

No. 28 of 2009



REPUBLIC OF MAURITIUS

## FOURTH NATIONAL ASSEMBLY

### PARLIAMENTARY DEBATES (HANSARD)

FIRST SESSION  
WEDNESDAY 18 NOVEMBER 2009  
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**MAURITIUS**  
**Fourth National Assembly**

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**FIRST SESSION**

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**Debate No. 28 of 2009**

**Sitting of Wednesday 18 November 2009**

**The Assembly met in the Assembly House, Port Louis,**

**at 4.30 p.m**

**The National Anthem was played**

*(Mr Speaker in the Chair)*

## **PAPERS LAID**

**The Prime Minister:** Sir, the Papers have been laid on the table:-

**Prime Minister's Office** -

Certificate of Urgency in respect of the Appropriation (2010) Bill (No. XXI of 2009).

**MOTION**  
**SUSPENSION OF S.O 10(2)**

**The Prime Minister:** Sir, I beg to move that all the business on today's Order Paper be exempted from the provisions of paragraph (2) of Standing Order 10.

**The Deputy Prime Minister rose and seconded.**

**PUBLIC BILL**

*First Reading*

*On motion made and seconded the Appropriation (2010) Bill (No. XXI of 2009) was read a first time.*

*Second Reading*

**THE APPROPRIATION (2010) BILL**  
**(No. XXI OF 2009)**

*Order for Second Reading read.*

**BUDGET SPEECH**

**SHAPING RECOVERY**  
**CONSOLIDATING SOCIAL PROGRESS**  
**SUSTAINING GREEN MAURITIUS**

**The Vice-Prime Minister, Minister of Finance and Economic empowerment (Dr. R. Sithanen):** Mr Speaker, Sir, I move that the Appropriation Bill 2010 be read a second time.

2. The presentation of the 2010 Budget on a calendar year is another pillar of our reforms to adapt the budgeting process to new realities. It is a first for our country and it marks a break from a long tradition that has outlived its purpose.
3. It is also our fifth budget in four and a half years of tough challenges.

4. Like the previous budgets it has been prepared to reflect the high ideals of this Government and to meet the aspirations of our people.

5. It continues the progress achieved on the economic, social and environment fronts under the leadership of the Prime Minister.

6. More specifically, the 2010 Budget addresses in depth three main priorities:

First, shaping recovery to accelerate job creation.

Second, consolidating social progress to embed inclusive growth.

Third, sustaining Green Mauritius to mitigate the impact of climate change.

7. Mr Speaker, Sir, our country has survived the worst economic recession in many decades with minimum adverse impact. We are now seeing encouraging signs of a global recovery. We must seize the opportunities and shape our recovery so that the growth path can be more resilient.

8. And as we shape the recovery, we must also consolidate the social progress that we have worked so hard to achieve and sustain the vision of Green Mauritius. These are the three pillars of future development and they are the main themes of this Budget.

9. Mr Speaker, Sir, the four and a half years behind us were tough. Back in 2005, the population was facing the future with apprehension. To get out of this predicament, they gave this Government a mandate to rescue the country from '*l'état d'urgence économique*', to create employment at a rapid pace, and restore macroeconomic stability. They also yearned for greater social justice and a more compassionate society.

10. Despite a combination of a dismal legacy, an economic model that was cracking at the centre and various external shocks, we took that challenge. We pledged to take our country to a new development dawn, where the economy would be on a higher growth path and social equity an inherent outcome.

11. We had our eyes riveted on investment. We knew that the growth equation is cruelly simple. No investment – no growth. And no growth means no employment creation. We therefore came up with measures to boost investment across all sectors.

12. In 2006 we implemented the most fundamental, far reaching and bold reforms in the history of our nation. The development model relied too heavily on trade preferences in a globalizing world. It had

become obsolete. We therefore replaced it with a paradigm centred on global competitiveness, supported by reforms aimed at greater openness of the country, a reengineered doing business environment, an accelerated diversification of the economy, a flexible labour market and a simple, more efficient and competitive tax system. We also endowed our strategy with an Empowerment Programme to ensure inclusive development.

13. Mr Speaker, Sir, we dared and we acted. With the new model, Mauritius was running its next lap of development.

14. In the very first year of our reforms, we saw encouraging signs of a major economic turnaround and noticeable social progress. The national cake was getting bigger at a faster pace. FDI was surging. The textile industry regained its buoyancy after four years of despair when it slashed its output by some 35 percent and shed some 40,000 jobs. The sugarcane industry was reclaiming its role as a main pillar of the economy. Employment creation was catching speed and the unemployment rate was coming down.

15. By 2007 all the sectors of the economy were expanding, with tourism, banking, construction and real estate showing boom like performances. Due to our diversification policy, new pillars are emerging. These include the ICT and seafood sectors, the IRS/real estate and energy industries, and the health and knowledge hubs.

16. Concurrently as we were diversifying the economy, we broadened the circle of opportunities in a way that our country has never seen before. We have brought the SME sector to the forefront of economic development, by flattening the playing field and through direct support at every level of operations. The outcomes have been what we had hoped for. In the past four years, these SMEs have generated 20,000 new jobs, accounting for 60 percent of the total 40,000 jobs created.

17. As part of the reforms, we have also riden the country of a tax regime that was acting as a disincentive, penalising effort and job creation. Our new tax policies removed 36,000 individual income earners out of the tax net. The same reforms have lowered the burden of some 25,000 persons when we cut the maximum personal income tax rate from 30 percent to a flat 15 percent. We have also created two special bands of income tax for our elderly with an additional deduction of Rs 45,000. Only 7 percent of the working population is paying tax. Having one of the lowest tax rates in the world has been a powerful competitive edge to attract businesses, investments and talents to our shores. To ensure fairness, we have firmed up tax administration. As a result, tax evasion has been reduced.

18. Due to comprehensive reforms, we have achieved the feat of lowering tax while cutting the budget deficit and taking the debt/ GDP ratio out of the danger zone where it was in 2005.

19. We have also created fiscal space that we have used judiciously to save jobs, protect our population, and invest in human capital and infrastructure projects.

20. The Monetary Policy Committee (MPC) which we established in 2006 was a major step in enhancing the monetary policy framework. It has lowered interest rates in the face of weakening activity. We have worked closely with the Bank of Mauritius to return our economy to a low inflation path.

21. Mr Speaker, Sir, we have made of regional integration a core objective of our strategy. Our role in realizing the Economic Partnership Agreement between the Eastern and Southern Africa group of countries and the European Community speaks of our commitment. We have also made of Mauritius a nucleus for activities that promote regional integration with countries of COMESA, SADC and IOC. Some main achievements are as follows:

- The Regional Multidisciplinary Centre of Excellence, involving a dozen regional and international organizations and development partners, has been set up and is now operating in Mauritius.
- The IMF has decided to locate AFRITAC, a knowledge and training institution for countries of Sub-Saharan Africa, in Mauritius.
- Our country has recently been selected to host the COMESA Fund.
- The African Development Bank is finalising agreements to post a resident country economist in Mauritius.
- UNIDO is setting up a regional office in our country.
- The dream of making of Mauritius a business gateway to Africa for countries like China and India is now a reality. The Jin Fei project, besides being the largest FDI our country has ever attracted, epitomizes the height that Mauritius has attained as a bridge between Asia and Africa.

22. Global issues such as climate change and sustainable development are also an integral feature of our development model. Global problems need global solutions and we are doing our share through the *Maurice Ile Durable* vision of the Prime Minister.

23. Another attribute of our development paradigm is the emphasis on empowering women. The actions of the Empowerment Programme, initiation of gender budgeting, doubling the pace of job creation for women, creating new facilities to support them and the number of women who have received training for jobs and support for entrepreneurship – they are all examples of our commitment to enhance the role of women in our country. The new development philosophy is breaking cultural barriers that have kept women out of jobs.

24. Mr Speaker, Sir, since 2005 we have been achieving our goals on all fronts against the background of an economy buffeted by external shocks.

25. First, there was '*la crise sans précédent*' and the unsound public finances we inherited.

26. Second, the dismantling of the Multi Fibre Agreement.

27. Third, the 36 percent cut in the price of sugar.

28. Fourth, the surging oil prices.

29. Fifth, the soaring food prices and a global food crisis.

30. Sixth, the international financial mayhem.

31. Seventh, the worst world economic recession in several decades.

32. The global economic crisis that has been pounding our shores for two years has proved to be more than just a bump on the road. It was a crisis that has dragged powerful economies to the brink of collapse. Globally some 20 million jobs have been lost. Around 1 billion people have been directly affected and hundreds of millions pushed into poverty.

33. But in the face of such an adverse economic event, we acted with the confidence that our economy, even if not immune, had been made resilient by our reforms. We put aside some Rs6 billion back in May 2008, with foresight and ahead of the rest of the world. We have fortified our defence against the crisis in October and in December of the same year with additional stimulus measures of Rs10.4 billion. In May this year, we did more to save jobs, protect people and prepare for the recovery.

34. Our policy response has been timely, innovative, comprehensive and effective. We have -

- sustained the economy through expansionary macroeconomic policies;

- frontloaded public infrastructure projects to save and create jobs;
- supported micro, small, medium and large enterprises that were in difficulty;
- protected the vulnerable, the unemployed and the retrenched workers, and
- prepared our country for the recovery.

35. Today, not only the figures, but also the more optimistic mood in the country bears out the success of our new development paradigm, the resilience of our economy, and the impressive performance of our stimulus package.

36. Clearly, Mr Speaker, Sir, in the past four and a half years we have responded promptly and effectively to all the challenges.

37. But development is an unending process. The job of a reformer is never done. We will continue on that journey next year and in the years ahead. And we will do so with even greater conviction that the new development model we have built can weather every storm and take us to greater heights of sustainable socio-economic achievements.

38. Mr Speaker, Sir, the success we have achieved has been aptly and beautifully summed up by Senator Hillary Clinton, I quote:

“Mauritius has taken steps in recent years to attract investment by enacting reforms that protect investors and promote business. They’ve made it easier to launch start-ups, to access credit, and to register property. They’ve demonstrated a commitment to transparency, accountability, and good governance. Now, the people of Mauritius have been the primary beneficiaries of these reforms; it does help to unlock human potential and to create conditions where people feel that their hard work will actually be rewarded.”

## **SHAPING THE RECOVERY, CONSOLIDATING SOCIAL PROGRESS, SUSTAINING GREEN MAURITIUS**

39. Mr Speaker, Sir, we must nurture that success and uphold our resolve to take our country to even greater heights of development. That is why this Budget is about:

- (i) **Shaping Recovery to accelerate job creation;**

(ii) **Consolidating Social Progress to embed inclusive growth, and**

(iii) **Sustaining Green Mauritius to mitigate the impact of climate change.**

40. We need to shape the recovery to seize the opportunities from a world economy that is on the mend. There are encouraging projections of a recovery in 2010, notwithstanding rising unemployment in the US and other countries. The IMF is now estimating a smaller contraction in world output of 1.1 percent in 2009 and a 3.3 percent growth in 2010. The United States, Japan, and most of the Euro area countries will have positive output growth in the second half of this year. GDP in China and India are forecast to expand by 9 percent and 6.4 percent in 2010, respectively. The economies of Africa are expected to grow by 1.7 percent in 2009 and 4 percent in 2010.

41. World trade volume which is estimated to contract by 12 percent this year is forecast to expand by 2.5 percent next year. Clearly, 2010 will be the year of the global economic recovery.

42. For Mauritius, there is manifestly a return to the trend growth path. The Central Statistical Office (CSO) is predicting a growth rate of around 2.8 percent for 2009 and 4.3 percent for 2010. By 2011, it is expected that the economy will return to its growth path of 5 percent and higher. There is renewed dynamism and we will harness it to shape the recovery. We will:

- break new ground, while intensifying efforts to consolidate the traditional and emerging economic pillars, so as to open more business opportunities and further stimulate job creation, in particular for women;
- continue our task of improving the doing business environment to increase investment;

- invest in human resource development, science, technology and innovation to build the competitive competence that our country needs to be among the fast globalisers;
- accelerate our plan to build the infrastructure of tomorrow; and
- focus on our policy to foster the development of SMEs.

43. To consolidate social progress we will:

- firm up our policies to eradicate absolute poverty;
- advance closer towards our commitment to provide every family in Mauritius with a decent dwelling, deliver more and better health care, give more social protection to our children and to women who need it, and ensure that social transfers provide adequately for the most needy;
- prepare for the challenges of an ageing population and ramp up our support for our seniors; and
- consolidate the progress we have made in giving greater access to education, from pre-primary to tertiary levels.

44. And to sustain Green Mauritius we will:

- accelerate the pace of progress on the road to *Maurice Ile Durable*;
- focus on high tech, low carbon, renewable energy, and green quality living Mauritius; and

- entwine our agenda for investment in public infrastructure with our vision of Green Mauritius so that the investment in our physical fabric enriches our environment.

## **ECONOMIC ACHIEVEMENTS WEATHERED ALL THE STORMS**

45. Mr Speaker, Sir, I shall now elaborate on the specific policies to shape the recovery, starting with a review of economic performance in the recent past.

46. In spite of the very poor legacy in 2005 and the shocks that came in waves, we have been able to steer the ship of the economy safely to port.

47. Our economy has performed remarkably well - due mainly to the reforms and to policy foresight. Because of our reforms, we have had three years of robust economic growth, and our country was well positioned to ride out the crisis.

48. Let me quote the team leader of the World Bank, Mr Fabiano Bastos -

"The observed resilience of the Mauritian economy is a testimony to the positive impact of the reforms carried out since 2006, which favoured economic diversification and adaptation at the same time that it created fiscal space for expansionary macroeconomic policies and other innovative, timely, temporary and targeted responses to cushion the crisis impact".

49. Since July 2005, our economic policies have created more than 40,000 jobs in contrast to about 20,000 during the period 2001 to July 2005. We have doubled the job creation capacity of the economy.

50. In 2005, the unemployment rate was 9.6 percent. But in the very first year of our mandate we have broken its 14 year rising trend. The unemployment rate is now sliding below 8 percent. Mr Speaker, Sir, we have thus achieved full employment among males. The female unemployment rate has been cut to around 14 percent from 16.4 percent in 2005. And Mr Speaker, Sir, since July 2005, we have nearly quadrupled job creation for women, compared to the preceding four and a half years. A total of 19,000 jobs have been created for women in contrast to a mere 5,400 over the preceding four and half years. And in 2008, the economy has created more jobs for women than men. This is a first. Our policy emphasis to address female unemployment is paying off.

51. Unemployment among our youth aged 16 to 24 years has also come down from 26 percent in 2005 to 19.2 percent today.

52. We have also curbed the inflationary pressures from soaring food and oil prices. The inflation rate for 2009 will be around 2.6 percent, down from 9.7 percent in 2008. This is the lowest annual inflation rate we have had in a very long time. And according to the CSO, the inflation rate for the 6 months to December 2009 is estimated at 1.2 percent.

53. Our expansionary macroeconomic policies, in particular our stimulus measures, have triggered a rise in household consumption as a percentage of GDP, to 75.2 percent in 2009 from 74.3 percent in 2008. As a result the saving rate is expected to fall to 12.8 percent in 2009.

54. Mr Speaker, Sir, the national saving rate in Mauritius has been historically high, staying above 20 percent for most of the years since independence. However, as from 2001 it has been on a declining trend. This situation could have tightened our capacity to finance investments. But it has not. During the period 2006 to 2009, average monthly rupee deposits at banks have grown by around 40 percent, outpacing GDP growth and generating enough liquidity to meet investment needs. In fact, all types of deposits, including savings, time and foreign currency have been rising at rates far exceeding GDP growth.

55. The savings-investment gap is also reflected in the current account of the Balance of Payments. But the impact of a low saving on the overall Balance of Payments has been countered by the surge in FDI. Nonetheless, we believe that the declining trend must be monitored. The surest way for the saving rate to recover is to grow our GDP at a faster pace, which is what this Budget is seeking to achieve. Indeed, the national saving rate is forecast to rise in 2010 and beyond. And the way to ensure that our Balance of Payments remains viable is to continue to attract FDI. This is exactly what our openness policy is doing.

56. Indeed, private investment, including FDI, as a ratio of GDP, was on a downward path reaching a low of 15.1 percent in 2005. We have turned it around. Today, despite the crisis, private investment stands at 19.5 percent of GDP. Similarly for the ratio of total investment to GDP which has reached 25.6 percent in contrast to 21.4 percent in 2005.

57. FDI averaged around Rs 1 billion annually for the two decades ending 2005. We have taken this yearly average to around Rs 8.4 billion since 2005. Following the reforms in 2006, we have attracted more than Rs 30 billion of FDI. This year, in the middle of the crisis, we are expecting around Rs 9 billion of FDI.

58. This FDI is also more diversified than in the past, coming from various countries and flowing into almost all sectors of the economy. Two months ago the Jin Fei project was inaugurated. It is the single largest FDI in our history, for an investment of Rs 25 billion over eight years, creating some 40,000 jobs, both direct and indirect.

59. Mr Speaker, Sir, the Net International Reserves of a nation sum up the sustainability of its trade and other external balances. It is a measure of the resilience of an open economy that depends heavily on imports for most of its needs. Our Net International Reserves have gone up from Rs 56.3 billion in 2005 to around Rs 100 billion – an 80 percent increase. Our country has enough foreign currency reserves to pay for 42.8 weeks of imports compared to 31.4 weeks in July 2005.

60. However, rising FDI has generated higher imports of both consumption and investment goods leading to a current account deficit of 10.4 percent of GDP in 2008. This year, the current account deficit is expected to be lower at around 9 percent of GDP. The Balance of Payments has turned around from a deficit of Rs 4.9 billion in 2005, amounting to 2.6 percent of GDP to a surplus as from 2007. Despite the crisis, the surplus is projected to be around Rs 13.5 billion for 2009, representing 4.8 percent of GDP.

61. I now come to the budget deficit. This government has inherited a budget deficit of 5.3 percent of GDP and an additional 2.8 percent due to skeletons in the closet, giving an effective deficit of 8.1 percent. I should recall that amongst others, we have had to pay Rs 1.2 billion to ensure that employees of the DWC, the MRA and the Mauritius Post get their pensions. We have spent over Rs 1 billion to clear the financial mess at the Conference Centre at Pailles, the Business Park of Mauritius Limited (BPML), the Cyber Village and the Black River District council. Around Rs 900 million have been spent to clear the 2003 debt of the STC, to pay the loans of the Road Authority taken just before 2005 elections and to settle an advance of Rs 225 million made to State Land Development Company (SLDC) in 2004.

62. In all, these liabilities, most of them off-budget transactions, amounted to an unbelievable Rs 6 billion.

63. Mr Speaker, Sir, we have cleaned out all these skeletons. We have also cut income tax by up to 50 percent, resisted the simplistic way out, namely to raise VAT, spent more to stimulate the economy and yet brought down the budget deficit. We have contained it to 4.2 percent of GDP in 2006/07 and to 2.7 percent in 2007/08. For 2008/09, the deficit worked out to be 3 percent of GDP. And we will end the six months period to December 2009 with a budget deficit of 4.5 percent of GDP, lower than the initial estimate of 4.8 percent.

64. In spite of the expansionary fiscal stance since 2008 to stimulate the economy and ride out the crisis, we have brought about a consolidation of public finances. In addition, we have been able to set aside more than Rs 11 billion in various Funds to address major development issues.

65. And this is not all. From 2000 to 2005, central government debt had reached 57 percent of GDP. We have brought it down to 49.7 percent by June 2009. And public sector debt amounted to 70 percent of GDP in 2005 - we have lowered it to 58.6 percent. Mr Speaker, Sir, we have thus successfully averted the risk of sliding deeper into unaffordable debt.

66. As regards our industries, the traditional pillars are today stronger and more resilient than five years ago. Over the past two years, the sugar cane industry has regained vitality and expanded by around 22 percent, including 18.2 percent growth in 2009.

67. The agro industry has taken on a new purpose as we carry through this Government's vision of food security. The Food Security Fund is financing a Food Crop Insurance Scheme for small food crop planters; a Seed Potato Purchase Scheme for small potato growers; an Onion Seed Purchase Scheme and a Pasture Development Scheme. It is also providing finance for dairy farms and for multiplier farms of improved genetic goat breeds. The stage has been set for the production of 10 million litres of milk per year as from 2010 and 12 million litres by 2011.

68. The Food Security Fund is also financing the purchase of fibre glass boats for off lagoon fishers. And the Fishermen Investment Trust is funding activities which were previously inaccessible for artisanal fishermen, including fish farming in cages, integrated fish culture projects in barachois and purchase of boats for off lagoon fishing in Mauritius and in Rodrigues.

69. The pig sector has almost fully recovered from the African Swine Fever. The pig population has risen from 4,000 heads at its lowest to 15,117 at September 2009. Breeders have benefited from finance and from land to relocate their activities. Pork processors and pig breeders are now working in closer cooperation. The waste treatment plant project for St Martin is ready for the tendering process.

70. The Marine and Agricultural Resource Support (MARS) programme is implementing pro-poor reforms and institutional development, marine resource management, and diversification of rural incomes and employment in Mauritius and especially in Rodrigues.

71. The textiles and clothing sector was recovering from its deep recession, expanding its output by up to 8.5 percent in 2007. But it was caught in the global crisis, stagnating in 2008 and its output shrinking by 4 percent this year.

72. The tourism sector has been booming before the global crisis hit our shores. It expanded by an annual average rate of 7.8 percent from 2006 to 2008 with a peak of 15.2 percent in 2007. But this year, it has been hit by the crisis, showing a negative 7.6 percent growth.

73. The financial industry has come out relatively unscathed from the global financial turmoil. It will grow by some 6 percent this year. The sector is showing an annual average growth rate of around 7.6 percent for the period 2006 to 2009.

74. The ICT/BPO sector has grown by 40.8 percent in the past three years and is expanding by 16.2 percent this year. Mr Speaker, Sir, it is now contributing 5.8 percent to GDP from less than one percent in 2005 and let me tell this august Assembly that this is more than the contribution of the sugar sector today and it employs 12,000 persons.

75. The construction industry has been experiencing its best period in many years. Its growth averaged 10.5 percent annually for the period 2006 to 2008. This year the slowdown in real estate and IRS and RES activities have affected its output, while public investment in infrastructure has enabled it to maintain a positive growth of 2.5 percent.

76. The real estate sector is maintaining a healthy growth pace, averaging 7 percent for the period 2006 to 2009 and expanding by about 6 percent this year.

77. The seafood industry is fast expanding, with exports of fish and related products increasing by 30 percent in the first half of this year, compared to the same period last year.

78. The health centre of excellence has become a reality - providing world class services to Mauritians as well as to foreign clients. The number of beds in private clinics has increased by 56 percent since 2005 to more than 800. There are now 19 private clinics in Mauritius in contrast to 12 in 2005.

79. The knowledge centre of excellence has equally taken off with 5 more institutions of higher learning since 2005. This new endeavour has been given a further boost by Government's project to set up a campus for 8,000 more students at the tertiary level and the setting up of the RMCE and AFRITAC in Mauritius.

80. Two years ago, we set the base for the development of a creative arts industry. The activities in that sector are growing at a promising pace.

81. Mr Speaker, Sir, we have accomplished all these in the teeth of the world's worst recession. By any measure our economy has been remarkably resilient. And our stimulus package, which has provided a fiscal impulse of around 2 percent of GDP, has effectively helped us to ride out the crisis. Clearly, the stimulus package and the resilience that our reforms have built have saved Mauritius from being dragged into a recession and from high unemployment and social anguish.

### **Shaping the Recovery**

82. But going forward requires a different management of the economy. I will now outline our measures and policies to shape the recovery.

83. Mr Speaker, Sir, in our Additional Stimulus Package (ASP) and in the Budget we presented in May this year, we took a series of actions to save jobs, protect people and prepare for the recovery. We said then that these actions were good for 18 months until December 2010. However, the global economy is turning around earlier than we had expected. The issue for many countries is whether they will pull out fast or tip toe out of the stimulus policies. And there is wide agreement that while the world is out of the recession, many countries are not out of the woods yet - for unemployment is rising in spite of positive growth. One of our main challenges during the next year will be to maintain the employment creation dynamism of recent years.

84. We have listened to the views and concerns of stakeholders. They think the ASP should be maintained. We have weighed the benefits of continuing the ASP, in particular against pressures to further consolidate public finances and ensure debt sustainability. We have reached the conclusion that it is more prudent to allow economic recovery to take hold, to be cemented and to be sustainable before moving out of the stimulus package. It is too early to take our feet off the pedals. But at the same time we have to avoid the trap of a very high budget deficit and unsustainable debt. The exit strategy must be carefully managed.

85. Mr Speaker, Sir, we are therefore maintaining our Additional Stimulus Measures until December 2010 including the funds committed for a stimulus package for Rodrigues. This means that we will do the following -

- (i) continue to give direct support to SMEs and large enterprises facing temporary difficulties due to the crisis so as to protect jobs and enterprises;
- (ii) carry on with the work cum training programme for retrenched workers and the unemployed;
- (iii) maintain our commitment to frontload our public infrastructure plan to boost up construction activities and create jobs;
- (iv) continue to upgrade public infrastructure in education, health, the environment and sports;
- (v) keep the support of Rs900 m. given to local authorities compared to some Rs45 m. they used to receive annually;
- (vi) maintain the additional Rs100 m. for infrastructure development in Rodrigues;
- (vii) accelerate private sector investment;
- (viii) sustain our drive to improve competitiveness through modernisation of machinery and equipment and upgrading of skills;
- (ix) hold on to our various tax suspensions until December 2010 to the tourism, construction and real estate sectors to stimulate growth and protect jobs;
- (x) maintain the suspension of the travel tax to Rodrigues until December 2010;
- (xi) keep in place, until December 2010, the incentive package for increasing tourism to Rodrigues;
- (xii) sustain a fiscal and monetary policy mix that is supportive of investment, growth and job creation;
- (xiii) step up our efforts to give greater protection to the population and strengthen the Eradication of Absolute Poverty Programme;
- (xiv) maintain the two Ministerial Committees, one chaired by the Prime Minister, set up to steer us through the crisis, and
- (xv) keep the High Level Committee jointly chaired by the Secretary to the Cabinet and the Joint Economic Council and its various sub-committees. They will continue their work with an emphasis on our new priority to help shape the recovery.

86. Mr Speaker, Sir, the various planks of the ASP will be maintained so that we can shape a fast and robust recovery to return to an economic growth path of 5.5 percent and higher and create jobs.

## **Restructuring the Funds to Shape Recovery**

87. With the worst behind us and facing the prospects of a global recovery in 2010, we must reorient the resources in the Special Funds to meet changing priorities. Moreover, we do not want to end up with the paradox of having cash in Government's account at the Bank of Mauritius and yet having to borrow money to finance our deficit.

88. I am thus restructuring the Funds established in May 2008 to stimulate the economy.

89. In all, Rs11.3 billion have been allocated to the funds including Rs1 billion as equity for the modernization and expansion of the airport – which has been used - and Rs2 billion to the Land Transport Authority (LTA) for the Road Decongestion Programme. Of the remaining Rs8.3 billion, Rs1.3 billion have already been disbursed. Rs800 m. more will be disbursed by end December 2009 and another Rs5.3 billion over the next two years. Rs2.3 billion are being transferred to the Budget as follows -

- Rs1.6 billion from the Food Security Fund (FSF) and the Social Housing Fund (SHF); and
- Rs0.7 billion from the other Funds.

90. However, we are ring-fencing the programmes in the Food Security and Social Housing Funds with budgetary allocations of Rs1.2 billion in 2010, Rs0.9 billion in 2011 and Rs0.8 billion in 2012.

91. The SJR Fund is being kept as a contingent stimulus and would be scaled back at the end of 2010 if worldwide recovery takes hold as expected.

92. The projects and schemes in the HRKAD – this is the Education - and MID Funds are of a long-term nature with projects such as the new campus that will require several years to be completed. Resources are, therefore, being maintained in these Funds.

93. The Local Infrastructure Fund, which is also the recipient of the NRPT proceeds, has upgraded local infrastructure to an extent never achieved before. We have provided over Rs1.1 billion to local authorities to finance 57 projects such as market fairs, crematorium, lighting and upgrading of sports facilities and multi-purpose complexes amongst others. 12 projects have been completed, including the market fair at Rose Belle, at a cost of Rs106 m.; upgrading of Market Fairs at Vacoas and Pailles and setting up of a Sports Complex at Paillette. In addition, we are moving the St. Martin transfer station to La Chaumière at a cost of about Rs130 m. Next year, we will contribute to finance market fairs in Flacq,

Rivière des Anguilles, Abercrombie and multi-purpose complexes in Vacoas, Bon Accueil, Rivière des Créoles, Résidence Vallijee, Pamplemousses and Souillac. We are keeping this Fund.

### **Building Eco Friendly Infrastructure**

94. Mr Speaker, Sir, maintaining our ASP means continuing our frontloading of investment in infrastructure planned for the next ten years. Indeed, in 2010 we are increasing public sector investment to Rs24 billion, of which some Rs11 billion as Government investment.

95. These investments can have a big impact on the environment. But, we are planning them to be eco-friendly and environment enhancing. Where appropriate, new roads are being built with pavements and bicycle tracks.

96. To improve security and widen road network, two major projects have been completed - the Macondé Bridge and the Camp Thorel bypass.

97. Work is ongoing on eleven road projects, to address the problem of country wide traffic congestion, namely the -

- (i) rehabilitation of the Flacq bypass,
- (ii) upgrading of the Wooton – Belle Rive road,
- (iii) rehabilitation of the Mare d’Albert – Gros Bois road,
- (iv) the access road to Jin Fei zone,
- (v) the Goodlands bypass,
- (vi) the Triolet bypass,
- (vii) the access road to Réduit triangle,
- (viii) the rehabilitation of Nalletamby road in Phoenix,
- (ix) upgrading of the Baie du Tombeau road,
- (x) the building of a dual carriageway between Pamplemousses and Forbach, and
- (xi) widening the motorway between Pailles and Caudan.

98. There are also twelve more projects in preparation stage and will be launched in the coming year.

99. First, the bi-directional lanes between Pont Fer and St. Jean. Construction will begin in December of this year.

100. Second, detailed designs for the addition of bi-directional lanes from St. Jean to Pont Colville are being prepared. Works are expected to start in February 2010.

101. Third, designs for the addition of bi-directional lanes from Pont Colville to Pailles, including the broadening of the Colville bridge, are also being prepared. Works are expected to start in April 2010.

102. Fourth, the construction of a grade separated junction at the Caudan roundabout is expected to start in January 2010.

103. Fifth, the upgrading of the Belle Rive – Quartier Militaire Road at a cost of Rs725 m. will start in April 2010.

104. Sixth, the enlargement of Tulipes Avenue in Quatre Bornes.

105. Seventh, the construction of the Phoenix – Beaux Songes Link Road.

106. Eighth, the tenders for the Terre Rouge – Verdun Link Road, at a project value of Rs2.2 billion, have already been floated.

107. Ninth, the documents and vetting of the Verdun – Ebène link road, for a contract value of Rs1.3 billion are being finalised.

108. Tenth, the contract for the construction of Phase I of the Ring Road at an estimated value of Rs1.3 billion will be awarded in the days to come.

109. Eleventh, the Bus Rapid Transit (BRT) System is being implemented at a cost of Rs5 billion, including the track, stations and other amenities. The engineering design is being launched by early 2010. Construction is expected to begin in January 2011 and the Busway should open in 2013.

110. Twelfth, with respect to Phase II of the Ring Road and the Harbour Bridge, a financial adviser has been appointed and the final PPP feasibility report will be ready in the coming weeks. We expect to launch these projects under the Road Development Company (RDC) in 2010. The RDC will also integrate the Terre Rouge-Verdun-Ebène Road, the BRT track and the whole of the Ring Road.

111. In all, over Rs15 billion have been allocated to extend, improve and create new road networks. Out of which Rs1.3 billion to maintain and rehabilitate around 600 km of roads. The construction of the additional carriages and road ways will add 360 km of roads to the network.

112. Another major area of infrastructure development is the modernisation and expansion of the airport. The plan includes investments of -

- Rs10.6 billion in the new passenger terminal. Works will start in the beginning of 2010 along the requirements of green construction;
- Rs2 billion in a new runway, and
- Rs900 m. for a new taxiway

113. The feasibility study for the new runway will be completed by April 2010 and works should begin in early 2011. The new taxiway will accommodate the latest generation of large planes and facilitate rapid exit of aircraft from the runway. It will also serve as an emergency runway. The Consultant will be appointed by January 2010 with construction scheduled to start by end 2010.

114. We are amending the Civil Aviation Act to give the Ministry of External Communications the authority to levy a Terminal Expansion Fee to support the financing of the new terminal.

115. In the Port, the Mauritius Container Terminal berth is being strengthened and expanded and the seabed is being deepened to 16.5 metres at a cost of Rs3.5 billion. This will allow the Port to meet growing traffic and attract larger vessels. The process of recruiting consultants for the engineering works is underway. The work will be completed by 2012.

116. To ensure continued reliable power supply, Rs2 billion is being invested to raise the capacity of the Fort Victoria generation plant by 30 MW.

117. We have also launched the process for a new 100 MW power plant using environmentally friendly technology that is affordable. This will be a PPP project. The bids will be prepared on the basis of a report that is being delivered to Government early next year.

118. The Highlands project is moving forward. Two promoters have confirmed their interest and are involved in a Competitive Bidding Dialogue. With the assistance of AFD, the initial proposals were analysed for environmental friendliness. The feedback is being given to the promoters to incorporate Green Building Technologies in their final proposal. It is expected that the selection will be made during the course of 2010.

119. The Jin Fei project, which is as important in terms of impact on the economy and environment will also be implemented as eco-friendly.

## **Shoring Up The SME Sector**

120. After infrastructure, our next priority to shape the recovery is to shore up the SME sector which has been the main source of employment creation during the crisis. It now amounts to around 100,000 enterprises and employs some 45 percent of the workforce compared to 36 percent in 2005. We want to build further on the progress we have unleashed in that sector in the past four years.

121. First, we are working with the IFC and AFD to revamp the operations and management of the SME Partnership Fund. This includes a partnership with one of the established Venture Capital Funds managers with a proven track record in the region.

122. Second, we have secured the support of the World Bank to launch the Mauritius Business Growth Scheme (MBGS) that would provide support services to SMEs. We are offering a cost sharing mechanism with a grant element to make the services attractive.

123. Third, we are exploring how to link the MBGS with the revamped SME Partnership Fund to finance start-ups. To obtain financing, SMEs will undertake to procure those services that are important for them to expand.

124. Fourth, the MBGS will develop a scheme to encourage the emergence of High Potential Start Up companies (HPSU) that use technological innovation. The scheme will finance feasibility studies and the cost of patent filing and registration.

125. Fifth, we have launched a scheme that includes mentoring services to support unemployed and retrenched women to start a small business. Under a partial risk guarantee scheme, Mauritius Post Cooperative Bank is providing micro-credits up to Rs40,000 for individual entrepreneurs and up to Rs400,000 for a group. Some 60 projects have already been approved and another 73 are currently being processed.

126. Sixth, at present, Government is paying 75 percent of the registration fee on micro-credits taken by women whose monthly income does not exceed Rs6,000. We are raising this income threshold to Rs10,000.

127. Seventh, the Leasing Equipment Modernisation Scheme (LEMS) has disbursed Rs127 m. in favour of 49 projects of which 39 are SMEs. Sectors covered include manufacturing, construction, ICT,

agriculture and hotels and restaurants. Encouraged by this performance, we are expanding the scheme to cover all productive equipment, including goods vehicles, for SMEs regardless of sector.

128. Eighth, newly incorporated companies with the sole owner having a pre incorporation track record are now also eligible for the Leasing Equipment Modernisation Scheme.

129. Ninth, SMEs with turnover below Rs3 m. which are not VAT registered will be provided 100 percent financing for leased equipment excluding VAT instead of 90 percent.

130. Tenth, we are expanding the scheme for assisting small hotels and restaurants with turnover of less than Rs10 m. to hire consultancy services on renovation and energy efficiency. It will now also be open to assist jewellers to hire interior decorators to advise on upgrading or renovating outlets to meet international standards.

131. Eleventh, we will use 100 arpents of the 2,000 arpents obtained by the Prime Minister from the sugar industry to set up Industrial Areas where SMEs can lease the land to construct their industrial buildings, within a set time period. Each site will cover 5 arpents and I am providing funds for 10 sites to be developed by the Ministry of Housing and Lands.

132. Twelfth, we are setting aside, at least, one third of the 100 arpents for Industrial Areas for SMEs run by women.

133. Thirteenth, the industrial estates are being completed. 14 units are ready at Phoenix. The Terre Rouge and La Tour Koenig sites will be ready early next year. The size of these units ranges from 100 to 200 square metres.

134. Fourteenth, SEHDA will work with the SME Federation to develop a scheme to be run by SMEs to provide a permanent exhibition space on a rotational basis. Rs20 m. have been set aside in the SJR Fund for this purpose.

135. Fifteenth, the DBM will relax conditions for assistance to SMEs with turnover up to Rs5 m. and its existing clients with turnover up to Rs15 m. This scheme is being extended to all SMEs in difficulty, regardless of the crisis.

136. Sixteenth, SMEs will continue to benefit from the cost sharing for participation in trade fairs through SEHDA.

137. Seventeenth, we are working on a scheme for the setting up of factoring for SMEs to obtain the working capital they need to fulfil orders, as large firms sometimes request 90 days or even 120 days credit. Eligible enterprises include those that are registered as sole proprietors, companies, cooperatives partnerships, and *sociétés* with an annual turnover of up to Rs10 m.

138. Eighteenth, an SME portal will be established, under the Mauritius Business Growth Scheme, to provide information on service providers. The portal will also include a window to match supply and demand, which will be developed in collaboration with organisations representing different sectors.

139. Nineteenth, we will break new ground for small and medium enterprises in the field of technology. Google, in collaboration with the BOI, has trained some 140 ICT professionals. We will provide them with support to become ‘technopreneurs’ capable of creating technology products for the global market. To this end, we are providing Rs10 m. from the SJR Fund as venture capital for investments that also include the participation of established firms that are willing to finance and mentor, also known as business angels. The BOI will oversee the coordination.

140. Twentieth, we are raising the ceiling on booster loans at the DBM from Rs100,000 to Rs150,000.

### **Stimulating The Traditional And Emerging Pillars**

141. I will now announce our actions to stimulate growth in our traditional and emerging economic pillars. Most of our sectors have shown positive growth in the midst of the crisis, underlying the resilience of our economy. In this Budget, we will support our industries to build further on their resilience and to harness the opportunities of a recovering global economy.

#### **Agro-industry**

142. To enable planters and breeders to optimise their revenue, AREU is setting up an agricultural production and marketing information system. It will provide planters with real time market intelligence on crop production and prices by using mobile phone technology and posting information on a central website. Relevant information for breeders will also be supplied.

143. To encourage the development of high-tech sheltered farming we are introducing a scheme to provide technical assistance for the design and implementation of projects. We will also advance 90 percent of the investment costs on soft terms, with a moratorium on payments for three years.

144. We are setting up a scheme to assist sugar co-operatives to obtain the Fair Trade accreditation from the EU. This will enable them to obtain a premium of USD 60 per tonne of sugar. Government will advance the funds on soft terms for 75 percent of the costs of consultancy and the application fee of Rs150,000.

145. The LEMS is being extended to cover heavy duty agricultural equipment such as harvesters, tractors and other transport equipment.

146. Of the 1,000 *arpents* of land secured as part of the cane industry reform programme for food security, 26 *arpents* are already being used for pig breeding and crops in Médine and La Laura. Another 200 *arpents* are being allocated across the country for five separate but well-defined food security clusters. Each cluster will have a free space of about 2 *arpents* to accommodate common facilities such as storage and processing areas and will also facilitate the development of commercial operations and enable the provision of support services such as land preparation.

147. I am providing funding for the land preparation and other initial investment. Work will start by the end of the year under the supervision of the Ministry of Agro Industry.

148. The clusters are distributed as follows: 60 *arpents* at La Rosa in the South for livestock; 50 *arpents* in the North at Rouge Terre for potatoes; 50 *arpents* in the East at La Nourrice for onions; 25 *arpents* in the South East at St Hubert for bananas and 11 additional *arpents* in the West at Médine for food crop. These projects are expected to increase our food self-sufficiency in the above products by about 10 percent.

149. Mr Speaker, Sir, one of the major achievements of our Government during this mandate has been the historic deal in December 2007 by the Prime Minister to open shareholding in the sugar industry to planters, labourers and artisans. A 35 percent stake in the cane industry has been secured for them through the value chain from milling to refining, distillery, ethanol and all activities engaging the conversion and marketing of cane into its final products.

150. Government has given deep thoughts as to how to maximise the benefits of this 35 percent stake for the shareholders. A number of options were considered. We have concluded that direct allocation of the share capital to the shareholders, whilst desirable, would be complex, impractical and would not be an optimal solution for providing Board representation.

151. Government has instead decided to set up a Cane Democratisation Fund to hold the 35 percent stake in the various companies. The shares currently held by the Sugar Investment Trust in milling

companies will be transferred to the Cane Democratisation Fund. In return, the shareholders of SIT will own shares of corresponding value in the Cane Democratisation Fund.

152. Shares in the Cane Democratisation Fund will be offered to planters, labourers and artisans. We will give financial support to those who are entitled to purchase the shares. First, Government will provide a grant equivalent to one third of the price of the shares. Second, we will advance a loan to cover one third of the share price. Repayment will come out of future dividends. The purchasers of the shares will contribute the remaining third of the price. Mr Speaker, Sir, the Cane Democratisation Fund is testimony of the unflinching commitment of the Government under the leadership of the Prime Minister to broaden the circle of opportunities to all stakeholders in the cane industry so that they can participate in its success.

### **Tourism**

153. For the tourism industry, I spoke earlier of maintaining the decision on the tax suspensions announced in the last budget, through to December 2010.

154. Next year, we will maximise the spill over effects from the World Cup event in South Africa to attract more tourists. Government is setting up a Committee with the participation of stakeholders, including Air Mauritius, AHRIM and the MTPA to coordinate our actions.

155. Mauritius is also celebrating next year the bicentenary of the historic four day battle of Vieux Grand Port. The bicentenary celebrations will be a major international event that will attract visitors from abroad.

156. We are providing the MTPA with Rs20 m. of additional funding to attract visitors for the bicentenary celebrations and during the World Cup.

157. The MTPA is also being provided with Rs340 m. to continue marketing Mauritius as a high end destination.

158. The MTPA will continue its collaboration with the Rodrigues Tourism Office to increase tourism in Rodrigues. In fact, the subsidy measure on price of ticket to Rodrigues under the stimulus package has increased tourist arrival by 25 percent in September.

159. We are making good progress on our commitment to promote shopping tourism with an emphasis on broadening the circle of opportunities for local arts and crafts. Two tourist villages at Mahebourg and

Belle-Mare will open by the end of this year and early next year, respectively. Together, they offer some 100 shops, including commercial space reserved for local arts and crafts.

160. To encourage cruise ships to stop in Port Louis, we are investing Rs520 m. to develop a cruise terminal. The project, consisting of a 124 m long jetty, is nearing completion and should be fully operational in 2010.

### **Boosting Our Export and Domestic Oriented Industries**

161. The export oriented industries, in particular the textiles and clothing sector, have been under severe stress in the past two years. But the ASP has helped to limit the damage – saving enterprises as well as thousands of jobs. We are increasing our support to this sector by expanding the LEMS to also include large enterprises in Export and Domestic Oriented Manufacturing. The SJR Fund is setting aside Rs500 m. for this purpose.

162. We are making progress on an Export Credit Scheme. A tender has been launched and the selection of the appropriate international partner will be made before the end of this year. We expect the scheme to be fully operational by early 2010.

163. To support our domestic oriented industries during the recovery phase, we are maintaining the suspension of movement to a duty free island for another year for all products manufactured in Mauritius.

164. And to protect our SMEs and consumers from unfair market practices, we are providing almost Rs40 m. to make the Competition Commission fully operational in 2010.

165. The anti-dumping and countervailing duty legislation has been recently introduced into the National Assembly. This will protect our domestic producers from unfair competition and prevent dumping that can undermine their viability.

### **Financial Services**

166. To nurture the dynamism of the financial services industry, Government will pass an innovative and competitive law on Private Foundation. This will allow the setting up of foundations in our Global Business Sector to further promote Mauritius as a platform for wealth management, services, succession and estate planning as well as pension funds.

167. The Financial Services Commission (FSC) will seek recognition as an equivalent jurisdiction with other financial centres. This will expand the scope for our financial industry to market its products internationally.

168. We are also undertaking a study on the appropriate fiscal regime to improve the competitiveness of Mauritius as a business centre for Funds whilst staying in line with responsible international norms.

## **ICT**

169. For the ICT sector we are maintaining our emphasis on creating human resource and infrastructure capacity. IVTB and the Outsourcing and Telecommunications Association of Mauritius have started a programme providing training with placement to SC and HSC holders. This programme is being scaled up and expanded to BPO and software development to cater for 2,000 trainees in the medium term. The NEF is giving financial support to the programme and assisting with placement of the trainees.

170. This year we have brought a significant reduction of 35 percent in the IPLC prices. This has allowed Internet Service Providers to offer consumers twice the speed for the same price. We will continue in our efforts to lower the prices even further. Since October, Mauritius is linked via fibre optic cable to Madagascar and Reunion Island through the Lower Indian Ocean Network (LION) project. The second phase will connect the three islands to an international gateway that will increase capacity and provide redundancy to support development of the ICT sector. A local consortium with SIC as a partner is now working on laying a third cable to Mauritius. The cable when fully operational in 2011 will increase bandwidth several times at a lower cost.

### **Land Based Oceanic Park**

171. The Land Based Oceanic Park is our newest emerging sector. It will initially host Green Data Centres using Sea Water for Air-Conditioning. The park will be developed initially over 56 hectares at Flic-en-Flac on land which has already been vested to Government. The park will also house downstream activities such as aquaculture, water desalination and bottling, and pharmaceutical products amongst others. The lead developer has been selected and Phase 1 of the park will begin in 2010.

172. With regard to developing Mauritius as a Knowledge Hub, we have attracted several private sector initiatives such as Apollo Bramwell Nursing School, Birla Institute of Technology, École de Médecine Louis Pasteur, Vatel and JSS Academy. These projects will now be complemented with international public sector capacity building institutions. We are tapping the potential for Mauritius to run a Development Programme of technical assistance and capacity building of African States under the aegis of the Regional Multi-Disciplinary Centre of Excellence (RMCE) and the IMF's AFRITAC South. To fully explore this potential, the Board of Investment in collaboration with the RMCE and the World Bank will host a programme in which 14 countries will be invited to participate.

### **Unrelenting Quest For a World Class Doing Business Environment**

173. Mr Speaker, Sir, our efforts on business facilitation have underlied the surge in FDI and the turnaround in private investment in recent years. In 2006, we set our goal on being among the top countries in the World Bank Ease of Doing Business ranking. We started the reforms and passed the Business Facilitation Act. Every year we have done more and every year we have climbed higher in the ranking. When we began our reforms in 2006 we ranked 49<sup>th</sup> in the world and now, three years later, we are 17<sup>th</sup>. And we have improved in other international rankings as well, including the Mo Ibrahim Index of African Governance, the World Competitiveness Report and the Africa Competitiveness Report.

174. Mr Speaker, Sir, in this Budget we will do more to improve the business environment so as to attract more investments and boost economic growth.

175. The Committee jointly chaired by the Secretary to Cabinet and the JEC will focus, inter alia, on streamlining and modernising the licensing systems. This task will be facilitated by ADB and World Bank support to the Ministry of Business. In addition, this Committee will set up a framework for Regulatory Impact Assessment for all new regulations to ensure we protect public interest in a business friendly manner.

176. We are modernising our judiciary with an e-judiciary project supported by a grant from the Investment Climate Facility (ICF). The project will provide for electronic filing and case management which will create a fast track for commercial and civil cases to be heard and disposed of within 100 days. This will involve setting up Mandatory Mediation via the Supreme Court. The project will cost Rs300 m. Necessary legislative amendments will be brought to allow for electronic filing and mediation and charging the appropriate fees.

177. To support this project we are also providing funds for the creation of four additional Puisne Judges.

178. A second phase is planned that will extend Commercial Courts to lower levels to ensure faster decisions in commercial disputes.

179. The BOI will host an e-business platform to act as a National Repository of all Business Licenses as well as provide information to the public and to the investor community.

180. We are advancing with our e-Government project. The ADB and the World Bank are providing technical support to the Ministry of ICT to link the Mauritius National Identity Card Project with the e-Government project. This will provide every Mauritian with a Smart ID card that accesses various Government services electronically and would also allow for receipt of funds and payment of fees. A coordinator of the project is being recruited through an open tender to start work before the end of the year. The National Identity Card Act will be amended in the Finance Bill accordingly.

### **Developing the Competitive Competence Our Economy Needs**

181. Mr Speaker, Sir, to shape the recovery, it is also crucial that we develop the competitive competence that the country needs to make its industries efficient and to have a multi-pillar economy.

### **Investing in Science Technology and Innovation**

182. I am earmarking Rs22 m. to the Ministry of Industry to develop a framework for Government to support Science, Technology and Innovation (STI). That framework will establish the process for improving the linkage between research and technological advances with industrial application, including by SMEs. Under this framework, a Science, Technology and Innovation Fund will be set up to finance market oriented research projects and support creativity with regard to invention and innovation.

### **Education for all and for Development**

183. Our policies on education and training in the past four years bear out our determination on human resources development. The role of education can be viewed as a service to society, to ensure upward social movement and as a source of the knowledge and expertise required for developing the economy. We are acting on all three aspects.

184. First our schools should be able to deliver so that we can further improve enrolment ratios at secondary and tertiary levels. A new grant formula is being introduced for private-aided primary schools to improve service delivery and secure value for money. We will reward schools with a bonus for achieving a higher pass rate than currently. In this regard, an additional amount of Rs50 m. is being provided to implement the new formula.

185. We will also invest Rs1.3 billion to improve primary and secondary school infrastructure. We are providing for a new Rs1 billion programme to upgrade primary schools built over 50 years ago. We are launching the programme with Rs150 m. to start works for some 17 schools.

186. We are centralising all open and distance learning under the Open University of Mauritius (OUM). To this end, we are providing some Rs95 m. including funding from the HRKAD Fund.

### **Breaking New Ground for our Entrepreneurs**

187. Mr Speaker, Sir, we need to enlarge the economic space for existing and future entrepreneurs. And we will do that by breaking new ground.

188. First, the NEF and the BOI will set up a 'Work from Home' BPO scheme. This will focus on creating opportunities for full time and part time employment, especially for women who want to work from home while attending to their other responsibilities. It will also benefit our citizens with physical disabilities.

189. Second, Government will allow companies operating Direct to Home satellite broadcasting in the region, but not operating on the local market to be 100 percent foreign-owned.

190. Two years ago I gave a number of fiscal incentives to kick start the development of a creative arts industry. Our aim was to open up more economic space for artists, in particular our young people who were forging a solid reputation at the national level and exploring the international arena. We were also convinced that the creative arts can be a powerful pro-poor industry and a strong link between the economy and socio-cultural development. This year, we want to take our endeavour much further.

191. Therefore, our third measure is to open greater scope for children and youth from poor background who have the potential to pursue a career in the creative arts industry. Inspired by the success of the El Sistema experience in Latin America, a programme will be set up with the participation of experienced artists to promote interest in performing arts. The programme aims to admit the children to a new world of music, camaraderie and empowerment. It will use music to teach them to work with others in common purpose and become accomplished singers and instrumentalists.

192. Fourth, last year we started a programme to support foreign professional travel by our local artists. I am pleased to announce that seven artists are already benefiting from these international travel and international collaboration grants for amounts ranging from Rs52,000 to Rs250,000. The purpose for which these grants have been made, span participation in international shows, workshop and fusion performances, and training at the *Conservatoire National Supérieur d'Art Dramatique, Paris*, and at *Ecole-atelier Rudra Bejart, Lausanne, Switzerland*. Such international exposure is crucial to accelerating the development of the creative arts industry. And so we are increasing the value of these scholarships from a maximum of Rs150,000 to Rs200,000 each.

193. Fifth, as we open career opportunities for artists and turn creative arts into an industry, we must also create the environment in which all our artists can achieve excellence. To this end, we will leverage the harmonious confluence of cultures that characterises our country to create a striking landmark in our economic and cultural landscape. Indeed, Mr Speaker, Sir, we are earmarking funds from the proceeds of the national lottery to set up a Mauritius Symphony Orchestra. This is a worthwhile investment in the cultural development of our country and will be a proud legacy for future generations.

194. Sixth, we will also invest in the necessary equipment and facilities to use Stade Anjalay Coopen for concerts that can accommodate 20,000 people and more. Such facilities are important to organise performances by local as well as world renowned artists at costs that are affordable to our citizens.

195. Seventh, Government will use funds from the national lottery to subsidise two such concerts every year.

196. Eight, we will also support the hosting of film festival in Mauritius.

197. Ninth, there is good potential for developing Mauritius as a location for film-making, dubbing, cartoon production. We need to have the proper framework. To this end, the Ministry of Industry is being provided Rs10 m. to develop proposals in collaboration with BOI and in consultation with local film makers and the film industry.

## **SUSTAINING GREEN MAURITIUS**

198. Mr Speaker, Sir, to our economic achievements we must add the strides on protecting and enhancing the environment. Right from the start of our mandate we have been applying solutions on many fronts including on the use of energy, pollution, carbon emission, renewable energy sources, energy self sufficiency, climate change, global warming, flooding and soil erosion. These are but a few examples of the focus of our actions.

199. We have also been doing our share to move the global agenda on climate change because the footprints of global warming are a threat to all countries. From heat waves to ocean warming and from coral reef bleaching to droughts and floods - they are a threat to us as well.

200. In fact, our commitment to the global challenge has earned international recognition and support, particularly the Prime Minister's *Maurice Ile Durable* initiative. In response, the *Agence Française de Développement* is piloting a new approach to budget support with Mauritius. The AFD is providing euro 125 m. of loan for the MID agenda and euro 1 m. as grant. The EU is topping this up with a grant of euro 3 m. and the UNDP has mobilised about USD 5 m., including contributions from the Global Environment Facility and the Japanese International Cooperation Agency (JICA).

201. These will add to the Rs140 m. levied on all petroleum products, LPG and coal and that are going into the MID Fund.

202. We are making encouraging progress on energy efficiency and on harnessing the renewable energy potential of our country.

203. Last year, we introduced a scheme to promote the use of solar water heaters. It has been an outstanding success. Rs 290 million have been approved for 29,000 solar water heaters. This is in excess of the Rs 250 million that was earmarked in the MID Fund.

204. In less than a year, after we announced a scheme to encourage the use of energy saving lamps, 300,000 households have replaced one million lamps. This should reduce energy demand by 12 million KWh per year, save Rs 52 million per year in fossil fuels and reduce CO<sub>2</sub> emission by 2,300 MT per year.

205. The installation work on 5 wind turbines in Rodrigues is in progress, financed by the MID Fund and the CEB.

206. The MID Fund has also agreed to finance CEB over 5 years to meet the differential between its average cost and the price of electricity from the landfill gas to energy project.

207. Consultants have already been appointed and are working on the project to replace 600 buses over three years by more energy efficient buses.

208. Tenders have been launched to replace all our street lighting with energy saving lamps over 5 years.

209. ADEME of Reunion Island is assisting us in carrying out five major energy audits on public buildings. The report, with recommendations for remedial action, is expected by the end of the year.

210. We have provided funds for energy audits in 27 manufacturing establishments. 15 such audits have already been completed.

211. We have also financed energy audits in 18 small and medium hotels and 14 restaurants.

212. The Land Based Oceanic Industry, which is nearing its implementation phase, will be a key contributor to generating energy savings as cold deep sea water is used for air conditioning.

213. A study has been completed on the development of a National Grid Code to enable the CEB to purchase electricity from Small Independent Power Producers (SIPPs) that adhere to the policy of promoting clean, renewable and local energy sources. At the beginning of January next year, the Ministry of Public Utilities will announce the prices at which Small Independent Power Producers (SIPPs) with less than 50 KW capacity will sell to the CEB.

214. Composting will now be done on an industrial scale. A PPP project is being launched whereby 90,000 tons of municipal waste will be composted every year. The contract has already been signed and site preparation is beginning within 3 months. Operations are due to start within a year.

215. Besides acting on efficiency and renewable sources of energy, we have also been implementing projects to improve public utilities and the environment.

216. We are well on the way to connecting 50 percent of our households to the public sewerage system by the year 2013. The Plaines Wilhems Sewerage Project is extending the network to around 32,000 households at an estimated cost of Rs 6.6 billion.

217. AFD has provided Euro 65 million for extending the Waste Water network in the north, including Grand Baie and surrounding areas. This complements the USD 88 million being envisaged by the JICA from Japan to extend the network to Triolet and neighbouring villages.

218. Last year, I announced that we would improve sanitation facilities to the poorer segment of our society. Work has started in all of the CHA and low cost housing estates that were targeted. The first phase which required clearing brush and vegetation has been completed. Work on the sewerage system is set to start by the end of the year and should be completed as planned in 2011.

219. The Land Drainage Programme was set up to control flooding and accelerate water evacuation to reduce proliferation of vector-borne diseases such as Chikungunya and Dengue Fever. Of the 146 sites identified by the Emergency Rehabilitation Programme following the flash floods of March 2008, more than half have been rehabilitated. A total of 124 drain projects have been implemented across the island with fifty-five still on-going at a total cost of almost Rs 726 Million. The work accomplished includes: creation of large drain networks in Gros Billot, Ville Noire, Batimarais, Souillac, Grande Rivière Noire, and La Marie.

220. The Integrated Coastal Zone Management Framework to rehabilitate and maintain coastal stretch in both Rodrigues and Mauritius has been finalised. Coastal Protection works are being carried out on stretches of over 3.8 Km at Rivière des Galets, Flic-en-Flac, Belle-Mare, Trou-aux-Biches, Bain des Dames, Petit Sable, and Bambous Virieux.

221. Some 60 different sites which include river banks, beaches and other sites have been upgraded to facilitate access.

222. Since 2005, close to Rs 1 billion have been invested to improve the daily capacity of water supply.

## **More Actions to Sustain Green Mauritius**

223. Mr Speaker, Sir, our measures in a relatively short span of time are many. But there is an urgency for intensifying our actions to sustain green Mauritius. We will therefore act on the widest possible areas.

### **Energy Efficiency**

224. I will start with our actions to improve efficiency in the use of energy.

- I am abolishing customs duty on fluorescent kit.
- I am abolishing customs duty on LED fixtures, including street lighting lamps.

225. We are building on the success of the scheme to replace incandescent bulbs with energy saving lamps. We are doubling our target from 1 million to 2 million lamps. A subsidy of Rs 32 million will be granted to the CEB to provide each household with up to 6 bulbs at a cost of Rs 30 each.

226. The Energy Efficiency Bill which is being finalised, will introduce a regulatory framework for labelling household electric appliances on the basis of their energy efficiency and give the Ministry of Renewable Energy the authority to impose carbon taxes on energy inefficient appliances.

227. The Ministry of Renewable Energy is setting up an Energy Efficiency Management Office to:

- develop policies and a regulatory framework;
- undertake sensitization and awareness campaigns;
- invest in Research & Development in the area of green building;
- develop standards for solar water heaters before the end of the year;
- set minimum energy performance standards for domestic electrical appliances;
- introduce a product labelling system based on the European model starting in January 2010 with air conditioners which are the biggest consumers of energy;
- enable consumers to verify the accuracy of labelling on domestic appliances; and

- undertake a study for changing our taxation system for cars from an engine capacity basis to a CO<sub>2</sub> emission standard.
- facilitate the implementation of use of ethanol as a substitute for fossil fuel in land transport.

### **Green Buildings**

228. Mr Speaker, Sir, buildings account for the bulk of electricity consumption in Mauritius. They are therefore a decisive factor in sustaining Green Mauritius and a prime target in our efforts to improve energy efficiency. Government will work out a green performance framework for new and existing public buildings. Its key components will be energy efficiency, Greenhouse Gas Reduction, renewable energy, utilisation of sustainable materials, waste reduction and management, water management and indoor air quality.

229. The Energy Efficiency Management Office will make available to the public prototype designs for homes to promote green buildings.

230. It will coordinate with stakeholders in the construction industry and other professional sectors to promote the construction and transformation of buildings into green buildings. They will work together to raise public awareness and facilitate exchange and technological co-operation between Mauritius and other countries.

231. Government will ensure that its Office Supervisors and Health and Safety officers promote Green Management and Energy Stewardship.

232. The energy efficiency audit being carried out in public buildings will serve as a basis for prioritizing renovation works.

### **Green Procurement**

233. Mr Speaker, Sir, Mauritius has been selected as a pilot country in the African region for Sustainable Approach to Public Procurement of the Marrakech Task Force. The Public Procurement Office is developing guidelines to apply the concept of Green Procurement.

### **Shifting To Solar Energy**

234. Mr Speaker, Sir, the purpose of our solar water heater programme was to encourage a switch from electricity and gas to renewable energy. We are providing for a second programme that will serve 50,000 additional households, at a cost of Rs 250 million. Government will give a subsidy of Rs 5,000 per unit. We will give priority to those whose application to the DBM could not be accommodated as the programme had ended. Furthermore, the new programme will only be open to registered suppliers who meet set standards. This programme will be operationalised by the Ministry of Renewable Energy by early January 2010 with guidelines published on its website.

### **Embellishment of Our Environment**

235. As we improve the efficiency in the use of energy and shift to renewable sources, we must also address the need to protect and enhance the environment from a broader perspective. To this end, Government will work to develop and implement the new concept of ECO-Village in Mauritius. It will be a multi-dimensional programme to revitalise our villages, sustain the livelihood of the coastal communities and protect the ecological integrity of environmentally sensitive areas. It is a project that will bring together all social partners and stakeholders to improve the quality of life in villages. Rs250 m. will be earmarked for a first phase of the project in 6 villages, namely La Gaulette/Le Morne, Poudre D'Or, Trou D'Eau Douce, Pointe aux Piments, Souillac and Vieux Grand Port.

236. Drainage work is making good progress in improving our environment and protecting families who live in flood prone areas. Drainage work will be completed at Vallée des Prêtres, Amaury, Petite Julie, Plaines des Roches, Grand Bois and Camp Diable.

237. The Ministries of Environment and Education will work with Parent Teachers Associations to set up endemic gardens in all public schools. This will create a healthy environment in our schools while developing a culture geared to sustainable development among our students.

238. In the same vein all our schools will be required to organise Nature Discovery Tours for their students.

239. The programme for the planting of mangroves will be accelerated with the assistance of NGOs and a tree planting campaign will be carried out by the Ministry of Environment throughout the island. This will complement our afforestation programme.

240. We are mobilizing some Rs240 m. for upliftment and embellishment works which will cover river banks, cleaning, planting and greening of public recreation spaces.

241. In addition, we are providing Rs3.5 m. annually for the planting of some 700,000 endemic plants on the coast.

242. Rs38 m. will be earmarked for the rehabilitation, reprofiling and upgrading of public beaches together with the establishment of a Lagoonal Water Quality Index.

243. I am providing Rs30 m. for a programme for the proper management of the South East Marine Protected Area (SEMPA) in Rodrigues. This programme includes the deployment of demarcation and fixed Mooring Buoys and the fixing of Information Panels at key areas.

244. We are allocating funds for a campaign to encourage all our citizens and businesses to actively participate in environmental and waste reduction activities and at the same time promote their environmental awareness.

245. Mr Speaker, Sir, some of the biggest and most lasting damages to the environment can be caused by natural disasters. The Prime Minister's Office is setting up a Disaster Management Unit which is being provided with Rs5 m. to formulate and carry out plans to stand prepared to minimise the impact of such events.

246. A Climate Change Unit will be set up in the Ministry of Environment to develop a Climate Change Adaptation and Mitigation Plan. It will also establish a framework to guide private and public organisations on how to conduct Environmental Auditing of their activities.

247. To protect our country from the risk of importing diseases like swine fever, an incinerator is being installed within the Port Area to dispose of waste from ships. This will end the practice of transporting such waste across our country to Mare Chicose.

248. We are also providing for the first dedicated facility for the storage and/or disposal of the bulk of hazardous wastes generated on the island. This will ensure greater protection from such risks.

249. In the same vein, a levy on chemicals covered under the Dangerous Chemical Control Act will be used to finance the cost of managing the waste arising from their use and obsolete stocks.

### **Improving Water Supply**

250. Mr Speaker, Sir, sustaining a Green Mauritius requires that we maintain a reliable and adequate supply of water. We also need to cater for increased demand from projects our reforms have unlocked

such as Jin Fei, Highlands, LBOI, Medical and Knowledge Hubs as well as the RES and IRS projects. I am, therefore, mobilising Rs10 billion to be invested in the water sector over the next five years.

251. This includes investing over Rs3 billion in the construction of the Bagatelle Dam, and ancillary works, to secure additional water resources for present and future water demands of the Port Louis district and the lower parts of the Plaines Wilhems district up to the year 2050. This project is expected to start in December 2012.

252. A new dam will be constructed at Rivière des Anguilles to improve water supply in the South at a cost of Rs2.5 billion plus another Rs850 m. to improve the water distribution network in the South.

253. In addition, we are investing Rs640 m. to improve the reliability of the distribution network in areas where pipes are degrading due to age.

## **CONSOLIDATING SOCIAL PROGRESS**

### **Same Right Of Way For Wealth Creation And Social Progress**

254. Mr Speaker, Sir, while delivering on our promises on economic growth, wealth creation and sustainable development, we have also remained focussed on our core social responsibilities. On the development course we have chosen, we have given social progress and wealth creation the same right of way. Never in the history of our country have the linkages between economic growth and social development been so widespread and so strong. And never before has any Government built such a diversified and strong platform from which to combat poverty, fight exclusion, promote inclusive growth and secure social progress.

255. The new instruments of social progress that this Government has designed, underscore the depth of our compassion and the inventiveness of our approach. These new engines of social development are -

First, an Empowerment Programme with an initial endowment of Rs5 billion.

Second, an innovative Integrated Housing Programme at Bambous.

Third, an Eradication of Absolute Poverty (EAP) Programme with a focus on children of pre-primary age from vulnerable families.

Fourth, a CSR requirement on IRS promoters.

Fifth, a statutory Corporate Social Responsibility.

Sixth, a four-prong partnership, involving Government, the corporate sector, NGOs and development partners to implement programmes at grass roots level.

Seventh, strengthening of the Trust Fund for Integration of Vulnerable Groups.

Eighth, integrating the Development Cooperation Programme of the European Union in our overall framework to combat poverty and social exclusion.

Ninth, a total reengineering of the redistributive role of fiscal policy to give more to needy families.

Tenth, more institutional and implementation capacity.

Eleventh, an independent Poverty Observatory.

256. Together, these eleven actions have reached more than 100,000 persons who are either living in poverty or on the edge.

257. Concretely, the Empowerment Foundation has helped -

- 3,000 women through a Special Programme for Unemployed Women;
- 7,640 persons through its Training and Placement Programme;
- 5,400 micro and small enterprises through the Special Entrepreneurship Programme;
- 229 families under the Integrated Social Development programme at Bambous, and
- 1,052 job seekers through the *Espace des Métiers*.

258. The Trust Fund for the Integration of Vulnerable Groups has alleviated the plight of some 60,000 vulnerable men, women and children.

259. Under the Eradication of Poverty Programme, (EAP), the Integrated Community Development is benefiting some 291 families and the Pre-Primary School project is caring for 511 children from poor families who are now regularly in classes, with free lunches, transportation, medical examinations, school materials and an '*accompagnement scolaire*'.

260. The Decentralised Cooperation Programme is helping some 8,800 persons, including 3,000 in Rodrigues to alleviate poverty and broaden the circle of opportunities.

261. The second chance programme, launched last year with 347 Trainees enrolled in Mauritius and Rodrigues, is being complemented with a Civic Programme which will target 550 youngsters, in the age group 12-13 years, in 11 regions, including Rodrigues. These kids will be trained in personal and life skills, and basic education necessary for job placement. The programme, which will cost some Rs29 m., will be implemented over a 3-year period and will fit into Government's strategy for youth development and empowerment.

262. Of the 6 IRS projects, 3 have developed their CSR plans for a total of Rs50 m. These resources have been channelled to align the IRS CSR activities with the national priorities to save jobs and protect people.

263. In addition to these actions focused on specific areas, there are social achievements with a much wider outreach. These include -

- (i) free bus transport for over 120,000 elderly;
- (ii) free bus transport for some 280,000 students;
- (iii) restoring universal old age pension;
- (iv) free school materials to 6,600 needy students;
- (v) full payment of SC and HSC examination fees for some 9,000 students from families with modest income;
- (vi) increasing significantly the gross enrolment ratios at tertiary levels, from 28 percent in 2005 to 41 percent in 2008;
- (vii) providing capacity for 8,000 more seats at tertiary level;

- (viii) doubling the subsidy on flour and cooking gas;
- (ix) doubling the income support for about 100,000 beneficiaries;
- (x) arranging for 10,500 out of the 16,000 eligible families with modest income to become owners of CHA homes;
- (xi) giving financial support to help pig breeders recover from the impact of the swine fever epidemic;
- (xii) granting 4,400 fishers shares in the Fishermen Investment Trust;
- (xiii) providing Rs1 billion to support small planters for derocking, irrigation and land preparation;
- (xiv) reducing cess payment of 20 percent for small planters for each of the crop seasons 2009/10 and 2010/11;
- (xv) writing-off DBM loans for 1,535 small businesses in Mauritius and Rodrigues at a cost of Rs85 m.

264. Mr Speaker, Sir, let me now turn to our actions to further consolidate social progress.

265. All profitable firms are now required to either spend 2 percent of their profits on CSR activities or transfer the amount not spent to Government. The law provides that every company shall use its CSR fund to implement an approved programme by the company, or an approved programme under the National Empowerment Foundation or finance an approved NGO.

266. The CSR committee has already published operational guidelines for CSR activities and defined the areas of intervention for CSR activities.

267. Government fully recognises the contribution of NGOs in the fight against poverty and exclusion and will continue to support them. We encourage firms to run their own programmes through the approved NGOs and corporate partners. However, we also need to ensure that the CSR initiatives are well coordinated and achieve the set objectives. The CSR contribution from all companies is expected to be around Rs1 billion per year. We need to move towards a measure of corporate responsibility where we judge not by inputs but by outcomes, and the contribution we make to reducing poverty and exclusion.

268. The National Empowerment Foundation will develop national programmes within the areas of intervention in partnership with other agencies including NGOs and Ministries to tackle issues which can be addressed effectively only through the synergy of close collaboration between Government, Private Sector , NGOs and Civil Society.

269. National Programmes will include -

- An integrated social housing programme for some 5,000 families with very modest income.
- Support to women to improve their skills, increase their earnings potential and improve family welfare.
- Inclusion of children from deprived areas through vocational education and training in music and art.
- Social integration of our citizens with disabilities, the mentally handicapped and those with visual and hearing impairment.
- Promotion of sports among our youths to empower them, for example, through the professionalisation of football.
- Enhancement of the HIV/AIDS and Needle-Exchange programmes in collaboration with organisations with proven track records like PILS and NATRESA.

270. The condition for the success of these national initiatives is the singleness of purpose of the Government, private sector and NGO's partnership.

271. Since the publication of the CSR guidelines a month back, the CSR Committee has already approved projects worth some Rs150 m. In addition, a significant number of projects have been launched by accredited NGOs that have obtained direct support from companies.

272. Seven of the largest companies are investing a total of Rs140 m. as follows -

- Rs40 m. for socio-economic development including social housing for the very poor and to the Shelter for Women and Children in Distress;
- Rs14 m. for health including for children suffering from mental health problems;
- Rs34 m. for education and training, including support to ZEP schools;
- Rs22 m. for leisure and sports, including for the Trust Fund for Excellence in Sports, and
- Rs24 m. for the Environment and to assist with catastrophic situations such as the aftermath of floods.

273. Finance available through CSR Funds will be on a scale that has never been available for fighting poverty and exclusion and we must all rise to this opportunity to make a difference.

274. We are also giving our country the means to upgrade civic life and protect our heritage through the proceeds of the recently launched National Lottery. We are expecting revenues of around Rs400 m. which will allow embellishment of the cultural and physical landscape through support to the following endeavours.

275. First, to promote excellence in Arts and Culture, including support to our national artists, the development of music in the country and the upgrading of Plaza to serve as an Opera House.

276. Second, to enhance and promote our national heritage – including museums, parks, historic places and archaeological sites, amongst others. This will include support to rehabilitate and renovate *le musée de Mahebourg* and the National Institute.

277. Third, to expand and upgrade Sports and Recreation facilities, including stadiums.

278. Fourth, to promote excellence in education, including encouraging interest in science and technology. Bright students from poor background will be awarded scholarships to pursue tertiary education.

279. Fifth, to help improve health in areas which take a heavy toll on the quality of life such as diabetes, diabetes for children, alzheimer, lupus and other non-communicable diseases.

280. Sixth, to preserve the Environment with targeted high impact programmes to revitalise our villages and urban peripheries.

281. Seventh, to empower women and gender equality, including assisting Non-State Actors to operate programmes and centres for women.

282. And Eighth, to address the pressures of an ageing population with emphasis on a better quality of life for our seniors.

### **Upholding the Values of Compassion**

283. Mr Speaker, Sir, let me now announce the specifics of Government's actions to consolidate social progress, starting with support to students with physical disability.

284. Some of these students have made extra efforts to reach the tertiary level. Government wants to give them all the support they require, so that their disability never stand between them and their aspirations. For these students we are providing motorised wheelchairs for use at the University of Mauritius and University of Technology Mauritius.

285. We are refunding taxi fares for university students with disabilities.

286. The EAP programme is being expanded to ensure that all pre-primary age children from poor families have access to and attend school. This involves extending the programme beyond the pockets of poverty to cover the whole of Mauritius and Rodrigues. As part of the programme, the NEF is constructing one school in Belle Mare and another in Chamarel.

287. The EAP will also follow up on the education path of the children in its pre-primary programme through primary school. These children should feel included at a very early age.

288. Over the past few years, a number of measures have been taken to revamp the ZEP (*Zones d'Education Prioritaire*) strategy. As a result, the absenteeism rate has dropped from 15.7 percent in

2007 to 12.9 percent in 2008. Encouraged by these results and with the conviction that further gains can be secured, we are providing funds for strengthening staff and hiring part-time Parent Mediators. In collaboration with the private sector, we are also financing reward schemes for pupils with the best attendance and academic performances.

289. Some children have special education needs. We have more than quadrupled the grant in aid to Special Education Needs (SENS) Institutions from Rs4 m. in 2005 to Rs18 m. last year. However, we want to do more. A Special Education Needs Development and Resource Centre is being set up in the South and will work with NGOs to develop specialised programmes.

290. Furthermore, a training programme will be developed for teachers to identify children with special education needs.

291. We are raising the monthly income ceiling to be eligible for the full payment of SC/HSC Examination fees from Rs7,500 to Rs8,500.

292. We must equip our teachers to teach in technology-infused classrooms. An e-learning programme will be implemented initially in 12 secondary schools. One classroom in each school will be converted into a special e-learning classroom and equipped with a smart interactive board, projector and one PC.

293. We are extending Social Aid to the beneficiaries of Basic Invalids and Basic Widows Pensions (BIP and BWP) who live alone, pay rent and have no other income apart from pensions.

294. We are extending the monthly child allowance in respect of children whose parents are recipients of social aid to those whose parents are in receipt of other basic pensions, i.e. BRP/BIP/BWP/Basic Orphans Pensions.

295. A Keep Fit Programme will be run in the recreation centres for the elderly at Pointe aux Sables and Belle Mare. We are making provisions for the equipment and for coaching services.

### **Arts, Culture and Heritage**

296. In the area of Arts, Culture and Heritage, we have secured the inscription of two world heritage sites: the Aapravasi Ghat and Le Morne. We have also been preserving our national, historic and cultural heritage sites, starting with financing the rehabilitation of Plaza and Cathédrale St. Louis.

297. Our artists now have access to an International Development Grants Scheme to improve their skills, market their work and enhance their earning capacity.

298. Financing from the lottery, from CSR and the HRKAD Fund will allow us to do more. We are working with artists to promote interest in performing arts and to launch a programme that will use art to combat absolute poverty.

299. A Virtual Arts and Cultural Museum will be set up on a website to promote our historical and cultural heritage. The Museum will be an innovation in terms of diffusion of artistic works and cultural heritage to a wider range of the public as well as to foreigners. It will also be a useful tool for effective documentation of this heritage. Mr Speaker, Sir, we will also support a multi media museum which exhibits the history of our country

300. Our artists need more space to expose their talents to the general public and further develop their skills and knowhow. In this regard, the Granary building at the Port Louis waterfront will be rehabilitated and converted into a “Cultural and Artistic Boulevard”, lined with exhibition space, an art gallery and studios for sculpture, metal work, painting, drawing, and music practice. This will also provide a wider stage to harness the historical, cultural and archaeological dimensions of the Aapravasi Ghat World heritage Site.

### **Housing**

301. The Casting of Slabs scheme introduced by the Labour Government in 1997 has been a great success. We have continued to support this programme with almost Rs800 m. since 2005 to the benefit of more than 16,000 families.

302. The Trust Fund has provided emergency assistance to almost 3,000 very poor households to build a Corrugated Iron Sheet house at a cost of some Rs160 m.

303. The NEF has completed an innovative pilot programme to house 198 homeless families whilst providing employment opportunities and ensuring that children attend school.

304. Over 10,500 tenants of ex-CHA houses have already become proud home owners.

305. Under the Government Sponsored Loan scheme, which includes a 20 percent grant and concessional interest rates, MHC has provided loans to about 1,000 first time home owners.

306. We are spending Rs280 m. to rehabilitate NHDC estates to the benefit of over 8,000 families.

307. About 2,300 families have benefitted from NHDC housing units.

308. Mr Speaker, Sir, to continue on the path of social progress, we will do more to ensure that every family has a decent house. The weight of policy will be on supporting families with very modest income. We will use the 1,000 *arpents* of land available for social housing to set up a programme on 20 sites in partnership with NGOs and drawing on CSR as well as Government funding.

309. This partnership will draw from the pilot project in Bambous to create a national programme. In Bambous, we have solid achievements on several fronts.

310. First, we have provided housing to 198 homeless families.

311. Second, we have developed employability and, at least, one member of each family has obtained stable employment.

312. Third, we have supported entrepreneurship and two agricultural projects have been put in place, namely egg production and training in horticulture.

313. Fourth, we are improving educational performance of these kids.

314. Fifth, we have ensured the development of community life.

315. Sixth, we encouraged rain harvesting for plant cultivation, operation of a Biogas plant to treat solid waste and produce energy, use of solar water heating and recycling of domestic waste.

316. Drawing on this success, we have moved forward in partnership with NGOs with a second project concerning some 20 vulnerable families at Cité Lumière, Grand' Baie and a third project for 22 poor households at Lorpont in Rivière du Rempart.

317. Mr Speaker, Sir, it is now time to turn these endeavours into a national programme to deliver:

Firstly, 5,000 housing units for families with a monthly income not exceeding Rs5,000.

Secondly, 5,000 housing units for families with a monthly income between Rs5,000 and Rs10,000.

Thirdly, 2,500 serviced plots for families with a monthly income below Rs16,000.

318. We are kick starting this programme with the construction of 600 core houses of 38 square meters each built on individual plots of 60 toises of land as from next year and allocated with the condition that the purchasers adhere to a social contract with the National Empowerment Foundation. As in Bambous,

beneficiaries, if unemployed, will commit to take up jobs offered through the NEF and to send their children to schools.

319. We estimate that these 600 houses will cost Rs400 m. including infrastructure.

320. Repayments will start at Rs800 a month and rise over time to up to 25 percent of income.

321. Mr Speaker, Sir, notwithstanding the efforts of the homeowners and the large contribution from Government in the form of land, on-site and off site infrastructure and a Rs33,000 grant, a top up from CSR will be required to make the houses affordable, given the very low income of the beneficiaries.

322. For the second group, 300 core houses of 57 square meters each, on 60 toises of land each, will be built as from next year. Existing Government Sponsored Loans at MHC will be available to finance the purchase for this group.

323. The third group will be able to apply for 60 toises of land, including infrastructure services, for the construction of a house. The land will be leased to them on a cost recovery basis.

324. We are raising the income threshold for Government Sponsored Loans at the MHC from Rs8,500 to Rs10,000.

325. We are also raising the upper limit for the Sites and Services Scheme from Rs12,000 to Rs16,000.

326. The NEF will register small building contractors wishing to participate in the social housing construction programme. This will enable them to participate in the tender process.

### **Sports and Leisure**

327. Mr Speaker, Sir, we have also created the right environment to promote sports and motivate our athletes. Since 2006, our athletes are shining bright in international competitions bringing home the first ever medal from the Olympic games.

328. To promote competitive sports we need to ensure greater career security for our athletes. The Lottery Committee will finance a new programme for the reintegration of retired athletes as coaches to train and prepare budding athletes.

329. The Ministry of Youth and Sports in collaboration with the Trust Fund for Excellence in Sports will provide equipment and training facilities for 300 promising athletes.

330. We will also invest in the infrastructure that will promote both competitive and mass sports.

331. The lottery proceeds will be used to upgrade existing stadiums. It will also finance a new stadium to be constructed in the south west of the island.

332. As we are expecting foreign football teams to train in Mauritius during the World Cup, the Anjalay Stadium and the George V Stadium are being upgraded at the cost of Rs15 m.

333. All our youth centres will be upgraded with modern amenities including lighting and sports facilities using lottery proceeds.

## **Health**

334. Mr Speaker, Sir, I now come to Health. Free healthcare is a foundation of our Welfare State. Since 2005 we have increased spending on Health by 85 percent to reach more than Rs 7.4 billion in 2010.

335. Our investment in health has allowed us, amongst others, to perform during 2009:

- 750 cardiac surgeries;
- 6,500 eye surgeries, and
- 2.6 million outpatient and casualty consultations.

336. The funding has also allowed us to shore up health care capacity. This year we have set up an efficient Epidemic Alert and Response system to control the resurgence of communicable diseases. We have been able to successfully contain the first wave of AH1N1 pandemic, manage the outbreak of dengue fever and control Malaria and Chikungunya.

337. We are also focusing on prevention:

- Firstly, 11,900 women have been screened for breast cancer and 9,107 women were screened for cervical cancer.
- Secondly, the secondary school health programme has been strengthened with 328 visits and 46,509 students of Forms III and Lower VI screened.

- Thirdly, the digital screening service for prevention of blindness is operational at SSRN and Jawaharlal Nehru Hospitals and will be extended to Victoria and Flacq Hospitals.

338. We will continue on the path of achievements in the area of healthcare.

- First, we are proceeding with the construction of the new Dr A.G. Jeetoo Hospital at a cost of Rs2 billion.
- Second, we are investing Rs200 m. on new equipment.
- Third, we are spending Rs556 m. on the programme to renovate and extend hospitals and other health care facilities.
- Fourth, we are spending over Rs825 m. on medicines and medical supplies, and
- Fifth, we are providing funds to allow the Ministry of Health to implement a scheme to reduce the waiting list for ophtalmological non-emergency surgeries at the Moka eye hospital.

### **Ramping Up Support for our Elders**

339. Mr Speaker, Sir, our population is ageing. It is a new trend with new implications for economic and social policies. We must provide for the changing needs such as new patterns of consumption and greater demand for health care. We must make of Mauritius a society that can allow its elderly to live the high quality of life that they deserve.

340. It is essential that we are on top of the issues of an ageing population and formulate effective policies. To this end, a research unit will be set up to study the ageing population phenomenon and to make policy recommendations on how best to meet the needs of our elderly.

341. Our second measure relates to health care for the elderly. A Carers' Strategy and Action Plan will be prepared to address all issues relating to the need of our elderly population for carers services.

342. Third, the NEF will leverage on the high level of women seeking employment to train women in the skills and knowledge required to give care to elderly people. The training will provide certification and allow them to register as professional carers with the Ministry of Social Security and be given a certified carer ID.

343. Fourth, the Cité des Métiers will open a section dedicated to facilitate our seniors in their search for carers and other services.

344. Fifth, a new Recreational Centre for elderly, costing Rs120 m. and with a swimming pool, will soon be inaugurated at Belle Mare.

345. Sixth, a Get Together Programme is being set up to give our elders who live alone and are on social aid the opportunity to socialise around a hot meal once weekly.

346. Seventh, we are extending the additional monthly allowance for persons suffering from incontinence to bed-ridden beneficiaries of Basic Retirement Pension aged 75 yrs and above.

347. Eighth, Mr Speaker Sir, we want to protect more of our seniors from the normal and regular flu outbreaks and from pandemics such as the HINI virus. Presently only persons aged 65 years and above have free vaccinations against flu. We are extending this to all our elders aged 60 years and above.

348. Ninth, we will invest in two low floor buses for senior citizens for outings from the recreation centres for the elderly at Belle Mare and Pointe aux Sables.

## **LAW AND ORDER**

349. On Law and Order, we have made good progress to increase security for our citizens.

350. First, we have implemented a CCTV street surveillance system at Flic en Flac at a cost of Rs50 m.

351. Second, we have acquired a Twin-engine Advanced Light Helicopter (ALH) with a grant from India of Rs307 m. This helicopter will help enhance the operational capabilities of the police and facilitate medical evacuation. In fact, one happened today.

352. Third, we have upgraded and modernised equipment to the tune of Rs166 m.

353. Fourth, border control has been improved at a cost of Rs76 m. to facilitate the flow of tourists and businessmen.

354. Fifth, a National Coast Guard Commando Unit has been set up to undertake specific mission in the maritime environment.

355. And sixth, the operationalisation of the Central Firearm Index Database will improve control of firearms.

356. All these have been made possible with a 70 percent increase in our spending on the police force from Rs3.1 billion in 2005 to Rs5.2 billion. And the crime rate has declined from 5.4 percent in 2008 to 4.9 percent this year.

357. We want to sustain the progress we have been making in reducing crime.

358. We are providing some Rs525 m. for the following -

- more mobile and foot patrols;
- the extension of CCTV to Port Louis and Grand Bay; and
- a new "Digital Radio Communication System" to enhance communication capabilities.

359. We are also improving our Search and Rescue capability and operation during natural disasters through the purchase of additional equipment to the tune of Rs578 m.

360. In addition, an Offshore Patrol Vessel from India at a cost of Rs1.8 billion will improve surveillance of our Exclusive Economic Zone (EEZ) and territorial waters.

361. We are recruiting 900 police constables as part of the programme to improve security and reinforce law and order.

## **BUDGET OUTTURN**

362. As regards the budget outturn for the transitional 6-month fiscal period running from 1 July to 31 December 2009, we are now expecting tax revenue to be Rs25.5 billion representing 17.2 percent of GDP. Overall revenue would fall by 1.8 percentage points to around 21.1 per cent of GDP, that is, Rs31.4 billion.

363. For the calendar year ending December 2010, revenue from taxation is estimated to improve marginally to 17.3 per cent of GDP and total revenues to 21.9 percent, i.e. Rs66.8 billion.

364. Non-tax revenue in 2010 includes the following major items:

- a net transfer of Rs1.1 billion from the Funds, after deducting the amounts required to finance expenditure integrated into the budget;
- remittances of Rs1.2 billion from the Bank of Mauritius and Rs 600 million from the Financial Services Commission; and
- dividends of some Rs800 m. from the SIC.

365. As for Government operating expenses for the transition period, June to December 2009, they would reach Rs32.9 billion - that is around Rs1.3 billion lower than the estimates. Investment on acquisition of non financial assets will be around Rs5.1 billion, Rs300 m. above the voted amount. As a share of GDP, total spending will be slightly lower at 25.6 percent compared to the estimates of 26.1 percent.

366. For 2010, operating expenses and investment in the acquisition of non financial assets are estimated at Rs69.2 billion and Rs11.3 billion, respectively.

367. Thus, the overall deficit for the six months ending December 2009 is likely to be around 4.5 percent of GDP against an estimated 4.8 percent.

368. The budget deficit for next year is expected to stay at around 4.5 percent of GDP. This includes a contingency of Rs 2 billion. This deficit reflects the expansionary thrust of fiscal policy to shape the recovery just as the deficit for this financial year includes the measures to stimulate the economy.

369. In fact, thanks to the foresight of setting aside resources in the Funds, we have done better than other countries. According to the IMF, the average deterioration of the deficit in the G-20 amounts to about 7 percent of GDP. The deficit in 2009 for the UK is projected to rise to almost 12 percent of GDP, in the US to 12.5 percent, in Japan and India to about 10.5 percent, in South Africa to 7.8 percent.

370. Moreover, because our Additional Stimulus Package is designed with some contingent features based on demand, this will facilitate fiscal consolidation as the economy recovers. The deficit is expected to fall to below 4 percent of GDP in 2011 and about 3 percent in 2012.

371. Government debt as a ratio of GDP would be 50.5 percent at end December this year and 50.4 percent at end December 2010. For the same periods, Public Sector debt would be 59.6 percent and 58.7 percent, respectively.

372. As the crisis ends and fiscal consolidation takes hold, the debt to GDP ratio is expected to fall further in 2011 and 2012.

373. The crisis worsened our debt to GDP ratio by about 2 percentage points. This reflects our foresight in setting aside ammunition for the stimulus package that allowed us to sustain the economy without the type of debt increase seen in many countries. The debt to GDP ratio increased in Japan by 30.9 percent, in the UK by 24.6 percent, in the US by 22.9 percent; and in the G-20 by 13.1 percent.

374. Despite the negative impact of the crisis, both Government debt and public sector debt for the period July 2006 to December 2010 will be lower on average than in the previous five years. Government debt is around 50 percent of GDP as against around 55 percent of GDP for the five preceding years. Similarly, public sector debt for the same period will average slightly below 60 percent of GDP annually compared to 70 percent of GDP in the preceding 5 years.

375. Adjusted for the extraordinary stimulus measures we have had to take to face the crisis and against the Rs7 billion cash we are holding in various funds, this debt ratio is sustainable.

376. Whilst the fiscal deficit for 2010 is projected at 4.5 percent of GDP, Government Borrowing Requirement will only be 4 percent of GDP.

377. This is mainly due to the sale proceeds of Mauritius Telecom shares which is expected to raise at least Rs 1.5 billion. In addition, better enforcement of financial discipline on public enterprises is also increasing net repayments of dues.

378. Mr Speaker, Sir, for 2010 expenditure on Education and Social Security will each exceed Rs10 billion for the first time. We are also spending almost Rs7.5 billion on Health and over Rs5 billion on the Police. Empowerment and Poverty Alleviation projects account for over Rs1 billion as does Social Housing. Servicing Public Debt takes up another Rs10 billion. Together these items amount to almost Rs46 billion and consume over 87 percent of tax revenue. This leaves less than 13 cents in every tax rupee to cover all other spending requirements such as justice, infrastructure, environmental protection and support to economic sectors including agriculture.

379. The small leeway we have on allocation of resources is also highlighted by considering the economic classification of expenditure. Wages and Salaries amount to about Rs19 billion and transfers and subsidies require another Rs31 billion. This amounts to 95 cents out of every rupee of tax collected.

### **Tax Policies**

380. Now, our tax policies. Mr Speaker, Sir, for yet another year, we are avoiding the easy option of increasing the VAT and/or broadening its base to pay for the higher expenditure that the situation requires. This is the first time in 15 years that a Government has not increased VAT in a 5 year cycle.

381. I am also correcting an anomaly on the taxation of rice milk, oats milk and almond milk. I am removing the customs duty on these products.

382. The Finance Bill will make provisions for dealing with various amendments and anomalies.

383. Companies listed on the stock exchange and having minority foreign shareholding will be allowed to acquire immovable property without prior approval.

384. Payment of Royalties to non-residents will be subject to tax deduction at source at the rate of 15 percent instead of 10 percent. This will be considered as final payment.

385. With the move to the fiscal year on a calendar year basis, the latest date for submission of tax returns will be moved to 2 working days before the end of the year instead of 31 December.

386. To further improve the Doing Business climate, the procedure for registration and renewal of charges at the Registrar General's Department is being simplified and the time limit for submission of documents is being reduced.

387. The betting tax on foreign football matches is being increased from 2 percent to 8 percent. This will create a level playing field with the betting tax on horse racing.

388. Operators of video game parlours, in business for many years prior to the setting up of the Gaming Regulatory Authority (GRA), have made representations to clarify their legal standing. We are amending the GRA Act to provide for the regulation of AWP (amusement with prizes) machines and VLTs (video lottery games terminals).

### **SHARING PROSPERITY**

399. Mr Speaker, Sir, I am now going to announce some additional measures.

390. First, I am providing Rs25 m. to upgrade the area health centre in Long Mountain.

391. Second, I am providing Rs22 m. for a Women's Empowerment Centre in Rivière du Poste.

392. Mr Speaker, Sir, there is an urgent need to address the problem of frequent cuts in water supply due to breakage of old pipes. Too many regions are suffering from this problem. I am providing Rs640 m., including a grant of Rs300 m., to a special Water Distribution Improvement Programme. This will allow the CWA to carry out accelerated replacement of water pipes in the following regions -

- Quartier Militaire-Mont Ida-l'Unité;
- Camp Fouquereau-Alma ;
- Camp Thorel-Salazie ;
- Plaines des Papayes-Triolet ;
- Pierrefonds ;
- Beemanic-Balisson, and
- Port Louis City Centre.

393. Fifth, our athletes have demonstrated that they can reach the highest podiums in international competition and we must support them. I am allocating Rs50 m. to set up a National Sports Academy at Anjalay Stadium with modern infrastructural facilities and amenities.

394. Sixth, we are determined to broaden access for all to a rich and varied artistic and cultural life. To that end, I am mobilising Rs20 m. to encourage the development of Performing Arts Groups capable of world class performances. A National Performing Arts Council will be set up to oversee this project and provide financial support for performances both in Mauritius and abroad.

395. Seventh, I am providing the necessary funds to completely renovate, modernise and adapt the Plaza into an Opera House to serve as the venue for the Performing Arts Groups, the symphony orchestra and other artists.

396. Eighth, I am also mobilising resources to support the renovation of the Port Louis theatre.

397. Ninth, many Mauritians are avid football fans and looking forward to following the first World Cup in our region on TV. I am, therefore, reducing Customs Duty from 30 to 15 percent on television sets above 32 inches. To increase affordability of new technology TVs of up to 32 inches, I am abolishing the customs duty of 30 percent on such sets.

398. Tenth, as from 2011, the annual increment would be paid in April 2011 instead of July 2011 due to the linkage between the Performance Management System and increments which will be effective in 2011. For 2010, increment remains due in July 2010. However, in the context of a transition, I am exceptionally making provision for payment of increments in the public sector in April 2010.

399. Eleventh, this year, we will also leave more money in the taxpayer's pocket. I am raising the income tax thresholds as follows:

- For taxpayers with no dependents from Rs240,000 to Rs255,000;
- For taxpayers with one dependent from Rs350,000 to Rs365,000;
- For taxpayers with two dependents from Rs410,000 to Rs425,000;
- For taxpayers with three dependents from Rs 450,000 to Rs465,000.

400. I am making a special effort for retired taxpayers. They already benefit from a special allowance of Rs45,000 over other taxpayers. I am raising this special allowance by Rs5,000 to Rs50,000. Thus,

- For retired taxpayers with no dependents from Rs 285,000 to Rs 305,000; and
- For retired taxpayers with one dependent from Rs 395,000 to Rs 415,000.

401. Twelfth, I am also raising the threshold for payment of NRPT to Rs 400,000.

402. Thirteenth, to improve delivery in key areas of public service, I am providing around Rs600 m. to recruit more public officers. This includes about 300 medical officers, 400 nursing staff, 900 Police officers, 900 teachers and a hundred technical and professional staff to support the MID initiative.

403. Finally, let me turn to the issue of Salary Compensation. We are in transition to a calendar fiscal year which raises the question of when to align compensation to the financial year.

404. Mr Speaker, Sir, normally, the National Pay Council (NPC) should meet in May 2010 to determine the compensation for the 12 months starting 01 July 2010.

405. There is no compelling reason to bring this exercise forward, the more so that inflation is only 1.2 percent for the 6 months ending December 2009 and that the compensation granted on 01 July 2009 covers the period until 30 June 2010. Nonetheless, we have given serious thought as to the timing of coinciding compensation with the new financial year, which will have to come at some time.

406. The normal process is for the NPC to make its recommendations to Government

- (i) on the basis of a financial year ending 30 June;
- (ii) after considering capacity to pay and unemployment;
- (iii) using the formula of 50 percent of inflation plus productivity;

407. However, typically the increase is awarded in full only up to a salary bracket which can vary from year to year. At the last exercise this was Rs3,800 per month. For those in higher salary bands up to a ceiling, the compensation is on a sliding scale formula. And the rest receive a flat sum. At the last exercise, due to the crisis, a limit of Rs12,000 was set above which no compensation was awarded.

408. Two decisions are now called for. First, the basis for the compensation and, second, the timing for the alignment.

409. Concerning the basis for the compensation, it will be the same as that retained by the NPC: 50 percent of inflation plus productivity. The CSO estimates an inflation rate of 1.2 percent for the six months ending December 2010 and a productivity of 2.9 percent which adds to a compensation of 3.5 percent. Mr Speaker, Sir, this works out to three times the inflation rate.

410. We have weighed the cost of such compensation against the need to protect purchasing power and the capacity to pay. We have decided to award the full 3.5 percent increase to those in the lowest salary bracket. I am also raising the threshold up to which full compensation is paid from Rs3,800 to Rs4,000.

411. Six months ago, because of the crisis it was not possible to compensate those earning above Rs12,000 per month. Now, we are using improving economic circumstances to make a special effort to those who did not receive compensation in July. I am, therefore, also awarding the full 3.5 percent to those earning between Rs4,000 and Rs12,000 per month.

412. Above Rs12,000, the compensation would be at a flat rate of Rs420, which is almost double what would normally be awarded under the existing sliding scale formula.

413. Mr Speaker, Sir, this policy decision fully compensates those who did not receive the Rs200 compensation in July 2009. It will also give significantly more to those earning between Rs3,800 and Rs12,000.

414. Concerning timing, I have decided to make the alignment now. I am, therefore, taking the necessary action to award compensation to all employees in the private and public sector on 01 January 2010. The salary compensation will be as follows:

MONTHLY SALARY UP TO THE THRESHOLD OF RS4,000	3.5 PERCENT
MONTHLY SALARY BETWEEN RS 4,000 AND RS12,000	3.5 PERCENT
MONTHLY SALARY ABOVE RS12,000	RS420

415. Mr Speaker, Sir, this award provides a double benefit to those who have already been compensated at the last exercise. Let me explain.

416. First, a second compensation is being paid for the period January to June 2010.

417. Second, the compensation is higher than the normal formula. For example, those earning Rs8,500 monthly would typically have received Rs180 if we had applied the normal sliding scale. Instead our formula is providing them with Rs297 of compensation. Not only is this Rs117 more but it is on top of the Rs 200 already granted since July. This means that the salary as from January 2010 will be Rs497 higher than the salary in June 2009.

418. There have been representations that the NPC should review the four criteria currently used, namely Inflation, Productivity, Capacity to Pay and Unemployment. Clearly it will be important to keep the reference to inflation and productivity to strike the right balance between employment creation and pay increases. However, there could be some flexibility in looking at the best way to consider unemployment and capacity to pay. I am therefore proposing to set up a tri-partite committee to address this issue before the NPC makes its next recommendation.

419. Mr Speaker, Sir, in this budget we continue our commitment to assist those who are vulnerable. We are providing funds to increase old age and other non-contributory pensions and social aid benefits by 3.5 percent, the same amount as for salary compensation.

420. This far exceeds our pledge to compensate for inflation which would have provided only one third this increase. This has never happened before.

421. Mr Speaker, Sir, before concluding I would like to express my sincere gratitude to the Prime Minister for his useful support and guidance in the preparation of this Budget. I should like also to thank my colleague Ministers for their collaboration, the staff of my Ministry for their hard work and diligence and all the organizations and individuals who have shared with us their constructive views and suggestions during the pre-budget consultations.

## **CONCLUSIONS**

422. Mr Speaker, Sir, in 2005, the economy was adrift. La situation était dramatique. Growth was on a freefall. Unemployment was rising. Budget deficit and debt were dangerously high. FDI was low. The development model was obsolete.

423. The problem was acute. The future looked like a perilous trip.

424. We had to change course. And we did - with a powerful and well thought-out new development paradigm. The reforms were bold. We did what we had to do and acted responsibly.

425. Going forward, we need a perfect balancing act between, on the one hand, supporting the economic recovery to create jobs by keeping the ASP and, on the other hand, fiscal prudence and debt sustainability.

426. The 2010 Budget is doing just that. It is putting Mauritius back on its long-term development trajectory - balancing wealth creation with an equal fervour for social development.

427. It is maintaining the budget deficit and public debt on a responsible and sustainable path, while at the same time spending on what is required to shape the recovery, embed social equity and sustain *Maurice Ile Durable*.

428. Mr Speaker, Sir, the global crisis has temporarily slowed our pace, but it did not weaken our vigour. It is the conviction that, as a nation, we can face down the toughest of problems and that, against adversity, we can unite in common purpose and collective effort that has saved our country and protected

our people. Our unyielding determination and our confidence make up the Mauritian spirit. And it is in that spirit that the 2010 Budget has been formulated to continue our march to higher sustainable prosperity with greater social justice.

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

*(Applause)*

**Dr. Bunwaree rose and seconded.**

*The debate stood adjourned to the next sitting of the Assembly, in accordance with S.O. 73(2)*

**ADJOURNMENT**

**The Prime Minister:** Sir, I beg to move that this Assembly do now adjourn to Saturday 21 November 2009 at 11.30 a.m.

**The Deputy Prime Minister rose and seconded**

*Question put and agreed to.*

**Mr Speaker:** The House stands adjourned.

*At 7.00 p.m, the Assembly was, on its rising, adjourned to Saturday 21 November 2009 at 11.30 a.m.*