2009 BUDGET

Steering Mauritius out of the economic crisis

Saving jobs, bolstering project realization capacity and investing massively in the public sector, giving greater protection to the population and maintaining an expansionary fiscal and monetary policy constitute the five pillars of the 2009 budget which aims at steering Mauritius out of the economic crisis through a series of measures spread over 18 months.

Presented on 22 May 2009, the budget for July-December 2009 actually revolves around saving jobs, protecting people and preparing for recovery. According to the Vice Prime Minister, Minister of Finance and Economic Empowerment, Dr Rama Sithanen, the budget launches an eighteen-month action plan for Mauritius to face the global economic crisis, the worst that has affected our country. The action plan also builds on the Additional Stimulus Package presented in December 2008, for which the resources have been increased from Rs 10.4 billion to Rs 14.2 billion. The budget also includes an investment programme projected as ‘the largest in the history of Mauritius’.

The Vice Prime Minister, Minister of Finance and Economic Empowerment also underlines that in spite of the difficult economic situation, he has avoided the ‘easy option’ of increasing the VAT or broadening its base.
**Tax exemption and SJR Fund**

The budget provides for means for enterprises in all economic sectors to take measures to save jobs. These are sometimes in the form of tax exemptions until end 2010, especially in the manufacturing sector and the hotel industry which have been the most adversely affected by the global economic downturn and where the risks of laying off workers is the biggest. Enterprises are also expected to devote foregone taxes to staff training when industrial activities slow down.

Measures to be taken to save jobs consist mainly of support given to enterprises and of all sectors to make them more competitive and ensure their survival, improve access to financing and restructure debt. These cover mainly SMEs/businesses, women, training, agro-industry, tourism, IRS, construction, ICT, financial services and the Freeport.

The Manufacturing Adjustment and SME Development Fund (MASMED) is being restructured into the Saving Jobs and Recovery Fund (SJR Fund), with a broader scope of action to support businesses of all sizes in the services, tourism, manufacturing, SME and seafood sectors. The SJR Fund will have resources of Rs 3 billion until December 2010 and the State Investment Corporation will have Rs 500 million to purchase assets of distressed companies.

**Additional Stimulus Package (ASP)**

With resources drawn from other existing Funds (Social Housing Fund, Local Infrastructure Fund, Food Security Fund) and funds foregone in certain taxes, a total amount of Rs 14.2 billion will be made available to stimulate the economy bringing the Additional Stimulus Package from Rs 10.4 billion to Rs 14.2 billion for 24 months.

It will be recalled that Dr Sithanen presented the Additional Stimulus Package in December 2008 as a mini-budget that intervenes in seven main areas among which tax policies, training and redeployment of retrenched workers, transitional support to enterprises where jobs can be saved, price reduction, public infrastructure and monetary easing, to save employment and protect the population from the consequences of the global economic scourge.

**In Figures**

For July-December 2009, operating expenses and investment in the acquisition of non-financial assets are estimated at Rs 34.2 billion and Rs 4.7 billion respectively. Total revenue for the same period is estimated at Rs 31.8 million, representing 21.3 per cent of GDP. The budget deficit would be 4.8 per cent of GDP. The budget deficit for fiscal year 2010 is estimated at 5.0 per cent and is expected to drop to 3.3 per cent in roll when the economy would be recovering.
**MAIN BUDGETARY MEASURES**

### Macroeconomic policies

- Imposition of a solidarity levy of 5 per cent of profits and 1.5 per cent of turnover on profitable companies providing fixed and mobile telephoning services over the next two financial years.
- Increase to 1 per cent special levy on profitable banks and levy of 3.4 per cent of profits for the next two financial years.
- Profitable firms to devote 2 per cent of their profits to corporate social responsibility activities geared towards fighting poverty.
- Enterprises required to build adequate reserves to mitigate unforeseen shocks.

### SMEs/Businesses

- Micro enterprises encouraged to become corporate bodies and benefit from exemption of registration duties on transfers of immovable properties. Fees payable for company registration waived till December 2010.
- Mauritian Business Growth Scheme (MBGS) to be set up for financing eligible firms to support their business growth on a cost-sharing basis.
- Emergency Export Credit Insurance Scheme to be set up to make it easier for all enterprises to obtain export credit from banks with until December 2010.
- Banks to provide extra Rs 300 million for loans to support SMEs in addition to the Rs 500 million they had dedicated to companies in difficulty under the ASP.
- Crackdown on underevaluation of imports competing unfairly with local manufacturers.
- Issues of dumping, norms and standards regarding imports to be scrutinized with the possibility of envisaging new relevant legislation.
- A new mentoring scheme to ensure sustainability of small businesses initiated by women to be introduced.
- The SJR Fund to provide for new micro-enterprise financing scheme for women.
- Work cum Training Scheme until December 2010 for manufacturing and tourism companies with reduced turnover to send their employees on training instead of laying them off. Rs 300 million are being provided to save 6 000 employees from retrenchment.

### ICT

- To offset the negative impact of the global crisis on other sectors and to consolidate resilience of ICT sector, training and placement of 2,000 School Certificate and Higher School Certificate holders to be financed by the Government.
- Further cost reductions of around 50 per cent for internet access expected by year 2011, when second underwater fibre optic cable becomes operational.
Main Budgetary Measures

**Agro-Industry**

- Food Security Fund to contribute Rs 350 million to fund projects to benefit small farmers, breeders and fishermen.
- A Food Crop Insurance Scheme to be introduced to cover some 27 food crops against damages from rains, floods, cyclones and drought. The scheme of Rs 15 million will cover around 2000 planters representing 32,000 tonnes of crops.
- A Seed Potato Purchase Scheme, for Rs 25 million, to be set up. A similar scheme to the tune of Rs 5 million will be set up for onion seeds.
- Setting up of three dairy farms to be financed to the tune of Rs 45 million for production of 700,000 litres of fresh milk as from 2010.
- Funds to purchase fibre-glass boats and for fish processing, aquaculture and modernization of farms to be provided.
- Small planters and workers to join the shareholding of all new ventures under the sugar sector reform plan with shares up to 35 per cent.
- Reduction of the amount of the cess payable by small planters by 20 per cent for crop seasons 2009/10 and 2010/11. 28,000 small planters are concerned.

**Tourism**

- Setting up of a Hotel Reconstruction Scheme for hotels who want to reconstruct until December 2010 for hotels.
- Suspension of payment of increase in rental for small hotels on less than one hectare of land and with less than 50 bedrooms.
- Operation of new scheme for small hotels and restaurants to improve and renovate to enhance competitiveness and upgrade service.
- Provision of additional funds of Rs 200 million to the MTPA to intensify promotional campaigns.
- Tourism Authority Act to be amended to regulate whale and dolphin watching.
- Tourism Channel to be set up by Ministry of Tourism and MBC to provide information on local activities and encourage tourists to move throughout the island.
- Legislation to be amended to prevent non-citizens to acquire residential properties outside IRS and RES schemes without authorization.

**Financial Services**

- A Financial Stability Committee to be set up to ensure soundness and stability of the financial system.
- Monetary Policy Committee to be strengthened through enlarged membership.
- Possibility of developing shariah compliant debts explored.
- Legislation to be amended to deter money launderers from using Mauritius for their operations.
- An office of ombudsperson to be set up for banking and financial services.

Fish processing for export
**MAIN BUDGETARY MEASURES**

### Infrastructure

- Setting up of Road Development Company to upgrade road infrastructure and decongest traffic
- The Port Louis Ring Road for multi-entry points into Port Louis at the cost of Rs 6 billion
- Terre Rouge – Verdun Link Road, at the cost of Rs 2 billion
- The harbour bridge, a bypass for north-south traffic, at the cost of Rs 8 billion
- Bus Rapid Transit System, at the cost of Rs 5 billion
- East-West Connector, at the cost of Rs 4 billion
- New airport terminal at the cost of Rs 11 billion
- Expansion of container terminal for Rs 5 billion

**Projects involving public-private partnerships**

- The Tianli Project with Rs 20 billion investment, to start in September
- The Highlands Project to involve investment of Rs 100 billion
- A 100 MW power plant project with investment of Rs 5 billion

### Protecting People/Social Aid

- Increase of 5.1 per cent in old age and other non-contributory pensions
- Increase of 40 per cent in allowance paid to single mothers
- Increase from Rs 7 500 to Rs 10 000 of household income threshold for award of scholarships to students of tertiary institutions in hardship cases
- The National Empowerment Foundation to coordinate action of all other bodies with mandate to fight poverty for programmes worth Rs 1.5 billion
- Rs 560 million have been allotted to the NEF for the funding of its sponsored programmes
- Consolidation of the NGO network for upgraded service
- An integrated social development project similar to that of Bambous being implemented in Cité Lumière, Grand Baie
- Grant of materials to construct corrugated iron sheet housing units to poor families
Maurice Ile Durable

- The solar water heater scheme modified to shift focus from energy consumption to the promotion of competitive solar water heaters by local entrepreneurs.
- Excise duty of one rupee applicable to PET bottles extended to aluminium cans for drinks and proceeds to be used by MID Fund to devise schemes to recycle aluminium.
- Taxes on electric cars to be cut by half.
- An MID module to be developed for primary and secondary schools.
- A wind park at Bigara with investment of Rs 1 billion.
- MID Fund to contribute Rs 100 million to co-finance Rs 280 millions with CEB, CWA and WWMA to clean up NHDC housing estates and rehabilitate water, electricity and waste water infrastructure.

Other Measures

- To offset negative impact of the global crisis on other sectors and to consolidate resilience of ICT sector, training and placement of 2,000 School Certificate and Higher School Certificate holders to be financed by the Government.
- Further cost reductions of around 50 per cent for internet access expected by year 2011, when second underwater fibre optic cable becomes operational.
- Provision of stimulus package of Rs 100 million for Rodrigues.
- Establishment of an International Development Grants Scheme for performing artistes, to help them gain international exposure.
- Building of a new university campus at the cost of Rs 600 million to accommodate 8,000 additional students.
- Support to be given to small building contractors through supply of contracts for a programme to restore historical buildings and other structures.
- The ‘Espace des Métiers’ of the National Empowerment Foundation to serve as permanent job fair platform.
- NEF to create more self-employment opportunities in old crafts, with financial support to upgrade workshops.
- Provision of Rs 1.25 billion to finance Law and Order initiatives.
- Provision of Rs 24 million to fight HIV/AIDS and alcohol and substance abuse in collaboration with NGOs.
**Travel**

**Mauritius and EC Sign Short-Stay Visa Waiver Agreement in Brussels**

The European Community (EC) – Mauritius Short-Stay Visa Waiver Agreement was signed on Thursday 28 May 2009 in Brussels. Our Ambassador in Belgium, Mr. Sutiawan Gunesssee, signed on behalf of the Republic of Mauritius and the Deputy Minister of Foreign Affairs of the Czech Republic, Ms. Helena Bambasova, and the Vice-President of the Commission of the EC, Mr. Jacques Barrot, signed for the EC side.

The Agreement took effect as from 1st June 2009. It provides for visa-free travel for the citizens of the EC and for the citizens of Mauritius when travelling to the territory of the other contracting party for a period not exceeding three months from the date of first entry during a six-month period. The Agreement provides for both single and multiple entries.

The Agreement covers all the European Member States applying the Schengen Area Agreement. The United Kingdom and the Republic of Ireland are not covered under this Agreement, as they are not party to the Schengen Agreement.

The 25 European Member States where the exemption of visas of short stay is applicable is as follows: Austria, Belgium, Czech Republic, Denmark, Spain, Estonia, Finland, France, Germany, Greece, Hungary, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Slovakia, Slovenia, and Sweden. Iceland, Norway and Switzerland, though not being EU Member States, are party to the Schengen Agreement.

Under the Short-Stay Visa Waiver Agreement, Mauritian citizens wishing to travel to Europe in one or in the 25 countries of the Schengen Area will not require a visa if they are travelling for family and business purposes or as tourists for a period less than 90 days. However, travellers should have in their possession certain documents, amongst others, a valid passport, return/onward air-tickets, letter of invitation from host/hotel reservation or package from tour operator/travel agent, insurance, and sufficient financial means to meet the cost of stay.

Nonetheless, visa-free travel does not mean that a person has an unconditional right of entry and stay in the Schengen Area. Hence, persons who are listed on the Schengen Information System (SIS); those who represent a threat to public order; considered a sanitary menace; and, do not have the required documents as per the Schengen checklist may be refused entry on the basis of provisions in force specific to each of the Schengen States.

---

**Economy**

**Tourism receipts expected to drop by 7.4%**

Tourism receipts for year 2009 are expected to be around Rs 38,173 million. This represents a decrease of 7.4% of the estimated receipts of Rs 41,213 million for 2008.

The projected decrease is attributable to a slowdown in the number of tourist arrivals this year owing to the economic downturn that has affected our main markets. Actually, arrivals for the first quarter of 2009 number 235,699, that is a decrease of 9.9% over the figure of 261,494 for the first quarter of 2008. The Central Statistics Office forecasts the number of tourist arrivals for 2009 to be around 835,000, that is 10.3% less than the figure of 930,456 in 2008.

---

**Technical Barriers to Trade**

**Thirty-five countries participate in WTO Workshop**

Around 35 English-speaking African countries participated in a Regional Workshop on Technical Barriers to Trade (TBT), in Port Louis from 12 to 14 May 2009. It was organised by the World Trade Organisation (WTO) as part of its Biennial Technical Assistance and Training Plan for 2008-2009 and funded by the Doha Development Agenda Global Trust Fund.

The objective was to give participating countries from the region an opportunity to broaden their knowledge of the principles and disciplines of the TBT Agreement. It also aimed to improve understanding of TBT-related trade issues with a view to promoting a more effective participation of the African region in the work of the WTO Technical Barriers to Trade Committee.
Finance

World Bank grants Development Policy Loan of Rs 3.3 billion

The World Bank has granted Mauritius a third Development Policy Loan (DPL3) to the tune of USD 100 million, equivalent to about Rs 3.3 billion to stimulate trade and competitiveness. The financing agreement was signed on 11 May 2009 in Port Louis by the Vice Prime Minister, Minister of Finance and Economic Empowerment, Dr Sithanen, and the Country Director, World Bank, Mrs. Kagia.

The loan includes a deferred drawback option which is specifically designed to strengthen the country’s ability to deal with the current financial crisis. It also provides for supporting the country towards an innovative, knowledge-intensive, skill-based, service-oriented economy that is capable of boosting economic growth, creating jobs, enhancing opportunities for young people and improving the overall quality of life of the citizens. In addition, it will help Mauritius to proactively manage risks triggered by the financial crisis while maintaining the impetus for reforms in very difficult and uncertain times.

The disbursement of the DPL3, which is on a flexible basis, is considered to reflect the success Mauritius has achieved on various fronts, particularly on reporting of financial and non-financial data, on debt management and on reforms in the civil service and in labour markets. The two previous loans in the series were disbursed in April 2008 and April 2007.

It is recalled that Mauritius has secured an envelope of nearly USD 210 million for budget support from its development partners for the current financial year including 70 million USD from the EU through grants. In February, the World Bank approved a loan of 18 million USD to support public enterprise reform, and two additional programmes are being finalized to support the development of infrastructure and the manufacturing sector.

Airport Infrastructure

New terminal to handle four million passengers

A new airport terminal, designed to handle four million passengers annually and equipped with docking facilities to accommodate eight wide bodied aircraft simultaneously, is expected to be operational by 2011.

The ‘maquette’, of the project, as presented by Airports of Mauritius Ltd (AML), reveals a three-level modern glass and steel structure harmoniously integrating the natural environment and conforming to the Maurice Ile Durable concept.

Designed by Aéroports de Paris ingénierie (ADPi), the new terminal, which will comprise three levels, is expected to cost Rs 11 billion. The project is to benefit from Chinese funding to the tune of nearly Rs 8 billion, made available through an airport development loan.

Chinese firms will be responsible for construction works and Aéroports de Paris will assist in running the terminal in the first phase of its operation.

The resolutely modern architecture of the new terminal inspired by the ravenala tree or traveller’s palm, provides for an optimal use of solar energy and rain water. The check-in hall, which will have 52 counters, will be a spacious green area bathing in natural sunlight. People coming to see off their relatives will be able to do so from a large terrace with a direct view on the runway. The arrival hall will be adorned with a vertical garden of tropical plants and creepers as well as decorative waterworks.

The new terminal, to be connected to the existing one, will provide for space for future developments. Other components of the project consist of a new runway, a cargo zone and an airport city.
**Energy**

**CEB receives US grant for upgrading power grid**

The US Government, through the U.S Trade and Development Agency (USTDA), is providing a non-refundable grant of US $325,000 to the Central Electricity Board (CEB) to finance a feasibility study on the proposed CEB Transmission Grid and Transformer Network Monitoring System project.

The grant agreement was signed on behalf of the Government of Mauritius and the USTDA by the Deputy Prime Minister, Minister of Renewable Energy and Public Utilities, Dr R. Beebeejaun, and the US Embassy Chargé d’Affaires, Ms V. Blaser, respectively, on 14 May 2009.

The grant agreement follows the visit in April of a high-level US Government delegation led by Assistant US Trade Representative for Africa, Ms F. Liser, for discussions with the Mauritian government on the Trade and Investment Framework Agreement (TIFA). A presentation on the Maurice Ile Durable (MID) project was made to the delegation by the Board of Investment inviting their participation in the implementation of the project. Subsequently, the USTDA offered to finance a feasibility study in a bid to support the country’s efforts to make its power transmission and distribution grid more effective, thus improving energy efficiency.

The CEB has the sole responsibility for transmission, distribution and sale of electricity in Mauritius. It produces around 40% of the country’s total power requirements with an annual production of 2.35 billion kilowatt hours (kWh). The yearly consumption amounts to 2.07 kWh, and with economic and social developments in various sectors, the demand for energy is expected to rise.

The feasibility study will, among others, evaluate the current software monitoring and control system with an emphasis on the system’s ability to report data and control fluctuations; appraise the cost effectiveness of present power generation sources, transmission and distribution system and assess both the existing method for detecting illegal electricity use and the system for monitoring electricity demand and peak loads.

In addition, the feasibility study will provide a basis for planning equipment replacement and upgrading for efficient grid operation and expansion. It will also contain recommendations on any modifications or improvements needed to bring the CEB’s electricity transmission infrastructure and transformer network up to current industry ‘state of the art’ standards.

The USTDA has been providing assistance to Mauritius on various fronts and has disbursed, since 1998, a total of US$1.8 million in terms of technical cooperation.

Dr Beebeejaun and Ms Blaser both evoked the possibility of further US collaboration with Mauritius towards the use of cheaper and cleaner energy.
**Piracy in Indian Ocean**

**Mauritius enhances surveillance system**

Mauritius has enhanced the surveillance system in its Exclusive Economic Zone, both by aircrafts/helicopters and ships, with the latter carrying out patrols on a regular basis. Also, a Commando Force is being set up at the National Coast Guard to handle any piracy situation and additional troops have been dispatched to Agalega to reinforce regular forces posted on the island.

The above measures are being taken by the government in an attempt to address the problem of piracy in the Indian Ocean region, especially in the light of recent attacks on ships by Somali pirates.

A meeting on the issue of piracy and on means to prevent attacks was held on 19 May 2009 under the chairmanship of the Ministry of Foreign Affairs, Regional Integration and International Trade, Dr. A. Boolell, and was attended by representatives of the Prime Minister’s Office, the Mauritius Police Force, the National Coast Guard, Mauritius Ports Authority and the Civil Aviation Department.

Statistics show that the incidence of pirate attacks is on the increase with 111 attacks in 2008, including 42 successful highjacking. In 2009, out of the 61 attacks perpetrated by the pirates so far, 28 have been successful.

Moreover, the Somali pirates are running very sophisticated operations, using latest high-tech equipment such as satellite phones and GPS, and using speedboats. Besides, they are heavily armed and are very well-informed by contacts in the Gulf of Aden.

It will be recalled that Mauritius is party to Resolution 1846 which was adopted by the UN Security Council on 2 December 2008. Resolution 1846 stipulates that during the next 12 months, States and regional organisations cooperating with the Somali Transitional Federal Government may enter Somalia’s territorial waters and use “all necessary means” - such as deploying naval vessels and military aircraft, as well as seizing and disposing of boats, vessels, arms and related equipment used for piracy - to fight piracy and armed robbery at sea off the Somali coast, in accordance with relevant international law.

**Telecommunications**

**Mauritius hosts 29th annual SATA Conference**

The Southern Africa Telecommunications Association (SATA) held its 29th Annual Conference in Mauritius from the 6 to 8 May 2009 on the theme ‘The Wired and Wireless Synergy Challenges’, intended to address the Digital Divide.

The Association, which groups telecom operators and e-communications companies of the Southern Africa Development Community (SADC), is a regional platform where members pore over issues and propose effective measures concerning the development of SADC telecommunications and ICT sectors.

At the end of the three-day conference, some 50 recommendations were adopted on issues ranging from the utilisation of consultancy services within the membership, accelerated infrastructure and services deployment, to the adoption of green telecom initiatives as well as the sharing of experience and knowledge on best practices.

SATA was established in 1980 in the context of the SADC Treaty and the SADC Protocol on Transport, Communications and Meteorology. Its main objectives are to promote members’ common interests in relation to regulators, suppliers and government authorities; contribute to the development of an efficient operating environment for the SADC telecommunications market; facilitate cooperation and coordination of activities among members in developing harmonised public networks and services and lobby government authorities and regulators to adopt harmonised policies.