



REPUBLIC OF MAURITIUS

BUDGET SPEECH 2005 - 2006

BY

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MINISTRY OF FINANCE AND
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PORT-LOUIS, MAURITIUS

Mr Speaker,

Sir,

I move that the Appropriation Bill 2005/2006 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, in putting together the 2005/2006 Budget, I have been guided once again by a deep sense of responsibility and commitment.

4. And yet again, we have prepared the Budget through extensive consultations. Representatives of various organisations and people from all strata of the society have participated. I wish to thank them for their contribution.

5. Since a nation's Budget must necessarily reflect the priorities of the population, we have done our utmost to meet those demands that are reasonable and justified. We have also done the maximum we should to keep government spending within the means of taxpayers - For, in September 2000, the population placed their trust in us to redress the state's finances and the economic situation.

6. They wanted us to put our country on a higher development path, to secure a better future for themselves and their children, and to build a fairer and safer society for all. That was the mandate the population gave us. That was the mission we set out to accomplish.

7. In every policy, in every reform and in all national budgets, we have placed high priority on our commitments. Every step of the way, we have turned promises into realities. We have been doing so not only to keep faith with the electorate, but as part of a responsible strategy for improving the standard of living of our citizens.

8. Today, as I present the fifth and last Budget of our mandate - “un Budget de Continuité” - I can proudly report that the task entrusted to us by the population has been accomplished. We have raised hope where there was despair and restored confidence where there was anxiety.

9. In the four years that we have been at the helm:

- We have dealt with the chaotic situation in law and order, brought it under control and made our country safer and more secure;
- We have delivered:
 - the greatest number of jobs in any four-year period since the 1990s – 46,100 in all;
 - the lowest inflation rate in 16 years;
 - the highest level of foreign currency reserves in our history;
 - the highest level of foreign direct investment in a long time: Rs 12.9 billion in all.
- We have turned around the rising trend in the budget deficit.

- We have introduced new budgeting principles through the Medium Term Expenditure Framework.
- We have implemented the most crucial reforms ever in the sugar sector, strengthened the tourism industry and set the financial services sector on solid foundations.
- We have defended our interests internationally. After intensive lobbying, especially by the Prime Minister, the third country fabrics derogation under AGOA was extended.
- We have, with the full cooperation of the private sector, implemented restructuring programmes to help the textile and clothing companies to maintain their competitiveness.
- We have created two new economic pillars to further diversify the economy: the ICT sector is now well entrenched in our economic landscape and the Seafood Hub is taking off.
- In education, where others have feared to tread, we have implemented the boldest, most effective reforms ever, introduced 16-year schooling, abolished ranking in the CPE, given oriental languages their rightful place and launched the Zones d'Education Prioritaires (ZEP).
- We have reached out to over 30,000 families through our social housing policy.
- We have started a strong economic democratisation process.

- We have put poverty and marginalisation firmly on a downward track.
- We have dealt with the inefficiencies at Customs and laid the basis for the establishment of the Mauritius Revenue Authority.
- As promised, we took the decisions that were required to bring the Central Electricity Board, the State Trading Corporation and other parastatal bodies on more solid financial footing.
- And we have liberalised the airwaves.

10. These are but a few of our actions and their results.

11. Looking forward, we see vast opportunities for yet more achievements.

12. That is why, Mr Speaker Sir, the Budget I am presenting today is prepared around the long-term vision of transforming Mauritius into a high-income economy.

13. Since higher income and higher standards of living ride only on the back of economic growth, it is vital that we lift the trend growth rate of GDP to a much higher level.

14. It is equally vital that we take a Big Push approach to investment, for isolated investments may maintain the present growth rate but will not lift it. This Big Push approach should rest on sustained investment in the modernisation of our infrastructure, on stimulating private investment and productivity and on creating new space for investment.

15. Therefore, Mr Speaker Sir, the first priority of the 2005/2006 Budget is to modernise the physical fabric of Mauritius.

16. Our second priority is to put our industries and our workers on a more solid foothold to invest, to compete and to create wealth.

17. A third priority is to open up substantial new economic space for investment.

18. We know fully well that a rising economic tide does not lift all boats. Our economic ambitions must be matched with a coherent plan for greater social justice and equity.

19. Therefore, the fourth priority of the Budget is to secure greater social protection for our citizens. We will continue to build on the significant progress we have made in reducing poverty and marginalisation.

20. A fifth priority is to further improve the quality of life of our citizens.

21. The sixth priority of the Budget is to protect the purchasing power of the population.

22. And the seventh priority is to further strengthen the finances of the nation.

ECONOMIC REVIEW

23. Before elaborating on these strategies, I will review the economic situation in the past year and outline prospects for next year.

24. The global economy expanded by 4 percent last year, the highest growth rate in 30 years. However, latest forecasts show a slowdown in world GDP growth to 3.3 percent in 2005. The twin deficits of the United States will continue to bear on global growth. Oil prices will remain volatile with a tendency to rise. Asia, in particular, India and China will continue to take market shares away from other developing nations.

25. Regionally, GDP growth in sub-Saharan Africa is estimated at 5.5 percent in 2004. It is expected that the growth rate will rise to 5.75 percent in 2005.

26. Growth in the domestic economy for 2004 is estimated at 4.2 percent. This will result in an increase of 3.1 percent in per capita GDP - a significant progress in our standard of living. For next year, GDP growth is forecast at 5.1 percent.

27. On the expenditure side, consumption grew faster than GDP last year. This led to a drop in the national savings/GDP ratio to 23.3 percent.

28. Total investment in the economy rose by 9.2 percent in 2004, bringing the investment/GDP ratio to 22.3 percent. Private sector investment expanded by 17.1 percent last year, up from 1 percent in the previous year. This is a clear sign of renewed optimism in the economy. Foreign Direct Investment in 2004 amounted to Rs 1.8 billion, indicating that investor confidence in our economy is high and improving.

29. Inflation is now estimated at 5.7 percent for fiscal year ending June 2005. The main contributors to increases in the Consumer Price Index are the strengthening of major currencies, the increase in freight rates and

the rise in petroleum prices. We have little influence over these factors. However, we are keeping a close eye on the prices of a number of commodities that weigh heavily on the budget of consumers. Besides monetary policies, which put a special focus on inflation control, our fiscal policies and microeconomic policies have been effective in containing the inflation rate to a manageable level.

30. The unemployment rate was 8.4 percent in September 2004. This is the latest figure available from the latest Continuous Multipurpose Household Survey.

31. In the external sector, in 2004/05, imports are projected to increase by 9.6 percent and exports by 4.5 percent. Imports are up as a result of increase in petroleum prices and heavy investment in machinery from some EPZ companies. As a result, our trade deficit increased to Rs 14.3 billion. The services account showed a surplus of Rs 11.5 billion. The current account showed a deficit of Rs 1.2 billion. The capital and financial account, inclusive of reserve assets, showed a surplus of Rs 1.2 billion in 2004/05. Our net international reserves are projected to reach Rs 51.8 billion representing the equivalent of 8 months of imports.

Likely Budget Outturn for 2004/2005

32. As regards the budgetary situation, there are indications that the overall budget deficit for 2004/2005 would be on target.

33. Tax revenue would amount to Rs 32.9 billion against the estimates of Rs 32.7 billion. Higher expected receipts from income tax, registration

fees, excise duties on imports and VAT will be partly offset by shortfalls in customs duties and passenger fee.

34. Non-tax revenue would be slightly below the estimates of Rs 2.6 billion.

35. Capital revenue and grants are expected to reach Rs 1 billion compared to the estimates of Rs 0.6 billion.

36. Total revenue is expected to amount to Rs 36.5 billion.

37. Recurrent expenditure is likely to exceed the estimates by about Rs 0.8 billion to reach Rs 38 billion. This is mainly attributable to interest payments and expenditure on subsidies and current transfers which would be higher than estimated by about Rs 0.4 billion and Rs 0.3 billion, respectively. Wages and salaries would be on target. Expenditure on goods and services is likely to reach Rs 3.8 billion compared to the estimates of Rs 3.6 billion.

38. Capital expenditure and net lending would amount to Rs 7.5 billion against the estimates of Rs 7.7 billion. Total expenditure and net lending would thus reach Rs 45.6 billion.

39. Despite the likely increase in current expenditure, the overall budget deficit would be contained at Rs 9.1 billion, representing 5 percent of GDP as targeted. For yet another year, we have maintained the deficit on a downward track.

Regional Cooperation

40. On economic cooperation, our commitment to regionalism is ongoing. We will pursue our policies to bolster the role of Mauritius in regional affairs especially with SADC, COMESA, IOR-ARC and IOC.

41. While strengthening linkages with our closest neighbours in Africa, we have also been intensifying our bonds with Asian countries, in our ambition to become the gateway between those two continents.

42. In that context, the official visit of Shri Manmohan Singh, Prime Minister of the Republic of India was a landmark. Both the Mauritian and the Indian sides endorsed the Report of the Joint Study Group paving the way towards a Comprehensive Economic Cooperation Partnership Agreement.

43. This Agreement which will cover preferential trade arrangements, investment promotion, trade in services and general economic cooperation will give a whole new dimension to the relationship between our two countries. Negotiations are being launched and, as agreed by our two governments, should be concluded within 12 months.

44. Relationship with Pakistan is also being strengthened. During the Prime Minister's official visit to Islamabad last year, the foundation has been laid for the conclusion of a bilateral agreement on trade, investment and cooperation. A Joint Working Group has already been set up to move forward on this agenda.

45. Moreover, in pursuit of our economic diplomacy strategy, we plan to build new ties with ASEAN countries. A national working group has been instituted to this effect.

MODERNISING THE PHYSICAL FABRIC OF MAURITIUS

46. I will now elaborate on the first priority of this Budget: Modernising the Physical Fabric of Mauritius.

47. Our objectives are clear. We want infrastructure that supports a higher growth path and improves the quality of life. And we must bring the physical fabric of our country to a level that heralds the emergence of a modern and determined nation.

Transport

48. In the transportation sector where the pressures of demand will accentuate, we must imperatively expand and modernise infrastructure.

49. There will be substantial growth in airport activities. In the next ten years, passenger traffic at the airport will exceed 3 million per year, cargo traffic will be more than 60,000 tonnes per year; and aircraft movements will exceed 27,000 per year.

50. For traffic at our port, it is estimated that in ten years, the number of containers will more than double to reach 675,000; cargo handled at the port will double; and vessels calling at the port will increase to 2,800.

51. For land transport, forecasts show that our fleet of vehicles will increase to around 400,000 by the year 2015 – a forty percent increase.

52. To accommodate these increasing demand pressures, Airports of Mauritius Limited (AML) has a masterplan that will require a total investment of Rs 27 billion, of which Rs 12 billion will come from the private sector.

53. The deliverables of that blueprint are a new passenger terminal, a second runway, the development of the East Zone for cargo, airside/landside aeronautical, landside commercial development and freeport activities, fuel storage facilities, corporate/general aviation development and aircraft maintenance facilities.

54. Government will give AML every assistance to secure necessary finance for these projects from international financial institutions.

55. I am also taking appropriate fiscal measures to facilitate implementation of the airport masterplan. For the purposes of VAT, international air transport of passengers and cargo is already zero-rated so that airlines can recover tax paid on their inputs. To enable the airport authorities and petroleum companies to do the same in respect of their forthcoming investments at the airport, I am proposing to extend the zero-rated status to provision of aeronautical services as well as to supply of kerosene including jet-type fuel.

56. The Mauritius Ports Authority plans to extend the quay at Mauritius Container Terminal, to reclaim land at Fort William, to construct a new Fishing Quay and to construct a terminal for cruise ships.

57. The Cargo Handling Corporation will invest Rs 700 million this year in the modernisation of handling and yard equipment, including two Quay cranes, trailers and gantries.

58. In all, Rs 2 billion will be invested by the MPA and by Cargo Handling Corporation in these projects.

59. In the future, we will also have to invest more in our own maritime transportation. An efficient, reliable and competitive maritime transportation will be critical to the competitiveness of the Mauritian economy. The country needs as well a minimum security of reliable supply of essential imports. The Ministry of Shipping, Rodrigues and Outer Islands will commission a study to examine the trend, structure and determinants of maritime freight rates. The study will also investigate the feasibility of acquiring additional vessels for consolidating our national shipping line. It will map out the investment requirements, elaborate a financing plan and identify private sector participation.

60. As regards land transport, the challenge is clear. It is to meet increasing demand while at the same time reducing traffic congestion.

61. To achieve these goals we will have to invest in the expansion of road networks, in mass transport, and in decentralisation.

62. To expand our road network, four projects are being implemented: the South Eastern Highway Project, the new Phoenix – Beau Songes Link Road, the Macondé Bridge, and the Malenga – Crève Coeur project.

63. In addition the Quartier Militaire Road will be upgraded.

64. In this Budget, I am providing Rs 445 million for these projects, which will cost Rs 2.1 billion.

65. Preliminary studies show that, in addition to the road projects being implemented, some Rs 6 billion will have to be invested to divert through traffic from Port Louis and from other congested areas.

66. If we add to these projects another Rs 800 million for construction of bridges, for traffic management and road safety and for road maintenance, we get an overall total of around Rs 9 billion that will have to be invested in road infrastructure in the next five years.

67. For mass transport, the implementation of the Light Railway Transit (LRT) system remains an integral part of our long-term strategy.

68. Preliminary estimates show that some Rs 14 billion will have to be invested in mass transit within the next ten years. Of these investments, Rs 9.6 billion will be in the LRT, Rs 2.6 billion in supporting and accompanying measures, and the remaining Rs 1.8 billion in sector policies and programme implementation. In this Budget, I am providing Rs 70 million for detailed studies of the LRT.

69. To decentralise Port Louis, we will make maximum use of the 3,035 arpents of land at Highlands, purchased under the Illovo Deal. These lands will be developed in two phases. Phase one will be implemented over the next 10 years. It will use up to 1,000 arpents for a number of new projects, amongst others, business parks, office buildings and residential construction.

70. The implementation of that first phase will require an investment of around Rs 8 billion.

71. As a concrete step towards decentralisation, the proposed Postal Tower on 5 arpents at Ébene will rent office space to Government departments.

72. And since an entirely new and modern city is emerging at Ébene, I am providing this year Rs 20 million for a new traffic centre in that area.

73. Government is also assigning responsibility for coordination of the decentralisation process to a High Level Steering Committee. It will be responsible for identifying those departments and services that may be moved to places outside Port Louis.

74. Government will therefore issue specific guidelines on location of activities, on renting new office spaces and on renewal of leases.

75. The lack of parking space is another factor behind traffic congestion. We will amend the Building Act to make provision of parking space a prerequisite for obtaining permits for high-rise buildings.

Buses And Taxis

76. As the issue of traffic congestion is being addressed, we must recognise that buses and taxis are vital components of our public transport system. Last year, as an incentive for rapid modernisation of the bus fleet, public transport companies having more than 75 buses were given exemption from VAT on acquisition of new buses till the year 2007. I am pleased to announce that the VAT exemption is now being extended to all licensed public transport bus operators.

77. With regard to taxis, I would like to announce the following measures:

First, the DBM will introduce a loan scheme to finance up to 80 percent of the cost of acquisition of a GPS-based security

system for taxis up to a maximum of Rs 50,000. The loan will bear interest at 6 percent.

Second, the Motor Vehicle Licence Fee payable by taxis will be reduced by half. Thus, the new fee will be Rs 900 and Rs 2,000 depending on the cylinder capacity of the taxi-car.

Third, the Road Traffic (taximeters) Regulations 1994 will be repealed. Regulations will also be amended to make illumination of the "TAXI" sign fixed on the roof of the vehicle optional. A taxi driver will no longer have to pay the Certificate of Registration fee whenever the licensee replaces his car.

Management of Waste

78. The transportation problems we are facing today are a reminder that higher growth and higher income may drive away many of our problems but will bring new ones. Waste management is another one of them. As we invest in wealth creation, we must also invest in the management of waste.

79. That is why we have a well thought-out policy for management of solid waste and wastewater. Presently we have to dispose of 375,000 tonnes of solid waste a year and is expected to grow to around 460,000 tonnes in ten years. It is clear that the present physical infrastructure for solid waste management will have to be modernised and expanded. It is also evident that in the future, solid waste management that relies solely on disposal will not be sustainable. Recycling and exports must be part of the waste management strategy. At the same time we will build new economic activities around waste management. We believe a realistic

target is to achieve a 10 percent recycling of total solid waste in the short-term.

80. Therefore, the National Solid Waste Strategy focuses, in the short term, on investment in collection and disposal as well as in sorting composting, recycling and export.

81. For the long-term, Government will study the possibility of producing energy from waste.

82. In the next ten years, Rs 3 billion will have to be invested in infrastructure for solid waste management.

83. For disposal, we have plans for the construction of La Laura Transfer Station, the upgrading of Poudre d'Or Transfer Station, rehabilitation of the Roche Bois and Montagne St Pierre dump sites and the extension of Mare Chicose Landfill. I am providing Rs 160 million for these projects.

84. For safe disposal, we plan to invest in a Hazardous Waste Storage Facility. This will be followed by an integrated pre-treatment, treatment, incineration and disposal facility.

85. To promote recycling, Civic Amenity Centres will be set up to enable households to dispose of their bulky wastes. This will also reduce illegal dumping of waste.

86. Private sector participation will be crucial to every aspect of the solid waste management strategies. To encourage such participation, I am providing for customs duty exemption on equipment and vehicles

specifically used for the collection, transportation and treatment of solid waste for companies engaged in solid waste management activities.

87. The Ministry of Local Government and Solid Waste Management will launch a campaign to encourage backyard composting and to promote the use of recycled products.

88. Government will set the example. Public procurement procedures will be reviewed to favour the purchasing by Government of recycled products.

89. In this Budget, I am providing more than half a billion rupees for Solid Waste Management.

Wastewater Management

90. Government is also investing massively to upgrade infrastructure for wastewater management. These investments include the mega Plaines Wilhems sewerage project, house connections at Grand Baie and Baie du Tombeau and the Montagne Jacquot sewerage project. The objective is to attain 50 percent population connections by 2010. We are investing Rs 11.8 billion in these projects. Rs 3.2 billion have already been invested and the remaining Rs 8.6 billion will be spent over the next five years.

91. In this Budget, I am providing Rs 1.35 billion for the sewerage sector.

Energy

92. Mr Speaker Sir, higher growth and higher income will certainly increase our needs for more secure, reliable and efficient energy. Our response to these future needs must be carefully planned.

93. We spend annually some Rs 14 billion on energy consumption. Seventy five percent of that amount, that is around Rs 10.5 billion, leave the country in the form of payment for imports. A combination of growing domestic demand, rising oil prices on world markets and appreciation of major currencies put extreme pressure on our import bill. This is a potential risk that we must address in a comprehensive way, first by developing domestic sources of energy and second through an effective demand management strategy.

94. As regards domestic sources, one Independent Power Producer (IPP) will invest Rs 3.6 billion in a cogeneration plant to be operational by 2007. But IPPs are only part of the solution.

95. We will explore all other domestic sources of energy, especially those that will reduce our dependence on imports.

96. Besides our plan to invest in domestic sources of energy, the CEB will invest Rs 1.2 billion in the St Louis Power Station which will be fully operational by 2006. And total project costs for the redevelopment of Fort Victoria Power Station is estimated at Rs 1.7 billion. These bring total investments in the energy sector to Rs 6.5 billion for the next five years.

97. Now our plans for energy demand management.

98. The focus of our plan on the demand side is on more efficiency and safety.

99. One way to promote efficient use is to give the population access to energy saving devices and appliances. We are therefore reducing duty:

- on dimmers and control panels from 30 percent to zero,
- on timers for appliances from 30 percent to zero,
- on electronic ballasts and low loss transformers from 15 percent to zero, and
- on low energy consumption lamps including compact fluorescent lamps from 5 percent to zero,
- on electric storage water heaters from 40 percent to 15 percent.

100. For effective demand management policy, we also need to improve efficiency in the use of non-electricity energy. Our transportation policy focusing on a mass transit system and our traffic decongestion will bring about significant savings in energy for our country.

101. Having the tools and the means to save energy is not enough; we need to educate users on the various ways to translate energy savings into lower bills. To that end, the Ministry of Public Utilities is launching a booklet for disseminating relevant information on the efficient use of energy. This year, we are making provision for an all-out sensitisation campaign on energy saving.

102. To set the example, Government will review procurement procedures to set strict efficiency criteria for the purchase of energy-consuming equipment including air conditioners.

103. We will also carry out an energy audit in Government. This exercise will identify and assess the weaknesses in energy consumption in the public sector. The audit will be carried out not only to generate savings but also to ensure safety and security.

104. Mr Speaker Sir, for the demand management policy to be effective, consumers must be able to distinguish between products that are efficient and those that are not. To this end, Government is proposing to introduce an Energy Efficiency Bill to promote the use of energy efficient appliances and equipment. These products will have to be appropriately labelled to inform customers of their efficiency in terms of energy consumption.

Water Resources

105. The other critical element of the physical fabric of our country is the infrastructure for harnessing and distribution of water resources.

106. To modernise and expand that infrastructure, the Central Water Authority (CWA), the Water Resources Unit and the Irrigation Authority will invest Rs 8 billion in the medium term.

107. The CWA is investing Rs 2.5 billion in the next three years. Its strategic priorities are to reduce water losses, to guarantee the quality of drinking water and to improve delivery and efficiency.

108. The Water Resources Unit will invest some Rs 4.5 billion in the next ten years in the construction and rehabilitation of dams and feeder canals, in additional ground water development and in the construction of Flow-Measuring Structures.

109. The Bagatelle Dam for which land has been reserved at Highlands will be an important infrastructure to address the problem of water supply in the region of Port Louis.

110. The Irrigation Authority will invest some Rs 1 billion in the next five years. Work on the Northern Plains Irrigation Project – Phase II will be completed by February 2006 at L’Espérance Trébuchet. Work on other projects in that same Phase II will start in 2006 and will be completed by 2010. The investment plans also include modernisation of the Northern Plains Irrigation Project–Stage 1 and Rehabilitation of Bathurst Canal.

111. In all, the projects of the Irrigation Authority will concern 4,680 small planters and cover some 3,745 hectares of agricultural land.

112. There are also small-scale irrigation projects at Victoria, Calebasses, Solferino and l’Amitié which will start in November 2005 and will be completed in 2010.

Implementation of Infrastructure Projects

113. We estimate that some Rs 100 billion will be invested to modernise our physical fabric over the next ten years. Some of these investments will be from private enterprises.

114. And some of the projects will be implemented on a PPP basis. Therefore, the PPP Unit will take a proactive role to facilitate these projects.

115. The Unit will soon issue a PPP Guidance Manual. It will also assist public sector bodies to identify, structure and implement specific PPP projects.

116. The BOI will also be called upon to ensure that investments in these priority sectors are realised on time. It will set up a specialised unit to promote, attract and fast-track both local and foreign private investments in infrastructure.

BETTER Foothold TO COMPETE

117. I will now elaborate on the second priority of this Budget: Putting our enterprises and workers on a better foothold to compete.

118. Mr Speaker, Sir, in spite of the numerous adversities in recent years, many enterprises are doing what is required to compete and expand. Even in the EPZ where some enterprises are closing down, others are expanding. We see the same fighting spirit in the sugar industry and there are reasons to believe that this fighting spirit pervades every sector of our economy.

119. This is the kind of entrepreneurial drive that we have in this country. And this is the kind of drive that we need to join the league of high-income economies. So, Mr Speaker Sir, we will nurture this entrepreneurial culture by putting our entrepreneurs on a stronger foothold to compete globally, to create jobs and to thrive. Government

will strengthen its support on many fronts and in all sectors of the economy.

Agriculture

120. In agriculture, Government is fully committed to ensuring the long term viability and sustainability of the sugar industry. We will pursue our endeavours both on the local and international fronts to put this industry on a better foothold to grow.

121. First, we are maintaining our efforts at the level of WTO and EU to protect our interests.

122. Second, we will kick-start an ambitious and comprehensive ten-year Accelerated Action Plan.

123. The Accelerated Action Plan for the sugar sector maps out an effective set of responses to the challenges we face. It comprises amongst others:

- (i) large scale derocking, land preparation and the provision of irrigation facilities to small planters to become cost effective;
- (ii) the rightsizing of production units and institutions;
- (iii) the furtherance of the centralisation process to reduce the number of sugar factories from eleven to six;
- (iv) a more optimal use of bagasse to generate electricity;

- (v) intensive research to enable the use of high quality energy and fuel canes in the sugar cluster;
- (vi) generation of greater value added through the production of special sugar;
- (vii) the use of ethanol as a substitute for gasoline;
- (viii) maintenance of production in environmentally sensitive areas;
- (ix) addressing the debt issue; and
- (x) further democratisation of the sugar sector.

124. I am announcing today a number of measures to address the most pressing needs of the Accelerated Action Plan.

125. First, as an initial step, the Mauritius Sugar Authority will raise a loan of Rs 500 million for derocking and irrigation. This will be used to provide derocking and irrigation facilities free of charge to small planters across the island. Such facilities will be provided to small planters having regrouped themselves in viable units. With this measure, some 2,000 arpents spread over the island will be derocked by end of 2006. Our objective is to derock some 30,000 arpents of small planters' land over the next ten years.

126. Second, Government recognizes that a number of small planters will not be able to become competitive in agriculture. Government will therefore exempt those owning less than 10 arpents, from payment of land conversion tax, land transfer tax, capital gains (morcellement) tax

and morcellement fee on the conversion of up to one hectare of land. This exemption will be granted if the land is within a permissible development area and where no irrigation is available. A fast track procedure will be established to process all applications for the above exemptions.

127. Third, planters are presently contributing significantly to the energy sector through their bagasse. Currently, some 45,000 planters and employees already own from 15 percent to 20 percent of the equity capital of IPPs through the Sugar Investment Trust (SIT). Government believes the ownership base should be widened to allow those who did not join the SIT to now become shareholders. This is in line with our policy to strengthen the democratisation process. To this end, I am pleased to announce the creation of an Energy Equity Fund that will own between 6 percent to 8 percent of the equity capital of all present and future private IPPs, including the Centrale Thermique de Savannah, over and above the shareholding of SIT. SIT will own 25 percent of the equity and all planters will be invited to subscribe to the remaining capital of the Fund. The Mauritius Post and Cooperative Bank (MPCB) will make available a loan under a special scheme to assist all planters in this acquisition. With this measure Mr Speaker, Sir, planters and employees of the sugar sector as shareholders, will NOW directly and indirectly, through SIT, own between 21 percent to 26 percent in the private power sector.

128. To implement these measures, the Sugar Industry Efficiency (SIE) Act 2001 will be amended.

129. In the Non-Sugar Sector Strategic Plan, it is spelt out that transfer of technology is essential to the viability of the sector. Hydroponics is one such technology. And it is the way forward in agriculture. But the cost of infrastructure is high and the system complex. For these reasons, a number of small planters are reluctant to engage in this activity.

130. In view of the very good potential in hydroponics, Government wants to help small planters by providing them with the infrastructure. To that end, the Food and Agricultural Research Council (FARC) will set up a state of the art hydroponic village at Belle Vue at a cost of Rs 18 million. The DBM will advance Rs 15 million to FARC for implementation of that project. This village will contain about 26 individual units to be rented to planters, with all infrastructure and amenities to start cultivation. These planters will benefit from free rental for the first six months. The project will be extended to other regions.

131. Mr Speaker, Sir, the recent heavy rainfall and cyclone have caused considerable damage to the crops of many small vegetable planters. For many of them, this is a time of hardship. It will take them time to recover from the damages. We cannot and we will not turn a blind eye to their plight.

132. I am proposing a package of measures to assist those in need and to encourage them to replant as quickly as possible. To all planters registered with the Small Planters Welfare Fund and who have suffered damage, we are giving:

- (i) a one-off cash grant between Rs 2,000 to Rs 3,000 calculated on the basis of loss and extent of their plantation;

- (ii) 200 kg of fertiliser per planter, free of charge;
- (iii) seeds free of charge to enable replantation;
- (iv) a loan of Rs 30,000 per arpent under the Permanent Disaster Scheme at a concessionary rate of 3 percent from the DBM, up to a maximum of Rs 60,000 per planter; and
- (v) re-scheduling of their existing loans with the DBM .

133. Mr Speaker, Sir, some 6,200 vegetable growers will benefit from these measures which will be implemented during the current financial year.

134. Tobacco planters have asked for an increase in the price of leaf due to an increase in the cost of production. Government has agreed to an increase of 10 percent for both flue-cured and air-cured tobacco.

Tourism

135. In the tourism industry, there are plans for an estimated Rs 45 billion of investment by the private sector over the next five years: Rs 30 billion under the Integrated Resort Scheme and Rs 15 billion in hotel projects.

136. These projects will increase significantly the number of hotel rooms. We will therefore need an aggressive marketing campaign to ensure that occupancy rates go up with room supply. To this end, the Mauritius Tourism Promotion Authority (MTPA) will implement this year a special marketing plan. Its marketing efforts will focus on traditional and new markets. To implement that plan, I am providing a

one-off grant of Rs 30 million in the current financial year, over and above the MTPA Budget.

137. But effective marketing will be only part of the answer.

138. We will put a very strong emphasis, starting this year, on development of shopping tourism.

139. Government will also ensure that future air access policy will address the new needs of the tourism industry while safeguarding the high quality profile of the tourism product.

Manufacturing

140. I will now announce our strategy to put the manufacturing sector on a stronger foothold to compete.

141. Enterprise Mauritius is now a reality. Legislation for the transfer of undertaking will be introduced shortly into the National Assembly. It includes provision for the transfer of the industrial estates of MIDA to BPML. This will enable Government to develop an integrated strategy for the development of business parks and industrial estates for our enterprises, including SMEs.

142. A specific area of focus of Enterprise Mauritius will be to facilitate creation of networks, clusters, subcontracting and strategic partnerships. To succeed in this endeavour, hindrances to a completely free flow of goods and services across the manufacturing sector and the economy will need to be removed. Government will therefore continue discussions with the stakeholders to address a number of sensitive issues relating to

the removal of these barriers, including the bonded factory status of EPZ enterprises and their special VAT regime.

143. As a further step in this direction, we are completing the process of abolishing duty on industrial inputs that are not produced locally. Accordingly, we are abolishing duty on a range of packing and packaging materials such as bottles and jars; caps, corks and lids; cans, tins and labels; boxes and crates. Duty is also being removed on screws and washers, nuts and bolts, chains and springs. Duty is also being significantly reduced on valves, bearings, transmission shafts, gaskets and joints. I am furthermore eliminating duty on work trucks, trailers and special purpose vehicles.

144. Let me now announce four more measures for the manufacturing sector.

145. First, the Ministry of Industry has been preparing an action plan to make our jewellery sector more competitive. To promote modernisation of local jewellery units, DBM will introduce a Jewellery Loan Scheme to provide loans of up to Rs 1 million with an interest rate of 8 percent, repayable over a six year period.

146. Second, the Income Tax Act provides that in case of take over of an ailing manufacturing company, its unrelieved losses may be claimed by the new company, provided it agrees to safeguard employment of the workers. I am now extending this concession to cases of merger.

147. Third, two years ago, a 10-year tax holiday and a special tax credit of 60 percent of equity investments made in spinning companies was

introduced to promote this activity. I am extending this scheme to cover weaving and dyeing activities as well.

148. The next measure is designed for those manufacturing companies that have to acquire land or a building for modernisation and/or expansion of their operations. Currently, the incentive registration duty applicable on such acquisitions is 5 percent. As an exceptional measure, I am proposing to lower this rate to 2.5 percent for manufacturing companies until the end of the year 2007.

ICT

149. In recent years, the ICT Sector has gained pride of place in our development vision. Global competitiveness has made investment in ICT a must. This Government recognised that imperative some four years ago and acted on it. Today, the rapid results in terms of value added and jobs created speak eloquently of the success of that endeavour. The fast growth of that sector is also clearly expressive of the bright future ahead. Seventy-eight companies are currently operating in the sector, employing around 3,500 persons. Based on investment projects already approved at the Board of Investment, employment will reach 5,000 by the end of this year.

150. In this sector, our progress is better than anticipated. But we must be constantly alive to the pressures of global competition. We must bring down our costs further. To this end, the Information and Communication Technology Authority will undertake a comparative study on the telecommunication sector in terms of cost structure and infrastructure.

151. As a user of ICT, Government can exert a major positive influence on that sector. So our expenditure plan on ICT will give a boost to the industry while at the same time modernising the civil service and improving its productivity. In the next financial year, we will spend Rs 105 million to implement e-government projects. These include computerisation in the civil service, in particular, the setting up of a Local Area Network in Ministries.

152. I am providing Rs 25 million for the implementation of the Government Online Centre (GOC) which will host the Government portal. This will enable Ministries and Departments to operate computerised Registry, Stores Systems and the Central Personnel System.

153. To mitigate risks arising from potential security breaches, the Public Key Infrastructure will be set up. This will ensure greater security in the application of e-government.

154. The National Computer Board will manage four ICT Regional Centres in different parts of the island to spread ICT Culture. These will comprise a documentation centre, free public internet access, a computer lab and a help desk to assist and guide the public.

155. An amount of Rs 40 million will be spent on the acquisition of hardware and software for the first phase of the School IT Project.

Financial Services

156. Mr Speaker, Sir, we also need to put the financial services sector on yet more solid foundations for its development. We have already put in place the institutional and regulatory framework to align the country to

standards of international best practices. The Banking Act, the Bank of Mauritius Act, the Insurance Act, the Securities Act and the Financial Reporting Act are clear demonstration of our vision to provide the sector with a strong framework to withstand the challenges of a global economy.

157. Confidence of investors in our financial system is critical. The Financial Reporting Council, the Mauritius Institute of Professional Accountants and the National Committee on Corporate Governance will play an important role by overseeing financial reporting, auditing and corporate governance standards.

158. To promote the sector and to build capacity, the Financial Services Development Act will be amended to enable management companies to provide both administration and management services to non-Mauritian entities. The Sugar Industry Pension Act will also be amended to allow the Sugar Industry Pension Fund to provide a broad range of financial services to operators outside the sugar sector. To provide Mauritius with a more modern and comprehensive regulatory framework for collective investment vehicles, appropriate regulations will be made, under the new Securities Act.

Seafood Hub

159. Another industry which is fast growing into a mainstay of our economy is the seafood hub. We are happy with the results we have obtained in a short span of time. So, we will continue our support to that new industry.

160. Government will, with the private sector, organise a workshop in November this year on the Mauritius Seafood Hub to attract more players in that industry.

161. DBM will raise the limit on loans to operators in the seafood hub from Rs 5 million to Rs 25 million. These loans are meant for the setting up of processing plants.

162. We will continue to encourage fishing in the high seas. A new batch of 24 fishermen will be enrolled soon at the Fisheries Training and Extension Centre at Pointe aux Sables for training in off-lagoon fishing.

163. Good progress has been made so far in the construction and upgrading of fisheries posts and fish landing stations. I am providing another Rs 5 million to continue this programme.

164. Bad weather allowance for fishermen will this year be increased to Rs 145 and I am providing Rs 147 million for the fishing sector in this Budget.

Access To Finance

165. Access to finance is an issue that cuts across all industries and is particularly more of a problem for medium, small and micro enterprises. If we want investments that will democratise the economy, it is essential that finance be made available and affordable for enterprises.

166. Our first thought goes to those unemployed who want to start their own business. For them, DBM will set up an Emerging Entrepreneur Loan Scheme. Seed capital loans of up to Rs 100,000 will be made available to entrepreneurs wishing to set up small enterprises in the

manufacturing, handicraft, ICT or services sector. The loan will cover up to 100 per cent of the investment. It will bear interest at the concessionary rate of 6 per cent per annum and will be repayable over a period of 5 years. For borrowers who cannot offer any security, the loan will be secured under the existing SME Loan Guarantee Fund.

167. To operate efficiently, to expand and grow globally competitive our SMEs must not only catch up on innovation, they must also build the capacity to respond to that imperative. To this end, DBM is setting up an SME Efficiency Improvement Scheme to provide finance, amongst others, for research and development projects. Loans of up to Rs 500,000 will be made available at the rate of 6 per cent per annum and repayable over six years with one year moratorium.

168. As we encourage our men and women to set up small and micro businesses, we must also create more space for them to trade their products. DBM will offer a new loan facility of up to Rs 10 million for the setting up of market fairs and craft villages to private promoters and local authorities. These loans will carry interest at the rate of 9 per cent repayable over 8 years with one year moratorium.

169. The Working Capital Scheme that DBM introduced last year has been successful in financing working capital of up to Rs 500,000 on a revolving basis to SMEs. With increased competition, SMEs have indicated that they will need more funds to provide longer credit terms to their clients. It is therefore proposed to increase the loan ceiling to Rs 1 million.

Facilitating Investment

170. The overall investment climate is another issue that concerns all businesses in all industries.

171. Last year, I announced a series of measures to facilitate, promote and attract investment. The work in this area is ongoing. We have reduced administrative red tape to investment and cut down on delays. However, more remains to be done.

172. My Ministry, in collaboration with BOI and Customs, is carrying out a thorough reengineering and computerisation of the duty and tax exemption process. Once completed, the new system will further facilitate business operations in Mauritius. It will also minimise discretion in granting duty exemptions.

173. Mauritius will be included in the Doing Business Survey 2006. This survey aims at benchmarking the regulatory environment for business in over 145 economies around the world. The Doing Business Survey will complement the Investment Climate Assessment (ICA) in continuously monitoring the business climate in Mauritius.

174. We are revamping the Scheme for Attracting Professionals in Emerging Sectors (SAPES). The revised Scheme will focus on attracting high-level talents in all sectors and not just emerging sectors as was initially intended.

175. For foreign promoters and for high-level profile expatriates and talents whose applications have been recommended by the BOI, the Ministry of Labour will issue the work permit in less than one week after the effective date of the submission of the application.

176. New entrepreneurs are those who are most in need of a strong foothold to compete. For them, I am providing Rs 12.6 million for construction of a business incubator by the SMIDO.

177. This year, I am providing Rs 35 million to the National Handicraft Promotion Authority (NHPA), including Rs 10 million for handicraft development.

178. These provisions will go towards the establishment of training centres at Flacq and Terre Rouge, a new Handicraft centre at Paillotte for high level training on production of up-market handicrafts, a Handicraft Trade Fair and a National Craft Competition to reward outstanding craftsmanship.

179. In order to rationalise service provision, SMIDO and the NHPA will be merged into the Small Enterprise and Craft Development Authority. Legislation will be introduced shortly.

180. I am also increasing the allocation to the co-operative sector to Rs 68.2 million.

Putting Workers On A Stronger Foothold To Compete

181. Mr Speaker Sir, last year, I made democratisation of the economy one key priority of the Budget. I laid out a clear course of action to meet that momentous challenge. We will remain steadfast on that course.

182. Let me first report that the actions we announced last year on democratisation are all being implemented. And I am particularly pleased to report that soon and very soon indeed, the Employee Real Estate Investment Trust (EREIT) will issue units to some 325,000 men and

women. These units will entitle them to participate in the capital growth that will be realised upon the development of its initial land holdings of 500 arpents.

183. This is a manifestly clear illustration of our resolve to democratise the economy.

184. I stressed last year that it takes more than one Budget to achieve our objectives. So, we are doing more.

185. Today, I would like to announce another major act of solidarity with workers in our country. We are creating a Workers Hardship Relief Scheme to give assistance to workers. Under that scheme, workers facing financial hardship in the future due to closure of their enterprises will receive a one-off payment of Rs 6,000 to meet their subsistence expenses.

186. Employers will be called upon to make a one-off contribution of Rs 100 per worker to that scheme. Government, for its part, will contribute Rs 100 per government employee. The scheme will be managed by the National Solidarity Fund.

187. This should send a clear message to all workers, Mauritians and expatriates, that this Government will stand by them all the time.

188. Government will also give job seekers all necessary support to find jobs that meet their aspirations in the shortest possible delay. The Human Resource Development Council will work together with the Ministry of Labour, Industrial Relations and Employment to establish an electronic job exchange. This should reduce the time it takes for a job seeker to find a job and for an employer to find workers.

189. The Ministry of Labour, Industrial Relations and Employment will implement a Cité de Métiers which will provide information, counselling and guidance to job seekers. This Centre will bring together, under one roof, functions which are being performed by different organisations.

190. We are providing Rs 6 million for construction of two new labour offices in Curepipe and Rose Belle.

191. We are conscious that long-term unemployment can push families into poverty. We want therefore a strategy to reduce long-term unemployment. To this end, an integrated National Employment Strategy is being prepared in consultation with the ILO. The strategy will combine macroeconomic policies with coherent social plans aimed at creating employment and alleviating poverty.

192. A study is being carried out for the setting up of an occupational health laboratory to reduce the risk of health hazards at the workplace. A sensitisation campaign will be carried out on occupational hazards in the construction sector.

Training

193. To give workers a stronger foothold to compete, we must invest in human resource development – to raise their productivity and to ensure their employability.

194. Last year, we introduced a number of new training schemes to tackle the problem of mismatch on the labour market. Our aim was to bring the unemployed back to work and to give new entrants a better chance of finding a job.

195. Most of the programmes are ongoing.

196. There has been a notable increase in placements under the Skills Development Programme. The number of graduates and diploma-holders registered under this scheme increased by 47 percent. I must applaud the efforts made by the private sector where placements of these students increased by 66 percent.

197. A tracer study conducted in March this year indicates that 71 percent of participants were able to find a job, of which 32 percent in the private sector and 39 percent in the public sector.

198. In view of the success of the Skills Development Program, the principle of placement will be extended to those who have studied up to CPE, SC and HSC, respectively. Preference will be given to those who have registered for the training programme and to the long term unemployed. They will be placed in companies to allow them to acquire relevant hands-on experience.

199. In the EPZ sector, there is a persistent paradox of workers losing jobs and vacancies not being filled due to a shortage of skills. To address the skills mismatch that underlies this paradox, our training must be more focused. Government is therefore introducing a new training scheme intended for developing skilled manpower and increasing productivity in the EPZ. Under this new scheme, 1,000 persons will be trained as machinists. Each trainee will receive a stipend of Rs 3,000 per month for the duration of the training. Employers in the EPZ have agreed to contribute fifty percent of the cost of the stipend. Government will fund the remaining fifty percent.

200. I am providing Rs 53 million for all these training programmes, and Rs 175 million to the IVTB. Total financial resources for training next year, including allocation from the National Training Fund and IVTB own resources, will amount to Rs 378 million.

201. Our emphasis on training also embraces the needs of the Civil Service. In the past four years, some 9,300 public officers at different levels both in Mauritius and Rodrigues have been trained. For next year, I have made provision for the training of 2,000 public officers in the field of ICT. I am also providing Rs 5 million for the Distance Learning Scheme.

OPENING MORE INVESTMENT SPACE

202. Mr Speaker Sir, I shall now elaborate on the fourth priority of the Budget: opening more investment space.

203. There are times in the affairs of a nation when its leaders must, with responsible courage, dare to cross traditional borders and dare to break away from the confinements of established ways.

204. These times are here. We have decided to move with these times – with our times – For that is the only pathway to realise our vision of taking Mauritius to the league of high income economies.

205. Indeed, we are stepping out of the traditional mould of post independence fiscal policies which rely heavily on trade taxes for revenues, on protectionism for development and on high tariffs to contain consumption of imported goods.

206. I am announcing today a historic decision.

207. A decision that will harness the full potential of Mauritius. A decision that will open new economic space and encourage entrepreneurship. A decision that will unleash creativity and innovation. A decision that will generate massive investments across the entire economy.

208. Indeed, Mr Speaker, Sir, I announce today a historic decision to make of Mauritius a Duty Free Island. There is a national purpose for making this historic decision. It is to transform Mauritius into a shopping paradise for tourists.

209. It is to create a new and unprecedented dynamism in our economy for investment and to take a big step toward the full employment growth path.

210. We recognise that success in such an endeavour comes with a price. Government collects over four billion rupees every year from customs duty. The Treasury cannot afford to sacrifice that much revenue in one go.

211. And some of our customs tariffs are there to protect local industries and their employees. It would not be responsible nor would it be fair on the part of Government to reduce all these tariffs all the way to zero. Some of our enterprises need more time to become globally competitive.

212. Notwithstanding our concern for government revenue and for protection of local industries, there is a minimum initial effort we must make in terms of duty reduction for the duty free shopping project to get a viable start.

213. Therefore, Mr Speaker Sir, the Duty Free Island Project must be well-measured and well-paced.

214. It will therefore be phased over a period of four years.

215. The first phase starts tomorrow morning.

216. To create a sufficient impact on the development of shopping tourism, I am removing the 80 percent rate of customs duty, the highest in our tariff book, on all items of clothing. As from to-morrow, all garments including suits, dresses, shirts, t-shirts, polo shirts, kurtas, trousers, vests, jackets, blazers, churidars, shararas, cardigans, handkerchiefs, swimwear, ties, underwears, nightdresses, pyjamas and socks, to mention but a few, will be duty-free.

217. I am abolishing the 80 percent duty on all articles of leather, including handbags, wallets, purses and belts.

218. I am abolishing the 80 percent duty on jewellery.

219. Duty on sportswear, sports and training shoes and on infants' shoes is being removed altogether.

220. Footwear which is subject to a rate of 80 percent or a fixed rupee amount, whichever is higher, will henceforth attract only the specific duty element.

221. I am also eliminating customs duty on:

- digital cameras, video cameras, camcorders, photographic and cinematographic equipment, accessories and films;

- watches, clocks, watch straps and bracelets;
- cellular phones, cordless phones and other types of telephony apparatus, including fax machines;
- photocopying machines;
- suitcases, briefcases and vanity-cases;
- paintings, engravings and antiques;
- sunglasses and binoculars;
- video game consoles; and
- pens

222. Moreover, the rates of duty on a host of products will be substantially reduced.

- on perfumes and eau de toilette, from 80 percent to 15 percent;
- on cosmetics and make-up, from 80 percent to 40 percent;
- on microphones, headphones and earphones, from 40 percent to 15 percent;
- on loudspeakers, amplifiers, cassette-recorders and other audio equipment, from 40 percent to 15 percent.

223. The list of products is far too long to be enumerated here. But I must stress that the sheer number of products covered by these substantial

duty reductions should create enough of an impact for a successful take-off of duty free shopping.

224. The momentous customs duty reform also ties in with our policy to boost tourist arrivals and to expand room capacity. The Rs 45 billion investment planned in the tourism industry in the next five years and massive investment in port and airport infrastructure, are all part of this integrated approach.

225. But that is not all. For we will give further support to the Duty-Free shopping project.

226. We are convinced that our enterprises will move fast to take advantage of the vast opportunities that duty free shopping brings. Government wants to encourage them and facilitate their response. Therefore Mr Speaker Sir, we are abolishing duty on large scale shelving systems and racks. This is an incentive for retailers to upgrade their shops and bring them to the standards that would make it attractive for tourists to shop in Mauritius.

227. We are also setting up a Shopping Mall Scheme to promote, encourage and facilitate the development of modern integrated business, shopping and leisure centres. The scheme will include incentives such as land conversion facilities, simplified procedures for acquisition of land and property by non-citizens and favourable tax regimes. These incentives will be based on specific criteria such as a minimum investment level, the total project value, and the percentage of space devoted to business facilities, shopping facilities and leisure facilities.

228. Furthermore, we are making provision in the Finance Bill for repeal of the Shops Act. Retailers, except those dealing in alcoholic beverages, will thus be free to choose their opening hours.

SOCIAL PROTECTION

229. Mr Speaker Sir, the efforts we are making to put the economy on a high income growth path speak of our determination to aim high and to forge ahead. With this same passion and determination, we will pursue our objectives of social justice and equity. In September 2000, when this Government took office, we made a solemn pledge to be a caring government and to do our best to take people out of poverty. We also pledged our commitment to strengthen the Welfare State.

230. More than four years have passed. Today, we have the same sense of mission and commitment about social protection that we had in September 2000. Fairness, equity, justice, compassion and sustainability will continue to be the principles that guide our actions on social development.

231. I am announcing today a series of measures to further protect the vulnerables and to lift families out of poverty.

Disabled

232. Let me start with our actions to give greater protection to the disabled.

233. Presently, only carers of disabled children aged three years and above receive an allowance. I am lowering this age limit to six months.

234. I am also raising the income ceiling for eligibility for carer's allowance from Rs 130,000 to Rs 150,000. Thus, more carers and many more disabled children will benefit from Government assistance.

235. This year, I am increasing provisions for assistance and training of disabled persons to Rs 12 million.

236. I am also allocating Rs 40 million to complete construction of a new Disability Centre at Pointe aux Sables. Patients suffering from muscular dystrophy will also be considered for registration at this Centre.

237. I have received representation for reducing the fee payable by severely handicapped persons for a passport. I am pleased to announce that I am reducing the fee from Rs 1,500 to Rs 500 for handicapped persons.

Elderly

238. Mr Speaker Sir, we all owe a debt of gratitude to our seniors who have built this country with hard work and sacrifice.

239. Our budgetary decisions as regards our seniors rest on two basic principles – first, as a nation we must continuously improve the quality of life of all our seniors and second, we must make special efforts for those with modest income.

240. The targeting approach that was put in place last year in view of reforming our pension system was meant ultimately to allocate additional resources to the really deserving senior citizens.

241. Despite the controversy generated by this decision, I am fully convinced of its underlying philosophy.

242. Indeed, this year, as a result of the reform initiated, I am in a position to increase the Basic Retirement Pension (BRP) for those in the age group 60 to 75 from Rs 1,900 to Rs 2,200. This represents a total increase of Rs 700 over the last four-year period.

243. For those senior citizens in the age group 75 to 90, BRP is being increased from Rs 2,000 to Rs 2,250.

244. For those above 90 years of age, the rate will be Rs 6,900.

245. And for centenarians, Rs 7,850.

246. I am also raising the benefits payable to widows, orphans, the disabled and inmates of charitable institutions.

247. Similarly, the pensions to wartime pensioners are being increased.

248. Presently, only the elderly aged 90 years and above who are bedridden benefit from free domiciliary medical visits. Following representations from seniors during pre-Budget consultations, I have decided to extend this service to those who are aged 75 years and above.

249. The lack of proper dentition is a major cause of malnutrition among the elderly. I am therefore giving a one-off grant of Rs 2,000 for the elderly in need of dentures. This grant will be administered on the same basis as for the provision of spectacles to the elderly.

250. At present, some 4,000 elderly in charitable institutions are being vaccinated against influenza. In our quest to protect further our elderly, I am making provision for extension of this service to all senior citizens aged 65 and above.

251. The Recreation Centre set up at Pointe aux Sables in 2001 is a resounding success. To date, the Centre has accommodated over 50,000 elderly residents and the demand for such recreational activities continues to increase. I am therefore making provision for the construction of one additional recreation centre at Riambel.

252. I am pleased to announce that Air Mauritius will come up with a Scheme to offer to our elderly air fares on major routes at discounted prices during off peak period. A discount between 20 percent and 30 percent will be offered depending on the networks. To facilitate the travel plans, Air Mauritius will publish details of the Scheme.

253. I am increasing provision for social aid from Rs 225 million to Rs 261 million, and increasing grants to charitable institutions from Rs 40 million to Rs 42.5 million.

254. The budgetary provisions for the Ministry of Social Security, National Solidarity and Senior Citizens Welfare is being increased from Rs 6 billion to Rs 6.8 billion – an increase of 13 percent.

Alleviation of Poverty

255. The plight of the poor should be a concern not only for Government but for all Mauritians. To alleviate poverty is a moral obligation and one that is ingrained in the values of our nation.

256. The Trust Fund for the Social Integration of Vulnerable Groups (Trust Fund) has been of tremendous assistance to about 85,000 persons in very difficult situations during the past four years. About 2,500 families who were living in deplorable conditions have benefitted from the social housing scheme of the Trust Fund. The latter will continue to provide materials for houses which are under construction and improved on a self-help basis.

257. For unemployed youths and school dropouts in deprived regions, the Trust Fund will finance five additional Mobile Training Centres to bring IVTB courses to them.

258. This year, the Trust Fund granted educational materials, shoes, uniforms and food supplements to all students of Agalega attending school in Mauritius. The Trust Fund will continue to provide such support to these students.

259. 28,000 students have benefitted from “l’assistance écolière” during the past four years.

260. In the last Budget, I announced that a survey would be carried out among 5,000 Standard V school children outside the “Zones d’Education Prioritaires”, whose performance is cause for concern. Based on the results of that survey, the Trust Fund has decided to provide food supplements, transport, uniforms and educational materials to some 1,500 children.

261. A special desk is being set up at the office of the Trust Fund in Rose-Hill to process micro-credit projects for retrenched workers of the

EPZ. The Trust Fund will also finance training programmes for those who are interested.

QUALITY OF LIFE

262. I will now elaborate on the fifth priority of this Budget – Improving the quality of life.

Health Care

263. Good health is the single most important prerequisite for a good quality of life. It is our deepest conviction that Mauritians should get the best health care that the country can afford. That is why we will continuously implement reform, upgrade services and expand infrastructure in the health sector.

264. We have made commendable progress on many health indicators. Life expectancy is on the rise. Infant mortality, child mortality and maternal mortality are all declining.

265. But the health problems that are most common in our country are diabetes, alcohol-related and cardiovascular diseases.

266. Demand for invasive cardiology and cardiac surgery is already increasing. As our population is ageing fast, this pressure will become more intense in the future. Government is determined to respond now and provide timely and effective care. We are therefore providing for the construction of a dedicated Cardiac Centre at Pamplemousses near the SSRN Hospital on two acres of land donated by the Belle Vue Mauricia Co. Ltd. The new centre will double bed capacity and increase the number of cardiac surgeries from 400 to 800 per year. It will become one

of the main service points of our proposed plan to develop a High Tech Medical Hub.

267. I am providing Rs 25 million in this Budget to start this Rs 200 million project.

268. We must also put more resources in preventive health care.

269. Breast cancer is on the increase and early detection can save many lives. I am therefore providing for the purchase of four additional mammography equipment to add to the only existing one which is at Victoria Hospital. The new equipment will be installed at the Jawaharlal Nehru, SSRN, Dr Jeetoo and Flacq Hospitals.

270. Furthermore, we will implement the National Action Plan on Physical Activity. Five Health Clubs will be set up to encourage physical exercise. Health tracks will also be set up. And we will formulate an Action Plan on Nutrition in the coming years, to encourage Mauritians to develop healthy food habits.

271. For the next financial year, I am also providing:

- Rs 60 million to complete the second phase of the New Out-Patient Department at Victoria Hospital. This will comprise a Neurosurgery and Spinal Block and a Cardiac Unit;
- Rs 75 million for the construction of the New Jeetoo Hospital;
- Rs 18 million for upgrading of Flacq Hospital;

- Rs 15 million for the completion of the new psychiatric hospital at Brown Sequard; and
- Rs 70 million for the acquisition of high-tech equipment, including ICU cardiac monitors, echography and X-ray machine with image intensifiers.

272. To improve the delivery and quality of services, I am providing:

- for filling more than 1,250 vacancies in the various grades of the Ministry of Health and Quality of Life;
- for the recruitment of 200 Student Nurses and a number of other trainee grades;
- for the creation of 100 additional posts of Health Care Assistants and other supporting staff; and
- for the appointment of 250 Nursing Officers.

273. I am increasing the budgetary provision for training of staff by 140 percent to Rs 12 million.

274. For medicines and medical disposables, I am allocating Rs 470 million – an increase of 17.5 percent on this year's allocation.

275. Drug addiction, alcoholism and HIV/AIDS continue to disrupt family lives and to undermine the quality of life in our society. Government will make an extra effort this year to fight these social ills with special emphasis on treatment and rehabilitation. I am therefore, increasing the provision to NATReSA by 35 percent to Rs 29 million.

276. Overall budgetary provision for the Ministry of Health and Quality of Life is being increased by nearly Rs 4 billion – an increase of 9 percent.

Education

277. Mr Speaker, Sir, in this new era of globalisation and knowledge based development, no country can aspire to be in the league of high income economies without a strong and well democratised education system. More than anything else, it is education that opens the door to higher income, to greater prosperity and to better quality of life. And the effectiveness of education in achieving these objectives depends not only on the amount we spend, but also and even more importantly on how we spend. That is why we will continue to spend more while ensuring that these expenditures will secure quality and appropriate education, not just for a few but for all.

278. In this vein, let me announce today two momentous decisions to further democratise access to education and to uphold our determination to pursue our goal for greater social justice and equity.

279. The first decision concerns our citizens with special education needs. Our schools do not cater for these students. And so a number of them who cannot afford to pay their way through school do not get an education.

280. It is our moral and ethical obligation to secure for all these children full access to education. To meet that obligation, we are increasing the budget allocation to the dedicated NGOs that care after our disabled children from Rs 4 million to Rs 17 million. That is more than a four-fold increase. It will bring children attending registered special needs

schools at par with children of mainstream publicly-funded schools. It will also generate a dynamism that will increase access to such education and improve its quality. The Ministry of Education will set standards and norms and come up with a scheme to ensure an equitable allocation of the grant and cost effectiveness in the use of the resources.

281. The second decision concerns access to tertiary education.

282. It is estimated that some 3,000 students who qualify for a university education every year cannot afford it. This is so because seats at the University of Mauritius are limited and they cannot afford a seat in a fee paying tertiary institution.

283. They cannot obtain student loans because they have no security to offer to the lending institutions and their parents do not have the means to support them.

284. Mr Speaker Sir, lack of funds should not stand between our youth and their ambitions. A secondary education should not be the end of the road for these students.

285. Throughout our short history as a nation, our students have lived up to their responsibilities and to our expectations. There is no reason why a student should not obtain a loan for education on the simple trust that the loan will be reimbursed when the student starts a job. It is our conviction that every student should be able to borrow for tertiary education in his or her own name, irrespective of the income or wealth status of the parents.

286. And so, I am pleased to announce today that Government will introduce a Tertiary Education Interest Support Scheme on loans that are secured only on the personal guarantee of the student. The Scheme will apply to loans for studies in a tertiary institution in Mauritius. Under that Scheme, Government will cover the interest cost on all qualifying loans up to a maximum of 6 months after graduation for those who do not find employment immediately. The Mauritius Post and Cooperative Bank has agreed to participate in the proposed scheme. I trust that other commercial banks will soon follow suit.

287. This new loan facility will certainly increase demand for tertiary education. We must therefore encourage the setting up of brand name tertiary education institutions and ensure that enough seats will be available.

288. In that context, Government will introduce a new Knowledge Hub Investment Certificate scheme. The scheme will provide investors constructing a tertiary education campus with a ten-year tax holiday and VAT exemption on construction costs.

289. For institutions wishing to set up operations in Mauritius, Government will facilitate access to land.

290. As we expand capacity in the tertiary sector, we must also ensure quality and standards. New legislation for the regulatory framework and the streamlining of procedures, registration and accreditation of technical and vocational training and tertiary education institutions will be introduced.

291. An open university is being set up. It will provide students with on-line distance-learning facilities to secure a university education. I am providing Rs 7 million to start-up the process.

292. I will now announce further measures to implement our education policy.

293. To ensure more equitable access to pre-primary education in regions of greatest social needs, three pre-primary units will be constructed at Quatre Cocos, Rivière des Créoles and Vacoas. Five new pre-primary schools will be operational during the coming financial year at Grand Sable, Baie du Tombeau, Bambous, Cascavelle and Terre Rouge. The upgrading of norms and standards of private pre-primary schools will also be pursued.

294. For primary education, two new schools will be constructed at Albion and 16^{eme} Mille. The ZEP project will be extended to the two primary schools in Agalega and appropriate resources will be put at their disposal for successful implementation. I am also increasing the allowance for the teaching staff of ZEP schools from Rs 1,000 to Rs 2,000. The food allowance to ZEP students is being increased from Rs 6.50 to Rs 11 per student per day.

295. With regard to secondary education, two additional State Secondary Schools will be constructed at Goodlands and Quatre Bornes.

296. A White Paper on secondary curriculum renewal, including pre-vocational education, will be published soon. It will emphasise the importance of citizenship education, mathematics and science subjects.

297. We are introducing a Polytechnics stream as an alternative to the Higher School Certificate. This is a major reform project aimed at facilitating the entry of students in the world of work. A three-year polytechnics diploma course will be offered initially in civil engineering and, thereafter, in ICT and business studies.

298. The increase in both the number of primary and secondary schools will require additional staff. I am therefore providing for the enlistment of a total of 1,430 teaching and non-teaching staff, including 600 trainee teachers and 230 Education officers.

Arts and Culture

299. There is an intricate link between arts and culture and the quality of life. As we set our goal to achieve the same level of income as developed countries, so must we set the goal to achieve the same level of development in the field of arts and culture.

300. This year, I am providing:-

- Rs 15 million for renovation works at the ex-General Post Office building that will house the Nelson Mandela Centre for African Culture.
- Rs 12.5 million to meet operating costs and for continuing restoration and preservation works at Aapravasi Ghat.

301. I am also providing for the construction of a railway museum at Mapou, for works to be carried out at Le Morne Heritage Site, and for the operation of Professor Basdeo Bissoondoyal Trust Fund. I am as well increasing the grants to cultural centres, the National Art Gallery, Le

Morne Heritage Trust Fund, the National Library and the Mauritius Museums Council.

302. During my pre-Budget consultations, I have received request for assistance for the construction of cultural centres which have been set up by legislation, and for the Grand Bassin project. I am pleased to announce that a one-off grant of Rs 1 million will be made to each of the following: the Tamil Cultural Centre Trust Fund, the Telegu Cultural Centre Trust Fund and the Marathi Cultural Centre Trust Fund. I am also making a contribution of Rs 1 million for the setting up of the spiritual park at Grand Bassin.

303. Promotion of language cannot be dissociated from cultural development. Knowledge of a language can also become an important business asset. We already have institutions promoting usage of English, Hindi and Urdu. I am pleased to announce that a Chinese-Speaking Union will also be set up.

304. The Budget for the Ministry of Arts and Culture is being increased by 25.7 percent to Rs 178.5 million.

Law and Order

305. In recent years, we have put in every effort and channelled necessary resources to ensure the maintenance of law and order in our country. Four years ago, the population was growing wary of a law and order situation that was in disarray and deteriorating very fast. We acted decisively to bring the law and order situation under control. We have reassured the population. But there is still more work to be done.

306. To give more effective protection to our citizens, we need a “Police de Proximité”. This will ensure more visibility, a wider presence and more effective actions against crime. To this end, I am providing for the recruitment of 500 trainee police constables. I am also providing for additional posts at the supervisory level.

307. Crime is taking on new forms and growing more sophisticated. The police force has to continuously gear itself to deal with new types of crime. It must therefore build capacity. To this end, the Police Department will set up a new specialised unit for crime prevention and investigation. Those who will be posted to the unit will be provided with specialised training in psychology and criminology locally and abroad.

308. To build further capacity to combat crime, I am providing

- Rs 100 million for the operating expenses of ships and aircrafts for the National Coast Guard;
- Rs 40 million for helicopter overhauling and repairs;
- Rs 10 million for the purchase of Counter Disaster Equipment; and
- Rs 20 million for the installation of a closed circuit street surveillance system in Port Louis area.

309. We are also making provision for the implementation of the recommendations of the National Drug Control Masterplan.

310. This year, I am increasing the total provision for the Police Department by 11 percent to Rs 3.16 billion.

311. I am also providing:

- Rs 10 million for improvement and extension works at various prisons including at Petit Verger;
- Rs 8 million for the purchase of equipment and installation of a closed circuit TV surveillance system at Beau-Bassin Prison; and
- for additional posts, including two additional Deputy Commissioner of Prisons and 58 other recruitments at various levels.

Judiciary

312. To ensure faster and more effective judicial process, I am providing for the filling of vacancies in different grades in the Judiciary.

313. The Supreme Court will implement an Electronic Filing System to improve the administration and delivery of justice.

Environment

314. Mr Speaker, Sir, in our ceaseless endeavour to improve the quality of life, we must feel fortunate as a nation, for our island is a land of natural splendour. But we must always be alive to its fragility and its vulnerability to the unsettling effects of demographic expansion and economic growth. These can put at risk the quality of life of our citizens. It is for this reason that we are investing heavily in environmental protection, in solid waste management and in wastewater management.

315. It is also for this reason that this Government commissioned in 2001 the very first comprehensive study on the land drainage system in Mauritius. The study was completed in February 2003 and identified 326 flood prone areas in Mauritius, requiring remedial measures to the tune of Rs 1.5 billion.

316. Our response was immediate. Government launched a land drainage programme in 2003. To date, 107 projects have been completed or are being implemented for a total value of Rs 632 million.

317. Several major drainage projects were implemented during the last two years, including at Canal La Ferme, Canal Anglais, Ruisseau du Pouce, Signal Mountain, Pont Vantard and Malakoff.

318. We will continue the drainage programme. Government will address the problems of flooding at Chitrakoot, Cité La Cure, Camp Carol, Grand Baie, Morcellement Chazal at Flic en Flac and places along the south east coast and other flood-prone regions.

319. In this Budget, I am providing an amount of Rs 200 million for the land drainage programme.

320. I am also making provision for other environment related projects including coastal works at Flic en Flac and Rivière des Galets, for landscaping and infrastructural works at Bambous Virieux and Petit Sable and for other embellishment works across the island.

321. Government is committed to preserving the natural eco-system for our future generations. This is evidenced by the high attention we have given to the concerns expressed by NGOs on the environmental impact of

the South Eastern Highway Project. The Prime Minister himself chaired various meetings to discuss the issues raised and Government has not hesitated to appoint an international consultant to carry out an independent assessment. Following the recommendations of the consultant, I am making necessary provisions for the implementation of mitigation measures against the local and direct effects of the project on the Ferney Valley.

322. This year, I am allocating Rs 200 million for environmental projects.

323. The National Development Unit has made outstanding contribution to improving the quality of life of our citizens in both urban and rural areas. In the past four years, the NDU has implemented various projects for which Government has disbursed more than Rs 1.7 billion. These projects may be small, but they have a very big impact on the quality of life of our citizens. We must continue to bring these services to our population at grassroot level. Therefore, this year, I am increasing budgetary provision for the National Development Unit to Rs 440 million.

Local Government

324. Local authorities also have a major role to play in improving the quality of life at local levels. I am accordingly increasing the grant-in-aid for local authorities to Rs 1.27 billion.

325. Implementation of the new Local Government Act will require appropriate premises to house the new municipal councils. To this end,

lands are being identified for the construction of such premises for councils in the districts of Savanne, Flacq and Pamplemousses.

326. Pending the implementation of the new Local Government Act, I am increasing the capital grant for local authorities to Rs 80 million. This includes allocation of Rs 54 million to Municipal and District Councils, Rs 15 million for infrastructural development at Vallée Pitot and Rs 10.5 million representing Government's contribution for construction of the market fair at Triolet and completion of the market fair at Rivière du Rempart.

327. I wish to mention that the market fair at Pamplemousses has already been completed, while the ones at Flacq and Bel Air are at design stage.

328. As regards the market fair and Traffic Centre Project at Rose Belle, contract for the traffic centre has already been allocated and construction works will start soon. Tenders for the market fair are being examined and the contract is expected to be awarded shortly. In this Budget, I am providing Rs 80 million for completion of the project.

Fire Services

329. The newly constructed fire station in Triolet will be operational soon. An additional 60 firemen will be recruited to man this fire station. Another fire station which is under construction at Flacq will be completed in the course of next financial year.

330. An amount of Rs 60 million has been earmarked for the purchase of vehicles and equipment. Total provision for the Fire Services is being increased by 29 percent to Rs 236 million.

Rodrigues And Outer Islands

331. The budget of the Rodrigues Regional Assembly is being increased to Rs 1.3 billion.

Housing

332. At the core of this Government's policy to improve quality of life, is an unrelenting commitment to provide decent and affordable houses for Mauritian families, with a special emphasis on helping those who have limited income.

333. Since we took office, to date, we have commissioned the construction of around 3,500 Firinga-type housing units, under the EXIM Bank Project and under the Sites and Services Project. Most of these units have been completed and delivered. I can report that more than 2,500 families with modest income have benefited from these projects.

334. Some 2,000 more housing units will be constructed during the next two coming years. NHDC has raised a loan of Rs 400 million to that effect. Government will pay the interest and capital portion of the loan that relates to infrastructural works and will also bear part of the interest cost on the housing units.

335. In this Budget, I am providing Rs 105 million for provision of site infrastructure for housing projects for the very low income, and

Rs 30 million for the development of 300 additional sites for low-income households to build their own houses.

336. Furthermore, for yet another year, the Trust Fund will finance the construction of 200 housing units for the very poor – for families who cannot afford even a Firinga-type housing unit.

337. The Trust Fund will also finance the construction of 100 semi-detached core houses on two plots of land at Camp Levieux and Henrietta.

338. Taking into consideration rising construction costs, we are improving not one but all our housing financing schemes to stretch further the helping hand of Government and support even more families.

339. I am raising the income eligibility for the Building Materials Scheme from Rs 4,000 to Rs 5,000, and the maximum grant under this scheme from Rs 30,000 to Rs 35,000.

340. The Casting of Slab Scheme has enabled a large number of families with modest means to construct their homes. In the last four years, Government has disbursed Rs 740 million to some 21,500 families under this Scheme. To extend the Scheme further, I am raising the income eligibility from Rs 7,500 to Rs 8,500 and the maximum grant from Rs 50,000 to Rs 55,000.

341. Government is providing a sum of Rs 250 million to implement these two schemes.

342. The income eligibility for grants under the Second Housing Unit Scheme operated by MHC is also being raised from Rs 7,500 to Rs 8,500.

343. I am also bringing about significant improvements in the Government Sponsored Loan Scheme. For this loan scheme, I am raising the outright grant from Rs 30,000 to Rs 33,000; the loan ceiling from Rs 275,000 to Rs 300,000; and the income eligibility from Rs 6,000 to Rs 7,000.

344. In line with our policy to extend a helping hand to more families, I am introducing a new housing scheme for families with monthly income not exceeding Rs 5,000 and who own a plot of land. To these families, the MHC will give loans up to a maximum of Rs 150,000. To make the loan affordable, we are fixing the interest rate at 5 percent and setting the repayment period to 35 years. And that is not all. Over and above the loan amount, Government will give the borrower an outright grant of 20 percent of the total loan amount.

345. Mr Speaker Sir, there are some 235 families in the regions of St Hilaire and St Hubert who have, since the days of cyclone Carol, constructed their homes on lands belonging to sugar estates with the consent of the latter. But till today, these families have not become owners of these lands. Both parties have for a long time wished to regularise this situation. This situation needs to be remedied. Appropriate amendments will be made to the Sugar Industry Efficiency Act to facilitate the transfer of property to these families and all those who are in a similar situation by exempting them from all transfer dues including the morcellement fee.

Women, Child Development and Family Welfare

346. Many of the measures we have announced address the specific need to empower women of our country. However, we need to give

greater support to women and children who are victims of abuse and violence.

347. To provide the necessary care and attention to those who have undergone such traumatic experiences, women police officers will be posted in every police station on a 24-hour basis.

348. I am also providing Rs 8 million for the construction of a shelter for women and children at Bambous.

349. Many women of our country regroup themselves in associations and clubs. It gives them a platform to share views and contribute to social work. I am providing a yearly grant of Rs 2,000 to those women's organisations registered with the National Women Council but which are not benefiting from the project grant.

350. In all, I am providing an amount of Rs 157 million to the Ministry of Women, Child Development and Family Welfare.

Youth and Sports

351. In improving the quality of life, we cannot overlook the needs of our youth.

352. For them, I am providing Rs 9 million for Youth Centres. This will allow for completion of the Youth Centre at Rivière du Rempart and preliminary expenses for the Youth Centre at Flic en Flac and the Residential Youth Training Centre at Bel Ombre.

353. For sports, I am providing Rs 12 million for upgrading of stadiums, Rs 9 million for the upgrading and construction of sports complexes,

Rs 4 million for completing the construction of Malherbes Multi-Sports Complex and for meeting preliminary expenses for a new Sports Complex at Belmont, and Rs 17 million for the construction of swimming pools at Flacq and Rivière des Anguilles.

354. To provide continued assistance to federations, high-level athletes and for organising recreational activities for our youth, I am raising budgetary allocation to the promotion of sports activities and youth activities from Rs 36.5 million to Rs 39 million.

355. I am also raising budgetary provision for the Mauritius Sports Council from Rs 12.5 million to Rs 14.5 million.

356. I am pleased to announce that the public will have access to the sports infrastructure at all primary and state secondary schools, after school hours.

PROTECTION OF CONSUMERS

357. Mr Speaker Sir, last year I underlined the need to protect the purchasing power of our consumers. We took a number of actions to lower prices. In the course of the year, we took additional measures to contain price increases. However, it has been difficult to steer clear of external influences. As a caring Government, we are sympathetic to the plight of Mauritian consumers in general and of families with limited income in particular.

358. This year, we will act on all fronts to bring down prices and to protect the purchasing power of consumers.

359. While announcing the Duty Free Island, I said there was a national purpose – to develop duty-free shopping. Mr Speaker, Sir, there is a second national purpose for making of Mauritius a Duty Free Island. That second national purpose is about bringing down prices for not just a few but for all consumers. For we believe Mauritian families deserve a wider choice of goods at lower prices.

360. Therefore, Mr Speaker, Sir, I am announcing today duty removal and reduction on the widest possible range of consumer products.

361. I am bringing down customs duty on goods and articles, ranging from items of basic necessity to household durables. Let me highlight a few of them, starting with foodstuffs. Duty is being removed altogether on the following:

- rice,
- butter,
- corn flakes, oat meals and other breakfast cereals,
- coffee, including instant coffee and chicory,
- preparations of milk and malt,
- spaghetti, macaroni and other pasta,
- noodles and vermicelli, except instant noodles,
- green tea,
- olive oil,

- “gréau”,
- “sagoo”,
- frozen and dried vegetables, and
- preserved or prepared fish and crustaceans.

362. I am also reducing duty on other food items as follows:

- | | |
|---|-------------------------------|
| - canned tomatoes, peas, sweet
corn, mushrooms and other
vegetables | from 40 percent to 20 |
| - tomato ketchup | from 30 percent to 15 |
| - soya sauce and oyster sauce | from 30 percent to 15 |
| - mayonnaise | from 30 percent to 15 |
| - crushed or ground spices | from 30 percent to 10 |
| - split peas, | from 30 percent to 10 |
| - fruit juice | from 40 percent to 15 |
| - fresh and dried fruits and nuts | from 40 percent to 20 |
| - fruit jams, jellies and marmalade | from 40 percent to 20 |
| - sausages, salami and ham | from 55 percent to 30,
and |

and

- biscuits from 55 percent to 40

363. On articles of toiletry and personal care, duty is being significantly lowered, as follows:

- soaps and shampoos from 80 percent to 40
- toothpaste from 40 percent to 20
- toothbrush from 40 percent to zero
- razors and razor blades from 40 percent to zero
- after-shave creams and lotions from 80 percent to 40
- hair oils and hair dyes from 80 percent to 40
- combs and hair brushes from 80 percent to 40
- deodorants and antiperspirants, from 80 percent to 40
- body and skin lotion and oils from 80 percent to 40, and
- baby powder and talcum powder from 80 percent to 40

364. I am also eliminating duty on the following domestic electrical appliances:

- food grinders and mixers and juice extractors,
- cooking appliances,
- vacuum cleaners,
- irons,
- electric fans,
- washing machines,
- freezers, and
- refrigerators.

365. For toasters, hair dryers, electric ovens as well as for microwave ovens, the rates will be halved to 20 percent, while electric water heaters will be subject to a rate of 15 percent instead of 40 percent. I am also lowering the rate of duty on colour television sets from 80 percent to 30 percent.

366. Furthermore, I am abolishing duty on pressure cookers, spoons, forks, knives, vacuum flasks, camping tents, sleeping bags, tarpaulins, boats, portable electric lamps, family games, rechargeable batteries, water-proofing materials, insect-killing electrical apparatus as well as insecticides.

367. I am also bringing down, from 80 to 40 percent, the rate on carpets, bed linens, tablecloth, school satchels, travelling and sports bags, mops, floor sweepers, floor and car shine, shoe and furniture polish as well as paints.

368. Mr Speaker, Sir, this is our way of telling the population that their sacrifices have not been in vain - that hard work brings reward in many ways.

369. I have another measure to announce in the context of our efforts to protect consumers from price increase of essential commodities. To enable bakeries to recover VAT paid on their inputs and thus reduce production costs, bread that are subject to Government price control will be classified as a zero-rated supply under VAT.

370. Last year, we brought down prices of medicine. The Market Monitoring Unit of the Ministry of Commerce has been monitoring closely the evolution of prices. It will carry out an industrial review of the pharmaceutical sector, identify the factors behind downward price rigidity in that sector and make recommendations on appropriate actions.

371. There are a number of traders who are circumventing the law on hire purchase and credit sales. To protect consumer interests, the Hire Purchase and Credit Sales Act will be reviewed.

372. For consumers to make right purchasing decisions, they must have the right information. Yet very often, consumers fall victim to deceptive trading practices. We want to put a stop to such practices.

373. The Finance Bill will include provisions enabling the making of regulations under the Consumer Protection (Price and Supplies Control) Act for better control of sales and promotions.

374. Regulations will also be made for protecting consumers against misleading advertising or labelling, including those comparing VAT-included prices with VAT-excluded ones.

BUDGET ESTIMATES FOR 2005/2006

375. Mr Speaker, Sir, I shall now summarise the Budget Estimates for the year 2005/2006.

376. As the House is aware, for yet another year, we have accorded to low-income groups a salary compensation higher than the rate of inflation. This, together with the end-of-year bonus, will cost about Rs 1.9 billion to Government. The filling of vacancies and additional posts allowed in various sectors for improving the level of services will involve additional expenditure of about Rs 500 million. Wages and salaries will thus amount to Rs 12.3 billion. Subsidies and current transfers will rise by 13.9 percent to reach Rs 17.1 billion. Together with interest payments and purchase of other goods and services of Rs 6.8 billion and Rs 4.2 billion respectively, net recurrent expenditure will amount to Rs 40.4 billion.

377. Capital expenditure and net lending will rise to Rs 7.8 billion, representing 3.9 percent of GDP. In allocating resources, priority has been given to projects with high economic returns and social benefits.

378. Recurrent revenue, after allowing for tax measures, is estimated at Rs 38.1 billion or 19.1 percent of GDP. Capital receipts, including grants are estimated at Rs 0.5 billion. Total revenue will thus amount to Rs 38.6 billion.

379. The overall budget deficit will reach Rs 9.5 billion representing 4.8 percent of GDP, as compared to 5 percent of GDP in 2004/2005.

380. Mr Speaker, Sir, this is quite an achievement taking into account the tariff reform that we are implementing this year. Had we not opted for this reform, the overall budget deficit would have been contained at 4 percent of GDP as we had indicated last year. We have opted for a higher deficit as this reform is vital for propelling our economy on to a higher growth path.

381. Mr Speaker, Sir, we consider that this level of deficit is sustainable. When assessing fiscal sustainability, we have to consider not only the level of overall budget deficit, but also the quality of the deficit. The overall budget deficit in 2005/2006 will again be mainly attributable to capital expenditure. We are therefore borrowing mainly to finance investment. Furthermore, as a percentage of GDP, expenditure is being contained at 24.1 percent of GDP compared to the Budget Estimates of 24.9 percent for the current financial year. Our objective in the medium term is to further bring down expenditure, particularly recurrent expenditure as a share of GDP, and also to improve the cost-effectiveness of expenditure. This is why we are actively pursuing the budgetary reform process through the Medium Term Expenditure Framework (MTEF).

382. Last year, an MTEF document covering Education and Training was circulated together with the Budget. I am pleased to announce that this year MTEF is being extended to Social Security, Wastewater, Environment, Solid Waste and Health. Government is determined to ensure that MTEF provides a firm anchor for the conduct of sustainable fiscal policy. The MTEF process will therefore be further institutionalised and extended to other sectors.

383. On the revenue side our objective is to enhance the buoyancy of our tax system, in particular through improvement of tax administration. In this context, the Mauritius Revenue Authority, which will become operational in a few months time, will provide the mechanism for overhauling our tax administration and will help in realising our fiscal objectives and revenue targets.

384. Another indicator of fiscal sustainability is the level of public debt and debt servicing. By end-June this year, the stock of public debt is expected to reach Rs 105 billion, representing 57.7 percent of GDP, slightly up from last year. The marginally higher level of public debt has, however, been accompanied by a significant increase in the assets of Government such as public road and sewerage networks, primary and secondary schools, water resources and public hospitals. The objective in the medium term is to reverse the rise in the Debt/GDP ratio, both through further improvement in the overall fiscal balance and achievement of higher growth.

385. In regard to debt servicing, our objective is to minimise borrowing costs within acceptable risk levels. To that end, foreign currency management operations will be conducted to mitigate foreign currency

risks. Also, we will continue to diversify and lengthen the maturity structure of public debt taking into consideration the requirements of the market.

386. Government is also encouraging the development of a secondary bond market for Government Securities. A Technical Committee has been set up to look into all related issues. The development of such a market would in turn facilitate the setting up a corporate bond market.

TAXATION

387. I now turn to taxation.

Customs Tariff Reform

388. Throughout my Speech, I have referred to various products on which customs duty is being slashed. These are spread over such categories as foodstuffs, textiles and clothing, footwear, leather articles, jewellery, cosmetics and toiletry items, audio-visual equipment, domestic electrical appliances, common household articles, office and telecommunications equipment, spare parts and inputs for industry.

389. Mr Speaker Sir, I have refrained from listing all the tariff cuts undertaken. It would have taken too much of the time of this House, so numerous are the items covered. I wish to mention four additional items:

first, I am eliminating customs duty on bicycles and on bicycle parts;

second, I am reducing the rate of duty on “mobylettes”, that is motorcycles with cylinder capacity not exceeding 50 c.c, from 40 percent to 20 percent;

third, I am reducing the duty rate on motorcycles between 51 to 125 c.c. from 55 percent to 40 percent; and

fourth, I am also reducing the rate of duty on all motorcycle parts and accessories to 20 percent.

390. Let me now provide the House with some figures that will give a clear indication of the sheer magnitude of the customs tariff reform being undertaken in this Budget.

first, I am in all cutting tariffs in this Budget on 1,850 tariff lines. This represents three-quarters of the lines currently subject to duty;

second, 80 percent of our tariff lines will become duty-free; and

third, the measures in this Budget will bring the simple average tariff rate down substantially from 17 percent to 7 percent.

391. In the process, we are removing the 10 percent additional duty that is currently levied on imports that originate from certain countries and attract a rate of duty of 55 percent. Our Customs Tariffs will then become fully compliant with the Most Favoured Nation Rule of the WTO.

392. We are also abolishing the 80 percent top tariff band. In this first phase of our Tariff Reform, we are setting the maximum tariff rate at

65 percent. Moreover, the number of ad valorem tariff bands, excluding the zero rate, will fall to 7.

393. As we implement our Tariff Reform and our vision of a Duty-Free Island, we will continue to lower the top rate and narrow the bands. We expect in four years' time, to have removed duty on virtually all items. A reasonable level of tariff protection will be maintained on a few agricultural and non-agricultural products of strategic importance or of a sensitive nature.

394. Mr Speaker, Sir, revenue forgone in this first phase will amount to Rs 1.4 billion. This is, indeed, a bold and an unprecedented initiative taken by any Government.

Excise Duties

395. I now turn to excise duties.

396. First, cigarettes. In this area too, we have been making solid progress in the tax reform we launched in the 2001-02 Budget. The objective was to arrive at a structure that reconciles our WTO commitments with the need to safeguard local production. Sir, we are now in a position to complete the reform.

397. At present, imported cigarettes and locally-manufactured ones are subject to different rates of excise duty. In the new structure, the same rates will apply to both. These rates will be fully specific. Cigarettes will be classified by the Tobacco Board in four categories, and each category will carry a different duty rate.

398. Legislative amendments and appropriate Regulations will need to be made before the proposed structure can become operational. That is why we are proposing to introduce it only in June this year. I must add that this measure is not expected to generate additional revenue.

399. Second, we are correcting an anomaly in the excise duty rates on alcoholic beverages. Duty on whisky of an alcoholic strength of 54 degrees, which is imported in bulk for bottling, is presently Rs 100 per litre. This rate is lower than those applicable on spirits distilled and produced locally, especially from cane. In fact, the duty structure favours importation and penalises local processing activities. To remedy this situation, the rate of excise on whisky imported in bulk at 54 degrees will be increased to Rs 200 a litre.

400. Third, motor vehicles. I am modifying the second tax band for motor cars. This category consists of cars of engine capacity between 1,251 and 1,500 c.c. and it carries a duty of 95 percent. The upper limit of this tax band is being raised to 1,600 c.c. This means that the rate of duty on motor cars between 1,501 and 1,600 c.c. will drop from 135 percent to 95 percent.

401. Mr Speaker, Sir, certain types of dual-purpose vehicles attract a special duty rate of 80 percent. In our commitment to support entrepreneurs, specifically the SMEs, I am pleased to announce that I am lowering the duty on these types of vehicles to 40 percent.

402. The measures concerning alcoholic beverages and motor vehicles will take effect as from to-morrow morning.

Income Tax

403. Let me now announce my income tax proposals.

First, basic personal deduction is being raised from Rs 80,000 to Rs 85,000.

My second measure relates to deduction for dependent spouse. This deduction is presently Rs 65,000. This is lower than the basic personal deduction than a spouse in employment can claim. I am proposing to put these two deductions at par. Hence, the deduction for dependent spouse will be increased from Rs 65,000 to Rs 85,000, that is by 31 percent. Mr Speaker, Sir, this measure gives due recognition to the contribution of women to their homes and to the welfare of their families.

Third, the ceiling on emoluments relief is being raised from Rs 125,000 to Rs 135,000.

Fourth, the maximum allowable deduction in a year in respect of medical expenses incurred in Mauritius is being increased by 25 percent to Rs 25,000. For medical treatment overseas, the new ceiling will be Rs 35,000.

Fifth, the additional allowance for a handicapped person, including for a dependent child, is being raised from Rs 50,000 to Rs 70,000.

404. Total cost of those income tax measures is estimated at Rs 140 million, of which Rs 50 million alone is in respect of the alignment of the Dependent Spouse Deduction with Basic Personal Deduction.

Registration Duty

405. Sir, I have two more tax measures to announce.

406. The first relates to Registration Duty. As a first step, I am proposing to bring down this year the rate of registration duty on transfer of immovable property from 13.2 percent to 10 percent. This measure will take effect as from 2 May. Its cost to the Treasury is estimated at Rs 160 million.

407. The second measure is meant to do away with a relic of the dark days of economic austerity and indiscriminate taxation. I am referring here, Mr Speaker Sir, to the two 10 percent surcharges that were imposed across the board, successively in the Finance Act 1980 and the Finance Act 1981. These provisions are still applicable, 25 years after their introduction, either together or separately, on certain taxes or charges, in particular registration duty. I am therefore making provision for the repeal of the Finance Act 1980 and the Finance Act 1981, with effect from 2 May 2005.

408. As a result, the rate of registration duty applicable on creation of fixed or floating charges will be reduced from 2.475 percent to 2.25 percent. Similarly, the rate for registration of a lease agreement will be 4 percent instead of 4.4 percent.

409. I must mention here that various other amendments will be brought to revenue laws by way of the Finance Bill with a view to strengthening, fine-tuning and streamlining several provisions. Provision will be made to introduce the system of Practice Notes in Income Tax administration. The measure taken two years ago at income tax level providing for payment, in case of an objection, of 30 percent of the assessment raised, will be extended to value added tax and betting taxes on horse-racing.

The Finance Bill will also provide for a significant stiffening of the sanction provisions in case of fraudulent use of EUR Certificate. Any person guilty of such an offence will be liable, in addition to a fine of up to Rs 200,000, to a term of imprisonment of a maximum of 5 years.

410. Sir, all the duty and tax reduction measures I have announced will cost the Budget over Rs 1.7 billion.

CONCLUSION

411. Mr Speaker, Sir, back in 2002, presenting his Budget to the nation, the then Deputy Prime Minister and Minister of Finance, Honourable Paul Bérenger said and I quote "... We should be in a position to relieve fiscal pressure as from financial year 2004/05." Unquote. Once again, this Government is delivering on its promise. Our tax measures will leave Rs 1.7 billion more in the pockets of all Mauritian families. ***This is the biggest amount of duties and taxes foregone in one Budget in the history of Mauritius.***

412. Mr Speaker, Sir, in our mission statement enunciated in 2000 when we assumed office, we pledged to put this country anew on the path of sustained socio-economic progress. We have delivered admirably on this front. Moreover, we governed with farsightedness and innovativeness to give all chances to the country to seize opportunities stemming from the New World Economic Order. This Budget constitutes yet another landmark in our determined resolve to make of Mauritius a glittering trade and business hub in this region of the world.

413. M. le Président, je vais conclure par cette citation de Charles de Gaulle, qui résume de fort belle manière la philosophie, la vision et les réalisations de ce gouvernement, je cite:

“La politique, quand elle est un art et un service, non point une exploitation, c’est une action pour un idéal à travers des réalités”. Fin de citation.

414. On this note, Mr Speaker, Sir, I commend the Bill to the House.