusts will not be subject to VAT.
- They will also be exempted from the payment of land conversion tax, registration duty and land transfer tax.
- And the Trusts will be responsible for on-going management of the estates.

265. Mr Speaker, Sir, we can build houses. But it serves no purpose if they are not affordable to low-income families. We know that most of these families would find it impossible to make ends meet if they have to pay the full price. We want to give them maximum assistance.

266. Families earning less than 10,000 rupees will thus pay only the final third of the cost. This means that, for example, for a house that costs around 900,000 rupees, a family will pay only 300,000 rupees.

267. This benefit will only go to families who will agree to enter into a comprehensive social contract covering civic responsibilities, employability, education of children and family values.

268. To kick start this project, SLDC will provide 4 arpents of land at Dagotièrre for the construction of 50 units.

269. Mr Speaker, Sir, in addition the NHDC has identified 160 arpents under the Prime Minister's deal with the sugar industry. This will enable the NHDC to accelerate its own programme to construct 1,000 units.

270. For low income families, earning less than 10,000 rupees per month, the same conditions will apply as for the Housing Development Trusts.

271. Mr Speaker, Sir, I am pleased to announce that we are now committing 1.5 billion rupees to the Social Housing Development Fund.

272. Furthermore, NEF will expand its scheme for concrete cum CIS houses, constructed on beneficiaries' own land, to 600 units including 400 in Rodrigues.

273. And emergency housing under the CIS scheme will add another 600 units.

274. In our housing policy, we are not forgetting the Sans Domicile Fixe. For them, NEF will create a shelter at Abattoir Road, Port Louis.

275. Mr Speaker, Sir, to assist middle-income earners, and give a further spur to construction, we are removing land transfer tax for the next two years on the construction of housing estates comprising at least 5 units, at a maximum price of 2.5 million rupees each.

276. First-time buyers will be fully exempted from registration duty when purchasing a home under that scheme.

277. Finally, there are some 2,000 families in ex-CHA housing estates who cannot benefit from the facility given to them for the purchase of state land, on which their houses stand, because they simply do not have the means. Mr Speaker, Sir, these lands will now be granted free of charge. Government will waive payment of 2,000 rupees representing the cost of the land.

### ***Health is Wealth***

278. Mr Speaker, Sir, I will now elaborate on our policies on health care.

279. Health is wealth. Health is also happiness.

280. That is why we will deepen our commitment to take our country to a modern, cutting edge health care system.

281. Our very first action will be for patients who need to go overseas for treatment but cannot meet the costs. To be sick is already distressing. Not to be able to afford the treatment is a personal tragedy.

282. Mr Speaker, Sir, I am therefore more than doubling the maximum grant under the Overseas Treatment Scheme from 200,000 rupees to 500,000 rupees. The air ticket for one person accompanying the patient will be on the same conditions as before but will be delivered by the Ministry of Health as a one-stop service.

283. In that same spirit of relieving people of their pains and tribulations, we are increasing the amount allocated to the rehabilitation of alcoholics and drug addicts by 70 percent to 51 million rupees. This will reinforce our capacity to combat drug abuse, alcoholism and addiction to tobacco. As we spend more on cure and rehabilitation, we also need to take action to eliminate the abuse of alcohol and tobacco smoking.

284. To that end, we are increasing excise duty rates as follows:

- on fruit wine and made wine, to 25.20 rupees per litre and 54 rupees per litre, respectively;
- on other alcoholic drinks by between 10 to 30 percent; and
- on cigarettes and cigars by 15 percent.

285. We are, on the other hand, removing VAT on gums that are used as substitute for smoking.

286. Government will also spend more on prevention of Non-Communicable Diseases (NCDs), including new tobacco cessation clinics.

287. In addition, we are including expenditure on campaigns for the prevention of NCDs as a fourth priority in the CSR guidelines, along with alleviation of absolute poverty, social housing and welfare of children from vulnerable groups.

288. Mr Speaker, Sir, Government will also recruit 300 nurses to improve care.

289. Finally, I am pleased to announce yet another innovative measure – this time to broaden access to private medical care.

290. Private health insurance is growing but is still beyond the means of many in Mauritius.

291. Yet private health insurance has many benefits:

- Patients can choose their medical practitioners and health institutions.
- It will relieve pressure on our hospitals, especially for surgical procedures; and
- It will contribute to the development of our medical hub.

292. Mr Speaker, Sir, all employees benefit from contributions of their employers to the National Savings Fund (NSF). Of these, a great many contribute more than 300 rupees per month. I am today allowing employees to use their monthly NSF contributions as payment of private health insurance.

293. Employees will now have the possibility to opt for private medical care for themselves and their family. Anyone wishing to do so should inform the NSF to redirect their future monthly contributions to the insurance company of their choice.

*Shaping the Education, Training and Skilling for the 21<sup>st</sup> Century*

294. Mr Speaker, Sir, education and skills are the bedrock of competitiveness in the 21<sup>st</sup> century - a prime mover of our development ambitions - crucial to sharing prosperity with all.

295. The best future for our children resides in the best approach to education.

296. I will start with the 3,000 children who need special education. I am today increasing the grant in aid to Special Education Needs schools by 25 percent.

297. Mr Speaker, Sir, the foundation years of schooling are the most vital. It is in those years that children develop the aptitudes to perform well in future years. We are therefore extending the pre-primary education grant so far applicable to children aged 4 to also cover 3 year olds. This means that some 16,000 more children will benefit from the grant. This measure will also contribute to our policy of empowering women to join the workforce.

298. In the same spirit, we are offering access to 'crèches' to some 2,000 children in Mauritius and Rodrigues - children whose parents could not otherwise afford it – giving them the same opportunity in life as for well-off children. To this end 1,500 rupees per month for a child up to 3 years old will be offered to poor families accompanied by a social contract with the NEF.

299. And we have another path-breaking measure to give our children a strong foot-hold in life. Companies will now be able to use their CSR fund, to provide free of charge, crèche and kindergarten facilities for their employees earning less than 12,000 rupees per month.

300. NEF will continue to assist NGOs to set up children nurseries.

301. Mr Speaker, Sir, I am also pleased to announce that child-minding services will now be made available after school hours, in public pre-primary and primary schools, against a reasonable fee.



302. And we must also attend to children who are abused. Government is recruiting 20 additional support officers to reinforce the National Children's Council and the Child Development Unit to follow up more effectively on such cases. Six new children shelters will be opened across the country in 2012.

303. All these actions, Mr Speaker, Sir, add up to strong support not only to our upcoming generation but also to empower women to join the labour force.

304. Mr Speaker, Sir, if we want to achieve better sharing of prosperity, we will need to bridge the gap between low and high performers in our schools. Poor performance at school is the biggest barrier to moving up the social strata- in other words to social inclusion.

305. The high percentage of failure at CPE must continue to be addressed. These children need our attention. We are therefore putting in place a Summer School Programme. Let me outline how it will work.

- The focus will be on schools where less than half the students have passed the CPE.
- It will provide targeted supplementary education in reading, writing and arithmetic for students who have not achieved the required proficiency.
- The children will be taught up to 3 days a week.
- They will be provided with a hot meal.
- Children may choose to attend a different school than their own.
- Preferably children will be taught by different teachers.

306. Mr Speaker, Sir, I am also pleased to announce the extension of the pre-vocational education programme from 3 years to 4 years that is up to the age of 16.

307. Mr Speaker, Sir, we have all been concerned about the state of some of our school buildings. I am allocating today 500,000 rupees to each and every Government school in Mauritius and Rodrigues, apart from the very smallest, for renovation and upgrading. A Committee of parents and teachers will decide on what priorities this money will be spent on.

308. Mr Speaker, Sir, students, members of Parent Teachers Associations and other stakeholders should thus be able to operate in a far more conducive school environment.

309. To maximise the use of our school infrastructure, the Open School Programme will be extended. In the afternoon, at weekends and during vacation, the community at large must be able to use these facilities for learning, social, cultural and sports activities.

310. Finally, the National Institute for Civic Education at the Prime Minister's Office will pilot a programme for 200 young people. The aim is to promote nation building and inculcate pride in the nation with particular emphasis on our common purpose, sense of unity, patriotism, civic responsibility and common national identity.

### ***Social Register of Mauritius***

311. Mr Speaker, Sir, this Government never shrinks from lending a helping hand to the most disadvantaged. However, some social programmes will be heavy on the exchequer, in particular, our housing programmes, and the provision of crèches to the poorest. They will have to be well administered and give the desired results.

312. As is the practice all over the world, Government needs to be able to identify the needs of the poor and measure the success of programmes offered. The Social Register of Mauritius (SRM) will be a powerful tool to maximise policy effectiveness in the fight against poverty and will be used in the application of the housing schemes and crèches.

### ***Sports and Leisure***

313. Mr Speaker, Sir, sports is having an increasingly positive impact on our culture, leisure time, health, economy and national unity.

314. Many of our youth are showing their potential and we know there are more talents to unleash.

315. The Trust Fund for Excellence in Sports is doing an excellent job in training and empowering our young sports men and women. So far there are 80 beneficiaries. Government is extending the programme to 250 athletes next year and the disciplines covered will increase from 8 to 12.

316. Mr Speaker, Sir, we are not all made equal but we all have unique qualities and talents. I strongly believe that it is the role of Government to bring out the greatness that we all have within us.

317. With a view to nurturing the talents of our young sports men and women, I am pleased to allocate 4.5 million rupees for awarding six scholarships annually to our promising youth to train overseas. The scholarship will cover living expenses and coaching fees abroad and will be administered by the Trust Fund for Excellence in Sports.

318. In total, Mr Speaker, Sir, the budgetary allocation to the Trust Fund for Excellence in Sports will jump from 3.8 million rupees to 12.5 million rupees in 2012.

319. For more leisure and sport opportunities Government will set up the Mauritius Schools Football League which will organise saturday inter-school tournaments among secondary schools.

320. Mr Speaker, Sir, as an incentive for the private sector to employ high level athletes approved by the Ministry, companies employing them will now be allowed to pay 50 percent of their wages through their CSR fund. The aim is to compensate companies who release these staff for training.

### ***Bolstering the Justice System***

321. Mr Speaker, Sir, our justice system is a pillar of our development and it is at the base of our country's success. It is one of the strengths that set Mauritius apart from many other countries. It is a strength that we must never lose. As our society evolves, our justice system must follow. Today we are putting a special focus on enhancing its efficiency, accessibility and ability to deliver justice in a cost-effective manner.

322. The fall in the crime rate has vindicated Government's efforts to improve our justice system under the impetus of the Prime Minister himself.

323. But access to justice must be fair and equitable. There should not be 'justice à deux vitesses'. The poor should never be denied access because they do not have the means to meet lawyer's fees. We are therefore raising the maximum monthly income limit for entitlement to legal aid from 5,000 rupees to 10,000 rupees. The other criteria will also be doubled.

324. Mr Speaker, Sir, our jails are over-crowded. Some thirty percent of these inmates are on remand. To remedy this, the Bail Act will be amended

shortly to allow for the use of electronic bracelets. Some 1,800 of these bracelets will be purchased along with the accompanying ICT network.

325. A Victims Assistance scheme will be set up for child victims and victims of sexual offences.

326. Mr Speaker, Sir, justice delayed is justice denied. To speed up decisions on appeal cases, Government is consolidating twelve Appeal Tribunals into three, namely an Environment and Land Use Appeal Tribunal, a Revenue and Valuation Appeal Tribunal and a Regulatory Authority Appeal Tribunal.

327. I am also allocating funds for a Court of Appeal and a High Court section of the Supreme Court.

328. To combat chronic shortage of professional staff, the State Law Office and the Office of the Director of Public Prosecution will recruit an additional 40 law officers in 2012.

329. To consolidate the success of the Police Service in combating crime, 800 additional police officers will be recruited.

330. The Police will also receive an extra 1.4 billion rupees for the purchase of equipment over three years. These include a new Dornier aircraft, fast attack boats, vehicles and 300 more CCTV cameras.

### **LOCAL AUTHORITIES**

331. Mr Speaker, Sir, local authorities account for a substantial part of public expenditure.

332. To improve planning, efficiency, management and transparency at the level of local authorities, Government is setting up a Local Authorities Governance Unit.

333. We also want to promote nearness and proximity between the local communities and their elected councillors. To this end, I am allocating 107 million rupees for 3 additional district councils. The twinned District Councils - Pamplemousses/Rivière Du Rempart, Moka/Flacq and Grand Port/Savanne will be split into six.

334. The administration and management of the pension fund of local authorities, which amounts to more than half a billion rupees, need to be

professionalised. To this end, the entire amount will be entrusted to SICOM.

335. In the same vein, we will consult all the municipalities on outsourcing their tax collection to the MRA on a voluntary basis.

## **RODRIGUES**

336. Mr Speaker, Sir, I will now announce a game changing measure for Rodrigues - a development that will make a notable transformation in the life of every Rodriguan. Every successful town, city or country has known a major turning point in their history. Today we are creating that turning point for Rodrigues by connecting its people, its businesses, and its professionals to the rest of the world.

337. Mr Speaker, Sir, a submarine fibre cable will be laid to link Rodrigues to Mauritius.

338. This will usher in an era of cutting edge communication technology in Rodrigues while at the same time connecting the island to rest of the world. This will provide fast and reliable bandwidth to the island. And Mr, Speaker, Sir, it will significantly bridge the digital gap for Rodriguans.

339. The estimated cost of this ground-breaking venture is 600 million rupees. Government will provide financing which will be reimbursed over twenty years.

340. The Universal Service Fund (USF) will provide an annual grant to service the loan and keep prices at the levels in Mauritius.

341. Mr Speaker, Sir, Rodrigues has numerous qualified and educated youth. Opportunities for work and advancement will be at their doorstep. At a stroke their career prospects and their lives are being transformed.

342. The Prime Minister and the Minister for Rodrigues have been particularly supportive of this initiative. And I thank them for that.

343. Mr Speaker, Sir, the grant to the Rodrigues Regional Assembly will amount to 1.649 billion rupees - an increase of 45 million rupees over the previous year. This will enable the RRA to have a stronger development focus. As a result, the RRA will be able to clear land for airport development and dredge access to the port.

344. We are also subsidising airfares to Rodrigues until the end of December 2012.

345. At the request of our colleagues from Rodrigues, Government will provide residential accommodation for families of Rodriguan patients coming to Mauritius for treatment.

### ***Sustainable Development: Looking To The Future***

346. Mr Speaker, Sir, Growth for the Greater Good extends to future generations as well. The Prime Minister's Maurice Ile Durable initiative (MID) is about securing sustainable development.

347. Mauritius must continue to lead the way among developing nations and small island economies.

348. The Prime Minister's vision will continue to play out in all our development policies.

349. For next year, we are allocating 318 million rupees to the MID initiative, consisting of 118 million rupees for renewable energy, 100 million rupees for solar water heaters and 100 million rupees for the MID Fund.

350. The scheme for purchase of electricity from Small Independent Power Producers is being extended from 2 megawatts to 3 megawatts as a result of its success.

351. Government will further encourage the composting of solid waste by more than doubling the amount of waste earmarked for this purpose from 90,000 to 190,000 tonnes a year.

352. We are investing 468 million rupees to replace some 145 kilometers of water pipes.

353. Government is continuing the efforts to prevent degradation of the environment by wastewater. 1.4 billion rupees will be invested to connect some 5,000 additional houses to the public sewer system.

354. We have committed 95 million rupees to address environmental degradation in nine vulnerable coastal areas. The investments will deal, amongst other things, with erosion, uprooting of trees, narrowing of beaches and escarpment.

355. Mr Speaker, Sir, billboards can be an eyesore. They undermine our environment. We are raising the fee on these structures to between 30,000 rupees and 70,000 rupees per annum. The collection of the fees, which is currently being done by the local authorities, will now be entrusted to the MRA, and Government will compensate local authorities for loss of revenue.

### ***Safety on our Roads and in our Lagoons***

356. Mr Speaker, Sir, to improve road safety, I am allocating 76 million rupees for the installation next year of 25 more speed cameras across the island.

357. I am raising excise duty on powerful motorcycles of more than 450 cc, from 45 percent to 100 percent.

358. I am also introducing excise duty of 50 percent on outboard motors exceeding 140 horsepower.

359. However, I am removing VAT on life-jackets for the safety of our fishermen, tourists and other users of leisure boats.

360. I am also pleased to announce the abolition of the 30 percent customs duty on tyres for all types of vehicles. This should bring down their prices by an average of 20 percent.

### **SOUND AND RESPONSIBLE FISCAL STEWARDSHIP**

361. Mr Speaker, Sir, in consolidating public finances, I am guided by 5 principles:

- Revenue must be raised in a fair and efficient manner;
- There must be ease of collection;
- Tax policy must support economic growth;
- Revenue and expenditure policies must lead to better sharing of prosperity with all; and
- Finally, we must not put undue debt on the shoulders of future generations.

362. Mr Speaker, Sir, in these difficult times we need to show compassion and solidarity.

363. To this end, I am extending the solidarity levy on telecommunication companies for one more year to end in 2013.

364. And the solidarity levy will also cover management companies in the Global Business Sector. The levy will be 10 percent of chargeable income and will be applicable for 2 years ending in 2013.

365. The 80 percent duty concession granted to tour operators and car hire companies on purchase of limousine-type motor cars is being removed.

366. The annual rental values for industrial leases of state land which were set in July 2008 are being updated to reflect current market values, subject to a maximum increase of 40 percent.

367. I am introducing a tax of 10 cents per message on SMS and MMS. This will still leave Mauritius with one of the cheapest rates in the world.

368. The monetary values of fringe benefits which were last revised in January 2007 are being increased for cars by 50 percent and for accommodation to reflect current values. As regards housing benefit the taxable amount will be the actual rent paid by the employer.

369. The annual double deduction for marketing and promotional expenses granted to a company in the tourism sector or engaged in export activities will be removed. However, to assist SMEs we will provide a grant to finance their participation in international fairs up to a maximum of 100,000 rupees per year.

370. As regards tax administration:

371. I am raising the Current Payment System (CPS) and Advance Payment System thresholds to 2 million rupees per annum.

372. I am extending the coverage of Tax Deduction at Source to:

- Fees paid to lawyers, doctors and dentists;
- Rental, including short-term rental for tourists collected by a tour operator or other intermediary on behalf of property owners, and
- Fees paid to other minor operators which I am circulating.

373. CSR will now be computed as 2 percent of chargeable income instead of 2 percent of book profits.



374. A series of amendments will be brought to strengthen and simplify tax administration and the regulatory framework of financial services.

375. So as not to take the time of the House, I am circulating the details, including the following:

- The Voluntary Disclosure of Income Arrangement;
- The Incentive Scheme for VAT registration;
- The Tax Arrears Settlement Scheme; and
- The Expeditious Dispute Resolution of Tax Cases.

376. This is the last opportunity for taxpayers to regularise their tax affairs and it is for this reason that the MRA is offering very attractive terms and conditions.

Tax evaders will not be tolerated and I am giving fair warning that the MRA is hiring an additional 50 tax inspectors in order to strengthen enforcement.

377. Mr Speaker, Sir, tax has an incidence on prices, and therefore on the purchasing power of consumers.

378. I am pleased to announce that I am abolishing all specific duties on shoes and other footwear.

379. I am also abolishing the 15 percent duty on perfumes, cosmetics, shavers, hair removing appliances, hair clippers, shampoo, and other preparations for hair.

380. This means that we will increase our duty-free imports by another 80 tariff lines.

381. Mr Speaker, Sir, to be independently mobile changes one's life and enhances productivity. I am pleased to announce the abolition of the 15 percent excise duty on "mopeds" as well as the 30 percent duty on motor cycles of less than 125 cc.

382. In addition, the Employees Welfare Fund and the Tourism Employees Welfare Fund will advance loans of up to 50,000 rupees at a rate of 8.5 percent for up to 5 yrs, to purchase same.

383. All this will enable many of our fellow citizens to enjoy leisure facilities and save time on going to and from work.

384. Finally, I am pleased to announce that I am increasing the income exemption thresholds by 15,000 rupees for each of the six categories of income tax payers. This will leave an estimated 140 million rupees over the next three years in the pockets of taxpayers.

## **CONCLUSION**

385. Mr Speaker, Sir, I will now conclude. Let me express my sincere gratitude to the Prime Minister for his valuable advice and guidance for the preparation of this Budget.

386. I would also like to thank all my colleague ministers for their contributions and the strong team spirit shown throughout the budgetary process.

387. Let me also thank the Financial Secretary and all the staff of my Ministry for their very hard work, long hours, dedication and commitment.

388. Mr Speaker, Sir, this is a Budget about making things happen. It is a credible plan to fight exclusion, combat absolute poverty, democratise the economy, create more jobs, bolster the confidence of businesses and set a strong base for sustainable development.

389. It is a Budget that reflects the values, compassion and pragmatism of our people.

390. We want this budget to be judged by what it will concretely deliver – not by promises made but by actions taken. I am setting up in my Ministry a Budget Implementation Team (BIT) that will see to it that our policies and measures are implemented on time. I am publishing tonight a document setting out the time table for the implementation of budgetary measures.

391. Mr Speaker, Sir, Budget 2012 is about retaining the fighting spirit of our forefathers, nurturing the ambitions of a nation, and shaping a more prosperous future for our children and their children.

392. Mauritius is a nation of increasing prosperity. Our past bears this out. Budget 2012 takes this conviction to the future. It builds up Growth for the Greater Good and provides a pathway to more prosperity and greater happiness for all.

393. I thank you all for your attention.

394. Mr Speaker, Sir, I now commend the Bill to the House.