

REBALANCING GROWTH

CONSOLIDATING SOCIAL JUSTICE

Mr Speaker, Sir,

I move that the Appropriation Bill 2011 be read a second time.

Mr Speaker, Sir,

2. This Budget appropriates funds for the year 2011. It has been prepared after wide consultations with various organizations and people from all walks of life. I wish to thank them all for their valuable contributions. They have expressed their views, their concerns and their expectations and made some valuable suggestions. We have done the maximum we can so that this Budget reflects their hopes.

3. Mr Speaker, Sir, I took office as Minister of Finance and Economic Development in the midst of the euro-zone crisis - an external shock which has a more direct and menacing impact on our export sectors than the Great Recession. At the same time, Brazil, Russia, India, China (BRIC) and some other emerging economies were gaining greater prominence as contributors to global output, thus rebalancing the world economy.

4. While the euro-zone crisis revealed the need to reduce our economy's heavy dependence on Europe, the new global economic architecture was offering us good opportunities to do so. We therefore responded decisively to these two events. We formulated an Economic Restructuring and Competitiveness Program (ERCP) that included a far-reaching micro-economic agenda. This was immediately followed by active implementation.

5. The Great Recession and the euro-zone crisis have made us realize that upheavals on a global scale can open cracks in our own growth model and put our economy on a slippery slope.

6. They have made us realize that our development policies must be anchored to new realities. And these realities are changing faster than ever before.

7. They have made us realize that while there are times when we must revere the past - there are also times when we must adjust to build the future.

8. Indeed, Mr Speaker, Sir, now is the time to move from the legacy of a development strategy that is too euro-centric. As the world moves to a new multi-polarity of growth, as major countries in Europe recalibrate their policies, it is inevitable and indeed an imperative that we also rebalance our own economy. Therefore, Mr Speaker, Sir, one of the main thrusts of this Budget will be to rebalance growth.

9. At the same time we must strengthen economic growth. The ultimate test of economic resilience is not how we are doing when times are good but how we hold off adversity and how we take on challenges. For this, Mr Speaker, Sir, we have to see beyond the events buffeting our economy. We have to think long-term and take on the productivity challenge. Our resources must be as productive and our production as efficient as in the most competitive nations. We must shore up, in an unprecedented way, the productivity of all the resources that create economic value. Thus, as we rebalance growth we must also make a great leap forward on productivity in order to propel the economy on a modern development path - a path to emerging opportunities - to a GDP of one

trillion rupees by the 2020s and to an income per capita of USD 20,000 and higher. This is the Mauritian dream.

10. For a nation that has always acted on its ambitions and succeeded, this goal is realistic. It is within reach.

11. And Mr Speaker, Sir, successful development is not only about creating value. It is also about values. We know that not everything that counts can be counted. There must be an abiding commitment to the values of our society - compassion, kindness and generosity. These values will be the cornerstone of our actions to eradicate absolute poverty, to support families who live at the margin and to pull up all those whose lives are grounded in poverty and trapped at the lower rung. This budget aims to advance social and cultural integration, social justice, inclusion, and equality & diversity. We will stay committed to an equitable sharing of the fruits of growth. And the time has come to cut the remaining links with a social policy framework that has always been excessively centred on giving and spending. Support to the poor must be provided on a hand-up and not on a hand out basis. Some good progress has been made to shift the focus on empowerment and social integration. Government has made a major stride forward to promote this new approach. As promised in the electoral manifesto, the Prime Minister has set up a Ministry dedicated to social integration. This Budget will act on the Prime Minister's earnest commitment to consolidating social justice.

12. These are, Mr Speaker, Sir, the three main thrusts of this Budget:

- i. Rebalancing Growth
- ii. Making a Great Leap Forward on Productivity, and
- iii. Consolidating Social Justice.

13. They are the three main tracks on which the Budget will act to realize the Mauritian dream - to put our country on a modern development path and build a better future for all.

14. And the bedrock of all our actions will be this Government's constant dedication to Inclusive Growth, Sustainable Development and Responsible Fiscal Stewardship.

THE GLOBAL, REGIONAL AND DOMESTIC ECONOMIC BACKDROP

15. To rebalance growth, we will need to be stronger than the shocks that the global economy is hurling upon us. And we will need to be equal to the opportunities it is unfolding. The past two years have been particularly testing for our economy. Hardly freed from the grips of the global recession, where concerted macroeconomic stimulus became the new orthodoxy, our economy soon found itself afflicted by synchronized fiscal tightening in our main European partners.

16. The international backdrop has not improved since last August when we prepared the ERCP. The world economy is still fraught with uncertainty, notwithstanding the 4.2 percent growth rate for 2011 predicted by the IMF.

17. Regionally, SADC and COMESA economies are growing at a sturdy pace.

18. Our economy would expand by around 4.1 percent this year with positive growth in all sectors, going up slightly to 4.2 percent next year.

19. On the expenditure side, as a ratio of GDP, Gross National Saving would be 15 percent and investment 25 percent this year. And total FDI inflows would be around Rs 11 billion by the end of this year.

20. The trade and current accounts of the Balance of Payments, as a percentage of GDP, would show a deficit of around 20 percent and 8.6 percent, respectively this year. The overall Balance of Payments would show a surplus of around Rs 2 billion. The net international reserves of the country would be around Rs 99 billion, covering 8.8 months of imports.

21. We expect to finish this year with an unemployment rate of 7.5 percent and an inflation rate of 2.7 percent.

22. We will maintain the same coherence and coordination between fiscal and monetary policies that have prevailed since August.

23. The Monetary Policy Committee (MPC) has been operating for over three years now. And it has, along with fiscal policy, an increasingly important role to guarantee macroeconomic stability. To ensure that the MPC plays this role with even greater effectiveness, a review of its functions will be carried out by an independent consultant.

24. As regards the rupee, it has been strengthening in recent years and the exchange rate has been quite volatile as well. To ensure greater stability of the forex market, Government is creating a Sovereign Wealth Fund that will be invested in a range of asset classes abroad. However, forex market stability will not be the sole objective of the Fund. It will also seek higher returns on the country's excess foreign currency reserves and other public sector foreign currency holdings whilst minimizing the risks. The Fund will start with a portfolio of USD 500 million. The

Treasury Foreign Currency Management Fund will be closed down and its investments totalling some USD 150 million will be transferred to the Sovereign Wealth Fund. The remaining USD 350 million will come from the country's foreign currency reserves. The Bank of Mauritius Act will be amended accordingly.

25. Mr Speaker, Sir, having reviewed the economic backdrop, I will now outline the policies and measures for rebalancing growth.

REBALANCING GROWTH: HARNESSING THE OPPORTUNITIES

26. Rebalancing growth is about maximizing the emerging opportunities from the new global economic architecture. It is about reducing dependence on euro-zone countries. It is about moving up to higher value-added activities. It is about rebalancing the economic space between large enterprises and SMEs.

27. Our first action to support the rebalancing effort will come from making greater use of economic diplomacy to open new markets, and to facilitate joint ventures and strategic alliances. Economic diplomacy will put a strategic focus on seizing the opportunities from the new poles of growth that are shifting the weight of economic power globally. This will be done through a rigorous and structured linking of foreign policy with the domestic economy. The Ministries of Foreign Affairs and Finance will work together to build capacity in economic diplomacy in our embassies, to set out the priorities that will be pursued in each country and to implement them.

28. Embassies located in countries where economic diplomacy will be pursued intensively will be staffed with trade counsellors having the relevant expertise.

29. A Committee coordinated by the Board of Investment (BOI) and comprising the relevant ministries, the Mauritius Tourism Promotion Authority (MTPA) and Enterprise Mauritius (EM) will be set up to coordinate promotion efforts and work with the trade counsellors.

30. To drive the efforts at the level of economic diplomacy, the BOI will come up with an elaborate plan to promote investment from and exports to BRIC countries and other emerging economies. This will be in addition to their current efforts on traditional markets.

31. In the same vein, the Ministry of Tourism, the MTPA, AHRIM, Air Mauritius and other stakeholders will work on a marketing and promotion strategy to attract more visitors from non-euro-zone countries. AHRIM will formulate proposals for the industry to invest in promotion and development of new markets and identify areas where the MTPA can support the strategy. The objective is to get a higher share of the more than 60 million outbound tourists from India, China, and Russia.

32. Our target is clear. We expect that more than 50 percent of our tourists will come from non-euro-zone countries by 2015, in contrast to less than 40 percent currently.

33. To achieve this rebalancing, we will aim at doubling the annual number of visitors from India to 115,000 by 2015. Government is earmarking Rs 100 million to this effort over five years. We are expecting the private sector to spend some Rs 250 million towards that same objective.

34. Similarly, Government will work with the stakeholders to attract around 100,000 visitors from China by 2015. This will require an investment of some Rs 500 million by both the public and private sector.

35. We are earmarking Rs 75 million for the next five years to finance Government's share.

36. For the Russian market, our plan for the next 5 years will cost Rs 350 million in all, to which Government will contribute Rs 75 million.

37. Overall, the national efforts on the rebalancing of our tourism industry will require around Rs 1 billion over the next five years, with Government contributing Rs 250 million.

38. Government will also continue its efforts to promote Mauritius in traditional markets. We are earmarking Rs 340 million for this purpose in 2011. Thus, the total budget for MTPA for 2011 will amount to Rs 390 million. Over the next five years, Government's financial commitment to the rebalancing of our tourism sector will be around Rs 2 billion.

MAURITIUS DUTY-FREE SHOPPING PARADISE

39. Mr Speaker, Sir, we will also need to integrate the development of the tourism industry in the duty-free shopping paradise vision. It is a new industry that will have a major impact on most key sectors of our economy. It will attract franchise rights of international brand labels and open up significant opportunities for locally manufacturing the luxury and prestige brands, and even more premium and fashion brands in Mauritius. It will generate an unprecedented synergy and put Mauritius on the same development track where countries like Singapore and Dubai have treaded before us.

40. The blueprint on the development of Mauritius as a duty-free shopping paradise is being updated. We will make use of expertise that can draw on international experience to enable us to implement the project.

41. In the meantime Government will work with existing and forthcoming shopping centres so that they integrate the concept of duty-free shopping paradise in their design and marketing.

42. The BOI will set up a dedicated desk for promoting the duty-free shopping as a new sector of the economy.

43. Government will support the Domestic Oriented Industries to prepare for that new reality. The cost of shielding them from foreign competition is becoming too high. It is outweighing the benefits for the country when we consider the tremendous positive impact that the duty-free shopping paradise will bring. However, due to the euro-zone crisis, we are providing them a further breathing space before removing protection.

44. To further support the domestic-oriented enterprises as they adapt to tap export markets, a dedicated sub-fund will be created in the Private Equity Fund.

Sugar Cane Industry: Strengthening the Transformation

45. The sugar cane industry is an example of how adaptive and nimble our economy can be when confronted with tough external challenges. From a sunset industry it now has new lifelines. It is a multi-product sector on a new growth platform - with a renewed role in the development of our economy. We want to accelerate this rebalancing.

46. The fifteen measures announced under the ERCP in August are being implemented including the decision to reduce the Global Cess.

47. We are reintroducing the tax exemption on the first 60 tonnes of sugar for small planters with less than 15 hectares of land and who rely solely on sugar income. They will not be required to submit a tax return.

48. Second, we are abolishing the 15 percent income tax on the surplus generated from sugar operations by Cooperative Credit Societies (CCS).

49. Third, loans up to Rs 25,000 given by CCS to their members will attract a concessionary fixed fee of Rs 200 on registration and inscription of the documents.

50. Fourth, we are providing Rs 310 million for the Field Operations, Re-grouping and Irrigation (FORIP) project to cover another 1,300 hectares of land in 2011.

51. Fifth, we are providing Rs 15 million to maintain the incentives regarding the Fair Trade Initiative. By 2012, small and medium planters will get the benefit on some 40,000 tonnes.

52. Sixth, the price of molasses sold for producing potable alcohol will be increased by an amount equivalent to Rs 10 per litre of absolute alcohol. This will represent additional revenue of some Rs 300 per tonne of sugar for every planter.

53. Seventh, the actuarial review of the Sugar Insurance Fund has started. The recommendations purporting to enhance the viability of sugar producers will be implemented, inter alia, through amendments to the Sugar Insurance Fund Act.

54. Eighth, the 80 percent advance scheme applicable to the 2010 sugar crop will also apply to the 2011 crop.

55. Ninth, appropriate steps will be taken to ensure that the VAT benefits currently provided to medium and large exporters of sugar will also be available to small planters.

56. Tenth, I am re-establishing full duty-free facility on all types of double cab vehicles (4x4) for eligible small planters, farmers, fishermen's cooperative societies and qualified SMEs.

57. As regards the non-sugar agricultural sector a National Agricultural Biotechnology Institute will be set up to fully tap the benefits of high tech development in the domains of agriculture, agro-industry and fisheries.

58. To ensure bio-security, enforcement of local legislations and compliance to our international obligations on food safety, I am providing Rs 15 million for the Multipurpose Containment Facility.

59. Two hydroponics villages will be set up as pilot projects for small planters in the non-sugar sector to modernise their activities.

60. I am also earmarking Rs 105 million to accelerate the Food Security project. This is twice the amount disbursed in 2010 and will support some 11 projects.

Boosting Export-Oriented Manufacturing

61. As regards our enterprises in the manufacturing sector, we want to encourage them to rapidly rebalance to higher value-added production, and facilitate their shift to new technologies and to creating fast moving supply chain dynamics.

62. Many of them will inevitably have to invest in high tech ventures with significant risk. To support them, the Private Equity Fund which was announced in the ERCP will open a second dedicated Sub Fund.

63. We are also mobilizing another Rs 600 million through the Manufacturing and Services Development and Competitiveness (MSDC) program to support enterprises in all sectors of the economy, in particular the SMEs.

64. Of these Rs 600 million, Rs 150 million are earmarked to enhance access to finance.

65. Rs 90 million will go towards strengthening institutional and policy support.

66. The remaining Rs 360 million are reserved for the Mauritius Business Growth Scheme (MBGS) to improve access to the entire spectrum of quality business development services for enterprises in all sectors.

67. As the euro-zone crisis is expected to continue, we are extending all the instruments under the Leasing for Equipment Modernization Scheme (LEMS) until December 2012.

68. Government is providing additional funding facilities of Rs 700 million for the LEMS to bring the total to Rs 1.4 billion.

Giving a Spur to the ICT/ BPO Sector

69. Mr Speaker, Sir, we must support the dynamic growth of the ICT/BPO.

70. To this end, the cost of traditional international bandwidth services – International Private Leased Circuit and Internet Protocol Virtual Private Network will be decreased by an average of 16 percent to 24 percent as from beginning of 2011.

71. To reduce costs for all users, Government is exploring the setting up of a Special Purpose Vehicle to ensure a second undersea cable link. There will be an open access policy to the landing station.

72. We must also maximize the benefits of IT for our population. Government is earmarking Rs 1.5 billion, of which Rs 200 million in this budget for the implementation of the Mauritius National Identity Card (MNIC) Project. Thus, some 800,000 smart cards with greater capacity to store information will be issued in 2012 to replace the existing laminated cards.

73. Government is undertaking a review of the National Information and Communication Technology Strategy Plan (NICTSP) 2007 - 2011. The main focus would be on the HR constraints, the requirements for the MNIC, the restructuring of the institutional framework, the e-government initiatives and the National Information Security Strategy.

74. Mr Speaker, Sir, the Freeport is an important link to the regional and international economy and to bracing our role as a regional trading hub. Yet, the competition has become tough. To reinforce and enhance the Freeport and logistics platform, we are extending the delay for applying the normal tax rate by a further two years.

Rebalancing Growth in the Financial Services Industry

75. Mr Speaker, Sir, in the financial services sector there are some tough challenges. But there are also some exciting opportunities to make a positive rebalancing. We need to stand ready for both.

76. We are thus amending the law to expand the scope for corporations holding Category 1 Global Business License to extend their operations to the domestic economy. They will be allowed to conduct business both inside and outside Mauritius instead of outside Mauritius only. For their foreign operations they will continue to benefit from foreign tax credits while for their domestic operations they will pay the same tax as other domestic corporate entities. This fundamental shift in policy should invigorate even further our global business sector and the domestic economy. As importantly, it will provide even more reasons why Mauritius is a jurisdiction of choice and substance.

77. This framework will also encourage Regional Headquarters incorporation and activities in Mauritius.

78. We are amending the Trust Act to apply the rule of perpetuity to allow unlimited duration of non-charitable purpose trusts.

79. We will use the new economic diplomacy initiative to position Mauritius as the preferred gateway for investment into Africa, particularly from India and China.

80. To rebalance growth in that sector we will also need to further strengthen the institutional set up and the regulatory framework. We must ensure greater coherence in supervision, regulation, policy formulation and implementation. And we must further strengthen the stability that has

been the hallmark of our financial system through the global financial turmoil. We will thus seek advice from international experts on the merging of the Bank of Mauritius (BoM) and the Financial Services Commission (FSC) into one single regulatory institution.

81. In addition, we will clearly define the role of BOI and the FSC as a promoter and regulator, respectively. Policy matters will rest with the Minister of Finance.

82. As we move along, we will be making some statutory amendments to strengthen the operational framework of the banking system.

83. First, the BoM will be empowered to issue a larger variety of instruments for the management of liquidity.

84. Second, the maximum period for which the BoM can grant advances will be lengthened from 3 months to 6 months.

85. Third, the list of collaterals which the Bank may accept when granting advances will be broadened.

86. Fourth, the BoM will be given wider powers to develop the forex and derivatives market.

87. And fifth, the legal framework for the banking sector will be brought in line with the insolvency legislation.

88. This year, the Bank of Mauritius has strengthened its capacity to promote Islamic banking by contributing USD 5 million to the International Islamic Liquidity Management Board. This will facilitate the creation of Shari'ah compliant liquidity instruments.

A Spur to the Knowledge Centre of Excellence

89. Mr Speaker, Sir, in recent years what were predominantly social sectors where Government has an ascendancy have become powerful platforms for creating value in our economy. One of them is the education sector which is establishing Mauritius as a knowledge centre of excellence. There are some 61 tertiary education institutions operating or represented in Mauritius, of which 50 from the private sector and 11 from the public sector. There are also some 600 foreign students in these institutions. We have attracted the IMF's African Technical Assistance Centre for SADC (AFRITAC South) and the Regional Multi-Disciplinary Centre of Excellence (RMCE). And the IMF Institute is considering Mauritius as the location for its training in Africa. A final decision is expected following a trial training to be organized in 2011.

90. We want to give a further boost to the positive development, for it complements, in a significant way, Government's efforts to raise the tertiary enrolment ratio. It is also vital to the role of Mauritius in the development of the region and to our perpetual efforts to diversify our economic base.

91. To this end, Government will put the promotion of the knowledge hub on the priority agenda of economic diplomacy to attract more foreign students.

92. Accreditation and mutual recognition of qualifications in SADC, COMESA and India will be given priority as part of the economic diplomacy initiative.

93. To boost up the number of foreign students, we also need to provide them with a wide range of services. To this end:

- A new Student Visa Scheme will be introduced.
- The students will be allowed to work on a part-time basis.
- The Ministry of Tertiary Education will set up a specialized unit for processing applications of foreign students, scholarships and visas.
- Every education institution will be required to set up a facility for assisting its foreign students to find an accommodation.

94. For the academic staff in institutions registered by TEC, BOI will handle their Occupation Permits regardless of their income level.

95. Mr Speaker, Sir, looking to the long-term development of Mauritius as a knowledge centre of excellence we need to achieve imperatively a major rebalancing in terms of achievements in our education sector. We cannot go on measuring the productivity of that system only from the perspective of those who succeed in it. We must also put a far greater focus on stopping the haemorrhage caused by a 30 percent failure rate at the CPE. This is where our efforts to increase tertiary enrolment should start. This is where the bottleneck is tightest not only for the secondary and tertiary enrolment ratios but also for the cohort that needs to move up the social ladder. To achieve our long-term goal on tertiary education and on social integration and justice we must first of all give all our children a fair start in the education system.

96. In addition to efforts by the Ministry of Social Integration through its programme for the Welfare of Children from Vulnerable Groups, we are investing in new pre-primary units in Chamarel, Albion, Barkly and Belle Mare.

97. The enhancement programme at Standard IV will be extended to children in Standard III as well.

98. Government is working on a programme to give our children and teachers access to the most modern tools of learning and teaching including IT. The programme will cover:

- the Sankoré project to equip classrooms with interactive projectors and laptops and e-learning materials;
- access to the use of laptops by teachers and needy students; and
- the implementation of a new school administration and management IT system.

99. Some Rs 215 million will be invested next year to upgrade primary schools, many of which were built over 50 years ago.

100. And Rs 678 million will be invested in secondary schools, including Rs 120 million for equipping them with multi-purpose complexes and playfields for the overall development of the students. These new facilities will also be opened to the local community.

101. To facilitate the setting up of campuses, the Ministry of Tertiary Education will assist to bring infrastructure to areas identified by private educational institutions.

102. For next year, the budgetary commitment of Government to education and training amounts to Rs 11.6 billion, of which Rs 9.8 billion are allocated to the Ministry of Education, Rs 870 million to tertiary education, Rs 230 million from the HRKAD Fund and Rs 670 million to other ministries for running programmes such as free transport for students.

Growing the Medical Hub

103. The health centre of excellence is following in the same footsteps as the knowledge hub to capture emerging opportunities. Some 10,500 foreign patients have been treated this year in Mauritius, compared to a handful some ten years back. Private health institutions and beds have doubled in numbers in the last five years. And private expenditure on health accounts for 53 percent of the total. Mr Speaker, Sir, these statistics on the knowledge centre of excellence and medical hub are very revealing about the rebalancing that has already been happening in our economy and that needs to be further strengthened.

104. We will act on various fronts.

105. First on research and development.

- We will come with an Assisted Human Reproductive Technologies legislation to facilitate the development of in-vitro donor egg and donor sperm treatment in Mauritius.
- BOI will, in close consultation with the Ministry of Health and other stakeholders, develop the framework to facilitate investment in stem cells research and treatment in Mauritius.
- We are removing customs duty on cosmetic products and pharmaceuticals imported as samples for testing purposes in Mauritius.
- And we will finalise the draft Bill on Human Tissue (Removal, Preservation and Transplant).

106. Our second set of actions relate to creating professional capacity in the industry.

107. The Medical Council Act will be amended to provide, amongst others, for the recertification of medical practitioners.

108. The Dental Council Act will also be reviewed.

109. A Board of Postgraduate Medical Education will be set up to address all issues relating to registration of specialist qualifications.

110. A new regulatory body, the Health Professionals' Council, for all health and allied professions, other than medical and nursing, will be set up.

111. We also want to develop the full potential of Mauritius in the area of medical training for doctors and healthcare professionals both for local needs and for the region. For this to happen we will need to optimize the use of public hospital infrastructure and to introduce a flexible training period adapted to the requirements of the countries where they will practice. To this end, Government will update the Clinical Training Framework.

112. The growth of health care into a centre of excellence, with substantial private investments, both foreign and domestic, will not crowd out Government's responsibilities and commitments. We will continue to spend in public health care to improve accessibility, service and quality of care.

113. We are providing some Rs 8 billion for health care. These include:

- (i) The completion of the New Jeetoo Hospital.

- (ii) A programme for upgrading of hospitals.
- (iii) More capacity for surgery at the Main Operating Theatre at Victoria Hospital.
- (iv) A new full-fledged spinal and Neuro-surgery Block at Victoria Hospital.
- (v) New blocks at Flacq Hospital with more specialized facilities for the growing number of pre-natal and post-natal women.
- (vi) A study for the setting up of an Institute for Women's Health.
- (vii) A study for a children's hospital.
- (viii) A study for a midway home for patients with mental disorders.
- (ix) A study for a national health laboratory services centre.
- (x) A specialized hospital for the elderly.
- (xi) More infrastructure capacity at the Bharati Eye Hospital.
- (xii) A new medi-clinic at Triolet. And
- (xiii) A maternity unit in the area health centre which is in Agalega north.

114. As we invest in health care and develop Mauritius into a medical hub, we should not overlook the need to promote healthy consumption habits and discourage consumption that is damaging to health.

115. To this end, the Ministry of Health and the Ministry of Education will work together to promote healthy eating habits in schools and among the population at large.

116. Alcoholism is one of the most destructive habits. It has in fact grown into a social evil. There is one liquor retail outlet for every 150 adults in Mauritius. This is among the highest in the world. Cigarette consumption is also alarmingly high.

117. This Budget is putting in action this Government's resolve to curtail the consumption and abuse of alcoholic drinks.

118. The Mauritius Revenue Authority (MRA) has been directed not to issue any further 'on and off' and retailer of beer licenses.

119. The Excise Regulations will be amended to disallow the granting of a new 'off' category license where there is already another retail outlet or a school or place of worship within 500 meters of the proposed premises.

120. The licensing authority is being provided with powers to suspend or revoke the licenses for violation of authorized opening hours and other provisions of the Excise Act.

121. The various license fees payable in respect of liquor and alcoholic products under the Excise Act will be doubled.

122. We will amend the Excise Act to bring our definition of wine to international standards.

123. And, the number of liquor licenses categories will be reduced from 16 to 8 for better control.

124. As from tomorrow the rates of excise duty will be increased and in this context, I will be moving for a financial resolution.

- For rum and liquor, that is, spirits obtained by redistilling alcohol from molasses, sugar cane or its derivatives, by Rs 100 per litre

absolute alcohol, corresponding to an increase in excise duty of Rs 37 a litre and Rs 33 a litre respectively.

- For all other alcoholic products, the rate of excise duty will be raised by 20 percent.

125. However, to discourage consumption of spirit cooler by youngsters, the increase in the rate of excise will be 50 percent, that is from Rs 19 to Rs 28.50 a litre.

126. The rate of excise duty on cigarettes and tobacco products will be raised by 25 percent.

Creative Industry

127. Mr Speaker, Sir, the next area, where there is a great potential for expanding the production frontiers and generating more economic value is the creative industry. We believe it is a very feasible option to nurture our rich cultural heritage and diversity while at the same time exploiting fully their potential as a base for creating economic value.

128. First, we will create the environment conducive to the creation of a film industry. To put this endeavour on a solid footing we are providing for consultancy services to give advice on the way forward on a film-making framework.

129. A second area on which we will focus to create value from our cultural heritage is the tourism sector. As part of this endeavour the Citadel will be transformed into a permanent cultural and tourism attraction.

130. Government is providing funding for the holding of the Triennial of Contemporary Arts. This event knits a strong interface between development of arts, cultural tourism and the creative industry. We will also enhance and protect our cultural heritage for the creative industry and for future generations. To this end,

- The ‘Culture et Avenir’ unit of the Prime Minister’s Office is working on the setting up of a Galerie d’Arts Nationale that is integrated in the Mauritius Ile Durable vision and that will exhibit and rehabilitate paintings and other art works dating back to the 19th century.
- An international film festival will also be organised under the aegis of the same unit.
- I am providing Rs 253 million of which Rs 50 million in this Budget for the ‘Espace Culturel et Artistique Chateau Mon Plaisir’.
- The National Heritage Fund will restore 9 historical and cultural sites owned by Government. With regard to private historical sites and structures, the implementation of the Matching Grant Scheme will allow greater flexibility in the contribution from the private sector.
- I am providing Rs 7.8 million for the rehabilitation and renovation of our museums and restoration of paintings.
- We are investing in the conservation of the Trianon Indentured Labourers Barracks; and

- I am providing for the restoration of La Tour Koenig Tower.

131. I am providing Rs 5 million to subsidise 50 percent of the cost of rental of venues for cultural shows and concerts by local artists.

132. We are providing for the implementation of a scheme to encourage the development of Performing Arts Groups.

133. Government is also ensuring funding for the proposed setting up of the Arabic, Bhojpuri, Creole, Mandarin and Sanskrit Speaking Unions.

134. I am providing for 5 new 'Centre de Lecture Publique et d'Animation Culturelle' in Pailles, Flic en Flac, Baie du Cap, Mare Tabac and Fond du Sac to promote reading through artistic, cultural and educational activities on a regional basis.

135. We are operationalising the Professor Basdeo Bissoondoyal Trust Fund.

136. And we are earmarking Rs 100 million for digitising the documents of the National Archives which date back as far as the early 18th century and making them accessible on the Internet.

Securing Inclusive Growth

137. Mr Speaker, Sir, as we rebalance growth, we cannot overlook the need for broader participation. Democratising the economy is a core objective of our economic policies. It is Government's commitment. But democratization is not about constricting the economic space for large enterprises. It is rather about levelling the playing field so that small enterprises can thrive and new entrepreneurs are encouraged to invest.

138. Our first actions in fostering inclusive growth will be to add to the ERCP to prop up the SME sector. We will make fundamental reforms to the institutions which constitute the very rock layer of the support system for SMEs.

139. Enterprise Mauritius (EM) will henceforth focus on export promotion and development of new markets, particularly in Africa and emerging economies.

140. The DBM will be transformed into a Development Finance Agency (DFA) to more effectively support SMEs.

141. First, the DFA will not provide direct lending facilities, except in cases where market financing is not available such as micro-credit, start-ups up to Rs 5 million and qualifying existing clients.

142. Second, it will instead offer partial risk guarantees and other instruments to induce commercial banks and other financial institutions to lend to SMEs.

143. Third, it will focus on providing support services and technical assistance to SMEs, micro enterprises and start-ups.

144. Fourth, it will operate within a new coordinated institutional framework that brings together the Small and Medium Enterprises Development Authority (SMEDA), National Productivity and Competitiveness Council (NPCC), National Institute for Cooperatives Entrepreneurship (NICE), National Women Entrepreneurs Council (NWECC) and Enterprise Mauritius (EM).

145. This coordinated framework will be overseen by a Unified Business Enterprise Board (UBEB) reporting to the Minister of Business and funded

by a new Business Growth Fund which is replacing the Saving Jobs and Recovery Fund.

146. The ERCP will:

- provide guarantees to enable SMEs to raise Working Capital;
- finance SMEs by providing support for factoring; and
- provide guarantees on import loans for SMEs which have reached the limit of their facilities.

147. The economic diplomacy initiative will focus on using the circular migration program with France as an incubator for SMEs.

148. Government is seeking international assistance to develop:

- a ‘capacity building’ programme for banks wishing to engage in the SME segment of the market; and
- instruments to “deleverage” SMEs by revisiting the SME Partnership Fund.

149. To give a further boost to the financial restructuring of over-leveraged enterprises, Government is working with the Stock Exchange of Mauritius (SEM) for the setting up of a special ERCP component of the Development and Enterprise Market (DEM). To encourage such listing the SEM will lower the cost of listing for this segment of the DEM.

150. SEM will also provide facilities to enable these enterprises to issue convertible debt instruments.

151. Enterprises in the public sector as well must do their part in the rebalancing of growth. Government will encourage public sector enterprises with large financing needs to issue corporate bonds.

A GIANT LEAP FORWARD ON PRODUCTIVITY

152. Mr Speaker, Sir, I spoke earlier about the need to think and act beyond our current problems. Mr Speaker, Sir, we must take the challenge to make this decade one of the most exciting and most productive of our post-independence era. We must make a great leap forward on productivity. This will come from seven main sources:

- i. Land resources;
- ii. Marine resources;
- iii. Human resources;
- iv. Doing business environment;
- v. Dissemination of information;
- vi. Physical Infrastructure; and
- vii. Public sector reform.

Optimising the Use of Land Resources

153. Mr Speaker, Sir, we must ensure that land available for creating economic value is fully utilized and optimally exploited.

154. There are some 3,660 hectares which have conversion rights but cannot be easily developed for two main reasons:

- i. The exemptions under the SIE Act are not accompanied with regulatory and administrative clearances necessary for their use, and

- ii. There may not be any demand for these lands for development projects.

155. In addition, there are about 2,000 hectares owned by planters cultivating less than 2 hectares which are eligible for land conversion, but are not developed because of complex procedures, small plot size and high costs of marketing.

156. Thus some 5,660 hectares of land are not realising their full productive potential. To make a great leap forward on productivity we need to unleash the full potential of these lands for creating employment and wealth.

157. On the other hand, many projects cannot be implemented for lack of suitable land.

158. To address these issues, Government is introducing a new Land Productivity Enhancement Scheme (LPES) and reviewing the procedures to facilitate development of land that already has conversion rights.

The Land Productivity Enhancement Scheme

159. The Land Productivity Enhancement Scheme (LPES) will provide a platform for matching demand and supply and for removing impediments to the use of these lands.

160. The 5,660 hectares as well as former agricultural land will be eligible. However, the LPES will not be available for residential morcellement except for mixed commercial developments.

Management of the Scheme

161. The Scheme will be operated by a Technical Committee reporting to a Ministerial Committee chaired by the Minister of Finance.

162. The Ministerial Committee will set a maximum target of land to be processed under the LPES annually. It will approve land use restrictions and regulatory requirements and provide the required authorisations to enable projects to start immediately.

163. It will also approve pre-qualification criteria for selection of land such as distance to utility networks and roads and contributions of the developer to offsite infrastructure and services costs.

REVIEW OF PROCEDURES

164. To further facilitate releasing land for development, the SIE Act and the Morcellement Act are being amended. Subject to the normal land conversion process and mechanisms:

165. All requirements relating to permits will be well defined, prescribed and publicised.

166. Effective dates specified in the law will commence once all the required documents have been submitted.

167. The relinquishing of a land conversion permit and the subsequent application which applies only for a change in site may also be accompanied by a change in use.

168. Land Conversion Rights may be transferred between unrelated parties, subject to payment of a fixed fee of Rs 350,000 per hectare.

169. Land Conversion Rights may be transferable between companies of the same group, ascendants and descendants and co-heirs.

170. Certain exemptions will be removed for specified development projects.

171. For the small and medium planters:

- we are raising the threshold for exemption from land conversion tax from one to two hectares;
- we are removing the time limit of 30 September 2005;
- where small and medium planters regroup their land assets, they will benefit from their individual tax exemptions; and
- conversion will be conditional upon the ability of public institutions or the project promoter to provide offsite infrastructure and services.

172. As regards the fiscal aspects, we are bringing appropriate amendments to the tax laws to ensure that all profits and gains derived from transactions in land and other immovable property, including morcellements, are taxed at the rate of 15 percent. All costs undertaken in the context of the sugar reform such as factory closure and the VRS will be deductible.

173. For determining the price of acquisition of property, a cut off date of 1988 will apply for all properties acquired before that date. Their prices will be adjusted according to a set formula.

174. Sociétés in real estate business will be taxed in their own name instead of in the name of individual partners at the rate of 15 percent.

175. Accordingly, the surcharge of 5 percent on land transfer tax introduced in 2008 will be removed.

176. Also, when a lessee of an industrial lease on Pas Géométriques and State Land opts for a new lease at market value any rental paid in advance under the old lease will be allowed to be offset against the increased rental under the new lease for the same period.

MARINE RESOURCES, LAKES AND RIVERS

177. Mr Speaker, Sir, along with our land, the rivers, lakes and marine economic zone hold tremendous potential for raising national productivity. In fact, they cover a far greater area than our land expanse, with a marine exclusive economic zone of 1.9 million square kilometres. But we must have a well-thought-out plan for their development.

178. Government will improve the legal framework for the judicious use of marine resources for economic activities.

179. The legal changes will also address the broader issue of water-based activities and cover river and lake concessions.

180. But Mr Speaker, Sir, while only a very small part of our marine zone is currently being used to create economic value, it nonetheless constitutes a sizable contribution to GDP. This must be further encouraged.

181. The Fisheries and Marine Resources Act 2007 and the Maritime Zones Act 2005 will be amended to cater for the production of a wider variety of species.

182. I am providing Rs 23 million for the completion of the Fish Auction Market. It will be managed by private service providers.

183. Government will also provide for a new scheme for off lagoon fishing in Mauritius and Rodrigues for fishers who group together. We are giving a 25 percent grant on the purchase of semi-industrial fishing boats.

184. We are also providing Rs 72 million for the boats which have already been ordered.

185. To speed up the implementation of the Land-Based Oceanic Industry we will amend the Maritime Zone Act to allow for pumping water within 12 nautical miles from our coastline.

186. To maximize the contribution of the marine sector to the giant leap forward on productivity we must make a big stride on R&D in oceanography. We are accordingly financing a research centre for the Mauritius Oceanography Institute at Albion at a cost of Rs 100 million.

INVESTING IN HUMAN RESOURCE DEVELOPMENT

187. Mr Speaker, Sir, our physical resources are decisive to expanding the production potential. But the final say on productivity, efficiency and competitiveness lies with our workforce. They must have the knowledge and skills that are relevant, current and sought after by employers. They must be adaptable to the changing needs of the economy. Then only will we put behind us the festering dearth of skills that is getting in the way of economic growth.

188. Low education and skills attainment also set a limit on the capacity of our workforce to fully benefit from the wealth we are creating. It is the biggest cause of unemployment in our country. If we do not upgrade their

knowledge and skills, we may create more wealth but not prosperity for all. Moreover to rebalance growth we will need to shift human resources to higher value-added sectors. The financial sector is where productivity is highest. This is where we must encourage more of our workforce to shift. To achieve this goal Government, BOM, FSC, and the private sector organizations will work together on a program to set up a Financial Services Institute to provide high level training.

189. Similarly for the ICT/BPO sector. Its productivity is higher than the average for the economy. Considering that the sector will need over 3,000 new recruits annually for the next five years, the potential to shift a significant share of our workforce to that industry is excellent. Government will work with the Outsourcing and Telecommunications Association of Mauritius to identify the skills required for sustaining the growth of the ICT sector and to formulate an appropriate training program for private sector investment.

190. To get the full and effective participation of licensed and approved centres in ICT/BPO, an industry-certification will be adopted at the national level for training.

191. Government will also put an unprecedented emphasis on boosting up the productivity of our artisans, the self-employed, the masons, electricians, joiners, carpenters, gardeners, and the various ‘métiers’. Our plan is to use existing public buildings to set up ‘Centres de Formation des Métiers’ across Mauritius and Rodrigues. Along with training in a particular métier, the centres will also teach a wide variety of basic skills, including reading, writing, counting, basic computer operations and money management.

192. The National Empowerment Foundation (NEF) and Mauritius Institute of Training and Development (MITD) will start a pilot centre next year.

193. Mr Speaker, Sir, I said earlier that there are times when we must adjust to build the future. We are making a fundamental change to the current Government scholarship schemes. Our objectives are four-fold:

- i. to enhance the reward for good academic performance;
- ii. use education as a ladder to enable students from poor families to climb out of poverty;
- iii. extend scholarships to post-graduate studies; and
- iv. significantly increase the number of laureates.

194. First, we are improving the State of Mauritius scholarships.

195. The laureates can either choose the current scheme or opt for a new one with the following package:

- a scholarship for an undergraduate course in any tertiary education institution in Mauritius with an annual grant of Rs 200,000 plus fees;
- a second scholarship for postgraduate studies either in Mauritius or abroad; and
- two years internship in a Ministry/Department.

196. The Additional Scholarships Scheme will also be modified. The student can either choose the current scheme with a reduced annual grant of Rs 100,000 per year or the following new scheme:

- a scholarship for an undergraduate course in any tertiary education institution in Mauritius with an annual grant of Rs 60,000 plus fees;
- a second scholarship for postgraduate studies either in Mauritius or abroad; and
- two years internship in a Ministry/Department .

197. These schemes will be worth Rs 1 to Rs 1.5 million more for each laureate.

198. Moreover, we are increasing the number of laureates under the new Additional Scholarship Scheme from 12 to 50, an increase of 38 laureates.

199. From the 38 new awards, 24 will be reserved for students from families with modest income.

200. The SSR Scholarship scheme will remain unchanged in terms of rewarding the laureates. However, the awards will be shifted to the Sir Seewoosagur Ramgoolam Foundation. The Foundation's objects are to work for and further the progress of young Mauritians, grant scholarships to deserving students and also assist institutions with goals similar to those of the Foundation.

201. The proposed schemes will be implemented as from academic year 2011/12 and the enhancements will be financed from revenues from the National Lottery.

202. Mr Speaker, Sir, in the same spirit of supporting a larger number of students we are making key improvements to the SC and HSC examination fees scheme.

203. Government will raise the monthly income threshold for paying 100 percent of the fees from Rs 8,500 to Rs 14,500.

204. Under the current scheme, a second child taking exams in the family is entitled to 50 percent of the examination fees if the monthly family income is less than Rs 11,000. Mr Speaker, Sir, henceforth they will benefit from 100 percent payment of fees.

205. I am also introducing a new benefit for families with monthly income between Rs 14,500 and Rs 20,000. They will receive a grant for 50 percent of the examination fees, regardless of the number of children taking examinations.

206. These new schemes will benefit some 19,000 students in contrast to some 8,000 presently.

207. Mr Speaker, Sir, to have a strategic advantage in education, training, research and innovation, we must connect research done in our tertiary institutions to the needs of enterprises and Government.

208. To this end, the Ministry of Tertiary Education is setting up a Committee to design and implement a Student Research Grant Scheme. The aim is to encourage student research on all aspects of life in Mauritius and that can result in innovative ideas and products.

209. Our students will get further support from the Employee Welfare Fund which will cut the interest rate from 7.5 percent to 5 percent on its education loans of up to Rs 500,000.

210. For loans over Rs 500,000, the interest rate will be cut from 10 percent to 5 percent.

211. The same rate will also apply for financing vocational training courses.

212. Our quest for higher productivity should not forget the unemployed and those who may lose their jobs because of restructuring. We addressed this issue in the ERCP when we said that Government will set up a Support Unit for Re-employment of Employees (SURE). I am making provision in this Budget for the implementation of this measure.

213. We cannot talk about raising the nation's productivity without giving some deep thoughts to the low participation rate of women in the economy, which is 43 percent compared to 76 percent for men. Moreover, the female unemployment rate is 12 percent compared to only frictional unemployment among males. To rebalance growth we will need to rebalance these statistics with emphasis on training, re-skilling and also encouraging more women to become entrepreneurs.

214. We will intensify the work we have started in the ERCP to support the training programme for women so that they can take employment in a number of new activities.

215. This budget adds to these efforts. We are providing Rs 98 million for women's empowerment and gender mainstreaming.

216. Higher productivity is also about efficient and fast clearing on the labour market. We are providing for upgrading of the Labour Market Information System (LMIS) with a Phone-in Jobseeker Registration System. The existing Electronic Labour Exchange will be made more user-friendly.

217. In the public sector, to improve HR planning and upgrading of staff skills, the Ministry of Civil Service (MCSAR) will establish a data base on workforce qualifications and distribution, staff utilization and gaps in skills.

218. We are also providing Rs 178 million to upgrade connectivity and for a programme to enhance work environment in the civil service with a view to shoring up productivity.

219. The Commonwealth Secretariat is looking into the setting up of a civil service college to serve both our needs and those of the region.

IMPROVING THE DOING BUSINESS ENVIRONMENT

220. Another important leg of the great leap forward on productivity is our efforts to improve the doing business climate. Pointless bureaucratic procedures must be taken out of our doing business environment.

221. For example, we will reorganise the system of clearance of fishing vessels to shorten the time spent shuttling from one office to another before setting sail.

222. In the same vein, the Registrar of Companies will be the single point of entry for all business start-ups in non-regulated activities. Payment of trade fees will be effected at the Registrar of Companies at the time of registration.

223. The procedures must become as paperless as possible to save on time and cost. To this end:

224. The Registrar of Companies will use a scanning technology to capture data from standard forms and supporting documents.

225. The E-regulations platform will be extended to all Ministries.
226. Building and Land Use Permit applications to the CEB and CWA will be done on line.
227. Government will implement an on-line submission and e-payment of notary deeds.
228. The e-payment system will be extended for all businesses as well as for the population.
229. To improve enforcement of contracts, we will build further on the existing framework to modernize and overhaul the judicial system and further develop Mauritius as an international arbitration centre.
230. Thus, a Mediation Division will be set up in the Supreme Court where all commercial cases will be dealt with first before going to full trial.
231. An international conference will be held in December 2010 to further promote Mauritius as an International Centre for Arbitration.
232. Commercial disputes, where applicable, will be settled within a time frame of 100 days.
233. A digital recording system will be installed in the hearing rooms of the Employment Relations Tribunal to ensure timely delivery of awards, orders and rulings.
234. Moreover, to further open up our country to foreign talents, the threshold for BOI to issue Occupation Permits for professionals will be lowered to Rs 45,000 per month.

STRENGTHENING NATIONAL STATISTICAL CAPACITY

235. Mr Speaker, Sir, Government policies, global trends, corporate strategies and the socio-cultural developments are all reshaping our economy and society. In our bid to leap forward on productivity, policy-makers, operators and decision-takers in our country will need increasingly more information, in greater details, at low cost and that can be trusted. The payoffs in terms of higher productivity can be substantial. For that reason, Government is supporting a comprehensive reform of the Central Statistics Office.

236. First, the CSO will be upgraded from the status of an Office to that of Statistics Mauritius with wider powers to collect and disseminate data.

237. Second, a Code of Practice for all official statistics will be published to ensure reliability of data and compliance with international standards.

238. Third, the current Statistics Advisory Council will be replaced by a Statistics Board comprising high level professionals.

239. Fourth, my Ministry will work with the CSO to review and improve the production and dissemination of statistics on all sectors of the economy, on macroeconomic indicators, and on social and cultural indicators as well.

240. Fifth, the CSO will reinforce the statistical framework that will accelerate the adherence of Mauritius to the Special Data Dissemination Standards (SDDS) of the IMF.

241. Sixth, to enable the CSO to carry out these reforms, we are providing for the recruitment of 34 staff in the coming year.

BUILDING THE PHYSICAL FABRICS OF THE FUTURE

242. Mr Speaker, Sir, if we want to realize the Mauritian dream, we must invest in it.

243. One of the most powerful engines to propel Mauritius on the modern development path and to support the great leap forward on productivity is its physical fabrics. Our country has the most ambitious infrastructure plan in its history. This includes the Highlands project which will be reviewed and driven by the Prime Minister's Office, the Les Salines project, mega projects in the transport sector such as the Ring-Road around Port-Louis, the Harbour Bridge, the A1-M1 bridge, the Terre-Rouge-Verdun-Ebène road, a state-of-the-art Rapid Transit System, a modern airport and port, the infrastructure for the Land-Based Oceanic Industry, the trading hub of Jin Fei, university parks to accommodate more tertiary education institutions, and more hospitals to modernize health care. Mauritius must invest more than Rs 250 billion over the next 10 years to realise these projects.

244. For 2011, in addition to budgetary allocations, Government is providing Rs 4.5 billion in project loans to Airports of Mauritius, the Central Electricity Board and the Central Water Authority to enable them to improve public infrastructure.

245. The modernization of our transportation systems, including land, air and sea transport will account for a significant share of these investments. Rs 30 billion will be spent on road decongestion, of which Rs 4.1 billion are being provided in this Budget for some 22 projects.

Modernising Air and Sea Transport Infrastructure

246. As regards port development, the plan is to invest Rs 3.5 billion at the Mauritius Container Terminal.

247. At the airport some Rs 10.3 billion will be invested to accommodate wide-bodied aircraft and extend terminal capacity to 4 million passengers annually.

248. Some Rs 760 million will be invested on resurfacing of existing runway and developing the taxiway to be used as a second emergency runway.

249. Rs 120 million will be invested in the rehabilitation of the Agalega airstrip.

250. The cargo and Freeport development at the airport is also in the pipeline.

251. We are providing for a feasibility study on a new port at Mahebourg.

Modernising Local Government Infrastructure

252. Mr Speaker, Sir, it is also our duty to support local authorities to modernize their infrastructure and expand their services.

253. Government is investing in markets and market fairs for more space, comfort and security. These include:

- New markets at Abercrombie and Rivière des Anguilles.
- Upgrading the Central Flacq Market Fair.

- Moving Quatre-Bornes market to the site of the Guy Rozemont Stadium which will be moved to Palma.
- An auction market at Riche-Terre for fresh horticultural produce.
- A Multi-Purpose Complex/Social Hall in Curepipe to provide sports and leisure facilities is being constructed at a cost of Rs 60 million.
- The construction of a complex in Vacoas at a cost of Rs 140 million.

A Fillip to the Development of PPP

254. Mr Speaker, Sir, a significant amount of the public infrastructure will be implemented on a PPP basis. Mauritius is making encouraging progress on PPP projects. We want to give a fillip to the PPP endeavour for it will be crucial to engaging the modern development path.

255. The legal framework governing PPP will be adapted to the new policy and to present realities.

256. An expert will be recruited on a full-time basis to replace the ad hoc panel of PPP Transaction Advisors.

257. To cut delays in implementation, the procurement function for PPP projects will be undertaken by the PPP Committee.

258. As regards procurement procedures, we are making changes that will enable the World Bank to use them for its projects in Mauritius. This should significantly speed up implementation. We are planning to revisit the procurement framework accordingly.

259. We are also setting up a Project Design and Monitoring Unit in my Ministry to ensure value for money in project development and implementation.

REFORMING THE PUBLIC SECTOR TO SHORE UP ITS PERFORMANCE

260. Mr Speaker, Sir, the public sector is the biggest employer in the country. It accounts for around 20 percent of all capital formation and for around 25 percent of GDP. It is therefore going to be a central platform from which to make the giant leap forward on productivity.

261. There are two diverging philosophies before us, one that promotes excellence and accountability, the other that perpetuates the kind of homogenization and bureaucracy that hinders growth and shackles the economy. The choice is clear. However, we know bureaucracy cannot be eliminated. But its pejorative reputation does not have to linger. What this Government wants to promote is a bureaucracy that is creative and innovative - a bureaucracy that counters rigidities and most of all that can allow for efficient actions across complex systems. That is why we have chosen to promote excellence and accountability and reward performance. And we will empower all public sector employees to progress in a system which rewards excellence.

262. To this end Government has appointed a High Level Committee to establish a national policy and strategy to guide Human Resource planning and allocation in Ministries, Departments and across the public sector.

263. The competitiveness and productivity of the public sector will also be one of the focuses of the review of the National Information and

Communication Technology Strategy Plan. Government is also investing significantly to improve the services to the public.

264. We are providing Rs 426 million to fill 3,586 promotional posts and hire an additional 2,076 staff.

265. We need to ensure, however, that positions provided for are speedily filled. To this end, we will adopt the more modern procedures put in place by other Commonwealth countries, such as Singapore. In particular, the PSC will further delegate recruitment and promotion authority to Ministries and Departments for technical and managerial staff, except at the most senior grades.

266. Mr Speaker, Sir, there is an unfair asymmetry in financial dealings with the public that we want to put an end to. When the public owes money to Government, a deadline is set for payment and penalties are applied. However, this is not necessarily the case when Government owes money or makes delayed payments to the public. We are putting an end to this practice. Henceforth, all money owed by Government will be paid on time. Any payment not made on time will carry an interest on the amount for the period delayed.

267. The water sector is one area where Government is putting in all efforts required but our institutions are under performing with respect to the expectations of the population. Government is therefore merging the Central Water Authority, the Irrigation Authority, the Water Resources Unit and the Wastewater Authority into one single Water Authority. The Government of Singapore is extending its assistance in this process which will be an integral part of the new 2010 to 2025 Master Plan.

268. And that single authority will pursue a multi-pronged strategy.

- i. Improve water catchment;
- ii. Reduce water losses,;
- iii. Protect underground water from pollution;
- iv. Promote water demand management;
- v. Expand irrigation capacity, and
- vi. Promote effective and efficient wastewater management.

269. Meanwhile Government will continue to support the CWA Programme for the replacement of old and defective pipes around the island to ensure an improvement in the water supply. Rs 454 million are budgeted over the next three years for this purpose. This would be in addition to other CWA pipes being replaced where practical while wastewater projects are being implemented.

270. Other improvements of water infrastructure including the Pailles Treatment Plant would be financed to the tune of Rs 245 million.

271. Some Rs 53 million are earmarked in 2011 for drilling of new boreholes and upgrading of existing dams.

272. At the same time we will support low income families who need a water tank. Government will give a cash grant of Rs 3,000 to families with a monthly income below Rs 10,000 and with restricted water supply to purchase a water tank. We are earmarking Rs 120 million for this scheme. This will support the purchase of 40,000 water tanks on a first come first serve basis.

273. The contract for the construction of Bagatelle Dam, with a project value of Rs 3 billion and financed by China will be awarded soon.

Construction work is expected to start by March 2011 and the dam would be operational in 2015.

274. We are providing Rs 50 million to the Rodrigues Regional Assembly for its water projects. This is over and above its budgetary allocation of Rs 1.55 billion.

275. Mr Speaker, Sir, today's budget also upholds our country's good track record on governance. We have a proud history of governance and we must ensure that the future will be equally a matter of pride. To this end, we are making further efforts on the e-parliament project.

276. A Parliamentary e-document management and a dedicated interactive internet portal for the National Assembly will be set up next year, with assistance from the Government of India.

277. We are providing Rs 190 million for the Municipal elections, the village council elections and Rodrigues Regional Assembly elections.

278. The Office of Public Sector Governance under the aegis of the Prime Minister's Office will deepen the culture of governance in the public sector, including the parastatals.

279. The Statutory Bodies (Accounts and Audit) Act will be amended to simplify and streamline provisions relating to the submission of Annual Report of statutory bodies.

280. In the same vein, the law will provide for the preparation of financial statements to be in compliance with the International Public Sector Accounting Standards.

A CLEANER, GREENER AND SAFER MAURITIUS

Moulding Sustainable Development

281. Mr Speaker, Sir, our population deserves continuous improvement in their living environment. The Maurice Ile Durable vision of the Prime Minister has made significant strides to achieve this. We must continue on that route. The pursuit of this vision is about

- pollution prevention,
- cleaner production,
- eco-efficiency,
- human health and quality of life,
- preserving the natural landscape, and
- clean renewable energy to promote energy sufficiency and efficiency.

282. Some Rs 27 billion worth of projects are being financed, with almost Rs 3 billion in 2011, for the management of solid waste, wastewater and drainage systems.

283. These will include:

- (i) Additional work on the landfill site at Mare Chicose.
- (ii) Construction of hazardous waste facility at La Chaumière.
- (iii) The new transfer station at La Chaumière to replace the one at St Martin.
- (iv) The Plaines Wilhems Sewerage Project in Curepipe, Vacoas, Phoenix, Quatre Bornes, Sodnac, Roches Brunnes and Belle

Rose benefiting some 65,000 more inhabitants. Government will invest some Rs 1.3 billion next year in wastewater services.

- (v) Three major sewerage projects in the regions of Grand Baie, the West Coast and Pailles Guibies. And
- (vi) Sewer reticulation and house connections in Port Louis and Plaines Wilhems.

Green Building

284. Buildings are among the biggest consumers of energy. This gives the construction industry a significant role in the MID vision. How energy efficient our buildings are and to what extent they use renewable energy will be decisive to our MID vision. Government will develop by April next year, a national policy, guidelines and a rating system for sustainable buildings and construction. It will be part of the National Programme on Sustainable Consumption and Production (SCP) and is being funded by our most important development partner, the European Union.

285. Some 43 other projects will be implemented under the SCP to -

- increase resource efficiency
- improve energy consumption patterns , and
- increase supply and use of sustainable products and services

286. Next to buildings, the biggest consumer of energy is the transportation sector. We need to change the system of motor vehicle taxation to fully reflect the polluter pay principle and to be based on a CO2 emission standard which is becoming the new practice worldwide. To this

end, the IMF will carry out a study of the present system to recommend appropriate changes to excise duty, road tax and registration duty on motor vehicles. This will complement the work that has already been undertaken by the Agence Française de Développement. Government will decide on the changes to be made following the recommendations of the IMF which should be submitted around March next year.

287. Government is developing energy standards and energy efficiency labelling for electrical appliances such as air-conditioners, refrigerators and washing machines. This initiative will assist consumers to make informed decisions on the purchase of appliances.

288. Government will also modulate taxation to promote the use of more energy efficient appliances.

289. On the MID vision, Government wants to lead by example. In collaboration with the United Nations Environment Programme, we are developing a “Sustainable Public Procurement” policy.

290. Government will also carry out energy audits in 7 more buildings next year.

291. We are earmarking Rs 30 million for the development of three eco-villages next year, at Pointe aux Piments, Vuillemin and Rodrigues. The concept will also be implemented at Trou D’Eau Douce, Souillac, Le Morne, La Gaulette, Vieux Grand Port and Poudre D’Or. Civil society organizations, stakeholders and Government agencies will work together on this project.

292. Government also wants to discourage the use of PET bottles, plastic bags and cans. They are a big nuisance to the environment. Fiscal

disincentive has proved to be an effective way to reduce demand for these products.

293. I am therefore doubling the rate of excise duty on these three items from Rs 1 to Rs 2 as from tomorrow.

294. We are exploring the possibility for extending this tax to other types of plastic containers and non-bio-degradable containers.

295. At the same time, Government is promoting the production of environmentally clean paper carry bags. The Ministry of Social Integration in collaboration with the Ministry of Environment is putting up a project whereby former convicts and drug addicts will be engaged in the production of paper bags as part of a reintegration programme. The project will be run by NGOs.

296. The MID levy on each litre of petroleum products and each kg of coal and LPG will be increased to 30 cents.

297. The specific rates of excise duty on petroleum products which have remained unchanged since 2002 are being increased by 10 percent.

298. Our factories also need to contribute to the Maurice Ile Durable endeavour. To this end, the MID Fund and the Mauritius Exporters Association are co-financing a project to reduce the carbon footprint as part of their marketing and competitiveness strategy.

299. The grant for the Solar Water Heater scheme is being reinstated at Rs 10,000 and reinforced with the participation and collaboration of commercial banks. As regards renewable local sources of energy, the regulations in place already allow the CEB to purchase electricity through Feed in Tariff from small IPPs.

300. And negotiations are in progress for the setting up of a Wind farm at Plaines des Roches.

301. Negotiations are also being held for the production of electricity from landfill gas at Mare Chicose.

Maintaining Mauritius as a safe country to live and do business

302. Law and order is an evolving challenge. The institutions and policies that must guarantee law and order, safety of the population and property must also evolve.

303. Government will spend almost Rs 21 billion over the next three years on its law and order agenda, of which over Rs 7 billion in 2011.

304. Concerning the Police Force, it will be transformed into a Police Service. This is an imperative change in the mindset and culture of the Police Department - where service to the community will be at the centre of their policing role.

305. As part of that reform, the police department will be coming up with yearly National and Divisional Policing Plans. The strategies, actions and targets must be well-defined.

306. The UNDP is assisting in developing a strategy to modernize policing including retraining.

307. The Budget is providing the necessary resources for the reforms.

308. The resources for 2011 will be used for purchasing:

- An enhanced Digital Radio Communication System.

- A Coastal Surveillance Radar System for round the island round the clock surveillance off mainland Mauritius, Rodrigues, Agaléga and St Brandon.
- An Offshore Patrol Vessel at the cost of Rs 1.7 billion financed under the Indian line of credit and expected to be delivered in 2011.
- A new digitized 999 Emergency Management System (EMS) which will allow for faster response and identification of blank calls which can reach up to 800 daily.

309. Government is also providing for the -

- Recruitment of 770 Trainee Police Constables by March 2011.
- Setting up CCTV Street Surveillance systems in more regions across the country.
- Upgrading of existing infrastructures, including Police Headquarters, residential Barracks, Police stations, a building for the IT Unit, new Police Stations, Police Band Headquarters at Vacoas, Flacq Divisional Quarters, and National Coast Guard posts.
- A new regional detention centre at Piton, and
- A new high-security prison for 775 detainees at Melrose.

310. The police service will be equipped with a computer-assisted identification of suspects, expansion of “photo-robots”, video recording of interrogations, and new fingerprint and body-fluids search tools.

311. We are also providing for phase 2 of a new quality management system to facilitate case processing as well as using inter-laboratory testing to enhance quality assurance of the laboratory.

312. The Police Service will also have a Crime Occurrence Tracking System that automates all processes and computerizes the functionalities of the Mauritius Police Service. The system will be an effective tool in police investigation as it will connect the Police Service to other public sector institutions, namely the Judiciary, Office of DPP and the Prisons Service.

313. There are some 50,000 requests for certificates of morality yearly, yet some 15,000 are never collected. This is a severe waste of resources and contributes unnecessarily to long delays in processing. To discourage abuse of the system, a processing fee of Rs 100 will be imposed.

314. We are also earmarking funds to develop and implement an 'Integrated Driving License Management System' including the penalty point system at Traffic Branch.

315. A new learner driving facility will also be opened.

316. The Judiciary also has a significant role to ensure that all persons are able to live safely under the Rule of Law and to protect life and property. To enhance the Judiciary's capacity to carry out its responsibilities, Government is providing for:

- (i) eight more judges;
- (ii) completion of the e-filing and electronic case lodging and management system; and

- (iii) the setting up of an Institute for Judicial and Legal Studies for the continued training of professionals in both the judiciary and the legal profession

317. For the Fire Service, which is another important link to the protection of property and safety of persons, Government is investing in a new fire station in Tamarin.

318. I am providing Rs 100 million for recruitment of 40 firemen and for the acquisition of fire fighting equipment including one fire engine with an aerial ladder platform.

319. To protect our population from adverse climatic conditions the Meteorological services will acquire the Transmet Equipment and 2 new weather stations.

320. The Mauritius Oceanography Institute will use its new research centre at Albion to develop new services focused on the safety of the population such as tsunami alert.

321. As we promote a safe and secure environment for our population, we must also ensure that there are no excesses on the habits that are deleterious to health and that can lead people into awkward circumstances. I have talked about alcoholic and cigarette consumption. There is a third social predicament on which we need imperatively to take a firm stand. This is impulsive gambling due to proliferation of outlets across the country.

322. I am therefore increasing the license fees for casinos and Gaming House 'A' from Rs 500,000 to Rs 3.5 million.

323. For Gaming Slot Machines the license fees will be raised to Rs 125,000.

324. For Gaming House 'B', the license fees will be raised to Rs 50,000.

325. As regards horse-racing, all bookmakers will have to pay an increase of 67 percent on their license fees.

326. The license fees of all other betting outlets, including totalisators, football betting outlets and bookmakers operating through remote control communications, will be increased by 100 percent.

327. The license fees of sweepstake organizers, local pool promoters, agents of foreign pool and operators of dart games will be increased by 50 percent.

328. The pool betting duty on foreign football matches will be raised from 10 percent to 12 percent.

329. The rate of tax on fixed odds betting on football matches and horse racing will be raised from 8 percent to 10 percent.

330. I am taking steps so that VAT is chargeable on goods and services supplied by the Mauritius Turf Club and horse stables, and on the management services to tote operators.

CONSOLIDATING SOCIAL INTEGRATION

Eradicating Absolute Poverty

331. Mr Speaker, Sir, not everything that counts can be counted. Eradicating absolute poverty is one of them. There exists no measure that can capture the full benefits of taking people out of poverty. But we know

it counts a lot for the families who escape from the life of deprivation. It counts a lot for the children who will get a better start in life and who will not have to grow up in poverty. And it counts a lot for a country that holds high the values of compassion and generosity.

332. That is why Government will continue and with even more resolve, commitment and compassion, its mission to eradicate absolute poverty and to achieve greater social integration.

333. To this end, we are reviewing the utilization of CSR. Our aim is to focus on the most urgent problems so as to maximize the social benefits and ensure national coverage. We will therefore use 50 percent of the CSR resources to focus on three National Programmes. Government will add to the CSR resources to implement these three programmes which are:

1. Social Housing;
2. Welfare of Children from Vulnerable Groups; and
3. Eradication of Absolute Poverty.

334. An estimated Rs 5 billion is expected to be mobilised from CSR over the next ten years to support these programmes.

335. The main aim of zeroing in on these three issues is to make a big positive impact on Social Integration and Economic Empowerment. Together these three national programmes combined with all the other efforts will give an unprecedented lift to families who now feel trapped and excluded.

336. To achieve this, the Government is proposing to pursue a reform programme for the social sector. Many of our citizens will need lifelong income support because of medical problems and disabilities. Government is committed to give them the income support required to meet their needs.

337. For the others who feel marginalised and excluded, we want to enable them to actively participate in and contribute to economic life whilst earning enough to move out of poverty.

338. To this end, we are offering an alternative to Social Aid that includes existing and new programmes at the NEF. These are:

- Training Programmes to enhance employability, including life skills training;
- Provision of crèche facilities and after school care to release parents, especially mothers to undertake income generating activities;
- Ensuring well-being of the family with special focus on care and education of children;
- Upgrading the living environment of the beneficiaries;
- Promoting harmonious community living; and
- Social housing with good living.

339. Our citizens choosing to benefit from the facilities offered by the NEF will enter into a social contract that commits them to learning skills required for a job, life skills training, accepting employment offered and ensuring that their children go to school.

340. Our plan is to move some 6,000 Social Aid recipients to the alternative empowerment programmes. To create the required employment slots, we are requiring companies employing expatriate unskilled labour to also employ participants from the NEF Training and Placement Programme. For every 20 foreign workers, the employer will be required

to recruit, according to the sector, between 1 and 3 NEF beneficiaries. The NEF will subsidise the training costs and the stipend, with a larger payment for middle-aged women. To ensure that these enterprises remain competitive, we will also facilitate the application and approval process for work permits by making it rules based and time bound.

341. All companies having been granted a quota of at least 25 foreign workers would be required to participate.

342. To support our ambitious social agenda, the Ministry of Social Integration will benefit from over Rs 1.2 billion in 2011 and oversee the three national programmes to be co-financed with CSR contributions. This represents an almost three-fold increase compared to the Rs 450 million spent on empowerment in 2010.

343. For 2011, Rs 400 million are earmarked for some 700 housing units for families earning less than Rs 5,000 per month. To ensure the welfare of some 10,000 children from vulnerable groups, Rs 100 million is being provided. We are pursuing efforts to Eradicate Absolute Poverty by mobilizing Rs 240 million to serve 7,000 citizens. In addition, Rs 500 million is available to enable the NEF to continue its efforts, aimed at some 8,000 citizens, for Training and Placement, Micro-enterprises for Women, Projects in Rodrigues, Emergency Housing and the Decentralised Cooperation Programme to build the capacity of Civil Society Organisations to participate in the national empowerment effort.

Housing With Good Living: A Plan To Face Down The Housing Problem

344. Housing is the area where we can make the deepest inroads in eradicating absolute poverty and improving the living standards of families

with modest income. Notwithstanding the estimated 87 percent home ownership in Mauritius, too many poor and lower income families live in overcrowded units. For many of these families, their efforts to own a home are frustrated by the affordability factor. This is also becoming a problem for first-time middle class home buyers.

345. We are therefore implementing a comprehensive **Housing With Good Living** programme over the next ten years that includes 5 Schemes.

- Scheme 1 is for families with monthly income not exceeding Rs 5,000.
- Scheme 2 - for families earning monthly income between Rs 5,000 and Rs 10,000.
- Scheme 3 – for families earning monthly income between Rs 10,000 and Rs 15,000.
- Scheme 4 – for families with monthly income between Rs 15,000 and Rs 25,000.
- And Scheme 5 is for families with monthly income between Rs 25,000 and Rs 50,000.

346. Out of the 2,000 arpents of land that were successfully negotiated by the Prime Minister, 1,000 arpents will be used for our housing programme. This will enable the construction of about one third of the 40,000 houses, on a mixed basis, over the next ten years.

347. Purchasers under Scheme 1 will have to sign the social contract with the NEF.

348. The mortgage repayments for all 5 schemes will be worked out over a long period of up to 40 years to ensure affordability. We want to leave enough income in the hands of the families after mortgage repayments to cater for other basic needs. The mortgage will cover the price of the house and associated fees.

349. All housing units will be equipped with water tanks and where practical solar water heaters.

350. The units will be constructed following the principles of green building.

351. Thus, under Scheme 1, which is in the category of social housing for the absolute poor:

- Some 7,000 units will be constructed.
- Government will provide an outright grant from CSR money.
- Government will also bear the full cost of land and fifty percent of the on-site infrastructure cost.
- No initial deposit will be required on the purchase price.
- And the monthly repayments as a ratio of income will start in the first year at 20 percent and rise with the income of the family to a maximum of 30 percent.

352. Under Scheme 2 the purchasers will have the same benefits as under Scheme 1, except that because their income is higher they will be required to pay an initial deposit of 10 percent of the price. Some 1,700 units will be constructed under that scheme.

353. Under Scheme 3:

- Some 9,000 serviced plots will be provided for the construction of houses over the next ten years.
- Government will bear the cost of land and off-site infrastructure.
- A mortgage will be provided by MHC.
- A deposit of 10 percent of the value of the property will be required.
- And the monthly repayments as a ratio of income should not exceed 30 percent in the first year, rising to a maximum of 40 percent with the income of the family.

354. Under Scheme 4:

- Some 15,000 serviced plots will be provided over the next ten years.
- Government will bear half the cost of land but the beneficiary will pay for the cost of servicing the plot.
- A mortgage will be provided by commercial banks with a guarantee operated by MHC.
- A deposit of 15 percent of the value of the property will be required.
- And the monthly repayments as a ratio of income should work out to be 35 percent or less and rise with the income of the family to a maximum of 40 percent.

355. Under Scheme 5:

- Government will support some 6,500 first-time buyers to purchase or build a house that costs up to 50 percent more than they can afford with their current income.

- This will be made possible through a guarantee to commercial banks, operated by MHC.
- The monthly repayments should not exceed 40 percent of family income.

356. Mr Speaker, Sir, the total contribution of Government to support the 40,000 families who will benefit from these five schemes amount to Rs 18.5 billion of which Rs 2 billion from CSR money.

357. We are giving further support.

358. An adult first-time buyer of a house or bare residential land will not have to bear registration duty if his total annual income is below Rs 2 million. This benefit will apply on the first Rs 1.5 million of the price of a house, or the first Rs 750,000 of the price of bare land provided the beneficiary begins construction within one year and completes within three.

359. We are increasing the grant for casting of slabs from Rs 60,000 to Rs 65,000.

360. And we are maintaining all other schemes and giving families looking for a house a choice between the existing and new schemes.

OUR ELDERS

361. Mr Speaker, Sir, all our elders deserve to live in dignity. The wealth we are creating today, the prosperity we are enjoying also bear the indelible footprints of their hard work. They must get their fair share.

362. We are constructing a Recreation Centre in the north at Pointe aux Piments.

363. And a fourth Recreation Centre will be constructed in the south at Riambel.

364. To use these facilities they are making a payment of Rs 500 per person. This will be reduced to Rs 250.

365. I am also pleased to announce that we are increasing the amount of income tax exemption for lump-sum on retirement and severance from Rs1 million to Rs 1.5 million.

366. For our elders who have toiled hard in the sugar industry, we are amending the Sugar Industry Pension Fund Act to allow payment of benefits to exceed two-thirds of final salary. This will be in accordance with the contributions table, as determined by the Board on the advice of the actuary. It is an amendment that will allow pensioners, at their option, to compute their pension up to Rs 1,000 per month instead of Rs 250 per month into a lump sum.

367. We must care for our children with the same benevolence and kindness as we do for our elders. Everything we are doing in this Budget concerns them directly. The future we build belongs to them. Many of our children must have special care and protection – we cannot overlook their needs.

368. We are providing for a new Shelter at Cap Malheureux for children who are victims of abuse and violence.

369. We are providing Rs 22 million for a Residential Drop-in-Centre at GRNW for the development and protection of children from any form of sexual abuse and exploitation.

370. Presently, only elders above 90 years and the bedridden persons aged 75 - 89 benefit from domiciliary visits by doctors. We are extending this facility to children who are very severely disabled.

371. As sports are an absolute necessity to the development of our children and our youth, and as it also offers them career opportunities, I am providing Rs 391 million to the Ministry of Youth and Sports.

372. Rs 60 million will be invested in a multi-purpose sports complex at Triolet.

373. I am also providing for the setting up of a similar multi-purpose complex at Saint Pierre.

RESPONSIBLE FISCAL STEWARDSHIP

374. I will now turn to another bedrock of all our actions to realise the Mauritian dream – Responsible Fiscal Stewardship. Government must support the economy and socio-cultural development. And it must also protect fiscal solvency. The world is fraught with too many examples of how fiscal insolvency can destabilise an economy and put at risk the development of a country. We must draw the necessary lessons and move with even greater care on fiscal management.

375. As regards the Budget outturn for 2010, we are expecting a budget deficit of 4.5 percent of GDP.

376. Total revenue will be lower by around Rs 3.8 billion, which is mainly explained by lower dividends from investments and the decision of EU to allocate the 2009 FLEX only to Least Developed Countries.

377. Current expenses are estimated at around Rs 68 billion compared to the estimates of Rs 69.2 billion. Capital spending would be slightly above Rs 8 billion.

378. Central Government debt is expected to increase from 50.9 percent of GDP at end 2009 to 52.5 by close of this financial year. Public Sector debt will increase to 60.7 percent of GDP against 60.0 percent of GDP last year.

379. Mr Speaker, Sir, my fiscal philosophy is that we should neither live beyond our means nor beyond the means of future generations. Keeping debt at a manageable proportion of GDP is one of the sensible strategies for fiscal responsibility.

380. We must therefore stand firm on our determination to maintain debt sustainability. We must have a more precise measure of the actual liabilities and contingencies of Government. To this end, we are revisiting the Public Debt Management Act so that it reflects more fully the actual liabilities and contingencies of Government while at the same time providing greater flexibility to parastatals in their investment decisions.

381. I am also ensuring greater transparency in fiscal management. The surplus amount in various off budget Funds will be transferred to the Consolidated Fund.

TAX ADMINISTRATION

382. To improve tax administration and revenue collection we are:

- i. Amending the Income Tax Act to limit the amount of capital allowances that can be claimed to Rs 3 million per motor car.

- ii. Extending the due date for payment of income tax by 15 additional days where an individual taxpayer submits his annual income tax return and effects payment of tax electronically.
- iii. Amending the Financial Services Act to provide for the surplus amount to be paid into the Consolidated Fund following the same transparent formula as for the Bank of Mauritius.

383. Mr Speaker, Sir, before turning to tax policies I would like to strongly reaffirm Government's commitment to ensuring that every person who contributes to the national cake also gets his/her equitable share. For this we need to ensure that all the mechanisms and processes that distribute income, from the market, to macro-economic policies and to the industrial relations system are running properly and fairly. This Government firmly believes that the tripartite process should be strengthened and made to work to the satisfaction of all parties. Our commitment on this is manifestly clear.

384. We have decided on compensation. It was not easy to strike a balance between the difficult economic times, the financial implications for Government and employers and the need to protect the purchasing power of workers.

385. Having weighed all the financial implications for Government and the economy against the need to be equitable and fair, we decided to award a 3.2 percent compensation. This is well above the full compensation for inflation for workers at the lowest rung of the ladder. Moreover, we have raised the threshold for full compensation to Rs 5,000 from Rs 3,800.

386. We are thus raising the old age pensions by 3.2 percent along with other basic pensions and social aid.

387. As promised by the Prime Minister, the increment for the public service in 2011 will be paid as from 1st January instead of 1st April.

Mr Speaker, Sir,

388. Let me now turn to our tax policies.

389. Mr Speaker, Sir, it is clear that our economic and social policies call for an increase in expenditure. If we do not adjust our tax policy and take other revenue measures to these higher expenditure needs, the budget would have shown a deficit of 5.4 percent taking our debt dangerously close to the unsustainable zone. Earlier I talked about responsible fiscal stewardship being the bedrock of all our actions to put Mauritius on a modern development path. In that spirit of fiscal responsibility we need to adapt our tax policy.

390. With the measures I am taking, the budget deficit will be contained to 4.3 percent of GDP with revenue equivalent to 21.8 percent of GDP compared with 21.2 percent of GDP last year. The expenditure has been contained to 26.1 percent of GDP in contrast to 25.7 percent of GDP last year, despite an increase in capital expenditure of 0.7 percent of GDP. Thus, we have managed with this Budget to not only contain the deficit but as importantly improve the quality of our spending to invest in the future.

391. As a result, public sector debt will be reduced from 60.7 percent of GDP this year to 60.3 percent next year.

392. I will now announce other tax measures.

393. First, I am raising the passenger fee that is levied on tourists as follows:

- Passengers aged 12 and above to Rs 1,400.
- Children aged 2 to 12 to Rs 700.

394. However, for passengers from the Indian Ocean Commission countries, a reduced fee of Rs 600 and Rs 300, respectively, will apply.

395. Second, the passenger service charge levied by AML on all departing passengers will also be adjusted to Rs 1,000 for adults and Rs 500 for children.

396. It is also important that businesses and individuals who can afford it contribute to the enormous amount of resources our country needs in order to roll out poverty and to flatten other social problems. We need a fair sharing of the tremendous efforts we all have to make as a nation to put our country on a modern development path promising to deliver in the 2020s an income per capita three times higher than what we have now.

397. Thus, we are asking profitable banks to maintain their solidarity efforts. The increase in the rate of special levy on banks to 3.4 percent of profits and one percent of turnover will continue to apply for the next two financial years.

398. As announced in the ERCF, there will be an additional charge from Segment A banking activities consisting of 1.25 percent of profits plus 0.5 percent of turnover. Each bank contributing to the new Private Equity Fund will be able to offset the amount subscribed against the additional charge. The aim is to develop innovative financing instruments for SMEs.

399. The telecommunication sector has also experienced a robust pace of growth through the most difficult of times. We feel this is another sector that can continue to contribute to the national solidarity efforts. We are maintaining the special solidarity levy on the providers of fixed and mobile telephony services for the next two financial years.

400. Currently certain medical services linked to medical tourism hub and provided in institutions registered under the Private Health Institution Act 1989 are not subject to VAT. I am removing from the first schedule of the VAT Act the exemption provided to Private Health Institutions that relate to cosmetic surgery.

401. I am taking steps to deal with anomalies and deviations from international best practice in our VAT legislation. Thus the following items will be moved as from 1st March from the list of zero rated supplies to exempt supplies:

402. Wheat flour and bran, edible oils, margarine, sterilised liquid milk, curdled milk and cream and yoghurt, live chickens and chicks, animal feed and fertilizers. Producers of such goods will be able to recover input tax when they export.

403. As regards gains from sale of land and immovable property, a reduced rate of 10 percent will apply to individuals.

404. They will also benefit from an exemption on the first Rs 2 million of gains.

405. The tax will not apply to land and immovable properties when received by way of inheritance or transferred by the parents to their heirs.

406. Regarding personal income tax, we are introducing a Solidarity Income Tax. This will not apply to the majority of taxpayers with total income, including exempt income, less than Rs 2 million. Higher income earners will be charged 10 percent on their exempt income.

407. Mr Speaker, Sir, we made a pledge. It was about a tax that weighed too heavily on the budget of our elders in particular, and on taxpayers relying on revenue from interest sources.

408. I am abolishing tax on interest income.

409. Consequently, I am reinstating interest as an exempt income in the Income Tax Act with effect from 1st January 2010.

410. Tax withheld at source on interest during 2010 will be refunded in the form of a tax credit on their 2012 and 2013 tax returns. Unused tax credits will be refunded in the form of cash in 2013.

411. Two special exemption categories were added in 2009 to cater for pensioners who became taxable on their interest income and their basic retirement pensions. With the removal of tax on interest these two threshold categories are no longer required. However, as a special measure of recognition to our elders I am maintaining these two categories.

412. I am also giving some fiscal support to taxpayers who are making efforts to invest in a home for the first time, who are not subject to the Solidarity Income Tax or are not benefiting from the new housing schemes. For them, we are providing for a deduction of up to Rs 120,000 on interest paid on mortgage loans taken as from 1st January 2011. This deduction will be available for the first five years of the loan. This benefit

will be extended to the original mortgage taken since 1st July 2006 by first time home owners.

413. They may claim for five years starting January 2011.

414. Mr Speaker, Sir, I spoke about the efforts of Government to make the great leap forward on productivity and the importance of education to that endeavour. Government wants to encourage families who are investing in the education of their children. Many of these parents deserve some fiscal support because the investment they are making in the education of their children is also an investment in the future of our country. I am therefore introducing an additional exemption for taxpayers who are not subject to the Solidarity Income Tax, and whose children, up to a maximum of three, are following a non-sponsored full-time undergraduate at a recognized tertiary education institution.

415. The exemption will be Rs 80,000 per child following courses in Mauritius.

416. And Rs 125,000 per child following courses overseas.

417. To be eligible, the tuition fees should exceed Rs 44,500, excluding administration and student union fees.

418. The fiscal support will be available for 3 consecutive years of study to encourage rapid completion of the course.

419. Our last action in this Budget on tax policy is to redeem yet another electoral pledge. We are redeeming our pledge not only because we want to keep our word, but most importantly because it was a well thought out promise.

420. Mr Speaker, Sir, I am abolishing the NRPT (National Residential Property Tax) with effect as from 1st January 2010.

CONCLUSIONS

421. I wish to express my very sincere gratitude to the Honourable Prime Minister for his valuable support throughout the preparation of this Budget. I also wish to thank my colleague Ministers, fellow Parliamentarians and officers of various ministries and departments for their support, cooperation and valuable contributions.

422. I also thank officers of my ministry for the long hours of work and dedication that has made it possible to prepare this budget.

423. To conclude, Mr Speaker, Sir, let me stress that this Budget has what it takes to put Mauritius firmly on a modern development path. It prepares our institutions and our people for the more challenging realities that are setting in across our globe. It prepares our children, our students, our workers, entrepreneurs and indeed the entire nation to succeed in an increasingly competitive global economy.

424. The bulk of our actions in this Budget are cast in a medium-term macroeconomic framework. It is a budget to strengthen the resolve of a nation that wants to count its GDP in the trillion of rupees rather than in billions. It is also a budget that is anchored to our long-term vision to eradicate poverty, ensure every family has a decent home, achieve food security, become a duty-free shopping paradise, further democratize the economy, accomplish the Maurice Ile Durable project, endow the country with a modern world-class physical infrastructure and triple per capita income by the 2020s.

425. Indeed, Mr Speaker, Sir, Government has an ambitious development agenda - one that responds to the aspirations of our people and that matches the determination of our citizens. This budget shows that we will not let our actions fall short of our ambitions. It also shows that we will not let our ambitions go above our means. We have weighed up our actions and ambitions with the need to ensure fiscal soundness and sustainability, macroeconomic stability and intergenerational fairness.

426. Mr Speaker, Sir, it is a Budget that clearly states that our vision is within our means and within our reach.

427. Mauritius is a country where each generation has risen to the challenge of its day. This Budget is about us, Government and the nation at large, about our generation rising to the challenge of the day.

428. As Martin Luther King put it, I quote: “...*the ultimate measure is not where you stand in moments of comfort but where you stand in times of challenge.*”

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