

**RISING TO THE CHALLENGES**  
**OF**  
**A WORLD IN TRANSITION**

Mr Speaker, Sir,

I move that the Appropriation 2013 Bill be read a second time.

2. Mr Speaker, Sir, it is a great honour for me to present this afternoon my second Budget.

3. Last year at this time, Mauritius was facing one of the biggest economic challenges in its history.

4. On several occasions throughout 2012, Europe, our main market, came dangerously close to the breakup of the Euro. The economic downturn resulted in mass unemployment, the collapse of social programs and the impoverishment of millions.

5. However, in spite of this turmoil, Mauritius not only achieved positive growth but we improved our economic fundamentals. This is a tremendous achievement.

6. In the midst of this adversity, a few zealous pessimists forecast a destructive tsunami heading toward Mauritius. But unlike them we stayed prudently confident. We saw

the threats and we overcame them. We saw the opportunities and we seized them.

7. No doubt these pessimists would have let up and run away. This Government, under the strong leadership of our Prime Minister, held its ground in the knowledge that Mauritius would prevail. And we have prevailed.

8. It is no mean achievement that, in the midst of such crises, our country has risen to the top of various international rankings which are crucial benchmarks to measure success.

9. It is a matter of national pride that Moody's has upgraded our Sovereign Debt from Baa2 to Baa1, for the first time in our history. This equates us with our giant neighbour South Africa.

10. Mauritius has gone up 5 ranks and entered the top twenty in the latest World Bank Doing Business report, after witnessing a decline for two consecutive years.

11. On economic freedom, we are also for the first time ranked among the Top Ten economies in both the Wall Street Journal Heritage Foundation and the Fraser Institute indices.

12. Various African institutions of repute have recognized our leadership position in Africa.

13. Mr Speaker, Sir, this Budget will build upon the strong foundations that the Government has laid - a Government that has led the country to continuous growth and prosperity over the last seven years.

14. The global recovery is going to be a marathon and not a sprint. In the medium term, there are concerns that the global and euro-zone economic recovery would be more gradual. There is also the risk that the Euro crisis could intensify.

15. Today, we see a world that is split – the West is struggling, the East is rising and Africa is awakening. And Mauritius is centered in a golden triangle of growth, linking the Middle East, Asia and Africa.

16. In the midst of an intensifying Euro crisis, we created enough jobs to keep the unemployment rate virtually unchanged at 8 percent.

17. Inflation has cooled to 4.1 percent.

18 FDI inflows are up by 20 percent in the first six months of the year.

19. And, the Balance of Payments would show a surplus of around 3 billion rupees. This is 500 million rupees more than expected.

20. We are ending the year with a lower Budget deficit of 2.5 percent, despite having spent some 20 percent more on our capital Budget than in 2011.

21. And the debt to GDP ratio will decline to 54.2 percent.

22. Based on latest data, Statistics Mauritius forecasts that the Mauritian economy will grow by 3.4 percent this year. This is the same growth rate forecast by the IMF and is exactly double the worst case scenario of 1.7 percent which a number of people, suffering from irrational pessimism, had predicted for our country.

23. Growth is visible across the country. The number of first time home buyers has increased by 20 percent. The number of containers imported for the local economy has grown by 6.3 percent and new cars registered in the first nine months by 32 percent.

24. Similarly, tax revenues collected by the MRA alone have increased by 10 percent, reflecting both GDP growth and better administration and enforcement policies.

25. It is telling that following my predecessor's Budget, the country's quarterly growth rate fell successively to just 1.8 percent in the last quarter of 2011. It is particularly pleasing that after my Budget, quarterly growth picked up and is expected to reach around 4 percent in the last quarter of this year.

26. Thus the performance of our economy this year tells the story of a population that is resourceful, a Government

that provides effective leadership and a country that is resilient.

27. Leveraging on the resourcefulness and determination of our people, we will guide our country next year to more prosperity, higher standards of living, better public services, a cleaner environment and a more just society.

28. The future challenges are clear. World economic power is undergoing a seismic change. Technology is changing people's lives and countries' fortunes at lightning pace. Those countries that will succeed will be those that have risen to the challenges of this world in transition. And this is the theme of our Budget today.

29. This is a Budget that will show a Government hard at work for its people. It is a Budget that will:

- Embrace technology and reinforce our Africa Strategy;
- Support growth and create employment;
- Strengthen Public Services;
- Protect the vulnerable; and
- Ensure sound macroeconomic management.

## **EMBRACING A TECHNOLOGICAL FUTURE**

30. I will first elaborate on our actions to accelerate the technology transition.

31. Technology can improve the quality of life of our citizens, create growth in our companies and improve the efficiency of Government.

### **Bridging the digital divide**

32. Mr Speaker, Sir, the internet is a fundamental right for all our citizens.

33. It is the new literacy.

34. Yet it is easy for a digital divide to emerge and widen, if technology is not accessible to all. Like an education divide, it can exacerbate existing inequalities.

35. We are acting today in a meaningful way to keep our children out of this vicious circle.

36. We want to empower thousands more to connect to internet broadband, irrespective of their financial means.

37. Currently the cheapest entry level broadband is 349 rupees per month. Government will ensure that on 1<sup>st</sup> January 2013 this price falls to 200 rupees through a subsidy from the Universal Service Fund. This will allow many, especially from low income families, to have the opportunity of joining the information age.

### **Online Government**

38. Mr Speaker, Sir, Technology has the power to change the relationship between citizens and Government.

39. We must re-imagine how services are provided to our people through internet and mobile technology. But we have a hard road to travel.

40. Mr Speaker, Sir, in this Budget I am pleased to announce a major overhaul of Government IT services.

41. Government has worked extensively on its e-payment gateway. The first mobile payment service by the MRA will begin at the end of the year. The Ministry of Housing and Lands and the National Transport Authority will join by March 2013 and many more departments as the year unfolds.

42. Eight departments will accept online payment by credit card by end of March 2013.

43. Mr Speaker, Sir, our vision is of a technology enabled Government that uses less and less paper. To show how serious we are, I am reducing each Ministry's annual stationery Budget by 25 percent, saving 43 million rupees annually.

44. In addition we will use digital signatures to carry out transactions online.

45. To strengthen the application of IT solutions in Government, for the first time, Ministries will have a professional as 'Head of IT'. Furthermore, all Heads of Ministries, Government Agencies and Departments will be expected to be IT proficient.

46. The Central Informatics Bureau, Central Information Systems Division and the IT Security Unit will be merged to create a more holistic unit focussed on delivering quality IT solutions.

47. Mr Speaker, Sir, as you yourself have stated, Parliament should lead the way. Already considerable funds have been committed for the provision to Honourable members and to the public of digital versions of parliamentary documents and records.

48. You have indicated that you will now elaborate rules and parameters within which electronic devices can be used in the House.

49. In this Budget, I am allocating funds for the purchase, by March 2013, of one computing device for every Member of Parliament. This should enable all written communication, including all order papers, parliamentary questions, bills and other documents to be forwarded to Honourable Members by electronic mail. This will save substantial amounts of paper and transportation costs.

### **Harnessing the potential of our youth**

50. No one can master technology better than our youth. We owe it to all our bright young boys and girls to expose them to the latest and the best.

51. Mr Speaker, Sir, I am pleased to announce that technology will enter our schools in a major way next year.



We want to join the select group of countries that have made the commitment to provide their children with the best possible start in life.

52. For the very first time in Mauritius, Government will distribute next year, one tablet computer to each and every school boy and girl in Form IV. This entails the purchase of some 20,000 devices.

53. This will open tremendous opportunities for digital learning, give access to a world of data stored online and enable students to do research and to develop their skills on an equal footing with any child in Europe, America or Asia.

54. It goes without saying that these tablet PCs will be programmed against internet abuse. These tablets will be free of charge except for a nominal payment of only 500 Rupees to cover insurance against loss or damage.

55. We need modern schools for a modern era.

56. To transform internet in schools, Government will extend high speed fibre optic cables to every secondary school.

57. But, technology without training is like a bulb without electricity.

58. Mauritius is one of only four countries selected to benefit from a mass online IT training programme developed by MIT, the world's leading technology university. The

courses will be free of charge and we will encourage every citizen of this country to avail of this facility.

59. Mr Speaker, Sir, young people are changing the world we live in. One student created Facebook. Two boys created Google. A young man created Apple. These companies transformed the world. This sort of talent, be it in our country, in Africa next door or indeed in the wider world must be encouraged and attracted to our country.

60. To this end, Government is setting up the 'Emerging Leaders Award'. It will be opened internationally and offer seed capital of one hundred thousand US dollars to projects of outstanding value that are located in Mauritius. This award will be supported by a panel of distinguished world personalities and will be chaired by the leading business guru, Robin Sharma.

### **Increasing our competitiveness**

61. The ICT/BPO sector is one of our most dynamic industries. Three initiatives will strengthen its competitiveness.

62. Mr Speaker, Sir, last year, I announced a series of measures which helped to bring down the price of internet. The cost of International Private Leased Circuits fell by 15 percent. This year, I am pleased to announce an additional fall of 15 per cent.

63. Mauritius has the talent and the potential to become a centre for Application Developers. In partnership with operators, we will set up incubators for young Application Developers. The first one will be with Mauritius Telecom in Ebene.

64. The next frontier in ICT/BPO is Cloud Computing. It is expected to grow to a 130 billion dollar sector by 2015. To give a spur to that new activity and position Mauritius as a Data Island, Government will strengthen our Privacy Laws.

### **A new digital era**

65. Mr Speaker, Sir, in last year's Budget, we announced several important measures for the ICT sector. The connection of LION2, the second high speed cable, transformed the internet landscape and created greater capacity. In addition, opening up our International Landing Stations reduced internet costs.

66. With the full support of the Prime Minister, I also announced a major project to connect Rodrigues by undersea fibre optic cable. This, of course, takes time. But technology cannot wait. In the interim, we will invite tenders to immediately increase the connectivity of Rodrigues by satellite from 37 to 155 megabytes per second.

67. In December 2013, by switching off the analogue television broadcast signal, Mauritius will reap a digital dividend from releasing spectrum which will be available for new applications and services.

68. Mr Speaker, Sir, the way we use the internet is rapidly changing. Wireless technology will replace fixed cables. At present, Mauritius has only a few 4G hubs. Over the next year, Government will take steps to accelerate the rollout of 4G across the country, including new regulations on spectrum management, making more bandwidth available to operators, encouraging greater sharing of phone masts and transforming Mauritius into a fully digital country.

69. Mr Speaker, Sir, we will also foster the development of a hi-tech manufacturing cluster with dedicated hi-tech industrial parks. These will provide clean room 'plug and play' facilities and a pleasant working environment for staff.

### **THE AWAKENING OF AFRICA**

70. Mr Speaker, Sir, the world in transition is also about the rise of Africa. Africa is indeed at the dawn of a new era. There are genuine and strong foundations for hope - the hope that the continent will be able to firmly engage the path of sustainable development, the hope that millions of men, women and children will find their way out of poverty and the hope of meaningful increases in the standard of living for millions more.

71. Our new comprehensive strategy on Africa is greatly appreciated both on the continent and globally. Never before has Mauritius been so dynamic and present on the continent.

72. We see our responsibility as follows:

- Sharing our experience on democracy, governance and development;
- Fast tracking regional integration;
- Enlarging economic opportunities for our citizens; and
- Acting as a catalyst for investment.

73. Mr Speaker, Sir, this is our Africa Strategy and next year, we will pursue this agenda relentlessly.

74. Mauritius already hosts a number of regional organizations and will continue with its policy to encourage others to set up locally.

75. We are honoured that the IMF has chosen to locate its prestigious Regional Training Institute in Mauritius. It will be officially opened next month. The Centre will play a pivotal role in the training of high officials in the formulation and implementation of macro-economic, statistical and legal frameworks.

76. In order to bring about faster growth and prosperity around the continent, Mauritius, with the support of the World Bank, has joined a five member team of nations to fast track regional integration.

77. Mr Speaker, Sir, every country in Africa must remove barriers to travel. Travel brings trade, business and investment. Mauritius has to do its part.

78. Last week, the Prime Minister has signed regulations to open up our visa requirements for nationals of 75 countries. This means that as from next month, nationals from 29 additional countries from Africa will either be exempted entirely or will benefit from visas on arrival..

79. To extend our diplomatic representations, Honorary Consuls will be appointed in every major city on the continent. They provide excellent service at no cost to Government.

80. For Africa to rise to the challenge, it must invest in its people. Mauritius will further contribute to that effort by launching a new scholarship scheme for 50 deserving African students.

81. This year we have welcomed a large number of delegations from Africa. We have signed Double Taxation Agreements with Nigeria, Kenya, and the Republic of Congo, and we plan to sign five more next year.

82. Our dynamic promotion efforts overseas have also borne fruit. There has been a large increase in the number of tax resident global business companies targeting Africa. Nowadays, Mauritius is seen worldwide as a recognized gateway to Africa.

83. The economic surge on the African continent gives a new thrust to our Freeport.

84. Last year, we extended the sector's tax holiday indefinitely. This has stabilized a previously contracting sector.

85. To consolidate that ascending path, Freeport status will be granted to companies wishing to carry out specific manufacturing activities entirely for export to Africa.

86. Other Freeport zones are planned near the port and airport.

87. Mr Speaker, Sir, I will now elaborate on our policies for the main sectors of our economy.

## **SUPPORTING GROWTH AND CREATING EMPLOYMENT**

### **Consolidating our financial system**

88. This year, Financial services has performed extremely well, with global business growing at an estimated 12.4 percent. This sector has high levels of productivity and offers rewarding careers to our youth. This is why we will continue our efforts to encourage more substance and yet higher value-added activities in that sector.

89. To consolidate the geographical and product diversification of the sector, we will:

- present a Limited Liability Partnership bill;

- create a regime for non treaty based funds;
- position Mauritius to benefit from the setting up of Regional Treasury Centres and Regional Headquarters Administration; and
- extend our network of DTAs as well as IPPAs.

90. With its large number of professionals and with two decades of valuable experience in Global Business, Mauritius is today offering increasingly greater value-added services. Henceforth, Tax Residence Certificates will only be issued upon compliance with enhanced commercial substance requirements.

91. Let me also announce that licence fees for Management Companies will now be based on turnover so as to be fair to the smaller ones.

92. The Financial Services Commission will implement automatic and rules based penalties for non-compliance including in cases of late filing of documents and late payment.

93. Mr Speaker, Sir, much has been said about the India-Mauritius Double Taxation Avoidance Agreement. There have been two meetings this year of the Joint Working Group which have helped to improve understanding of the issues of mutual interest. We have agreed to proceed quickly with the signature of a Tax Information Exchange Agreement to formalize our existing excellent cooperation



on tax information matters. Discussions are continuing with regard to the other issues.

94. Our position remains that the treaty with India has been beneficial to the economies of both India and Mauritius .

95. Mr Speaker, Sir, I will now turn to our policies relating to banks and non-bank financial intermediaries.

96. To further strengthen our regulatory framework, we will amend legislation to improve governance.

97. After consultation with stakeholders, a Deposit Insurance legislation will be passed to protect bank depositors.

98. The Financial Services Commission is consulting stakeholders to develop proposals for implementation next year of a new Compensation Fund under the Insurance Act in cases of “hit and run”.

99. The Ombudsperson for Financial Services Bill is being finalized and we will also give more clout to the Borrowers Protection Act.

100. Mr Speaker, Sir, there have been persistent reports of excessive charges by our banks. In order to better regulate the sector, the Bank of Mauritius will ensure that commercial banks apply a “Treat your Customers Fairly” programme. And we will bring legislation to widen the

powers of the Bank of Mauritius so that it can put a cap on bank charges where necessary.

## **Tourism**

101. In the tourism industry, the trends in 2012 demonstrate clearly the benefits of adapting to global transition.

102. Arrivals from Africa, Asia and Australia all showed double digit growth this year thus compensating for weaker arrivals from Europe. In total, tourist numbers have been stable but occupancy rates have fallen as a result of increasing room capacity.

103. Our strategy to diversify is working but requires strengthening.

104. We have a good product, some of the best hotels in the world, a national airline and a Government that has always supported the tourist industry.

105. Looking forward to 2013, we expect tourist arrivals from Europe to stabilize. This, combined with further progress on new markets, should revive the momentum for the tourism industry.

106. Thus, improving connectivity to emerging markets will be a national priority.

107. There are some 60 million outbound tourists from China annually. And there are close to 40 million outbound tourists from the Russian Federation.

108. These two markets hold tremendous potential for our tourism industry.

109. Government, the industry and Air Mauritius will work together, on a collaborative and risk sharing basis, to ensure twice weekly direct flights to China as from January 2013 and a direct flight to Russia before the end of next year.

110. And we will adopt the same collaborative effort on other promising markets.

111. In these testing times, the industry must not let up on the ideal of excellence. Mauritius must maintain its world class services and reputation as a high-end destination during this period of transition.

112. I shall be applying a number of measures to assist the industry during the transition period provided employment is maintained.

113. Mauritius is rapidly developing into a world class destination for ultimate kite surfing adventures. And kite surfing is also becoming increasingly appealing to our youth. We are thus providing for the creation of a fully equipped training centre and will rehabilitate the One-Eye site at Le Morne.

### **Entertainment and Shopping**

114. Entertainment facilities are a necessary pre-condition for tourism development. However, they can also cause social and environmental problems if incorrectly sited. In

this vein, we will work with gaming houses, night clubs and similar establishments to relocate away from residential areas to shopping malls around the country. The GRA, MRA and Tourism Authority will adapt their licencing policies accordingly.

115. Mauritius has the ambition to become a shopping destination. The construction of high end shopping malls has brought a new level of shopping experience to the country.

116. However, other high street retail shops and restaurants should not suffer as a result. They play an important role by contributing to the lively atmosphere in our city centres and offer an alternative shopping experience. We are therefore introducing incentives for fitting out these shops and restaurants in order to allow them to offer quality services. The following incentives will be offered relating to the purchase of fittings, equipment and furniture:

1. Financing under LEMS at a rate of 7.25 percent;
2. Accelerated capital allowances;
3. VAT refund within 7 days of claim; and
4. For investment above 10 million rupees, fifty percent reduction on customs duty on a scheduled list of items.

117. This is essential for our city centres.

118. In order to further encourage the development of shopping by visitors, the current system of VAT refund at the

port and airport will be revamped, simplified and actively marketed.

### **Extend holiday package in Rodrigues**

119. At the request of the Rodrigues Tourism Industry, the Special Holiday Package to Rodrigues is being extended for a further year. The minimum number of nights to be spent in Rodrigues under the Package will be reduced from 4 to 3 to encourage traffic.

### **Manufacturing Industry**

120. Mr Speaker, Sir, our manufacturing sector is one that will continue to astound us with its ingenuity.

121. Textile alone employs more than 50,000 persons and generates more than 14 billion rupees annually for our economy. Against all odds and in the face of incredible challenges, it has not just survived but grown stronger and increasingly globally competitive.

122. Along with sugar, it is a symbol of our country's ability to adapt to change.

123. The industry has been successful in expanding its markets in Africa and the USA. It needs support to pursue these efforts.

124. Enterprise Mauritius will be provided with a Budget of 135 million rupees to develop overseas markets.

125. In order to spur investment in the textile as well as other manufacturing industries, we will offer 50 percent accelerated depreciation on acquisition of plant, machinery and equipment.

126. The bank guarantee required for expatriate work permits for export oriented enterprises is being abolished. This will be replaced with an annual fee of 500 rupees per employee per year. This measure alone should release upwards of 240 million rupees of cash flow to that sector.

127. I am abolishing the AGOA levy, which is a tax on exports. This will release another 15 million rupees to the industry.

128. In order to offer added security to our exporters, foreign insurance companies will be allowed to offer export credit insurance.

### **Local Manufacturing**

129. Mr Speaker, Sir, investment needs visibility and certainty. Henceforth, any changes in import duty likely to affect local manufacturers will be announced with 6 months prior notice. This means that any change to be made on 1 January 2014 would need to be discussed with the industry by 1<sup>st</sup> July 2013.

## **Further boosts to the SMEs**

130. Mr Speaker, Sir, small and medium enterprises are crucial to this Government's resolve to democratise our economy.

131. Our new SME financing scheme, cutting down red tape and providing low cost finance directly where it is needed, has been a great success. Originally banks planned to provide 1 billion rupees of financing to the sector in 2012. This target has been exceeded by 50 percent and represents a saving to these SMEs of almost 60 million rupees annually.

132. But the smaller the business, the tougher it is to get finance.

133. On top of the existing scheme, banks will now loan an additional amount of 250 million rupees annually to micro and small enterprises with turnover under 10 million rupees. Interest rates will be capped at repo rate plus 3 percent, that is currently 7.9 percent. All processing fees and other related bank charges will be waived. This will save these micro entrepreneurs more than 10 million rupees in interest cost per year.

134. To make this possible, Government will exceptionally guarantee 50 percent of any losses incurred by banks. This should go a long way to generate much needed funds to the sector.

## **Revisiting LEMS**

135. The Leasing Equipment Modernisation Scheme (LEMS) has been one of the most popular schemes for our enterprises.

136. In our endeavour to continually reduce financing cost for SMEs, the interest rate for LEMS currently at 8.5 percent is being brought down sharply to 7.25 percent on all new leasing facilities. This will save another 4 million rupees to SMEs.

137. Mr Speaker, Sir, imposing VAT on small enterprises increases administrative costs disproportionately. The need to employ accountants and make monthly returns to MRA imposes high compliance costs.

138. I am therefore doubling the VAT registration threshold from a turnover of 2 million rupees to 4 million rupees per annum. It is estimated that this will cost the exchequer 300 million rupees and will remove 1,300 businesses from the VAT net. This will not only benefit small businesses but also the consumers.

139. Mr Speaker, Sir, a number of SMEs in all sectors have taken small loans from the DBM and have fallen on hard times, whether it's through the loss of livestock bought to earn a livelihood, or a crop damaged by bad weather, or a pirogue which has sunk.



140. As a compassionate Government, we are announcing the complete waiver of all loans made by the DBM for which the capital outstanding does not exceed Rs 20,000 and which has remained unpaid for three years.

141. This is an exceptional measure and will be a welcome relief to some 2,000 persons at the bottom rungs of the ladder.

142. Mr Speaker, Sir, there are a multiplicity of schemes for SMEs that are leading to confusion. We are regrouping and rationalising them.

143. The need to submit a Performance Bond often discourages SMEs from bidding for a Government contract. Henceforth, performance bonds will not be required for contracts of up to 5 million rupees. The requirement to provide Advance Payment Guarantees will also be considerably overhauled.

144. For transparency, all outcomes of tender exercises will now be displayed on the procurement portal for contracts of 5 million rupees and above instead of 15 million rupees and above as it is presently.

145. We are doubling the amount of refund to SMEs for participation in international fairs from 100,000 to 200,000 rupees and providing a grant for freight expenses of up to 20,000 rupees.

146. Mr Speaker, Sir, the Shoe Industry is facing difficult times. However, we cannot protect them at the expense of consumers.

147. Instead, we are making special provisions for the Shoe Industry, including help from MBGS to increase productivity. A special grant of Rs 10 million is also being provided to Enterprise Mauritius to support their marketing efforts.

148. Mr Speaker, Sir, we are putting an end to the unfair practice of passing imported handicraft products as being locally produced.

149. SMEDA will develop the Mauritius “Made with care” label and the National Heritage Trust Fund Act will be amended to enable protection and control of importation of such products.

### **Agriculture**

150. Mr Speaker, Sir, agriculture remains a critical part of our economy.

151. I am announcing measures to manage land use, encourage more organic farming techniques and a greater package of support for farmers.

### **Land use**

152. The loss of agricultural land is a concern that we must attend to - for it can undermine the viability of the sector and the source of income for thousands of families.

153. To this end, the Land Conversion Committee will elaborate criteria for land conversion bearing in mind the need for continued development whilst protecting production.

154. Moreover, no land should lie idle in a country that needs to achieve greater food security. The Mauritius Cane Industry Authority will compile information on availability of such land and provide same to planters wishing to lease them. It will develop an appropriate framework including a model lease agreement to encourage owners to offer their land on short leases for productive agricultural use.

### **Supporting small farmers**

155. To reduce the loss of agricultural land, we also need to give more support to small planters.

156. To this end and to promote sustainable agriculture, Government will provide a subsidy of 40 million rupees in 2013 on locally produced compost. This is aimed at small planters. They will thus benefit from a 30 percent decrease in the cost of fertilisers, saving an equivalent of 1,500 rupees per ton.

157. At the same time it will reduce the use of chemical fertilisers and in the long run improve the quality of the land. Consumers will also benefit from healthier, chemical free agricultural products.

158. I am increasing the provision for FORIP from 351 million rupees to 458 million rupees. The scheme will now also benefit non-sugar planters such as growers of fruits, flowers and vegetables.

159. Small entrepreneurs find it constraining to pay fees that can be as high as 25,000 rupees for pre-market tests and certification. Thus Government will bear the full costs of such expenses for small agricultural enterprises with a turnover less than 10 million rupees. This will cost the exchequer 5 million rupees.

160. Government is maintaining the freight rebate scheme for planters and exporters of fruits until 2015 at a further cost of 10 million rupees per annum.

161. Last year, to boost productivity, we allowed full VAT-refund on agricultural machinery, equipment and tools for small planters and small breeders. This year we are extending the list to cover spare parts, post-harvest equipment and other agricultural equipment and materials.

162. We are responding to the request of pig breeders for a modern Salle de Decoupe, by providing 15 million rupees.

163. Moreover, an additional 2 million rupees will be available for the activities of the Small Farmers Welfare Fund which now caters for both small planters and breeders.

## **Cane Industry**

164. We are maintaining the payment of an 80 percent advance to sugar planters as soon as their crops are sent to the mill.

165. Mr Speaker, Sir, the agreement on market access for refined sugar comes to an end in 2015. Government will pursue all diplomatic efforts to ensure that market access is extended to at least 2020.

## **Ocean Economy**

166. In line with the announcement made in the Government programme 2012-2015, this Budget promotes the development of an ocean economy. With a sea area 1,000 times larger than our land mass, over which Mauritius has jurisdiction, our maritime space can constitute one of the new pillars of sustainable development.

167. Government will look for strategic partners for the exploration and exploitation of our mineral resources. Already a lot of interest has been manifested. Given that many exploration firms are now converging to the East African region, there is every reason to believe that the Mascarene Plateau also holds significant levels of mineral deposits.

168. To enable the generation of clean and renewable energy for the Island consideration will also be given to the creation of offshore farms in the waters of Rodrigues.

169. To build capacity in the blue economy, Government will grant special scholarships to encourage our youth to embrace a career in the Ocean economy.

## **Fishing**

170. The seafood sector is one of our fastest expanding industries of our economy.

171. A healthy fishing industry is not only essential to the wellbeing of the fishermen but also provides a regular supply of seafood to the nation.

172. Small scale aquaculture was launched this year in Grand Gaube and Trou D'eau Douce. It is still in its infancy but with tremendous potential if the technology is mastered and the environment is protected. Thus to broaden the reach of this project, Government will initiate two more pilot projects in Le Morne and Mahebourg.

173. Necessary overseas expertise will be sought and financial assistance will be given to the fishermen cooperatives so that they can participate fully.

174. The program for lagoon replenishment announced last year will continue at a faster pace.

175. Provision is also being made to give autonomy to the Competent Authority for the inspection and certification of fish and fish products intended for export.

## **STRENGTHENING PUBLIC SERVICES**

### **Improving Health Services**

176. Mr Speaker, Sir, this Government believes Mauritius must also stand apart on social indicators such as the health of our citizens, the enrolment ratios at schools, youth employment, low crime rate, and quality of the environment amongst others.

177. In health care we will always make sure that our citizens get the best treatment.

178. The Budget for Health this year is 8.7 billion rupees.

179. 721 million rupees of funding has been allocated for new facilities at Victoria, Flacq, New Jeetoo Hospitals, mediclinics in Triolet and Goodlands as well as new hi-tech medical equipment.

180. Next year, Government will recruit 25 Specialists, 75 general practitioners and another cohort of nurses.

181. In healthcare, quality is as important as quantity.

182. Medical practitioners in Mauritius must keep abreast of latest developments and technologies.

183. To bring Mauritius in line with most advanced healthcare systems, it will become mandatory for all doctors and dental surgeons practising in Mauritius to undertake Continuous Professional Development.

184. As we upgrade our health system, we need to ensure that our doctors are fully qualified. We will adopt best international practice and introduce a pre-registration exam that all medical graduates will have to pass before registration as a general practitioner. This will ensure an acceptable level of clinical competence.

185. Furthermore, all students wishing to undertake medical studies with a view to practising in Mauritius should have the appropriate qualifications at HSC or equivalent level.

### **Reforming Accident and Emergency treatment**

186. Our health care system must be able to deliver first class Accident and Emergency treatment at all times.

187. At the same time we must keep in mind that health care professionals often work for extremely long hours to deliver round the clock health services. To relieve their work pressure and stress and enable them to deliver better services in casualty, Government will introduce a new shift system for our Casualty departments, thereby ensuring that they do not work more than 8 hours at a stretch.

### **Non communicable diseases**

188. Mr Speaker, Sir, non communicable diseases such as diabetes are a serious challenge that Government wants to face up to. We need to discourage the bad habits that increase the risk of NCDs.



189. Accordingly, as from the 1<sup>st</sup> January 2013, we will introduce a new tax of two cents per gram of sugar content on soft drinks. The tax will apply equally to imported products and local production.

190. At the same time, we are also removing the levy charged on locally produced soft drinks and bottled water. On average, this will result in an increase of around 85 cents per litre of soft drinks compensated by a fall of 1 rupee 50 per litre of bottled water.

191. Mr Speaker, Sir, we also need to discourage use of alcohol and cigarettes. Therefore, at the end of my speech, I am introducing a financial resolution to increase excise duty on cigarettes and cigars by 12 percent as well as on alcoholic drinks by 5 to 15 percent.

### **Strengthening the medical hub**

192. Healthcare is not just important to our citizens but is growing as an important new sector for our economy. In 2012, Mauritius received close to 10,000 foreign patients. In addition to the Clinical Trials Act enacted last year, we will introduce a Pre-Clinical Research Bill. This will ensure Mauritius can participate in the full range of drug research activities.

### **Education**

193. Mr Speaker, Sir, our education system is the bedrock upon which our society and economy has been built. In this

Budget, we are increasing the allocation for education by 12 percent to 12.6 billion rupees.

194. Next year, as I have already mentioned, technology will enter schools in a big way. In addition, this Government will introduce a series of measures to strengthen the quality and accessibility of education.

### **Foundation years**

195. Mr Speaker, Sir, what happens in the foundation years is decisive to a child's future.

196. Last year, Government announced a series of initiatives to encourage children from lower income groups to attend child day care centres. This was with a double objective of giving education to children at an early age and assisting mothers to join the work force.

197. For a number of reasons, this has had mitigated success particularly due to the limited number of approved facilities around the island. To remedy this, we are amending the CSR guidelines to enable the financing of the cost of construction and improvement of child day care centres.

198. Government will also provide a one-off grant of up to 200,000 rupees to existing child day care centres in disadvantaged areas that need to upgrade their standard so they can be registered. I am providing 20 million rupees for this measure.

199. In line with the Government Programme, we will further encourage collaborative learning practices at the primary school level through innovative technology.

### **Summer and Winter Schools**

200. Last year's Summer and Winter schools for low performing children was a success. I am extending this programme at a cost of 5 million rupees.

### **Student Loan Scheme**

201. Lack of financial means should never stand between a student and his or her ambitions.

202. I am pleased to announce support to our smartest youngsters whose parents may be unable to afford university fees.

203. We are introducing a new Government-backed Student Loan Scheme, where Banks will offer low cost student loans up to 100,000 rupees per annum to students to finance university fees. These loans will be made available at a ceiling of Repo Rate plus 3 percent, that is at preferential rate of 7.9 percent currently.

204. The scheme will not require the provision of any security except for a parental guarantee. Government will guarantee 20 per cent of any bad debt arising. This scheme will also be available to part finance overseas studies. We hope that many of our students will avail of this facility.

205. We are also providing a scholarship for students from vulnerable families who cannot secure a student loan and would miss out on an otherwise rewarding career. We are providing 20 million rupees to assist these children to attend university provided they qualify through the Social Register of Mauritius.

### **Quality assurance**

206. Mr Speaker, Sir, the quest for higher quality in education must be relentless.

207. For the first time, this Government will commit that every secondary school will carry out quality assurance inspections at least once a year. To support this measure, the Ministry of Education will recruit an additional 12 Quality Assurance Officers.

### **Making education work**

208. Mr Speaker, Sir, in a world in transition where change is increasingly rapid, we must ensure that our education system responds equally quickly.

209. We must bridge the expectation gap between academia and industry and we will use the statutory provisions of the Education Act to ensure consultations between industry partners, Government and educational institutions regarding trends in the labour market as well as contents of courses.

210. Similar provisions will be inserted in the University of Mauritius Act, University of Technology Mauritius Act,

Fashion Design Institute Act, Université des Mascareignes Act and Open University of Mauritius Act. This will ensure that all partners have a say in the design and delivery of education and higher education in Mauritius.

211. “Les Assises de L’Education” will be held every year and will develop sector priorities with the participation of stakeholders involved in education.

### **Education Hub**

212. Mr Speaker, Sir, Mauritius has been successful in attracting new universities and foreign students as we build our education hub.

213. From 2011 to 2012, the number of foreign students doubled from 600 to 1,200 and is expected to rise to 2,000 next year. The technical and vocational sectors are also attracting foreign students.

214. We are therefore extending the student visa scheme to technical and vocational institutions.

215. In addition, we are providing funds for the establishment of three new campuses across Mauritius in the Réduit Triangle, Pamplémousses and Montagne Blanche.

### **Attracting FDI to our shores**

216. Mr Speaker, Sir, in the past seven years we have seen how crucially important FDI can be to our country. The unprecedented surge in FDI that we have witnessed in the

past seven years, has contributed significantly to the resilience of our country by creating higher value-added jobs, expanding our export markets, strengthening the diversification process and adding to the nation's productivity.

217. Our policies on opening the economy and our relentless work to improve the investment climate have attracted some Rs 70 billion in the past 7 years in our country. This is no mean feat. BOI will further intensify investment promotion next year especially targeting China and the rest of Asia.

218. Going forward, our policies will sustain that dynamism by further improving the investment climate and internationalising our economy.

### **Further improving the investment climate**

219. Our return to a high ranking in the World Bank Doing Business Report this year inspires us to seek further improvements on all the factors that make up the investment climate.

220. Government will revisit the Business Facilitation Act to adopt a “whole of Government” approach to investment facilitation.

221. The Registrar of Companies will act as a single point for payment of trade fees. This should drastically cut the time and cost involved in starting a business.

222. The BOI will step up its business facilitation function to assist investors for the implementation of large projects.

223. We are also bringing about the following changes to the system of permits and permanent residence.

224. Henceforth, occupation permits will be given in two categories:

- Category 1: Professionals earning more than 3,000 US dollars per month and persons having invested more than 100,000 US dollars.
- Category 2: All other non citizens under the current schemes.
- Category 1 permit holders will henceforth be authorized to acquire an apartment in a ground + 2 complex as from the date of issue of their permit.

225. Their children up to the age of 24 will henceforth be allowed to reside in Mauritius. This measure will also apply to children and dependants of IRS and RES buyers issued with a residence permit.

226. In addition, non- citizens investing a minimum of 500,000 US dollars in a qualifying business activity will be eligible for a permanent residence permit with the right to acquire an apartment in a ground + 2 development.

227. We intend to sign a bilateral investment treaty with the USA which should attract more FDI from that country.

## **Youth and Employment**

228. Mr Speaker, Sir, youth unemployment is a policy challenge that is more complex than it looks.

229. Many youth enter the labour market after leaving school, with no prior work experience and take longer to find employment. However, we are a caring Government and will take all required measures to help our youth into work.

230. This year, we are adopting a 4 point Action Plan to address youth unemployment.

### **1. The Youth Employment Programme (YEP)**

231. Government believes that employment for youth is an extension of education where one continues to be educated, learn new skills and workplace discipline.

232. That is why, in this Budget, Government is making an unprecedented effort to ensure that our youths find employment with the least delay when they enter the labour market.

233. Mr Speaker, Sir, we will invest next year, 330 million Rupees to facilitate youth employment.

234. Let me tell you how that money will be spent.

235. We will revamp the programme of job placement for young men and women up to the age of 25 so as to make it more attractive.



236. Government will increase contribution to the salary of non graduates from 3,000 to 4,000 rupees per month.

237. For graduates, we are increasing the contribution from 6,000 to 7,500 rupees per month.

238. In addition, the duration of the support is being extended from 6 months to a full year.

239. Government will also finance training costs, up to 7,500 rupees per trainee during this period.

## **2. Skills Working Group**

240. Mr Speaker, Sir, we know that a one-size-fits-all-policy will not work. Professions as varied as computer technicians, carpenters, masons and accountants all have different needs. Our programmes for skilling people and putting them in rewarding jobs must be comprehensive and most of all flexible.

241. Within the National Resilience Fund, we are establishing a Skills Working Group, as a joint public-private initiative, to provide tailor made and practical solutions to put our youth to work.

242. Special attention will be given to unemployed graduates who have not found a job within one year of graduation.

243. The Skills Working Group will be co-chaired by the Ministry of Finance and the Joint Economic Council. It will

work with and support the efforts of the Ministry of Education, Ministry of Labour and Employment, Ministry of Tertiary Education, Ministry of ICT and the National Empowerment Foundation.

### **3. Service to Mauritius Programme**

244. The Service to Mauritius Programme has proven popular amongst many young professionals who receive an apprenticeship into the machinery of Government.

245. Government will recruit 300 new graduates to this programme, bringing the total number to about 400 in service at any one time.

246. In addition, the scheme will be expanded with additional training and career counselling offered to all STM members.

### **4. Industry placements**

247. The Ministry of Tertiary Education will work with both tertiary institutions and industry to promote sandwich courses. This should better equip graduates for employment at the end of their studies.

248. In addition, MITD will give priority to sandwich courses prior to graduation.

249. Mr Speaker, Sir, overall these measures amount to a comprehensive package of support for our youth.

250. Our youth are our future and we are fully committed to giving them the very best start in their career.

### **Opportunities for persons with disabilities**

251. Mr Speaker, Sir, as a compassionate Government, we want to help persons with disabilities develop greater independence and achieve a greater sense of self-worth by enabling them to take an active role in the economy. At the same time Government wants to raise awareness of the contribution they can make to society and show that it is ability that matters, not disability.

252. To this end, Government will recruit 30 persons with disabilities under the Service to Mauritius Programme across all Ministries and Parastatals.

253. In addition, visually impaired students will be provided with Braille personal computers, free of charge.

### **Equal Opportunities**

254. Mr Speaker, Sir, the Prime Minister and I have long been proponents of giving to each and every one of our citizens equality of opportunity. Now that the Equal Opportunities Commission is operational, we need to ensure that it has the resources at its disposal to carry out its mandate effectively.

255. The Budget of the Equal Opportunities Commission is being doubled in 2013 to 20 million Rupees.

## **Reforms to Justice System**

256. Justice is a service that we provide to all our citizens. It must be delivered fairly, efficiently and on time.

257. The Attorney-General will introduce a Judicial and Legal Provisions Bill to ensure that judgements are delivered expeditiously.

258. We are providing for 50 additional judicial assistants to improve the quality and speed of delivery of justice.

259. New legislative provisions will be made to create a proper Family Court.

260. The issue of persons being sentenced to prison because of their inability to pay their fines is of concern, adding to the overcrowding in our prisons.

261. In fact, of the convicts admitted to prisons in 2011, 35 percent were imprisoned for failure to pay a fine.

262. In line with our values as a compassionate Government, we need to review the situation urgently. Accordingly, the Judiciary will make recommendations to Government by March 2013 to address the situation.

## **Law and Order**

263. The most basic responsibility of Government is to keep the public safe.

264. That is why Government has invested heavily in the Police Force and ensured that it is properly resourced, with the acquisition of sophisticated and state-of-the-art equipment.

265. Let me enumerate some of the measures that have been implemented recently to combat criminality.

266. These include:

- The implementation of the National Policing Strategic Framework.
- The installation of the CCTV Street Surveillance System in Flic-en-Flac, parts of Quatre Bornes, Port Louis and Grand Baie.
- Use of modern techniques by the Police, computer-assisted identification of suspects, video recording of interrogations, new fingerprint and body-fluids search tools.
- The implementation of the Crime Occurrence Tracking System as an effective tool in police investigation.
- The commissioning of a new Digital Radio Communication System with more than 3,000 terminals. This is being extended to cover Rodrigues and Outer Islands.

267. Today, we are building further on these efforts. This Budget provides for 600 additional policemen.

268. The coverage of CCTV is being extended to Beau Bassin, Rose Hill and the rest of Quatre Bornes.

269. In collaboration with the Police, the Customs Department will implement a Drug Entry Interdiction program for better detection of drugs and border protection.

270. The National Coast Guard is purchasing rapid intervention crafts and boats. There will be enhanced risk-profiling.

271. We are introducing a biometric passport and upgrading the border control system to enhance security.

272. The Melrose prison is planned to be completed by the end of 2013.

273. A sum of 34 million Rupees has been allocated to the Forensic Science Laboratory. This will allow it to comply fully with the DNA Identification Act and improve its processes.

274. Licence fees for firearms are being increased five folds from 1,000 rupees to 5,000 rupees.

### **Cleaner and Greener Mauritius**

275. Mr Speaker, Sir, Mauritius is a country with exquisite yet fragile natural landscapes. We must do all we can to

control pollution. Most of all we must see to it that all our citizens live in a clean and green environment.

276. In this Budget, we are therefore providing the following amounts:

- 100 million rupees for the acquisition of compactor lorries to improve scavenging services for local councils that apply efficient methods of waste collection;
- 30 million rupees for the Road Development Authority to clean all classified roads in Mauritius; and
- 500 million rupees for a series of urban and rural renovation projects, to improve the living environment of our citizens.
- In addition, we are carrying out an urban renovation programme, including a Citizen Facilities Centre for Quatre Bornes with a modern market.

277. Local Authorities will improve the frequency of the service for removal of bulky waste, apart from construction waste, free of charge.

278. Twenty five percent of Government's paper requirements will be met by recycled paper. Mr Speaker Sir, to show the way, you will note that this year's Budget is printed on recycled paper.

279. Each Ministry and department will now segregate waste paper for recycling.

280. Electricity is an expensive commodity, both for the state and for the consumer. Moreover, its production depends significantly on imported fossil fuels. Accordingly, we need to do all we can to economize.

281. With this in mind, we are taking the following actions:

- I am doubling to 200 million Rupees the funds available for the solar water heater scheme operated by DBM. This is in response to the strong interest from the public.
- All large beneficiaries of concessionary electricity tariffs will be required to conduct an energy audit if they are to preserve this benefit and implement all commercially viable recommendations.
- Differentiated excise duties will be applied on household appliances to discourage the purchase of energy inefficient products. Energy inefficient appliances will be subject to a modulated penalty levy of up to 25 percent.
- The CEB will install an additional 10,000 smart meters in 2013 to build on the 1,000 already installed. This will cover the 50 percent largest consumers. This equipment will save meter reading costs and enable the consumer to optimize on electricity consumption.
- The CEB has undertaken to apply a time of use tariff.



- 50 percent accelerated capital allowances in respect of investment in green technology.

282. The Vallée d'Osterlog Endemic Garden will be upgraded at a cost of 10 million Rupees.

### **Infrastructure**

283. Mr Speaker, Sir, it is fitting, as we make the global transition, that this Government is undertaking a broadly based infrastructure programme. This year Government and the parastatal bodies have invested Rs 18 billion in our country's future. Next year, our capital investment programme will amount to 28.6 billion rupees an increase of 39 percent. These heavy investments will be in the water sector, electricity, waste management, wastewater management, roads, port, airport and communication amongst others.

284. Mr Speaker, Sir, in order to create a level playing field, our procurement legislation is being amended to grant a 15 percent margin of preference to companies employing at least 80 percent local manpower, when competing for public works contracts.

## **REINFORCING PROTECTION FOR THE MOST VULNERABLE**

285. Mr Speaker, Sir, a nation must not concern itself only about creating value. Each one of our actions, policies and measures must above all reflect the values of our society.

286. During the Summer school program, it became apparent that the provision of a hot meal was very popular amongst the children. This was very revealing.

287. Mr Speaker Sir, I am therefore pleased to announce that this Government is allocating 130 million rupees for the provision of a hot meal daily to each and every child in every ZEP school in Mauritius. This will represent a cost of 1,500 rupees per child per month and benefit 9,200 of them in 30 ZEP schools.

288. After free education and free transport, this is another historic step forward for our children.

289. Mr Speaker, Sir, all children should be entitled to support from the State, whether their parents are single, disabled or are otherwise on social aid.

290. However, there is wide disparity in the level of support given to poor families under the various social assistance schemes for children in poverty. For instance, some families get nothing, despite being on the NEF extreme poverty list, others get 447 rupees per month whilst some others get more. We are therefore providing a minimum support of 750 rupees per child per month for children in all families

earning less than 6,200 rupees per month. This is limited to three children per family.

291. However, to qualify for this child allowance, the families should be registered with the Social Register of Mauritius. This measure will cost Government close to 100 million rupees and will benefit some 20,000 children.

292. The State is doing its part but this is not enough. Some 5,000 children of school age do not attend school or do so sporadically in Mauritius. This causes great harm to children themselves.

293. As from now, child benefits will only be paid to families who send their children regularly to school. An attendance rate of less than 90 percent for two months running without medical certificate will be sanctioned by withdrawal of benefits.

294. The House Workers Scheme presented last year has been well received and has facilitated the inclusion of some 200 persons on the NPF pension scheme. The relevant section in the annual MRA Tax return forms will be simplified and made more user friendly for householders.

### **Social housing**

295. As regards housing for families with very modest income, the Ministry of Housing will launch, on a pilot basis, its own tender for the construction of 85 residential units and development of 34 serviced lots.

296. The National Empowerment Foundation, which constructs both concrete and Corrugated Iron Sheet (CIS) houses for the poor, will intensify its activities next year and the prototype house has been enlarged from 23 up to 31.5 square metres, at a maximum individual cost of 240,000 Rupees per house.

297. Under the Housing Development Trust Scheme, announced last year, which aims to provide a decent living environment to needy families, land has already been identified and reserved for the construction by Olea Housing Trust of 50 housing units.

298. Four other sites have been identified at Beaux Songes, Madame Azor, Piton and Gros Cailloux to enable the construction of further houses under this Scheme.

299. Last year's subsidy to NHDC syndics amounting to 200 Rupees per household has been a great success and has positively impacted the lives of thousands of families. I am therefore extending this programme for another year.

300. In the heart of Port Louis, Karo Kalyptis has long been a symbol of poverty. Recently, all the lots have been allocated to the ex-squatters and I am pleased that electricity and water have similarly been provided. Street lighting is currently being installed and roads and houses will soon be constructed by NEF.

## **Small Lease Holders**

301. Government presently leases residential and agricultural land to some 8,000 people against an annual payment of 500 rupees or less. I am replacing this by a nominal fee of one rupee per annum, payable once either at the start or on renewal of the lease. This may be a small amount for some, but it will benefit a large number of people.

## **Getting maximum impact from Corporate Social Responsibility**

302. Corporate Social Responsibility is a powerful weapon to combat poverty and to improve well-being. Our CSR programme also stands as a unique experience in the world. We must however continue to ensure that it has the maximum impact.

303. To this end, an Advisory Technical CSR Committee will be set up. It will facilitate the interpretation of the CSR guidelines and the dissemination of policy decisions.

304. In the same vein, the NCSR Committee will be required to provide, annually, on its website, a statement of the sector-wise distribution of the CSR fund.

305. To maximise impact of CSR, companies will be allowed to finance the construction and upgrading of Child Day Care Centres. This will provide tremendous relief to many mothers.

306. Companies will also be allowed to carry forward excess CSR spending or excess CSR funds to future years under specific conditions.

### **Culture, Arts and Leisure**

307. Mr Speaker, Sir, as our economy grows, many of our people are working longer hours and taking on responsibility for increasing workloads. And most of them, especially women, also have to balance work with domestic responsibilities. Without making time for leisure, the stress can be overwhelming.

308. And so Mr Speaker, Sir, in this Budget we have a special thought for these workers and their families, for the need to make leisure activities more accessible and affordable.

309. To this end, I am abolishing VAT on cinema tickets. This should reduce the price up to 40 rupees per ticket. I am also abolishing VAT on concert tickets and shows.

310. The entertainment tax charged by the local authorities is also being abolished and compensation will be provided to them for revenue lost.

311. This is on the strict understanding that these reductions are passed on entirely to the consumer.

312. In the same vein we will attend to the concern that there are not enough venues at affordable prices for holding of concerts and other events. Government will put the

Grand Baie Conference Centre at the disposal of artists at highly discount rates.

313. We are also providing for the covering of the grounds at Anjalay Stadium to enable concerts, shows and major events to be held there.

314. There is growing interest among international media producers to shoot in Mauritius. In order to compete with other players like Malaysia and Dubai, we are reviewing the rebate of qualified production expenditures from 25 to 30 percent thus bringing it at par with other emerging players. We will also broaden the spectrum of eligible productions to include high end TV commercials and documentaries.

## **Sports**

315. Sports provide another outlet for our population to shake off their stress, improve their health and at the same time provide many of our young people with rewarding careers.

316. Last year we introduced the Scholarship for athletes. To-date 27 athletes have benefitted from training overseas. Inspired by the positive outcome, we are renewing the program and making a provision for another 27 athletes to attend programs around the world.

317. We are expanding the successful Sport etude programme for our young athletes to cater for more than 400 children this year.

318. Mr Speaker, Sir, this Government is proud of its high level athletes. I am therefore increasing by 50 percent the monthly stipend payable to the 55 athletes currently on the Ministry of Sports High Level Athletes list. For world level athletes, the stipend will now range between 24,000 rupees and 30,000 rupees instead of 16,000 and 20,000 rupees.

319. Most of us remember the thrills and passion generated by the Sports Inter Colleges. This has been a training ground for our young athletes who later climbed to international fame. The Ministry of Sports will re-launch next year the famous Sports Inter Colleges. A special organizing committee will be set up to oversee the event.

320. The funds allocated to the Trust Fund for Sports which is doing an excellent job is being increased from 12.5 to 14.5 million Rupees.

### **Improving control on public sector expenditure**

321. Mr Speaker, Sir, I will now speak about our plan for improving control on public expenditure.

322. This will include -

- the setting up a Public Sector Task Force (PSTF);
- 19 additional Examiners of Accounts for the Director of Audit to introduce interim audit for in time monitoring, and



- empowering the Public Accounts Committee by providing two full time analysts for its secretariat.

323. The Local Authority Governance Unit has been set up to answer the dual needs of transparency and better reporting. It is focusing on benchmarking between local authorities for improving service delivery. A first step is to benchmark the scavenging services and the delivery of Building and Land Use permits. Recommendations are expected by mid-2013 to be implemented before the end of that year.

### **Supporting consumers in Rodrigues**

324. As pledged by the Prime Minister, we will equalize the price of rice and flour in Rodrigues with that of Mauritius at a cost of 21 million Rupees.

325. Freight to Rodrigues with respect to edible oil, powdered milk, tea and cement will be subsidized at a further cost of 23 million rupees.

326. Mr Speaker, Sir, I now come to macroeconomic policies.

## **ENSURING SOUND MACRO-ECONOMIC MANAGEMENT**

### **The Budget Outturn**

327. Mr Speaker, Sir, I announced earlier that the Budget deficit this year would be 2.5 percent of GDP, a much lower deficit than the 3.8 percent we had expected.

328. This performance reflects an increase of 9.2 percent in overall tax revenue with total Government revenue

increasing by 7 percent. We have managed to contain current spending to 20.9 percent of GDP whilst Government investment has increased by 20.5 percent over last year.

329. I am pleased to announce that we have put the primary fiscal balance back on a surplus path.

330. Equally important, public sector debt remains on a downward trend, dropping to 54.2 percent of GDP.

331. I will now announce tax administration measures and our tax revenue policies that will impact on the budget outlook for 2013.

332. As regards tax administration we are reinstating for another nine months, the Tax Amnesty schemes introduced last year with some improvements. The resources of the MRA have already been reinforced and will be further reinforced next year to ensure that all those who should pay tax do so.

333. A system of self-assessment of the municipal rate payable is being introduced as from 1st January 2013.

334. Mr Speaker, Sir, regarding revenue measures, we are maintaining the solidarity levies on banks and telecom operators up to 2014.

335. We are increasing the taxation of benefits for company and official cars by 50 percent.

336. Personalised vehicle number plates will be introduced to enable the purchase for life of an alphanumeric personalised number plate for a fee of 100,000 rupees.

337. I will now announce measures that will ease the budget of consumers.

- To encourage investment in health, I am introducing an income tax relief in respect of medical or health insurance policies. Every tax payer will be allowed to claim a deduction of up to 12,000 rupees each for himself and his first dependent. For up to two additional dependents, he may claim up to 6,000 rupees each. This will cost the exchequer 100 million rupees. For a household with three dependents this represents a net saving in income tax of 5,400 rupees per annum.
- Last year, I abolished excise duty on motorcycles of up to 125 cylinder capacity. This has had tremendous impact on sales and increased mobility and improved leisure for thousands of our citizens. As from tomorrow, I am additionally abolishing the 45% excise duty on all motorcycles of up to 200 cylinder capacity. For a motorcycle costing 200,000 rupees, this will represent a saving of about 64,000 rupees.
- I am halving the excise duty on electric cars from 50 percent to a flat rate of 25 percent.

- I am removing all excise duties on “classic or vintage” motor cars manufactured before 1970. A nominal fee of 1,000 rupees will be levied as registration duty and annual road tax.
- Recourse to the services of a custom broker is presently required to obtain delivery of articles imported by post or courier services if their value exceeds 10,000 rupees. I am raising this limit to 30,000 rupees.
- And to encourage more productive use of our land resources, Government is exempting the Land Conversion Tax for the following purposes:
  - a. construction of buildings for technical and vocational training;
  - b. manufacturing activities;
  - c. power stations for renewable energy; and
  - d. golf courses.
- Government wants to support families as they invest to meet their housing needs. To this end, I am giving full exemption from registration duty on the purchase of a residential unit not exceeding 4 million rupees instead of 1.5 million rupees for a first time buyer. This will be a saving of some 125,000 rupees on the purchase of a house valued at 4 million rupees. For land, this amount is being increased from 750,000 rupees to one million rupees.

- The minimum selling price of a housing unit, under the incentive schemes last year to promote construction of housing estates, is being increased from 2.5 million rupees to 4 million rupees for projects registered on or after 1<sup>st</sup> January 2013.
- We are removing VAT on infant cereals not containing milk. There is already no VAT on infant cereals containing milk.
- We are abolishing the 15 percent customs duty on sinks, wash-basins, baths and shower baths.
- We are also removing all remaining customs duties for all categories of television sets. Thus a 40 inch flat screen television set costing around 41,000 rupees will now cost 37,000 rupees, a saving of some 4,000 rupees.

338. With your permission, Mr Speaker, Sir, to avoid taking up the time of the House, the details and other Budget measures will be included in the explanatory notes which I am circulating as Annex 1 to the Budget speech as well as the implementation timetable at Annex 2.

339. Mr Speaker, Sir, in this Budget we are also fully compensating the beneficiaries of the Basic Retirement Pension for the increase in the cost of living. As from January 2013, the monthly BRP will go up to 3,494 rupees for pensioners aged 60 to 89 years, to 10,404 rupees for those aged 90 to 99 years and to 11,807 rupees for

centenarians. Thus, Mr Speaker, Sir, our elders almost 165,000 in all will get an increase of 4.3 percent in their pensions which is higher than the inflation rate of 4.1 percent.

340. The same full compensation will apply to some 70,000 beneficiaries of social aid and income support.

### **Budget Outlook**

341. Mr Speaker, Sir, in 2013 GDP is forecast to grow by 4 percent in real terms.

342. Total revenue will go up by 12.5 percent to 83.3 billion rupees, of which 71.1 billion rupees from taxes.

343. Expenditure will increase to 91.8 billion rupees of which 11.7 billion for direct capital expenditure.

Mr Speaker, Sir,

344. In spite of investing to secure the successful transition of our country.

345. In spite of investing substantially to improve public services.

346. In spite of reducing and abolishing duty to benefit our consumers.

347. In spite of foregoing revenues to support households and enterprises, the budget deficit for 2013 will continue on its declining trend, going down to just 2.2 percent of GDP.

This will be one of the lowest Budget deficits achieved for the last decade. Excluding the 1.2 billion rupees which are being transferred from the NRF to the Budget, the deficit would still be one of the lowest at 2.6 percent. And adjusting for the PRB report, the Budget deficit would have been even lower, a record low of 1.1 percent of GDP.

348. These low deficits are required to create fiscal space for the ambitious public sector investment programme whilst keeping debt in line with our legal obligations.

349. Mr Speaker, Sir, Government is committed to achieve an even lower deficit in the future.

350. And equally impressive, Mr Speaker, Sir, for another year, we will deliver a primary surplus and borrow only to invest in the future of our country.

351. As a result, public sector debt will decline further to 53.7 percent. With this we are relentlessly pursuing our objective of bringing public sector debt as a ratio of GDP to 50 percent by 2018.

352. Our macroeconomic policies will be further strengthened to ensure greater policy coordination and coherence between monetary and fiscal policies.

353. Mr Speaker, Sir, last year, when presenting the Budget to the Nation, I said that we wanted it to be judged by what it will concretely deliver – not by promises made but by actions taken. My thinking then, as it is now, was that

Budget policies must be fully implemented and closely monitored.

354. Today, I am pleased to report that we have implemented 91 percent of the measures and policies announced last year. In terms of implementation and outcomes, Budget 2012 stands out as an impressive accomplishment. I will be circulating a document setting out the time-table for the implementation of budget measures and publishing same on our website.

355. Before concluding, Mr Speaker, Sir, I would like to thank very sincerely the Prime Minister for his guidance and wise advice in the preparation of this Budget.

356. I have consulted with all my colleague ministers and I thank them all for their views and suggestions.

357. I also wish to thank the Financial Secretary and all the officers of my Ministry for their dedication during the Budget process.

## **CONCLUSION**

358. Mr Speaker, Sir, all the measures and policies announced in this Budget demonstrate clearly the Government's unshakable determination to rise to the challenges ahead.

359. We need not fear the adversities or the unknowns. We are a nation that succeeds in bad times as well as in good times.



360. It is not by chance that we have travelled a long way on the development path. At every crossroads our nation has made the right choices.

361. Once again, as a nation, we will rise to the challenges of the world in transition.

362. I thank you for your attention.

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