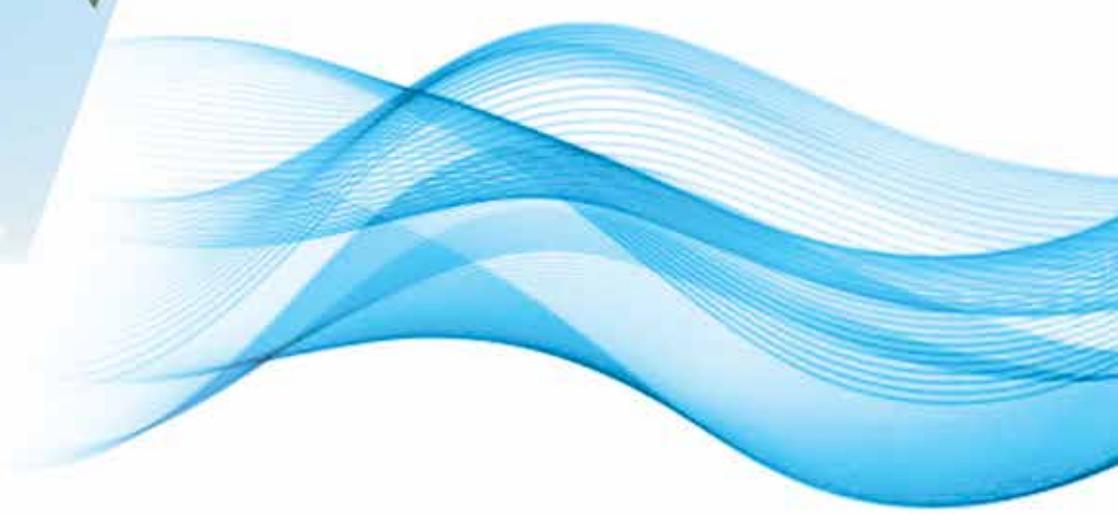




# A NEW ERA OF DEVELOPMENT



REPUBLIC OF MAURITIUS

## BUDGET SPEECH 2016/2017

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**Hon. Pravind Jugnauth**  
**Minister of Finance and Economic Development**

# **BUDGET SPEECH 2016/17**

## **A NEW ERA OF DEVELOPMENT**

Madam Speaker,

I move that the Appropriation 2016/17 Bill be read a second time.

### **INTRODUCTION**

2. I would like to begin by thanking the Prime Minister for entrusting me the task of managing the finances of the nation and steering the economic development of our country. This Budget, which I am presenting today, will bear out my determination in living up to the trust that has been put in me.

3. Madam Speaker, many organizations and professional groups have participated in pre-budget consultations. Men and women from all walks of life have made numerous proposals and shared their insights. Their contributions have been very helpful in the preparation of this Budget and I wish to express my deep appreciation to all of them.

4. We have analysed the current domestic and global context in which we had to prepare the budget.

5. The background is indeed fraught with uncertainty, adversity and tough challenges, while the expectations are many and the aspirations are high.

6. If we stay the course, the confluence of adversities and challenges will most certainly pull us back.

7. If we decide on a new course, we can change things for the better and come on top.

8. The choice is clear.

9. Today we choose to come on top - to move forward and up.

10. Today we choose to break with the past that has stifled development for the last decade and see the future in a new light.
11. The challenges of tomorrow cannot be met with our mind-set, policies and actions locked in the paradigm of yesterday.
12. The current development model can no more deliver on our aspirations as a nation. This Government started its mandate with troubling economic and social indicators. It will take more than just traditional policies and approaches to turn them around.
13. In the past year, our economy has shown good resilience. But we need to do much better.
14. The GDP growth rate for the year 2015/16, would be 3.4 percent.
15. The unemployment rate went down to 7.6 percent in the first quarter of 2016 from 8.7 percent a year earlier.
16. The inflation rate is significantly down to 0.9 percent for 2015/16 and is forecast to be 2 percent for 2016/17.
17. The overall Balance of Payments was in surplus of Rs 20 billion, with the current account deficit, as a ratio of GDP, reduced to 4.6 percent for 2015/16.
18. The official reserves increased from 6.2 months of imports in December 2014 to reach 8.5 months at end June 2016.
19. And the Budget Deficit for the financial year 2015/16 is estimated at 3.5 percent, with total revenue and grants amounting to Rs 88.2 billion against a total expenditure of Rs 103.1 billion.
20. Madam Speaker, I would like to announce here that I am circulating a SUPPLEMENT to the Budget Speech that includes a comprehensive review of the economy and social indicators.

21. I would also like to announce that I am including an Annex as an integral part of the Budget Speech. It provides greater details on some of the measures, schemes and legislative amendments in this Budget.

22. Madam Speaker, it is clear that our economic performance has been an honourable one, considering the unfavourable international economic setting. Global GDP has in fact grown by 3.1 percent in 2015. For 2016, the IMF is now predicting that global growth will stay at 3.1 percent, down from its initial forecast of 3.7 percent. This reflects mostly lower than expected growth in the USA, Europe and OECD countries.

23. There are many reasons to think that the pressures of global trends on our economy will become more acute. The Brexit event is another staunch reminder of this reality.

24. We must therefore lift up the growth path before the 3 to 3.5 percent growth trend of recent years becomes the 'new normal'.

25. Without stronger economic performances, the challenges on the social and environmental fronts will also become even more daunting.

26. However, moving to a higher growth path will require major changes in the way we do things as well as in the things we do.

27. Where we have to be bold we must be bold.

28. Madam Speaker, I have decided that Budget 2016/17 must indeed be about ushering in **A NEW ERA OF DEVELOPMENT**.

29. This new era of development will be centred on ten key strategies:

First, fostering a wave of modern entrepreneurs;

Second, creating more job opportunities for all;

Third, entering a new economic cycle focusing on innovation, boosting exports and private investments;

Fourth, moving towards a fully-fledged digital society;

Fifth, fundamentally reforming business facilitation and expanding our economic horizons;

Sixth, building the infrastructure that fits into the future;

Seventh, lifting the quality of life for one and all;

Eighth, addressing the root causes of poverty;

Ninth, launching a major public sector reform programme;

And tenth, ensuring macroeconomic stability and sound public finances.

## **II. STRATEGY ONE: FOSTERING A WAVE OF MODERN ENTREPRENEURS**

30. I now turn to our first strategy which is about fostering a wave of modern entrepreneurs.

31. Madam Speaker, an economy that is ripe for change and entering a new cycle requires a class of entrepreneurs that is equal to the challenge, and who can succeed in the most sophisticated of markets.

32. To that end, I am suspending the payment of trade fees for licences of Rs 5,000 and below, for a period of three years for all SMEs, except those engaged in activities such as gambling, and sales of liquor and cigarettes. This measure will benefit new businesses and some 75,000 existing businesses.

33. Second, we are broadening the fiscal incentive given to SMEs as follows:

- a) The 8-year tax holiday in respect of business income is being extended to new enterprises set up by individuals or co-operative societies qualifying under the scheme and registered with SMEDA;
- b) Existing enterprises registered with SMEDA with a turnover of less than Rs 10 million and engaged in qualifying activities under the same scheme will be given a 4-year tax holiday in respect of their business income. The tax holiday will start as from the year of assessment 2016/17.

34. Third, a National SME Incubator Scheme will be created under which a matching grant of Rs 50 million will be offered with the aim of supporting and mentoring young entrepreneurs.

35. Fourth, to promote modern production techniques, we are setting up new industrial parks as follows:

- a pilot Agri-Business Park will be set up at Highlands over an area of 100 acres;
- two new SME Industrial Parks will be constructed at Plaine Magnien and Vuillemin; and
- the DBM Industrial Zone at Coromandel will be converted into a modern integrated SME industrial park.

36. Fifth, to improve access to finance the SME Financing Scheme will be continued for another three years and extended to individual entrepreneurs as well. I am pleased to announce here that the interest rate under that scheme will be brought down from 7.4 to 6 percent.

37. Sixth, the Leasing Equipment Modernisation Scheme (LEMS) will be reintroduced to provide greater access to leasing finance.

38. Seventh, the DBM will set up a dedicated fast track desk for micro enterprises.

39. Eighth, the NRF Equity Fund and the SME Partnership Fund will be merged into a single SME Venture Capital Fund. I am providing Rs 150 million to bring its capital to Rs 500 million.

40. And ninth, Government will set up a line of credit of Rs 100 million to be used towards providing factoring services to small businesses.

### **III. STRATEGY TWO: CREATING MORE JOB OPPORTUNITIES FOR ALL**

41. Madam Speaker, I now turn to the second strategy of the Budget which is about better matching of skills and creating more job opportunities for our youth, women and men.

42. Government will enlist 4,000 persons under the National Skills Development Programme for training in technical skills that are in high demand. This will include training for 1,000 young people in each of the following sectors: ICT, tourism and hospitality; nursing and paramedics and construction and other industries. These trainees will be paid a monthly stipend of Rs 5,000.

43. Second, we are providing for the training of 1,200 seafarers for cruise jobs and in shipping companies.

44. Seafarers will be exempted from the payment of income tax.

45. Third, we are allowing for the training levy to be used for meeting consultancy costs in the training of staff in new technologies.

46. Fourth, we have received requests from many young engineers who cannot pre-register as professional engineers because they are not getting an opportunity to gain the experience required. Madam Speaker, we cannot let their efforts and talents go to waste. I am therefore launching a special scheme for the placement of 200 trainee engineers in public sector bodies.

47. Fifth, we are providing for employment of 2,000 unemployed under the YEP.

48. Sixth, Government will fill 7,200 vacancies and new posts in the civil service.

49. Moreover, we expect that the new policies to boost up economic growth and employment in this Budget would generate some 7,000 new jobs in the short term.

50. Madam Speaker, with these measures, some 21,400 youths, men and women will be taken out of unemployment.

51. To ensure the successful implementation of this endeavour, Government is setting up an umbrella National Employment Agency with wide-ranging responsibilities and powers.

52. Moreover, the legal framework for the Technical and Vocational Education and Training (TVET) will be reinforced, and a Skills Development Authority will be set up as an independent regulator.

53. We are making these special efforts because we are convinced that job seekers must be able to find employment that meet their aspiration.

54. At the same time we are addressing forcefully the problem of skills mismatch which is a key cause of unemployment.

#### **IV. STRATEGY THREE: ENTERING A NEW ECONOMIC CYCLE FOCUSING ON INNOVATION, BOOSTING EXPORTS AND PRIVATE INVESTMENTS**

55. I now come to our third strategy.

56. To enter a new economic cycle focussing on innovation, and boosting private investment, exports and productivity, it is imperative that our productive sectors make a significant leap forward in embracing new activities and modern ways of doing business.

## **Advancing the manufacturing sector to new frontiers**

57. The manufacturing sector which is the largest contributor to GDP must take the lead in this new cycle.

58. I would like therefore to announce the launching of three new niches.

## **Diversifying the manufacturing base**

59. Firstly, an international private consortium is setting up a modular near shore mobile oil refinery and onshore storage facilities at Albion. Besides its impact on employment and growth, the project can make of Mauritius the first source of low sulphur bunker fuel (LS380) in the Indian Ocean region.

60. Secondly, we are opening our country to gold business that will encompass a wide spectrum of high value-added activities, ranging from refinery of gold, producing gold bars, setting up top-end jewellery processing units, vault facilities and to trading of gold and bullions on our new commodity exchange. The exchange will also facilitate trade in diamond and other precious metals.

61. Moreover, an Indian Delegation presently in Mauritius has expressed an interest in setting up several manufacturing projects in Mauritius, one of which is the production of bicycles and motorcycles. This project aims mainly at exports to the African market and has the potential for creating a significant number of jobs.

62. To further diversify our manufacturing sector, a Pharmaceutical Village will be set up at Rose Belle to cater for local as well as African markets.

63. We must also embrace the new era of 3D printing that will transform manufacturing and other industries in the future. To this end, Government will introduce the application of 3D printing technology, by equipping the two technopoles at Rivière du Rempart and Rose Belle with 3D printers.

64. I am also removing VAT on 3D printers and providing customs duty exemptions on materials used in the manufacture of medical devices.

### **Modernising the manufacturing sector**

65. As the manufacturing sector diversifies, it must also modernise.

66. The investment tax credit whereby a specified manufacturing company is able to offset against its tax liability 5 percent of the investment in new plants and machinery over 3 years, is being overhauled. The minimum eligibility requirement of Rs 100 million investment in a year is being removed to allow more businesses to benefit. And the tax credit can be recouped over a longer time period.

67. For manufacturers of textiles, wearing apparels, ships and boats, computers, pharmaceuticals and for film production the tax credit will be increased from 5 to 15 percent. This represents 45 percent of capital expenditure incurred on new plants and machinery over three years.

68. Madam Speaker, as we face the challenges of Brexit, we need to reposition our textile and apparel sector, improve its competitiveness and bring Mauritius nearer to the European markets. I am therefore announcing a major Air Freight Rebate Scheme which will entail a 40 percent reduction by our national carrier of the air freight cost to Europe. This significant reduction in cost will be a major game changer to give a new impetus to that industry. The scheme will be underwritten by Government over a two-year period.

69. To support the 'Made in Moris' initiative of the manufacturing industry, the Bid Price-Preference of 10 percent is being increased to 20 percent for locally manufactured goods in respect of the procurement exercise by public sector bodies. This will apply to such goods as shoes, uniforms, school books, printing materials and furniture which will be listed in a Schedule.

70. And I am also taking new measures to boost activities in the Freeport. These measures are described in the Annex.

## **Agri-business: Branching out**

71. I now come to our plan to transition the agri-business sector from the traditional mould to the new economic cycle.

72. First, we must put agricultural land to modern and more productive use. In that context, the Mauritius Cane Industry Authority will set up an Agricultural Land Management System to bring unutilised abandoned cane lands of small planters under productive use.

73. Second, the grant facility for sheltered farming is being increased from Rs 250,000 to Rs 400,000 to encourage planters to undertake crop production under protected structures.

74. In the same vein, I am providing Rs 20 million for the setting up of an exclusive Bio-Farming/Organic zone with comprehensive modern infrastructural facilities at Britannia.

75. And a feasibility study will be undertaken on the setting up of a Bio-Technology Institute.

76. With regard to the tea industry, we are establishing a new tea nursery at La Brasserie, providing seedlings free to growers and giving a subsidy on fertilizers.

77. Moreover, the ex-Dubreuil tea factory which was closed in the late 1990s will be reopened to promote tea and other agro-processing activities.

78. To boost dairy production, Rs 10 million are being earmarked for the setting up of a heifer farm at Melrose by the Ministry of Agro-industry, and for a cash incentive of Rs 5,000 to farmers for every new female calf (heifer) reared up to lactating phase.

79. I am making an additional provision of Rs 10 million to enable industrial milk processors to provide small cow keepers with essential support such as artificial insemination and other veterinary services, milk collection and animal husbandry.

80. I am providing Rs 7 million to support bee-keepers through the creation of bee-keeping zones in different regions.

81. To encourage exports, the subsidy on freight costs for horticultural products is being extended to flowers and exotic vegetables.

82. Let me announce our actions to support the men and women who are taking risks, making efforts and yet have to struggle to run their farms and agri-businesses.

83. Government is renewing all the schemes that are meant to support some 11,000 sugarcane planters. Thus, for the sugar crop year 2016:

- Planters producing up to 60 tonnes of sugar will benefit from an additional revenue of Rs 1,820 per tonne of sugar; and
- The 80 per cent advance provided to sugar cane planters will be maintained through arrangements with the Mauritius Sugar Syndicate.

84. We are providing Rs 25 million for acquisition of sophisticated equipment for the testing of fruits and vegetables by the Food-Tech Lab of the Ministry of Agro Industry and Food Security.

85. I am also pleased to announce that fifty per cent of the outstanding balances on loans, together with interest due, which were contracted by pig breeders, under the Pig Sector Re-structuring Programme, will be waived, if they pay back the remaining balance before 30th June 2017.

86. In the same vein, all outstanding interests will be waived on start-up loans taken by planters, breeders and fishermen prior to 1st July 2012, under certain schemes, if they pay back all capital balance before 30th June 2017.

87. Rs 30 million are being earmarked for setting up a new unit for mass rearing and sterilization of fruit flies; and Rs 16 million to litchi and banana growers for the purchase of protective nets and bags.

88. Concerning the cooperatives sector, I am providing for the upgrading of the building of the National Institute of Cooperative Entrepreneurship at Bois Marchand.

89. I am also exempting cooperative societies from the payment of corporate tax on all non-sugar agricultural activities.

90. And I am providing Rs 10 million to set up a contributory insurance scheme for non-sugar crops.

91. Madam Speaker, agricultural produce must be safe and clean for consumption.

92. To curb the excessive use of specific pesticides, herbicides and fruit ripeners, a 15 percent levy is being introduced on those products.

93. Moreover, the Ministry of Agro-Industry and Food Security will implement a system of quantitative restrictions coupled with a more rigorous and intensive testing of fresh produce.

### **Financial services: reaching out to new markets**

94. Madam Speaker, the financial services industry also needs to branch out and reach out to new markets with a wider spectrum of products.

95. I am therefore announcing a new thrust to the development of our financial services sector.

96. First, GBC2 companies will now be allowed to invest in listed securities.

97. Second, companies holding a 'Global Headquarters Administration Licence' issued by the FSC will be granted an 8-year tax holiday.

98. Third, companies with the following licences issued by the FSC will be provided with a 5-year tax holiday:

- (a) a 'Treasury Management Centre License';
- (b) an Asset and Fund Managers license and managing a minimum asset base of USD 100 million;
- (c) international law firms with a Global Legal Advisory Services License. To that effect, a 'Limited Liability Partnership Bill' will be introduced;
- (d) an 'Investment Banking and Corporate Advisory License';
- (e) an Overseas Family Corporation' license.

99. Foreign Ultra High Net Worth Individuals investing a minimum of USD 25 million in Mauritius will be provided with a 5-year tax holiday.

100. These tax holidays will be subject to meeting conditions of employment creation and substance.

101. Furthermore, the 'Rose Belle Business Park' will host the new 'Mauritius International Derivatives & Commodities Exchange' (MINDEX). I am allocating Rs 50 million as seed capital for its initial setup.

102. In pursuit of that diversification thrust, we will also develop Mauritius as a full-fledged International Arbitration Centre with the capacity and expertise to resolve disputes.

103. As regards the banking sector, the Bank of Mauritius Act and Banking Act will be reviewed in the light of recent events and to adapt to change.

## **Tourism: blazing new trails**

104. Madam Speaker, the tourism sector must ride on the crest of the wave of regained dynamism and seize the opportunity to blaze new trails and sustain its long term development. This entails the development of out-of-hotels activities, attraction-based tourism, the duty-free island, and a more open air-access policy.

105. At the same time, Government wants to achieve a greater integration of tourism development with the growing aspirations of our own population for more leisure activities and wider shopping opportunities.

106. To this end, the Ministry of Tourism, the Ministry of Arts and Culture, together with relevant private sector organisations will work out an annual calendar of national events to be known as the Mauritius Calendar.

107. To give an impetus to the duty free island while diversifying our tourism sources, we will intensify the marketing of Mauritius in Africa, in particular targeting the new rich. And we will also build up our marketing efforts in the Gulf regions, Scandinavian countries and Eastern Europe.

108. The newly launched Africa-Mauritius-Singapore-Asia Air Corridor positioning Mauritius as an aviation hub in the region will greatly contribute to improving accessibility for visitors from new markets in Asia and Africa. I am providing an additional Rs 40 million for marketing the Air Corridor initiative.

109. Government will also facilitate the setting up of a world class aquarium, a national museum and other new leisure attractions.

110. With a view to promoting access to leisure and leisure facilities, I am removing admission charges leviable by local authorities. The Local Government Act will be amended accordingly.

## **The Film Industry: Setting the Stage**

111. Madam Speaker, the film-making industry is showing good potential for growth and for creating exciting new opportunities for our young people and artists generally.

112. To harness that potential we are increasing the refund on qualifying production expenditure under the Film Rebate Scheme up to a maximum of 40 percent and clarifying that production of films for export will be zero-rated for VAT purposes.

113. I am providing an amount of Rs 10 million to the Mauritius Film Development Corporation for the purchase of equipment which it will lease to film-makers.

114. I am also exempting the importation of lighting equipment for use in film-making from customs duty.

115. As part of the development of the Omnicane smart city project, Mauritius will be endowed with its first film city which will be located in the south of the island. The project also includes the setting up of a Film Training facility.

## **Realising the blue economy**

116. Concerning the blue economy, the following initiatives will be undertaken:

117. First, the 31 sites which have been identified for aquaculture development will be fully surveyed by the Mauritius Oceanography Institute.

118. Second, Government will provide incentives for the setting up of common facilities on land for aquaculture and fish processing.

119. Third, two studies are being concluded with regards to the production of electricity through ocean waves and offshore wind.

120. Fourth, Government is signing an MOU with the National Institute of Oceanography Goa towards the setting up of a World Class Research Institute of Oceanography in Mauritius.

121. Fifth, to encourage outer-reef and bank fishing:

- I am providing Rs 20 million for the purchase of a multi-purpose vessel for research, surveys and training of fishermen and skippers.
- And a grant of 50 percent, up to a cap of Rs 4 million will be given to cooperative societies to enable them to acquire semi-industrial vessels.

122. Sixth, a new incentive scheme with a tax holiday of 8 years will be introduced to attract industrial fishing companies to operate from Mauritius and contribute to the development of our seafood hub.

123. Seventh, to promote small-scale aquaculture, a provision of Rs 12.5 million has been made in the Budget for the purchase of 10 floating cage structures to allocate to Fishermen Cooperatives.

124. Eighth, the Mauritius Ports Authority will construct breakwaters at Fort William to provide shelter for approximately 120 fishing vessels.

125. And ninth, to address the human resources constraint, the Mauritius Maritime Training Academy will increase its intake by 50 percent to 1,200 trainees annually.

### **Green economy: maximising investment opportunities**

126. Madam Speaker, Government's policy emphasis on developing local sources of renewable energy offers a unique potential for launching a green economy, with new high value-added jobs, while at the same time addressing environmental issues and reducing future oil import bills.

127. To this end, the CEB will create a renewable energy company, which will ultimately become a special vehicle for the production of electricity from solar photo voltaic systems of up to 15 MW. It will subsequently open its shareholding to SMEs, cooperative societies and small investors.

128. Second, a feasibility study will be carried out on the production of electricity through solar panels placed on roof tops of houses. The aim is to involve some 10,000 households, over the next five years, who are benefitting from the social electricity tariff. The cost will be fully met by the public sector. These households will get the first 50 kwh monthly free of charge. All surplus production will go to the CEB.

129. Third, to accommodate the production of more electricity from intermittent renewable sources, it is necessary to increase the capacity of the grid for absorption of such power generation. To this end, the CEB will invest Rs 400 million to increase the grid absorption capacity of intermittent energy from 148 to 160 MW by 2018.

130. Fourth, furthermore, the CEB proposes to procure battery storage systems so as to become resilient to the intermittent nature of renewable energy.

131. Fifth, I am removing VAT on Photovoltaic Inverters and batteries.

132. Sixth, as regards hydro power, the CEB will invest Rs 200 million for the upgrading of the Sans Souci plant capacity and it has identified twelve sites on private land with potential hydro power generation.

133. Seventh, a major waste-to-energy project is expected to add up to 30 MW of electricity on the grid by 2019.

134. Eighth, Government will facilitate production of energy from bio-mass, including cane tops and trash and at the same time ensure that small planters will get their fair share of the revenue.

135. The Electricity Act and the CEB Act will be amended to accelerate the permit approval process of renewable energy investment projects.

## **V. STRATEGY FOUR: MOVING TOWARDS A FULLY-FLEDGED DIGITAL SOCIETY**

136. I will now articulate our plan to move Mauritius towards a fully-fledged digital economy and society.

137. Madam Speaker, in the year 2000, we launched the concept of Cyber Island with the strong conviction that the future of Mauritius would be tightly entwined with the evolution of digital technologies. We crossed significant milestones in the history of our development when we built the first Cyber Tower and connected the country to the Internet with the SAFE fibre optic cable.

138. Today, we take this endeavour to the next lap.

139. To this end, I am announcing the following measures:

140. First, the Ministry of Technology, Communication and Innovation is making operational the Information Highway for sharing of information among public sector agencies, in a first instance. On the other hand, 50 new e-services will be launched to facilitate citizens interaction with public sector agencies. And each ministry will appoint a Dedicated Chief Information Officer to oversee its e-government projects.

141. Second, the Bank of Mauritius will come up with a National Payment Switch. This will reduce transaction costs and give a boost to e-commerce. A National Payment Bill will be introduced to better regulate e-payment transactions.

142. Third, Government will join hands with MEXA to develop a national e-commerce platform to connect consumers from the rest of the world directly to our exporters.

143. Fourth, we will encourage the development of mobile applications by start-ups to provide information on Government services such as transportation, traffic and weather forecast, amongst others.

144. Fifth, to reduce the digital divide and promote connected communities, 250 additional free Wifi Hotspots will be set up around the island, in major public areas such as traffic centres, hospitals, municipalities and district councils. This will bring the total to 600.

145. Sixth, to further build human capital and develop digital literacy, we are investing in our students:

- a) At the primary level, digital tablets and relevant education software will be given to students in Grades 1 and 2.
- b) At secondary level, modules on communication skills and creativity & innovation will be included in the curriculum for grades 7 to 9.
- c) At the tertiary level, a dedicated Faculty of Digital Technology & ICT Engineering will be set up by the University of Mauritius.

146. Seventh, major investments will be made on connectivity that will significantly improve the deployment of broadband infrastructure and its quality. These include:

- i. investment in a 'Third Undersea Cable' project by a consortium led by Mauritius Telecom.
- ii. investment in a fibre-optic undersea cable by a consortium of regional telecom operators. This will link Mauritius, Reunion, Madagascar with an international backbone through South Africa.
- iii. the acceleration of the Fibre To The Home (FTTH) programme by Mauritius Telecom to cover every town and village by December 2017; and

- iv. an investment of Rs 200 million by the CEB to provide high speed broadband to Internet Service Providers through its island-wide fiber optic cable network.

## **VI. STRATEGY FIVE: FUNDAMENTALLY REFORMING BUSINESS FACILITATION AND EXPANDING OUR ECONOMIC HORIZONS**

147. Madam Speaker, I now come to strategy number five: fundamentally reforming business facilitation and expanding our economic horizons.

148. For too long our economy has operated in an environment where obtaining approvals and permits to start and grow a business is complex, lengthy and onerous.

149. We have to free our economy from the stifling bureaucracy and get it out of the constraining mould of laws, regulations and administrative procedures that have not been able to adapt to the new exigencies.

150. Our first measure therefore is to cut drastically the time it takes to deliver Building and Land Use Permits (BLPs) and clearances for all construction related projects. To this end,

- i. the requirement for approval by the Executive Committee of the Local Authority concerned when determining a BLP is being abolished;
- ii. the Local Authority will have only 8 working days to seek any additional information from an applicant; and
- iii. we are requiring that all applications for constructions with a floor area exceeding 150 square meters be made on-line.

151. Second, the Property Development Scheme will be reviewed and the PDS regulations will be amended to:

- (a) remove the maximum size limit of 50 arpents;
- (b) remove the requirement to sell at least 25 percent of residential units to Mauritian buyers; and
- (c) review the current maximum permissible land size for a villa, from half an arpent to 1.25 arpent.

152. Third, we will take onerous paper work out of the system. An e-licensing platform will be set up to provide a single point of entry for applications for permits and licences. This will bring down submission of documents in some cases from around 48 copies to just one copy.

153. Fourth, the Investment Promotion Act will be amended to authorise the BOI to issue the necessary clearances and approvals for a business to start operation in cases where the statutory deadlines for processing applications have lapsed. This is in line with the Silent Agreement Principle. It should unlock a significant number of projects which are in the pipeline, accelerate job creation, turn around the declining trend in private investment, increase FDI and boost up economic growth.

154. Fifth, some countries like the UK, Singapore and Australia have applied the concept of a Regulatory Sandbox Licence (RSL) which allows companies to invest in innovative projects within an agreed set of terms and conditions, even in the absence of a formal licencing framework. This can be an effective mechanism to speed up strategic investments. We are therefore introducing the Regulatory Sandbox Licence in Mauritius. The Board of Investment (BOI) may issue approvals, permits and licences to start an innovative project after consulting relevant ministries.

155. Sixth, to further open the economy we are allowing non-citizens, registered with the BOI, subject to security clearances, to acquire apartments and business spaces in buildings. The Non-citizens (Property Restriction) Act will be amended accordingly.

156. In the new era of development, where openness will be a core feature of our economic strategy, economic diplomacy will have a crucial role to address cutting-edge issues in foreign policy, in particular in the areas of trade, finance and investment, so as to open new opportunities for Mauritian businesses.

157. Now that the issue of DTA with India has been resolved, Government will revive and finalise the negotiations with New Delhi on the Comprehensive Economic Cooperation and Partnership Agreement (CECPA) including a Preferential Trade Agreement.

158. And we will continue to build on our Africa strategy where we have made concrete progress in the past year, with the signing of agreements with Senegal, Madagascar and Ghana for the establishment and management of Special Economic Zones.

159. Regarding the Special Economic Zone project in Senegal, I am pleased to announce that 40 hectares of land have already been allocated by the Government of Senegal. The project will be executed by a joint SPV where Mauritius Africa Fund holds 51 percent of the shares.

160. In 2014, the Honourable Prime Minister took the commitment that once elected, high priority will be given to the establishment of an Embassy in Saudi Arabia. I am pleased to announce that we are now going beyond this promise by setting up, not only an Embassy in Riyadh, but also a Consulate in Jeddah. This will significantly raise the visibility of the Republic of Mauritius in Saudi Arabia. These two diplomatic representations will further improve communication and contribute in providing greater security, comfort and opportunities to our citizens travelling to Saudi Arabia.

161. We are also proceeding with the opening of a consulate in Reunion Island to further facilitate trade and business relationships.

162. To support economic diplomacy, seven Counsellors (Economic Matters) will be recruited in addition to those already serving in Paris, New Delhi and Johannesburg.

## **Industrial Property Framework**

163. With a view to modernising our Industrial Property Framework and consolidating the institutional arrangement to administer Industrial Property, a consolidated Bill will be introduced. It will encapsulate all aspects of industrial property as well as provide for the protection of patents, plant breeders' right, industrial designs and marks including geographical indications and trade names.

164. In the same vein, Mauritius will adhere to a number of the World Intellectual Property Organisation (WIPO) Administered Treaties, namely, Patent Corporation Treaty (PCT), the Hague Convention and the Madrid Protocol to facilitate the registration of Patents, Trademarks and Industrial Designs.

165. Both the enactment of new legislation and the adherence to the Treaties will be completed by December 2016. Government will then come up with an attractive fiscal package to encourage innovation.

## **VII. STRATEGY SIX: BUILDING THE INFRASTRUCTURE THAT FITS INTO THE FUTURE**

166. Madam Speaker, I now come to our sixth strategy which is about engineering the infrastructure that fits the future. We must look beyond the short term and make investments that would strengthen growth and raise productivity.

167. These investments must come from both the public and private sectors.

168. Government will, therefore, significantly raise its capital expenditure to Rs 19 billion in this Budget.

169. In all, the public sector will invest some Rs 34.5 billion in 2016/17 and Rs 97.6 billion over the next three years.

## **Our plan for urban and rural regeneration**

170. The existing towns and villages are suffering from a sustained period of poor land use planning.

171. We cannot let the situation continue.

172. For years, the transport strategy of Mauritius has been disconnected from its urban and rural planning strategy. In fact, the current transportation system is a major source of pressure on our towns and villages. The building of new roads is not in itself a solution to the traffic jam.

173. It has become manifestly clear that a holistic and coherent urban planning and development strategy is imperative.

174. What Mauritius needs is an affordable new mass transit system along with a network of modern integrated urban terminals comprising parking facilities, food courts, commercial spaces, dedicated hawker areas and green spaces.

175. Such a project will be a game changer, as it will totally redesign our towns, create new growth poles around the terminals, drastically reduce the commuting time for our citizens, raise productivity, eliminate the inconvenience of traffic congestion, save on our petroleum import bills and significantly cut down pollution.

176. We certainly cannot deny our citizens and future generations the benefits of such a project. We have therefore decided that the country deserves a new mass transit system with its network of Urban Terminals to be known as the Metro Express.

177. We will be kick-starting this project with the construction of the Victoria Terminal under the BOT model. A space will be reserved for 1,000 hawkers.

178. Concurrently, Port Louis will undergo a major transformation with the implementation of several development projects to rejuvenate its skyline.

179. This will include world class arts, recreation and culture zones for the residents of Port-Louis and for other Mauritians as well as tourists.

180. Concerning the smart cities, three will start construction this year.

181. The HERITAGE CITY will create a new urban space for present and future generations. Phase one of the project includes the construction of the new Parliament, offices and other infrastructure.

### **A New National Transport Network**

182. Under the Road Decongestion Programme, the Phoenix-Jumbo-Dowlut roundabouts and the A1M1 Bridge linking Coromandel to Sorèze will be constructed with the assistance of the Korean Expressway Corporation.

183. Our next strategy in infrastructure development is focused on sea and air connectivity.

184. As regards the airport, around Rs 770 million will be invested in a new Integrated Government Clearance Centre in the Cargo Village and a modern Control Tower.

185. Another Rs 425 million will be invested by the CEB in a sub-station in the airport vicinity to cater for Cargo and Freeport power requirements.

186. Government is working with the Chinese Government on the setting up of a Regional Aviation Training Academy that will serve the African and Indian Ocean Rim region.

### **Boosting Sea Links with the Outside World**

187. As regards the sea port, Rs 6 billion will be invested over the next 5 years to enhance port infrastructure.

188. The Cargo Handling Corporation Ltd will acquire two additional Ship-to-Shore cranes and other equipment to service container vessels more efficiently.

189. There will also be strategic investments to boost the development of the petroleum hub which holds the potential of becoming a major economic pillar.

190. Hence, some 35 hectares of reclaimed land are being earmarked for petroleum storage, logistics and fishing activities.

191. And a new petroleum port will be developed at Albion.

## **VIII. STRATEGY SEVEN: LIFTING THE QUALITY OF LIFE FOR ONE AND ALL**

192. Madam Speaker, I now turn to strategy seven which is about lifting the quality of life for one and all. This strategy is about dealing with an assortment of factors that weave together to make up the quality of life.

### **Investing In Round the Clock Water Supply**

193. Madam Speaker, a round the clock supply of water is one of these factors. The problems of water supply should not be left to linger – the more so that it affects mostly families in the lower income bracket.

194. Government is investing Rs 3.4 billion in this financial year towards solving the water problem. These investments will be made to:

- (i) Replace some 180 kilometres of old and defective pipes across the island, in Beau-Bassin, Rose Belle, Rivière du Rempart, Lallmatie, Roche Bois, Plaine Verte and Surinam.
- (ii) Upgrade and increase Treatment Plants capacities.
- (iii) Increase storage by constructing Strategic Service Reservoirs and new dams.

195. The CWA will also be investing in trenchless technology to reduce costs as well as inconvenience to the citizens.

196. In the meantime, we will subsidise the purchase of water tanks. This will benefit some 7,000 families and Rs 35 million have been provided for that purpose.

### **Law and Order**

197. Law and Order is another vital determinant of the quality of life.

### **The Judiciary**

198. For a long time now, the court infrastructure has been needing major upgrading and repairs. These cannot wait anymore.

199. I am, therefore, providing funds for the following projects:

First, a new Supreme Court Tower will be constructed in Port-Louis with a project value of Rs 1.1 billion.

Second, the Pamplemousses and Souillac District Courts will be relocated at the SIFB buildings in the same regions.

Third, the New Court House in Port Louis is being renovated.

Fourth, the District Courts of Moka, Mahebourg, Rose-Hill and Flacq will undergo repairs and upgrading.

### **The Mauritius Police Force**

200. I now come to the Police Force, an amount of Rs 8.7 billion is being allocated in this Budget to that Department.

### **Investing in and Expanding the Human Resources**

201. Provision has been made for recruiting 900 additional Police Constables and 30 additional cadet officers.

202. A new training strategy will also be elaborated and provision has been made for a modern Police Academy at the Réduit- Ebene area.

### **Investing in modern vehicles and equipment**

203. I am allocating Rs 292 million for modernising the fleet of vehicles.

204. Over the next two years, we will allocate Rs 115 million to equip all police officers and vehicles with modern equipment.

205. A new integrated emergency Response Management System, linked with SAMU, Fire Services and other agencies will be implemented with a project value of Rs 50 million.

### **Safe City Project**

206. Government is coming up with a Safe City Project on a pilot basis. In that context, smart cameras would be installed with special focus on major public areas, along main roads and motorways, pedestrian walkways and principal traffic centres. These cameras would be a powerful and effective tool to combat crimes and drugs proliferation, assist in more effective traffic and road safety management.

### **Intensifying combat against drugs**

207. To further intensify the combat against drugs, we are providing for:

- Two drone cameras with night vision capabilities; and
- Equipping MRA Customs with interceptor boats, mobile low bed scanners and other x-ray scanners.

208. At the same time, Government will ensure there is seamless collaboration between the National Coast Guard, ADSU, MRA Customs and the Fisheries Protection Service for joint intervention.

## **Strengthening the infrastructure**

209. Government is also investing to strengthen the law and order infrastructure. These will include:

- i. six new police stations;
- ii. a New Divisional Headquarters;
- iii. two more Detention Centres; and
- iv. a new laboratory for the Forensic Science Department at a cost of Rs 235 million.

210. Let me also add that we are removing VAT on CCTV camera systems, burglar alarm systems and other home security and surveillance equipment.

211. The Budget also provides for the recruitment of 100 fire and rescue officers.

## **Road Safety**

212. Madam Speaker, we have given deep thoughts to the problem of road safety and decided to come up with a comprehensive National Road Safety Strategy.

213. First, a Central Traffic Watch and Management System will be set up to better guide, coordinate and manage traffic flows especially in congested areas.

214. Second, there will be tougher penalties for road offenders; more stringent procedures for issuing driving licences; tighter conditions regarding the issue of motor cycle riding licence; and each police vehicle will be equipped with an alcometer.

215. The law will be amended to provide for the introduction of 'Moto Ecoles.'

216. Moreover, modern methods of testing the road worthiness of vehicles will be introduced to minimise testing time.

217. It has been announced in the past that the fees for a fitness test would undergo an increase of 50 percent, from Rs 400 to Rs 600. I am pleased to announce that this projected increase has been frozen until finalisation of the restructuring process.

218. Third, we are providing:

- Rs 100 million for the construction of pavements across the island
- Rs 80 million for rehabilitation works for hard shoulder
- Rs 56 million for the setting up of handrails
- Rs 50 million to restore all road markings and signage
- And, Rs 30 million for repairing lighting along motorways

### **A cleaner environment and greater resilience to climatic change**

219. Madam Speaker, I will now announce some of the measures to address the challenges of climate change which are getting more complex every year, even resulting in natural disasters.

220. Our main aim is to effectively deal with them and build greater resilience while honouring our country's commitment to COP21. This Budget provides:

- Rs 110 million for rehabilitation works to address the issue of beach erosion and coastal land degradation; and
- Rs 22 million for modern equipment to improve command and coordination on ground during National Emergency Operations.

221. A dedicated Land Drainage Authority will be set up. It will work in close collaboration with the National Disaster Risk Reduction and Management Centre to identify priorities for drainage work.

222. And Community Disaster Response Training Teams will be set up to improve preparedness of families living in 6 disaster prone areas.

### **Waste Management**

223. As regards hazardous waste, let me announce four actions.

224. A new system will be introduced for the collection, disposal and recycling of some 8,000 tonnes of electronic and electrical wastes. In this respect, the appropriate legislation will be made for the introduction of an Advance Recycling Fee at the importation of electronic goods to be listed in a Schedule.

225. A centralized Hazardous Waste Facility will be created at La Chaumière.

226. An Expression of Interest will be floated to invite potential operators to set up a system for recycling of waste tyres.

227. Compost Bins and Mixing Tools will be provided to 7,000 households and 3,000 small planters to encourage them to produce their own compost.

### **Health Care**

228. Madam Speaker, I now come to the health sector. Health is vital to happiness, prosperity and productivity. In this Budget, we are earmarking a sum of Rs 10.9 billion for the Ministry of Health and Quality of Life, that is, an increase of 12 percent over last year's allocation. Let me announce some of the actions to secure an efficient and effective health care system.

229. First, Government will invest in the expansion of the Cardiac Centre at the Victoria Hospital to reduce the waiting list for heart surgery.

230. Second, a new ENT hospital will be constructed at Vacoas.

231. Third, we are providing Rs 121 million for major renovation and upgrading works at the SSR National Hospital.

232. Fourth, technical studies will be carried out on the construction of a new modern eye hospital at Moka and of a regional hospital at Flacq.

233. Fifth, Government is providing new services to improve palliative care for cancer patients and introducing a new vaccination programme as a preventive measure against cervical cancer.

234. Sixth, we are earmarking funds for consultancy work on the setting up of a state-of-the-art National Health Laboratory Services.

235. Seventh, we are providing Rs 250 million for new high tech medical equipment and Rs 25 million for setting up three new dialysis units at Long Mountain Community Hospital, SSR National Hospital and Dr A.G.Jeetoo regional hospital.

236. And eighth, we are providing for the recruitment of 310 additional doctors, 255 paramedical staff and an additional 570 supporting personnel.

237. I should here stress that we are also promoting private health care, in particular medical tourism, for they have a significant spill over on overall health care in our country.

238. In the same vein, we will encourage the setting up of residential care homes for foreign retirees.

## **Education**

239. Madam Speaker, I now come to Education which has been and will continue to be the foundation of our success as a nation.

240. We are providing Rs 16.1 billion in this Budget for the Ministry of Education and Human Resources, Tertiary Education and Scientific Research, representing an increase of 11 percent over last year's allocation.

241. This Government had announced the Nine Year Continuous Basic Education – a fundamental reform that lays emphasis on the early years of schooling, new modes of assessment for a seamless progression of learners across the levels, a revamped technical and vocational education sector and a vibrant Polytechnic Education.

242. This ambitious reform will cost around Rs 2 billion over the next 5 years.

243. In this Budget, provision is being made for:

- (i) Recruitment of 340 Trainees Educator for holistic development and 75 Support Teachers for remedial education for the primary education sector;
- (ii) A vast training programme for quality teaching;
- (iii) Infrastructure development that will support pedagogical innovations;
- (iv) Major upgrading of technical and vocational training centres; and
- (v) Launching 3 new Polytechnics.

244. In addition, 600 educators will be recruited for both primary and secondary schools.

### **Youth and Sports**

245. I now come to youth and sports.

246. Madam Speaker, as demonstrated in the last Indian Ocean Games, our athletes are performing better and better. They are often our best ambassadors and their effort and enthusiasm should be further supported. We need to provide them with more opportunities to participate in international competition.

247. To this end, we have made provision for

- (i) participation in the next games of the *Commission de la Jeunesse et des Sports de l'Océan Indien*, which start tomorrow in Madagascar, and
- (ii) for the upgrading and construction of necessary sports infrastructure to host the next 'Jeux des Iles' in Mauritius in 2019. In this context, a new multi sports complex including a swimming pool of international norm will be constructed at St Pierre. The Anjalay Stadium, George V Stadium, Germain Commarmond Stadium and Quartier Militaire Stadium will be upgraded.

248. Furthermore, we are providing for the technical design of a new swimming pool at Rivière des Anguilles.

249. I am also pleased to announce the setting up of a scheme to support the professional development of our best athletes. We will provide them with a contract of employment as coach to young sportsmen and sports women. The centre for excellence in sport, funded by a newly established Lotto Fund, will run the scheme.

250. Our local football is showing a steady improvement which needs to be encouraged. An amount of Rs 26 million is being earmarked from the new Lotto Fund to further support the professionalization of football.

251. Furthermore, I am providing Rs 17 million for upgrading the Pointe Jérôme Residential Youth Centre in Mahebourg and the Anse La Raie Residential Youth Centre and Rs 5 million for the development of sports programmes to be made accessible to the public, specially the youth.

252. We are also providing for the upgrading of sports infrastructure in existing schools and colleges and making them accessible to the general public after school hours.

## **Arts, Culture and Leisure**

253. Our efforts to usher in a new era of development will also play out in the fields of arts, culture and entertainment.

254. To revamp that sector, we need first an appropriate legal framework. To this end, a new legislation – The Status of Artist Bill will be introduced in the National Assembly.

255. We are earmarking Rs 50 million to rehabilitate our historical and cultural heritage sites and structures listed under the National Heritage Fund Act.

256. We are also providing for a study to be carried out prior to the setting up of a Slavery Museum at the ex-Labourdonnais Military Hospital, in Port Louis.

257. I am also providing for the creation of a Mauritius National Troupe and the launching of a Bachelor Degree course in Music at the University of Mauritius.

258. Government is providing an additional amount to the Rights Management Society to meet its contribution to WIPO and other international intellectual property protection agencies, so that artists can benefit from a higher distribution of the royalties.

259. The new Lotto Fund will also provide for financing of projects submitted by artists within a number of new schemes to be worked out.

260. Madam Speaker, next year Mauritius will be celebrating the 25<sup>th</sup> anniversary of the Republic. An additional amount will be earmarked to prepare for this momentous event.

## **Reforming the Gambling Sector**

261. Madam Speaker, I now come with measures to reform the gambling sector. Our strategy is to provide the framework for responsible gambling.

262. To this end, we are setting up a Responsible Gambling and Capacity Building Fund. This Fund will be used for the purpose of:

- (i) Developing and implementing a responsible gambling programme targeting the public at large;
- (ii) addressing and curbing the ills associated with the Gambling Industry; and
- (iii) capacity building especially as regards expertise and logistics, to address the issue of illegal betting, and ensuring integrity and best practices in the industry, including the horse racing industry.

263. To finance the Responsible Gambling and Capacity Building Fund, a 2 percent levy will be charged on the net stakes of all gambling operators. Any CSR amount paid will be deductible from that levy.

264. I am also increasing betting duty for bookmakers operating outside the racecourse from Rs 16,000 to Rs 30,000 in respect of each race meeting.

265. The Gambling Regulatory Authority will be further restructured to enable it to effectively play its role as a fully-fledged licensing and regulatory Authority.

266. Moreover, a Horse-Racing Division and an Integrity and Intelligence Unit are being set up within the Gambling Regulatory Authority.

267. The 'Police des Jeux' will also be reinforced with appropriately trained human resources and equipped with the latest technology to enable effective tracking of illegal betting and conduct enquiries diligently.

268. Government will limit its role to regulating the Gambling sector, and will, therefore, gradually divest itself of its businesses in the gambling sector. To this end, both the ownership and management of casinos in Mauritius will be reviewed.

269. In line with the new tourism policy focusing on maximising earnings per tourist and promoting new tourist attractions, hotels will be allowed to organise regulated betting games. This measure will be restricted to non-residents and foreigners only.

270. On-line betting will henceforth be allowed but restricted to non-residents and foreigners. The Gambling Regulatory Authority will set up the necessary framework with the assistance of consultants.

### **Consumer Protection**

271. Madam Speaker, I now come to an important commitment of this Government which is about continually enhancing consumer protection and their purchasing power.

272. I am pleased to announce that, in line with our ambition to transform Mauritius into a duty-free island, I am abolishing customs duty on some 368 tariff lines, bringing the percentage of duty-free tariff lines from 89 to 95 percent. As from tomorrow, the following products will be duty free:

- Clothing items such as suits, jackets, trousers, dresses, shirts and t-shirts;
- Baby diapers and wipes;
- Table, kitchen and household articles of aluminium and porcelain;
- Drinking glasses;
- Motor vehicle engines and parts thereof;
- Primary cells and batteries; and
- Electric heating apparatus

273. Second, I am also pleased to announce that I am removing VAT on breakfast cereals as from 1<sup>st</sup> September 2016.

274. Third, the retail price of cooking gas will be reduced from Rs 330 to Rs 270 for a 12-kilo cylinder as from tomorrow.

275. Fourth, concerning hire purchase, the law will be amended to make it clear that charges include interest and therefore interest cannot be claimed on any amount that has been prepaid.

276. Fifth, the recommendations of the Commission of Enquiry on Sale by Levy are presently being examined by stakeholders along with the proposal to set up an Asset Management Company by the Bank of Mauritius. In the mean time I am increasing the threshold for cases to be referred to the Commissioner for Protection of Borrowers from Rs 2 million to Rs 3 million.

### **Rodrigues, Agalega, St Brandon, Chagos Archipelago and Tromelin**

277. Madam Speaker, I now come to our policies and measures for Rodrigues and Outer Islands.

278. Allow me to spell out some of the measures concerning Rodrigues Island.

279. Earlier this month, the Honourable Prime Minister and myself proceeded on separate official missions to Rodrigues where we had lengthy discussions on matters related to the development of the island.

280. The people of Rodrigues may rest assured of the firm commitment of this Government to consolidate the development of Rodrigues.

281. Indeed, I am increasing the Budget for Rodrigues Regional Assembly (RRA) to Rs 3.3 billion and allocating a further amount of Rs 1.1 billion under the votes of the different Ministries and Departments, bringing the total amount to Rs 4.4 billion.

282. Furthermore, the project value for the extension of the runway is estimated at Rs 2 billion. The design is currently being prepared and construction should start by next year. In the meantime, I am providing Rs 40 million in 2016/17 for the extension of the Rodrigues Airport Terminal.

283. As regards the Port Mathurin harbour, the consultant will be finalising the Port Master Plan by the end of this year.

284. Provision is also made for the construction of a new Warm Up Track at the Camp du Roi stadium.

285. Concerning internet connectivity, we are finalising the guaranteed purchase by the RRA over a period of ten years of bandwidth through undersea cable.

286. Meanwhile, we are increasing the purchase of the satellite bandwidth from 200 to 500 megabytes per second until the end of 2018.

287. As regards law and order, we are providing for two Police stations at Petit Gabriel and Grande Montagne.

288. In view of the Marshall Plan implementation in the Republic of Mauritius, we will ensure that Rodrigues is not left behind.

289. I am providing Rs 50 million for the construction of social housing units. The plan is to construct 1,000 units in the next three years.

290. For Agalega, we are providing Rs 4 million for the acquisition of two new generators to secure continuous electricity supply for the population.

291. We have also earmarked Rs 6.5 million for a cold room to store food items and their fish catch for exports to Mauritius.

292. Madam Speaker, I would now like to speak on an issue which is very close to the heart of Mauritians. It is about our territorial sovereignty over the Chagos Archipelago. The Prime Minister has clearly voiced his stance on the issue and it will take intense negotiations and legal action to achieve our goal of getting effective control over the archipelago. Funds are being provided for that purpose.

## **IX. STRATEGY EIGHT: DEALING WITH THE ROOT CAUSES OF POVERTY**

293. I now turn to strategy eight which is about dealing with the root causes of poverty. I have chosen this strategy because this Government has pledged to fight poverty and empower families at the lower rung to move up the ladder. This commitment underpins the core philosophy of this Government.

294. I am therefore pleased to announce that this Budget is concretely launching the Marshall Plan Against Poverty. It includes a variety of programmes and actions that interlock to assist and empower poor families.

295. Madam Speaker, it is an aberration that in an upper-middle income economy like ours, aspiring to become a high-income country, there are some 6,400 families still living below the absolute poverty threshold of USD 3.10 per day per individual, calculated on the basis of purchasing power parity set out in the latest World Bank Report.

296. Absolute poverty is a condition of life where families suffer from malnutrition, low level of education, even illiteracy, and poor shelter quality, that perpetuate a sense of permanent letting up and create a vicious circle.

297. Today, as we enter a new era of development, we must as a nation stand firm on our feet to say no more – no more children, men and women living in conditions of absolute poverty in our country.

298. Today, I am taking an unprecedented decision to eradicate absolute poverty in Mauritius by acting urgently and directly.

299. Indeed, Madam Speaker, I am introducing a new scheme under which every adult on the Social Register will be entitled to a monthly subsistence allowance based on a minimum threshold of Rs 2,720 with a maximum threshold of Rs 9,520 for a family of two adults and three children. This is higher than our current threshold of Rs 6,200 and 40 percent higher than that of the World Bank

300. There will thus be no person living in conditions of absolute poverty in our country.

301. To implement this historic measure will require Rs 500 million over the transition period of two years. This measure will be effective as from December 1<sup>st</sup> 2016.

302. At the same time, we are introducing a major programme to empower these families to break away from the poverty cycle and stand on their own feet.

303. First, on improving educational achievements.

304. To encourage students from poor families to achieve higher levels of education, Government will give them a cash award as follows:

- Rs 15,000 for successfully completing the grade 9 level under the nine year schooling.
- Rs 25,000 for successfully completing the school certificate level or equivalent vocational certificate.
- And Rs 35,000 for those successfully completing the Higher School Certificate or equivalent technical qualification.

305. We are giving a second chance to students from poor families for exam resit at the School Certificate and Higher School Certificate levels. Their examination fees will be borne by Government.

306. The monthly grant under the crèche voucher scheme for poor families is being increased from Rs 1,500 to Rs 2,000 per child. This will allow these children to get a good start in life.

307. It is now widely recognised that community schools where academic teaching and community engagement are integrated can lead to improved student learning. We will apply this new concept in 5 ZEP schools as a pilot project.

308. I am increasing the meal allowance for students attending ZEP schools by 50 percent, from Rs 40 to Rs 60 per day.

### **Decent Housing**

309. Madam Speaker, I now come to the housing policy of Government.

310. Underpinning our approach is a deep conviction that a decent shelter is the next most important lever to lift families out of poverty.

311. In the context of the Marshall Plan, we are launching a programme of decent shelters for the absolute poor that will comprise the construction of at least 800 housing units over the next three years.

312. For low income families we are providing in this Budget:

- Rs 1 billion for the construction and completion of 1,900 units of up to 50 square meters each, on 16 sites across the island; and
- Rs 155 million for the rehabilitation programme of NHDC housing estates.

313. Furthermore, I am raising the monthly income limit for eligibility under the NHDC social housing scheme from Rs 10,000 to Rs 20,000.

314. A great number of families own a house on municipal land. They were given the opportunity to purchase the land but have not been able to do so. I am pleased to announce that these families will be given the opportunity to buy the land at a nominal cost of Rs 2,000. The relevant legislation will be amended accordingly.

315. I am also pleased to announce that all arrears of interest on loans contracted by individuals from NHDC and MHC Ltd, and whose monthly household income does not exceed Rs 15,000 are being waived, provided the capital amount outstanding is duly repaid. This should protect these families from facing the tough and traumatising Sale by Levy experience.

316. My next measures reflect our commitment to support families in their efforts to invest in constructing and acquiring their residences.

317. A Mauritian citizen acquiring a new house or a new apartment during the period 1st September 2016 to 30th June 2020 for an amount not exceeding Rs 6 million will be eligible to full exemption from registration duty. There will be no age restriction.

318. A first time buyer will now be allowed to buy bare residential land free of registration duty, on the first Rs 2 million, provided the acreage does not exceed 20 perches.

319. There will be no age restriction and a person who did not own a residential property as at 29 July 2016 will also qualify for the above initiative.

320. We are also revamping the VAT refund scheme regarding the construction of a new dwelling or acquisition of a newly built apartment. Henceforth, the MRA will refund VAT on submission of relevant receipts, up to a cap of Rs 500,000 instead of the current Rs 300,000.

321. I am also removing the maximum floor area eligibility criteria under that scheme; increasing more than three-fold the household income eligibility to Rs 2 million per annum; extending the eligibility to construction on top of an existing building; and extending the scheme to 2020.

322. In addition, the upper limit of Rs 2.5 million in relation to the construction value is being raised to Rs 4 million.

323. As regards promoters, they will be allowed to build and sell residential units of up to Rs 6 million, free of land transfer tax, instead of Rs 4 million currently. The scheme is being extended to 2020.

324. Furthermore, no registration duty will be payable on a secured housing loan not exceeding Rs 2 million, instead of the current threshold of Rs 1 million.

325. A first-time home-owner is allowed to deduct from his taxable income, the interests paid on a secured housing loan that was contracted on or after 1st July 2006. As from the income year 2016/17, this date restriction is removed.

326. My next measures concern the vulnerable persons and families.

327. First, Madam Speaker only persons above 15 years who suffer from disabilities are currently entitled to the Basic Invalidity Pension. I am pleased to announce that this age discrimination is being removed. Henceforth, children below 15 years of age and with disabilities will also be entitled to this pension. I am providing an additional sum of Rs 100 million for around 3,130 cases.

328. Second, Government is launching a special scholarship scheme for 5 students with disabilities for pursuing tertiary studies locally. The scholarship will cover the fees as well as a monthly stipend of Rs 5,000.

329. Third, concerning Special Education Needs, I am increasing the grant-in-aid to NGOs in that sector by more than 50 percent to Rs 90 million.

330. Moreover, the Ministry of Education and Human Resources, Tertiary Education and Scientific Research will come up with a strategic paper to review the Special Education Needs sector in the wake of the 9-year schooling.

331. Fourth, to relieve victims of accidental fire, I am providing for a monthly rental allowance of up to Rs 5, 000 for a period of up to 6 months so that they may rapidly secure a shelter.

332. Fifth, the funeral grant under social aid will be increased from Rs 4,950 to Rs 10,000.

333. Sixth, we are providing for nine additional staff for the Child Protection, Welfare and Development Unit to give psycho-social support to children in distress.

334. In line with the recommendations of the Marshall Plan against Poverty, the National Empowerment Foundation will be restructured for effective service delivery to the poor and vulnerable groups. There will be a shift of focus to proactive case management and sustainable empowerment programmes.

### **Corporate Social Responsibility Framework**

335. Madam Speaker, I now come to the issue of CSR. There have been many representations on the way the CSR money are being used following the removal of guidelines. I found the concerns that have been voiced justifiable. We have therefore decided to revisit the use of the CSR funds to ensure greater transparency and better outcomes.

336. Accordingly, a National CSR Foundation will be set up and managed jointly by the public and private sectors.

337. Businesses will be required to contribute at least 50 percent of their CSR money to that National Foundation. This will go up to at least 75 percent the following year.

338. The remaining balance may be used to implement their CSR programmes in accordance with their existing framework. The NGOs will therefore continue to benefit from contributions from the private sector.

339. Any unspent balance from the 50 percent will be channelled to the National CSR Foundation.

340. We have also decided that the money endowed to the Foundation will be allocated to support civil society actions in six priority areas:

- Poverty alleviation
- Educational support
- Social housing
- Supporting persons with severe disabilities
- Dealing with health problems resulting from substance abuse and poor sanitation;
- And family protection.

341. As regards poverty alleviation, educational support and social housing, the CSR support will be for families in the SRM.

342. Madam Speaker, I would like to pay a special tribute to all the men and women who are dedicating their time and efforts with deep commitment to helping and supporting others, especially those who are suffering and who need a helping hand. I can assure these NGOs that this Government will always stand by their side as they carry out their mission.

343. Madam Speaker, Mauritius is one of the few countries that are fortunate to have a mosaic of cultures and religious beliefs where all citizens have deep mutual respect. We have to acknowledge the formidable work and dedication of socio-cultural and religious organisations in preserving and promoting our cultural, linguistic and religious values. I am pleased to announce that I am increasing the subsidies for religious bodies by ten percent.

344. I now come to gender equality.

345. Madam Speaker, I am pleased to announce here that as a first step we will require that public companies listed on the Stock Exchange have at least one woman on their Board of Directors.

346. I am providing the necessary funds to set up a Parliamentary Women Caucus regrouping women MNAs from all political parties to discuss on issues and policies relating to women in our society.

347. Five main Ministries will be allocated Rs 200,000 each to conduct gender analysis of services offered and formulate policy responses.

348. Government will also introduce a Gender Development Index for Mauritius to measure progress in gender equality.

## **X. STRATEGY NINE: A MAJOR PUBLIC SECTOR REFORM PROGRAMME**

349. Madam Speaker, I will now articulate the main thrusts of our ninth strategy which is to bring about a major public sector reform programme.

350. The success of the new era of development hinges on effective and expeditious implementation of numerous reforms, new policies, vital national projects and modern ways of doing things. To make them happen requires a public sector that is more efficient and that is nimble enough to adapt fast to change.

351. To this end, we will start with fundamental reforms of public sector institutions, in particular those on which Government, the population and businesses depend the most for services.

352. First, the supporting institutions in the SME sector, namely, SMEDA, Enterprise Mauritius and National Women Entrepreneur Council will be merged into one organisation for greater coherence, more efficiency and effectiveness.

353. Second, all organisations managing the public sector real estate assets, namely, the SPDC, BPML, SLDC, the Belle Mare Tourist Village Ltd, Le Val Development Ltd and Les Pailles Conference Centre Ltd will be merged into one single institution.

354. Third, in the ICT sector, the role and functions of the National Computer Board will be reviewed and adapted to the evolving needs of the sector.

355. Fourth, the Central Informatics Bureau, the Central Information Systems Division and the IT Security Unit are being merged into a single unit.

356. Fifth, the regulatory bodies, namely, the Information Communication Technology Authority (ICTA) and the Independent Broadcasting Authority (IBA) will be merged to adapt to the convergence of technology.

357. Sixth, the Registrar General Department will be incorporated into the MRA to have one single revenue collection agency and for better enforcement.

358. Seventh, the MRA will act as a collecting agent for contributions to the National Pension Fund, the National Savings Fund, the HRDC training levy and the Workfare Programme Fund.

359. Eighth, the SIC Group is being restructured and will focus on disposing its matured investments and channelling the proceeds in new projects, in particular in export industries, for job creation and development.

360. Ninth, the DBM is being reorganised to focus on creating and running SME parks and managing government financing schemes for micro enterprises and small establishments.

361. Tenth, the MHC and the NHDC will be merged to provide a platform for better planning, financing and effective service delivery to meet demand for social housing.

362. Eleventh, the National Art Gallery and the Mauritius Museum Council will be merged to benefit from synergies under common management.

363. Twelfth, the National Development Unit along with the thirty-five Citizens Advice Bureaus around the island will be reorganised.

364. Thirteenth, all public sector bodies that have been making losses and accumulating debt will be required to submit their plan to turn around their financial situation to the Ministry of Finance and Economic Development by the end of October this year. This includes the MBC, the Mauritius Post, the National Transport Corporation, Rose Belle Sugar Estate and the Mauritius Meat Authority, amongst others.

365. Fourteenth, the Department of Civil Aviation will be transformed into a Civil Aviation Authority to enhance our regulatory and air navigational services.

366. Fifteenth, all Welfare Funds will be grouped under one roof to provide a common set of facilities for all.

367. Sixteenth, the Town and Country Planning Board will be revamped into a modern National Planning Commission with wider functions.

368. Seventeenth, the National Transport Authority, the Road Development Authority and the Traffic Management Road Safety Unit will be restructured.

369. Eighteenth, to speed up implementation of capital projects in the Government, the Technical Division of the Ministry of Public Infrastructure will be restructured to focus on implementation of large and complex projects. Line Ministries will henceforth be able to procure directly the services of consultants and contractors to undertake projects up to Rs 25 million.

370. Nineteenth, we are also amending the Public Procurement Act to allow for direct negotiations between public sector bodies, while ensuring value for money. Accordingly, the Finance and Audit Act and the Capital Project Process Manual will be amended and the Project Plan Committee restructured.

371. And twentieth, the Public Sector Efficiency Bureau will be reengineered and located in the Ministry of Finance and Economic Development.

372. Let me also announce that for greater transparency and accountability in the allocation of state lands and renewal of lease agreements, the list of allocation and renewal is being regularly posted on the website of the Ministry of Housing and Lands.

## **XI. STRATEGY TEN: ENSURING MACROECONOMIC STABILITY AND SOUND PUBLIC FINANCES**

373. Madam Speaker, I now turn to the tenth strategy which is centered on macro-economic stability, sound public finances and sustainable public debt.

374. Madam Speaker, the macroeconomic and fiscal policy choices we make today - or fail to make - will be crucial to determining the performance of all other policies.

375. We will, therefore, move on responsibly and prudently.

376. The Government Budget for 2016/17 will amount to Rs 117.4 billion of which Rs 103.3 billion for recurrent expenditure, and Rs 14.1 billion for capital expenditure.

377. Total revenue will be Rs 102.4 billion, of which tax receipts will be Rs 84.7 billion and external grants Rs 6.4 billion.

378. This will leave us with a budget deficit before net acquisition of financial assets of Rs 15 billion, representing 3.3 percent of GDP against 3.5 percent for 2015/16. I should add here that we are expecting a real GDP growth rate of 4.1 percent in 2016/17, while the nominal GDP would amount to Rs 451.4 billion.

379. Madam Speaker, let me express our deep gratitude and recognition to the Government of India for the exceptional financial support of USD 353 million, that is some Rs 12.7 billion, which we shall be receiving over a four-year period, starting in this Budget.

380. Madam Speaker, we can use the money to finance our recurrent expenditure – but this amounts to financing consumption.

381. Or we can use the money to invest in development priorities where there will be the highest return in terms of economic and social benefits.

382. For us the choice is obvious. We have decided that the money should be invested so that our children and their children as well can benefit.

383. Thus, the grant of Rs 12.7 billion has been earmarked for development priorities as follows:

- Rs 7.2 billion to part finance the Metro Express Project;
- Rs 500 million to provide our primary school children in grades 1 and 2 with a digital tablet each, along with the necessary software and educational content;
- Rs 1.1 billion to construct a new Supreme Court Tower in Port Louis;
- Rs 2.7 billion to part finance the construction of the new Parliament House and Government offices at the Heritage City;
- Rs 500 million for the construction of the new ENT hospital at Vacoas; and
- Rs 700 million for social housing in the context of the Marshall Plan.

384. Madam Speaker, I now turn to public sector debt.

385. Public sector debt, for the purpose of the statutory debt ceiling, will be 55.6 percent of GDP and, if measured by IMF standards, it will be 62.8 percent for 2016/17 down from 65 percent in 2015/16.

386. With a view to reducing our exposure to foreign currency risk, we are making early repayments of some USD 120 million of external debt, that is, around Rs 4.3 billion.

387. It will take further efforts to achieve the statutory debt target of 50 percent by end of 2018.

388. Let me now announce our tax administration reforms.
389. An Alternative Dispute Resolution mechanism will be set up at the level of MRA so as to expedite tax appeal cases exceeding Rs 10 million.
390. An Alternative Dispute Resolution Panel of 3 members will be set up, including a representative of the Attorney General's Office.
391. Provision will be made to enable the MRA to request high net worth individuals to submit a statement of their assets and liabilities.
392. The Mauritius Revenue Authority Act will be amended so that the definition of 'fraud' for the purpose of administering revenue laws includes non-submission of tax returns.
393. Non-remittance of VAT, PAYE and other tax deduction at source collected by economic operators on behalf of the State will constitute a criminal offence. At the same time, the penalty provision will be strengthened.
394. I now come to our tax policy.
395. The taxation of motor cars is being reviewed to reflect market realities and remove distortions in the car market. The following changes are being made and will be effective as from tomorrow.
396. First, the CO2 levy/rebate scheme introduced in 2011 is being suspended due to major operational and litigation issues that have hindered its proper functioning.
397. Second, the rates of excise duty on motor cars between 1,001 to 1,600 cc are being lowered from 55 per cent to 50 percent.
398. Third, I am also lowering duty on hybrid motor cars by 30 percentage points for all cylinder capacity. Consequently, the rate on a hybrid car below 1,600 cc will decrease from 55 to 25 percent.

399. Fourth, I am abolishing duty on electric cars of up to 180 KW.

400. Fifth, the adjustment factor used at customs in the determination of the import value of a second hand car is being lowered to 5 percent.

401. Madam Speaker, consumption of alcohol and cigarettes is still strikingly high. In order to fight these social evils, I am increasing the rates of excise duty as follows:-

- by 5 percent for beer and 10 percent for all other alcoholic products; and
- by 25 percent for all tobacco products.

402. In the same vein, the customs duty on spirituous products such as rum and whisky is being raised from 15 to 30 percent.

403. Another alarming health issue is the very high rate of Non-Communicable Diseases affecting our population. I am extending the coverage of the tax on the sugar content of soft drinks to other sugar sweetened drinks, such as juices and milk-based drinks, as from 1st October 2016.

404. A 15 percent customs duty is being introduced on sugar.

405. In order to further encourage consumers to move towards more energy efficient products, I am extending the coverage of the 25 percent levy on inefficient products to include washing machines and lamps of mercury vapour and metal halide.

406. In addition, to ensure that the appliances on the market are more efficient, the threshold for the application of the levy will be revised upwards.

407. I will now announce our income tax measures.

408. I am increasing the income exemption thresholds for all categories of taxpayers by Rs 10,000 for the income year 2016/17.

409. The minimum amount of tuition fee eligibility criteria to benefit from the additional deduction in respect of a dependent pursuing tertiary education is being reduced from Rs 44,500 to Rs 34,800.

410. The Rs 2 million income eligibility criteria for a taxpayer to benefit from the interest relief on secured housing loan and the additional deduction for tertiary education of a dependent is being increased to Rs 4 million.

### **Pension Reform**

411. Madam Speaker, I will now speak about the issue of pension.

412. Ageing population is putting significant pressure on the pension system.

413. Today, there are 6 employees to support a pensioner and by 2030, there will be only 3. This is a challenge that we cannot ignore.

414. I am therefore setting up a high level Committee to look into the issue, hold wide consultations and come up with recommendations.

415. Moreover, the high level Committee will also look into ways and means to improve the contributory retirement pension benefits of private sector employees.

416. Before concluding, let me express my deepest gratitude to the Prime Minister for his precious advice during the preparation of the Budget.

417. I am also indebted to my colleague ministers and parliamentarians for their valuable support and cooperation all along.

418. I should also thank all the staff of my Ministry who have shown great dedication in preparing this Budget.

## **XII. CONCLUSION**

419. Madam Speaker, let me now conclude.

420. The Budget I have presented today states very clearly that this Government does not live in the past.

421. This is a Budget that boldly plans the future while at the same time addresses the present day to day concern of the population.

422. It is a budget that proposes powerful actions to deal with complex issues.

423. Budget 2016/17 will indeed set our country on a course to full employment by taking some 20,000 youths, men and women from unemployment and soon.

424. It reignites economic growth and alleviates poverty in an unprecedented way.

425. It makes the necessary investment to reconstruct the water system, ensures more fluidity and safety on our roads, and builds greater resilience to climatic change.

426. This Budget gives a high priority to spending on a modern education system that is more responsive to the aspirations of our young people and to the future needs of the economy.

427. It creates a more secure, cleaner and better country to live in.

428. Looking to the future, Budget 2016/17 sets the stage for a new era of development and prosperity for the whole nation. It puts our country firmly on the path to vision 2030 and paves the way to a high income and inclusive nation.

429. Government is spending courageously and judiciously in modern infrastructure, in a digital society, and in the skills and talents of our youth, men and women for the future.

430. It is a Budget that creates far wider economic space and further opens Mauritius to the rest of the world.

431. This Budget does all these while at the same time maintaining strict fiscal discipline, and eliminating wastage and inefficiencies in the use of taxpayers' money.

432. Madam Speaker, Budget 2016/17 states very clearly that prosperity will get back in its stride.

433. Madam Speaker, at times in our nation's history we must dare to push the boundaries. This time has come for us. Let us all join hands and come together as a nation to take our country to this new era of development.

434. I now commend the Bill to the House.