

Mauritius Budget 2006-2007

Major reforms to gear the economy towards global competitiveness

Business facilitation and opening of the economy are key to securing the transition from trade preferences to global competition, as set in the budget proposals.

In his inaugural budget speech delivered on 9 June 2006, the Deputy Prime Minister and Minister of Finance and Economic Development, Mr. Rama Krishna Sithanen, announced a series of measures to build “a new, open and competitive service platform that is fully integrated into the global economy.”

The Mauritius 2006-2007 budget will in essence aim at creating jobs, promoting employment and returning to growth whilst “securing the transition from a preference dependent to a globally competitive economy.” In addition, Mr. Sithanen outlined several measures to revitalise existing economic sectors, facilitate investment and open up the economy.

Ease of Doing Business and Opening Up of the Economy

One of the prime objectives of the proposed reforms is the encouragement of private investment in new pillars of the economy, such as the seafood and aquaculture hub, property development (Integrated Resort Scheme), the land based ocean industry, the knowledge hub, the medical hub and the pharmaceutical cluster.

Mr. Sithanen highlighted that the achievement of the above objective rests on the “ease of doing business and opening the economy”.

A new approach to doing business has been proposed to allow businesses to start operations on the basis of self adherence to comprehensive and clear guidelines, while doing away with the present framework and incentive system. The new system introduces 12 measures intended to streamline the application process down to 3 working days. “These reforms will improve the investment climate to world standards,” Mr. Sithanen said.

The object is to enhance the country’s attractiveness as an investment destination. Mauritius was ranked 23rd in the 2006 Doing Business survey. “We need to be in the top ten,” the Minister further avowed.

Complementary to this ambition is the opening of the economy. Mr. Sithanen referred to foreign investors and the Mauritian diaspora that could come in “without hindrance”: “(...) money is not enough. We also need to attract the people who can contribute to our development by bringing ideas that germinate and flourish elsewhere.” To this end, he proposed 14 new measures that would give the government’s “outward looking strategy” a global perspective, by opening the country not only to investment but also to foreign talents, know how, ideas, and technology.

“The Financial Services sector must grow, modernize and diversify”

Mr. Sithanen further enumerated forthcoming developments that would promote the diversification and growth of the financial services sector:

- The Securities Act, which now provides for the setting up of Securities Exchanges only, will be reviewed to empower the Financial Services Commission to approve the setting up of other types of Exchanges.
- The Over the Counter Market will be phased out and a Development and Enterprise Market with less stringent criteria than those applicable to official listings on the Stock Exchange of Mauritius will be set up to allow smaller companies to be listed as well.
- A renewed fillip for progress will be given to the Global Business sector through the following reforms, being activated on five fronts:
 - › the range of banking activities conducted from Mauritius will be expanded, by making amendment in the Banking Act to provide for private banking services;
 - › present commercial law will be reviewed to provide for a mode for notification in the case of assignment of debts and on the pledging of shares that will encourage the use of Mauritius in major cross border financial transactions;

- › the extension, with slight modifications, of the regime of the 'Gage Special' presently existing in favour of banks to transactions involving global business companies;
- › the Financial Services Commission will encourage the exchanges to create special boards for the listing of global business companies;
- › the regulatory framework will be amended to enable Management Companies in the global business sector to provide fund administration services to funds established in other recognised financial centres.

Moreover, labour market reform, controlling wastage and securing efficiency gains in the public sector, fiscal consolidation and discipline, tax reforms as well as broadening the circle of opportunities are expected to be instrumental in achieving sustainable growth in the years ahead.

Other important components of the budget include a major restructuring of Income Tax, the introduction of a National Residential Property Tax, the gradual raising of retirement age from 60 at present to 65 in 2018, and the creation of an Empowerment Programme with a project value of Rs 5 billion.

15 June 2006

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