

BUILDING AN ATTRACTIVE, MODERN, INCLUSIVE, GREEN, OPEN MAURITIUS

Mr Speaker,

Sir,

I move that the Appropriation Bill 2008/2009 be read a second time.

2. Mr Speaker, Sir, I stand before this House to present the Budget in a year when we are celebrating the 40th anniversary of Independence. Forty years is a blink in time, but for our nation it has been a long and proud chronicle of striving and achieving against all odds. Every man and woman before us have toiled so that each succeeding generation can live a better life. This should inspire fortitude and diligence in every one of us.

3. Mr Speaker Sir, it was in that spirit of serving the nation and securing a more prosperous country for our children that three years ago, when the economy was stumbling into a self reinforcing decline, we set out to turn it around. We also pledged to implement a development strategy that shares the fruits of economic growth more widely and more equally. We set the ball rolling on these two endeavours back in August 2005 with the Statement, in this House, on “Setting the Stage for Robust Growth”. This was followed by the reforming budgets in 2006 and 2007. I am pleased to report that our country has made impressive progress on both objectives. With foresight we saw the threats and changed development course. Now with hindsight, everyone knows that we chose the right path.

4. In the Budget Speech last year, I spoke about the early fruits of reforms and about vivid signs of economic revival. Today, I will list concrete outcomes.

5. Our reforms have successfully taken GDP growth from a 2 percent and declining trend to a robust, resilient, balanced 6 percent and rising growth path. For 2008/09 we are forecasting a growth rate of 6.2 percent, up from 5.5 percent in 2007/08 and 5.1 percent in 2006/07. We are also projecting a 6 percent growth rate for 2008 rising from 5.4 percent in 2007 and from 5 percent in 2006.

6. Growth is also more balanced with all sectors doing well, some of them booming and emerging sectors expanding into new pillars.

7. Per capita income which was US\$ 5,000 in July 2005, will reach US\$ 7,000 by end 2008.

8. Our most prominent achievement has been on the employment front. We have stopped the 15-year rising unemployment rate. It has fallen from a peak of 9.6 percent in 2005 to 8.5 percent today. Annual employment creation has more than doubled since 2005. And the prospects for job creation in the coming years are exceptionally positive as the Tianli and other major projects are expected to create some 60,000 jobs.

9. The other outstanding achievement is on foreign direct investment. In three years, since July 2005, Mauritius has received Rs 20 billion of FDI. This is more than the FDI inflows of the preceding 20 years put together. This unprecedented rush is not happening by chance. It is an outcome of our openness, tax reforms and business facilitation policies. Indeed, FDI is forecast to accelerate to Rs 15 billion this year.

10. Total private investment as a percentage of GDP has risen from 15 percent in 2005 to reach 20 percent in 2007. It is expected to further rise to 21 percent in 2008 – its highest level ever. Total investment as a share of GDP increased from 21 percent in 2005 to 25 percent in 2007 and is projected to rise to 26 percent in 2008.

11. The savings rate, which fell to its lowest in decades, is now rising again, going above 20 percent of GDP from 17 percent in 2005.

12. I am pleased to announce that for the third consecutive year, both the budget deficit and debt to GDP ratios will fall as we continue to tame these twin beasts.

13. The Balance of Payments was in the red in 2005. It is showing a healthy surplus of Rs 13.8 billion at December 2007. Net international reserves were Rs 54 billion in July 2005 and now stand at Rs 81 billion, representing an improvement in import cover from 33 to 36 weeks.

14. This improvement has happened despite global food prices having risen by 30 percent. However, our policies have limited food price inflation in Mauritius to 15.1 percent in 2007. Our reforms have strengthened the rupee and given us the fiscal space to provide higher food subsidies. We have unlocked rising per-capita income and increased employment substantially. Together with tax cuts and more support to the low income groups, the impact of global inflation has been mitigated. Overall domestic inflation is down from its peak of 10.7 percent in 2006/07 to 8.8 percent for 2007/08. Notwithstanding that high inflation is largely imported, it nonetheless is a blip on our strong economic record.

15. Despite limiting the loss of purchasing power better than most countries we will need to do more to restore real income. We will also

address the further threats coming our way. Food prices, food security and energy self sufficiency will be dealt with decisively in this Budget.

16. The sugar and textile industries were shaken by preference erosion. Output in the sugar industry went down by 12.8 percent in 2005 but recovered with a 2.9 percent growth rate in 2006 and will expand by 19.3 percent in 2008. The textile sector has pulled through its four year recession phase - increasing output by 2.9 percent in 2006 and by 10 percent in 2007. It is forecast to grow by 4.6 percent this year.

17. Overall, the manufacturing sector recovered from a negative 5.5 percent growth in 2005 to a 4 and 3.5 percent growth, respectively in 2006 and 2007.

18. The tourism sector was showing signs of weakening in 2005. It has regained dynamism, with 15 percent growth in arrivals in 2007 and achieving a high 7.5 percent growth path in 2008.

19. The construction industry had a difficult year in 2005 with a negative growth rate. It is now the fastest growing sector, expanding by 15 percent in 2007 and by a further 7 percent in 2008. With the Tianli project starting construction next month, the luxury villas and Highlands project, this industry should go through one of the most dynamic phases in its history over the next decade.

20. The number of establishments in the ITES/BPO sector has increased from 85 in 2005 to 200 at April 2007. It has also more than doubled employment to 8,000.

21. Adding to this new dynamism is a thriving cluster of emerging sectors, each one poised to become new pillars. They include seafood, real estate, aquaculture, knowledge, medical tourism, professional services and logistics.

22. Mr Speaker, Sir, there can be no doubt that strong dynamics are at play in our economy, bearing the promise of more resilience, an even higher growth path, more rapid rise in the standard of living and more solidarity.

MID-TERM REVIEW OF SOCIAL DEVELOPMENT

23. We stated in our first budget that while growing income and wealth is absolutely necessary, social development and solidarity must follow at the same pace. And we have put inclusive growth and full employment at the heart of our new development paradigm.

24. We have implemented a new social policy centered on empowerment and on broadening the circle of opportunities. This is supported by a partnership bringing together civil society, the corporate sector, Government and development partners.

25. Never before has Government reached out to the poor in such compassionate and practical ways. We have measured the extent and depth of the poverty problem, identified the poorest of the poor and given them more support and opportunities.

26. We have assessed the needs of the orphans and disabled, of women and children in distress and of our senior citizens and provided adequate support.

27. We have appraised the plight of those families without a decent dwelling so we can tailor our response to their specific needs and affordability.

28. We have almost doubled the subsidy on rice, flour and cooking gas at a total cost of Rs 1.3 billion. The subsidy on rice and flour has increased by 75 percent from Rs 400 million to Rs 700 million and that on gas from Rs 300 million to Rs 600 million. And we have given income support to close to 100,000 beneficiaries. We have restored universal old age pension to undo the onerous administrative verification imposed on pensioners previously.

29. Our tax reforms have taken 36,000 individual income earners out of the tax net, lowered the tax burden of close to 25,000 persons, slashed corporate tax rates and reduced maximum personal income from 30 percent to a flat 15 percent and significantly improved the fairness and efficiency of the tax system. Only 7 per cent of employees pay tax in our country. And the tax rate is one of the lowest in the world.

30. Government is paying in full the SC and HSC examination fees of 9,000 students from families with modest income in contrast to 1,600 under the previous system. All students and old aged pensioners benefit from free transportation and 6,600 needy students are today provided free school materials. Since July 2005, the Trust Fund for Vulnerable Groups has provided loans to 132 needy students following courses at the University of Mauritius.

31. The Empowerment Programme has trained some 4,000 mostly retrenched workers to improve their chance of a job. It has put more than 3,000 in employment.

32. Rs 494 million have been disbursed for de-rocking, irrigation, and land preparation to help small planters meet the challenge of the EU sugar reforms.

33. We have given financial support of Rs 125 million to help pig breeders recover from the swine fever epidemic that has devastated their stock.

34. We have provided Rs 15 million to set up the Fishermen Investment Trust (FIT). 4,461 fishers have been given 300 shares each in the Trust.

35. We have lent an attentive and compassionate ear to the genuine cases of sale-by-levy victims. Government is supporting them to regain a home. We have also allowed about 20,000 families living as tenants in CHA houses to purchase their residence at a nominal value.

THE AMIGO PLAN

BUILDING AN

ATTRACTIVE, MODERN, INCLUSIVE, GREEN, OPEN MAURITIUS

36. Mr Speaker Sir, in three years we have come a long way. There are ample reasons for buoyant optimism. Yet, we must not let success lead to complacency. There are still higher rankings to reach on the ease of doing business and on human development index. There are still more rungs to climb on the income ladder. The backdrop to future growth and development keeps getting more challenging. Now, we face the prospects of the US sliding into a recession, uncertain about its duration and depth and its knock on effects on Europe.

37. Mr Speaker Sir, our reforms have made Mauritius resilient. But we are not immune. We are already feeling some of the anxieties that grip the world. We must have an effective handle on developments, globally and regionally. That is why, Mr Speaker, Sir, we must continue on the path of reforms with yet greater commitment and determination.

38. Having restored high, robust and sustained growth; having put the country solidly on the path of openness, global competitiveness and full employment, we now need to give Mauritius a strong and vigorous impetus to run the next development lap and build the Mauritius of tomorrow.

39. Indeed, Mr Speaker, Sir, the 2008/2009 Budget is structured around strategic themes that are crucial to the future of our nation, namely building An Attractive, Modern, Inclusive, Green and Open economy.

40. We will continue our policy to further open the economy to the rest of the world, through more improvement in the ease of doing business, consolidation of our productive sectors and constructing new pillars.

41. We will build Modern Mauritius with new and world class physical infrastructure, new cities and first-rate facilities.

42. We will build a Green future for Mauritius through the Maurice Ile Durable vision of the Prime Minister, and shift to local renewable sources of energy away from imported fossil fuel.

43. We will build Inclusive Mauritius by integrating the families who are at the margin of development, by eradicating absolute poverty, by providing pre-primary education to kids who are deprived such access today, by further broadening the circle of opportunities and addressing the food security issue.

44. I will start with our plan to build an Open Mauritius.

Building an Open Mauritius

45. The pursuit of a place among the top ten economies in the world on the ease of doing business must go on. The latest World Bank survey has revealed a number of areas where Mauritius should improve to progress towards this goal.

46. First, there are 474 business licenses in Mauritius. This is 7 times more than in, for example, Singapore. The Board of Investment, with the assistance of the World Bank will streamline and simplify the system of business licensing to make compliance easier, less time consuming and less costly.

47. Second, effective October 2006, investors whose business in Mauritius would have an annual turnover exceeding Rs 15 million for three consecutive years are allowed to apply for Permanent Residence. This facility is being extended to those who have been investing in Mauritius prior to that date.

48. Third, we want to cut the time it takes to settle commercial disputes from 2 years to 7 months which is international best practice. To this end a Commercial Division will be set up in the Supreme Court. I am increasing

the Budget for the judiciary by more than 50 percent to Rs 307 million including provision for 7 additional posts of Judge, 15 additional magistrates and appropriate facilities including renovation of courts.

49. Fourth, it can take 210 days to register a property in Mauritius. We want to reduce this to 15 working days and are making the necessary legislative amendments. These amendments, together with the Land Administration, Valuation and Information Management Systems should make this possible.

50. Fifth, the Doing Business Report also highlights that we need to improve on access to credit. We are amending the Bank of Mauritius Act to allow the Mauritius Credit Information Bureau to cover non-Bank financial institutions and utility companies in its data base and to provide information to regulated service providers. The Banking Act will also be amended to allow for the setting up of private credit information bureaus.

51. Sixth, we also want to significantly simplify the processes for exports and imports where bureaucracy can be unnecessarily exasperating in many cases. Our aim is to reduce the number of permits relating to imports and exports to the essential minimum, by 1st July 2009. Provisions will therefore be made under the Customs Act to suspend as from 1 July 2009 all permits relating to imports and exports, except those that are considered essential. All permit authorities will have until end December 2008 to submit to a Committee chaired by the Ministry of Commerce, any justifications for maintaining the permits they issue. Furthermore, the Committee will recommend measures to lower compliance costs.

52. Seventh, owners of business vehicles will be able to renew their licenses at post offices as well, and the number of pay points for renewal of motor vehicle licenses will be increased from 33 to 50 by June 2009.

53. Eighth, we are amending Section 8 of the Morcellement Act 1990 so as to allow all developers to take reservations and deposits equivalent to the cost of infrastructural works by providing a bank guarantee equivalent to the amount of such works, including offsite works.

54. Building Open Mauritius is also about creating the space for investment and the opportunities for turning ideas and innovation into value added. It is about building an economy supported by eight to ten pillars instead of four. And so in this Budget, we want to focus on consolidating the dynamism in the booming industries, giving a spur to

emerging activities and providing support to sectors that need to reengineer.

FINANCIAL SERVICES

55. The financial services industry has stood out in the past two years in terms of development. Banking, in particular, has outpaced most other sectors in terms of global integration and openness. We want this sector to maintain that vibrant dynamism.

56. To this end, legislation will be passed to encourage our financial institutions to carry out cross border transactions in securities, swaps, options and other derivatives that would improve efficiency and spread risk more thinly in the economy. The legislation will also facilitate hedging which businesses can use to reduce currency exchange risks.

57. We will also amend the Banking Act to

- reduce the retention period of cheques and other documents from up to 30 years to 7 years;
- allow banks to send statement of accounts to both borrowers and guarantors on all loans, and not simply on loans granted after the coming into force of the Borrower Protection Act; and
- allow banks to transact business on more flexible terms - outside the normal hours of business as well as on public holidays.

58. Appropriate amendments will be made to the Banking Act, the Financial Reporting Council Act, the Companies Act and other relevant legislations to improve compliance and the reputation of our financial services system.

59. Presently the financial leasing activities of commercial banks are regulated by the Bank of Mauritius as well as by the Financial Services Commission. To avoid duplication these activities will henceforth be regulated by the Bank of Mauritius only.

60. We will also set the regulatory framework for leasing companies to market products which are shariah compliant.

61. As we expect demand for office space and commercial buildings to rise significantly, especially with the World Class City at Highlands, we will also encourage property leasing with appropriate amendment to the

Registration Duty Act and the Land (Duties and Taxes) Act to avoid double payment of registration dues.

62. And to level the playing field appropriate amendments will be made to the legislation to make normal banking and Islamic banking tax neutral.

63. Government will come up in the coming fiscal year with the appropriate regulatory framework to underpin the setting up and regulation of the activities of Real Estate Investment Trusts in Mauritius.

64. The construction industry is bustling with activities. To this end, the new Construction Industry Development Board Bill will be introduced to provide for accountability of contractors to clients and to ensure compliance established standards and guidelines.

TOURISM

65. The tourism sector will need to weather the storm of weakening economic growth in Europe to maintain its rapid growth. We are therefore increasing the budget of the Mauritius Tourism Promotion Authority to Rs 340 million in 2008/09. We are also moving forward with the branding of Mauritius exercise. This should allow us to develop a strong, unique and favourably perceived brand, marketing Mauritius to visitors, buyers of our exports and investors as an attractive destination.

66. The Freeport is the other sector that stands to play a crucial role as Mauritius focuses on its regional integration thrust and becomes a business bridge to Africa. In this context a study will be commissioned by BOI to evaluate the challenges that the Freeport will have to meet, in particular in the area of logistics and make recommendations.

DOMESTIC ORIENTED INDUSTRIES

67. In our endeavour to open the economy we have maintained the momentum on import liberalization. But we also want to ensure fair competition for the domestic oriented industries. To this end, the Anti-dumping and Countervailing Measures Bill will be introduced in the House soon. Amendments will also be made to the Legal Metrology Act, the Food Act and the Dangerous Chemicals Act to ensure that legislation that regulates local manufacturing is also applied to imports.

68. Government will set up a Manufacturing Adjustment and SME Development Fund to sharpen the competitiveness of Domestic Oriented Industry and SMEs adversely affected by the reduction in import tariffs as we move to a duty free island. The Fund will also support Export

Industries to meet the challenges of global competition. I am providing an initial contribution of Rs 500 million to launch the Fund.

69. Inclusive Mauritius is also about widening the economic space for micro and small and medium enterprises. To improve the system of support to SMEs, we are broadening the availability of finance and facilitating access, in particular for those enterprises that have viable projects but are short of equity. Government is setting up a scheme with the participation of commercial banks for an SME with less than Rs 50 million turnover to qualify for a loan with limited equity. The participating financial institutions and Government will share the risk equally. An SME will be able to obtain a loan from commercial banks with no more than 10 percent equity compared to at least 40 percent presently. For start-ups, defined as new entrepreneurs, Government will guarantee up to 75 percent of the loans provided the SME mobilizes at least 5 percent equity.

70. Second, participating financial institutions should have a dedicated SME department so as to demonstrate a commitment to inclusive banking. The scheme will only be open to banks that increase their lending to SMEs relative to a baseline in 2008.

71. Third, these banks should have an elaborate plan for giving non-financial support as well. This will ensure that the scheme is in line with our philosophy of supporting SMEs from business inception to maturity.

72. Also, the SME Partnership Fund will raise its equity participation in SMEs from Rs 3 million to Rs 10 million. This will target mostly business start-ups, thus ensuring that there are no financing gaps in our system. Moreover to ensure effective delivery of services, the management of the SME Partnership Fund will be revisited.

73. Mr Speaker, Sir, as we increase the flow of finance so must we increase the flow of business to the SMEs. I am pleased to announce that for its procurement, Government will give a preference of 15 percent on price for small domestic enterprises with less than Rs 50 million turnover and a 10 percent preference for small domestic building contractors with less than Rs 50 million turnover. The same benefits will be extended on a temporary basis until December 2010 to domestic manufacturing, regardless of turnover, to assist them in the transition to global competitiveness.

74. DBM is raising the ceiling for loans under the quasi-equity scheme from Rs 400,000 to Rs 500,000. It is also increasing the limit on the booster loan scheme from Rs 75,000 to Rs 100,000.

PENSION

75. As we build Open Mauritius we must have an economic system where workers rights are fully protected and where the interests of workers converge rather than diverge. Pension is one area where workers' rights must be strongly protected. First, we are enhancing worker mobility by amending regulations to allow portability of pension as from 2 years of full time employment.

76. Second, a new pension legislation will provide, for the first time ever, a comprehensive regulatory framework for private occupational pension schemes. This will encourage employers to set up schemes to safeguard the interest of employees and other beneficiaries. It will also provide for indexation of pensions to fully protect purchasing power.

77. Third, the governance and operational structure of the National Pension Fund and National Savings Fund will be strengthened to improve its efficiency.

78. Fourth, the National Pension Act will be amended to align retirement age in the private and public sectors and to be gradually increased to 65.

TERTIARY EDUCATION

79. Mr Speaker, Sir, to sustain the high growth that our reforms have unlocked we must invest massively in our people and our public infrastructure. It is critical that Mauritius shores up its capacity in Tertiary Education, in Science, Technology and Innovation (STI) and in human resources generally. Despite efforts in the past, only around 26 percent of children entering primary schools make it to tertiary education. As a result, the Gross Enrolment Ratio at tertiary level, that is the proportion of population of the relevant age in tertiary education, is only 36 percent. This is low by international standards and is out of phase with our ambition to be a globally competitive nation. And, it is also not fair that so many of our children do not make it all the way to HSC and post secondary education. Some children work hard to make it through secondary education only to be barred from tertiary education because of insufficient seats or for lack of funds.

80. Therefore, Mr Speaker, Sir, we are starting today a comprehensive and effective action plan to increase enrolment ratio at tertiary level. We will begin by enabling all students who are qualified and willing to pursue further studies to secure access to tertiary education. These short term actions will be accompanied by a medium term strategy to significantly

increase the share of each cohort of primary students going to HSC and to tertiary education so as to double the enrolment ratio by 2015. And we will give all the support required to students who want to pursue tertiary studies but cannot afford it.

81. Therefore, Mr Speaker, Sir, I am providing Rs 1 billion for a Human Resource Development, Knowledge and Arts Fund under the Ministry of Education and Human Resource Development. This Fund will finance

- physical infrastructure for tertiary education such as buildings, equipment and various facilities;
- projects to equip individuals with access to information, knowledge, technology, training and skills;
- student loan schemes and scholarships;
- schemes to encourage and support local artists; and
- initiatives to foster the arts and creativity.

82. Even if education is free, many are unable to avail of the opportunities offered. Above all we want to ensure accessibility by ensuring that no one is turned away from tertiary education through lack of funds. We are, therefore, launching a Government guaranteed student loan scheme of up to Rs 150,000 per year to allow commercial banks to make loans to all students with an offer from a TEC recognized tertiary institution in Mauritius. The guarantee is aimed at students whose family does not have the means to secure such a loan.

83. These students will service the loan, capital and interest, only after securing a job at the end of their studies and at prevailing interest rates. During the time when the student is studying, the interest on the loans will be capitalized. Mr Speaker, Sir, this is a measure with multiple benefits. The students, their parents and the country will gain significantly. It will make the student feel more independent and more responsible. It will give significant financial relief to students who come from families with modest income.

84. To meet the higher demand that this measure should generate, the University of Mauritius and University of Technology Mauritius will increase their intake in the next academic year so that all students who qualify for university studies can be admitted.

85. SLDC will construct facilities on land at Cote d'Or for lease to University of Technology Mauritius and the University of Mauritius.

86. In addition, to promote flexible learning and accommodate those who are unable to follow a normal curriculum during the day, our two Universities are developing proposals for expanding intake in evening courses. The University of Technology Mauritius will introduce the concept of flexi-learning, where there is no time limit for completing a course. This will give students more flexibility in the allocation of their time between studies and work or other priorities.

87. Our tertiary education institutions and the private sector will work together to offer sandwich courses. These courses combine theory and practice, class room lectures and work experience. They will give our students the best start possible into the world of work and create that crucial bridge between university and industry. This programme will also make tertiary education more affordable.

88. We will also start working to increase the cohort of students upstream to SC and HSC, so that more students qualify for tertiary education in the medium term. There are also students who cannot make it to university studies because they do not have the academic aptitude. These students should not be left out of the education system, instead we must allow them to choose, early enough, an alternative education path so that they stand the same chance as all other students to develop fully their talents and become as employable as those who go on to higher academic studies. At the end of Form IV a pathway will be introduced to help students opt either for tertiary vocational education or for tertiary academic studies.

89. The Ministry of Education, in collaboration with other Government Departments, the IVTB, the Empowerment Programme and NGOs, will develop a Second Chance Programme by January 2009 for all young people under 21 who are not in full time education or full time employment. This programme aims to provide basic numeracy and language skills to those who have dropped out of school and orient these young people to a vocational programme. The programme will include a strong emphasis on life training skills and provide psychological and social back up. The Human Resource Development, Knowledge and Arts Fund will provide the necessary financing.

90. The vocational programme for those streamed at Form IV and in the Second Chance Programme will focus on skills which could facilitate

selection by the Circular Migration programmes we are setting up with Canada and France and pursuing with other countries.

91. This new policy will increase the number of students who will pursue further education. To accommodate them, we will expand infrastructure capacity for both university and vocational education as well as adopt modern systems of delivery of education.

92. IVTB will considerably expand its courses and intake by opening a campus at a newly acquired building at Nicolay Road in Port-Louis. This building will also accommodate a Job Fair Centre to guide young people on career choices and training that would enhance their employability. IVTB will also set up a new polytechnic in the southern region of the island through the reconversion of la Gaulette SSS.

DELIVERING EDUCATION AT A CLICK OF A MOUSE

93. While brick and mortar institutions in the educational system will always be there, we must acknowledge the tremendous advantages to using online learning as a means to deliver education to the greatest possible number of students. Worldwide there are more than 4,000 education and degree courses offered on line with more than 4 million students registered, growing at a pace of around 30 percent a year. Mauritius should also make the maximum use of ICT to deliver education at the click of a mouse, anytime and from anywhere. This will give students greater flexibility, especially those who are working, those who have families and children to care for. It also saves traveling time and costs to class rooms. There will also be saving on physical infrastructure and the cost of providing education should go down significantly, while at the same time allowing more students to be registered in education courses and degrees.

94. To this end, the Ministry of Education will formulate a strategy to implement the development of distance education in Mauritius.

95. The cost of laptops and internet access for these students will be covered by the Government loan guarantee scheme. In addition, needy students will be provided a scholarship to buy a laptop and pay for the costs of internet access for the duration of their distance learning studies.

Building Modern Mauritius

96. Mr Speaker, Sir, infrastructure is the second area where we must invest massively to sustain high growth. Bottlenecks in ports, airport, energy, roads, water and sanitation can be the biggest threats to continued improvements in living standards. We must modernize our public infrastructure to provide world class facilities.

97. The challenge is enormous. The supply side response to public infrastructure will need an investment estimated at Rs 125 billion over the next decade. Public resources alone will not be enough; we will also need substantial private investment.

98. To this end, we are reviving the Public Sector Investment Programme (PSIP). The Public Private Partnership (PPP) Unit will be strengthened to prepare a Ten Year Infrastructure Development Plan. It will identify and cost the infrastructure needs of the country and chart the best and most efficient implementation path.

99. We are also amending the Public Private Partnership Act 2004 to clarify the process for unsolicited proposals. This should attract more private capital in public sector projects.

100. For the coming financial year, some Rs 2.7 billion will be earmarked for programmes to improve infrastructure. The project value of these programmes amounts to Rs 42 billion of which Rs 21 billion will be invested in the next three years.

101. Regarding road network the focus will be on traffic decongestion. Government will invest in new roads and bridges, maintenance, upgrading and rehabilitation of existing networks. These include, the Terre Rouge Verdun Trianon Link Roads, the new access road to Réduit Triangle, access road to Tianli, the Sorèze Guibies road, resurfacing of M1 and M2 motorways, rehabilitation of steel bridges at Souillac, Rivière des Galets, and Tamarin, the Macondé Bridge, and the Phoenix Beau Songes Link Road.

102. Thus, Mr Speaker, Sir, in the next three years some Rs 12.6 billion will be spent on this programme. We are doubling the road budget from 554 million in 2007/08 to Rs 1.1 billion in 2008/09.

103. A 12 kilometer Port-Louis Ring Road will be constructed on a PPP basis from Sorèze to Quay D roundabout including a tunnel of 775 metres through Quoin Bluff.

104. The Harbour Bridge will also be a PPP project. It will connect Port-Louis at Royal College to Roche-Bois roundabout. The bridge should divert traffic going through Port Louis, thus, together with the ring road significantly reducing traffic congestion at peak hours. Construction works on both ring road and harbour bridge projects are expected to start in July 2009.

105. To further reduce traffic congestion, reduce delays, waiting and traveling time for commuters, Government is formulating a Bus Modernisation Programme at an estimated cost of Rs 4 billion. That programme includes

- a 25 km bus-way corridor between Curepipe and Port Louis;
- a 12 km bus-only lane along the existing motorway M1; and
- redesigning the overall bus routes.

106. Government is setting up a Land Transport Authority (LTA) to ensure implementation capacity, and a holistic and cost effective approach to this planned Rs 31.5 billion public investment to improve roads and public transport. An LTA Bill will be introduced to the National Assembly by December this year.

107. To build an Attractive and Modern Mauritius we will also expand and upgrade air and sea transport infrastructure.

108. We are injecting Rs 1 billion of equity in Airports of Mauritius Ltd (AML) to support airport expansion. By end 2010, the air passenger terminal development phase two will be completed. This will be good for up to 4 million passengers per year.

109. AML is undertaking a review of the Master Plan Update 2004 to cater for new projects such as cargo and freeport zone, general aviation expansion, new passenger terminal and airport city with commercial areas and hotels.

110. The Cargo Handling Corporation will invest some Rs 400 million in modern equipment to cater for the increase in container traffic. Its search for a strategic partner is ongoing with assistance from the International Finance Corporation.

111. The Mauritius Ports Authority plans to invest Rs 750 million for the implementation of major infrastructural projects such as the Cruise Terminal and the development of the seafood hub activities.

112. To build Attractive and Modern Mauritius, we also need world class cities. The construction of the city at Highlands will require an investment of some Rs 100 billion. A financial advisor is working to validate the initial feasibility study and to prepare bidding documents for the selection of a master developer to implement the project. The project will include a state-of-the-art office complex, world class residential and social development, an inland waterfront, space for leisure activities and nature tourism, hotels and resorts, and Government buildings. The new city will be a hub for knowledge services based industries, comprising tertiary education centers and catering to financial services, IT/ITES, BPO, and healthcare.

113. The Tianli project for a new modern trading city, with an investment of Rs 20 billion, will integrate Mauritius and Africa and will bustle with activities as some 40,000 persons will be involved.

114. Work on developing the La Tour Koenig project will continue. Two years ago, I announced the importance and impact of that project. Today, I can report that the project is near completion. It has generated some Rs 6 billion of investment and created close to 6,000 jobs. This year we expect 1,000 more jobs in that zone.

115. Mr Speaker, Sir, as we modernize the look of Mauritius, we must also bring the utilities to world standard and provide uninterrupted services to our citizens.

116. Thus, Government is investing judiciously in water supply, waste water management, solid waste management and electricity. A pilot project involving six zones and around 40,000 CWA customers to reduce lost water is giving encouraging results. The project is therefore being extended to the whole island so as to bring the lost water from the present level of 48 percent to 25 percent by 2015.

117. There will be increasing demand for water in the North due to the expanding tourism sector, the need to transfer potable water to part of Port Louis during the dry season and requirements at the Tianli Complex in Riche Terre. To meet these needs, the treatment capacity of La Nicolière Water Treatment Plant will be extended to 100,000 m³ of water daily from 66,000 m³ at a cost of Rs 350 million.

118. The construction of Bagatelle Dam will supply the Port Louis regions during the dry season whilst also adding to water supply for the lower Plaines Wilhems.

Waste Water Sector

119. As regards waste water, the Plaines Wilhems Sewerage Project will extend the network to around 32,000 households at an estimated cost of Rs 6.6 billion.

120. To provide sanitation facilities to the poorer segment of our society, the WMA will continue implementation of its sewerage programme in the CHA and the low cost housing estates. The CHA – Phase IV, concerning 27 low cost housing estates will be implemented over the period 2009 to 2011.

121. We are well on the way of connecting 50 percent of the population to the public sewerage system by the year 2011.

122. Building Modern Mauritius is a challenging task that must bring together all the institutional capacity we can harness. Local governments can play a role in this endeavour if they access the required financial resources. We will therefore work toward giving them the means to raise their own finance through the issue of securities. As a first step, we are creating a Local Infrastructure Fund to finance some key infrastructure projects of Local Authorities. Revenue from the National Residential Property Tax (NRPT) will be credited to that Fund. The Fund will be allocated on the same performance-based principle applied to the national budget.

123. Projects to be financed from this year and next year's NRPT include market fairs at Rose Belle, Quatre Bornes, Centre de Flacq, Briquetterie, Rivière des Anguilles, Chemin Grenier and Plaine Magnien; multi-purpose projects at Rivière du Rempart, Plaine Verte, Vacoas, a swimming pool at Quartier Militaire, a fish landing station with marketing facility at Grand Baie, a crematorium in Beau Bassin and tartan tracks at Sir Gaetan Duval Stadium in Rose Hill; and a water front at Grande Rivière Sud Ouest.

124. We must also improve connectivity on the digital highway. Currently only about 70 percent of the island has access to high speed internet at 128 kbs compared to at least 512 kbs in Europe and even higher speeds in Asia. Our aim is to provide almost everyone with 512 kbs within the next few years. To achieve this, we are working with our partners in the Indian Ocean Commission and COMESA to develop an inter-island high speed cable connection that would link up to other cable projects between Africa and Asia. In addition Mauritius Telecom will purchase additional capacity on SAFE and develop the local backbone at a cost of around Rs 2 billion over the next few years.

MODERNISING GOVERNMENT

125. Mr Speaker, Sir, Government's efficiency, effectiveness and responsiveness must be equal to this challenging task of building an Attractive, Open, Inclusive, Modern and Green country. We need top quality human resources, processes and institutions in the public sector.

126. For this purpose, we have introduced Programme Based Budgeting in a Medium Term Expenditure Framework, so that resources are channeled to where they give the best outcomes. This modern approach to budgeting is about more judicious use of public money and about greater fiscal responsibility.

127. Government is therefore setting up a Capacity Building Programme (CBP) to be jointly managed by a Government-UNDP team. This programme would efficiently support the Government reforms and development objectives by identifying international and domestic experts to help implement the various strategies.

128. In line with this belief in the importance of Capacity Building, Government has already created a "SERVICE TO MAURITIUS PROGRAMME" to attract the brightest young people, both Mauritians and international, to serve in Government for periods of between 1 month and 2 years. Non-citizens coming to service the public sector for a maximum period of three years will be exempted from work and residence permits.

BUILDING GREEN MAURITIUS:

"MAURICE ILE DURABLE (MID)"

129. Mr Speaker, Sir, I will now turn to a global change that could put at risk the renewed dynamism of the past two years. The price of oil has gone up from around \$40 a barrel some three years ago to \$136. Our petroleum import bill has risen from Rs 6.5 billion in 2000 to Rs 22.3 billion in 2007. The share of petroleum in the total import bill has gone up from 12 percent to 18 percent over the same period and keeps on rising. It is clear, the world has entered an era of expensive energy. As a country that relies on around 80 percent of its energy on imports, we are extremely vulnerable.

130. It is a situation that calls for a fundamental review of the assumptions on which we have planned our economic development. We have to reduce our reliance on fossil fuel. The nation must come together because we are all part of the solutions. Our actions must be comprehensive and must exhaust all possibilities.

131. As we build energy security, our strategy is to replace imported fossil fuel by local renewable sources and to better manage demand. We plan to double the share of renewable sources of energy to produce electricity to around 40 percent within the next decade. This is achievable by increasing the megawatts from renewable sources and the negawatts from energy savings.

132. We are revamping the National Energy Fund into a Maurice Ile Durable (MID) Fund. I am providing Rs 1.3 billion to kick start the Fund which will support efforts to protect the environment through recycling, to encourage more efficient use of energy and to increase reliance on renewable energy. This will build our energy independence whilst allowing us to do our share in the fight against global warming. The Fund will mobilize resources from taxes, Government subsidies, development partners, carbon credits, and the private sector including airlines offsetting their carbon footprints.

133. The Fund, under the aegis of the Ministry of Public Utilities, will support action in four crucial areas.

134. First, on the supply side. We will explore all potential for local sources of renewable energy and make use of them to replace imports. Mauritius has renewable sources of energy on land, in the air and in the sea. We must harness fully these potentials.

135. We are launching a PPP project at Bigara for 25 to 40 megawatts (MW) of wind energy. This is expected to cost about Rs 1 billion and should yield 50 to 60 million kilowatt hours (KWh) representing 3 percent of electricity consumption.

136. The CEB is already operating a 275 KW wind generator in Rodrigues. To improve capacity in Rodrigues, we are exploring further application of this technology on a PPP basis.

137. The CEB will set up two new hydro units at Midlands Dam and La Nicoliere to produce electricity.

138. Another potential source of renewable energy will be the Land Based Oceanic Industries (LBOI) project that proposes to use cold sea water for air conditioning. To facilitate implementation of the LBOI project, appropriate legislation will be passed.

139. Burning solid waste could also provide renewable energy. A project which is being considered has the double advantage of savings on solid

waste disposal and producing electricity. We expect this project to become a reality soon.

140. Landfills produce gas that can also be tapped to generate electricity. Government is embarking on a project for developing the Landfill Gas potential at Mare Chicose with a view to using the gas for power generation. This project is expected to reduce greenhouse gases which would enable it to derive carbon credits as provided for under the Clean Development Mechanism of the Kyoto Protocol.

141. We will also fully explore the use of cane field residues mixed with bagasse as boiler fuel to reduce the use of coal.. This has the potential of contributing up to 8 percent to electricity production and would amount to about half the electricity currently supplied by bagasse. MSIRI is working with the Mauritius Sugar Authority and power producers to optimise the use of this material. The use of higher pressure boilers is also being explored to optimize the use of bagasse and other biomass.

142. Second, on the demand side. We will act to reduce consumption of fossil fuels, achieve greater efficiency in the use of energy in our enterprises, our offices, our homes, in the public sector, in the transportation sector and in our hotels.

143. We will establish an “Observatoire de l’Énergie” to collect and provide information on fuel efficiency in commerce, tourism, industry and households. The Observatoire will also conduct information campaigns and undertake actions to promote the notion of “Maitrise de l’énergie”, sustainable development and climate change.

144. We aim to double the number of solar water heaters by December 2009. Currently less than 10 percent of households in Mauritius use solar water heaters in contrast to up to 92 percent in countries with similar climate. To achieve our target a new solar water heater loan scheme will be offered by the DBM. The MID Fund will provide an outright grant of Rs 10,000 for every solar water heater purchased through that loan scheme. This offer will be time bound until 31st December 2009.

145. To further boost the use of solar water heaters, I am removing the 15 percent import duty on solar water heaters and all duties on their spare parts.

146. Mr Speaker, Sir, after carefully assessing the threats of the pending energy crisis, with the price of petrol expected by some analysts to go up to US\$ 200, - having measured the potential adverse impact on prices of consumer goods, on the competitiveness of our businesses and our country,

on our Balance of Payments, we are making today the decision to adopt Summer Time in Mauritius and move the clock forward one hour from 1st November 2008 to 31st March 2009. Countries, from Pakistan to Namibia, from Iraq to New Zealand and Tunisia to Australia as well as most industrialized countries, that do so, make significant savings in energy consumption. The gains to the country and to reducing global carbon emissions can be significant. The extra one hour of sunshine will generate substantial savings in terms of energy consumption and production. In fact, it is equivalent to replacing one hour of expensive and highly polluting fossil fuel source of energy every day, during the summer, with totally free renewable solar energy. The savings are expected to be around 15 Megawatts, equivalent to the output of a small power station. In addition it will lower peak demand requirements. However, the Summer Time will be introduced on a pilot basis and will become an annual feature if it proves to be successful and brings about the benefits expected not only in terms of energy savings but equally in terms of having more sunshine for sports, leisure, shopping and other activities. The Ministry of Public Utilities will set up a Committee of stakeholders to prepare for the pilot.

147. Government will come up with an energy efficiency bill to set standards on the use of energy and on the tools and equipments through which energy is consumed. That will range from setting standards on energy efficiency of electrical appliances, of buildings, and of transportation vehicles.

148. The Highlands World Class City project will have to be as energy efficient, as energy self-sufficient and as energy clean as possible, with emphasis on renewable energy. The same requirements will also apply to all IRS projects. All new collective housing and morcellement projects will have to include an energy efficiency plan before approval.

149. The public sector will also play its part in demand management. All future purchases of water heaters will be solar except where this is not practical. All future purchases of light bulbs will be of the energy saving type. The Ministry of Public Utilities will also work with all government departments to develop an energy saving plan by end-June 2009.

150. All sodium vapour lamps used for street lighting will be replaced over the next 5 years by energy efficient lamps and the use of LED lamps will be explored.

151. CEB will put on the market at half of their cost price one million Compact Fluorescent Lamps (CFL) in 2 phases starting with 200,000 lamps. This project will be implemented by the CEB in association with Pioneer Carbon that will contribute 50 percent of the cost from Carbon Credits. The MID Fund will support the project with an initial grant of up to Rs 20 million. The total cost of the subsidy is estimated at Rs 40 million. As one CFL consumes 60 percent less electricity, there will be considerable savings for households and for the country, again reducing the dependence on fossil fuel.

152. We are also introducing a token MID levy, to be paid into the MID Fund, of 15 cents per litre on all petroleum products, 15 cents per kilo on LPG and 15 cents per kilo of coal. This levy will be used to partially finance the various grants to be provided by the MID Fund.

153. Third, on institutional framework. Government will encourage innovation by households as well as businesses to produce electricity with emerging technologies for renewable energy. This requires a new grid code to clarify the framework for IPPs to supply renewable energy and to allow Small Independent Power Producers (SIPPs) with capacity below 400 KW to feed into the grid of the CEB. To this end a study will be conducted by the Ministry of Public Utilities to chart out a new grid code. The new code will guarantee all SIPPs that CEB will buy their renewable energy at a premium.

154. The operation of an electricity market requires an independent Utility Regulatory Authority to be set up. The relevant legislation will be proclaimed by the end of September 2008 to set up an independent regulator that is autonomous from all producers.

155. Mr Speaker, Sir, World Environment Day, celebrated yesterday, is a reminder of the need for action to protect our island. Maurice Ile Durable is also about preserving the environment. We are working with the bottling industry and importers to put in place a solid waste recycling programme to increase the share of recycled plastic bottles over the coming three years from about 22 percent currently to the best ratios in the world, about 80 percent. The programme, which will also include recycling of aluminum cans and other plastic containers, will encourage SMEs to enter this domain. This programme should go into effect before the end of the year.

156. I am also reducing by half the taxes on hybrid vehicles. Excise duties, road tax and registration fees will all be halved for such vehicles

starting on 1st July 2008. I am also eliminating customs duty on all tyres with energy saving and emission reducing certification.

157. We are launching a Bus Modernization Programme which will enable all bus operators to renew their fleet, at no extra cost, with new generation buses which are:

- (i) environmentally friendly with reduced emissions;
- (ii) more comfortable; and
- (iii) with low floors to speed and facilitate boarding, especially for the elderly and handicapped.

158. The programme will reduce harmful emissions by almost 11,000 tons a year and will also support our efforts to encourage greater use of public transport. It will provide a subsidy to be financed by a grant from the MID Fund and the proceeds from an increase in the Road Tax. The whole bus fleet of 600 could be renewed within three years at a total estimated subsidy of around Rs 250 million. It may also be possible to obtain Carbon Credits from the Clean Development Mechanism.

159. The increase in Road Tax will be based on both the polluters pay and the ability to pay principles. It will therefore be graduated. For motor cars and dual purpose vehicles above 2,250 cc the increase in Road Tax, payable as from 1st July 2008, will be Rs 5,000 per year; between 1,850 and 2,250 cc it will be Rs 2,500; between 1,250 cc and 1,850 cc it will be Rs 500. There will be no increase in Road Tax for cars below 1,250 cc and for taxis.

160. Maurice Ile Durable is a national endeavour that requires tremendous collective efforts. We need to understand the new technologies, the ways to use them and the importance of changing our habits and shifting to renewable energy for our own future, for the future of our country and for future generations. The Ministry of Public Utilities, together with all institutions concerned, will carry out a sustained national sensitization campaign starting by October 2008.

BUILDING INCLUSIVE MAURITIUS THROUGH FOOD SECURITY

161. Mr Speaker, Sir, the global food and feed crunch is another threat that is testing the resilience of Mauritius. We must recognize that our country is particularly vulnerable because we have very low self sufficiency in food.

162. In the face of these realities Mauritius cannot forever rely on foreign markets to fill any gap between domestic demand and supply. We must imperatively produce more of our own food and become as self sufficient as we possibly can. But our limited land area means that to produce in Mauritius alone will not be enough. We need to partner with other countries in the region.

163. We therefore have a five-pronged strategy for food self-sufficiency:

First, we will mobilize land, human resources, technology and financial resources to produce as much food as is practical domestically.

Second, we want to encourage surpluses in food production for exports so as to capture the maximum gains from economies of scale that can benefit local consumers and generate the income for foods we cannot produce.

Third, Mauritius will partner with countries in the region, starting with Madagascar, Mozambique, Tanzania and other countries where opportunities arise to produce food-crops, livestock and marine products for domestic consumption as well as for the regional markets.

Fourth, Mauritius will seek the support of regional blocs and development partners and promote joint ventures, both public and private, and with countries including India and China.

The fifth leg of that strategy is to run a sensitization campaign to promote healthy eating.

164. Mr Speaker, Sir, I will now outline the specifics of these strategies which also broaden the circle of opportunities for small and medium planters.

165. First, our top priority on food security is to increase self sufficiency in potatoes from the current level of 50 percent to full self sufficiency. To this end, we are adopting a multi-faceted plan to produce 80 percent of our needs at home and the balance of 20 percent in the region.

166. To ensure that the amount of potato seeds is available in the amount required to expand output, special emphasis will be placed on seed procurement through the production of some 500 tonnes, under the aegis of the MSIRI and on timely ordering by operators.

167. With support from the Project Implementation Committee (PIC) of the Mauritius Sugar Authority, sugar cane growers will make maximum use of interline and rotational plantation for the production of potatoes. In addition, more land will be earmarked and prepared for the production of potatoes. The PIC is carrying out derocking, regrouping and irrigation projects for small and medium sugar cane planters. This will prepare large expanses of land for complete mechanization and small planters will also be able to move into potato production and other crops. However, it is important to stress that incentives including derocking and irrigation will be conditional on small and medium planters regrouping themselves into managerial units. The regrouping mechanism adopted in the case of sugar cane will serve as a model.

168. Four sugar estates in the south are joining the national efforts. Bel Air St Félix, Union, Riche en Eau and Britannia plan to double their production of potatoes and undertake post harvest processing.

169. Warehousing capacity will be expanded to meet future demand, as we must also create capacity to meet the fast increase in demand that one million more tourists annually will generate.

170. All these actions will meet up to 80 percent of our needs in potatoes. Our plan is to have arrangements with Madagascar to make up for the remaining 20 percent of total supply.

171. Second, we will go a similar route as planned for potatoes to achieve full self-sufficiency in onions by 2015. Rs 10 million will be provided to MSIRI and AREU for developing new higher yielding varieties of potatoes, onions and tomatoes.

172. Third, regarding other vegetables, there is adequate capacity for self sufficiency. However, to promote healthy eating, we want to ensure supply of the widest possible varieties throughout the year, including new ones. We need to do the same for fruits. To this end, experimentation will be carried out on new protein crops, including pulses, beans and soya bean. Government will work together with the private sector to investigate the possibilities of producing specified fruits. We expect a report by December this year to chart the way forward.

173. We are also responding positively to requests from the planting community. Between 2009 and 2013, the Project Implementation Committee will prepare up to 1,000 hectares of land for small planters to meet increasing future need for vegetables. This will include 50 ha in the

north for complete mechanization and with efficient and cost effective irrigation systems.

174. Mr Speaker, Sir as part of the historic deal the Prime Minister has secured with the Mauritius Sugar Planters' Association, small planters and employees will join the shareholding of all new ventures under the sugar sector reform plan with a 35 percent share. In parallel, Government will benefit from 2,000 arpents of land.

175. Regarding the financing for the acquisition of shares by planters, labourers, artisans and other employees, I am providing Rs 125 million this year as grant and soft loan. The investment will be made via a trust or other suitable mechanism.

176. Concerning the 2,000 arpents, Government is reserving 1,000 arpents for food crop production. Government will seek large tracts of 50 to 100 arpents to be leased to food production companies consisting of regrouped small and medium planters. Mr. Speaker, Sir, this is yet another of our electoral promises kept, as we widen the circle of opportunities.

177. The PIC will assist small and medium planters to come together to set up these companies which will be run on a commercial basis.

178. The PIC will also provide support to these companies to facilitate marketing and to ensure that they focus on what the market wants. Government will finance schemes to de-rock the regrouped plots, provide irrigation, assist with mechanized preparation and harvest, conditioning, packaging, marketing, technical assistance, training and research as well as other measures to meet international standards.

179. The planting community will be encouraged to set up a commercial National Auction Market. This will enable the food production companies and other planters to maximize returns from their output, reduce wastage and improve the environment for trading. The PIC will set up a loan guarantee scheme to be operated by commercial banks to provide a revolving line of credit of Rs 100 million for the purchase of farm vehicles and equipment. I am removing all remaining import duties on these equipments and their spare parts.

180. The PIC will also encourage small and medium planters having adjacent plots in a given region to regroup. This will allow them to secure economies of scale whilst retaining individual ownership of their respective plots. Regrouping is crucial for small planters to be as efficient as large growers and to benefit from all the facilities being offered to the food production companies.

181. To facilitate sale of agricultural land by the sugar corporates to métayers, we are waiving land transfer tax and registration duty on such transfers. This will encourage the métayers to become more productive and will further widen the circle of opportunities. We are also waiving registration charges on new métayer lease contracts.

182. There is no VAT on fertilizers. However, certain soluble chemicals, which are used as nutrients in specialized cultures like hydroponics are subject to VAT. In our drive to encourage large production of agricultural goods for food security purposes, I am removing VAT on potassium nitrate, mono potassium phosphate and magnesium sulphate. Necessary amendments will be made to the VAT Act in the Finance Bill.

183. Hydroponics is making its way and can contribute substantially to food security with greater involvement of small growers. We need to build greater capacity in that area. To this end, AREU, the Empowerment Programme, SEHDA and the Regional Training Centre will pool their resources to provide training facilities as well as mentoring to SMES. It is expected that the hotel industry and the major distributors will also participate.

184. Agricultural and related activities will be part of the vocational training curriculum. Research and extension will focus on food security and biomass.

185. Fourth, fish and other marine products are also an important part of our diet. Our aim is to build both local and regional self sufficiency in that area as well. An Aquaculture Master Plan has been prepared to increase fish production to 40,000 tonnes. Towards this end, the new Fisheries and Marine Resources Act will be amended and proclaimed shortly.

186. We will also leverage our relationship with development partners and friendly countries to optimize aquatic production and develop the fishing industry.

187. Fifth, milk production is an area where Mauritius has for many years been totally dependent on imports. We produce only 2 percent of the milk we consume. A major project to produce some 20,000 litres of milk daily is being proposed by the private sector in Salazie. There is also renewed interest among some sugar companies on milk and livestock that could increase milk production to about 10 percent of our needs. This is the most that we can realistically aim at in the medium term.

188. Sixth, we need to achieve a higher level of self sufficiency in meat. While it is relatively easy to achieve full self sufficiency in poultry, in

goat, pork and also in venison, reducing dependence on imported beef is more complex and should be seen as a longer term objective. Our main concern is, however, to preserve self sufficiency in poultry, against the backdrop of both food and feed crunch globally. Recently we have seen not only a surge in the price of maize and oil cake but also an embargo on exports by some countries. To avert these risks, which threaten the self sufficiency we have built in poultry and egg, we are including maize as one of the priority products in our negotiations for regional partnership in food production.

189. I will now turn to the regional component of our food security strategy.

190. Government is negotiating a partnership with Madagascar to produce rice, maize, soya beans and potatoes. In the same perspective, Government will take its negotiations with Mozambique further so as to finalise a partnership on regional food security.

191. The benefits in this are many. In addition to cost reduction, it will significantly reduce the risk of supply associated with rising export taxes and export prohibition in some countries. The process leading to full operationalisation of such partnerships is complex. To put the process on firm footing a delegation of government and public and private sector organizations and private investors, will go to Madagascar and Mozambique to work out the details of this partnership, to finalise the projects and to prepare for implementation.

192. The major practical challenge is mobilising the financing for infrastructure development including road and rail networks, warehousing, storage, irrigation, and other logistics including upgrading port facilities.

193. As Chair of the COMESA Fund, Mauritius is also spearheading efforts to set up a COMESA Infrastructure Facility (CIF) that could mobilize market finance and concessional financing to put in place the required infrastructure. My discussions on these issues with the President of the World Bank, the President of African Development Bank and the European Commissioner for Development have been promising. They have expressed appreciation for the leadership Mauritius is displaying on an issue of great concern to all of them.

194. Mr Speaker, Sir, to make best use of opportunities in the region and to achieve our goal of food security, would require a well-structured organization that will promote investments by entrepreneurs local and foreign. To this end, a Regional Food Security Company will be set up to

negotiate for land which would be vested with it and to lease land for cultivation. It would engage in discussions with the COMESA Clearing House to ensure that payments are effected smoothly; it would also help to provide infrastructural works by negotiating with development partners. The shareholding of the company would be open to Government entities, international and local financial institutions and individual and corporate investors including small and medium planters.

195. Mr Speaker, Sir, given the imperative of building food self-sufficiency for our population, I am providing Rs 1 billion for a Food Security Fund to finance the actions I have mentioned on these five strategies.

BUILDING INCLUSIVE MAURITIUS.

Building an e-Inclusive Mauritius

196. Mr Speaker, Sir, Information and Communication Technologies (ICTs) are becoming key enablers of modern life. They are used at work, in trade and commerce, in providing and acquiring services as well as in culture, entertainment and leisure. But it is not accessible to all. There is still a prominent digital divide. Government wants to bridge that divide. We want to build a Mauritius where there is social inclusion in a knowledge society.

197. As a first step to achieve this, a National e-inclusion Foundation will be set up to (i) facilitate access to ICT tools, (ii) train the trainers and users to make them easier for everyone to use, (iii) work with the close collaboration of NGO's so as to reach the poor and those at the margin of the digital society, and (iv) encourage people to use them by raising awareness of their economic and social benefits.

198. The National e-Inclusion Foundation will be a joint public private partnership, initially bringing together Government, State Informatics Ltd, Microsoft IOI and private companies.

199. The actions of the Foundation will include:

- (i) Donation of refurbished PCs pre-installed with Microsoft free licences to 20,000 poor families within the next 5 years;
- (ii) Donation to NGOs of 10,000 PCs refurbished with Microsoft licences to set up IT classes for the poor in conjunction with the Empowerment Programme; and

- (iii) Operation of an NGO IT Academy with the help of Microsoft, where free classes in IT shall be delivered specifically to IT teachers willing to acquire more precise knowledge and also to NGO's staffs and trainers.

200. The Human Resource Development, Knowledge and Arts Fund will finance the full cost of internet access for the poor families who will be participating in the programme.

201. For the population at large, we are continuing to bring down the price of telecommunications. Since 2005, the cost has fallen as follows:

- (i) for international bandwidth by 52 percent for 2 Megabite per second;
- (ii) for ADSL internet access at 128 kbs by around 24 percent;
- (iii) for mobile calls to fixed lines by 20 percent;
- (iv) for international calls from fixed line telephones by 84.8 percent.

202. The DBM computer loan scheme will be extended to Net PCs being launched by Mauritius Telecom to offer inexpensive computers costing Rs 7,000. The Net PC will be connected to a central server and, except for absence of a hard disk, will have the same capability as a standard PC. At the same time, the Net PC will be connected to the internet via the server. To finance the Net PC, the DBM will provide concessionary loans over 5 years for the full cost of the equipment and three year's worth of internet access.

203. The Ministry of Education will also work with Mauritius Telecom to develop hotspots for educational institutions and public places. In addition, they will jointly expand the school IT programme.

SUPPORTING THE ARTS

204. Mr Speaker, Sir, an inclusive society is also about opportunities for everyone to develop their artistic talents. Art can change the world and our lives. Our Arts come from the five continents, they fire our imagination, promote social inclusion and celebrate our cultural diversity. Last year, I announced a number of measures to promote Art and Culture and foster the growth of a Creative Arts Industry. This year we will continue on that path with significantly more resources as the Human Resource

Development, Knowledge and Arts Fund will also fund projects and programmes to stimulate the growth of the creative arts industry. The Fund will institute national competitions to provide cash prizes and opportunities for international exposure to our local artists.

205. We are continuing our programme to preserve our National Heritage. This year we are providing a matching grant of Rs 50 million for the renovation of Theatre de Port-Louis. We are also extending the programme to cover public buildings of historical importance. Rs 30 million is provided for restoring and renovating Government House.

WOMEN

206. Mr Speaker, Sir, our reforms have generated rapid job creation that has put many of our citizens in full time employment. It has also improved the lives of many families where there are now more than one income earner. For some of these families income has even doubled. One way to accentuate the trend for two income earners per family is to enable more women to take up full time employment. We want to address the problem of female unemployment as it can be a serious barrier to our goal of an Inclusive Mauritius where women should have equal opportunities. Breaking cultural barriers that have kept women out of jobs, is as hard as we expected it to be. But we will not relent because this Government feels strongly about gender equality and will act on it.

207. We will continue to encourage the employment of more women under the Training Placement Programme. The Empowerment Programme will contribute 75 percent of the wages paid to women above 45 years as opposed to 50 percent for men.

208. The Empowerment Programme Sub-Committee for unemployed Women is expanding its activities to address the impediments for Unemployed Women above 40 years old to take up the jobs being created.

209. Government is creating a new micro-credit scheme that would meet 100 percent of the financing requirement of projects implemented by women. DBM will act as wholesaler and provide the necessary finance to cooperative credit unions to implement the scheme.

210. Some entrepreneurs, predominantly women, cannot get access to finance because of legal problems related to their marital status or to changes in their marital status. To resolve this problem, the Manufacturing Adjustment and SME Development Fund will finance a scheme to provide for loans of up to Rs 100,000 to borrowers without any collateral.

EMPOWERMENT PROGRAMME

211. Mr Speaker, Sir, the reforming budget of 2006 aimed at higher and inclusive growth. So we established a five year Rs 5 billion Empowerment Programme. It has become today an important tool in our efforts to reskill those who have lost jobs in declining sectors, to reintegrate those who are left behind and to prevent those on the periphery from sliding into poverty.

212. The Empowerment Programme has placed and trained more than 4,000 unemployed, given technical support to some 100 SMEs from various sectors, trained some 500 retrenched women, assisted 4,160 planters overcome damage caused by cyclone Gamede, helped 493 pig breeders recover from devastation due to the swine fever epidemic and given access to finance to more than 480 entrepreneurs through the booster and quasi equity loan schemes. It has also come up with a financing scheme to allow over 1,000 in-lagoon fishers in Rodrigues to move to alternative sustainable economic activities.

213. Mr Speaker, Sir, this positive momentum must be maintained. The Empowerment Programme must now expand its reach to cover the broadest possible areas of socio-economic inclusion. It will be an enormous but crucial task. It is clear that we must now move beyond the first phase of the Programme driven by a Committee of volunteers. The task is too important and the burden now too heavy. As the Programme continues to be scaled up, it requires more professionalization and a more permanent administrative structure. This evolution is also essential for the closer and more systematic monitoring of outputs and outcomes that is necessary to ensure effective delivery.

214. To this end, the Empowerment Programme will henceforth be run by the National Empowerment Foundation, a state-owned, not-for-profit company. To continue to benefit fully from the public private partnership that has made the programme effective, the Steering Committee will be converted into a Board of Directors.

ERADICATING ABSOLUTE POVERTY:

215. Mr Speaker, Sir, I spoke earlier of the unrelenting drive of this government to combat poverty in all its forms and wherever it exists. We have sought to find out who are the poor, where they live, why they are poor and why many of them remain poor. We wanted to know about their plights and predicaments so we can tailor our actions to their needs and to reach them more effectively.

216. There are 7,157 families living in extreme poverty in 229 deprived regions and this measure goes beyond income poverty to consider the conditions in which they live, and how far they are from the mainstream. Most of them are poor because they do not have the education and skills to take on well paid jobs, because they have been driven into poverty by family circumstances and did not get the helping hand required to take them out. There are also those who are in poverty because they have been caught in social ills that have disturbed their lives. For some, poverty has become a way of life, a sad legacy passed on from one generation to another.

217. The challenge is tough but this Government will not shirk its responsibility. We will combat poverty in all its aspects. We will focus on cases where poverty breeds poverty, and where children, men and women can get trapped in a vicious circle forever. We will give a strong hand to pull them out. We will focus on education, training, empowerment and reintegration by building an inclusive Mauritius where no one will be left out.

218. Mr Speaker, Sir, we have been concerned that those who are in extreme poverty have not been able to participate fully in the Empowerment Programme. Analysis of the reasons has revealed that multiple activities are in fact needed to bring them out of poverty. If we want to get tangible results there is a dire need to tackle all the activities on several fronts at the same time. Accordingly this year, we are intensifying our efforts directed at socio- economic empowerment.

219. I have created a special item of expenditure which will focus on the 229 pockets of absolute poverty. This item of expenditure which will be known as Eradication of Absolute Poverty (EAP) Programme will be an integrated development project within identified pockets of poverty. I am providing Rs 395 million for this item of expenditure for 2008/09. This amount is to ensure that

- (i) all poor children of pre primary school-going age attend school,
- (ii) these children are provided with a decent lunch,
- (iii) parents are trained to get a decent job with sustainable income,
- (iv) social problems are dealt with,

- (v) there is training in life skills management for parents and children, and
- (vi) adequate infrastructure to those needing it.

220. The EAP Programme will be implemented in partnership with the private sector that has agreed to cover 30 percent of the cost as part of their CSR programme.

PRE-PRIMARY SCHOOLS

221. I will start with our action plan on a clear example of how poverty breeds poverty. Despite all facilities and support, including free access to education spanning pre-primary to university, 15 percent of children of pre-primary age do not attend schools. These three and four year old children number around 5,000. Absolute poverty is the main reason. Most of the families involved live in the pockets of poverty in both urban and rural areas. For these 5,000 children, not going to school is, today, a result of poverty, and, tomorrow, it will be the cause of their poverty.

222. That is why, in this Budget, we will act on our resolve to eradicate absolute poverty. We will start by ensuring that no child of school age is left out of school. It is a complex and multifaceted issue that requires not only financial resources, more seats in classrooms, more teachers, but an entire range of social support. In fact, to face down that problem, Government is joining into a five track partnership, bringing together the entire range of social partners, including, socio-cultural organizations, NGOs, the corporate sector, development partners and the various levels of government.

223. Our actions will include:

- (i) Identifying space in existing schools, both private and public to register these children;
- (ii) Provide free transportation facilities to and from school, with maximum security and safety for the children;
- (iii) Provide free food pack for the day;
- (iv) Give free school materials for the year;
- (v) Provide free clothing;
- (vi) With the help of NGOs provide counseling to parents;

- (vii) Provide accompagnement scolaire to ensure that the children are in school; and
- (viii) Provide free medical check-ups and eye glasses, and hearing aids to those in need.

224. These actions will be applied in rural as well as in urban areas and will target every child who should be but is not attending pre-primary school because of poverty.

225. Our second programme on Eradication of Absolute Poverty is aimed at the 7,157 families living in the 229 pockets of poverty across the island. Our strategy to combat poverty in these areas include

- (i) A similar five track partnership I just mentioned with relevant organizations;
- (ii) Dividing the country into 10 to 20 regions according to the sponsorships we unlock from, NGOs and other civil society organizations;
- (iii) EAP Action Forces, consisting of the 5 track partnership, will be responsible for each of the regions;
- (iv) Each Action Force will mobilize financial and human resources to implement both generic and tailor made programmes based on the needs of each family and each family member in the pockets of poverty. Each Action Force will map these needs to specific NGOs that will be responsible for individual issues and for specific families.

SOCIAL HOUSING

226. Poor families also have difficulties to meet their housing needs. And in the realm of housing, middle income families also need Government support.

227. Last year, for the first time in Mauritius social programs, such as training, empowerment, employment, education and circular migration were included in our housing policy. We have started with the integrated housing project at Bambous that will benefit some 200 families. But we want yet more low income families to benefit. To this end, we are working with NGOs and the private sector to expand the scheme to Cité Lumière and other pockets of poverty.

228. In parallel, we are moving ahead and strengthening more traditional housing programmes. Some 1,582 Firinga units have been delivered during the last 3 years. A batch of 533 housing units, constructed on 6 sites across the island - Chebel, Bambous, Henrietta, Rose Belle, Ville Noire and Rivière des Anguilles - are expected to be allocated by November 2008.

229. This year, we are allocating Rs 170 million towards infrastructure for the construction of 774 Firinga houses on 10 sites across the island for very low income families.

230. Since July 2005, the Trust Fund for Vulnerable Groups has provided assistance for the construction of 2,041 housing units at a total cost of Rs 108 million. The Fund will finance the construction of an additional 1,100 units in 229 pockets of poverty as from July 2008.

231. The State Land Act has been amended to empower the Minister of Housing & Lands to sell portions of State Land on which stand ex-CHA houses at a nominal price of Rs 2,000. Some 19,300 families are benefitting. As to-date some 5,000 letters of intent have been issued and some 900 title deeds finalised.

232. For the lower middle income families, Government is leasing plots of State Lands of an extent of 50 – 55 toises with all necessary infrastructure at an annual rate of Rs 3,000. 309 plots are being processed for delivery within the next financial year in Ville Noire, Souillac, Glen Park and La Cure. Since July 2005 we have financed the casting of slabs for 11,205 families at a cost of Rs 535 million.

233. Whilst these efforts are significant, we need to develop a new model that will meet the housing needs of all income segments of our population. This is why Government is allocating the other half of the 2,000 arpents from the Government/MSPA deal for social housing programmes.

234. We are revamping, consolidating and strengthening our social housing schemes. To begin implementation, I am providing Rs 500 million to finance a Social Housing Fund to be managed by the Ministry of Housing and Lands.

235. This Fund will receive and manage the 1,000 arpents and improve financing for housing by developing and overseeing a new and ambitious programme to build new mixed housing communities, on a PPP basis.

236. On the 1,000 arpents of land, as part of PPP projects, we plan to build about 10 mixed-income communities. Each community will be built

as an attractive village to the new energy savings and environmentally friendly standards. It will also include cycle tracks, pavements for pedestrians, large inner roads and adequate green spaces and common areas. In each development, we aim to set aside space for about 200 affordable housing units to be expanded by the owner and 100 serviced plots for sale. The developer would build housing for the middle class and commercial use on the remaining land. The Fund would offer a new housing loan to assist in purchase of land and building. During 2008/09 a first mixed community housing project will be launched on a pilot basis.

237. Two new housing loan schemes will be developed by October 2008. The first scheme will facilitate owners of affordable housing units to gradually expand their home. To ensure that the incomes of these residents grow sufficiently to take advantage of this new scheme, the Empowerment Programme will assist them to upgrade their skills and find placements.

238. The second scheme is aimed at middle income working couples who are first time home owners. The programme will rely on commercial banks to provide a mortgage. To make the payments affordable, the mortgage will be stretched over a period of up to 35 years and the Social Housing Fund will subsidise the initial monthly payments so that the couple does not pay more than 35 percent of their total monthly income.

RODRIGUES

239. Mr Speaker, Sir, Rodrigues must share in the fruits of reform and contribute to the national development effort.

240. Rodrigues will also actively participate in our new initiatives for MID, food security, education, housing, SME's and the eradication of poverty. We particularly look to Rodrigues to expand its agricultural production as part of our national efforts for food security and welcome the bumper harvest in maize this year.

241. Government is working closely with the Rodrigues Regional Assembly (RRA) to invest heavily in infrastructure. In 2007/08 we have provided an amount of Rs 100 million in addition to the initial allocation of Rs 275 million for road projects, desalination projects, desilting and dredging works.

242. This year we have provided Rs 300 million for capital projects.

243. Government is mobilizing assistance from the Agence Francaise de Developpement (AFD) to look into the various alternatives for addressing

the acute problem of water shortage in Rodrigues, including the Pistache Dam.

244. We are also working with the RRA to provide the same digital TV service to Rodrigues as is available in Mauritius.

245. A committee comprising the RRA and relevant ministries will look at means of maximizing tourism to Rodrigues including the feasibility and financing for extending the runway for bigger aircrafts to land. Meanwhile, we are injecting Rs 75 million in the share capital of Airport of Rodrigues Limited to enable it to meet international safety standards.

246. We are also investing in upgrading skills. The Empowerment Programme is encouraging small farmers and former fishers in Rodrigues to expand production of goats and pigs. Following the swine fever epidemic in Mauritius, expanded pig supply from Rodrigues is contributing to the rehabilitation of the sector in Mauritius.

BUDGET OUTTURN AND OUTLOOK

247. Mr Speaker, Sir, I will now sum up the Budget Outturn for 2007/08 and the Estimates for 2008/09 and indicate the fiscal outlook.

248. As announced last year, we are consolidating our fiscal accounts on the basis of the Government Finance Statistics 2001. In line with this classification, the operating expenditure for 2007/08 is estimated at Rs 55.1 billion or 22.3 percent of GDP. Capital spending in the old definition amounts to Rs 11 billion.

249. As regards revenue, we expect an amount of Rs 46.4 billion from taxes, only Rs 673 million from grants and Rs 5.1 billion from other non-tax revenue. Total revenue will thus amount to Rs 52.2 billion or 21.1 percent of GDP.

250. As regards the Estimates for 2008/09, the operating expenditure is estimated at Rs 63.5 billion next year or 22.6 percent of GDP. Expenditure on acquisition of non-financial assets estimated at Rs 7.1 billion, representing 2.5 percent of GDP. Capital expenditure in the old definition is Rs 12.1 billion.

251. As regards revenue, we expect an amount of Rs 50.7 billion from taxes, Rs 4.0 billion from grants and Rs 6.9 billion from other non-tax revenue. Total revenue will thus amount to Rs 61.6 billion or 21.9 percent of GDP.

252. The gross operating balance is estimated at negative Rs 1.9 billion, equivalent to negative 0.7 percent of GDP. The net borrowing requirements of Government will be Rs 9.3 billion, representing 3.3 percent of GDP.

253. In terms of the previous framework, the overall deficit for 2007/08 will be contained to the budgeted 3.8 percent of GDP. The deficit is estimated to continue its downward path as it is projected to reach 3.3 percent of GDP in 2008/2009.

254. As a result, Government Debt continues on a downward trajectory to an expected 50.7 percent of GDP at end June 2008 from 52.9 percent of GDP at end June 2007. Similarly, Public Sector Debt has fallen by 3.9 percent of GDP over the last year.

TAX POLICY

255. Mr Speaker, Sir, over the last two years, our bold reforms have overhauled our tax system and so this year we will continue on the path of making the tax system, simple, fair, transparent and rules based. This will further open the fiscal space required to restructure our economy and finance the programmes I have announced today. Moreover, our continuing tax reforms will facilitate the emergence of a fully-integrated and competitive economy.

Excise Duties

256. I am making technical adjustments to improve WTO compliance. I am shifting several items from customs duty to Excise at the same rate. This should have no incidence on price or revenue.

257. I am also reviewing excise duty on cigarettes and alcoholic beverages as follows. I am eliminating the different excise categories and replacing them by a single excise duty rate of Rs 2,200 per thousand cigarettes. The proposed rate incorporates the customs duty element which is being abolished on cigarettes.

258. For alcoholic beverages the technical adjustment only marginally affects prices, with some going up and others lowered by small amounts. The overall impact on Government revenue will be neutral with the reduction in tariffs offset by an increase in excise duty.

GAMBLING TAX

259. The taxation system on Casinos and Gaming Houses is being reviewed to support the development of a leisure, hospitality and entertainment industry. We will develop a global and holistic approach that will also tackle the issue of proliferation of gaming activities.

REGISTRATION DUTY ON IRS AND LAND TRANSFER TAX

260. I am reviewing the rate of registration duty payable on acquisition of an IRS residence to a rate of 5 percent on the value of the property or US\$ 70,000, whichever is higher.

261. I am closing a loophole to make transfer of shares in companies holding immovable property subject to land transfer tax.

262. I am introducing new rates of land transfer tax for large transactions where the value of the land exceeds Rs 50 million. The new rates will be 15 percent where the transfer is made within five years from the date of acquisition and 10 percent in other cases.

VAT

263. I am zero rating pharmaceutical products for VAT purposes.

MISCELLANEOUS MEASURES

264. I am proposing to bring through the Finance Bill and by way of Regulations a number of amendments to revenue and related laws to plug identified loopholes, improve tax compliance and administration and streamline certain provisions. We are also taking action to close loopholes related to property transactions, valuation and registration. I will mention here only the salient ones.

265. To correct an anomaly, as from 1 July 2008, excise will be due for both locally manufactured and imported products upon the validation of the declaration at customs.

266. We are allowing the MRA to provide aggregated statistical data to the CSO whilst fully protecting confidentiality and from the MRA to BOI in cases of fraudulent declarations by non-citizens applying for occupation permits.

267. We are aligning policy on industrial sites and campement leases.

ESTIMATE OF SUPPLEMENTARY EXPENDITURE

268. To meet our objectives and rise to the many challenges I have spoken of, clearly requires a large amount of investment. Taking account of the constraints imposed by the PRB in the 2008/09 budget, it would not be possible to undertake these expenditures without losing large amounts of grants from our development partners. In the face of this dilemma our options were as follows:

- (i) Postponing much needed investment in our people and public infrastructure;
- (ii) Sharply raising taxes including VAT, as was done in the past;
- (iii) Cutting spending across the board including on social welfare;
- (iv) Raising the deficit and accumulating more debt with the result of higher inflation and rising interest rates;
- (v) Using the fiscal space our reforms have earned us this year to request this House to appropriate supplementary funds this year to finance our medium term programme.

269. This year, our tax policies and reforms have generated about Rs 4 billion of revenue more than estimated. Moreover, lower debt service has resulted in a savings of Rs 1.3 billion. These positive results have been partially offset by a reduction in grants from our Development partners, essentially the EU, to the tune of Rs 2.3 billion reflecting the postponement of the date at which the EU evaluated our reform programme.

270. Mr Speaker, Sir, I am, therefore, shortly submitting to this House an Estimate of Supplementary Expenditure (ESE) to appropriate about Rs 4.5 billion for 2007/08. After taking into account this ESE, the deficit for this year would be contained to the programmed 3.8 percent of GDP. We shall, thus, be able to honour our pledge to our children whilst respecting our commitments to our development partners and continue to benefit from the considerable external support our reform programme has generated.

271. The Rs 4.5 billion are essentially intended for the following:

- (i) Rs 1 billion for equity to modernize and expand the airport;
- (ii) Rs 1 billion for the MID Fund;
- (iii) Rs 1 billion for the Human Resource, Knowledge and Arts Fund; and

- (iv) Rs 1 billion for the Food Security Fund;
- (v) Rs 250 million for Productivity Improvement Programme;
- (vi) Rs 120 million for the Local Infrastructure Fund; and
- (vii) Rs 75 million for equity in Airport of Rodrigues.

272. Mr Speaker, Sir, this is indeed a very judicious use of the available fiscal space unlocked by our reforms to secure the future of the nation. It will allow us to upgrade the capacity of our people and our physical infrastructure.

PURCHASING POWER

273. Mr Speaker, Sir, we have implemented bold reforms to build the economic and financial muscles to face all kind of adversity and to be able to better protect the most vulnerable against the various shocks that keep coming our way. Now that we have built the fiscal space, it is our responsibility to share with those at the lower rungs so that they can face the future with more serenity and confidence. We also need to give more support to those who are making efforts to provide for their family and yet facing difficulties to make ends meet. And Government will also walk the extra mile to give greater protection to the purchasing power of our consumers.

274. Mr Speaker, Sir, I am announcing a series of measures destined to improve the living standards of the population, to protect purchasing power and to give some relief to those with special needs.

275. First, the Sale by Levy Solidarity Fund will be extended to cover cases of families with household income less than Rs 7,500 per month who face difficulties to service their mortgage following the death or serious incapacity of a wage earner.

276. Second, the Human Resource Development, Knowledge and Arts Fund will provide a full scholarship for all students attending or admitted in courses at tertiary institutions in Mauritius, with household income not exceeding Rs 7,500 per month who face severe hardship following the death or serious incapacity of a wage earner.

277. Third, I am providing a sum of Rs 1.5 million to the Shelter for Women and Children in distress.

278. Fourth, I am increasing the provision for the “Protection against Child Exploitation” to cater for an increase in the daily capitation grant

payable to charitable institutions by 20 percent and to pay for an increase in the number of children placed in charitable institutions from 122 to 186.

279. Fifth, we will encourage single mothers who are recipients of social aid and have dependent children to seek employment. A special allowance will be provided to enable them to place the children in a day care centre. They will continue to benefit from social aid as long as the total income and social aid payment do not exceed Rs 7,500 per month.

280. Sixth, I am doubling the provision for “Women and Children’s Solidarity Programme” to Rs 50 million. In addition to the items covered last year, the programme will cover support for kids with a parent serving a sentence in prison.

281. Seventh, Government wants to help NGOs assisting patients afflicted by cancer and Alzheimer. I am providing Rs 500,000 each to Link to Life and the Alzheimer Association.

282. Eighth, I am increasing the provision to NGO schools and day care centres for disabled children with special education needs, like APEIM, APDA and CEDEM, by 20 percent.

283. Ninth, I am also providing fund to the Ministry of Social Security for a 20 percent increase in the capitation fee for elderly persons in charitable institutions.

284. Tenth, Government is concerned about the growing threat from HIV/AIDS. We are working in close collaboration with NGOs and with support from UNAIDS and the World Bank to implement the National Multi-Sectoral HIV and AIDS Strategic Framework. I am increasing the overall spending on this item by 50 percent from Rs 32 million to Rs 48 million. Within this amount, I am providing funds to allow NGOs on the frontline to expand their reach. PILS will receive Rs 1.5 million, Chrysalide Rs 1.2 million and Idriss Goomany Centre Rs 1 million. In addition the HIV/AIDS and Substance Abuse Programme, available to support NGOs campaigns, is being expanded from Rs 10 million to Rs 15 million. The additional funding should

- (i) increase the number on anti-retro-viral treatment to 500 from 300 last year;
- (ii) allow 2,000 users to benefit from needle exchange compared with 700 last year; and

- (iii) place 2,500 on Methadone substitution therapy compared with 700 last year.

285. Eleventh, I am providing a one off capital grant of Rs 2 million each for the construction of Cultural Centers. We are also increasing funding for the Aapravasi Ghat Trust Fund and the Le Morne Heritage Trust Fund.

286. Twelfth, in view of the pressure on purchasing power of pensioners due to food inflation, Government will not align Basic Retirement Pension with retirement age and will continue to pay this to those aged 60 and above.

287. Thirteenth, we are giving a 9 percent increase, more than the full compensation for inflation, to all beneficiaries of Basic Retirement Pension, Basic Widows Pensions, Basic Invalidity and other pensions and social aid programmes. I am providing Rs 8.1 billion to cover the cost of these items.

288. Fourteenth, I am making a special effort for fishermen by raising the bad weather allowance to Rs 200, that is, an increase of almost 20 percent. I am also increasing the support to the FIT by an additional Rs 15 million to assist it to undertake sea food related projects on commercial lines in partnership with the private sector.

Customs tariff

289. Mr Speaker, Sir, I come to the fifteenth measure. Last year, I indicated that our local manufacturers needed more time to restructure to be globally competitive. In addition to a one year respite I provided financial resources to assist firms and this year Government is expanding assistance through the Manufacturing Adjustment and SME Fund.

290. This sets the stage for me to support the purchasing power of the population by cutting tariffs.

291. I am abolishing customs duty on almost all foodstuffs including

- Canned tomatoes, peas, sweet corn, mushrooms and other vegetables
- Chicken burger and nuggets
- Noodles
- Sausages, salami , ham

- Chicken
- Eggs
- Yogurt, Buttermilk, Curdled milk
- Peanut butter, salted nuts and ground nuts
- Fresh, dried and canned fruits
- Fruit juice
- Fruit jams, jellies and marmelade
- Tomato ketchup
- Soya sauce, oyster sauce, fish sauce, chilli sauce
- Mustard flour, Soups
- Snacks, cheese cakes and pastry
- Sugar confectionery
- Biscuits and wafers
- Rusks and toasted bread

292. Sixteenth, I am lowering customs duty on articles commonly used by households,

- from 30 per cent to 15 per cent for primary cells and batteries and washing products such as detergents, soap and washing powders; and
- from 15 per cent to zero per cent for blankets.

293. Seventeenth, I am bringing down duty on articles of toiletry and personal care as follows:-

- from 30 per cent to zero per cent on hair dyes;
- from 30 per cent to 15 per cent on powders; Lip and eye make-up preparations; Manicure and pedicure such as nail varnish; Soaps and Shampoos; Deodorants and antiperspirants, after shave lotions; Body and skin lotions and oils.

294. Eighteenth, the rate of customs duty on envelopes, letter cards, box files, letter trays, exercise book, registers, account books, scratch cards, greeting cards is being halved to 15 percent.

295. Nineteenth, in our efforts to protect our citizens from the high price increases on a number of items commonly used in the construction of their house, I am lowering duty on the following:-

- from 30 per cent to 15 per cent on doors, windows, blinds, paints, laminated glass and glass mirror.
- from 15 per cent to zero per cent on ceramic tiles, carpets, laminated flooring of wood; plugs, sockets and electrical fittings.

296. Twentieth, I am extending the tariff cuts to zero on spare parts and accessories for motor vehicles and eliminating tariffs on renewable energy related spare parts and items related to photo voltaic cells.

297. Twenty first, I am also removing customs duty on double space cabin vehicles without rear bed-caisson and all single space cabin vehicles for

- small sugar cane planters;
- vegetable growers;
- flower growers;
- fruit growers;
- fishermen's cooperatives;
- poultry farmers;
- pig breeders;
- cattle breeders; and
- SMEs registered with SEHDA with turnover of at least Rs 3 million that have been in operation for at least two years in
 - a. furniture making,
 - b. light engineering or

c. footwear manufacturing.

298. These reductions in customs duties will increase purchasing power of the population by Rs 1.8 billion, equivalent to a reduction of VAT of one and a half percentage points.

299. The recent PRB report will further inject Rs 5.3 billion into the economy once fully implemented, thus considerably increasing liquidity at a time when the economy already faces imported inflationary pressures. To mitigate the pressure on prices and to encourage savings, Government is issuing new inflation indexed savings instruments with maturity of 3, 4 and 5 years.

300. Mr Speaker, Sir, there have been many appeals to raise the income tax thresholds in the wake of the PRB report. I must highlight that the PRB report always imposes a heavy burden on public finances making such adjustments difficult. Indeed, the last PRB report was NOT accompanied by any adjustment in tax thresholds. Moreover, this PRB report has been significantly more generous than the previous one. The previous report cost 1.4 percent of GDP and this one 2 percent of GDP. Nevertheless, despite the fiscal costs, I have decided to act.

301. Therefore, Mr Speaker, Sir, my twenty second measure is to adjust the income tax threshold to help compensate for the loss of purchasing power of all taxpayers. I am increasing the exemption threshold by Rs 25,000 in respect of all four previous categories of tax payers.

302. Furthermore, Mr Speaker, Sir, I have not forgotten my commitment to review cases of a small percentage of genuine PAYE taxpayers who may have become worse off with the new system. Some categories of pensioners have been found to be liable to tax or have a higher tax bill under the new system, following the restoration of the BRP to all pensioners.

303. My twenty third measure, accordingly, is to correct this situation by introducing two special income exemption thresholds for retired persons who have reached the statutory retirement age and stopped working.

304. For the new Category E taxpayers, that is retired persons who do not have any dependent, the threshold will be raised from Rs 215,000 to Rs 285,000.

305. The threshold for the new Category E taxpayers, retired persons with one dependent, I am raising the threshold from Rs 325,000 to Rs 395,000.

306. Twenty fourth, we currently provide food aid at Rs 85 per head to some 40,000 beneficiaries and income support at Rs 40 to some 60,000. We are raising this assistance to Rs 100 per month for all 100,000 beneficiaries. A large majority of these beneficiaries will, thus, receive an increase of 150 percent.

307. Twenty fifth, DBM is introducing a one off, time bound for one year, special scheme to facilitate settlement of arrears. This scheme covers artists, tailors, fishers, small sugar cane planters, tea planters, vegetable planters, fruit growers, potato and onion planters, cattle breeders, dairy farmers, pig breeders, furniture makers, small traders, hawkers, small shop owners and other micro business owners in Mauritius and Rodrigues. It is limited to those who have contracted loans of up to Rs 200,000 before April 2003 and whose accounts have been in arrears for at least five years. The scheme will remove a millstone on those whom circumstances trapped in a position where they can no longer have access to finance. Removing this burden will give them a second chance.

308. The DBM is exceptionally providing a full waiver of the penalty.

309. The DBM is also fully waiving the interest accumulated.

310. For those with initial loan amounts of less than Rs 50,000, half of the capital left will also be written off.

311. For those with initial loans between Rs 50,000 and Rs 200,000, the DBM will reschedule the payment of capital over one year with a moratorium on interest.

312. On average the benefit for those with loans below Rs 50,000 is equivalent to 85 percent of total liabilities and for the others about half. The amount being written off is about Rs 550 million. This is a one off. There is no reason for such debts to accumulate in the future or to be forgiven again given the provisions of the Protection of Borrowers Act and a computerized data base together with a shift to a performance culture in the Public Sector as ushered in by the recent PRB report.

313. In the spirit of protecting purchasing power, I would like to use the opportunity provided by the PRB report to assist the 106,000 individuals and about 300,000 citizens covered by the report. Government has accepted the recommendations of the PRB report in toto. This calls for 75 percent to be paid this year and the remaining 25 percent next year.

314. Mr. Speaker, Sir, I would like to inform the House that granting the 75 percent tranche for this year as recommended by the PRB would cost us

1.4 percent of GDP, as much as the full report last time, which was phased in over two years and accompanied by an increase in VAT.

315. Mr. Speaker, Sir, I am delighted, however, to have been able to find the fiscal space, without any increase in VAT, to fulfill the Prime Minister's wish to implement 100 percent of the PRB report on 1 July 2008.

316. Mr Speaker Sir, to sum up, the larger fiscal space we have created through the reforms are allowing us today to spend

- Rs 1 billion on our airport
- Rs 1 billion on the Maurice Ile Durable endeavour
- Rs 1 billion on building food security
- Rs 1 billion on education and knowledge
- Rs 1 billion on Eradication of poverty and widening the circle of opportunities.
- Rs 500 million on industry to boost manufacturing and further develop the SME sector, and
- Rs 500 million on housing for the poor and low and middle income.

317. Our reforms are also enabling us today to make good our promise to the population to put the economy back on the right track, restore public finances and share the gains from the recovery with all the population, especially the weakest.

318. Mr Speaker, Sir, implementing the full PRB in one year without increasing VAT and while reducing the deficit is immediately increasing the purchasing power and improving the quality of life of more than 100,000 employees and around 300,000 of our fellow citizens.

319. The increase in food aid to Rs 100 reaches out to around 100,000 of our beneficiaries.

320. The writing off of the old non-performing loans at the DBM is a measure that releases 8,000 in Mauritius and 1,300 in Rodrigues from the trappings of debt. These families can now take full advantage of the new economic dynamism to start afresh.

321. Our tax reforms have taken 36,000 individual income earners out of the tax net, lowered the tax burden of close to 25,000 persons.

322. Mr Speaker, Sir, before concluding, I would like to express my appreciation to all those who have positively responded to our requests for views and suggestions, in particular the NGOs, various organizations and professional groups and many of our citizens. I would like also to thank my colleague Ministers and fellow parliamentarians who have provided their advice and insights.

323. I would like to express my sincere gratitude to the Prime Minister who has given me very useful support and guidance in the preparation of this Budget. Finally, let me thank the staff of my Ministry for their hard work and diligence.

CONCLUSION

324. Mr Speaker, Sir, we have gone through three years of socio-economic statecraft – reforming for prosperity and social upliftment for all.

325. Without reforms our economy would have suffered the full blast of preference erosion and continued its decline to lower GDP growth, lower income, higher unemployment, and rising debt and deficit. We would be today continuing to write all the indicators with red ink.

326. Our reforms have saved our economy, our country and our population from these bleak odds. We were criticized when we introduced reforms and changed development course. But we stood our ground, with the firm conviction that if we did not we would be in dire straits. Looking at the future of our children and their children, we shunned cheap politics, reckless demagogy and irresponsible populism. We stayed firmly on the path of reforms. Today we are vindicated by the results.

327. Last year we had an early harvest. This year we are seeing a bumper crop. Under the old development model, the PRB award amounted to 1.4 percent of GDP, to Rs 2.3 billion paid over two years. In our new paradigm, we can afford a PRB award of 2 percent of GDP, costing Government Rs 5.2 billion implemented in full in one year, without raising VAT and without increasing the budget deficit. In fact we did all this whilst reducing taxes equivalent to a one and a half percentage points of VAT.

328. Our reforms have also created fiscal space to do more to eradicate absolute poverty, to improve access to education and empower our men, women, and youth, to provide higher quality health care, give more

protection and support to the vulnerable and to our elderly, increase disposable income, and broaden opportunities for small entrepreneurs.

329. Mr Speaker, Sir, our reforms are indeed as sweeping in scope as they are balanced in approach. The results we are seeing affirm our conviction that prosperity is found where everyone dares and where everyone does his best. This fundamental value is what should be at the root of all we do.

330. Together, let us continue on the path of reforms, so we can build an AMIGO Mauritius that is Attractive, Modern, Inclusive, Green and Open.

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