The 2012 Budget cuts across four main objectives, that is, setting the basis for strong growth, riding out the crisis, improving social protection, and fiscal reform. It sets out a more intensive approach for export promotion and market development, promotes further the opening of the economy and makes ‘bold’ adjustments to tax policy in a bid to promote growth and social justice. For Mr. Duval, the budget promises to take the country ‘a stride closer to the full democratisation of the economy’ while the institutional reforms announced are to further embed efficiency and good governance.

A number of measures have been announced to boost investment and growth. These include maximising the synergies among public as well
as private institutions, seeking new markets for our various products, identifying and consolidating new poles of growth, attracting more FDI and widening the network of Double Taxation Avoidance Agreements and Investment Promotion and Protection Agreements with African states.

As regards taxation, the Capital Gains Tax is being abolished while the Tax holiday of Freeport operators due to end in 2013 will continue indefinitely. Moreover the income tax exemption threshold has been raised by Rs 15 000 for all categories. A tax of 10 cents per message on SMS and MMS is being introduced.

A special package has been worked out for enhanced support to the SME sector which accounts for 37% of the Gross Domestic Product. The measure that stands out is availability of finance at affordable costs, an interest rate of 8.5% on loans to SMEs having been negotiated by government with the banks.

Other areas of focus include social housing and training for youth and women for employability and economic empowerment.

### 2012 Budget - The figures

**Projections for 2012**

The 2012 budget will raise revenue of Rs 76.9 billion of which Rs 16.4 billion will be from income taxes, Rs 44.4 billion from indirect taxes, and Rs 3.4 billion from grants and other budget support. Expenditure will amount to Rs 90.5 billion.

As a result, the budget deficit for 2012 will be 3.8 percent of Gross Domestic Product. The growth rate is forecast at 4 percent while the public sector debt to GDP ratio will be brought back to 54.1 percent.

**Estimates for 2011**

- GDP growth rate: Around 4.2%
- Unemployment rate: 7.8%
- Inflation rate: 6.5%
- Budget deficit: 3.8%
- Public sector debt: 54.2%
The 2012 Budget allocates Rs 2.6 billion to the Ministry of Agro Industry and Food Security, which represents an increase of Rs 700 million compared to year 2011.

A series of measures have been announced to consolidate the agro sector. These include:

- The Sugar Insurance Fund Board (SIFB) will grant a 70% discount on premiums due for 2011 as a measure of support to sugarcane planters. This will help reduce costs by around Rs 3 000 per arpent. New policies will be offered as from next year which will bring further cuts in the premiums.
- Full VAT refund on agricultural machinery, equipment, and tools purchased in 2012 by planters and breeders.
- The payment of an 80% advance to sugar planters whose crops are sent to the mill is being maintained.
- Rs 310 million are being committed for continuing the programme of re-grouping small planters, derocking of land and providing irrigation wherever needed.
- Institutions financed by the sugar cess will be merged, with an estimated savings of Rs 287 million per year to planters.

Non-sugar agriculture sector

- Increase by about 50% to Rs 150 million of the budget for food security. Rs 22 million will be direct allocations to Rodrigues.
- Seed purchases to be financed by the Agricultural Marketing Board so that there can be greater supply of potatoes, onions and garlic.
- Resources will be committed so as to improve market intelligence to farmers. Crucial to avoid under-production that leads to rise in prices for consumers and over-production which depresses farmers’ income and threatens future output.

Agri technology and bio fuel

In order to usher in a new era of agri technology and bio fuel the 2012 Budget makes provision for the setting up of a framework to enable production of sugar cane ethanol blending with gasoline. This will at the same time bring environmental benefits and increase self-sufficiency in energy.
Small and medium enterprises (SMEs) represent some Rs 120 billion worth of output, and employ around 250,000 people. To uphold SMEs in the midst of the global financial crisis, the 2012 Budget lays out several measures.

Following negotiations with Government, participating commercial banks have agreed to operate a scheme to provide credit to SMEs at a fair rate. Under this scheme, Rs 3 billion will be released over three years at an affordable interest rate of 3% above the repo rate, that is, 8.5%.

The main features of the scheme are:

- New overdrafts and bank loans as well as renewal of existing facilities at the rate of 8.5%
- All processing costs and related charges will be waived
- A guarantee instrument provided by the Equity Fund to offer risk cover amounting to 35% of every loan and overdraft
- Banks to be allowed to claim the deduction from tax, in respect of SME bad debts without the need to have recourse to the courts.

Other measures to shore up SMEs comprise:

- Provision of new loans by the Development Bank of Mauritius capped at the repo rate plus 3%, that is 8.5%
- Abolishing the inscription fee levied on registered loans
- Removing registration duty which ranges from Rs 1,000 to Rs 10,000 on loans not exceeding Rs 1 million with a reduction in charges to cover only processing costs of Rs 1,000
- The setting up of an additional 175 units of 500 square feet each in industrial estates at five sites for SMEs’ activities such as mechanics, carpenters, metal workers, manufacturers and furniture makers. Government will give a discount of 50% on the rental in the first three years.
- Amending the law to provide for at least two SMEs in the short list of restricted bidding for procurement of up to Rs 5 million. For low value procurement of up to Rs 500,000 per contract subject to restricted bids, the Public Procurement Office will issue a directive to include at least one SME in the shortlist. Bidding documents in respect to Government contracts will also be simplified to encourage SMEs to submit bids; and
- A grant of up to a maximum of Rs 100,000 per year to finance SMEs’ participation in international fairs.

In addition, a monthly financial assistance of Rs 20,000 will be granted to entrepreneurs in the first year of operation to cover their living expenses, provided they have an innovative proposal approved by the Mauritius Business Growth Scheme (MBGS). This will be integrated into the assistance provided by MBGS for business services, and repaid on the same terms.
The 2012 Budget affirms that the tourism sector will have to stick to its basics by re-adopting a three-pronged strategy focused on attractiveness, visibility and accessibility. So as to uphold the reputation of the destination, an official rating system of hotels will be developed.

The Tourism Authority will put in place a rating system for hotels and introduce a voluntary Green certification which hoteliers may display and thereby gain a marketing advantage.

Promotion campaigns in traditional markets will be intensified while fully exploiting the growing potential on new markets.

The Tourism Authority will be allocated Rs 25 million to resume its comprehensive cleaning and embellishment programme. A provision of Rs 13.5 million is made to intensify the control of the population of stray dogs by the MSPCA, which represents an increase of Rs 10 million over last year.

The 2012 Budget also makes provision for the setting up of a framework of new high value-added industries as a completely new sector in Mauritius’ economic landscape and tourism industry by tapping into commercial marinas.

In order to encourage medical tourism, VAT exemption on cosmetic surgery is being restored.

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**Government is investing heavily in citizens’ education and in improving the skills and competencies of its workforce. The budgetary commitment to education and training has increased from Rs 9.8 billion in 2011 to Rs 10.7 billion in 2012, an increase of some 10 per cent.**

**Highlights**

- Extension of the pre-primary education grant so far applicable to children aged four to cover three-year olds
- A Summer School Programme to deal with the high percentage of failure at CPE level
- The grant in aid to Special Education Needs schools is increased by 25 percent
- Access to ‘crèches’ to some 2 000 children in Mauritius and Rodrigues
- Allocation of Rs 500 000 to each Government school in Mauritius and Rodrigues for renovation and upgrading
- Introduction of Sponsored Pre-job Training Initiative
- Contribution to Human Resources Development Council by employers to be available for training existing employees and prepare youth for employment under specified conditions
- Training courses in hospitality on cruise ships to be run by Sir Gaëtan Duval Hotel School
- Courses on basic marine safety, fire fighting and elementary first aid to be offered by the Mauritius Maritime Training Academy
- State Land Development Company to reserve land next to the Knowledge Triangle in Réduit for campuses of renowned foreign tertiary education institutions
The 2012 Budget makes provision to invest in new technologies to better harness the economical potential of our marine resources and to improve the standard of living of fishermen.

Main measures

- A sum of Rs 10 million is being provided to replenish the country’s lagoons with at least 300,000 fish fingerlings, and thousands of sea cucumbers in various areas, including Bambous Virieux, Grand Gaube, Albion and Pointe aux Sables. Coral farms and reef sanctuaries will also be created.

- Provision for registered fishermen to benefit from VAT refund on fishing gear, outboard and inboard engines of up to 25 hp as well as VHF radios.

- VAT on semi-industrial fishing vessels used by fisherman grouped in cooperatives is being refunded. 10% customs duty on refrigerated vehicles is being removed.

- Setting up of an exchange programme with Rodrigues Fisheries Protection Service to share knowledge and skills.

A modern and cutting edge health care system

Government is committed to provide a modern and cutting edge health care system to the population with much emphasis on cure and rehabilitation.

To this end:

- Provision is made for the recruitment of 300 nurses in a bid to improve healthcare.

- The grant under the Overseas Treatment Scheme will increase from Rs 200,000 to Rs 500,000 for patients who need to go overseas for treatment but cannot meet the costs. The air ticket for one person accompanying the patient will henceforth be delivered by the Ministry of Health and Quality of Life as a one-stop service.

- The sum earmarked for the rehabilitation of alcoholics and drug addicts amounts to Rs 51 million, representing an increase of 70%. This will reinforce the capacity to combat drug abuse, alcoholism and addiction to tobacco.

- Excise duty rates are being increased to Rs 25.20 per litre and Rs 54 per litre on fruit wine and made wine respectively in a bid to eliminate the abuse of alcohol and tobacco smoking. Duty on other alcoholic drinks has gone up by 10 to 30% and by 15% on cigarettes and cigars. However, VAT on gums that are used as substitute for smoking has been removed.

- More funds will be made available for the prevention of Non-Communicable Diseases, including new tobacco cessation clinics.

Another measure relates to the broadening of access to private medical care. Employees will be able to use their monthly National Savings Fund contributions as payment of private health insurance and will also have the possibility to opt for private medical care for themselves and their family.
The 2012 Budget lays special emphasis on social housing in line with Government’s vision to enhance the lives of vulnerable families through greater social justice and improve their living conditions.

The necessary resources are being committed to ensure that all 44 National Housing Development Company (NHDC) housing estates have a functional syndic. For 2012, Government will contribute Rs 200 per housing unit per month to set up a syndic in all NHDC estates, except for the three middle-income ones.

A scheme for the setting up of not-for-profit Housing Development Trusts so as to give a boost to the construction of more housing units is also being introduced. The Trusts will mobilise resources from the CSR fund of companies to meet one third of the costs. Government will bear another one third of the costs and will provide for the offsite infrastructure if the project is within an agreed distance from existing infrastructure.

Other measures include:

- Resources for the rehabilitation of the wastewater disposal system of housing estates; rehabilitation of water supply on 15 NHDC estates; and waterproofing works in housing estates at Rose Belle and Palma.

- Maximum assistance will also be provided so that low-income families can afford houses being constructed by Government. Families earning less than Rs 10,000 will pay only the final third of the cost. To kick start this project the State Land Development Company will provide 4 arpents of land at Dagotière for the construction of 50 units.

- The NHDC has identified 160 arpents under the Prime Minister’s deal with the sugar industry. This will enable the Company to accelerate its own programme to construct 1,000 units. For low-income families, earning less than Rs 10,000 per month, the same conditions will apply as for the Housing Development Trusts. Government is also committing Rs 1.5 billion to the Social Housing Development Fund.

- The NEF will expand its scheme for concrete cum Corrugated Iron Sheets (CIS) houses, constructed on beneficiaries’ own land, to 600 units including 400 in Rodrigues. Another 600 units will be added under the CIS scheme as emergency housing.

- As regards some 2,000 families in ex-CHA housing estates with limited revenue, Government is granting them the land on which their houses stand free of charge. A payment of Rs 2,000 representing the cost of the land will be waived.

- For middle-income earners, the land transfer tax is being removed for the next two years on the construction of housing estates comprising at least five units, at a maximum price of Rs 2.5 million each. First-time buyers will be fully exempted from registration duty when purchasing a home under that scheme.
The 2012 Budget has earmarked a sum of Rs 318 million in the context of the Maurice Ile Durable initiative (MID) which is about securing sustainable development.

Out of this amount:

- Rs 118 million will be invested in renewable energy
- Rs 100 million in solar water heaters
- Rs 100 million in the MID Fund

Moreover, to discourage the proliferation of billboards which are considered as eyesores for the environment, the fee on these structures is being increased and will be between Rs 30,000 and Rs 70,000 per annum. The collection of the fees, which is currently being done by the local authorities, will now be entrusted to the Mauritius Revenue Authority.

As regards electricity, provision is being made to extend from 2 megawatts to 3 megawatts the scheme for purchase of electricity from Small Independent Power Producers.

For the water sector, Government is investing Rs 468 million to replace some 145 kilometres of water pipes.

So as to further promote the composting of solid waste, the volume of waste earmarked for this purpose will grow from 90,000 to 190,000 tonnes a year.

In a bid to prevent the degradation of the environment by wastewater, Rs 1.4 billion will be invested to connect some 5,000 additional houses to the public sewer system. A sum of Rs 95 million has been committed to address environmental degradation in nine vulnerable coastal areas.

ICT is the emerging sector that shows one of the largest GDP growths over the years and is offering tremendous employment opportunities.

To facilitate further the development of the sector, the 2012 Budget makes provision for:

- The coming into operation of a second undersea fibre optic cable, LION 2 by mid-2012 to ensure continuity of service at all times
- The opening of connectivity to give long distance telecom operators the right of access to connect to international gateways via the two landing stations thereby enabling businesses to connect to multiple service providers
- Amending the ICT Act to allow the Information and Communication Technologies Authority to intervene more effectively thus ensuring competition and competitive pricing of services
- The development of human resources with delivery of occupation permits to workers in the ICT/BPO earning more than Rs 30,000
### MAIN BUDGETARY MEASURES

#### Taxation

**Highlights**

- Increase of Rs 15,000 in Income Exemption Threshold for all categories
- Incentive Scheme for VAT Registration to run for period January 2012 to June 2012 for persons in business, service providers and professionals not already registered for VAT
- Companies with turnover below Rs 2 million per annum to be exempted from filing quarterly returns and pay tax under the Advance Payment System
- Existing solidarity levy on telecommunication companies extended to end 2013
- Banks to be allowed to claim bad debts in respect of SMEs as deductible expenses without having prior recourse to legal action
- Corporate Social Responsibility (CSR) to be computed on 2% of chargeable income instead of 2% book profit
- Tax holiday of Freeport operators due to end in 2013 to continue indefinitely
- Abolition of solidarity income tax on dividends and interest income as from January 2012
- Land transfer tax removed in the case of:
  - Sale of immovable property by financial institutions relating to debt recovery, provided the property is sold within 12 months from acquisition date
  - Construction of housing estates comprising of at least 5 units, at a maximum price of Rs 2.5 million
- First time buyer exempted from registration duty on purchasing a home under housing estate scheme
- Abolition of inscription fees levied on registered loans to SMEs

#### Sports and Leisure

The 2012 Budget highlights the positive impact of sports on culture, health, the economy as well as on national unity. To ensure that more sports men and women unleash their potential, provision is made:

- To extend the programme of the Trust Fund for Excellence in Sports to 250 athletes next year. The disciplines covered will increase from eight to 12
- To increase the budgetary allocation to the Trust Fund for Excellence in Sports from Rs 3.8 million to Rs 12.5 million
- To allocate Rs 4.5 million to award six scholarships annually to promising youth to train overseas. The scholarships will cover living expenses and coaching fees abroad and will be administered by the Trust Fund for Excellence in Sports.

Also, a Mauritius Schools Football League will be set up so as to ensure more leisure and sport opportunities for school-goers. Saturday inter-school tournaments among secondary schools will be organised by this League.

In a bid to encourage the private sector to employ high level athletes approved by the Ministry, companies employing these athletes will now be allowed to pay 50% of their wages through their CSR fund.
MAIN BUDGETARY MEASURES

Judiciary

The objective as regards the justice system is to enhance efficiency and accessibility and ability to deliver justice in a cost-effective manner.

Highlights

- Raising the maximum monthly income limit for entitlement to legal aid from Rs 5 000 to Rs 10 000
- Amending the Bail Act to allow for the use of electronic bracelets
- Setting up of a Victims Assistance scheme for child victims and victims of sexual offences
- Consolidating twelve Appeal Tribunals into three, namely an Environment and Land Use Appeal Tribunal, a Revenue and Valuation Appeal Tribunal and a Regulatory Authority Appeal Tribunal to speed up decisions on appeal cases
- Allocating funds for a Court of Appeal and a High Court section of the Supreme Court
- Recruitment of 40 additional staff by the State Law Office and the Office of the Director of Public Prosecution

Local Government

Several measures are being taken in the 2012 Budget to improve planning, efficiency, management and transparency at the level of local authorities. These include:

- Setting up a Local Authorities Governance Unit
- Allocation of Rs 107 million for the setting up of three additional district councils in a bid to promote nearness and proximity between the local communities and their elected councillors
- Splitting of the twinned District Councils of Pamplemousses/Rivière Du Rempart, Moka/Flacq and Grand Port/Savanne into six
- Professionalisation of the administration and management of the pension fund of local authorities, which amounts to more than half a billion rupees. To this end, the entire amount will be entrusted to SICOM.
- All the municipalities will be consulted as regards outsourcing their tax collection to the Mauritius Revenue Authority on a voluntary basis.
The 2012 Budget paves the way for a major breakthrough for Rodrigues with the laying of a submarine fibre cable that will link the island to Mauritius, and thus to the rest of the world, and provide fast and reliable bandwidth to Rodriguans. The estimated cost of the project stands at Rs 600 million. Government will provide financing which will be reimbursed over twenty years while the Universal Service Fund will provide an annual grant to service the loan and keep prices at the levels of those in Mauritius.

Other measures in the Budget that will contribute to enhance the life of Rodriguans include:

- An increase of Rs 45 million to the Rodrigues Regional Assembly’s budget totalling some Rs 1.649 billion. The objective is to enable Rodrigues Regional Assembly to clear land for airport development and dredge access to the port.
- Airfares subsidies to Rodrigues until the end of December 2012.
- Provision of residential accommodation for families of Rodriguan patients coming to Mauritius for treatment.
- The implementation of NEF scheme for 400 units of concrete cum Corrugated Iron Sheets (CIS) houses constructed on beneficiaries’ own land.
Coastal Areas
Japan’s expertise to help mitigate climate change impact

An agreement worth over Rs 100 million in connection with the mitigation of coastal erosion, coastal spatial management plan and conservation of reef environment in Mauritius was signed between the Ministry of Environment and Sustainable Development and the Japan International Cooperation Agency (JICA) on 24 November 2011 at the seat of the Ministry, Port Louis.

The JICA is extending technical assistance for the rehabilitation and protection of coastal areas in Mauritius and will share its expertise to deal with the environmental issues, namely the sand movement at Ile aux Cerfs and Trou D’eau Douce, amongst others.

The aim is to empower Mauritius to deal with the impacts of climate change by providing technical and financial assistance. JICA’s survey team comprising ten experts is in Mauritius since last October to assist in the elaboration of the technical cooperation project for Capacity Development on Coastal Protection and Rehabilitation.

It is recalled that coastal rehabilitation and protection works have been carried out at Flic en Flac, Mon Choisy, Pointe aux Sables and Grand Baie. A sum of Rs 85.5 million has been earmarked for next year for similar rehabilitation/protection works at Cap Malheureux, Bain Boeuf, Poudre d’Or and Baie du Cap. In addition, the creation of artificial reefs at Rivière des Galets and Rivière Noire with a view to mitigating the impact of waves on the coastal zones is planned for next year.

Mauritius seeks data protection accreditation with European Union

Mauritius Data Protection Accreditation with the European Union (EU) was the object of a workshop on 24 November 2011 at La Petite Cannelle, Domaine Les Pailles. The workshop was organised by The Data Protection Office, Prime Minister’s Office, in collaboration with the Delegation of the European Union to Mauritius.

Mauritius has sought technical assistance from the EU to maximise its chances of securing the accreditation as an adequate third country in data protection with the European Union. The initiative is in line with Government’s vision to make Mauritius a regional knowledge hub and a strategic ICT destination. It will enable the country to gain recognition in the field of data protection and step up trading relations with international partners in off-shore investment services and business process outsourcing as well as promote e-government and e-commerce in Mauritius.

The objective of the workshop on Mauritius Data Protection Accreditation was to discuss the reform of data protection rules and principles in Mauritius and enable stakeholders to express their concerns, views and proposals to the EU consultant on the current legal framework for data protection in Mauritius for its compliance with EU standards. The proposals and recommendations would be incorporated in the draft amendment Bill that would be presented to the National Assembly. After the Bill is passed, the EU would then have to consider the adequacy of Mauritius.

Under the technical assistance, an EU Consultant has been appointed to advise on the review of the ICT legislation and draft amendments and recommendations to ensure the compliance of the data protection legislation in Mauritius with European Union’s standards.

Mauritius has a comprehensive package of ICT Laws namely the Data Protection Act, Computer Misuse and Cybercrime Act, the Information and Communication Technologies Act, the Electronic Transactions Act, among others. Nevertheless, in the light of changes resulting from technological convergence for modern competitive ICT markets as well as in compliance with the EU directives for data protection and international best practices, the legislations have to be reviewed and revised. The adequate legislation should preserve freedom of information and data flows while creating a level-playing field for businesses as regards data protection obligations as well as protect the personal data of individuals.
The Mauritius Research Council (MRC) has opened an office in Rodrigues. The setting up of this office is in line with MRC’s responsibilities to foster, promote and coordinate research and development in all spheres of scientific, technological, social and economic activities. Capacity building and research/technology exchange programmes are scheduled to promote a robust research/technology cooperation process in Rodrigues.

The first stage in this new collaboration between Mauritius and Rodrigues rests on development assistance. It includes elements such as establishing research and development needs assessments; a clear listing of Rodriguan priorities for research/technology cooperation and development; identification of additional forms of cooperation; building of enabling environment for technology enhancement and appropriately linked capacity building schemes.

The MRC believes that this type of development assistance will play an important role in facilitating other forms of research and development, and technology cooperation between Rodrigues and Mauritius for mutual socio-economic benefit.

Mauritius-Russia 3rd Meeting of the Political Consultation Mechanism

International and regional issues were at the fore of discussions during the third Meeting of the Political Consultation Mechanism between Mauritius and the Russian Federation at officials’ level, hosted by the Ministry of Foreign Affairs, Regional Integration and International Trade on 25 November 2011, in Port Louis.

The Meeting was co-chaired by the Secretary for Foreign Affairs, Mr A. P. Neewoor, and the Director of the African Department, Ministry of Foreign Affairs of the Russian Federation, Mr Sergey Kryukov.

Issues discussed included the UN Reform, the situation in the Middle East, Terrorism, WTO, the Global Financial Crisis, regional organisations and the political situation in some countries of the region and Africa. Bilateral discussions were also held on avenues of cooperation in the fields of education, sports, tourism, culture, agro-industry and trade and investment.

The Memorandum of Understanding establishing the consultation mechanism was signed on 27 October 2006 in Moscow, and the first meeting was held on the same day. Moscow again hosted the second meeting, held on 29 June 2009.

It is recalled that diplomatic relations exist between Mauritius and Russia since 17 March 1968. The embassy of the Soviet Union started its operations during that same year. Mauritius opened its embassy in Moscow in August 2003.
The coming into operation of the ICT Academy early next year was announced by the Minister of Information and Communication Technology, Mr T. Pillay Chedumbrum at the opening of INFOTECH 2011. The Academy aims at catering for the growing demand of ICT talents and ensuring that the ICT sector has a steady pool of manpower. It will provide industry-led training to ensure that human resources requirements for the sector are adequately addressed.

Presently, in Mauritius, there are over 500 ICT/ BPO companies, including world leaders, employing more than 15 000 people in a wide range of activities including software development, call centre operations, BPO and Information Technology Enabled Services, training, hardware assembly and sales, networking and other support services.