

Mr Speaker,

Sir,

I move that the Appropriation Bill 2002/2003 be read a second time.

2. The Bill provides for the appropriation of funds, as set out in the Schedule, for financing recurrent and capital expenditure for the next financial year.

3. Mr Speaker, Sir, this is the second budget of the MSM/MMM Government which I have the honour and privilege to present. Last year's Budget spelt out Government's Economic Agenda for the medium term. It laid the foundation for transforming Mauritius into a diversified, hi-tech, high income services economy and a modern and forward-looking society over a period of five years.

4. Over the past year, we have moved forward decisively on that path of transformation. We have consolidated the unity of our rainbow Nation. We have restored law and order and intensified measures against drug trafficking. We have honoured our promise to achieve "la libéralisation des ondes" and promote greater democracy in the management of local and Rodriguan affairs. We have introduced avant-garde legislation to deal with the scourge of fraud and corruption and sent the right signals right from the top. We have launched programmes of massive investment for education reform and to protect our environment for the benefit of future generations. We have taken corrective measures to restore fiscal discipline and address imbalances in the finances of public enterprises, thus bringing back confidence in the economic management of the country. We have created conditions for sustainable growth and investment. We are vigorously promoting development of new areas of activities to provide better and more remunerative jobs for Mauritians. And, as a caring Government, we are implementing programmes to alleviate poverty and provide decent housing and living conditions for the vulnerable groups of our society.

5. Thus, and above all, we have provided the Nation with much-needed leadership to make of Mauritius in the years ahead “un pays-phare”. And we are setting the example through hard work and discipline.

6. Monsieur le Président, ce Budget est un budget de continuité. It builds on the progress already achieved since the last general elections and through the 2001/2002 Budget. It goes a step further - and a decisive one - towards addressing a double challenge: that of reducing the budget deficit to around 3 per cent by the year 2005/2006 while, at the same time, investing massively in priority sectors. More specifically:-

It provides, first, for the massive public funding required for the timely implementation of education reform, the development of a globally competitive Information and Communication Technology (ICT) industry, improvement of our infrastructure and environment protection and management;

Second, it aims at triggering a “déclic” to boost investment in private sector projects and job creation;

Third, it extends further support to the most needy as we undertake challenging reforms and build for the future; and

Fourth, it reaffirms, at the same time, Government’s unflinching commitment to sound management of public finances.

## **World Economy**

7. Mr Speaker, Sir, our growth prospects are greatly influenced by developments and events on the international scene. When I presented last June’s Budget, the world economy had already started to slow down. The tragic events of September 11 had a further dampening effect. World trade, which expanded by over 12 per cent in 2000, failed to grow at all in 2001, while the growth rate for world output was nearly halved to 2.5 per cent. The United States, to which our exports were expanding at a record rate, was severely affected, with economic growth slumping from 4.1 per cent to

1.2 per cent. The economies of the Euro Zone and the United Kingdom were not spared. Newly Industrialised Countries like Singapore and Taiwan have even witnessed a contraction in their economy.

8. The short-term outlook seems to be slightly better but there is much uncertainty about the extent and pace of recovery. For 2002, the International Monetary Fund (IMF) expects world trade to increase by 2.5 per cent and the world economy to grow by 2.8 per cent. Prospects in the United States look better than last year, but less so in the Euro Zone where growth is expected to remain at the same level as in 2001. This does not augur well for us.

### **Economic Performance and Outlook**

9. In such a difficult context, compounded by the fall-out of cyclone Dina and events in Madagascar, our growth performance in financial year 2001/2002 has not been to expectations. The economy is expected to have grown by 5.6 per cent. Two sectors in particular have under-performed, namely the EPZ and tourism. The EPZ has registered a growth rate of 4 per cent while tourism expanded by 1.9 per cent compared to 7.9 per cent last year. Growth in the financial services sector is estimated at 10.9 per cent. The construction sector is gathering momentum, after having grown by 4.8 per cent this year. With sugar prices improving, the sugar sector has posted a growth rate of 13.4 per cent. Saving and investment rates are estimated at 27 per cent and 22 per cent of GDP respectively. Inflation rate is estimated at 6.4 per cent. As to the current account of the Balance of Payments, it is expected to show a surplus of Rs 6 billion corresponding to 4.3 per cent of GDP.

10. Our economic prospects next financial year will be influenced by continued uncertainties on the international front, including in oil prices, as well as by reduced sugar output as a result of Dina. GDP is forecast to grow by 4.8 per cent. Excluding sugar, the growth rate would be 5.5 per cent, compared to 5.3 per cent in 2000/01. We expect savings and investment to improve. The current account is projected to record a surplus of Rs 5.6 billion.

## **Budget Outturn 2001/2002**

11. Let me now outline the budget outturn for the current financial year, starting with the recurrent budget. Total recurrent revenue was originally estimated at Rs 26 billion. It is now revised to Rs 24.1 billion. This is due mainly to lower Value Added Tax (VAT) yield of Rs 6.9 billion as against the original estimate of Rs 7.8 billion, i.e. a shortfall of about Rs 850 million, as a result of an unexpected slow-down in imports and consumption. Receipts from customs duties and excise duties on imports would also be lower by Rs 900 million. Thus, the shortfall in revenue on these three items alone would amount to Rs 1,750 million. Net recurrent expenditure would be Rs 27.9 billion as estimated.

12. Capital revenue, including grants, would amount to Rs 1.1 billion against the estimate of Rs 0.9 billion as a result of exceptional receipts of Rs 470 million following the winding up of the Mauritius Offshore Business Activities Authority. Capital expenditure is expected to reach Rs 6.2 billion compared to the budgeted figure of Rs 8 billion. This under-spending has been due largely to procedural delays and other implementation bottlenecks.

13. The overall budget deficit would thus be Rs 8.9 billion, slightly lower than originally estimated. As a ratio to GDP, the deficit will be as targeted, i.e. 6.5 per cent.

## **Public Debt**

14. Mr Speaker, Sir, continued high budget deficits have a direct impact on public debt and its servicing. In the current financial year, a total amount of Rs 6.3 billion has been devoted to meeting public debt obligations; it is the single biggest item of government expenditure. Next year, debt servicing will increase by Rs 2 billion to reach Rs 8.3 billion. Mr Speaker, this is higher than total receipts from VAT this year or the combined budgets of education and health. Of every rupee collected from taxes, 33 cents will go towards debt payment.

15. This staggering level of debt servicing is the outcome of budget deficits accumulated over the recent years under the previous Government. Public debt, which stood at Rs 27.4 billion in June 1995, more than doubled to reach Rs 56.8 billion in June 2000. As a percentage of GDP, it rose from 42 per cent to 49 per cent over the same period and, as at June 2002, would reach 52 per cent. Public debt would rise to unsustainable levels if the budget deficit remains persistently high. If left unchecked, the country runs the risk of being totally drowned in debt.

16. We are reinforcing our debt management capacity. A special unit will be set up at the Treasury and will be supported by professionals in the field. But it is clear that the only way out of the debt trap is to reduce the budget deficit.

17. Mr Speaker, Sir, in preparing my budget proposals, I have thus been guided by the urgency to tackle the double challenge of reducing the budget deficit while investing massively in support of education reform and economic restructuring. These two issues have to be addressed simultaneously to create the best possible conditions for Mauritius to steer through in an increasingly turbulent and competitive world. Only then, can we achieve continued growth and raise employment levels. These efforts will have to be pursued relentlessly; and the next two years will be crucial. Mauritius has a unique opportunity. We must seize it, and work collectively to propel Mauritius to a higher phase of economic development. Mr Speaker, we are doing just that through this Budget.

18. I now present my proposals for the four top priority sectors.

### **Education Reform, Training and Skills Development**

19. Mr Speaker, Sir, the realisation of our vision of a knowledge economy anchored in a democratic society will very much depend on the quality of education and training we provide. We also want our education system to support Government efforts to promote social mobility, prevent social exclusion and reduce poverty. That is why we have put education at the centre of our Economic Agenda for the New Millennium.

20. In the first budget of this Government, we made a strong financial commitment to the reform of our education system. We allocated a record level of financial resources for education and training in spite of severe budgetary constraints. This year again, investment in the education of our children will absorb the lion's share of sectoral budgetary allocations.

21. Our first priority is to complete the infrastructure development programme initiated last year to support the reform process. Twenty-six new State Secondary Schools (SSS) and State Form VI Colleges, as well as 5 newly converted SSS, will become operational in Mauritius and Rodrigues as from January 2003. Three SSS will be fully upgraded to Form I to V colleges and 6 colleges extended and ready for operation. The number of places available at both Form I and Form VI levels will be 40 per cent higher compared to January 2001. I am providing Rs 1.1 billion in financial year 2002/2003 for continuation of the education infrastructure development programme in Mauritius and Rodrigues.

22. In addition to developing school infrastructure, we are providing staff and other resources to match the expansion in intake capacity. Government has already recruited 150 education officers. An additional 282 education officers and 53 non-teaching staff will be recruited in the course of next financial year. Procedures for procurement of equipment for new schools have also been initiated.

23. Government will encourage confessional colleges, including non-catholic ones, to improve their infrastructure and, where appropriate, convert into either Form I to V colleges or Form VI colleges. The Private Secondary Schools Authority will be restructured. A strategic review of the Authority is currently under way.

24. A pre-vocational stream is in its second year of operation at the secondary level. This stream will be further expanded as a first step towards moving to compulsory 11-year schooling.

25. Mr Speaker, Sir, we have a very tight time schedule. We are, however, monitoring progress closely through monthly meetings to ensure that we

effect, as from January 2003, admission to Form I on a regional basis and in accordance with the new grading system. We are also ready with contingency plans should there be any slippage. The year 2003 will thus herald a new era for our children and, indeed, for Mauritius and Rodrigues.

26. As we do away with CPE ranking to relieve pressure on our children, we need to widen the content and improve the overall level of primary education. School curriculum at primary level has already been broadened with the introduction of new subjects such as Citizenship Education and the Arts. Implementation of the Primary School Curriculum Renewal Project will continue with free special classes in Asian languages and Arabic after school hours for pupils of Standards Two to Four who have not studied these subjects. As regards the introduction of ICT as a subject, 330 IT teachers have already been recruited and are undergoing training.

27. Mr Speaker, Sir, the year 2003 will mark a major step forward in efforts to enhance the status of school teachers. I am making provision for an incentive allowance to primary school teachers in the context of curriculum renewal and launching of a new National Literacy and Numeracy Strategy. Fifty posts of Mentors (“Conseillers Pédagogiques”) will be created to coach and support new primary school teachers in their day-to-day work. Primary and secondary school teachers will be given the opportunity to follow, free of charge, a Computer Proficiency Training Course outside school hours.

28. In our concern to raise the standard of education in low-achieving schools, we are launching a “Zones d’Education Prioritaires” – ZEP - Project. The objective is to revamp the 28 least-performing schools in Mauritius and Rodrigues and the 2 schools in Agalega. The emphasis will be on adaptation of pedagogy and on rooting these schools within their local communities in partnership with NGOs and business. The school environment will be upgraded. I am providing Rs 40 million for launching the programme. In addition, two new primary schools will be built. I am providing Rs 30 million for that purpose.

29. Mr Speaker, Sir, we are all aware of the inadequacy of certain amenities, in particular toilet facilities, in many of our primary schools. Such a state of affairs has persisted for too long and calls for urgent remedial action. Government will implement a programme for the construction of toilet amenities of required sanitary standards. An amount of Rs 15 million has been earmarked to kick-start the programme.

30. Our education reform programme will also extend to pre-primary schooling, which is the foundation for the development of our children. For we want it to be in line with modern trends in child pedagogy. The reforms will consist of a career ladder for pre-primary school teachers, a programme for upgrading their skills, the setting up of a well-equipped Resource Centre at the Pre-School Trust Fund, the introduction of new curriculum guidelines and of a new regulatory framework. A new programme for upgrading State pre-primary schools will be launched. I am providing Rs 79 million for pre-primary education.

31. At the tertiary level, a Task Force is working on a White Paper that will spell out Government's strategy for the sector. This is an area which calls for combined efforts by both the public sector and local and overseas institutions in the context of growing demand for professional skills. Government will facilitate partnerships and strategic alliances. On our part, we will be spending nearly Rs 700 million on tertiary education.

32. Mr Speaker, Sir, total budget for education is being increased in financial year 2002/2003 to Rs 6 billion. This represents 25 per cent of total budgetary allocation, excluding public debt.

33. As with education, we are reforming the training system. The regulatory function for training is being taken over by the Mauritius Qualifications Authority (MQA). It will develop a national qualifications framework, which will integrate academic and vocational awards and provide links between formal education and training. I am providing Rs 10 million in the budget to meet the initial operating costs of the Authority.

34. With the setting up of the MQA, the organisational structure of the Industrial and Vocational Training Board (IVTB) is being reviewed to reflect its enhanced role as provider of training. We expect the IVTB to take the lead in national training efforts and be more responsive to the requirements of industry and businesses. It will be required to develop and implement programmes that will improve employability of the young, reduce skills mismatches and raise overall productivity.

35. Mr Speaker, Sir, the Hotel School of Mauritius is a reference in the area of training. This example needs to be replicated in key economic sectors. The IVTB will be expected to invest in dedicated training facilities for the clothing industry and the ICT sector.

36. The enhanced role of IVTB as provider of training is not compatible with that of manager of the training levy - grant system. A National Training Fund will thus be set up to administer the levy, including reimbursement of training expenses incurred by enterprises. The Fund will start with a seed capital of Rs 175 million which will be drawn from the accumulated reserves of IVTB. The training levy itself will be extended to cover parastatal organisations and State-owned enterprises.

### **Information and Communication Technology**

37. Mr Speaker, Sir, in last year's Budget I outlined the vision of the Prime Minister to make of Mauritius a Cyber Island in its own right. We are grateful to the Government of India for its all-out support to our ICT initiative, and in particular the construction of our first Cyber City.

38. Initial components of the Ebène Cyber City project will comprise on-site infrastructure for the whole city, a Cyber Tower and a Network Operation Centre. These components, which are scheduled to be completed in September 2003, are estimated to cost around Rs 1.5 billion. I am providing Rs 500 million in this Budget, of which Rs 200 million will be in the form of government equity participation in Business Parks of Mauritius Ltd (BPML). The private sector is expected to play a key role in the implementation of the project, including the development of a Knowledge Centre, a Science Park

and dedicated zones for business, commerce, residence and office blocks. BPML has already leased nearly all of the 50 fully-serviced plots of one arpent each to private operators for various projects.

39. Our vision of the Cyber Island is not limited to Ebène alone. BPML is planning to develop a high-quality business park, including a software park at Rose-Belle. A leading Indian IT company is currently finalising building plans for the software park, with an initial investment of Rs 600 million.

40. Mr Speaker, Sir, besides world-class infrastructure, we need a critical mass of IT professionals. The University of Technology of Mauritius (UTM) has entered into an agreement with a well-known Indian group to organise, on a large scale, industry-specific courses in various ICT skills. Courses are expected to start this year.

41. We also welcome initiatives by private institutions to provide training in IT fields. Government will extend its full support to such initiatives.

42. We have witnessed a substantial reduction in connectivity costs, especially for businesses. With the coming into operation recently of the Southern Africa Far East (SAFE) optical fibre cable, international bandwidth has increased dramatically. We expect the rates to be aligned with those obtaining in competing locations.

43. We have already put in place a legal framework for the growth of a strong ICT industry and wider application of ICT at all levels and sectors of the economy. A competitive package of incentives for investment in ICT is also available. It includes, among others, full tax holiday up to the year 2008 for pioneering ICT activities and investment allowance of 50 per cent together with annual allowances of 33.3 per cent on ICT equipment.

44. Government will exploit to the maximum the potential of ICT to better serve our citizens and investors. I announced last year various computerisation projects in the civil service, including e-government projects, to achieve this objective. I am providing this year Rs 155 million to accelerate their implementation.

45. Mr Speaker, Sir, Government has honoured its promise to liberalise airwaves. Mauritians can now tune to private FM radio stations. With the coming into operation of Multi-Carrier (Mauritius) Ltd to manage broadcast signal transmission, the Mauritius Broadcasting Corporation is focussing on programme delivery. Private television will also become a reality in the near future.

46. Government is keen to exploit the possibility offered by digital terrestrial technology for wider access to Internet and for convergence of computing, telecommunications and broadcasting. A pilot test using this technology to broadcast digital television, radio programmes and data services has been successfully carried out. A National Digital Broadcasting Committee has been set up to work out detailed technical and financial requirements and prepare a road-map for transition from analogue to digital broadcasting.

### **Infrastructure Improvement**

47. Let me now turn to infrastructure.

48. We will need to inject substantial resources in the water sector to guarantee a steady supply across the island and throughout the year. In this Budget, I am making provision for completion of the Midlands Dam. I am also making provision for the rehabilitation of La Nicolière Feeder Canal and Dam as well as the Municipal Dyke on Grand River North West. The study to determine the most appropriate site for construction of the Bagatelle Dam will be completed shortly. A study on water distribution system in the East will be undertaken. The Budget provides Rs 418 million for the development of water supply.

49. The road network will be further upgraded and modernised. The second carriageway from Nouvelle France to Plaine Magnien will be completed. Construction of the new Vandermeesch-Reduit Link Road and the South Eastern Highway will start in the coming financial year. I am providing Rs 419 million for road development.

50. Government will improve the public transport environment and provide better amenities to the travelling public. New traffic centres will be constructed at Centre de Flacq and Ebène. Major renovation works will be undertaken at Victoria Square. I am providing an amount of Rs 75 million.

51. An Integrated National Transport Strategy Study has been prepared. It proposes policies and measures covering traffic management, parking policy, capacity building and institutional and regulatory reforms. Components of the Strategy are currently under implementation. The Road Traffic Act, which dates back to 1982, will be revamped. Individual bus owners and taxi proprietors will be encouraged to group themselves into regional associations, co-operatives or companies.

52. Government is committed to finding a long-term solution to the problem of traffic congestion and make public transport more congenial. Government has retained the Light Rail Transit (LRT) system as the preferred option for the alternative mode of transport along the Curepipe - Port Louis Corridor. A multi-criteria analysis has been undertaken which confirms the LRT option. The next step is to carry out a full feasibility study.

### **Environment Protection and Management**

53. Mr Speaker, Sir, our people and our environment are our most precious assets. And just as we invest massively in our people, we need to do the same for the protection and management of our environment. This is critical as we expand our tourism sector and make a transition to a more demanding services economy. An area requiring particular attention is the wastewater sector, which has been starved too long for funds. More than 80 per cent of the population is not connected to the sewerage system. And those who have access reside in a few predominantly urban areas.

54. Government will invest more than Rs 10 billion over the next 10 years to improve the situation. I am providing Rs 912 million in this Budget for implementation of major projects, namely the St Martin Treatment Plant, and Plaines Wilhems, Montagne Jacquot, Baie du Tombeau and Grand Baie sewerage projects.

55. Government is revisiting the National Solid Waste Management Strategy to reflect the need to minimise waste production and maximise its recovery value. Legislation will be passed to encourage waste reduction and re-use. Possibilities for recycling will be explored.

56. I am allocating Rs 192 million for the rehabilitation of dumping grounds at Roche Bois and Montagne St Pierre, the construction of a new transfer station in the East and the operation of the existing transfer stations and the landfill. Government is sensitive to the concerns of the inhabitants living in the vicinity of Mare Chicose Landfill. We are looking into various options to find a lasting solution, in dialogue and in consultation with all stakeholders.

57. I am providing Rs 160 million for the implementation of a series of projects by the Ministry of Environment. These include the uplifting of Jardin de la Compagnie, Canal Anglais, Khadafi Square and Plaine Verte Garden and improvement of the living environment in NHDC complexes, ex-CHA estates and deprived areas. The Ministry is implementing, as part of the Year of National Environmental Stewardship - "l'Année de la Responsabilisation Nationale pour l'Environnement" -, a nation-wide campaign to promote green citizenship among the population. Indeed, the concept of environmental stewardship is at the core of the new Environment Protection Act. It calls on every Mauritian to care for the national environment and make his best endeavour to protect it.

58. Total budget for environment-related projects is being increased from Rs 980 million to Rs 1.3 billion, that is, by more than 36 per cent.

59. Mr Speaker, Sir, reforming and strengthening our four top priority sectors, i.e. education and skills development, ICT, infrastructure and the environment, will require the mobilisation of an unprecedented amount of budgetary resources of over Rs 8 billion for next financial year alone.

60. Mr Speaker, Sir, we are also making headway in the reform of four other sectors, which we consider as critical, namely, health, pensions, local administration and public enterprises. Let me now elaborate on our plans.

## **Health Reform**

61. Our health services need to respond to the growing aspirations of the population. Mauritians deserve a better deal in terms of medical and personal care, timely response to surgical needs and improved facilities. Our health services should also be able to cope with medical problems requiring high-tech care. Our aim is to offer services of a quality comparable to those available in developed countries.

62. That is why, after education, health is next on our agenda for major reform. This will be undertaken in 2003/2004 or at latest 2004/2005. Government will come up shortly with a White Paper on health sector reform. It will outline an Action Plan for a thorough reform of the sector and improvement of health services. It will also address the issue of funding. The population will be given the opportunity to express views on the reform envisaged.

63. In the meantime, we are speeding up the implementation of the health infrastructure improvement programme. We are going ahead with the construction of the new Dr Jeetoo Hospital. We are investing heavily in the modernisation of hospital equipment. Capital budget for the health sector is being increased by a hefty 65 per cent.

64. To enhance capacity to deal with health problems and further improve the quality of health care, provision is being made for the intake of some 2,000 medical and para-medical personnel. A scheme will be implemented, in collaboration with the University of Bordeaux, to provide specialist training to government medical officers. Provision for purchase of medicines and medical supplies is being increased by 20 per cent to Rs 385 million. I am providing Rs 75 million to maintain free dialysis services.

65. Mauritius is among the first countries in Africa to come up with a comprehensive plan to deal with HIV/AIDS. We are also among the few countries to provide free of charge anti-retroviral drugs. The day-care centre at Bouloux Area Health Centre will be upgraded pending the construction of a

new centre at Dr Jeetoo Hospital. A survey will be carried out to evaluate the effectiveness of the National AIDS Prevention Programme.

66. Mr Speaker, Sir, total provision for the health sector is being increased by 14 per cent to nearly Rs 3 billion.

### **Pension Reform**

67. Mr Speaker, Sir, pension is another area which calls for major reform. Our pension system must evolve with demographic changes and respond effectively to the needs of the population. It must be fair and equitable. And above all, financially sustainable in the long term.

68. Government is determined to introduce the necessary reform. This will cover non-contributory pensions, the national pension scheme, civil service pensions as well as private pension plans. Serious thinking on possible options has already started. The reform will be undertaken in dialogue.

69. As regards non-contributory pensions, the cost to taxpayers has been consistently soaring. We are spending this year Rs 3.7 billion on pensions to the elderly, widows, invalids and orphans. The cost next year will exceed Rs 4.1 billion. There is general consensus on the need to take a more targeted approach in order to provide the most needy with higher levels of benefits. A Steering Committee, with membership from a cross-section of society, and chaired by the Minister of Social Security, National Solidarity and Senior Citizens Welfare and Reform Institutions, has been set up to lead the whole process of pension reform.

### **Local Government Reform**

70. Mr Speaker, Sir, never before in the history of Mauritius has there been such a close partnership between Central Government and local authorities. True to its commitment to strengthen democracy, this Government has given local councillors wider space to play their role as elected representatives of their constituents. We would like both municipalities and district councils to have still greater autonomy and responsibilities in development matters. That

is why we will be coming up shortly with a new bill on local government. As in the case of Rodrigues, the bill will revamp and upgrade the whole local government structure, with focus on devolution of power, administrative and financial autonomy and greater accountability. Our aim is to make local authorities more responsive to the aspirations of the people and needs of businesses.

71. In this Budget, I am increasing the grant-in-aid to local authorities to Rs 882 million. I am also providing Rs 65 million as capital grant for on-going and new development projects.

72. Mr Speaker, Sir, we want Port Louis to be a truly modern capital, worthy of the Cyber Island Government has the ambition to make of Mauritius. A start has already been made. The Treasury Building is being completely restored and renovated. Works to transform le Jardin de la Compagnie into an agreeable park have begun. The reconstruction of Port Louis Central Market has started. Plans for implementation of the next phase of the waterfront and port area development are well under way.

73. In the medium term, we are working on proposals to move the Police Headquarters at Line Barracks and the Champ de Mars racecourse out of the city centre. These will be relocated on sites offering higher security and space for expansion. The land released will make it possible to undertake well-planned development and give a new cachet to Port Louis.

74. The transformation of our urban environment will necessitate extensive renovation and reconstruction. The Landlord and Tenant Act of 1999 will be revisited to remove disincentives to property development.

### **Public Enterprises Reform**

75. Mr Speaker, Sir, Government attaches high priority to the reform of public enterprises. I have evoked on various occasions the disastrous financial situation of the Central Electricity Board (CEB), the State Trading Corporation (STC) and other public enterprises legated to us by the previous Government. We have taken corrective measures, starting from revision of

tariffs, strengthening of financial management, introduction of cost-cutting schemes and organisational restructuring. The reforms will have to be pursued with added vigour to maintain public enterprises on the path of financial sustainability and prevent them from being overwhelmed again by debt.

76. Government is conscious of the impact of high electricity cost on the competitiveness of the economy and on consumers. Future expansion in the sector will need to be guided *a priori* by cost considerations. An energy audit is being carried out to re-assess more precisely future electricity demand. The findings of the study will help develop a least-cost power expansion programme. A strategic partnership will be implemented between the CEB and a reputable operator capable of providing the necessary technical and managerial know-how. A new Electricity Bill will be passed to cater for changes in the power sector.

77. Similarly, Government is exploring, with the assistance of the International Finance Corporation (IFC), options for private sector participation in the water and wastewater sectors.

78. Government will introduce legislation providing for the setting up of a multi-sectoral regulatory body with responsibility for electricity, water and wastewater services.

79. The financial situation of the STC continues to be a major cause of concern. Its accumulated losses on petroleum products currently stand at about Rs 1 billion. Government will take over the loan repayment liabilities of the STC to enable it to start on a clean slate. A transparent and automatic pricing mechanism for petroleum products will be introduced to prevent STC from relapsing into a financial mess. It will incorporate features for smoothing wide price fluctuations. As part of the excise taxation reform, duty on petroleum products will be levied at specific rates instead of on *ad valorem* basis. The new rates of duty will be Rs 9.80 per litre for mogas (essence), Rs 3.00 for gasoil (diesel), and Rs 2.00 for fuel oil. This change in itself will not result in any increase in the price of these products to consumers.

80. The House is already aware that, as part of our programme to reform the public enterprise sector, the Rose-Belle sugar factory has been closed down and the Development Works Corporation restructured. Measures have been taken to improve the finances of the Mauritius Broadcasting Corporation (MBC). Plans are in hand to corporatise the Post Office and the National Transport Corporation. The exercise for selection of a strategic partner for the Cargo Handling Corporation is well under way. Air control operations will be separated from the Department of Civil Aviation which will continue to be responsible for regulating the sector.

### **Investment for Economic Restructuring and Job Creation**

81. Mr Speaker, Sir, let me now turn to investment, which is vital to take us to the next stage of our economic development. Indeed, achieving sustained economic growth and increased employment will call for much higher levels of investment - both from Government and the private sector. I have highlighted earlier the priority areas for government intervention. We are, however, concerned over the declining contribution of private investment in national investment efforts. Government, for its part, will continue to play its role fully to create conditions supportive of investment.

82. An immediate priority is to eliminate bureaucratic red-tape and administrative bottlenecks. I have been made aware of cases of entrepreneurs having to wait for months, and sometimes more than a year, for necessary clearances, licences, permits and other authorisations to start business. We, in Government, regard this as totally unacceptable at a time when we are mobilising all our energies to raise investment and promote a new breed of entrepreneurs.

83. Procedures for issuing an Environment Impact Assessment licence have been simplified in the new Environment Protection Act. Work has begun on streamlining procedures for timely processing and issue of licences and permits by local authorities. The Building Act, which dates back to 1919, will be reviewed. The Town and Country Planning Act of 1954 will be revised and a new more customer-friendly Morcellement Bill introduced. The Non-Citizens

(Property Restriction) Act will also be amended to facilitate investment by foreigners.

84. I shall personally chair a high-level committee to oversee the work currently being undertaken to streamline procedures. The Committee will assess the relevance of requiring a host of permits and authorisations with a view to reducing these to a minimum.

85. Mr Speaker, Sir, it must be recognised that no fundamental reform is possible without the commitment and dedicated support of public officers. They have shown that they can rise to the occasion given the right operational framework and support. This has been proved in the implementation of education reform and the restructuring of the sugar sector where special structures have been put in place. The civil service will need to be a major asset in facilitating investment and promoting economic development. Government will address rigidities inherent in the decision-making process to permit the civil servants to give their best.

86. For its part, the Board of Investment (BOI) will need to be more aggressive and focussed in its efforts to attract foreign direct investment. It has already identified specific activities in which Mauritius has a competitive advantage. The BOI has developed a strategy, based on a targeted approach, which will be implemented this year. In this context, the United States - Africa Trade and Investment Forum, which will be held here in December, will be an excellent opportunity to promote Mauritius and attract investment.

87. The BOI will be linked through a network to local government and other public sector agencies. Investors will be able to apply on-line for permits and licences, and monitor the status of their applications. We expect the BOI to support the investor all along the project cycle, beginning from first contact, until materialisation of the project.

88. We have to come up with a strategy to market Mauritius both as an attractive investment location and a quality tourist destination. The BOI has

worked on a Brand Mauritius Programme which will be launched soon. Services of international firms will be enlisted to implement the programme.

89. Additional avenues are being developed for investment. An Integrated Resort Scheme is being introduced under which high net-worth foreigners will be allowed to invest in luxury housing units within designated complexes. The Permanent Residence Scheme is also being revamped. The relevant legislation will be amended in the Finance Bill.

90. Mr Speaker, Sir, a major boost to investment will necessitate efforts both by Government and the private sector. Government has already demonstrated its readiness to invest massively in priority sectors. We will be doing much more than that. Government will, through the Development Bank of Mauritius (DBM), set up a **one-billion-rupee** Equity Fund. The Fund will subscribe to the equity capital of new ventures in cotton spinning, ICT, biotechnology and other strategic areas. It will also participate in equity of existing enterprises, including those in the textile and clothing sector, that have credible business plans for expansion or restructuring. Professional staff with expertise in screening, financing and overseeing investment in equity will be hired to manage the Fund.

91. Equity participation by the Fund in private enterprises will be of limited duration. It will only be a catalyst. The Fund will eventually withdraw to make place for other shareholders.

92. Mr Speaker, Sir, the setting up of the Equity Fund is a singular example of Government's determination to improve the overall investment climate in the country and stimulate employment creation.

93. However, economic restructuring, national development and nation building are not, and cannot be, the sole responsibility of Government. Government expects the private sector to play fully its role and not be averse to risks. It should be venturesome and daring. It should display a true spirit of entrepreneurship, and not adopt a defeatist attitude in situations of adversity. Above all, the private sector should demonstrate its own creative ability instead of expecting Government to solve all its problems.

94. We expect private enterprises and institutions, including banks, insurance companies and pension funds, to follow Government's initiative and set up similar equity funds to more than match the amount of Rs 1 billion. A total amount of more than Rs 2 billion would thus be available for equity investment.

95. We also expect banks and pension funds to play a leading role in the capital restructuring of enterprises. Many of our companies are highly indebted to banks and have disproportionately large debt-to-equity ratios. Heavy loan-servicing makes it difficult for them to invest in modernisation. Banks must seriously consider converting part of their existing loans into equity of enterprises. We urge them to avail themselves fully of amendments brought last year to the Banking Act and other existing provisions to participate in the equity-capital of companies. Other appropriate legislative amendments will be made for this purpose while ensuring that this is done in conformity with sound banking principles and prudential norms.

96. I will personally chair a public-private sector roundtable to discuss this and other investment financing issues. I invite banks, insurance companies, institutional investors as well as the Joint Economic Council and the BOI to participate.

97. Our stock exchange must also play its role fully. It is recognised, however, that it has been going through difficult times and that its performance has not been to expectations. Reasons for this lack of dynamism are many and complex. The new securities legislation under preparation will address some of the issues, but it is clear that more companies will have to get listed. It must be said, loud and clear, that it is not in the interest of the Nation to leave economic power concentrated in a few hands. Mauritian companies will have to open up their shareholding to be able to face the challenges of globalisation and for greater economic democratisation. In this context, certain aspects of the Listing Rules will need to be revisited, in particular those restricting the transfer of securities and the disclosure of information. A Capital Market Task Force, comprising all

stakeholders, will be set up to brainstorm on the problems and chart a way forward. I shall chair that Task Force.

98. I also appeal to the private sector to respond to the call of the Prime Minister for companies to offer shares to their employees. For its part, the National Economic and Social Council will be invited to examine options for employee participation schemes.

99. We also expect the private sector to play a more active role in the financing of economic and social infrastructure projects, thereby reducing pressures on the Budget and expanding the stock of basic infrastructure and public services. Private participation, especially from overseas, will transfer technology and know-how and raise foreign direct investment.

100. Earlier schemes on concession projects did not work because of poor appraisal and evaluation capability and weaknesses in the institutional and legal set-up. Government will establish a framework for a Public–Private Partnership (PPP) Scheme. PPP will be used as a new form of financing infrastructure projects, such as the proposed LRT, ICT and other major capital projects. A PPP Secretariat will be set up at the Ministry of Economic Development, Financial Services & Corporate Affairs to design a policy framework, including appropriate legislation. A unit will be established within the BOI to promote and market PPP projects.

101. It may also be said here that procurement procedures should not be an impediment to investment and development. Public procurement systems all over the world are undergoing major reforms to enhance efficiency and reflect greater transparency, equity and fairness. Government will introduce new legislation in the light of the recommendations of the High Powered Committee set up to review the Central Tender Board Act.

102. Mr Speaker, Sir, I have indicated earlier the huge investment we will be making in education, ICT, infrastructure, the environment and health. I have mentioned the setting up of equity funds of more than Rs 2 billion. I have announced measures to facilitate investment by banks in equity and open up the shareholding of companies. And I have underlined our commitment to

remove impediments to productive investment. I am convinced that these measures individually and collectively should trigger the much-needed “d clic” which the whole Nation has been eagerly awaiting. It should help dissipate clouds of pessimism in certain quarters and lead us all with confidence to higher planes of growth.

103. Let me now turn to the main economic sectors, starting with agriculture.

### **Agriculture**

104. Mr Speaker, Sir, we are consolidating the long-term viability and international competitiveness of the sugar sector. I wish to commend here my colleague the Minister of Agriculture, National Resources and Food Technology for the Sugar Sector Strategic Plan which has been well received. The Voluntary Retirement Scheme (VRS) has been a stunning success. More than 7,000 workers have up to now opted for the VRS. They have received a total cash compensation of Rs 1.8 billion, that is Rs 250,000 each on average. Each worker will also become the proud owner of 7 perches of land. Some 630 arpents will thus change ownership from the corporate sector to workers. This is, indeed, a landmark in Mauritian agricultural history and another milestone, after the Illovo deal, towards democratisation of land ownership.

105. Implementation of the other components of the Plan is progressing satisfactorily. I am referring here to centralisation of milling operations, mechanisation of field operations, better utilisation of the industry’s by-products and rationalisation of the institutional and support framework. The Sugar Industry Efficiency Act 2001 and related legislation will be fine-tuned.

106. Non-sugar agricultural activities need to be modernized and put on sounder footing. These activities have largely remained on the periphery of modern technology and practices. Government is working on a strategic plan to give a new orientation to the sector. I am increasing allocation to the Food and Agricultural Research Council by 16 per cent to Rs 99 million to help support the sector.

107. Non-sugar agriculture will receive a boost from the establishment of the National Food and Agricultural Biotechnology Institute. This Institute will be set up on Illovo land at a cost of Rs 360 million. It will provide research back-up and contribute to enhancing the competitive edge of the sector. A Memorandum of Understanding on co-operation in the area of biotechnology has already been signed with the Government of India. The legal framework for the Institute is under preparation. A Genetically Modified Organism Bill will also be introduced.

108. Two new schemes will be implemented under the aegis of the DBM to further promote horticulture. First, vegetable, fruit and flower growers will benefit from loans of up to Rs 200,000 for setting up chill-rooms for perishable products. Second, export-oriented flower units will be granted loans of up to Rs 500,000 for introduction of new varieties and modernisation of production techniques. The terms of both schemes will be concessionary.

109. Government will continue to support planters in dry areas. The Budget makes provision of Rs 144 million for investment in irrigation.

110. As announced in the Budget last year, a Small Planters Welfare Fund is being set up. Legislation has already been passed. The Welfare Fund will implement contributory crop insurance and pension schemes for small planters. I am providing Rs 3 million as government contribution to its operating costs.

### **Manufacturing**

111. Recent developments, locally and internationally, have brought into sharper focus the urgency to reshape our manufacturing sector. Mr Speaker, Sir, the magnitude and scale of challenges facing the sector are such that these can only be addressed through the collective effort of one and all. The emphasis should be on tackling structural weaknesses and optimising all available opportunities.

112. A medium-term strategic plan for the textile and clothing industry has been elaborated with the active participation of stakeholders in the sector. It

specifies areas of intervention by respective parties. Government will fully assume its role as a facilitator and reinforce the institutional framework to support the industry more effectively. I have mentioned earlier the setting up of an Equity Fund under the DBM. Viable but undercapitalised enterprises will be able to tap resources of the Fund for technological upgrading and restructuring. The Export Processing Zones Development Authority will strengthen its services to promote business process re-engineering and inter-firm networking. The IVTB will be required to increase significantly its involvement in the training of “machinistes” and management staff.

113. The non-export manufacturing sector will have to prepare itself to meet the challenge of tougher competition arising from the opening up of the domestic market. It should brace itself for a lowering of effective tariff protection. A strategic plan is being formulated to facilitate transition of our enterprises to a more competitive environment and prepare them to exploit export markets. The ultimate objective is to integrate export and domestic manufacturing activities.

114. The restructuring and modernisation process will have to be driven by the industry itself, at firm level. This is a must for the sector to realise necessary gains in total factor productivity and remain competitive on international markets. As a further support, I am extending the special additional 25 per cent investment allowance for manufacturing companies, which has lapsed, for two more years. I am also removing customs duty on a number of inputs to industry. The duty drawback mechanism will be revisited with a view to expediting refund of customs duties to exporting enterprises.

### **Small and Medium Enterprises**

115. Mr Speaker, Sir, most jobs in recent years have been created in small and medium enterprises (SMEs) and the informal sector. I announced last year an extensive agenda to support SMEs in their modernisation efforts and export drive. The Export Business Support Scheme, the Export Credit Guarantee Scheme and the Venture Capital Fund at the DBM are now at the

disposal of SMEs. As from August last, they are exempted from payment of customs duty on raw materials used in their manufacturing process.

116. SMEs can benefit from financial and technical assistance facilities under the SME Challenge Project. An amount of Rs 40 million is being made available for the project. In addition, I am providing Rs 15 million to Small and Medium Industries Development Organisation (SMIDO) to provide institutional support to SMEs.

117. A Technology Improvement Scheme for SMEs will be introduced by DBM to encourage them to move to higher levels of technology. Under the scheme, loans of up to Rs 1 million will be made available on concessionary terms.

118. The ceiling on loans, under the DBM Venture Capital Scheme for joint ventures between Mauritian and overseas SMEs, is being raised from Rs 500,000 to Rs 1 million. Private initiatives in the provision of venture capital to start-ups and SMEs will also be encouraged.

119. We have received representations from local footwear manufacturers for support in the restructuring of their business. A plan of action is being formulated with the assistance of SMIDO. To help them during this transition period, a minimum amount of customs duty is being introduced to counteract undervaluation of imported shoes. I wish to add that duty on infant shoes is being reduced from 80 per cent to 10 per cent.

## **Tourism**

120. Mr Speaker, Sir, our tourism sector has successfully weathered the impact of September 11 events on world tourism. This shows the resilience of the sector and the image our country enjoys as a premier holiday destination. Government will pursue the objective of making Mauritius a still higher value added and quality destination, building upon our personal service excellence and developing innovative products in the hospitality sector.

121. Top on our agenda is the development of new sites for hotel and tourism-related projects in an integrated manner. Plans for the construction of four new hotels and a golf course at Bel Ombre have reached an advanced stage thanks to the fast track approach adopted by Government. Similar approach will be followed for developments at St Felix and Les Salines at Black River. Total investment by the promoters in these projects is estimated at over Rs 2 billion.

122. Government will formulate a strategy for development of golf courses across the island as well as marinas. Studies have been commissioned for this purpose. Meanwhile, Government has agreed to the development of five new golf courses of international standards, one each in the North, in the South, in the West, in the East and in the South-East.

123. We want to raise overall quality and service standards in the sector and maintain our image as a quality destination. The Tourism Bill, which provides for regulation of tourism-related activities and service providers, as well as the Tourism Employees Welfare Fund Bill, have just been passed.

124. Government is sensitive to the needs of Mauritians for quality leisure activities. The upgrading of La Cuvette public beach is an excellent example of what collaboration between Government and the private sector can achieve. This will be replicated in other beach resorts, starting with Grand Baie. I am providing Rs 15 million as government contribution towards the project. Following the great success of “Anou Alle la Mer” at Mon Choisy and “l’Eveil des Couleurs” at Chamarel, other similar events will be organised. Government will also carry out a study on leisure demand to help determine the type of facilities that can be developed on a regional basis.

### **Financial Services**

125. I now turn to financial services. We are determined to make financial services a strong pillar of the economy. We want the sector to be credible, beyond suspicion and well regulated. Above all, we want the sector to contribute more meaningfully to growth and development.

126. Government has already embarked on fundamental reform of the sector. We introduced last year a first set of legislative and institutional changes. The Financial Services Commission (FSC) and the Financial Services Promotion Agency (FSPA) are already operational, and the Financial Intelligence Unit is in the process of being set up.

127. Work on a second set of legislative reforms is at an advanced stage of preparation. The Insurance Act will be completely overhauled to strengthen the insurance sector and better protect policyholders. New legislation on collective investment schemes and financial intermediaries as well as limited partnerships and insolvency is being finalised. A comprehensive Retirement Benefits Schemes Bill will be prepared to regulate the provision of private pensions. All these legislation will be made available for consultations with stakeholders prior to introduction into the National Assembly by the end of the year.

128. For continuous and timely adaptation to the evolving business and financial environment, amendments will be brought to the Companies Act 2001. The Financial Services Development Act 2001 will be amended to provide for greater flexibility in the structuring of global business companies and enhance the FSC's enforcement powers. In a further demarcation of supervisory and promotional functions, the FSPA will henceforth be funded directly from government budget.

129. The new Banking Bill and Bank of Mauritius Bill are being finalised. They will confer greater powers on the Bank of Mauritius for control and regulation of banking activities. The Bank of Mauritius will relinquish its minority shareholding in the DBM.

130. Government is committed to the adoption of internationally accepted standards. But, we are also committed to maintaining the competitive edge of our financial sector. We will follow closely moves by financial centres to adhere to an international level-playing field.

131. A Code on Corporate Governance and a Shareholders' Charter are being prepared. A report on assessment of corporate governance for

Mauritius will be ready shortly and will lead to the development of an Action Plan.

### **The Freeport**

132. As in the case of financial services, the legislative framework for the freeport was overhauled last year. The Mauritius Freeport Authority (MFA) is now responsible for regulation and promotion while the operational aspects have been taken over by a separate entity. The MFA has elaborated, in consultation with stakeholders in the sector, a three-year Strategic Plan. Freeport activities have received a new boost with the breakthrough made recently in attracting major shipping lines to use Port Louis as a regional container transshipment hub. We are pursuing the reform programme. In this context, the fiscal regime governing the sector will be fine-tuned with a view to achieving greater linkages with other sectors and integrating it more closely with the national economy.

### **Rodrigues**

133. Mr Speaker, Sir, before I indicate provisions for various sectoral Ministries, let me turn to Rodrigues.

134. This year will witness developments of historical significance in Rodrigues. The people of Rodrigues will soon elect the first Rodrigues Regional Assembly. The first phase of the new airport will be completed in October. In the course of the second phase, Rodrigues will, for the first time, be open to international flights from Reunion island and elsewhere. Those events will have a deep impact on economic and social life in Rodrigues. Mr Speaker, Sir, we are honouring our commitment to give our fellow citizens maximum autonomy and facilities for managing their own affairs and shaping their destiny.

135. Last year, I announced a vast programme to address the issue of chronic water shortages. I am allocating Rs 85 million to carry through the various components of the programme. These include the setting up of two desalination plants, construction of a new dam at Anse Raffin, installation of

new pipes, upgrading of five pumping stations and promotion of rainwater harvesting.

136. We are investing heavily in support of education reform in Rodrigues. Children there have as much right to quality education as those in Mauritius. I am allocating Rs 95 million for that purpose.

137. The Trust Fund for Social Integration of Vulnerable Groups will be involved in the provision of over 500 housing units for poor families in Rodrigues. Additionally, the Trust Fund will undertake the renovation of some 200 housing units of elderly persons and finance the construction of five social welfare centres. For its part, the National Housing Development Company (NHDC) will construct 108 low-cost housing units.

138. I am providing Rs 100 million for completion of the second phase of Port Mathurin - Plaine Corail Road and for the improvement and resurfacing of La Ferme - Quatre Vents via Mangués Road.

139. The Budget provides Rs 76 million for health services for intake of additional medical and paramedical staff and acquisition of new hospital equipment.

140. An amount of Rs 20 million has been allocated for control of soil erosion, forest maintenance and rehabilitation of lands, reservoirs and storm drains.

141. Mr Speaker, Sir, the Nation is proud of the performance of Rodriguan athletes on the international sports scene. They deserve encouragement and adequate facilities to develop their potential. I am providing Rs 15 million for the expansion of sports infrastructure, including construction of a dojo and a swimming pool.

142. Total provision for Rodrigues for financial year 2002/2003 will again exceed Rs 1 billion.

## Other Budgetary Proposals

143. Let me now indicate some other budgetary proposals.

144. First, law and order. Mr. Speaker, Sir, law and order remains a top priority of this Government; it is a *sine qua non* condition for social peace and economic progress. That is why we are devoting substantial resources to strengthen the ability of our law-enforcement institutions to combat all forms of offences and crimes, including drug trafficking, terrorism, money laundering, fraud and corruption.

145. We have lost no time to set up the Independent Commission Against Corruption (ICAC). The Commission has become fully operational in less than four months since the passing of the relevant legislation. I am providing Rs 15 million to meet its operating costs.

146. The Judiciary will be given the necessary resources to expedite hearing of cases. Four additional posts of Puisne Judge are being created to bring the number to 11. This will enable the Supreme Court to sit in six divisions and hold hearings on a daily basis. The number of posts of Legal Research Assistants attached to Judges is being raised from two to 13. Twenty-five additional posts are also being created in the various grades of Court Officer and other supporting staff.

147. Urgent measures will also be taken to remedy the present acute shortage of experienced law officers and attorneys at the State Law Office.

148. I now announce proposals for the Police Department.

First, 1,000 Police Corporals and 100 Sub-Inspectors will be appointed in the coming year;

Second, the Police Medical and Scientific Division will be reorganised to provide decentralised medico-legal services;

Third, the Passport and Immigration Office will be provided with an advanced computerised system. Computer-readable passports will be introduced;

Fourth, the Special Mobile Force will acquire specialised equipment to deal with the after-effects of natural disasters;

Fifth, operational capabilities of the National Coast Guard and Maritime Air Squadron will be strengthened for more effective surveillance of our Exclusive Economic Zone.

149. Total provision for the Police Department is being increased to over Rs 2.2 billion.

150. Second, arts and culture. I am providing Rs 123 million to cover, among others, grants to the Hindi Speaking Union, the Urdu Speaking Union and the English Speaking Union; development of the Aapravasi Ghat as a memorial site; organisation of the first Triennial of Contemporary Art of the Indian Ocean and the "Festival Tournant de l'Océan Indien"; and construction of a new Natural History Museum. The Copyright Act will be amended to reinforce protection against piracy of works of local and international artists.

151. Third, fisheries. An amount of Rs 116 million is allocated for development of the fisheries sector and the welfare of fishermen. Fishermen will be provided, free of charge, hand flares, radar reflectors, life buoys and fluorescent tarpaulins to improve security and safety at sea. Bad weather allowance is being increased to Rs 125 per day. Fisheries posts at Baie du Tombeau, Poudre d'Or and Poste Lafayette are being upgraded and a new post at Bambous Virieux will be constructed. The Fishermen Welfare Fund will finance scholarships for 57 students in Mauritius and Rodrigues.

152. Fourth, fire services. Total provision is being increased from Rs 110 million to Rs 126 million. This includes Rs 10 million for the construction of new fire stations at Triolet and Tamarin and Rs 18 million for additional fire-fighting equipment. An additional 40 firemen will be recruited.

153. Fifth, co-operatives. A total amount of Rs 68 million is being allocated for this sector. This provides for renovation of the Caudan Regional Co-operative Centre, implementation of a Co-operative Entrepreneurship Development Programme, acquisition of equipment for a dairy plant at Henrietta, and setting up of co-operative school clubs. New legislation will be introduced to ensure greater accountability, transparency and autonomy at the level of co-operative societies.

154. Mr Speaker, Sir, I am pleased to announce that the New Co-operative Bank Limited will open next month. Co-operators will be proud to have their own bank.

155. Sixth, women, child development and family welfare. A total amount of Rs 112 million has been allocated for the Ministry. This includes:

- Rs 30 million for the National Women's Council;
- Rs 6 million for a multi-purpose complex at Phoenix, comprising a market centre for women entrepreneurs, a Village d'Artisanat and a Women Resource Centre;
- Rs 6 million for an integrated complex at Notre Dame for women and children;
- Rs 2 million for a creativity centre for children at Pointe aux Sables; and
- Rs 1 million for introduction of a foster care system for children in distress.

156. A Sex Discrimination Bill will be introduced to eliminate all forms of discrimination against women, and a new National Children Council Bill will be passed.

157. Seventh, youth and sports. Mauritius will be hosting next year the Sixth Indian Ocean Islands Games. We have a very tight time schedule to complete the infrastructure, but we are confident to meet the deadline,

including the construction of the “Village des Jeux”. I am providing a total of Rs 161 million for developing infrastructure, Rs 15 million for purchase of equipment and Rs 7.5 million for preparation of our athletes for the Games. I am providing Rs 1 million for the National Trust Fund for Excellence in Sports, set up in the wake of the remarkable performance of Eric Milazar and Stéphan Buckland at last year’s World Athletics Championship. Provision of Rs 20 million is also being made for construction of a youth-cum-sports centre at Rivière du Rempart. Mr Speaker, Sir, total provision for the Ministry of Youth and Sports is being increased by 50 per cent to Rs 345 million next year.

### **Diplomatic Missions Overseas**

158. Mr Speaker, Sir, before I turn to Budget Estimates and fiscal measures, let me say a few words about our diplomatic missions. We have a duty to extend our presence to countries and regions that are of political, commercial and economic interest to us. Despite budgetary constraints, Government will open two new diplomatic missions, one in the Russian Federation and the other in Latin America. The advisability of maintaining missions in certain other countries will be reviewed to make optimal use of resources.

### **Budget Estimates**

159. Mr. Speaker Sir, I now come to the Budget Estimates for financial year 2002/2003.

160. Recurrent expenditure net of capital repayment, including the cost of measures I will announce later, will reach Rs 30.8 billion. Salaries and other staff related costs will amount to Rs 9.4 billion. Subsidies and transfers will rise to Rs 11.7 billion, while debt servicing will absorb Rs 8.3 billion. With capital spending estimated at Rs 9.1 billion, total expenditure will reach Rs 39.9 billion.

161. On a no policy change basis, receipts from taxes are estimated at Rs 23.2 billion and non-tax revenue at Rs 3.5 billion. Recurrent revenue would thus amount to Rs 26.7 billion. Capital revenue, grants and other

receipts are estimated at Rs 1.3 billion. With total revenue estimated at Rs 28 billion, the overall budget deficit next year would reach Rs 11.9 billion, corresponding to 7.8 per cent of GDP.

162. A deficit on this scale is clearly unsustainable. It would impact negatively on interest rates and inflation and lead to increased borrowing and still higher debt servicing. It would also sap business confidence and result in higher unemployment by crowding the private sector out of bank credit.

163. Even with a VAT rate of 15 per cent, the budget deficit would still reach Rs 10.1 billion, corresponding to 6.7 per cent of GDP. This would be higher than the deficit for this year. Even this level of deficit is not sustainable and will have to be brought down further to maintain macroeconomic stability and confidence in the economy. We have to target in 2002/2003 a level of deficit which at least puts us on the path leading to a budget deficit of around 3 per cent of GDP by the end of our mandate.

164. In this context, we have reviewed critically all capital projects and postponed those with lesser priority. We shall be taking firm actions to reduce wastage in every possible area. Strict financial discipline will be imposed on public sector bodies. They will be required to operate in full transparency. As a matter of policy, loans to public sector bodies from Government will carry market rate of interest.

165. Government will introduce a Medium Term Expenditure Framework (MTEF) to improve allocation of budgetary resources and ensure cost-effectiveness. Ministries will be required to formulate expenditure proposals within limits set out for a rolling three-year period. Initially, five ministries will be required to set targets against which outcomes will be measured. Legislation for ensuring greater fiscal discipline and transparency is under preparation.

166. On the revenue side, a number of studies have been undertaken for reform of our tax system and fiscal incentive regimes by international organisations, including the IMF and UNCTAD. Government is examining the recommendations made in these studies.

## **Tax Proposals**

167. Mr Speaker, Sir, before I present my other revenue-raising proposals, apart from the VAT increase to 15 per cent as from 1<sup>st</sup> July 2002, let me confirm that there will be no further increase in the VAT rate in the course of our mandate. On the contrary, we should be in a position to relieve fiscal pressure as from financial year 2004/2005.

168. My first set of revenue-raising proposals aims at defeating schemes for avoiding payment of the full amount of duties and taxes legitimately due to the Treasury. Companies and individuals who infringe tax laws commit a crime. They deprive Government of much-needed resources. They increase the burden on those numerous honest citizens who do meet their tax obligations. Tax evasion undermines taxpayers' morale and business confidence. Government will not tolerate this kind of criminal activity. We are putting in place new strategies and bringing in legislative amendments to crack down on tax fraud and evasion and improve tax collection, especially at income tax and customs levels.

169. First, revenue departments will be given increased manpower resources, especially for carrying out investigation and audit work. Over 100 additional posts are being created in the Income Tax, Large Taxpayer, Value Added Tax, Registrar-General and Customs and Excise departments as well as the Revenue Authority. A professional investigation cadre will be created at the Customs and Excise Department.

170. My second measure is designed to bring to task taxpayers who fail to submit income tax returns. In a self-assessment system, those who are liable to tax have an obligation to file a return. Many of them, especially self-employed, professionals and traders, do not do so and thus escape the tax net. As a deterrent, the Income Tax Department will generate automatic tax claims for those who do not submit returns. Any disagreement on the tax claimed will be entertained only after the taxpayer has submitted his tax return and paid the appropriate tax and penalties.

171. Third, to discourage frivolous objections against tax assessments, taxpayers will be required to pay a specified percentage of the amount claimed at the time the objection is lodged. If the final tax liability turns out to be lower, the difference will be refunded with interest. This measure will not apply to assessments in respect of income derived from emoluments.

172. Fourth, the time-limit of four years for raising an assessment will henceforth be applicable as from the date a tax return is submitted.

173. Fifth, revenue departments will use all existing provisions of the law, including objection to departure from Mauritius, to enforce recovery of large debt. The Income Tax Act will be amended to enable temporary closing down of a business for non-payment of income tax due, as is presently the case for VAT.

174. Sixth, every person carrying out business in Mauritius will be required to register with the Registrar of Companies. He will be assigned a unique identification number for business transactions. A Business Registration Bill will be introduced into the National Assembly for this purpose.

175. Seventh, a Revenue Court which will be a Division of the Supreme Court will deal with cases of tax fraud and other offences under the various revenue laws.

176. Mr Speaker, Sir, we mean business. Let tax evaders beware.

177. My second set of proposals aims at correcting two anomalies. The first one relates to excise duties. The basis for levying excise duty on imported alcoholic beverages was shifted last year from "ad valorem" to "specific", except for beverages imported in bulk for local bottling. This is creating distortions. I am removing this exception. Excise duty on whisky imported in bulk will be Rs 100, or Rs 150, or Rs 200 per litre, depending on the alcoholic strength. The rate on wine imported in bulk will be Rs 15 per litre. The anomaly concerning sparkling wine is being corrected.

178. Second, I am aligning taxation of pool-betting with that applicable to sweepstakes. Thus, betting duty on local and foreign pools will be 15 per cent and the tax on winnings, where applicable, 2 per cent.

179. Mr Speaker Sir, I am proposing three other measures under VAT.

180. Presently, all businesses with taxable supplies below Rs 3 million are not required to register with the VAT Department. A threshold is necessary to avoid burdening numerous small traders with the requirement to issue sales invoices. The same cannot apply to certain professions which, by their nature, have to keep proper accounting records. Furthermore, the threshold leads to discrimination among members of the same profession. To provide for a level playing field, I am removing the VAT threshold for services provided by certain categories of professionals.

181. The second measure relates to supply of financial services not involving payment of interest. Such services are presently exempt from VAT. There is no economic justification to treat them differently from other services and sectors; the more so when these are consumed mainly by better-off segments of society. I am therefore proposing to remove from the list of exempt supplies, specified services provided by banks and other financial intermediaries against fees, commissions and other charges, including charges on payments made to traders through credit cards.

182. Third, VAT is applicable to all taxable goods and services on the retail price. In the case of cigarettes and petroleum products, it is levied on the wholesale price. VAT on these products will now be levied on the retail price but will continue to be collected at the wholesale level.

183. These three measures will take effect as from 1<sup>st</sup> October 2002.

184. I must stress that all other goods and services presently exempt or zero-rated will not be concerned by the VAT increase. These include basic foodstuffs, medicines, electricity, water, health services, education, training and public transport. However, some of these goods and services will have to be brought in the VAT system in the future.

185. Mr Speaker, Sir, in this difficult year, it is fair that those with more means contribute their share to national revenue-raising efforts.

186. First, campement owners. Mr Speaker, Sir, our Pas Géométriques constitute unique assets of the Nation. Leases on these lands have, over the years, been granted for economic development purposes such as hotel development, but also for private campements. However, revenue derived by Government from such leases is, in most cases, below their market value and, at times, ridiculously low. Government will come up with measures to optimise receipts on such campement sites. The zoning used for levying Campement Site Tax will also be reviewed.

187. It is also a fact that the Campement Site Tax is levied only on the site and not on the campement itself. Owners of campements should contribute more meaningfully to national development efforts. A new tax on campements themselves is therefore being introduced. It will be levied on market value.

188. Second, owners of pleasure crafts. The licence fee payable on yachts, speed-boats, catamarans and other pleasure crafts, used solely for private purposes, is currently Rs 500 a year. The new fees will range from Rs 3,000 to Rs 10,000. The licence fees for crafts used for commercial purposes will also be adjusted. Registered professional fishermen will continue to be exempt from payment of such licence fees.

189. Third, road motor vehicle licence fees are being increased. These have remained unchanged since 1993. This fact has compounded the problem of road congestion in general.

190. The annual fee applicable for a private car of a cylinder capacity exceeding 1,600 c.c will be raised from Rs 5,000 to Rs 8,000. For a car below 1,600 c.c, the fee will be Rs 3,500 against Rs 2,500. The fees payable by corporate bodies on similar cars will be Rs 10,000 and Rs 4,500 respectively. The new fees on motor cycles will be graduated according to engine capacity. Fees on other types of motor vehicles will also be adjusted.

191. On the other hand, the annual licence fee for auto cycles will be abolished. A one-time fee of Rs 1,000 will be introduced on new auto cycles. This measure will relieve 95,000 owners of auto cycles from the requirement of renewing road licences every year.

192. We have also received several representations from dealers in new motor vehicles and those who deal with second-hand ones for a review of the present excise duties. Changes are indeed required, both in their structure and in their application, to reflect technological progress and market evolution and to remove anomalies. Government will come up with a new duty structure and rules of valuation that will be fair to both types of business and, also, to consumers while addressing the issue of under-valuation and fraud.

193. I now turn to my income tax proposals. In spite of the tight budgetary situation, I am giving the following additional relief to income taxpayers:-

First, basic personal deduction is being increased to Rs 75,000;

Second, deduction for dependent spouse is being raised to Rs 60,000;

Third, child allowance is being revised to Rs 25,000;

Fourth, each spouse will, henceforth, be allowed to claim an apportionment of the child allowance;

Fifth, the ceiling on emoluments relief is being increased from Rs 100,000 to Rs 125,000;

Sixth, the limit on retirement pension relief is being raised from Rs 65,000 to Rs 75,000;

Seventh, the ceiling on interest relief is being raised from Rs 100,000 to Rs 125,000 for each spouse and from Rs 200,000 to Rs 250,000 for couples;

Eighth, taxpayers will be able to claim a 75 per cent deduction, instead of 50 per cent, on expenses incurred for medical treatment in a health institution;

Ninth, the relief granted for contributions made to medical schemes will be extended to cover membership fees paid for ambulance services.

194. Even with the revenue-raising measures I have just announced, the budget deficit for financial year 2002/2003 will reach Rs 9.1 billion, equivalent to 6 per cent of GDP. Mr Speaker, Sir, what is important, however, is the quality of that deficit. For we shall be investing in the future of the country and not misusing and wasting additional resources as did the previous Government.

### **Social Justice and Poverty Alleviation**

195. Mr Speaker, Sir, the 2001/2002 Budget provided a wide array of measures to promote social justice in spite of the tight budgetary situation. This Budget extends further support to the needy and disadvantaged groups. As a caring Government committed to social justice, we cannot allow “un développement à deux vitesses”. The downtrodden and vulnerable segments of our society should be the first to benefit from the fruits of economic development.

196. I have earlier indicated the massive investment Government is making in education, ICT, infrastructure, the environment and health. I have also evoked our tight budgetary situation and the urgency to reduce our budget deficit. In spite of these severe constraints, Government will honour its promise to promote greater social justice. For, we cannot allow sections of the population to continue to linger in poverty if we want a more cohesive and inclusive society in Mauritius. That is why Government is implementing a comprehensive programme to reach out to the poor.

### **Social Housing**

197. Education reform and huge outlays on health, as spelt out earlier, are in themselves a clear indication of Government's strong commitment to social justice and poverty alleviation. The provision of social housing is yet another. I announced last year two landmark initiatives to meet the housing requirements of the very-low income groups, namely the construction of 5,000

Firinga-type core houses over a period of 5 years and the provision of fully-serviced plots. Works on a first batch of 524 Firinga-type houses on 17 sites will be completed by December this year. Another batch of 569 units will be ready by the middle of next year. Work on 1,500 other housing units for low-income groups will start soon. Sites have been identified for 300 serviced plots at Albion, Bambous, Piton and Camp de Masque. The plots will be leased at a nominal rate to very low-income groups who plan to build their own houses.

198. Mr Speaker, Sir, the cost of on-site and off-site infrastructure for all housing projects for the low- and very low-income groups is being met by the Government. This will cost the Budget Rs 335 million in financial year 2002/2003.

199. Low-income households will continue to receive from the Mauritius Housing Corporation (MHC) loans heavily subsidised by Government. I am providing Rs 100 million to pay for interest subsidy on these loans. I am also providing Rs 200 million as interest subsidy on mortgage loans from the NHDC and as grants for the casting of slabs.

200. In addition, to shield households from the adverse impact of exchange rate fluctuations on house prices, Government is bearing exchange risks on foreign loans raised by NHDC. An amount of Rs 125 million is being provided for this purpose.

201. I have one more measure for very low-income groups. Presently, a household with a monthly income of Rs 4,000 receives a grant from Government for the purchase of building materials when constructing a house on his land. The amount is limited to Rs 40,000 for a house of floor area of 100 square metres. For a house of an area of 50 square metres, the grant is Rs 20,000 on a pro-rata basis. Many households cannot afford a house of more than 50 square metres and deserve additional help. I am increasing the grant for such a house by Rs 10,000 to Rs 30,000.

202. Mr Speaker, Sir, total provision for social housing will amount to Rs 930 million in this Budget. This demonstrates our determination to ensure that every Mauritian family has the opportunity to own a decent dwelling.

### **Poverty Alleviation**

203. Mr Speaker, Sir, we are actively supporting the poor in their initiatives to lift themselves out of the poverty trap. The Trust Fund for the Social Integration of Vulnerable Groups has financed about 150 grass-root and community-based projects both in Mauritius and Rodrigues. Over 500 core-housing units have been built on a self-help basis in Rodrigues and 218 sub-standard houses for female-headed households and the elderly have been upgraded.

204. The Trust Fund has been involved in getting children in deprived areas back in the school system. It has helped some 200 children in Riambel, Souillac, Case Noyale, Anse Jonchée, Roche Bois and Belle Vue Maurel. It has been assisting financially 80 students from poor families to pursue higher studies and undertake vocational training.

205. We are also facilitating access by the poor to credit for income-generating activities. The two micro-credit schemes launched last year have gathered momentum. Government has put in place a Guarantee Fund which has taken care of lack of collateral. Nearly 500 projects have been financed under the two schemes. An additional 40 projects have been funded under the Micro-Project Programme implemented with the assistance of the European Union. At the same time, the Moneylenders Act has been amended to provide better protection to borrowers, most of whom are economically disadvantaged.

206. We are honouring our promise to set up a new village to resettle families presently living in the Dockers Flats. A site has been identified at Riche-Terre and works will start this financial year. We have already rehoused the victims of Cyclone Hollanda who had been living for years in temporary shelters at Cité Richelieu. We are also making a special effort for Karo Kalyptis and “Zenfants la Rivière” squatters’ camps at Roche Bois.

207. I am providing Rs 75 million for the Trust Fund. An additional provision of Rs 10 million is being provided for implementing various activities under the "Action Plan for Poverty Alleviation" by ministries.

208. For its part, the National Development Unit (NDU) will implement projects to upgrade basic amenities and social infrastructure, with special focus on deprived areas. We want to see a tangible improvement in the living conditions of all our citizens. I am providing Rs 300 million to enable the NDU to achieve this goal.

209. Before I turn to social welfare, let me say a few words on welfare funds, which are important tools to achieve greater social justice and a fairer sharing of the benefits of economic development. For many years, we have had only two welfare funds catering for employees of the sugar and EPZ sectors, as well as an Ilois Welfare Fund. The Tourism Employees Welfare Fund has now been set up. Legislation to establish the Transport Employees Welfare Fund will be passed shortly. Welfare funds for fishermen and small planters have also been set up. In the same spirit, other such welfare funds will be set up, including one for pig breeders.

### **Social Welfare**

210. Mr Speaker, Sir, I have evoked earlier the rising cost of non-targeted non-contributory basic pensions and their long-term unsustainability, as well as the heavy pressure they bring to bear on public finances. And yet in this particularly difficult year, we are making a special effort to increase social benefits.

211. Old age monthly pension for those below the age of 90 is being increased to Rs 1,700. For those above 90 and below 100, the monthly pension is being raised to Rs 6,400 and for centenarians to Rs 7,300. Pensions for widows and invalids are also being increased to Rs 1,700. Over 200,000 of our citizens will benefit from these measures.

212. It is also fair that we make greater efforts to help those most in need. I have here in mind those who are unable to earn a living because of severe illness and handicap, and single women with dependent children. Government

will modernise the Social Aid Act with a view to consolidating the various social aid schemes and to providing more effective support to the needy. The poor cannot, however, be required to wait until we do that. I am therefore increasing social aid allowances by 10 per cent, that is by more than the rate of inflation. Thus, eligible households with three children will see their allowance rise to Rs 2,200 per month. More than 14,000 persons will benefit from this measure. Provision for social aid will increase by 13 per cent to Rs 180 million.

213. Grants to charitable institutions will rise to Rs 34 million. Inmates in these institutions will receive regular visits by government nurses. Regulation of charitable institutions and homes will be reinforced.

214. For quite long, grant to the National Agency for the Treatment and Rehabilitation of Substance Abusers (NATReSA) has not been adjusted. I am raising the grant by 55 per cent to Rs 17 million to make up for years of neglect and to give to NATReSA the means to carry on with its excellent work.

215. Mr Speaker, Sir, Government is particularly sensitive to the needs of our disabled brothers and sisters. Children with special educational needs call for greater efforts on our part. We should create the best possible conditions for their well-being and integration in society. We are in this Budget increasing significantly our financial support to them through NGOs.

First, grants to these organisations are being increased by more than the rate of inflation;

Second, provision for assistance and training of disabled persons will be increased by 10 per cent;

Third, Government is coming up with a new scheme to help NGOs catering for the special educational needs of disabled children. As from 1<sup>st</sup> July, for each child attending a specialised school recognised by the Ministry of Education and Scientific Research, Government will give a grant of Rs 5,000 annually. This scheme will apply to schools run by NGOs including "l'Association de Parents d'Enfants Inadaptés de l'île Maurice" (APEIM), "l'Association de Parents des Déficiants

Auditifs" (APDA) and «Centre d'Education et de Développement pour les Enfants Mauriciens» (CEDEM) ;

Fourth, the vaccination programme will be extended to children in special needs schools. Regular visits will also be made by government medical officers, dentists, psychologists and speech therapists.

216. In the same spirit, special attention will be given to adult disabled persons who are bedridden and require constant care. A Centre for Old Disabled Persons, fully equipped with modern facilities, will be set up at Petit Verger, Pointe aux Sables.

217. Mr Speaker, Sir, total budgetary provision for the Ministry of Social Security, National Solidarity and Senior Citizen Welfare will reach for the first time the Rs 5 billion mark in this, the most difficult financial year of all.

218. And it is on this note that I would wish to end, Mr Speaker, Sir.

219. Yes, circumstances do indeed compel Government to call for additional efforts from one and all as we invest massively in the future of our country and, at the same time, strive to bring the budget deficit under control. In parallel, the new element in this Budget has been the major boost to investment by the private sector that we hope to have triggered. But what we take special pride in, Mr Speaker, Sir, is the fact that all this is being done whilst we also succeed in providing for as much social justice and solidarity as possible.

220. C'est cela, Monsieur le Président, le refus du développement à deux vitesses. C'est cela le développement dans la justice sociale qui est au cœur même de notre programme et qui sous-tend toute notre action politique, depuis 1982 surtout, lorsqu'il me fut donné de présenter, il y a donc très exactement 20 ans de cela, à cette même Chambre, notre premier Budget de militants dont l'écho résonne entre chacune des lignes du Budget que je présente aujourd'hui avec émotion.

221. Mr Speaker, Sir, I have done for this year.

222. Thank you. And with these words, I commend the Bill to the House.