



Republic of Mauritius

# Budget Speech

2003 – 2004

by

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Deputy Prime Minister and Minister of Finance

9 June 2003

Ministry of Finance  
Port Louis  
Mauritius

## **BUDGET SPEECH 2003/2004**

**Mr Speaker,**

**Sir,**

I move that the Appropriation Bill 2003/2004 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 during the next financial year.

3. Mr Speaker, Sir, I have the honour to present the third budget of the MSM/MMM Government. This is also my last Budget as Deputy Prime Minister and Minister of Finance during the term of office of the present Government; for in conformity with the mandate given to us by the population, the Right Honourable Prime Minister will be moving to State House in a few months time while I shall be called upon "à prendre la relève" next door with the Minister of Agriculture, Food Technology and Natural Resources stepping in as Deputy Prime Minister. Mauritius will, for the first time, witness a change at the head of the State in this manner. The change will take place in the best tradition of democracy for which Mauritius is well known. It will, indeed, be a defining moment in our history.

4. Mr Speaker, Sir, we are half way through our mandate. The time has come for me to hand over the finance portfolio to my successor. It is therefore fitting to look back on "le chemin parcouru" before outlining our plans for the coming financial year. The last two budgets have been marked by unprecedented reforms and massive investment in key sectors. The prime focus of this year's budget is to consolidate on-going reforms while undertaking a number of new initiatives to address the challenges facing the Nation.

5. The House will recall that when we took office in September 2000, the Nation was without any sense of direction; the population was gripped by uncertainties about the future; national unity was under threat; and public

finances were in shambles. We have provided leadership, restored law and order, instilled new hopes, fostered social cohesion, established fiscal discipline, and brought the economy back on track. Above all, we have carved out a new vision to transform Mauritius into a diversified, hi-tech and high-income services economy. Let me highlight progress in key areas.

6. *First, education* which is the centrepiece of our Economic Agenda for the New Millennium. We have, as promised, brought about far-reaching reforms. The abolition of CPE ranking and the admission at secondary level on a regional basis have been epoch-making feats. A clear proof of the success of our reform programme, this has been made possible by massive investment by Government in school infrastructure and thanks to the active collaboration of the private confessional and non-confessional schools. Over the last two years alone, capital expenditure on education reached a staggering figure of Rs 1.7 billion. In all, 33 additional State Secondary Schools have become operational through new construction, conversion or upgrading, while intake in Form I in public schools has more than doubled to reach 7,700. Never in living memory has so much been achieved in such a short time. In parallel, we have given fresh meaning to public-private collaboration in education by enlisting the participation of private confessional and non-confessional schools in expanding supply of seats for the implementation of the pre-vocational education project. And we have agreed on a package of new measures providing support for the upgrading of private secondary schools, which I shall announce later.

7. We have also laid the basis for developing Mauritius into a technology and knowledge hub. The Ebène-Reduit-Telfair Corridor will soon host centres of higher learning and research co-existing side by side. Land has already been made available for this purpose under the Illovo Deal.

8. *Second, Information and Communications Technology (ICT)*. We are now firmly engaged in creating a whole new sector of activity and transforming Mauritius into a cyber island. The Ebène CyberCity is taking

concrete shape with the Cyber Tower scheduled for completion in December. World-renowned IT firms are already busy setting up operations in Mauritius.

9. Liberalisation of telecommunication has become a reality. Together with the rapid fall in connectivity costs, it is opening up new vistas for ICT-enabled services, including e-business, e-education and e-government. Mauritius is on its way to feature proudly on the world ICT map.

10. *La libéralisation des ondes* is another reality. We have thoroughly transformed the "paysage audio-visuel". Mauritians have now more venues to be informed and to express their views. Plans are in hand for digital broadcasting and private television as well as for optimising opportunities offered by the convergence of communication, IT and broadcasting technologies.

11. *Third, modernisation and consolidation of growth sectors.* Fundamental restructuring of our sugar sector is on. The Sugar Sector Strategic Plan, including the Voluntary Retirement Scheme (VRS), has been widely endorsed. Some 25 companies have implemented the VRS involving over 7,800 workers. They have obtained cash compensation of nearly Rs 2 billion. Each worker will also become the proud owner of seven perches of land. Some 780 arpents are thus changing hands. As in the case of the Illovo Deal, the VRS has been a major step forward towards the democratisation of land ownership. As regards non-sugar agriculture, a comprehensive plan has been elaborated. The National Biotechnology Institute is taking final shape.

12. We have guided the manufacturing sector to better cope with the dramatic situation created by erosion of trade preferences and fierce international competition. Weaknesses underlying the sector have been singled out and new approaches designed to restructure enterprises, promote vertical integration in textiles and to encourage multi-skilling. The future of the sector will, however, depend as much on what takes place in Geneva, Brussels and Washington as on what we do here at home. And that is why we have every reason to be proud of the fact that the voice of Mauritius is very much listened to there.

13. The Small and Medium Enterprises (SMEs) have benefited from increased assistance both from Government and the Development Bank of Mauritius (DBM). They have been encouraged to move to higher levels of technology, engage in high value-added activities and penetrate regional markets.

14. We have created greater dynamism in the tourism sector. Because of Government's proactive and imaginative approach, tourism development is reaching new areas and locations. And the local community is being integrated in the mainstream of development. Twelve hotel projects of a total value of over Rs 8 billion have already been approved. Six of them are in the new tourist zones of Bel-Ombre and St Félix. Additionally, eight proposals are currently being processed by the Board of Investment (BOI) under the Integrated Resorts Scheme (IRS). Total investment in these IRS projects would exceed Rs 25 billion.

15. We have strengthened the legislative and institutional framework for the financial services sector. The Companies Act, the Financial Services Development Act, the Trusts Act and the Anti-Money Laundering and Financial Intelligence Act have been passed. New institutions, namely the Financial Services Commission, the Financial Services Promotion Agency and the Financial Intelligence Unit, have been set up. We have laid the basis for sustained growth and sound development of the sector.

16. We have restructured the Freeport sector and instilled new vigour in port activities. This is evidenced by rising investment in the Freeport and the phenomenal growth in transshipment traffic. Port Louis is now well poised to emerge as a distribution and transshipment hub for the region.

17. *Fourth, investment facilitation.* We have strengthened the framework for investment promotion and facilitation. The BOI has reached its "vitesse de croisière". It has already issued investment certificates for 190 projects, with a total investment of Rs 11 billion and with potential to create some 7,000 direct jobs.

18. We have reviewed the entire system of permits and licences for investment projects. The system was clogged by red tape. We have updated the National Physical Development Plan (NPDP) to provide a more flexible framework for business development.

19. The National Equity Fund of one billion rupees is operational. Two other private equity funds, one of rupees one billion and another of some half a billion rupees, are in the making. We expect equity funds to play a central role in industrial restructuring and revitalising the economy.

20. *Fifth, infrastructure.* We have invested heavily in the modernisation of economic infrastructure. With the opening shortly of the second carriageway from Nouvelle France to Plaine Magnien, the airport will be linked to Port Louis by a dual carriageway all through. We have examined carefully various alternatives to resolve the traffic problem on the Port Louis - Curepipe corridor. The Light Rail Transport (LRT) option is on the way of being confirmed. The northern part of the island is assured of adequate supply of water with the Midlands Dam now completed.

21. *Sixth, environment.* A major investment programme has been launched to protect and better manage our environment. Capital expenditure on wastewater projects in the last two financial years has exceeded Rs 1.6 billion. This is the first time the sector has seen investment on this scale. We have put an end to the extraction of coral sand from the lagoon. This was a difficult but necessary decision in the long-term interest of the Nation.

22. We have taken steps to address the growing problem of solid waste disposal and management. We have rehabilitated dumping grounds and built new transfer stations. The legal framework and enforcement capacity have been strengthened. A series of projects have been implemented to embellish the living environment across the island, with particular focus on deprived areas.

23. *Seventh, youth and sports.* We have put in place sports infrastructure of international standards for the forthcoming Indian Ocean Islands Games. It has been a race against time, but we are winning it against all odds. We have created conditions to enable our youth to develop their full potential.

24. *Eighth, culture.* We have established cultural centres to reinforce social values and community bonds, so vital to maintain harmonious relations within our rainbow nation. Four new centres, namely the Mauritius Cultural Centre as well as the Marathi, Tamil and Telegu Cultural Centres have become operational.

25. *Ninth, local government and Rodrigues.* We have initiated the process for a historic reform of local administration. Rodrigues already enjoys maximum autonomy. It now has its own elected regional assembly and a Council to manage the affairs of the island.

26. We have created conditions for sustained growth in Rodrigues. The construction of a new airport of international standard will be completed shortly. The road network has been extended and telephone services upgraded. We have improved water supply and health services, expanded educational facilities and provided decent housing in replacement of "Lacaze Zétoile" and "Lacaze Zénou". Total budget for Rodrigues under this Government has exceeded Rs 1 billion for two consecutive fiscal years.

27. Local authorities in Mauritius are about to experience greater devolution of power. Port Louis is undergoing remarkable physical transformation. The Treasury Building has been renovated and le Jardin de La Compagnie upgraded. The reconstruction of the central market is at an advanced stage.

28. *Tenth, poverty alleviation and social welfare.* A comprehensive programme has been initiated to empower the poor and vulnerable groups. We have put in place an entirely new strategy to better respond to the housing requirements of those most in need, that is the low and very low-income groups. Work is well advanced on the construction of some 2,600

units on some 34 sites across the island. Some 150 families, previously living in squatters' camps, will be relogged shortly while construction of the new village for the residents of the Dockers' Flats has started.

29. We have facilitated access to education for children from deprived areas. We have launched a "Zone d'Education Prioritaire" (ZEP) programme for low-achieving schools. A special scheme has been introduced to assist financially needy students to pursue tertiary education and vocational training. We have put in place micro-credit schemes and a Guarantee Fund to meet the credit needs of the poor. These have enabled entrepreneurs from low-income groups to initiate projects covering a wide range of income-generating activities. We have thus opened up for the poor a window of opportunities to climb up the social ladder.

30. We have increased budgetary allocation for all recipients of social welfare payments by Rs 700 million over the last two financial years. We provided temporary subsidies on liquefied petroleum gas and bus fares in order to cushion the impact of inevitable price adjustments. We have taken measures in favour of disabled children to meet their special educational needs. And all this was done in a responsible manner and despite extreme pressures on the Budget.

31. *Finally, economic management.* We have introduced a transparent and responsible style of economic management. We have halted erosion in government revenue, restored fiscal discipline and brought down the budget deficit.

32. We have undertaken reform of public enterprises to improve their management and financial viability. We have brought back both the State Trading Corporation (STC) and the Central Electricity Board (CEB) on the path of financial sustainability. We have prepared the postal services, the National Transport Corporation, the Central Water Authority (CWA) and the Cargo Handling Corporation for modernisation.



33. We have given the Bank of Mauritius full freedom to operate. The rate of inflation has declined to 5.1 per cent in the current financial year while the Lombard Rate has decreased by 2¼ percentage points since November 2000. Net international reserves have reached an all time high.

### **BUDGET PRIORITIES**

34. Mr Speaker, Sir, we have indeed come a long way since September 2000. And it is essential that we remain engaged on the path of reform and progress. The last two budgets focused on crucial reforms and investment in key sectors. This Budget pursues the implementation of on-going reforms and the consolidation of achievements to-date. The priorities are to:

create a more friendly business environment to stimulate private investment, growth and employment;

speed up the restructuring of key sectors to cope with the constantly evolving world trading and economic environment;

provide opportunities for self-enhancement and improved quality of life; and

foster a more inclusive society by focusing State assistance on the needy and vulnerable citizens.

And to achieve these priorities, the Budget endeavours to attain fiscal sustainability through the pursuit of greater discipline and efficiency in resource use.

### **Backdrop to the Budget**

35. Mr Speaker, Sir, this Budget is set against an international climate marred by a succession of disturbing events. The corporate world has been shaken by accounting scandals on a scale never witnessed before. Stock markets the world over have recorded massive losses and concern for security has deepened pessimism and heightened uncertainty. The war in Iraq and

the recent spread of the Severe Acute Respiratory Syndrome (SARS) have added to the general gloom. Consumer demand has dampened and business confidence slumped.

36. Prospects for the near term are still clouded with uncertainty. According to most analysts, world output would grow by less than 2.5 per cent in 2003, while the mild recovery initially expected in the United States might not materialise. Europe's economic performance is equally compromised, with Germany in particular likely to experience a sharp slow-down. Japan remains trapped in recession. Outlook for the Asian Tigers remains subdued with economic growth hovering around 3 per cent.

37. There are indeed daunting challenges looming on the horizon for Mauritius. Another crucial element in the budgetary equation will be the implementation of the Report of the Pay Research Bureau, which will weigh heavily on the Budget.

### **Economic Performance**

38. Let me now review the performance of the economy during this financial year and indicate prospects for the coming year. The economy is expected to have expanded by 3.4 per cent in 2002/2003. This lower performance is explained by the more pronounced after effects of cyclone Dina on sugar output; a near stagnation in the EPZ following events in Madagascar; and lower growth in the tourism sector due to security concerns. Construction and Real Estate and Business Activities have continued to be buoyant, growing at 7 per cent and 7.4 per cent respectively.

39. The savings rate has further improved to reach 28 per cent of GDP while the investment rate would be 22.2 per cent. Inflation has been contained at 5.1 per cent, notwithstanding expectations at the time of Budget presentation that it could exceed 7 per cent. The Stock market has picked up with the SEMDEX reaching 475 points on 30<sup>th</sup> May this year compared to around 350 points a year earlier. As regards unemployment, a study is being

carried out with the help of the World Bank to establish a more refined basis for determining the overall level of employment in the economy, including the informal sector.

40. The current account of the Balance of Payments is expected to register a net surplus of Rs 5.6 billion. Net international reserves would reach Rs 44.4 billion by the end of June, representing an import cover of nine months.

### **Budget Outturn**

41. On the budgetary front, performance would be as targeted. Recurrent revenue was originally estimated at Rs 29.5 billion. Indications are that tax and non-tax revenue would amount to Rs 30.08 billion. This would be due mainly to higher than expected receipts from VAT, customs duties and income tax. The higher revenue would be partly offset by a shortfall from excise duties, registration duties and taxes on properties. Non-tax revenue is expected to exceed slightly the original forecast.

42. Capital revenue, including grants, would amount to Rs 1.26 billion against the estimate of Rs 1.32 billion due to lower dividend receipts. Total revenue would thus reach Rs 31.3 billion.

43. Net recurrent expenditure would exceed the original estimates by Rs 652 million to reach Rs 31.4 billion. This is mainly explained by payment of Rs 300 million to STC for taking over by Government of part of the liabilities arising from losses in respect of petroleum products. These losses accumulated under the previous Government had reached the staggering figure of Rs 1.9 billion by September 2000. The special allowance granted to public sector employees as from January this year has cost Government Rs 180 million. Public service pensions would exceed the estimates by Rs 50 million. Additional provisions of Rs 58 million and Rs 110 million had also to be made for the Development Works Corporation and the Private

Secondary Schools Authority (PSSA) respectively to enable them to meet their financial commitments.

44. Capital expenditure would reach the record level of Rs 9 billion, representing almost 100 per cent of voted provisions. Total expenditure for current financial year would thus amount to Rs 40.4 billion.

45. The overall deficit would be Rs 9.07 billion compared to the budget estimate of Rs 9.1 billion. As a percentage of GDP, the deficit would be 6 per cent as targeted.

### **Economic Prospects**

46. In spite of the difficult and uncertain global environment, the economy is forecast to post a higher growth rate of about 6 per cent in 2003/2004. The sugar sector is expected to grow by about 15 per cent while growth in the EPZ and tourism will be about 4 per cent.

47. For the third consecutive year, the current account of the Balance of Payments will show a surplus. This is projected at Rs 5.7 billion. As regards inflation, it should again be contained at around 5 per cent.

48. Let me now come to the main priorities of this Budget, beginning with creation of a more friendly business environment.

### **CREATING A MORE FRIENDLY BUSINESS ENVIRONMENT**

49. Mr Speaker, Sir, a friendly business environment is an essential condition for attaining higher levels of investment, sustained growth and for raising overall employment. As stated earlier, we have fine-tuned macro-economic policies, restored discipline in the finances of public enterprises and effected institutional and legislative changes to help create an enabling environment. This Budget proposes a series of measures to maintain the momentum and, in particular, to enable businesses to grow and create a maximum number of productive jobs.

## **Streamlining of Permits and Licences**

50. The reform of our system of permits and licences for investment will be accelerated. The aim is to reduce waiting time, provide for greater predictability, fast track procedures and eliminate overlapping. Clear and transparent guidelines will be drawn up for issue of permits and licences. A time frame will be set for determination of applications. Policy guidelines for private investment in strategic areas will be elaborated.

51. Legislative changes will be introduced to streamline procedures relating to development permits at Local Government level. A Permits and Licences Committee will be established in each local authority to interact with BOI and the Small and Medium Industries Development Organisation (SMIDO) and speed up the processing of applications from investors and businesses. Amendments will be introduced to legislation to strengthen still further the role of the BOI as an effective one-stop shop. The BOI will also link up with other public sector agencies to improve interface and facilitate prompt decision on applications.

## **Land Use Planning**

52. The framework for land use planning will be revamped. The relatively fixed blueprint of the 1994 National Physical Development Plan (NPDP) has been a major constraint to investment. That is why in updating the NPDP, Government has adopted a new strategy that provides for greater flexibility. The objective is to ensure that land use planning meets the requirements of rapidly changing markets and socio-economic conditions.

53. The strategy will be monitored and updated periodically by a Planning and Development Commission composed of public and private sector representatives. A Strategic Planning and Implementation Unit will process projects requiring huge investments as well as projects of strategic and national importance. The Town and Country Planning Act will be amended.

54. Government will initiate consultations with stakeholders on amendments to be brought to the Landlord and Tenant Act 1999. Certain provisions of the Act are indeed a constraint to the renewal and renovation of commercial properties. The result has been a lack of investment and continuing deterioration in their conditions. We cannot allow prime property in town centres to degenerate into eyesores.

### **Civil Service Reform**

55. Mr Speaker, Sir, faster and efficient delivery of Government services is critical to improving business climate. Certain services are already available on-line. The delivery of a whole range of services electronically will be accelerated to cut down on waiting time and reduce costs to businesses. Government will also speed up the computerisation of ministries and departments. I am providing Rs 150 million for this purpose. An E-Government Master Plan is being prepared to provide a coherent framework for wider application of computer technologies in the civil service.

56. The reform of the public service will be stepped up. Good note has been taken of the innovative and far-reaching proposals contained in the 2003 PRB Report and they will be acted upon as appropriate. Public officers should be at the service of citizens and meet the highest standards possible. Ministries will be required to undertake technical audits of their internal operations, including the efficiency of their decision-making processes. Greater delegation of responsibility will be encouraged and individual initiative rewarded. Awards for best counter services will be introduced and the training of public officers in ICT, management and customer care will be expanded.

### **Public Enterprises**

57. The shaping of a business-friendly environment will call for a major re-engineering of public enterprises. They should have operational and financial autonomy to be in a position to provide better, faster and more cost-effective

services. Postal services are already on the way of being modernised with the creation of the Mauritius Post Ltd. An extensive restructuring is in progress at the CEB, STC and at the port and airport. A study will be carried out on options for reform of the water and wastewater sectors. Government will extend the process to other public enterprises. A Utility Regulatory Authority Bill will be introduced shortly.

## **Competition**

58. The recent introduction of legislation on competition, combined with revolution in retail trading, has substantially reduced the risks of restrictive trade practices, price rigging and collusion. There is greater competition on the domestic market. Mauritian consumers now have a wider choice of goods at varying and competitive prices. These developments are rendering price and supplies control increasingly irrelevant. They are clearly not in keeping with global trends and fast evolving economy. Government will review, in consultation with economic operators and consumer groups, the whole system of price and supplies control, including import permit requirements. Our aim is to remove unnecessary hassles for operators without affecting consumer interests.

## **Capacity and Supply Constraints**

59. Government is committed to further expand the country's infrastructure. We want to avert the emergence of capacity and supply constraints that may affect businesses negatively. Mauritius needs to guarantee security of power and water supply as it competes globally for investment. We must have in place infrastructure that responds to international standards in terms of quality, reliability and affordability.

60. The Port Master Plan has been updated to promote optimal utilisation of land in the Port area. Key components of the Master Plan will be implemented. These include extension of the container terminal to cope with

rapid growth in transshipment traffic and construction of a petroleum jetty. Security in the Port will be strengthened and oil storage facilities relocated.

61. The updating of the Airport Master Plan, which will have a planning horizon of up to 2010, will be completed shortly. Implementation of the second phase of the Passenger Terminal will be undertaken at a cost of Rs 500 million. In the near future, Mauritius will have a world-class airport with enhanced facilities for passengers. A new cargo zone will be developed within the airport area to cater for the projected increase in cargo traffic. In the longer term, it is proposed to construct a second runway.

62. A Master Plan on Air Transportation will be drawn up. It will look into issues such as institutional and regulatory framework, passenger safety and air transport security. The Master Plan will also assess the relevance of the current air access policy.

63. The road network will be extended further with the implementation of the South Eastern Highway and the Rose-Hill-Ebène-Trianon Link Road. The old road from Nouvelle France to Plaine Magnien will be upgraded and the Macondé Causeway replaced by a bridge. The construction of Calebasses Bridge and the improvement of Rivière du Poste Bridge will be undertaken. I am providing Rs 335 million in the Budget for road development.

64. The upgrading of the Victoria Bus Station and the uplifting of the surrounding area are under implementation. I am providing Rs 25 million for completion of the project. The Budget provides Rs 37 million for the construction of traffic centres at Centre de Flacq and Ebène.

65. Traffic congestion has for too long imposed unnecessary costs on the economy in general and businesses in particular. We are determined to address this problem headlong. A detailed feasibility study will be carried out to confirm the LRT option. Procedures and criteria for licensing of taxis are being reviewed to make the taxi transport system more efficient.



66. In the power sector, an energy audit has been completed. It assesses the long-term electricity needs of the country and details out an investment plan for the next ten years. The CEB is having discussions with the Compagnie Thermique du Sud on its proposal for the construction of a new power plant of 30 megawatts to be operational by 2005. Government will encourage the generation of electricity by independent power producers and promote the optimal utilisation of bagasse for energy production. The CEB will be converted into a company with exclusive responsibility for transmission and distribution at national level.

67. As regards water availability, the supply capacity has greatly increased with the coming into operation of the Midlands Dam. The site for a new dam at Bagatelle, which will cater for Port Louis and lower Plaines Wilhems, has been identified. A four-year programme to reduce water losses in the distribution system is being undertaken. I am providing Rs 260 million for the rehabilitation of La Nicolière Feeder Canal and existing dams.

68. In our efforts to reduce the cost of doing business and to promote the application of ICT, we have brought forward liberalisation of the telecommunications sector by one full year. The first result has been a downward pressure on telecommunication rates. We expect the rates to come down further with the arrival of more players. This should enhance opportunities for operators to market new value added services. It should also offer a wider choice in terms of technology solutions for businesses.

### **Business and Industrial Parks**

69. Mr Speaker, Sir, serviced sites at affordable prices will immensely facilitate industrial and business development. Within the Ebène CyberCity, some 50 acres equipped with necessary infrastructure and facilities are currently being developed as a business zone. Nearly all the plots have been leased. Another business park is being put up at Rose Belle. A dedicated industrial zone over an area of some 200 acres at La Tour Koenig is also being created for spinning and other industrial projects, including SMEs.

Government will actively support initiatives both by private and public sector bodies to set up business and industrial parks that respond to modern-day requirements.

### **Labour Market Development**

70. The success of our efforts to create an environment conducive to investment and sustained growth will also depend on the availability of a right mix of skills. That is why Government has embarked on the historic reform of education and training. We also need to address rigidities in the labour market.

71. Most independent observers are today of the opinion that our labour market is out of tune with economic realities. It should function in a manner that would raise efficiency, enhance competitiveness and expand employment opportunities for all. This is a *sine qua non* condition for survival in today's global economy.

72. As the House is aware, our wage setting mechanism has been the subject of various studies. They have all emphasised the urgency of reform. Government will seek to build national consensus on the scope and depth of such reform to ensure that changes are implemented "en douceur" while maintaining industrial and social peace.

### **Capital and Financial Markets**

73. Let me now touch on the capital requirements of businesses. Last year, I announced the setting up of a one-billion rupee equity fund. As mentioned earlier, the National Equity Fund is already operational and a number of applications are being processed. Similar funds are being launched by private promoters. I am confident that these initiatives will go a long way towards meeting requirements for investment finance. There have also been successive cuts in the Lombard Rate, translating effectively into lower cost of borrowing for investment and working capital purposes.

Government will pursue policies aimed at creating conditions that will help further reduce costs of finance.

74. Legislation will be amended to provide for a more generalised conduct of repurchase operations (repo) among financial institutions. These operations are currently carried out between the Bank of Mauritius and commercial banks only. The aim is to stimulate development of the repo market. This will enhance the effectiveness of liquidity management and improve the conduct of monetary policy within the framework of well-functioning financial markets.

75. Government will encourage the establishment of non-bank primary dealers to promote a more active trading in Government securities and to obtain a market-determined yield curve. This will help introduce greater competition on the market in addition to involving investors and the Stock Exchange in secondary market development in Mauritius.

### **Good Governance**

76. Mr Speaker, Sir, recent events both abroad and locally have brought into sharper focus the importance of good governance. Accountability, transparency, responsibility, fairness, meritocracy and vigorous action against corruption and financial crime should be the guiding principles in all walks of economic, business and social life. These are essential for strengthening confidence in both public and private institutions and improving the business environment.

77. Government has put in place a strong legal and institutional framework to promote good governance practices and fight fraud, corruption and other economic crimes. The legislation will be further reinforced. Financial and human resources for intelligence and enforcement agencies are being substantially increased in this Budget.

78. A Code of Corporate Governance has been prepared by the Committee on Corporate Governance and is being circulated for wider consultation. The

Code will apply to listed companies, State-owned companies and statutory bodies as well as to large public and private companies. An Institute of Directors will be established to provide training and advise organisations on the implementation of good governance structures.

79. Legislation will be introduced to provide for the establishment of an Institute of Professional Accountants and a Financial Reporting Council. The Institute will promote the highest standards of professionalism and integrity among accountants and auditors. The Council will ensure compliance by companies and other public interest entities with financial reporting requirements and International Accounting Standards.

### **RESTRUCTURING AND CONSOLIDATING KEY SECTORS**

80. Mr Speaker, Sir, shaping a business friendly environment is not enough. It will have to be accompanied by a restructuring and consolidation of key sectors of the economy. This is inevitable in a dynamic society and a constantly evolving global economy. In parallel, we will have to forge new economic partnerships as we redouble our efforts to expand markets.

#### **Agriculture**

81. As the House is aware, the restructuring of the sugar sector is well advanced. I have outlined earlier the extremely positive response to the VRS. The implementation of other components of the Sugar Sector Strategic Plan is also progressing satisfactorily. The momentum will be maintained.

82. As regards non-sugar agriculture, a Strategic Plan has been prepared for restructuring and ushering the sector into a new technological era. We want our planters and breeders to exploit new, profitable business opportunities. The Budget makes provision for implementation of the various components of the Plan and thus for the emergence of a solid non-agricultural sector.

First, a pest and disease control programme for organic agriculture and a surveillance system for control at ports of entry will be established.

Second, research will be undertaken in new varieties of fruits and flowers, as well as in livestock, food and agro-processing technologies.

Third, horticultural extension services will be reinforced and improved techniques for conservation and propagation of local endangered species of flora and medicinal plants introduced.

Fourth, duty concessions on purchase of a single or double cab vehicle will be extended to apiculturists owning at least 25 hives. Foundation wax and equipment for honey extraction and processing will be exempt from customs duty.

Fifth, small onion planters will benefit from concessionary loans for storage facilities from DBM. Similar facilities will be extended to flower producers and vegetable and fruit growers.

83. A Food Laboratory, equipped with latest technologies, will be set up. It will enable local food processing industry and exporters of food commodities to comply with export requirements.

84. Government is going ahead with the setting up of the National Biotechnology Institute at a cost of Rs 360 million. The Institute will play a vital role in raising productivity and enhancing the competitiveness of non-sugar agriculture.

85. An amount of Rs 144 million is earmarked for expansion and modernisation of the irrigation network.

86. The Plants Act, which dates back to 1976, will be reviewed to meet new sanitary and phytosanitary norms. Legislation will also be introduced to regulate handling of Genetically Modified Organisms (GMOs) and their by-products and to protect plant breeders' rights.

## **Manufacturing**

87. Mr Speaker, Sir, nowhere is there more urgent need for restructuring than in the textile and clothing sector. Indeed, the industry worldwide is being reshaped under pressure from low-cost producers, changes in market conditions and the general slow-down in demand. The imminent end of the Multi-Fibre Agreement and the recent proposal at the World Trade Organisation (WTO) for elimination of tariff on textile products, if accepted, would remove any remaining trade preferences enjoyed by the sector.

88. The challenge for Mauritius is to remain globally competitive. Our enterprises will need to be innovative, forward-looking and be prepared to adjust constantly to rapid developments. They must re-engineer their production processes, overhaul management and optimise resource use. There is no other viable option. Some far-sighted entrepreneurs have already done so, and have been quite successful in weathering the onslaught of competition.

89. On its part, Government has taken initiatives to assist enterprises in their restructuring efforts. We have opened up access to an additional source of financing through equity funds. The ceiling under the DBM Textile Modernisation Loan Scheme will be raised four-fold to Rs 20 million and interest lowered to 8 per cent. DBM will also introduce a scheme to finance the working capital requirements of textile firms. The goal remains the long-term sustainability of our enterprises.

90. Government is encouraging vertical integration to consolidate the textile sector. A special package of fiscal incentives has been devised to promote investment in spinning plants. The scheme includes a special tax credit of up to 60 per cent of the equity invested, spread over a maximum period of six years. Land is also being provided for lease at highly concessionary rates.

91. As the sector restructures, it will need labour with multiple skills for greater production flexibility and increased productivity. The Industrial and

Vocational Training Board (IVTB) will, in collaboration with the Export Processing Zone Development Authority (EPZDA) and the industry, mount training programmes to meet the varied skill needs of the sector. Training will be provided to re-skill retrenched workers to facilitate their mobility and redeployment both within and outside the textile sector. Special re-skilling schemes will be launched for workers aged over 40 who cannot be re-absorbed in the sector. Their access to micro-credit will be facilitated.

92. The call for restructuring is not limited to the export industry; it applies equally to other segments of manufacturing which already have to grapple with rising imports. Competition will grow in intensity as tariff cuts under the SADC Trade Protocol are implemented. Our enterprises, including SMEs, have no alternative but to adjust. Government is committed to facilitate their transition to a more open trading environment. In this context, a rationalisation of the existing industrial support institutions will be undertaken to provide more effective services.

93. Industrial clusters offer prospects for firms in similar or complementary activities to access specialised resources and enhance their ability to innovate and compete effectively. Clustering can help reduce costs through sharing of services and infrastructure while allowing enterprises to retain their operational flexibility. Government will work out an incentive package to promote clustering. Loans on concessionary terms will be provided by DBM.

## **Tourism**

94. Mr Speaker, Sir, events on the international front over the last two years have definitely not been favourable to long haul travel. And yet, our tourism sector has managed to grow. This is clear proof of the soundness of our tourism development strategy. Government will continue to build on the image of Mauritius as a secure, safe and quality destination.

95. We want to raise service standards to levels comparable to, or even better, than those achieved by the very best in the world. With the coming

into operation of the Tourism Authority, tourism-related activities and service providers will be better regulated. Strict norms of service quality will be established and their compliance ensured.

96. Government is committed to develop tourism infrastructure in an integrated and environmentally friendly manner. The development of integrated tourist zones at Bel Ombre and St Félix is well underway. The zones will accommodate eight high-class hotel resorts which will create hundreds of jobs. Work on the preparation of a plan for an integrated tourism and leisure development at Les Salines at Black River has reached an advanced stage. Under this plan, four hotel sites, a marina and a public beach will be developed. Government will encourage resort developments in other zones.

97. We are not restricting ourselves to spreading tourism infrastructure. We are also committed to fostering inclusion of the local community in tourism development. Government will, with the collaboration of hotel developers, upgrade public beaches and strengthen social infrastructure in tourist zones. This is the best way to ensure that Mauritius remains a friendly and hospitable tourist destination.

### **Financial Services**

98. Mr Speaker, Sir, let me now turn to financial services. We have been strengthening the regulatory and institutional framework for the last two years. Additional legislation will be introduced to modernise banking, insurance, pensions, leasing and the securities market. Our objective is to help the financial services sector adjust to the new realities of the global market in terms of development and compliance requirements while remaining competitive. In this context, work is in progress on the adoption of internationally accepted standards of conduct and best practice.

99. We want the international services segment to be integrated more closely with the rest of the economy, to have greater substance and



contribute more to growth and employment. The sector will be encouraged to diversify into new activities as our competitive advantage in some markets comes under severe pressure. In this context, I am pleased to announce that all companies providing financial services licensed under section 14 of the Financial Services Development Act will benefit from the 15 per cent incentive rate of corporate tax. This will not apply to insurance companies.

100. As in the case of other sectors, the skills and quality of management will be critical for the continued growth of the financial sector. The Financial Services Promotion Agency will implement targeted training programmes to meet the specific needs of operators.

### **Freeport**

101. The Freeport today is in a stronger position than ever to cope with competitive pressures. This is the direct result of reforms undertaken and of the growth in transshipment traffic. Investment both by developers and operators has resumed and picked up in the last two years. There is increasing interest from multinationals to establish regional distribution bases in the Freeport. Government will further improve the overall environment to sustain this interest. Amendments will be brought to the Freeport legislation to provide for greater certainty about operations in the Freeport beyond 2004.

### **Information and Communication Technology**

102. Mr Speaker, Sir, thanks to Government's farsightedness, the ICT sector is poised to emerge as a powerful engine of growth and employment creation. World names in the ICT business are already here even before the first CyberCity is ready. The challenge for Mauritius is to carve out a niche for itself in the highly competitive global ICT market. As a small economy with limited resources, we can hardly afford to build competencies in the entire spectrum of ICT immediately. It has to be done in phases, starting with core competency.

103. Business Process Outsourcing or BPO is an area Mauritius can exploit in its search to build a solid ICT industry. The global BPO market is expected to expand to close to 250 billion US Dollars by 2005. We should position ourselves to capture a share of this market. I have in mind here BPO in financial services covering areas such as financial payments systems, insurance claims processing and customer services in which we already have competency.

104. A dedicated secretariat will be set up at the BOI to handle BPO projects. A strategic study on developing Mauritius as a BPO destination has been commissioned and will be completed shortly. It will assess the strengths and weaknesses of Mauritius and chart out a road map for BPO development.

105. While we gear up to exploit the world BPO market, individual initiatives in the broader ICT sector will be encouraged. A number of start-ups by young entrepreneurs have already become operational in the Incubator Centre of the National Computer Board. A scheme will be introduced by DBM to finance enterprises engaged in ICT-enabled services and development of ICT products. Under the scheme, loans of up to Rs 5 million will be provided on concessionary terms.

106. Mr Speaker, Sir, the success of our efforts to build an ICT industry will depend on our ability to create the critical mass of ICT skills. While we recognise the contribution of local institutions, the presence in the country of world-class technology institutes will be a major asset. Government has thus initiated consultations with potential institutes for the setting up of campus in Mauritius.

### **Economic Partnerships**

107. We will also have to deepen economic and trade relations with our traditional partners and build new partnerships. This is essential to widen our economic horizon and develop new avenues for growth. Several initiatives currently under way are of special interest to us.

108. First is the on-going negotiation between the European Union and the African, Caribbean and Pacific (ACP) Group for WTO-compatible Economic Partnership Agreements. Secondly, there have been proposals for Mauritius to join the Southern African Customs Union (SACU) and for the Common Market for Eastern and Southern Africa (COMESA) to create its own Customs Union by October 2004. Thirdly, discussions are on-going for an Africa Growth and Opportunity Act (AGOA) III and the negotiations on a Free Trade Agreement between the USA and the SACU. There is further the possibility for Mauritius to develop a network of bilateral Free Trade Agreements or more comprehensive economic partnership agreements with countries that have sizeable markets.

109. Crucial decisions are required in the near and short terms on the way forward for Mauritius. Government will intensify consultations with economic operators and other stakeholders to build consensus on the best international trade strategy. Government will also participate actively in on-going negotiations at the level of WTO to safeguard our economic interests.

110. In that context, Mauritius has been on the forefront of efforts to obtain recognition from the international community of the specificities of small economies. We have been militating at the WTO for special and differential treatment for small island developing states (SIDS). The United Nations Meeting on SIDS, which Mauritius plans to host in September 2004, will be a unique opportunity to forge a common front and advance further the cause of SIDS.

### **SELF DEVELOPMENT AND QUALITY OF LIFE**

111. Mr Speaker, Sir, economic development is not just about material progress; it is also about improving the quality of life through enhanced educational facilities, cleaner environment and better health care, sports, leisure and cultural facilities. Above all, it implies expanding opportunities for self-development.

## **Education**

112. The best way to achieve this is through education and training. We have given top priority to reform of education and invested massively in the sector over the past two years. This year again, we are allocating considerable resources to support the reform process. We are also introducing measures to encourage private schools to improve their infrastructure. Let me indicate the main budgetary provisions and initiatives for the education sector.

First, I am allocating Rs 720 million for completion of 13 State Secondary Schools (SSS), including two of MGI type, and for construction of six new SSS and one Form Six College. Provision is also made for the recruitment of 304 Education Officers and 210 non-teaching staff.

Second, a programme for reform of the pre-primary sector will be launched. It will focus on quality enhancement, training, career development and provision of a new regulatory framework. The Pre-School Trust Fund will be converted into a regulatory body.

Third, primary schools, particularly in deprived areas, will be provided with pre-primary units on a demand-driven basis. Total contribution for pre-primary education is being increased to Rs 84 million.

Fourth, a major programme for construction and upgrading of toilets in state and primary aided schools is being initiated. I am creating a new item with a project value of Rs 400 million and a provision of Rs 50 million to launch the first phase of the programme

Fifth, the DBM will operate a new concessionary loan scheme for private secondary schools to upgrade school infrastructure in the context of education reform. An improved grant formula will be put in place for pre-vocational education.

Sixth, financial compensation will be paid to private secondary schools closing down as a consequence of education reform.

Seventh, the PSSA will be called upon to play an increasing role as a facilitator for upgrading the quality of education provided by private secondary schools. A consultative body will be set up within the PSSA for dialogue among stakeholders.

Eighth, I am increasing provision for State Scholarships by 23 per cent to Rs 106 million.

Ninth, I am providing Rs 24 million for the Rajiv Gandhi Science Centre which will become operational in the course of next financial year.

Tenth, budgetary provision for the tertiary sector is being raised to Rs 682 million. This amount includes Rs 75 million for completion of the Engineering Tower at the University of Mauritius and Rs 17 million for renovation of MGI Auditorium.

113. Mr Speaker, Sir, with reform at the pre-primary, primary and secondary levels fully engaged, it is now time to turn our attention to the tertiary education sector. Our ambition is to develop Mauritius into a knowledge hub and a centre of higher education. We want institutions of international repute to locate part of their activities here to help us capture a share of the world education market which is expanding fast. The Human Resource Development Certificate Scheme will thus be revisited and incentives fine-tuned.

114. Total budgetary provisions for the education sector will again be close to the Rs 6 billion mark this year. This confirms once more our commitment to respond to the aspirations of the young and provide them opportunities for self-development.

### **Training**

115. The reform of our training system is well advanced. The Mauritius Qualifications Authority (MQA), set up to regulate the activities of private

training institutions, is already operational. I am providing Rs 15 million to cover the operating costs of the Authority.

116. Following the redefinition of its role, the IVTB is exclusively concerned with training. It will be required to meet skills needs of the economy in a more cost-effective manner. The budget provides Rs 145 million as contribution to the IVTB. This amount will be supplemented by allocations from the National Training Fund and income generated from its training activities.

117. A Human Resource Development Council will be set up to promote an integrated and coordinated approach to human resource development. The Council will operate the National Training Fund and set guidelines for training at the national level.

118. The Skills Development Programme has enabled many unemployed graduates and diploma holders to obtain valuable on-the-job training and smoothed their absorption in the employment market. I am providing Rs 15 million for continuation of the Programme.

119. Skills mismatches are a major cause of unemployment and labour market inefficiency. They impose a cost on individuals and on the economy as a whole. A training needs analysis will be conducted in ten sectors of the economy to better match supply with industry needs.

## **Health**

120. Mr Speaker, Sir, enhancing the quality of life to a still higher level will call for improved health care. As announced in the last budget, a White Paper on health sector reform was made public early this year. The reforms proposed comprise the re-organisation of public health care delivery system, introduction of a 24-hour family doctor service, expansion of high-tech medical services and greater emphasis on health promotion and preventive medicine. Government's aim is to bring health services in the medium term to levels comparable to those of Newly Industrialised Countries.

121. The White Paper outlines options for financing the reform, including the introduction of a National Health Insurance Scheme. Public reactions to the reform proposals have been quite positive. These are being examined and an Implementation Plan is in the process of being drawn up. In the meantime, the Budget for the health sector is being increased by 12.2 per cent to Rs 3.3 billion next year. Let me highlight some of the allocations:

First, I am providing Rs 75 million to kick-start construction of a new hospital on the site of Dr Jeetoo Hospital.

Second, an amount of Rs 80 million is being allocated for construction of the new Outpatient Department at Victoria Hospital.

Third, I am earmarking Rs 100 million for completion of the new Psychiatric Hospital at Brown Sequad.

Fourth, an amount of Rs 80 million is being provided for completion and equipping of the Souillac Hospital.

Fifth, I am allocating Rs 65 million for the purchase of additional high-tech equipment, including a cardio-vascular angiography machine, CT Scan and lithotripsy machines.

Sixth, provision is being made for the recruitment of 65 additional Medical Practitioners, 300 Student Nurses, 200 Health Care Assistants, 30 Student Midwives, 20 Student Dispensers and a number of other supporting staff.

Seventh, provision for medicines is being increased to Rs 400 million.

Eighth, an amount of Rs 75 million is being provided for maintaining dialysis treatment for patients suffering from renal problems.

Ninth, grant to the Trust Fund for Specialised Medical Care is being increased to Rs 61 million.

Tenth, financial assistance to patients inoperable in Mauritius is being raised to Rs 27 million.

Eleventh, I am allocating Rs 12 million for implementing the programme for detection of non-communicable diseases.

Twelfth, an amount of Rs 2 million is being provided for reintroducing Ayurvedic and other traditional medicines in Government hospitals on a pilot basis. Additionally, I am raising grant to the Human Service Trust to Rs 1 million to enable the Trust to expand its services in respect of Ayurvedic treatment.

## **Environment**

122. Raising the quality of life will necessitate greater efforts from all on the environment front where Government has assumed its responsibility - and fully. The legal and institutional framework has been reinforced. Norms for air and water quality as well as for hazardous waste disposal have been established. We have phased out the extraction of coral sand from the lagoon and the use of leaded petrol and high sulphur diesel as well as certain types of plastic bags. Massive investment is being made to extend the sewerage network. Indeed, protection of the environment, both natural and living, will continue to feature high on Government's agenda.

123. Our top priority will be the implementation of the wastewater development programme. Last year, I provided Rs 912 million for major wastewater projects. This year, I am increasing the allocation to Rs 1.3 billion, a level never attained before.

124. I am providing Rs 249 million for the solid waste management and disposal programme. It includes rehabilitation of dumping grounds, upgrading of existing transfer stations and construction of new ones as well as operation of transfer stations and the Mare-Chicose landfill.



125. A provision of Rs 175 million is being made for implementation of various environmental projects. These aim at minimising coastal and inland erosion, development of an integrated coastal zone management framework and landscaping and embellishment works. Green spaces, health tracks and promenades will be created in selected areas to promote healthy living.

126. Action on the environment front should not stop at solid and wastewater disposal and coastal zone management; it should extend to water drainage as well. Poor or lack of drainage has adverse impact on living conditions and the quality of life. Heavy rains in recent weeks have brought into light the scale and severity of the problem. Addressing the issue effectively will necessitate massive investment. I am creating a new item in the Budget with a project value of Rs 1.5 billion for a National Water Drainage Programme. An amount of Rs 200 million is being provided to start the programme.

127. Equally important for us is to move towards cleaner energy as part of global efforts to achieve a significant reduction in greenhouse gas emissions. A loan scheme is already in place at DBM to encourage the use of solar water heaters. The loan ceiling is being raised to Rs 25,000, the interest rate lowered to 6 per cent and the repayment period extended to seven years. A new loan scheme will be introduced to encourage the conversion of motor vehicle engines from petrol to liquefied petroleum gas, which is more environment friendly.

### **Sports and Leisure**

128. Let me now turn to sports and leisure. Both are vital for physical and psychological development and for improving quality of life.

129. As the House is aware, the Sixth Indian Ocean Islands Games are only three months away. The whole Nation is gearing up for the event. Government is confident that the Games will trigger "un élan de patriotisme" and further cement national unity. We have therefore spared no effort to ensure that the necessary infrastructure is in place for the Games.

130. We have invested in priority in the upliftment of George V Stadium, renovation of Anjalay Stadium, construction of a Weightlifting and Boxing Gymnasium at Vacoas and a Multi-sports Complex at Phoenix. In this Budget, I am providing Rs 111 million for completion of these projects as well as for equipment. I am providing Rs 60 million for the organisation of the Games.

131. Mr Speaker, Sir, in this year of the "Jeux des Iles", I wish to announce a special measure. I am abolishing customs duty on sports equipment and articles.

132. I am providing Rs 29 million for the promotion of sports activities. Provision is being made for meeting the costs of participation of our athletes in the forthcoming All Africa Games.

133. An amount of Rs 49 million is being earmarked for setting up sports complexes, including swimming pools at Mare d'Albert and Flacq. We want all of our citizens to have access to modern sports facilities irrespective of their place of residence.

134. I am providing Rs 30 million for completion of the Youth Centre at Rivière du Rempart and for meeting preliminary expenses for Youth Centres at Flic-en-Flac and Brisée Verdrière.

135. Total provision for the Ministry of Youth and Sports is being increased by over 9 per cent to Rs 376 million.

136. As regards leisure, the "randonnées" and "anou allé" events organised in different parts of the country have mobilised thousands of Mauritians of all ages. Waterfronts both in Port Louis and Mahebourg have become favourite places for family day-outs. These leisure facilities will need to be supplemented to provide a wider choice to the population.

137. Going to the seaside is part and parcel of the Mauritian lifestyle. This underscores the importance of managing our public beaches properly. I am providing Rs 85 million for this purpose. An amount of Rs 60 million is being

provided under various votes for the Grand-Baie Integrated Resort Development Project. The project, which aims at enhancing the tourist cachet of the village and expanding leisure facilities for the inhabitants, will be implemented with the participation of the private sector.

138. Public beaches should also offer recreational facilities of good standards. Government will facilitate the setting up by the private sector of nautical centres for activities such as sailing, boating and windsurfing. Contracts for the construction of six such centres have been awarded and works are expected to start shortly.

139. Horse-racing, long an integral part of Mauritian leisure traditions, calls for revamping; it should be in tune with socio-economic realities of the country and meet the requirement of the population for quality leisure infrastructure. There is need for greater democratisation of the sector as well. And the Nation expects accountability and transparency from both the horse-racing organiser and operators.

140. Following protracted consultations with all concerned, Government will introduce a Horse-Racing Bill aimed at reconciling the interest of the population for sound leisure with that of stakeholders in the industry. It will provide for better regulation of the industry through an independent Board, stricter control over betting and for easing of the fiscal burden to ensure the viability of the sector. Proposals for the setting up of a new race-course cum leisure centre near Bagatelle are under consideration.

### **Arts and Culture**

141. Mr Speaker, Sir, we are fortunate to have very much alive in Mauritius all the great religions and cultures of the world. It is our duty to preserve and promote our rich cultural heritage. Culture adds a new dimension to quality of life. That is why we have set up various cultural centres. Government will continue to support these centres in their efforts to promote unity in diversity

and enhance social harmony. I am increasing budgetary allocation for the centres by 15 per cent to Rs 17 million.

142. Legislation relating to the National Heritage Trust Fund and the National Monuments will be harmonised. The new legislation will also cover the field of oral and intangible heritage. A UNESCO survey of sites and monuments that may form part of world heritage is under way.

143. I am providing Rs 10 million for converting the General Post Office building into the Nelson Mandela Centre for African Culture. Provision of Rs 3 million is being made for renovation works at the Cultural and Recreational Centre at Pointe Canon.

144. Total provision for Arts and Culture is being increased by 21 per cent to Rs 159 million.

### **FOSTERING A MORE INCLUSIVE SOCIETY**

145. Mr Speaker, Sir, the benefits of economic development should reach in priority the poorest and most vulnerable. The promotion of social justice requires that the fruits of growth are distributed as equitably as possible and that no one is excluded. For that purpose, Government has initiated a programme to empower the poor, the needy and the most disadvantaged. Our ambition, Mr Speaker Sir, is to build a compassionate society where everybody cares and is being cared for. Let me now touch on the key components of the programme.

#### **Social Housing**

146. The implementation of Firinga-type houses for very low-income groups is well under way, with 422 units already completed. The next batch of 670 units will be ready in September while work on another 578 units will start in the course of next financial year. For every hundred rupees spent on a Firinga-type house, Government contributes over sixty-five rupees.

Mr Speaker, Sir, there cannot be better evidence of Government's commitment to promote social justice.

147. The construction of housing units for low-income groups is also well advanced. By December this year, there will be 564 new house owners in Highlands, Dagotière, St Pierre, Bambous, Montagne Blanche and Bois Mangue. The number will rise to 1,522 by December 2004. In the case of these houses, Government is meeting the full cost of infrastructure.

148. Last year, I announced the identification of sites at Albion, Bambous, Piton and Camp de Masque for development of serviced plots. I am pleased to report that 317 such plots will soon be available. The development of each plot is costing Government some Rs 95,000.

149. The grant of up to Rs 40,000 to low-income families for casting of slab will be continued. This year alone, some 4,500 families have taken advantage of the scheme at the total cost of Rs 150 million.

150. Government will continue to provide interest subsidy on housing loans by National Housing Development Company (NHDC) and the Mauritius Housing Company (MHC) to make them more affordable to low and very low-income households. Exchange losses on foreign loans contracted by NHDC will continue to be met by Government.

151. Mr Speaker, Sir, these social housing programmes will cost Rs 825 million.

152. The Budget also makes provision for social housing by the Trust Fund for the Social Integration of Vulnerable Groups. Some 600 core houses in Mauritius and 520 in Rodrigues have been built on a self-help basis with building materials provided by the Trust Fund. An additional 200 houses belonging mainly to female-headed households and the elderly have been upgraded. The Trust Fund is also contributing Rs 53 million towards the financing of a new village for resettlement of the inhabitants of Dockers' Flats.

153. The houses which are being provided through the NHDC and the Trust Fund will need to be maintained to safeguard the heavy investment made. This responsibility has to be assumed by Syndics. Government will facilitate the emergence of well-functioning and effective Syndics on housing estates. Sensitisation campaigns on the importance of Syndics and the need for the occupants to collaborate with them will be undertaken.

### **Poverty Alleviation**

154. Poverty alleviation calls for action on several fronts, beginning with education. The Trust Fund is implementing schemes to integrate children from poor families in the mainstream of education. It has financed some 85 projects to provide transport, food supplements, books and other educational materials to some 10,000 beneficiaries. In addition, some 150 students from deprived areas have received financial assistance for vocational training and tertiary studies.

155. The micro-credit schemes launched in the last two years have generated tremendous interest. The number of projects approved has reached nearly 900 while loans sanctioned amounted to over Rs 25 million. A large number of projects, especially those relating to dressmaking and livestock, have been initiated by women. Feedback on the performance of the enterprises has been quite positive. This is a good sign.

156. Micro-credit has a critical role to play in the economic empowerment of vulnerable groups. Besides promoting a spirit of self-reliance and entrepreneurship, it helps raise incomes and avoid the poverty trap. Government will provide additional funds of Rs 10 million for on-lending by DBM as micro finance. A mechanism will be put in place to assist beneficiaries in the post-loan phase to ensure sustainability of projects and facilitate loan repayments.

157. In addition to initiatives by the Trust Fund, Government is funding the Action Plan for Poverty Alleviation. It is also co-funding with the European

Union the "Anou Diboute Ensam" Programme. A harmonisation of these programmes has become necessary to achieve greater impact. A National Seminar on Poverty will be organised to review the current poverty alleviation strategy and programmes and determine future direction.

158. I am increasing provision for poverty alleviation by 14 per cent to Rs 120 million.

### **Improvement of Living Conditions**

159. Basic amenities and social infrastructure are being provided across the island as part of Government efforts to enhance living conditions. Between October 2000 and December 2002, the National Development Unit (NDU) had implemented some 1,600 projects of a total value of Rs 690 million. I am allocating Rs 340 million to the NDU to upgrade basic amenities, especially in deprived areas. This excludes provision for drainage under the National Land Drainage Programme.

### **Social Welfare**

160. Let me now come to social welfare. Mr Speaker, Sir, as a caring Government, we have been particularly sensitive to the needs of those at the lower rungs of the ladder. Rising expenditure on social welfare demonstrates Government's commitment to provide safety nets to the elderly, the disabled, widows, orphans and the needy.

161. An important component of our social welfare system is the Basic Retirement Pension (BRP) which is both non-contributory and universal. The BRP in its present form exerts severe pressure on the budget. The fast ageing of the population will render the BRP unsustainable in the longer term. According to projections, the proportion of those over 60 will double in 20 years time and triple in the next 50 years. Reform of the BRP has thus become urgent. Equally urgent is the need to reform the other pillars of the Mauritian pension system, namely the national pension scheme, civil service pensions and private pensions.

162. Government has initiated a process to reform the whole pension system. The objective is to promote the long-term sustainability of the pension system while ensuring that those in need are adequately supported. Four working groups have been set up and a consultant with international experience has been recruited to advise on the reform. Government will come up with a White Paper and the population will be given the opportunity to express its views on the reforms envisaged.

163. Pending the reforms, monthly old age pension for those below 90 years is being increased to Rs 1,790. For those aged 90 and above, it will be Rs 6,735. As regards centenarians, they will receive a monthly pension of Rs 7,680. Benefits payable to widows, disabled and orphans are also being increased. Nearly 200,000 persons will benefit from these measures. Expenditure on basic pensions will rise to Rs 4.4 billion.

164. Provision for social aid is being increased to Rs 210 million. This will benefit more than 14,000 recipients. Grant to charitable institutions is being raised to Rs 38 million and that for the NGO Trust Fund to Rs 14.3 million.

165. Mr Speaker, Sir, our ex-servicemen who fought for the cause of freedom and world peace deserve special consideration. I am increasing the pension payable to them by over 50 per cent. Thus, war-time ex-servicemen will see their monthly pension rise to Rs 500 and peace-time ex-servicemen to Rs 330.

166. The Recreational Centre for Senior Citizens at Pointe aux Sables has been a success. A second centre will be constructed at an estimated cost of Rs 40 million.

167. With the fast ageing of the population, private homes for the elderly are growing in numbers. A Residential Care Homes Bill has been passed to regulate private homes. Resources will be made available to ensure compliance with provisions of the legislation.



168. Last year, I announced the introduction of a Foster Care Scheme under which a monthly allowance of Rs 1,300 is granted in respect of each child placed in foster care. The Scheme has had a good start with some 15 children already placed with foster parents. These parents are rendering an invaluable service to society and deserve our support. I am proposing to amend the Income Tax Act to grant tax relief in respect of children placed with foster parents.

169. Legal aid is currently limited to persons whose "worth" does not exceed Rs 50,000 and whose monthly income is below Rs 3,500. These ceilings, which were set in 1994, need to be adjusted. The qualifying criteria will thus be raised to Rs 75,000 and Rs 5,000 respectively. The Legal Aid Act will be amended accordingly.

170. We are committed to integrating fully disabled persons in the mainstream of society and support them in their efforts to achieve economic independence. I am increasing provision for assistance and training of disabled persons to Rs 11 million. An amount of Rs 15 million is being allocated for the construction of a Centre for Severely Handicapped at Pointe aux Sables.

171. Under the new scheme for disabled children attending special needs schools, which I announced in my Budget Speech last year, grant of up to Rs 500 per month is provided for each child. Funds are also made available for improvement of school infrastructure. Agreement has been reached with relevant parties, including NGOs, on a revised grant formula. The whole scheme will be reviewed to promote equity between children attending special needs schools and those going to normal schools. In the meantime, I am providing Rs 3.7 million for the scheme.

172. An amount of Rs 18 million is being earmarked for the National Agency for the Treatment and Rehabilitation of Substance Abusers (NATReSA). This will enable the Agency to intensify its efforts against drug addiction and

alcohol abuse. Provision is being made for hosting the Second African Union Ministerial Conference on Drug Control in May 2004.

173. Total provision for the Ministry of Social Security, National Solidarity and Senior Citizen Welfare is being increased by Rs 400 million to Rs 5.6 billion.

### **OTHER PROPOSALS**

174. Let me indicate proposals for some other sectors.

175. *First, Law and Order.* Total provision for the Police Department next year will reach Rs 2.4 billion. This level of allocation is in keeping with our determination to consolidate law and order. We are also providing additional resources for the judiciary and reform institutions.

176. The police force will be strengthened with the recruitment of some 366 officers in various grades. I am allocating Rs 53 million for purchase of vehicles and equipment to enhance response capacity of the police.

177. An amount of Rs 92 million is being earmarked for the construction of Police District Headquarters at Curepipe and Vacoas, the Police Band Headquarters at Vacoas and new police stations at Grand Bois and Pointe aux Canoniers as well as for detention centres for persons in police custody at Rose Belle, Piton and Rose Hill.

178. A new version of passports, incorporating additional security features, will be issued. I am providing Rs 20 million for this purpose.

179. In regard to the Judiciary, provision is being made for renovation of District Courts and for filling of some 100 vacancies.

180. Security and living conditions in prisons are being improved. I am providing Rs 32 million for completion of the New Wing and for installation of closed circuit TV at Beau-Bassin Prison. Provision is being made for

construction of a new prison at Rose Belle. The prison service is being reinforced with the recruitment of 30 Prison Officers and 35 trainees.

181. *Second, Fisheries.* Government will encourage further off-lagoon fishing on a semi-industrial basis. Concessionary loans of up to Rs 3 million will be provided by DBM to co-operatives or associations undertaking semi-industrial fishing. A Fishermen Guarantee Fund of Rs 10 million will be set up at DBM to provide collateral. Government will contribute Rs 5 million to the Fund.

182. A Fisheries Training and Extension Centre will be constructed at Pointe aux Sables with assistance from Japan. The Centre will train artisanal fishermen in advanced and semi-industrial fishing techniques. I am providing Rs 100 million for the Centre.

183. I am providing Rs 3 million as grant for the Fishermen Welfare Fund. The bad weather allowance is being raised to Rs 130 a day. However, the whole scheme will be reviewed both in Mauritius and Rodrigues.

184. Provision for the Ministry of Fisheries is being raised by 92 per cent to Rs 223 million.

185. *Third, Co-operatives.* As the House is aware, the New Co-operative Bank Ltd and the Post Office Savings Bank have merged. The Mauritius Post and Cooperative Bank Ltd will be in a better position to serve the co-operative sector and the public at large because of its extensive network of outlets.

186. DBM has been providing loan facilities up to Rs 500,000 to co-operative societies for modernising their services. The Scheme expired on 31<sup>st</sup> December 2002. A new scheme will be set up by DBM to reflect current requirements of the sector.

187. I am providing Rs 4 million for renovation of the "Maison des Eleveurs" at Henrietta and St Pierre and for purchase of equipment for the dairy plant at Henrietta.

188. Provision for the co-operative sector is being increased by 19 per cent to Rs 80 million.

189. *Fourth, Women, Child Development and Family Welfare.* Total provision for the Ministry is being increased by 10 per cent to Rs 123 million. This includes:

Rs 14 million for the construction of a multi-purpose complex at Phoenix and an integrated women's complex at Notre Dame;

Rs 40 million for the National Women's Council, the National Women Entrepreneur Council and the Community and Micro Enterprise Development Programme; and

Rs 5 million for the training programme for women and for celebration of the International Women's Day.

The Pension Act will be amended to remove all provisions which are discriminatory against women.

190. *Fifth, Local Government.* After Rodrigues, local authorities in Mauritius are about to undergo historic reform. Details of the changes proposed are contained in the Local Government Bill now before the House. These aim at giving greater financial and operational autonomy to local authorities while requiring them to show higher levels of accountability. The objective is to improve service delivery at local and community level through greater devolution of power. In the meantime, in this Budget I am increasing total grant to local authorities to Rs 977 million.

191. *Sixth, Fire Services.* A review of the organisational set-up and infrastructure of the Government Fire Services has been completed. Based on its findings, the Fire Services Act as well as the structure of the services will be revisited. Provision for Fire Services is being increased by 10 per cent to Rs 139 million.

192. *Finally, Rodrigues.* Rodrigues has just gone through a tough time with cyclone Kalunde hitting the island with full force. The courage and fortitude shown by Rodriguans in adversity has been exemplary. I have also been impressed by the quality of their recent Budget and their choice of development priorities. I wish to congratulate the Rodrigues Regional Council for its realism and pragmatism. This augurs well for local administration in Rodrigues. I am providing in the National Budget Rs 1.1 billion for Rodrigues.

## **BUDGET ESTIMATES**

### **Public Debt**

193. Mr Speaker, Sir, before indicating the Budget Estimates for next year, let me touch on the issue of public debt. In my Budget Speech last year, I evoked the crippling size of public debt inherited from the previous Government which more than doubled, from Rs 27.4 billion in June 1995 to Rs 56.8 billion in June 2000. I highlighted the double challenge facing Government, that of investing massively while reducing the budget deficit. I underlined the correlation between high budget deficit and public debt and the importance of lowering both. We have taken courageous measures to contain the rise in public debt, but their full impact will only be felt after a certain time lag and as the budget deficit is brought down.

194. In this context, debt management will assume critical importance. Let me announce fresh proposals in relation thereto.

First, as from July this year, the Bank of Mauritius will issue Treasury Bills solely for meeting Government's cash flow requirements. For monetary policy purposes, it will issue Bank of Mauritius Bills. The liquidity management activities of the Bank will be conducted at the shorter end of the yield curve, while Government debt instruments will be of longer maturity. In line with international best practice, responsibilities for issuing securities for budgetary and monetary policy purposes will be separated in the medium term.

Second, to lengthen the maturity structure of our domestic debt portfolio and help develop a yield curve for Government securities, the statutory limit on the issue of Mauritius Development Loan Stocks is being increased from Rs 3.5 billion to Rs 7.5 billion.

Third, in the wake of implementation of the PRB Report, a special scheme will be introduced to encourage saving by public officers. The scheme will help mop up excess liquidity and contain inflationary pressures.

Fourth, the Debt Management Unit in the Ministry of Finance will be strengthened. An Advisory Group will be set up to serve as a think-tank on public debt issues.

195. While these measures will contribute to improve debt management, by themselves they will not be sufficient. A durable reduction in budget deficit will be necessary to achieve long-term debt sustainability.

### **Budget Estimates**

196. Let me now turn to budget estimates for next year.

197. Mr Speaker, Sir, the single most important factor that will weigh heavily on next year's Budget is the Report of the Pay Research Bureau (PRB) on the Review of Pay and Grading Structures in the Public Sector. The cost of implementing the Report is estimated at over Rs 2.3 billion annually. Even its phased implementation will involve an additional expenditure of nearly Rs 1.9 billion next year. This will represent about one per cent of GDP and will constitute a heavy burden when account is taken of our commitment to bring down the budget deficit to 5.5 per cent of GDP in 2003/2004. This is a lot of money, but our civil servants deserve every cent of it, especially our nurses and teachers.

198. Mainly on account of the PRB Report, staff costs will increase next year by 13 per cent to reach Rs 10.7 billion. Subsidies and current transfers, on

their part, will rise by 15 per cent to Rs 13.5 billion. This amount includes Rs 420 million for subsidy on rice and flour and income support and Rs 35 million for subsidy on bus fares. Some of these subsidies were meant to be of a temporary nature.

199. Another important item which will weigh heavily on the budget is the servicing of public debt. It will absorb Rs 9.2 billion, representing 25 per cent of recurrent expenditure. Interest payments alone will account for Rs 7.0 billion.

200. As regards goods and services, provision of Rs 3.4 billion is being made for next year. Net recurrent expenditure will amount to Rs 34.6 billion, representing 20.9 per cent of GDP.

201. In spite of severe pressures on the budget, I am maintaining provision for capital expenditure at Rs 9.1 billion. This is in keeping with our priority development objectives for education and training, sewerage and environment, ICT, housing, poverty alleviation and improvement of infrastructure.

202. On the basis of existing policies, revenue collection from personal income tax and corporate tax will add up to Rs 4.6 billion. Receipts from VAT are expected to yield Rs 11.1 billion. Customs duties and excise duties on imports will bring in revenues of Rs 3.9 billion and Rs 3.5 billion respectively. Non-tax revenue is estimated at Rs 3.8 billion. Total recurrent revenue will amount to Rs 32.8 billion.

203. Capital revenue is estimated at Rs 1.6 billion. This includes Rs 722 million from dividends, Rs 663 million from grants and Rs 160 million as remittance from the Overseas Telecommunication Services. Total revenue, including net receipts from the Consolidated Sinking Fund, will be Rs 34.4 billion.

## **Taxation**

204. Let me now turn to taxation.

205. Over the last two years, significant progress has been realised in the reorganisation of revenue departments. A Large Taxpayer Department has become fully operational and a thorough re-engineering of the Customs Department has been initiated. An Assessment Review Committee (ARC) has been set up to speed up determination of tax appeals. Legislative framework providing for the creation of a Revenue Court is also ready and will be introduced in the National Assembly shortly.

206. A comprehensive approach will be necessary to sustain the reform process. There will be need to provide for greater flexibility and autonomy to attract and retain motivated and skilled personnel. That is why Government has decided to set up a full-fledged Revenue Authority.

207. The Mauritius Revenue Authority (MRA) will bring under one roof the existing revenue departments. It will be responsible for collection and administration of all duties and taxes. The MRA will be a body corporate, with an independent Board. Staff of the Authority will be required to make regular declarations of assets and satisfy the highest standards of integrity, probity and professionalism. Senior management staff will be appointed on fixed-term performance contracts. We expect the Authority to become operational within a year.

208. I now announce proposals for rationalising the tax system, modernising tax legislation and further reforming tax administration, starting with Customs.

## **Customs**

209. We want to transform the Customs Department into a truly modern, efficient and corruption-free service. A comprehensive programme of reform is already under way. The emphasis is on streamlining procedures, human



resource development, risk-based enforcement and improvement of management information system. A 24-hour Customs Hotline is operational. Customs Headquarters are being renovated to provide a more congenial work environment and to minimise risks of corruption. A new system of staff rotation has been implemented and Flexible Anti-Smuggling Teams (FAST) set up.

210. As part of the reform plan, the following will be undertaken:

First, the fight against smuggling and other fraudulent practices will be intensified. The system of control for bonded warehouses, duty-free shops and exempted goods will be reviewed and penalties for offences stiffened.

Second, the Customs Act will be amended to better regulate the activities of customs intermediaries, in particular, customs brokers, freight forwarding agents and customs clerks. Their respective roles and responsibilities will be clearly defined to reflect international best practices.

Third, the system of control at the airport will be reinforced to counteract smuggling and the abuse of duty-free allowances. Legal provisions governing such allowances will be reviewed.

Fourth, disputes relating to classification, origin and valuation of goods, which are currently dealt with by the Customs Advisory Committee, will henceforth be heard by the Assessment Review Committee.

Fifth, Customs staff will be trained in latest techniques of valuation, inspection and enforcement. A Manual on Standard Operating Procedures will be prepared.

Sixth, Customs infrastructure and equipment will be modernised. Works on the construction of the Customs House will start during the course of this financial year. Provision of Rs 55 million is being made

in the Budget for this purpose. I am also providing Rs 80 million for acquisition of modern equipment and tools, including X-ray scanners.

211. Let me now announce reductions in customs duties. In spite of the severe budgetary constraint, we are continuing with the customs tariff reform. Thus, customs duties on some 100 items are either being reduced or eliminated altogether. Duty reductions on some of the items will be as follows:

from 55 per cent to 30 per cent on electrical cables and fittings such as switches, fuses, plugs, sockets and junction boxes;

from 80 per cent to 55 per cent on dry cells for electronic products;

from 55 per cent to 15 per cent on photographic films;

from 40 per cent to 15 per cent on portable disc players;

from 40 per cent to 15 per cent on soya milk.

212. I am abolishing duties on odoriferous substances, staples, iron rivets, time recorders and registers, reflective vests and reading glasses. These tariffs cuts will come into force as from tomorrow. A second round of tariff cuts will be implemented as from 1<sup>st</sup> January 2004.

213. I am also extending the duty-free regime governing products originating from COMESA countries to goods produced or assembled in our EPZ or Freeport and sold on the local market.

214. As a special measure for encouraging manufacturing and agricultural enterprises to provide their workers with modern canteen facilities, full duty exemption will be granted on a range of kitchen and canteen equipment. This incentive will also apply to educational institutions.

215. The cost of these tariff cuts and duty concessions will be around Rs 70 million.

## **Excise**

216. Some provisions in our excise legislation relating to alcoholic products are not conducive for exploiting potential export markets for our sugar by-products because of outdated definitions. They are also a constraint to the development of new products for the local market. The definition of rum, wine and country liquor will be amended. New definitions will be introduced for agricultural rum, island recipe rum and spirit coolers, and appropriate rates of duty applied.

217. In my first Budget, a reform of excise taxation of cigarettes was launched. The objective was to gradually move to equalisation of the tax rates applicable to imported and local products, in conformity with the WTO National Treatment principle. The basis of taxation was shifted from full *ad valorem* to a mix of *ad valorem* and "specific". The rate of duty was thus changed from 225 per cent to Rs 210 per thousand plus 210 per cent for local cigarettes, and from 400 per cent to Rs 360 per thousand plus 360 per cent for imported ones. The second phase of the reform is being implemented this year. It will further reduce the duty differential. As from tomorrow, excise duties on cigarettes will be as follows:

for local cigarettes, Rs 780 per thousand plus 125 per cent; and

for imported cigarettes, Rs 780 per thousand plus 215 per cent.

This change in tax structure would lead to additional revenue of some Rs 70 million.

218. As regards motor vehicles, discussions with stakeholders on review of the tax structure announced last year are continuing. A number of proposals have been received, including one for steep cuts in the present rates of duty. These proposals as well as their implications are being examined.

## **Value Added Tax**

219. I now turn to VAT.

The first proposal relates to the measure taken last year to apply VAT on certain categories of service suppliers, irrespective of their turnover. Measures are being taken to correct certain anomalies regarding the application to insurance brokers, general sales agents of airlines and to include car rental operators in that list. Amendments will be brought to exempt commissions on premiums in respect of life insurance contracts made prior to 10 January 2003.

Second, commissions on credit and other cards having similar functions as those issued by banking institutions will be brought into the VAT net.

Third, VAT treatment of international transport of passengers will be aligned with international practices. As from 1<sup>st</sup> January 2004, such services will be zero-rated.

Fourth, a ceiling will be set in respect of the 20 per cent penalty imposable where refund of VAT has been over-claimed.

### **Registration Duty and Land Duties and Taxes**

220. The Registration Duty Act will be amended to:

plug a loophole concerning levy of duty in the case of distribution of property upon dissolution of a société;

remove the claw-back provision requiring a first-time buyer of land to pay the duty exempted in case of failure to put up a house on that land within five years; and

eliminate an anomaly in the definition of manufacturing.

Certain provisions of the Land (Duties and Taxes) Act, including the definition of "owner", will be clarified for better application of the Campement Tax.

## **Income Tax**

221. I now come to my income tax proposals. These are designed mainly to improve existing incentives for education and training, clarify certain provisions and make the system fairer.

First, relief in respect of a child receiving full-time post-secondary instruction of at least two years' duration at the IVTB or a training institution is being increased from Rs 30,000 to Rs 50,000, as is the case for students attending university or a polytechnic.

Second, as an added incentive for life-long learning, the maximum deduction allowable for subscription, course and examination fees for education and training is being doubled to Rs 50,000.

Third, professionals in employment will be allowed to claim deduction for annual membership fees paid to their professional bodies and associations.

Fourth, all companies engaged in the provision of education and training, including at pre-primary and primary level, will benefit from the tax incentive rate of 15 per cent.

Fifth, the exemption ceiling on retiring and severance allowance, which has remained unchanged for the past six years, is being raised from Rs 1 million to Rs 1.4 million.

Sixth, following representations received, the unlimited interest relief provisions in respect of secured loans taken prior to 1<sup>st</sup> June 1996 are being reinstated.

Seventh, the definition of related company in the Income Tax Act is being aligned with that in the Companies Act.

Eighth, provisions for apportionment of expenditure pertaining to exempt income will be fine-tuned and made more flexible to suit different circumstances, and a *de minimis* clause introduced.

Ninth, certain inconsistencies relating to taxation of freeport companies selling on the local market or engaged in processing activities will be remedied.

Tenth, capital expenditure incurred on the setting up of golf courses will attract an annual allowance of 10 per cent.

Eleventh, the carry forward or transfer of unrelieved accumulated losses in cases of take-over of an ailing company, especially in the EPZ, will be allowed under certain conditions, such as safeguard of employment.

Twelfth, a taxpayer will henceforth be allowed to lodge with the Income Tax Department an objection in respect of the amount of loss available for carry forward instead of having to go directly to the Assessment Review Committee.

Thirteenth, consultations will be held with stakeholders on the introduction of group relief in our corporate tax system and on the regime for carry forward of tax losses.

Fourteenth, all employers with at least 50 employees will be required to submit their monthly Pay As You Earn (PAYE) returns electronically, as is presently the case for NPF returns. They will, in return, be allowed to effect payments over a longer period.

## **Charges and Fees**

222. I now turn to proposals relating to charges and fees.

223. My first measure relates to the Route Air Navigational Charge, which is one of the lowest in the region. I am increasing the constant used for

calculation of this charge from Rs 3 to Rs 10. The new rate will incorporate the surcharges of 1980 and 1981 and will enable Government to recoup part of the heavy investment incurred in the new Area Control Centre at Plaisance.

224. My second measure concerns Civil Service Family Protection Scheme. Over the years, Government's share of contribution towards the scheme has been rising while that of employees has been declining. The rate of contribution by employees is being increased from 2 per cent to 3 per cent as from 1<sup>st</sup> July to restore parity.

### **Overall Budgetary Position**

225. Total revenue, taking into account the measures and tariff reductions I have just announced, will amount to Rs 34.6 billion. With total expenditure reaching Rs 43.7 billion, the overall deficit for next year will be Rs 9.1 billion, corresponding to 5.5 per cent of GDP.

226. Mr Speaker, Sir, it is a matter of immense satisfaction that in this most difficult 2003/2004 financial year, we have been able to maintain provision for capital expenditure at the record level of Rs 9.1 billion, implement the 2003 PRB Report, reduce the budget deficit to 5.5 per cent of GDP and yet present a no-tax budget. Nay, Sir, we are even eliminating or reducing customs duties on some 100 items and improving income tax provisions relating mainly to education and training and retiring and severance allowance.

227. However, Mr Speaker, Sir, a budget deficit of 5.5 per cent of GDP, although much lower than the unsustainable 6.7 per cent deficit which we inherited from the previous Government, is still too high. As indicated in our Economic Agenda for the New Millennium in June 2001, our target is to reduce it to around 3 per cent of GDP by 2005/2006. Since then, that target has translated itself into commitments, with both the World Bank and the European Union, in order for the country to benefit from a World Bank Public Expenditure Reform Loan and a European Union budgetary support grant of

Rs 840 million spread over two financial years. Mauritius would be the first ACP country to benefit from such a budgetary support grant.

228. In parallel, there is need to fine-tune a legal framework laying down principles for fiscal discipline and management. This constitutes a real challenge because of the complexity of issues involved as witnessed these days in the European Union and New Zealand. Consultations will be necessary with social partners on the scope of legislation and benchmarks on acceptable levels of budget deficit, public debt and fiscal risks. These issues are being considered by the National Economic and Social Council. Based on feedback, a Fiscal Responsibility and Budget Management Bill will be finalised.

### **CONCLUSION**

229. Mr Speaker, Sir, in September 2000, the people gave us a mandate to "redresse nou pays". We accepted that both as a challenge and a mission. The measures which we have taken in the last two budgets have brought the economy back on track and promoted "un développement à visage humain". Il faut maintenant tenir le cap d'ici 2005 et au-delà afin de réussir notre deuxième miracle économique.

230. The present Budget had therefore to be one of continuity. It seeks to consolidate the gains we have made in regard to economic, social and cultural development and national unity while proposing new initiatives to address the challenges facing the Nation. Mr Speaker, Sir, as I hand over the portfolio of finance to my successor, I shall be doing so with a deep sense of achievement. For never in the history of Mauritius has so much been realised in such a short time. This is unquestionably the result of the solidarity that binds the MSM/MMM team together and drives it with a singular purpose to build a strong and resilient economy, which is a *sine qua non* condition for fulfilling all our motherland's dreams and hopes. Indeed, Sir, we are solidly on the path to make of Mauritius one of the best places in the world to live in. Monsieur le Président, qu'il me soit permis de terminer en invitant tous ceux et celles ici présents, en cette occasion solennelle, ainsi que tous ceux et



celles qui nous écoutent, à nous rejoindre dans notre engagement à faire de notre République, chaque jour un peu plus, une nation-modèle, une île-phare dont nous avons tous le droit d'être fiers et que nous léguerons la tête haute à nos enfants.

231. And with these words, Mr Speaker, Sir, I commend the Bill to the House.