



**REPUBLIC OF SEYCHELLES**

**2020 BUDGET**

**BUDGET SPEECH**

**&**

**ASSUMPTIONS AND OBJECTIVES OF THE 2020 BUDGET**

**PART 1**

**Ministry of Finance, Trade, Investment and Economic Planning**

# **TABLE OF CONTENTS**

**Section 1:** Budget Speech

**Section 2:** Budget Strategy and Outlook

**Section 3:** Debt Management Strategy 2020-2022

**Section 4:** Public Enterprises Budget Report for the Fiscal year 2020

**Section 5:** Fiscal Risk Statement



**BIDZE GOVERNMAN SESEL  
Pour Lannen Finansyer 2020**

***Tenm: "Rezilta Ekitab-Prosperite Partaze"***

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**Dan Lasanble Nasyonal Sesel**

**Ile Du Port, Victoria, Mahe, Seychelles**

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## LATAB KONTENI

	<b>Paz</b>
<b>1. LENTRODIKSYON</b>	<b>4</b>
<b>2. APERSI ZENERAL LO LEKONOMI AN 2019 E DAN MWAYEN TERM</b>	
2.1. Apersi	<b>4</b>
2.2. 2019 an konteks	<b>4</b>
2.3. Prozeksyon 2020 e dan Mwayen Term	<b>5</b>
<b>3. PERFORMANS BIDZE 2019</b>	<b>5</b>
<b>4. PROZEKSYON POUR LANNEN FINANSYER 2020</b>	<b>6</b>
4.1. Lobzektif Primer	6
4.2. Reveni	6
4.3. Depans Gouvernman	6
4.4. Reminerasyon ek Saler	7
<b>5. DEPANS DAN SA SIS PILYE TEMATIK NDS 2019-2023</b>	<b>8</b>
5.1. Bon Gouvernans	9
5.2. Dimoun o sant Devlopman	9
5.3. Koezyon Sosyal	10
5.3.1. Sekter Lakaz ek Later	10
5.3.2. Kominote	11
5.3.3. Lar, Kiltir ek Leritaz	11
5.3.4. Lazenek ek Sport	12
5.4. Transformasyon Ekonomik	12
5.4.1. Sekter Transpor	12
5.4.2. Sekter Lenerzi	13
5.4.3. Lagrikiltir, Lapes ek Lekonomi Ble	14
5.5. Lekonomi Inovativ	15
5.6. Soutenabilite Lanvironnman ek Rezilyans	16
<b>6. BIDZE 2020 POUR PROGRAMM SOSYAL</b>	<b>17</b>
<b>7. DEPANS ENPREVI</b>	<b>17</b>
<b>8. NOUVO POLISI DAN BIDZE 2019</b>	<b>18</b>
8.1. Logmantasyon dan Saler Minimonm	18
8.2. Logmantasyon dan bann Benefis ek bann Programm Aproveu Kot Lazans ek Proteksyon Sosyal	18
8.3. Pansyon Minimonm SR 1,000	18
8.4. Pansyon Kategori Spesyal SR 500 pour en group retirete	18
8.5. Lasistans Deker ek ‘Child Minding’	19
8.6. Propozisyon pour en alawenns pour bann manman ansent ki reste lo zil pros ki bezwen akous Mahe	19
8.7. Konze Anyel	19
8.8. Ler Travay Fleksib dan Gouvernman	19
8.9. Revi Skim Sibvansyon pour Lakaz	19
8.9.1. Pour revwar to par met kare lo sa trwa zil prensipal	20
8.9.2. Pour enkli rekonstriksyon lakaz anba anba laplikasyon pour sibvansyon lakaz	20

	<b>Paz</b>
8.9.3. Pour enkli lavant later avek propriyete dan kriter pour kalifye pour sibvansyon lakaz	20
8.9.4. Pour revwar nivo reveni pour kalifye pour sibvansyon lakaz	20
8.10. Nimero Veikil Personnalize	20
8.11. Nouvo Kategori Permi Travay	21
8.12. Legzanmpsyon Pansyon Prive anba Dezyenm 'Schedule' Lakt Taks Reveni ek Benefis Non-Monneter	21
8.13. Revi Benefis Non-Monneter anba katriyenm 'Schedule' Lakt Taks Reveni ek Benefis Non-Monneter	22
8.14. Taks lo Propriyete Imobilye	22
8.15. Revizyon dan Alawenns Personnel pour Lapos ek Kourye ki san taks	22
8.16. Revizyon dan Taks Veikil	23
8.17. Lamannman Ozone dan Regilasyon Proteksyon Lanvironnman 2010	23
8.18. Sanzman dan striktir taks pour labwason alkolize	23
8.19. Reform Taks Biznes	24
<b>9. LEZOT REFORM EK LOPORTINITE DAN BANN SEKTER KLE</b>	<b>27</b>
9.1. Devlopman Sekter Finansyel	27
9.2. Devlopman Sekter Prive	29
<b>10. PROZE ZIL PROS</b>	<b>32</b>
<b>11. LANTREPRIZ PIBLIK</b>	<b>32</b>
<b>12. RESANSMAN POPILASYON EK LOZMAN 2020</b>	<b>32</b>
<b>13. KONKLIZYON</b>	<b>33</b>

# **Rezimen Diskour Bidze pour Lannen Finansyer 2020**

## **1. LENTRODIKSYON**

Msye Spiker,  
Onorab Lider Lopoziyon,  
Onorab Lider Biznes Gouvernman,  
Onorab Manm Lasanble Nasyonal,  
Pep Seselwa.

Bonzour

Msye Spiker, le 5 Out 2019, Gouvernman ti lans Vizyon 2033 pour transform Sesel koman “En nasyon Seselwa rezilyan, responsab, e prosper ki an bonn sante, edike e emansipe, e ki pe viv ansanm dan larmoni avek lanatir, e angaze avek leres lemonn.” Lansman sa Vizyon pli long term, I fer nou konstate ki nou bezwen get pli lwen ki mwayen term e fer sir kwa ki nou oule atenn koman en nasyon dan sa prosen 15 an.

Vizyon 2033 ti ganny fer koman en partenarya ant gouvernman, sosyete sivil, sekter prive, kominote enternasyonal e bann diferan group dan nou sosyete. Donk, pour transmet Vizyon 2033 dan realite i pou en responsabilite kolektif.

Nou pei i reste vilnerab vizavi banns sok ekstern, espesyalman dan sa moman krisyel kot krwasans kontinyel dan lekonomi global ki pe maske en logmantasyon dan bann risk ki kapab potansyelman ogmant bann defi devlopman dan bokou parti lemonn. Donk, nou bezwen kontinyen travay ansanm pour asire ki nou rezilyan, e trouv en solisyon komen pour sa bann defi.

Msye Spiker, bidze 2020 in ganny formile otour sa sis pilye tematik Stratezi Devlopman Nasyonal (SDN). Msye Spiker, se dan sa loptik ki nou swazir sa tenm “Rezilta Ekitab-Prosperite Partaze” pour Bidze 2020. Pour Bidze 2020, baze lo konsiltasyon avek Lasanble Nasyonal, nou pou fer provizyon en kopi elektronik selman.

## **2. APERSI ZENERAL LO LEKONOMI AN 2019 E DAN MWAYEN TERM**

### **2.1. Apersi**

Dapre ‘Outlook’ Lekonomi Mondyal an Oktob 2019, krwasans global in reste ase ba. Bann sif pour Prodwi Domestik Brit (GDP) ziska prezan, i montre en aktivite global ki’n plito pli feb ki ti’n antisipe. Krwasans global in ganny predir lo 3.0 poursan an 2019, e i ekspekte amelyore e mont lo 3.4 poursan an 2020.

### **2.2. 2019 an Konteks**

Msye Spiker, dan konteks Sesel, krwasans Prodwi Domestik Brit reel pour 2019 in ganny revise pli o lo 3.9 poursan konpare ek estimasyon inisyal ki ti 3.5 poursan letan bidze ti pe ganny prepare. Moter prensipal deryer sa previzyon favorab i sekter Manifaktir labwason ek sigaret. Ver dezyenm kar 2019, prodiksyon gines ek labyer ti 21 ek 12 poursan respektivman. En logmantasyon dan

aktivite tourizm, ki pilye mazer lekonomi Sesel, pe osi kontribye ver en revizyon pli favorab, avek bann larive viziter ki'n ogmante par 5 poursan ver le 20 Oktob 2019 letan nou konpar lannen pase ek sa lannen. Sekter Tourizm in antisipe agrandi par 5 poursan an 2019, konpare ek sa prediksyon inisyal, 4 poursan. Logmantasyon kontinyel dan lizaz data ek demann pour servis enternet pe ogmant krwasans dan sekter lenformasyon ek telekominikasyon, avek en prediksyon zeneral 7 poursan. Sa sekter in reste rezilyan pandan sa dernyen senk an, e i pe antisipe reste solid dan mwayen term avek lenstalasyon en dezyenm kab soumaren. Finalman, sekter konstruksyon in remonte an 2019, an vi plizyer proze lakaz gouvrenman, ek lagrandisman Danm La Gogue, renovasyon lotel Ste. Anne, ensi ki lezot proze ki ankor pe kontinyen depi lannen 2018. Sa in anmenn en logmantasyon dan fabrikasyon prodwi konkret ek ros, e donk donn en apersi pozitiv pour sa sekter osi. Bann tel logmantasyon dan aktivite ekonomik i natirelman ogmant demann pour elektrisite ek delo parey nou'n vwar dan par en krwasans 8 poursan an mwayenn dan sa sekter.

### **2.3. 2020 Prozeksyon 2020 e dan Mwayen Term**

Pour 2020, krwasans i reste pozitiv lo 3.5 poursan, pouse par aktivite kontinyel dan sekter lenformasyon ek telekominikasyon avek en krwasans 5 poursan. Tourizm, kontribiter prensipal dan Prodwi Domestik Brit (GDP), pou ede soutenir krwasans avek en prediksyon krwasans 5 poursan an zeneral. Larive touris i antisipe ogmante swivan lanons ki Air France, pe rekomans son bann vol Sesel, e frekans vol Qatar Airways pour vin 14 vol par semenn an April 2020. An plis, Air Seychelles pou komans al Tel Aviv, e sa i ava ede ogmant bann larive touris plis. Aktivite dan sekter konstruksyon pou kontinyen pandan 2020 ki a donk siport plis krwasans.

Avek en lenflasyon pli ba ki ti'n prevwar inisyalman lo en mwayenn 12 mwan, sorti 2.2 pour 2.0 poursan, e avek en to lesanz pli favorab kont Ero ek Dolar ki ti'n inisyalman antisipe, krwasans Prodwi Domestik Brit nominal ki ti'n prezimen in ganny revize pli ba par 0.3 poursan, konpare avek revizyon Mars 2019. Sa in bes previzyon Prodwi Domestik Brit Nominal en pti pe, pour ariv SR 24.4 bilyon.

Dan mwayen term, krwasans in ganny predir lo en mwayenn 4 poursan. Bann moter prensipal deryer krwasans i reste tourizm, lenformasyon ek telekominikasyon, ensi ki sekter finansyel ek lasirans.

### **3. PERFORMANS BIDZE 2019**

Msye Spiker, Gouvrenman in prevwar en balans primer SR 583.9 milyon ouwsa 2.5% Prodwi Domestik Brit (GDP) a lafen 2019. Reveni Taks i ekspekte anliny avek bidze inisyal, avek selman SR 5.9 milyon an plis, e en pti diminasyon dan taks biznes, ki a ganny balanse par plis taks reveni personnel. Sepandan, reveni ki pa sorti dan taks i SR 50.3 milyon par anba bidze orizinal. Sonm total ki ekspekte kolekte an Don an 2019 pou SR 64.2 milyon par anba bidze inisyal.

An vi bann depans, Gouvrenman in propoz en bidze siplemanter an Oktob 2019, avek en seving total SR 125.6 milyon oubyen 0.5% 'GDP'. Donk, prediksyon se ki depans pou pli ba. Seving mazer in ganny fer dan peyman ek saler a en sonm SR 52.0 milyon e dan bann servis ek byen a en sonm SR 26.8 milyon.

Msye Spiker, ti annan en serten kantite diskisyon ki'n ganny fer vizavi sezisman bidze dan legzersis revu mi-term bidze. Anlany avok seksyon 26 Lakt Zesyon Finans Piblik, i donn Minis responsab pour Finans pouvwar pou;

1. Met restriksyon lo lizaz en apropriasyon par en zofisye ki responsab sa depans;
2. Limit lizaz en apropriasyon si i ganny zistifye par kondisyon ekonomik ou fiskal, oubyen si rezon pour ki sa apropriasyon ti ganny fer i nepli valab.

#### **4. PROZEKSYON POUR LANNEN FINANSYER 2020**

##### **4.1 Lobzektif Primer**

Msye Spiker, Gouvernman i reste angaze pour atenn en balans fiskal 2.5% 'GDP' pour lannen 2020. Sa target i a permet nou realiz nou target pour redwir nou det par 50% 'GDP' ver 2021. Sepandan, dernyen prozeksyon i endike ki nou det pou ariv 51.7% GDP ver 2021. Sa i akoz noun donn en garanti adisyonnal lavalan 30 milyon dolar Air Seychelles. Me nou pou travay pandan 2020 pou nou asire ki nou realiz nou target pour redwir nou det par 50% GDP ver 2021.

##### **4.2 Reveni**

Msye Spiker, pour lannen 2020, nou pe prozekte reveni total, enkli bann don, pour ogmante sorti SR 8.8 bilyon dan bidze revize 2019 pour vin SR 9.9 bilyon an 2020. Ladan, SR 7.73 bilyon i reveni taks, ki reprezant 78.4% koleksyon reveni total. En total SR 1.48 bilyon in ganny prozekte pour reveni ki pa sorti dan taks e SR 647 milyon an term don.

##### **4.3 Depans Gouvernman**

Pour lannen 2020, Gouvernman pe propoz en prozedlwa bidze pour SR 9.29 bilyon ki pe ganny finanse par 88.9% sorti dan resours domestik, 4.1% dan finansman lón e 7.0% finansman don.

Msye Spiker, sekter ledikasyon ek lasante i reste priyorite, avok pli gran parti bidze, ek en alokasyon total SR 1.18 bilyon e SR 1.12 bilyon respetivman ki reprezant en total 24.7% pour sa de sekter ansanm dan bidze total. Msye Spiker, sa de sekter in kontribye enormeman anver en lendeks pour kapital imen pour Sesel ki ekselan.

Msye Spiker, prosedir tennder pour Sistenn Lenformasyon Entegre pour Lasante in konplete e i aktyelman dan faz negosyasyon kontra. Nou ekspekte ki kontra i a sinyen avan lafen sa lannen. Kan Gouvernman i etabli en Sistenn Lenformasyon entegre pour Lasante, i pe donn son langazman pour lamelyorasyon dan kalite swen lasante, efikasite servis, ek akse, tandis ki sistenn swen lasante i ganny armonize pour vin pli pre avok bann standar enternasyonal. O sant sa proze i lenplimantasyon en solisyon pour en sistenn elektronik entegre pour rikord medikal ki a kouver 100% popilasyon Sesel. Bi segonder sa proze se pour kree en lyen ant Sistenn Lenformasyon Lasante avok bann divers sistenn gouvernman elektronik ki egziste nasyonalman (par egzamp. rezis nesans ek lanmor) pour amelyor lenplimantasyon bann regilasyon ki annan pour fer avok lasante e proses fer desizyon stratejik lo nivo nasyonal pour rezon planifikasyon.

Dan kad Proze Kapital, plizyer minister ek lazans pe fer fas avok bann lanpesman mazer dan lenplimantasyon zot bann proze respektiv. Gouvernman i annan en plan devlopman lenfrastruktir ki ase anbisye, ensi ki en serten kantite lenfrastruktir ki pe avarye, e ki donk bezwen en



lentervansyon konsiderab. Koman en mezir tanporer, Gouvernman in rekrut travayer etranze pour asiste avek sa kantite proze ki annan pour konplete. Posibilite pour rekrut lekspertiz lokal i ankor tre difisil, an vi ki i pa posib pour Gouvernman vin pli konpetitiv ki sekter prive. An plis ki sa, i en fe ki bann zofisye proze gouvernman pa ganny drwa fer travay prive, vi ki proze gouvernman i demann bokou letan ek swen, e donk, i meyer ki zot pa diviz zot latansyon ant travay prive ek travay gouvernman. Nou'n vwar ki sa i afekte lefikasite servis, ki vedir sa mezir i neseseur pour ki gouvernman i atenn son target konm fodre.

#### **4.4 Reminerasyon ek Saler**

Msye Spiker, en sonm SR 3.0 bilyon ki ekivalan 12.3% 'GDP' in ganny prevwar pour Reminerasyon ek Saler. Sa i reprezant en logmantasyon SR 382.6 milyon oubyen 15% konpare ek bidze revize 2019.

Msye Spiker, en bidze total SR 81.4 milyon in ganny prevwar pour reminerasyon ek saler dan kad revizyon bann skim servis an 2020, ensi ki lenpakt total lenplimantasyon skim servis 2019 pandan lannen.

Sa bann skim swivan pou ganny revize apartir Zanvye 2020;

- Lazans Transpor lo Later; Travayer koltar
- Zofisye Proze dan bann Minister, Departman e Lazans
- Prokirer Zeneral – Prosekiter Piblik
- Minister Ledikasyon ek Devlopman Resours Imen – Direkter ek Depite direkter Lekol, kad Biblioteker
- Departman Imigrasyon ek Stati Sivil
- Departman Zafer Etranzer; Kad Diplomatik pour bann Misyon Diplomatik Aletranze ek Drayver Protokol
- Lezislativ; Seksyon Parlyamanter e Sekretariat
- Departman Risk e Menazman Dezas; Kad Risk e Menazman Dezas

Skim pou Minister Lanvironnman, Lenerzi ek Sanzman Klima pou ganny revize apartir Mars 2020 e Skim Zidisyer pou ganny revize apartir Avril 2020. Adisyonnelman, skim pou Biro Standar Sesel pou ganny enplimante a parti Zilyet 2020.

Skim saler pou bann ners ti ganny revize an 2018 letan Governman ti etrodwir en 'retention' alawens SR 3,000 par mwan e revwar zot kalkilasyon gratite. Alors pandan lannen 2020, nou pou fer en travay pou revwar zot saler de baz pou enplimant konmansman 2021.

Adisyonnelman, Gouvernman i annan lentansyon revwar kad sipor komen an 2021. Sa i enkli kad Resours Imen, Ladministrasyon ek sekreter. Malgre ki sa bann skim in ganny revwar an 2018, i annan en neseseur pour rekonsider zot avek bi pour atir e retenir bann striktir sipor de kalite dan bann diferan lorganizasyon, ki krisyel si nou oule ki bann lorganizasyon gouvernman i mars byen.

Msye Spiker, pour lannen 2019, i annan en provizyon dan bidze pour enplimant logmantasyon saler par 5% apartir Avril 2019. An 2020, lenplikasyon pour lenplimantasyon sa logmantasyon saler 5% pour lannen antye i en total SR 74.4 milyon. Adisyonnelman, nou'n komans

lenplimantasyon alawenns long servis depi Zilyet 2019. Sa pou annan lenplikasyon pour lannen antye ki ariv en sonm SR 103.8 milyon dan bidze 2020. An plis, anliny avek lanons Prezidan an Oktob 2019 ki Skim Alawenns Long Servis pour Anplwaye Gouvernman ki ti ganny entrodwir an Zilyet 2019, pou vin aplikab pour bann anplwaye Komisyon Servis Piblik ek bann kontra Lazans apartir le premye Zanvy 2020. Sa pou kout SR 18.9 milyon dan bidze 2020. Adisyonnelman, alawenns long servis pour bann ‘housekeepers’ ki pe travay avek Korperativ Klinier, e bann zofisye sekirite ki pe travay avek younit VVIP e osi bann travayer menntenens pou ganny zot alawenns long servis apartir zour ki zot ti komans travay dan Gouvernman. Msye Spiker, fodre note ki napa taks reveni lo alawenns long servis.

Msye Spiker, abilite Gouvernman pour retenir son lafors travay e atir lezot travayer avek kalifikasyon apropiye pour zwenn servis piblik in vin enn pli gran priyorite depi reform 2008. En rapor dyagnostik ki’n fokaliz lo performans servis piblik ek performans zesyon dan Sesel ti ganny fer boner sa lannen par Labank Mondyal. An zeneral ti ganny obzerve ki servis piblik dan Sesel i mars relativman byen, an servan bann model ki familye e plizoumwenn tradisyonnell. Ti osi fer resorti, sepandan, ki nou servis piblik i bezwen en bon ranforsisman pour fer li vin pli performan.

Servis ti ganny persevwar koman pa apropiye pour son manda an term dimansyon, vi ki dan plizyer domenn, bann staf egzistan ek skil ki zot annan pa pe ganny servi efektivman. Vot pour saler komn en parti GDP pe kontinyelman ogmante. Sa pou fer annan mwens lespas pour reform lapey ek reform gradasyon. Adisyonnelman, data 2013 i montre ki saler dan sekter prive i 20% pli ba, malgre ki dan bann pozisyon zesyon sinyor, profesyonnel e teknisyen, dan sekter prive i relativman pli o. Fonksyon resours imen gouvernman e son manda, rol ek responsabilite DPA, i ganny persevwar koman bezwen reform, e sa i enkli sistenm egzistan pour lapey ek benefis. Kot i konsern polisi saler, sa resers i rekonnet restriktirasyon grid saler an 2013 koman en amelyorasyon lo sa ki ti egziste avan. Sepandan, in met lanfaz lo lakantite alawenns ki ganny determinen par skim servis, ki malgre i konvenyan dan kourt term, i riske fer sistenm lapey vin mwen transparan, redwir par ki devret relye avek performans e ankouraz en kiltir ‘entitlement’ ki pa an faver zesyon ki baze lo rezilta. Fodre note ki aktyelman i annan 216 skim servis dan gouvernman. Lanfaz in ganny mete osi lo nesesite pour sorti lo sistenm tradisyonnell ladministrasyon zesyon resours imen e bouz ver en ladministrasyon ki oriyante ver rezilta, dan servis piblik ek reform sekter piblik. Sistenm delegasyon avek bann MDAs ki aktyelman anplas in ganny vwar koman sifizan pour lemoman, me kapab ganny aforsi anmezir ki sistenm zesyon baze lo rezilte i devlope.

An sa ki konsern polisi saler, nou bezwen reviz nou model ladopsyon skim servis e travay lo enn ki met lanfaz lo konpetans ek performans. Adisyonnelman, nou kapab devlop en nouvo model progresyon karyer ki mwen depandan lo promosyon, me plito met lanfaz lo skil travay ek formasyon, leksperyans varye ek mobilite. Gouvernman pou donk pe analiz sa bann rekomandasyon e prezant bann opsyon polisi pour nou kapab progresse.

## **5. DEPANS DAN SA SIS PILYE TEMATIK SDN 2019-2023**

Msye Spiker, Stratezi Devlopman Nasyonal (SDN) 2019-2023, ki premye letap dan enplimantasyon Vizyon 2033, in ganny formile otour sis pilye tematik. Mon pou donn en lendikasyon alokasyon bidze otour sa sis pilye tematik.

### **5.1. Bon Gouvernans**

Msye Spiker, bon gouvernans i esansyel pour asir en fondasyon solid pour lape ek prosperite, ki an retour i ouver laport pour devlopman soutenab. Dan bidze 2020, en total SR 221.8 milyon in ganny prevwar pour bann diferan lenstitisyon endepandan, konm swivan:

- Zidisyer SR 102.0 milyon
- Lezislativ SR 43.0 milyon
- Biro Oditer Zeneral SR 21.3 milyon
- Biro Onmboudsmenn SR 3.8 milyon
- Lotorite Lapwentman Konstitisyonnel SR 2.1 milyon
- Komisyon Elektoral SR 8.9 milyon
- Komisyon Antikoripsyon SR 19.0 milyon
- Komisyon Laverite, Rekonsilyasyon ek Linite Nasyonal SR 12.1 milyon
- Komisyon Etik pour Zofisye Servis Piblik SR 3.0 milyon
- Komisyon Drwa Imen Sesel SR 6.7 milyon

Sa i montre ou konmyen nou demokrasi i koute. Mon konsyan ki demann ki'n sorti kot bann lenstitisyon ti bokou plis, me sepandan, nou'n kapab fer provizyon pour sa bann fon ki mon'n fek masyonnen. Sa i reprezant en logmantasyon SR 26.6 milyon oubyen 13.6 % konpare ek bidze revize an 2019.

Msye Spiker, adisyonnelman, nou'n fer en provizyon SR 15 milyon pour bann depans ki annan pour fer avek egzekisyon eleksyon Prezidansyel an 2020.

### **5.2. Dimoun o sant Devlopman**

Msye Spiker, anmezir ki Sesel i angaz avek leres lemond, nou pei i bezwen en rezo travayer tre kalifye e kreativ, ki kapab ogmant produktivite travay ek krwasans ekonomik. Lazans Nasyonal pour Devlopman Resours Imen, ki'n ganny en alokasyon SR 205.2 milyon dan bidze, pou zwe en rol kle dan realizasyon sa stratezi. Sa lazans pou travay etrwatman avek Minister Ledikasyon ek Devlopman Resours Imen, ensi ki Departman Lanplwa, pour asire ki Sekter Ledikasyon i fer provizyon neseseur pour bann skil ki bezwen dan marse lanplwa..

Pandan 2019, nou'n akey 95 ek 104 'graduates' sorti dan bann liniversite aletranze ek Liniversite Sesel respektivman. Sa nonm pou ogmante an 2020, vi ki nou pe ekspekte ankor 238 'graduates'. Adisyonnelman, baze lo bidze 2020, Lazans Nasyonal pour Devlopman Resours Imen i ekspekte ofer 358 labours dan diferan domenn letid.

Parey Prezidan in masyonnen dan son diskour Leta Lanasyon an 2018, "i annan en neseseur pour pli byen prepar nou lazenes depi zenn, pour donn zot konesans ek konpetans neseseur pour pli byen entegre zot dan sekter ekonomik". I tre enportan ki Gouvernman adopte en lapros sistenm ouver, e an menm tan reste stratezik vizavi bann reform ledikasyon ek formasyon. Sa i a permet nou sirmont sa bann defi e pli byen ekip bann zenn Seselwa pour benefisye dan krwasans ekonomik nou pei. Gouvernman in komans prosedir pour etabli en nouvo Lekol Teknik e Vokasyonnel an servan kadreman Partenarya Piblik e Prive (PPP).

Lekol Teknikal Nasyonal ki'n ganny propoze anba plan aktyel i annan lentansyon pran etidyan sorti dan santye 'General and Skills' ki deza egziste e ki mars ansanm avek santye 'Academic and Technical' dan tou lekol segonder, nivo S4 ek S5. Leksperyans in montre ki i difisil pour melanz sa de santye dan menm lekol, parske in kree en diversifikasyon bann resours kritik ek en melanz misyon. Donk, sa nouvo lekol Teknikal Nasyonal i annan lentansyon anmenn lanmwatye sa bann etidyan dan en lekol spesyalize. Lobzektif se ki sa nouvo lekol, ki pou baze Ile Soleil, i a vin operasyonnel pa pli tar ki 2022.

Msye Spiker, nouvo lekol pour Lakademi Letid Biznes Sesel ek Lenstiti pour Lar ek 'Design' pou ganny konstrir lo Ile Aurore. Sa proze pou al lo tennder an 2020. En provizyon SR 27.9 milyon in ganny fer dan bidze 2020.

Msye Spiker, nou'n fer en lot alokasyon SR 10 milyon pour 'Unemployment Relief Scheme' e SR 3.1 milyon pour program 'reskilling' pour lanplwa.

Msye Spiker, loportinite pour nou lazenes etidye i la – napa limit lo zot laspirasyon, e zot merit pran sa bann loportinite e servi zot dan zot devlopman, pour pran bann job kalifye ki pe ganny kree dan pei.

### **5.3 Koezyon Sosyal**

Msye Spiker, karande poursan dan bidze total ki'n propoze i pour ledikasyon, lasante ek portfolyo zafer lafanmir, ki reprezant 16.0% 'GDP'. Dan sa bann dernyen semenn, ti annan bokou ki'n ganny dir lo bann 'Benefits and Approved Programmes' Lazans Proteksyon Sosyal. Dan bidze 2020, sa pou ariv en total SR 1.49 bilyon ki reprezant en logmantasyon SR 100.5 milyon oubyen 7% konpare avek bidze revize 2019. Msye Spiker, dan sa alokasyon total SR 1.49 bilyon, SR 1.28 bilyon oubyen 88 poursan i pour bann benefis retret, benefis invalidite, benefis dezabilite e skim 'home carers'. Donk, i annan tre pe posibilite pour fer seving an vi nou popilasyon ki pe vyeyi. Me selman, nou pe fer zefor pour rasyonnaliz bann fonksyon ek program dan domenn servis sosyal, avek bi pour ogmant efikasite dan performans servis, e fer seving.

#### **5.3.1. Sekter Later ek Lakaz**

Msye Spiker, later ek lakaz i reste en priyorite pour gouvrenman. Depandan lo disponibilite resours, nou'n kapab donn 188 fanmir zot lakle lakaz depi Zanvy ziska lafen Oktob 2019. Nou ekspekte ki ankor 152 fanmir pou ganny zot lakle avan lafen Desanm 2019. Adisyonnelman, nou ekspekte ki pandan 2020, ankor 209 fanmir pou resevwar zot lakle. Kot in konsern later, nou pou fer alokasyon 175 kare pandan 2019 e nou ekspekte konplet lenfrastruktir pour deservi apepre 286 kare pandan 2020.

Msye Spiker, an 2020 en bidze total SR 97.1 milyon in ganny prevwar anba Minister Labita, Lenfrastruktir ek Transpor lo Later pour devlopman bann proze later ek lakaz. Sepandan, sa pa pou ase. Gouvrenman pou bezwen finans bann proze pour ankor lavaler SR 200 milyon atraver Korporasyon Zesyon Propriyete. Sa pou ganny fer atraver en bond ki nou ekspekte 'PMC' i a met alaporte piblik an Zanvy 2020, pour 5an, avek en to lentere 5%. Repeyman a ganny fer atraver bidze.

Gouvernman pou servi SR 40 milyon dan sa SR 200 milyon pou aste proze lakaz Ile Perseverance avek Fon Pansyon. Sa proze i konpri 24 apartman 2 lasanm ek 18 apartman en lasanm a en kout SR 68.5 milyon. Proze i ekspekte konple ver lafen Novanm 2019. Balans fon pou ganny finanse atraver lón ki sak ‘graduate’ endividyel pou peye a en pri SR 1.2 milyon par younit. Sa 18 apartman en lasanm pou ganny servi par ‘PMC’ pour lwe avek bann ‘graduates’ a en pri rezonnab SR 6,000 par mwan pandan premye faz, anmezir ki zot esper swa en konndominyonm oubyen en kare later avek gouvernman.

Sa nouvo bond SR 200 milyon pou osi ganny servi pour finans ranplasman bann tayls twa lakaz ki ‘PMC’ pe kordinen.

### **5.3.2. Kominote**

Msye Spiker, pandan 2019, Departman Gouvernman Lokal i ekspekte konplet 210 pti proze kominoter pour en lavalè SR 27.4 milyon. En lot SR 30 milyon in ganny prevwar an 2020 pour bann pti proze kominoter. Adisyonnelman, SR 9.2 milyon in ganny prevwar an 2020 pour bann pti proze dirzans ki ase miner.

Sa bann sant deker pou ganny konplete sa lannen dan bidze 2019 bidze;

- Deker Anse Aux Pins
- Deker Glacis
- Deker Takamaka
- Deker Grand Anse Praslin

Adisyonnelman, nou pou servi finansman ki disponib anba ‘Grant’ Pti Proze Devlopman’, finanse par Gouvernman Lenn, pour konstri sant deker dan sa bann distrik swivan;

- Cascade
- English River
- Grand Anse Mahe
- Ile Perseverance
- Les Mamelles
- Roche Caiman

Sa i ava bann nouvo loportinite biznes pour bann operater Seselwa.

### **5.3.3 Lar, Kiltir ek Leritaz**

Msye Spiker, ban diferan antite ek departman anba sekter Lar, Kiltir ek Leritaz in resevwar en alokasyon total SR 153.7 milyon. Adisyonnelman, Gouvernman in fer provizyon SR 0.5 milyon ek SR 1 milyon anba Skim Leritaz Sesel, e ‘Trust Fund’ pour Kiltir ek Lar respektivman.

En Polisi Nasyonal pour donn ‘grants’ dan domenn Lar ek Kiltir pou ganny entrodwir e i pou efektif an Zanvye 2020. Nouvo Polisi Kiltirel Nasyonal i met lanfaz lo lenportans pour ankouraz kreativite artistik pour anrisir kiltir Seselwa e promouvwar bann prodwi ek servis kiltirel aletranze. Sa Polisi ‘Grant’ i annan pour bi ankouraz plis koezyon sosyal ek devlopman ekonomik.

En sonm SR 1 milyon in ganny prevwar pour Konsey Nasyonal pour Lar (NAC), pour stimil e devlop kapasite bann sekter lar dan Sesel. Sa ‘grant’ ‘NAC’ i ava donn sipor bann artis ek

lasosyasyon lar pour anmenn lar dan bann kominote, pour angaz avek dimoun, enspir zot e kree bann leksperyans partaze ki a permet dimoun konekte ek kanmarad.

Nou pou fer provizyon fon neserer pour bann proze ki promouvwar, devlop e prezerv lar dan Sesel, espesyalman bann proze ki:

- Devlop tou laform lar;
- Devlop kapasite bann artis;
- Promouvwar vizibilite domenn lar;
- Kree loportinite atraver domenn lar
- Promouvwar sanzman ek lentervansyon ki kontribye dan en fason pozitiv dan bann kominote.

An 2020, nou pou komemor 250<sup>enn</sup> laniverser depi ki bann premye zabitan ti ariv Sesel. The Komite Nasyonal pour Preparasyon 250<sup>enn</sup> laniverser Sesel pe organize en seri aktivite lo nivo nasyonal e dan tou distrik, avek en provizyon SR 5 milyon dan bidze 2020.

#### **5.3.4 Lazenes ek Sport**

Departman Lazenes ek Sport, ek Konsey Nasyonal pour Sport in resevwar SR 9.2 milyon e SR 77.7 milyon respektivman. Msye Spiker, nou'n vwar sikse nou bann atlet pandan Zwe Losean Endyen 2019. Nou bezwen kontinyen fer disponib resours pour amelyor bann fasilite sport ki egziste aktyelman e antrenn nou bann atlet pour permet zot fer konpetisyon lo nivo enternasyonal. Dan bidze 2020, nou'n fer provizyon pour nou atlet prepare pour Zwe Olenpik Tokyo 2020, e pour organiz "Zwe Lespwar" an 2020.

Konsey Nasyonal pour Lazenes in resevwar en alokasyon SR 28.2 milyon pour ki sa Konsey i kontinyen desarz e zwe zot rol dan pei.

#### **5.4. Transformasyon Ekonomik**

Msye Spiker, ler nou get nou lekonomi dan mwayen term, nou bezwen asire ki nou transform nou lekonomi pour en krwasans soutenab e en prosperite partaze. Serten bann sekter kle ki pou enplike dan sa transformasyon i konm swivan;

##### **5.4.1. Sekter Transpor**

Nou'n prevwar SR 85.2 milyon dan bidze 2020 anba Lazans Transpor lo Later pour bann diferan proze lenfrastruktir semen. Lazans Transpor lo Later (SLTA) pou kontinyen enplimant son 'Master Plan' pour zesyon trafik dan Victoria par faz, pour amelyor sirkilasyon trafik dan Victoria e otour li. Aktyelman, konstruksyon en trwazyennm koulwar lo Laveni Senk Zen pe ganny enplimante. Sa i sipoze konplete ver lafen 2019, e nou ekspekte vwar en rediksyon dan konzasyon trafik, espesyalman kot ron trafik 'Independence House' e bann semen ki konekte avek li. Ron trafik ki konekte bann semen Bois De Rose pe fonksyon byen, e proze pou kontinyen ziska Roche Caiman. Semen sorti Eden Island pou al ankouri zón endistriyel Providans pou ganny agrandi pour permet plis sirkilasyon trafik. Lezot proze enportan ki form parti 'Victoria Master Plan' ki SLTA pou enplimante i, bann pon pyeton parlao semen pour separ trafik pyeton ek veikil, permet pli bon

sirkilasyon trafik, e amelyor sekirite pyeton. Adisyonnelman, proze pour en ‘dual carriageway’ sorti Perseverance pour al Ile Du Port ek lasose i dan plan mwayen term.

Msye Spiker, reabilitasyon e lagrandisman Por Komersyal Victoria i aktyelman dan son staz planifye, e nou ekspekte ki proze i ava al lo tennder an Zanvye 2020 avek en dat komansman endikativ pour konstruksyon an Zen 2020. Lotorite Por Sesel i konsidere ki lenvestisman dan bann lenfrastruktir, fasilite ek lekkipman bann por i enn bann eleman pli enportan dan son stratezi long term pour vin konpetitiv e pour reste soutenab. An 2020, Lotorite Por Sesel pou mentenir son stratezi pour investir dan lenfrastruktir ek lekkipman por. Se pour sa rezon ki en alokasyon SR 109.2 milyon in ganny fer, prensipalman dan sa bann proze swivan;

- Realokasyon landrwa pour ouver konntener kot Eks Gard Lakot
- Batiman Terminal Pasaze ek lenfrastruktir lo Zil Eve
- Realinyman miray lo lasose La Digue par 150 met
- Prokirman en bato pilot 40 tonn
- Prokirman en bato pilot
- Amelyorasyon dan sistenm zesyon por enformatik

Lotorite Lavyasyasyon Sivil Sesel (SCAA) pou dan son senkyenm lannen lenplimantasyon son plan lenvestisman senk an. SCAA in donk kapab servi son profi reteni pour realiz son bann proze kapital a en sonm SR 237.7 milyon, e ladan, SR 59.8 milyon ti ganny servi an 2019. Pandan 2020 SCAA pe anvizaze investir SR 103 milyon koman lenvestisman kapital.

Pwen fokal pou prensipalman lo bann proze lenfrastruktir tel ki nouvo blok lofis SCAA, reamenazman bann terminal e restriktirasyon semen pour amelyor mouvman trafik. Adisyonnelman, SCAA pou kontinyen son bann proze lenfrastruktir ‘airside’ ki ariv en sonm SR 17.7 milyon. Sa i enkli mannevre bann landrwa reparasyon ek ekstansyon, amelyorasyon bann drenaz kote Nor erport, konblaz later pour RESA e bann travay ‘piling’ pour bann ‘pontoon’ ki deservi bann bato softaz.

SCAA pou osi investir dan ranplasman software zesyon trafik dan ler a en sonm SR 26 milyon pour kouver lekkipman sirveyans ek lezot servis kle dan nou lespas aeryen ki kritik. An plis, SCAA pou investir SR 16.3 milyon dan son lenfrastruktir rezo Lenformasyon, Kominikasyon ek Teknolozi.

#### **5.4.2 Sekter Lenerzi**

Msye Spiker, PUC pe al antreprann divers proze a en sonm SR 348.9 milyon ki pou finanse swa par PUC li menm oubyen anba ‘grant’ devlopman gouvènmman.

Bann koupir kouran ki bann rezidan La Digue ti eksperyansé pandan Out ek Septanm ti finalman ganny rezourd ver lafen Septanm. Koman en Gouvènmman, nou bezwen met anplas lefrastruktir nesaser, pour asire ki sa bann enteripsyon pa ariv ankor. PUC in fer provizyon en sistenm zenerater ki pou lo stennbay La Digue, a en kout SR 21.7 milyon. Adisyonnelman, Gouvènmman pe diskit finalizasyon en lón lavalèr US\$ 10 milyon ki ekivalan 143 milyon rounpi avek Fon Abu Dhabi ki pou servi pour enstal en trwazyenm kab, pour ki kan enn pa pe marse, sa de lezot i kapab kontinyen donn sa zil elektrisite.

PUC in osi komans proze pour redwir nivo tapaz kot stasyon elektrisite Baie Ste Anne, e pour amelyor sistenm vantilasyon. Sa pou kout SR 47.2 milyon. Proze pou konplete an 2020.

PUC in komans enstal bann miter elektrisite priped kot serten lakour selekte lo Zil Perseverance depi semenn pase. I annan 190 fanmir vilnerab atraver Mahé, Praslin ek La Digue ki pe ganny lasistans Lazans Proteksyon Sosyal pour pey zot bil elektrisite. Se zot bann premye fanmir ki pou benefisyè avèk sa servis.

### **5.4.3 Lagrikiltir, Lapes ek Lekonomi Ble**

Msyè Spiker, apre enn an, nou kapab dir ki Plan Konpreansiv Lagrikiltir pe byen progrese. 380 ektar later lagrikiltir in ganny arpante e divize an 564 kare later, e ladan, 436 kare later in deza ganny met a dispozisyon fermye. Gouvènmman in deza met anplas bann mekanizm pour permet fermye ek peser ki'n anrezistre pour ganny ranbourse VAT lo bann lekipman ek bann byen ki zot in aste lokalman, spesifikman pour lizaz dan zot biznes.

Dan bidze 2020, Gouvènmman in prevwar SR 30.8 milyon e SR 41.1 milyon pour Lazans Nasyonal pour Biosekirite, e Lazans Lagrikiltir Sesel respektivman. Lazans Lagrikiltir Sesel pou kontinyen investir dan nouvo semen laferm ek proze irigasyon dan bann distrik, dan bidze 2020.

Kot i konsèrn sèkter lapès, le 22 Oktob 2019, Gouvènmman ek Linyon Ewopean in konklir negosyasyon pour en nouvo Lagreman Partenarya pour Lapes Soutenab avèk en nouvo Protokol ki pou ranforsi zot korperasyon dan domenn lapès pour sa prosen si-z-an. Sa lagreman i mark e letap enportan dan korperasyon bilateral ant Gouvènmman ek Linyon Ewopean dan domenn lapès, e i montre zot langazman pour promouvwar lizaz soutenab nou bann resours maren. Baze lo en referans tonnaz 50 mil tonn, Linyon Ewopean pou donn Sesel en kontribisyon 5.3 milyon Ero ki ekivalan 89.5 milyon rounpi anyelman. En parti enportan sa kontribisyon, 2.8 milyon Ero ki ekivalan 47.3 milyon rounpi par an, pou servi spesifikman pour promouvwar zesyon soutenab lapès dan Sesel, osibyèn ki pour sipòrt devlopman bann pti proze lapès. Valer total ki'n estimen pour dirasyon sa protokol, enkli kontribisyon bann propriyèter bato, i ariv 58.2 milyon Ero ouswa SR 982.4 milyon, ki ekivalan 9.7 milyon Ero ouswa SR 163.7 milyon par an. Pour premye fwa, peyman bann propriyèter bato Linyon Ewopean pou osi enkli en 'dedicated Fund' ki Sesel pou met anplas, pour amelyor zesyon lanvironnman ek lobzervasyon bann ekosistènm marin ki dan nou delo.

Msyè Spiker, nou pe antisipe konplet premye faz lenfrastriktir Ile Du Port dan premye kar 2020, e sa pou kout SR 29.6 milyon. Nou pe travay lo dezyèn faz sa proze, ki pou kout SR 87.5 milyon an total, prensipalman pour bann travay semen, drenaz ek travay elektrisite. Prosedir tennder pour komansè pandan 2020.

Msyè Spiker, reveni sorti dan 'Blue Bond' pou kontinyen finans plizyè proze anba 'Blue Grant Fund' anba SEYCATT ek 'Blue Investment Fund' ki pe ganny zere par DBS. Pandan 2019, SEYCATT in finans plizyè 'grant' anba 'Blue Grant Fund' ki konpri;

- 7 proze Pti ek Mwayen ki ariv en sonm SR 0.7 milyon
- 4 gran proze ki ariv SR 2.4 milyon



I osi annan 12 gran proze lavaler SR 10.6 milyon ki pe ganny evalye. Menm prosedir pou swiv pandan 2020 vi ki pou annan 0.5 milyon dolar ameriken ek 2 milyon dolar ameriken ki pou disponib anba SEYCATT ek DBS respektivman.

### **5.5. Lekonomi Inovativ**

Msye Spiker, lasyans, teknolozi ek inovasyon i bann moter enportan pour devlopman ekonomik. Nou bezwen rod nouvo fason fer biznes pour asire ki nou reste rezilyan e protez nou devlopman.

Msye Spiker, an 2019, Labank Mondyal in antreprann de resers dyagnostik; enn lo Gouvernman elektronik, e lot lo Lekonomi elektronik dan Sesel. Bann rekomandasyon sorti dan sa bann resers i ava itil vizavi bann amelyorasyon ki bezwen fer, afen ki sa departman i a pli byen delivre son manda. An 2020, target se pour met anplas bann servis elektronik enteraksyonnel (oubyen e-services) dan menm zanr ki'n ganny fer pour Lotorite Planing ensi ki pour lenplimantasyon Stratezi Sibersekirite Nasyonal. Lenplimantasyon bann rekomandasyon dan sa bann rapor, ensi ki bann desizyon ki gouvernman in deza pran, i vedir ki pou bezwen annan nouvo fason fer dan striktir ek pratik travay sa departman. Sa i enkli pour met anplas en regilater endepandan pour sekter brodkasting ek kominikasyon. Travay pe kontinyen lo nouvo lezislasyon, ki pou ranplas Lakt Brodkasting ek Telekominikasyon, 2000. Sa nouvo lezislasyon pou separ fonksyon leta ek bann aktivite regilatwar.

Departman Teknolozi Lenformasyon ek Kominikasyon (DICT) in osi antrepran en nouvo plan pour entrodwir 5G e in donn 'spectrum' frekans radio avek de operater mobayl pour deplwayman rezo 5G. I ekspekte ki provizyon servis 5G ava komanse an 2020. Fodre note ki 5G i senkyenn zenerasyon teknolozi rezo mobil e i permet transfer en gran kantite data bokou pli vit, i konekte en gran kantite laparey efektivman, e i tret bann tre gran volim data avek minimonm retar. 5G i ekspekte konekte dimoun, keksoz, data, laplikasyon, sistenm transport, e ganny servi dan 'Internet of Things' dan bann lanvironnman smart ki annan en bon rezo koneksyon. Donk, 5G i devret annan en lenpakt enportan lo performans operasyonnel, e donn bann itilizater en leksperyans siperyer. An plis ki 'broadband' mobayl, i osi ekspekte ki 5G ava ganny servi pour fer provizyon akse 'broadband' fiks, e sa ava ede pour amelyor penetrasyon 'broadband' dan Sesel; vi ki 5G i en sistenm 'wireless', i pou osi kapab ariv dan bann landrwa kot rezo kab kominikasyon pa kapab arive aktyelman.

Dezyenn proze kab soumaren i an plen faz lenplimantasyon, e son serve anba lanmer pou komanse dan premye mwatye 2020. Sistenm PEACE i ekspekte vin operasyonnel dan milye 2021. Stasyon 'Cable Landing' pour sa sistenm pou sitye Perseverance. Gouvernman in osi resaman aprouv en proze pour lenstalasyon ek loperasyon en trwazyenn sistenm kab soumaren par en operater lokal, pour donn plis konektivite enternasyonal. I ekspekte alor, ki dan fitir pros, Sesel pou konekte pa selman par de me par trwa kab soumaren.

Msye Spiker, avek bann nouvo devlopman, partikilyerman dan sekter mobayl ek sistenm kab soumaren, ki pou ogmant konektivite ek disponibilite 'bandwidth', i bezwen annan bann meyer e pli konpetitiv dan pri pour sa bann servis, espesyalman pour mobayl ek data, ki ankor ganny konsidere koman tre ser, konpare avek menm servis lo bann laliny fiks.

## 5.6. Soutenabilite Lanvironnman ek Rezilyans

Sesel i en sanpyon dan konservasyon, prezervasyon ek proteksyon nou lanvironnman natirel, menm si nou kontinyen devlope koman en nasyon. Diversifikasyon nou sours lenerzi i osi tre enportan pour nou mentenir nou rezilyans an vi ki nou aktyelman depan preski antyerman lo lenportansyon karbiran fosil pour elektrisite.

Msye Spiker, koman en Gouvernman, nou bezwen donn legzanp. Dorenavan, Gouvernman pou aste zis bann veikil ibrid oubyen elektrik. Sa i ava osi form parti plan Gouvernman pour ranplas bann veikil konvansyonnel ki dan lizaz aktyelman.

Msye Spiker, nou pou reste lo bon vwa dan nou zefor pour et parmi bann premye ki entrodwir en fasilite ‘floating utility scale Photovoltaic plant’ lo lanmer, dan lemonn. Gouvernman pe aktyelman evalye bann propozisyon teknik sis lakonpanyen ki’n met zot bid. Swivan sa, bann bid finansyel i ava ouver e ganny evalye. Gouvernman i ekspekte anonse lekel ki’n ganny bid avan lafen lannen, e nou ekspekte konstriksyon komanse dan premye kar 2020, prosedir komisyon in ganny planifye pour ver lafen 2020.

Adisyonnelman, sa de proze fotovoltaiik ki PUC pe antreprann lo Ile De Romainville in ariv en staz avanse dan son konstriksyon, e i ekspekte ki zot a gany komisyonnen dan premye mwatye 2020. Enn pou annan kapasite 5 megawat, e i pe ganny parsyelman finanse par Fon Devlopman Abu Dhabi e parsyelman par PUC, e i pe kout 3.43 milyon dolar ameriken ki ekivalan SR 49 milyon. Lot pou annan kapasite 1 megawat, e i pe finanse par en konponan ‘grant’ Repiblik Lenn, ki enkli 944 KW bann panel fotovoltaiik pour twa lakaz (apepre 150 inite) ki’n ganny enstale sirplas pour bann fanmir ki tonm dan kad reveni ba, e lo batiman gouvernman.

Plan devlopman lenerzi renouvlab, mitigasyon sanzman klima ek adaptasyon i reste tre o lo azanda gouvernman. Msye Spiker, Gouvernman in devlop en Plan Zesyon Lakot pour 2019 – 2023 avek lasistans bann partener enternasyonal kle, ki annan pour bi mentenir e protez zón lakot pour redwir risk lo lakot, siport lasante bann lekosistenm, e permet annan devlopman ekonomik soutenab lo lakot. Lenplimantasyon sa plan pou kout 15.8 milyon dolar ameriken ouswa SR 225.9 milyon. Gouvernman i aktyelman an diskisyon avek bann partener enternasyonal pour travay lo en stratezi finansman pour Plan Zesyon Lakot.

Nouvo Polisi Nasyonal pour Salte ti ganny aprouve an Desanm 2018. Bi sa polisi se pour met anplas en lankadreman pour fasilite lenplikasyon gouvernman, sekter prive e piblik an zeneral dan sekter zesyon salte e ankouraz lizaz efikas bann resours an edan piblik fer bann meyer desizyon lo ki mannyer pour zere e dispoz zot salte. Lobzektif sa polisi se pour minimiz lakantite salte ki ganny anmenn konblaz, an ankourazan dimoun pour minimiz zot lakantite salte atraver kanpany 3R (redwir, reservi, resikle), e ogmant kapasite bann lenstitisyon etatik e non-etatik pour zer zot salte.

I annan ankor lezot linisyativ aktyelman ki pe ganny antreprann, ansanm avek bann partener enternasyonal, ki enkli

- En proze Labank mondyal dan Sesel ki pe dokimant lenfrastriktir zesyon salte solid pour konpran lenpakt dezas lo zesyon salte solid lo lakot ek lo lenfrastriktir. Son bi se pour ofer en dyagnostik ki kapab definir bann lentervansyon potansyel dan kad reform polisi, opsyon

alternativ pour mitigasyon bann risk asosye avek klima ek letan, ensi ki ranforsisman kapasite enstitisyonnèl pour zer sa bann risk. Sa letid pe servi en lapros miltisektoral entegre e 'holistic' pour ankouraz en fason pran desizyon ki enformen, e target langazman bann partiprenan.

- Paralelman, Linyon Eropeen pe sipòrt Gouvènmàn dan preparasyon en 'Master Plan' pour salte solid ki pou asire ki zesyon salte solid i ganny antreprann dan en fason entegre, atraver meyer polisi, lenfrastriktir e kapasite (finansman ek resours imen) pour enplimant bann program zesyon salte ki koresponn avek bezwen pei pour sa prosen 25an.

## **6. BIDZE 2020 POUR PROGRAMM SOSYAL**

Dan bidze 2020, Gouvènmàn pou mentenir son langazman pour finans bann program sosyal ki target bann dimoun pli vinerab dan nou sosyete. Bidze pour bann divers program i konm swivan:

- SR 47.8 milyon pour 'Safety Net' Sosyal par Lazans pour Proteksyon Sosyal (ASP),
- SR 5 milyon skim 'Home Improvement/Re-roofing' pour pansyoner atraver HFC,
- SR 10 milyon skim 'Vulnerable Home Repair' atraver ASP,
- SR 28 milyon pour konsesyon voyaz SPTC travel pour bann dimoun aze, etidyan ek dimoun dezabilite, atraver ASP
- SR 18 milyon skim lasistans lakaz,
- SR 4.2 milyon 'dedicated funds' pour lekòl
- SR 6.7 milyon skim Deker, e
- SR 3.2 milyon skim 'Foster Care'
- Skim transport bann zil pros pour etidyan, referans medikal ek pansyoner, ki ariv en total SR 5.7 milyon
- SR 1.5 milyon skim lasistans 'Emergency Housing'
- SR 292 milyon pour 'Home Carers' ki enkli zot 13enm mwan saler.

## **7. DEPANS ENPREVI**

Msye Spiker, pour lannen 2020, nou'n prevwar SR 45 milyon pour bann depans enprevi. Ladan, SR 37.5 milyon i pou konpansasyon bann ka polisyon delo La Misere. Nou pou komans pey premye group endividi ki'n ganny peye avan konm swivan;

- a) Rezidan adilt ek zanfàn par lao 7 an SR 50, 000
- b) Zanfàn aze 7 an e pli ba SR 15, 000
- c) Etidyan lekòl La Misere SR 25, 000
- d) Etidyan ek staf Lakademi Tourizm Sesel SR 25, 000

Msye Spiker, sa to ki'n mansyonnen pou ganny kalkile baze lo sa SR 37.5 milyon ki disponib an 2020, e larestan pou ganny peye an 2021. Si bidze i permet, en peyman siplemanter pou ganny fer pandan legzersis revè milye lannen. An sa ki konsèrn dezyenm group endividi, travay i ankor pe kontinyen pour finaliz lalis. Gouvènmàn in kalkil en peryod pour termin sa legzersis ziska Mars 2020. Adisyonnelman, peyman pou ganny fer pour bann endividi ki'n ganny afekte par polisyon dyezel dan premye kar 2020.

En lot konpansasyon ki tonm anba depans enprevi i bann ka ki konsèrn bann dimoun ki reste kot landrwa ki prodwi koltar Petit Paris. Sa pou ganny finalize pandan premye sis mwan 2020, e

peyman pou ganny fer dek ki prosedir in konplete. Aktyelman, i annan 34 dimoun ki'n reklanm sa konpansasyon.

Msye Spiker, lot group ki pe atann konpansasyon i bann rezidan Baie Ste Anne Praslin ki'n ganny afekte par stasyon elektrisite. Sa i en ka depi 2017. Nou oule fer sir ki nou ferm sa ka dan premye sis mwan an 2020.

## **8. NOUVO POLISI DAN BIDZE 2020**

### **8.1 Logmantasyon dan Saler Minimom**

Parey Prezidan ti anonse pour Lafet Travayer, saler minimom pou ogmante par SR 500 par mwan, e sa pou vin efektiv apartir le premye Zanvyé 2020. Sa i pou ekivalan konm swivan:

- Sorti SR 34.97 pour vin SR 38.27 par erdtan pour tou travayer, eksepte bann ki pa anploye. Sa i veditr travay ki baze lo 35 erdtan par semenn, saler pou ogmante sorti SR 5,303.70 pour vin SR 5,804 par mwan apartir Zanvyé 2020.
- To lapey pour bann travayer ki pa anploye pou ogmante sorti SR 40.30 pour vin SR 44.10 par erdtan.

Lenpakt saler minimom pou ogmant saler bann 'Home Carers' ki travay a plen tan, sorti SR 6,060.60 pour vin SR 6,633.47 apartir le premye Zanvyé 2020. Saler bann 'Home Carers' ki travay a mitan pou ogmante sorti SR 3,787.35 pour vin SR 4,145.92. Sa i osi veditr en logmantasyon dan kontribisyon pansyon ki Gouvernman i fer pour bann 'Home Carers'. Zis sa logmantasyon pou kout SR 24 milyon pour finanse.

### **8.2 Logmantasyon dan bann Benefis ek bann Programm Aprove kot Lazans ek Proteksyon Sosyal**

Msye Spiker, sa bann benefis pou ganny ogmante konm swivan:

- Benefis Retret pour bann dimoun aze, sorti SR 5,250 pour vin SR 5,750
- Benefis Envalidite ek Dezabilite, sorti SR 5,250 pour vin SR 5,750

### **8.3 Pansyon Minimom SR 1,000**

Msye Spiker, i annan en kategori travayer ki pe resevwar mwens ki SR 1,000 par mwan, atraver Fon Pansyon. Apartir Zanvyé 2020, Gouvernman pe al enplimant en polisi ki a permet ogmant zot pansyon ziska SR 1,000 par mwan. Donk, ouvernman pou entrodwir en minimom pansyon SR 1,000 atraver Fon Pansyon. Sa i pou kout SR 4.8 milyon dan bidze 2020.

### **8.4 Pansyon Kategori Spesyal SR 500 pour en group retirete**

Msye Spiker, parey Prezidan in anonse zour lafet travayer sa lannen, ti annan lezot zenerasyon travayer ki'n sibir bann kondisyon travay deplorab difisil e enzis. Se zot ki'n met fondasyon ki travayer ozordi i kapab kontinyen batir lo la, e se zot ki'n fer li posib pour nou ariv kot nou ete ozordi. Sa kategori travayer ti pran zot retrait bokou lannen pase, e ozordi, zot viv zis lo zot benefis retrait sekirite sosyal. Sa kategori pansyonner ti pran zot retrait avan Fon Pansyon ti ganny etablir. Zot pa ganny okenn lot pansyon ki egziste ozordi eksepte sekirite sosyal. Gouvernman in deside donn zot en sipor adisyonnal. Zot pou ganny en SR 500 adisyonnal par mwan, apartir Zanvyé

2020. Sa sonm, ki'n ganny bidzete dan bidze 2020 i ariv SR 12 milyon e i pou ganny zere par Lazans Proteksyon Sosyal.

### **8.5. Lasistans Deker ek 'Child Minding'**

Msye Spiker, lasistans ki serten paran ki kalifye i gannyen avek Gouvernman pour deker ek 'Child Minding' pou ogmante sorti SR 500 pour vin SR 750 apartir 2020.

### **8.6. Propozisyon pour en alawenns pour bann manman ansent ki reste lo zil pros ki bezwen akous Mahe**

An 2018, Sesel ti rikord 1,650 nesans vivan. Dan 66 nesans ki'n anrezistre pour Grand Anse Praslin, 40 nesans ti dan Lopital Sesel, e pour Baie Ste Anne 45 dan 69 nesans ki ti rikorde ti dan Lopital Sesel. La Digue ti rikord 45 nesans, e ladan, 36 ti lo Mahe. Bann manman anvwadfanmir lo Praslin ek La Digue i bezwen ganny transfer lo ward prenatal dan Lopital Sesel ler zot ariv 34 semenn, ziska ki zot akouse. Donk, sa bann manman in bezwen rod lozman alternativ ziska ler zot delivre. Swivan program parental ki ti fer lo Praslin, bann manman anvwadfanmir in eksprim konsern vizavi larzan ki zot bezwen kontribye pour lozman ler zot Mahe, vi ki sa i met en depans ekstra lo zot. Sa i met zot a en dezavantaz konpare avek bann manman ki reste Mahe, vi ki zot oblize reste Mahe pour sis semenn ziska ler zot akouse.

Bann manman anvwadfanmir ki sorti lo bann zil pros pour vin Mahe, pou ganny en alawenns fiks SR 1,500 pour siport zot depans lozman si zot bezwen rod lozman alternativ. Sa i a ganny fer atraver Lazans Proteksyon Sosyal.

### **8.7. Konze Anyel**

Msye Spiker, Prezidan ti anons en lot mezir konsernan konze anyel zour Lafet Travayer. Parey ou konnen, tou travayer i ganny 21 zour konze koman konze anyel. Gouvernman in decide ki apartir Zanvye 2020, konze anyel pou vin 24 zour.

### **8.8. Ler Travay Fleksib dan Gouvernman**

Msye Spiker, Gouvernman i bezwen emansip nou servis piblik pour fer li vin pli efikas e pli kapab rann kont. Pandan premye kar 2020, Gouvernman pou met striktir anplas pour kapab permet ler travay fleksib. Dan klima aktyel, nou tou nou komans travay 8er bomaten e fini 4er apremidi. Dan sa monn modern, e pour pli byen ankouraz prodiktivite, nou bezwen asire ki nou etabli en lanvironnman travay ki fer provizyon pour bann paran ki travay fer letan pour zot zanfan, pour bann profesyonnel kapab kontinyen travay letan ki zot pe etidye a distans, e pour fer letan pour en stil lavi pli an bonn sante atraver legzersis ek en ladyet balanse.

Ler travay fleksib i kapab permet travayer komans nenport ler ant 7er bomaten ziska 5er apremidi, e dan serten sironstans, travay kot lakour pandan serten peryod spesifik. Sepandan, lakantite erdtan travay pa pou sanze. Fodre note ki ler travay fleksib i depan lo kalite travay, bann bezwen sa departman pandan serten peryod lannen, e lenpakt lo lezot partiprenan. Sa pratik in deza met anplas dan serten lorganizasyon Gouvernman tel ki Komisyon Anti-Koripsyon, Lenstiti Nasyonal pour Teknolozi, Lasyans ek Linovasyon, e Labank Santral. Msye Spiker, en striktir a ganny met anplas pour asire ki tou anplwaye Gouvernman i swiv en prosedir ler travay fleksib.

### **8.9. Revi Skim Sibvansyon pour Lakaz**

Msye Spiker, skim pour sibvansyon lakaz ti lanse an 2014. Sa skim ti ganny etabli pour amelyor akse konstrikasyon abordab oubyen pour vin propriyeter ou prop lakaz pour en sekter lapopilasyon

spesifik. Pour kalifye pou sa lón, aplikan ti bezwen en sitwayen Seselwa ki anploye oubyen ki anploy son prop lekor, e ki annan en reveni fiks. Aplikan i bezwen osi pe vin propriyeter pou premye fwa. Sa sibvansyon i azout lo lón lakaz sa aplikan, e i pa bezwen repey sa. Okour bann lannen, in annan bokou sanzman dan pri konstriksyon ek lezot faktor ki anpes lamazorite Seselwa benefisyè avek sa skim. Donk, i annan en nesosite pou revwar sa.

#### **8.9.1 Pour revwar ‘rate’ par met kare lo sa trwa zil prensipal**

Depi in ganny met anplas, en ‘rate’ SR 7, 500 par met kare pe ganny servi pou kalkile lekel ki kalifye pou sa skim. ‘Rate; aktyel i aplikab pou Mahe, Praslin ek La Digue. Sa ‘rate’ fiks pou tou le trwa zil pa pran an kont lefe ki kou konstriksyon i pli o lo Praslin ek La Digue, konpare ek Mahe.

Sa bann ‘rates’ pou ganny revize konm swivan:

Mahe: Komansman **SR 7, 500** par met kare ziska **SR 8, 500** par met kare

Praslin: Komansman **SR 7, 500** par met kare ziska **SR9, 500** par met kare

La Digue: Komansman **SR 7, 500** par met kare ziska **SR12, 500** par met kare

#### **8.9.2. Pour enkli rekonstriksyon lakaz anba laplikasyon pou sibvansyon lakaz**

Konmela, napa sibvansyon pou rekonstriksyon lakaz – sa i aplikab zis pou konstriksyon lakaz ek dezyenm konstriksyon. Si sa i ganny enkli, aplikan i ava kalifye pou ganny sibvansyon dan bann ka rekonstriksyon, par egzanp, dan ka kot in annan en dezans enpri tel ki dife, oubyen an term bann ki pe vin propriyeter pou premye fwa kan zot pe kas lakaz zot paran pou rekonstrir sa ki pou zot.

Sepandan, pou asire ki bann pert an rezilta dezans natirel ek dife i ganny redwir, Gouvernman i ankouraz bann propriyeter tre fortman pou asir zot lakaz e pey zot lasirans.

#### **8.9.3. Pour enkli lavant later avek propriyete dan kriter pou kalifye pou sibvansyon lakaz**

Msye Spiker, konmela, napa sibvansyon pou aste lakaz ki’n fini fer avek son later, me plizyer aplikan in fer rapel pou sa ganny aprouve. Polisi pou ganny revize pou formelman enkli sibvansyon pou aplikan ki pe aste lakaz ek later.

#### **8.9.4. Pour revwar nivo reveni pou kalifye pou sibvansyon lakaz**

Msye Spiker, dan polisi aktyel, bann endividi ki ganny en reveni ziska SR 5,999.00, i kapab benefisyè en maksimonm SR 200,000 sibvansyon. Avek bi pou fer benefis sa skim disponib pou bann dimoun avek reveni ba dan kad ‘Progressive Income Tax’, aplikan ki ganny en saler SR 8,555 pou aprezan kapab ganny sa maksimonm SR 200,000 sibvansyon.

#### **8.10. Nimero Veikil Personalize**

Msye Spiker, apartir Zanvyè 2020, Gouvernman pou entrodwir en sistenm nimero loto personalize pou bann veikil dan Sesel. Sa nouvo sistenm pa pou konpromet lenplimantasyon lalwa trafik

oubyen lezot prosedir legal. Se pour sa rezon ki serten karakter spesifik ek sekans bann karakter pa pou ganny permet si zot fer nimero vin mwen lizib. En maksimonm 6 karakter pou ganny servi e sa prefix 'S' ki aktyelman dan lizaz pou nepli mandatwar pour bann nimero transpor prive. Stil lekritir, groser karakter, lespas ek lezot karakteristik plak nimero pou osi ganny mandate par lalwa. Kouler karakter ek kouler plak i reste parey sistenm aktyel. Tou karakter i bezwen an maziskil. Pri pour sa prosedir i konm swivan:

- Kategori 1: Zis bann karakter alfa SR 60,000
- Kategori 2: konbinezon karakter alfa ek karakter nimero SR 40,000
- Kategori 3: konbinezon karakter alfa ek karakter nimero SR 20,000
- Kategori 4: Bordir ki'n anbelir SR 10,000

Pou renouvle sa nimero veikil personalize, i pou kout SR 1,000 par lannen.

Sa bann kategori veikil swivan pa pou ganny drwa montre en plak nimero personalize:

- Veikil Gouvernman ek lantrepriz Gouvernman;
- Veikil ki bann Misyon Diplomatik/Konsiler oubyen bann delege lenstitisyon enternasyonal i servi.

### **8.11. Nouvo Kategori Permi Travay**

Msye Spiker, komela, GOP i SR 500 par mwan pour bann anplwaye ki pa Seselwa. I annan 4,733 anplwaye ki pa Seselwa e ki'n dan pei pour plis ki 6an. Avek bi ankouraz en program 'understudy' apropiye pour bann Seselwa evantelman pran sa bann pozisyon, Gouvernman pe al entrodwir de nouvo kategori pri pour GOP;

1. Pour anplwaye ki pa Seselwa e ki'n dan pei pour plis ki 6 an, fre pou ogmante sorti SR 500 pour vin SR 1,000 par mwan.
2. Pour anplwaye ki pa Seselwa e ki'n dan pei pour plis ki 10 an, fre pou ogmante sorti SR 500 pour vin SR 5,000 par mwan.

Sa nouvo pri pou vin aplikab apartir le premye Zanvyè 2020.

Msye Spiker, zis pou note ki Gouvernman in entrodwir bann 'tax incentives' pandan 2018 pour ankouraz sekter prive fer provizyon pour formasyon nesese, konm swivan;

- Total pousantaz dediksyon ki permet anba lakt taks biznes pour bann fre formasyon i 150% ki'n koute pour sa bann formasyon.
- Fre formasyon ki en biznes in sibir i ganny legzanmpsyon anba lakt taks pour reveni ek benefis non-monneter.

### **8.12. Legzanmpsyon Pansyon Prive anba Dezyenm 'Schedule' Lakt pour Taks Reveni ek Benefis Non-Monneter**

Msye Spiker, en serten nonm anplwayer dan sekter prive pe investir dan pansyon prive, e bann anplwaye i benefisyè en pansyon adisyonnèl kan zot pran zot retret. Nou pou amann dezyenm 'schedule' lalwa taks pour reveni ek benefis non-monneter pou enkli pansyon retret ki sekter prive i donnen pou fer ki napa taks lo sa pansyon.

### **8.13. Revi Benefis Non-Monneter anba katriyenm ‘schedule’ lakt pour Taks Reveni ek Benefis Non-Monneter**

Katriyenm ‘schedule’ dan lakt pour Taks Reveni ek Benefis Non-Monneter i kontyen serten benefis non-monneter ki en anplwaye i kapab gannyen dan kad son lanplwa, oubyen ki en asosye i kapab gannyen an relasyon avek son performans travay. En anplwaye i devret pey Komisyon Reveni en taks ekivalan 20% valer bann benefis non-monneter ki sa bann anplwaye in benefisyé. Sa lakt i spesifye ki benefis non-monneter i devret ganny takse lo en ‘market value’ rezonnab, e ki en valer ki kapab takse i devret ganny mete lo serten benefis, tel ki lozman, repa, veikil ek alawenns pour ‘entertainment’. A ler aktyel, valer ki ganny mete lo sa bann benefis i tro ba, e pa reflekte bann kondisyon marse aktyelman, an relasyon avek kout bann benefis ki pe donner. En revizyon dan ‘rate’ ki servi ava ganny enplimante avek bi fer valer ki kapab takse lo sa bann benefis vin pli anliny avek ‘rate’ ki servi lo marse aktyel, e kot i apropiye, aplik sa ‘rate’ aktyel. Sa i a vin efektif an 2020.

Adisyonnelman, Gouvernman fer legzanmpsyon pour bann fre medikal tel ki tes medikal an relasyon avek lanplwa travayer lokal ek etranze, apartir Zanvye 2020. Sa pa devret ganny vwar koman en benefis vi ki sa anplwaye pa ankor aktyelman anploy sa travayer. I rekomande ki travayer i fer en tes medikal avan zot ganny anploye pour etabli si zot an eta pour fer sa travay e reste Sesel, donk sa pa pou ganny takse.

Pou osi annan legzanmpsyon lo taks ki peye lo benefis lasirans pour sa bann travayer apartir 2020. Sa i annan pour bi, ankouraz anplwayer pour asir lakaz, veikil ek konteni personel zot bann anplwaye an ka vol oubyen dife.

### **8.14. Taks lo Propriyete Imobilye**

Msye Spiker, prozedlwa pour taks propriyete imobilye i anba konsiltasyon piblik. I pou pare pour ganny gazete an Novanm 2019.

‘Rate’ pou reste 0.25% ‘market value’ nenport propriyete imobilye ki kapab ganny takse. Sa taks i devret ganny peye avek Komisyonner Zeneral le 31 Desanm sak lannen, oubyen avan. Msye Spiker, sa bann kategori propriyete imobilye ki swiv pou ganny legzanmpsyon taks propriyete imobilye;

- a) ki servi koman rezidans e ki son propriyeter i en kontribiter taks ki’n marye avek en Seselwa, e ki son maryaz i ankor entak, oubyen ki vef/vev sa propriyeter; oubyen
- b) ki ganny konsidere koman later komersyal oubyen endistriyel.

Apré ki sa lakt in vin an operasyon, en rezidan ki pa Seselwa, e ki propriyeter en propriyete imobilye pour premye fwa, ki pe ganny servi koman rezidans, i kapab fer laplikasyon an ekri kot Komisyonner Zeneral pour ganny legzanmpsyon taks. Legzanmpsyon pour taks propriyete imobilye i aplikab zis dan premye lannen ki in ganny aste. Son lannen answit, sa rezidan ki pa Seselwa pou bezwen peye an vi ki i pey ‘stamp duty’ dan premye lannen.

### **8.15. Revizyon dan Alawenns Personnel pour Lapos ek Kourye ki san taks**

Msye Spiker, konmela i annan en alawenns personnel SR 3,000 pour bann byen ki ariv Sesel par avyon ouswa bato atraver servis lapos ouswa kourye, ki napa taks lo la. Sepandan, napa limit lo lakantite fwa ki en endividi i kapab servi sa alawenns oubyen baypas nesosite pour prodwir en ‘Bill of Entry’. Vi ki i annan serten defayans dan prosedir pour efektifman sirvey sa bann aktivite,



sa in ouver laport pour labi e donk koz en pert dan reveni ki'n tre difisil pour kontrole. I osi enzis vizavi bann biznes ki pe pey taks ek lwaye, e ki pe donn loportinite lanplwa, konpare ek sa bann endividi ki pe profit lo sa bann defayans dan prosedir taks pour fer vini keksoz 'online' apre revann lo 'Facebook'.

Donk, apati Zanvyé 2020, Alawenns Lapos ek Kourye Personnel ki napa Taks pou ganny redwir sorti SR 3,000 pour vin SR 1,500 e en fre ladwann SR 50 pou ganny entrodwir.

### **8.16. Revizyon dan Taks Veikil**

Msye Spiker, plizyer resers ki'n fer in montre ki veikil elektrik i pli efikas, e donk kontribye dan rediksyon gaz lefedser ek lezot emisyon ki bann veikil ki mars zis lo masin konbistib entern i large. Dapre lezislasyon taks aktyelman, i annan zis VAT lo bann veikil elektrik.

Msye Spiker, avek bi ankouraz lizaz plis veikil elektrik, Gouvernman in deside pour reviz taks lo veikil apartir Zanvyé 2020 konm swivan;

1. Ogmant taks lo veikil komersyal pour aliny li plis avek sa ki aplikab pour bann veikil prive;
2. Ogmant taks lo bann veikil konvansyonnel par SCR 25,000.
3. Revwar taks ladwann ki egziste aktyelman lo tou kalite veikil ibrid par lao 1600cc, pour fer li vin pli anliny avek sa ki aplikab lo bann veikil konvansyonnel similer;

Msye Spiker, nou pe osi travay avek SEYPEC pour entrodwir panel soler ouswa koneksyon lasarz elektrik lo stasyon petrol, pour permet bann propriyeter veikil sarz zot transpor lo stasyon menm.

### **8.17. Lamannman Ozone dan Regilasyon Proteksyon Lanvironnman 2010**

Apartir Zanvyé 2020, sa bann lamannman swivan dan Regilasyon Proteksyon Lanvironnman (Ozone) 2010 pou vin anfors pour fer provizyon pour ratifikasyon 'Kigali Amendment' dan Protokol Montreal. Gouvernman pou enpoz bann taks swivan lo lekipman refrizerater ki'n enporte ek bann gaz refrizerater:

- a) Pou napa taks lanvironnman lo gas/lekipman avek mwens ki 100 'Global Warming Potential' (GWP) pour ankouraz bann enportater pour enport lekipman ki 'ozone and climate friendly', an fezan sa bann lekipman vin pli bon marse.
- b) 5% taks 100-2000 GWP
- c) 8% taks 000-3000 GWP
- d) 10% taks 3000 e pli o.

Poursantaz lo GWP ava ganny kalkile par Ozón dan Minister Lanvironnman, Lenerzi ek Sanzman Klima, e pwen koleksyon taks i ava kot ladwann.

An plis, pou napa VAT lo lekipman ek gaz refrizerasyon avek mwens 100 GWP.

### **8.18. Sanzman dan striktir taks pour labwason alkolize**

Koman parti polisi Gouvernman pour redwir lefe lalkol lo lasante nou nasyon, Gouvernman ti anons bann sanzman dan lafason ki labwason alkolize pe ganny takse aktyelman. Vi ki sa bann sanzman pou ekstansif e pou enkli en sanzman zeneral dan 'excise tax regime', Gouvernman i dan prosedir anmenn en konsiltan pour asire ki nou bann sistenm ki anplas i kapab soutenir sa sanzman. Vi ki sa i en legzersis konpreansif, i pou pran omwen en an avan nou kapab enplimant li. An vi lakantite letan ki sa legzersis pou pran, e pour asire ki i annan serten polisi anplas pour redwir labi lalkol, apartir le premye Zanvyé 2020, taks lo lalkol pou ogmante par 10% dan tou kategori. Adisyonnelman, nou'n idantifye en trou dan sistenm kot bann fabrikater lokal ti pe klasifye ronm

ki'n prodwi lokalman anba "alcopops" vi ki i annan en 'rate' taks pli ba lo sa kategori. Apartir le premye Zanvyè 2020, deskripsyon "alcopops" pou permet zis labwason avek en volim lalkol 8% e par anba pour ganny klasifye dan sa kategori.

### **8.19. Reform Taks Biznes**

Msye Spiker, pandan bidze 2019, plizyer lamannman kot i konsern proze 'Base Erosion Profit Shifting' in vin anfers depi le premye Zanvyè 2019. Sepandan, dapre rekomandasyon Linyon Ewopeen, nou bezwen fer plis lamannman dan seksyon taks biznes ki gouvèrn bann aktivite fabrikasyon anba 'International Trade Zone regime'. Nou annan lentansyon aplik en peryod 'grandfathering' pour sa peryod, avek bann lamannman, ki pa pou depas le 31 Desanm 2022.

Linyon Ewopeen in osi souliny serten konsern vizavi nou sistenm taks teritoryal, ki zot krwar i kapab fasilite doub 'non-taxation'. Zot in soulinyen ki i kapab annan reveni ki pa pe ganny takse okennpar. Nou pe travay ver finalizasyon sa de lamannman avan le 31 Desanm 2019, pour asire ki nou anliny avek metodoloji Linyon Ewopeen.

Msye Spiker, an Zanyè 2020, nou pou amann taks biznes lo bann lakour rezidansyel sorti 15% pour vin 3%. Msye Spiker, nou lans en lapel ek sekter prive pour pas en pe sa bann benefis lo zot bann lokater. Gouvèrnman pe fer son par pour redwir taks, me sekter prive osi i bezwen fer son par.

Msye Spiker, sistenm 'Pay As You Go' kot serten biznes i kapab tir 5% lo zot reveni 'at source', pou nepli egziste apartir Zanvyè 2020. Sa bann biznes ki enkli dan sa kategori i kontrakter konstruksyon, kontrakter menntenens, mekannisyen, sa ki lwe oubyen 'operate' 'plant' ek lekipman, e sa ki lwe pti bis.

Msye Spiker, parey mon ti anonse dan mon ladres bidze lannen pase, Gouvèrnman ti inisyè en revè taks biznes sa lannen avek bi senplifye li. Bi sa revè polisi lo taks konpreansiv sete pour get dan posibilite pour amelyor sistenm taks biznes dan nou pei, pour fer en evalyasyon endepandan, afon e konparativ nou sistenm taks biznes, e donk, fer en seri rekomandasyon vizavi polisi ki tre spesifik.

En seri konsiltasyon lo taks biznes ti ganny inisyè an Zilyet avek lasistans Lorganizasyon pour Korporasyon Ekonomik ek Devlopman (OECD). Plizyer dyalog ti fer ek bann partiprenan avek partisipasyon bann reprezantan divers lasosyasyon, minister, lazans Gouvèrnman e kominote biznes an zeneral. An Septanm 2019, en swivi ti ganny fer pour diskit rezilta sa konsiltasyon e inisyè bann propozisyon polisi avek Minister responsab pour Finans ensi ki avek bann divers partiprenan.

Dan konteks prozeksyon Taks pour 'GDP' i montre en pti deklinezon, sorti 32.1% an 2018 pour vin 32.3% an 2019 ek 31.6% an 2020. Parey OECD in soulinyen, sa i 'ratio' pli o ki annan parmi tou bann pei Lafrik ki detabes statistik reveni global OECD i kouven, ensi ki parmi lezot pti lekonomi zil ki depann bokou lo tourizm. Me sepandan, ler Sesel in mont dan ran bann pei avek reveni o, nou'n bezwen fer fas avek bokou defi vi ki i aprezan pli difisil pour ganny lasistans devlopman. Donk, nou bezwen amelyor e ogmant nou kapasite pour mobiliz nou bann resours domestik, ensi ki trouv lezot mwayen finansman pli inovativ, pour konble sa trou dan sours finansman. Pour asire ki nou pei i reste rezilyan vizavi bann sok, pour asir nou stabilite, nou

krwasans ek devlopman dan lavenir, sanzman klima, rediksyon risk dezaz, mankman dan lenfrastiktir devlopman, ansanm avek vyeisman nou popilasyon i merit vin bann pwen krisyel lo nou azanda. I tre enportan pour ranforsi nou sistenm taks vi ki posibilite pour bann lezot mwayen i relativman limite.

Sa i vedir ki okenn sanzman dan nou sistenm taks i bezwen ganny byen evalye pour asire ki nou krwasans pa ganny afekte, oubyen ki napa okenn lenzistis ki ganny kree dan nou rezim, e ki Gouvernman pa perdi reveni ki pou afekte nou bann bezwen bidzeter. An vi tou sa bann defi, Gouvernman i bezwen konsider en reform taks biznes ki pran sa bann faktor an konsiderasyon e enplimant en rezim ki pou senplifye nou rezim taks reveni pour bann lakonpanyen, redwir planifikasyon taks e amelyor koleksyon taks.

Sanzman pli enportan vizavi polisi se pour adres bann problemm depi kot zot sours, plito ki endirekteman atraver sistenm taks. Msye Spiker, pour bokou lannen, sistenm taks in ganny servi pour adres bann defi dan bann sekter partikilye. Sa in pran laform to preferansyel, legzanmpsyon oubyen ‘incentives’, ki anfenkont i zis deform nou baz taks. Dan lepase, nou’n osi donn ‘incentives’ pour ankouraz lenvestisman direk etranzer (FDI) e sey stimil serten sekter. Sa in mars byen. Me prezan i enportan ki nou revwar tousala pour determinen si se menm klima lenvestisman e menm defi ki egziste ozordi.

Rapor preliminar OECD in konfirman ki pli gro problemm avek nou sistenm taks se ki i debalanse. Savedir, serten sekter ek biznes i kontribye en kantite, tandis ki en bann i kontribye tre pe akoz bann to preferansyel ek bann dediksyon ki zot gannye. Par egzanp, data 2017 i montre ki selman 39% bann lakonpanyen anba Taks Biznes ti annan en ‘tax liability’ pozitiv.

An plis, zis 10% bann lakonpanyen ki’n kontribye 96% total taks biznes, ou alternativman, zis 30 lakonpanyen ki’n kontribye 80% total taks biznes ki’n ganny peye. Apepre lanmwatye dan totalite bann lakonpanyen, savedir 717 lakonpanyen, in raport en ‘zero tax liability’. Sa se akoz bann gro porsyon taks ki ganny dedwir e ki redwir reveni ki kapab ganny takse dan en valer negativ. An retour, sa i koz bann pert dan taks ki kapab ganny ‘carried forward’.

Komers an gro e an detay ensi ki servis leberzman ek manze i de sekter ki raport pli gro poursantaz pert. Pour 2017, 77% bann lakonpanyen dan komers an gro ek an detay in raport en pert, e 66% dan servis leberzman ek manze.

Sa rapor i osi konfirman ki servis leberzman ek manze, ki reprezant 15% valer azoute, e 41% VAT ki anmase, i kontribye zis 7% dan total reveni taks biznes. Sa i prensipalman an rezilta bann taks preferansyel ki sa sekter in gannye, ensi ki bann taktik ki bann pli gran operater dan sekter tourizm i servi pour evit taks. Par egzanp, 44 lakonpanyen dan sekter tourizm ti raport bann dediksyon depresyasyon ki plis ki 50% ‘turnover’ ek zero poursantaz taks ki bezwen peye. An plis, bokou lakonpanyen dan sa sekter i raport bann depans operasyonnel egzorbitan ki pa an porsyon avek zot nivo ‘turnover’.

Sa i akoz lakt pour taks biznes i permet en ‘rate’ depresyasyon akselere lo lenvestisman kapital apard ki batiman, ki ariv ziska 145% dan 5 an, pour bann biznes ki annan pour fer avek tourizm, ensi ki lagrikiltir ek lapas, konpare ek lezot sekter. An plis ki sa, bann lotel i zouir en ‘rate’ depresyasyon 20% dan premye lannen taks, e 10% pour sak lannen taks ki swiv.

Dezyenman, sektor enformel i osi reprezant en defi. Dan sa ka, pour adres sa enformalite e agrandi lakantite sours reveni taks i devret vin en priyorite pour evite met tro bokou fardo lo bann operater dan sektor formel, e anpes konpetisyon debalans. I enperativ ki nou pa konsider ogmant taks dan sektor formel pour ganny plis reveni. Okontrè, nou devret elarzi nou labaz sours taks atraver sektor enformel, tandis ki nou gard lakantite taks dan sektor formel a en nivo rezonnab.

Msye Spiker, Gouvènman pe alor konsider rebalans fardo taks biznes. Parey OECD in rekomande, nou kapab atenn sa an besan lakantite taks lo bokou operater, me an ogmantan nivo taks lo bann ki aktyelman pe kontribye ensifizaman dan koleksyon reveni.

### **1. Sa bann mezir swivan pou ganny entrodwir dan kourt term:**

- Entrodwir bann mezir proteksyon labaz taks ‘corporate’ lo nivo enternasyonal, ki enkli regilasyon transfer pri, regilasyon limitasyon lentere, e regilasyon pour lakonpanyen etranze kontrole.
- Fasilit lobzervasyon regilasyon taks e ranforsi kapasite verifikasyon dan ladministrasyon taks an partikilye par:
  - a. Ankouraz e fasilit fayling elektronik pour taks;
  - b. Mentenir ‘Presumptive tax’, koman en taks senplifye pour bann tre pti, pti ek mwayen lantrepriz, e fer li mandatwar ki bann biznes ki raport anba ‘presumptive tax’ pour donn en minimonm lenformasyon (lo saler, lizaz karbiran, eks) pour ki ladministrasyon taks i a kapab verifye si sa bann biznes pe ‘under-report’ zot ‘turnover’;
  - c. Asire ki staf ladministrasyon taks i adekwat;
  - d. Entrodwir en sistenm lodit otomatik ki baze lo risk.
- Etabli en regoupman plizyer partiprenan avek reprezantan diferan minister, lorganizasyon piblik ek reprezantan sektor prive, avek bi pour adopte en stratezi pour adres bann ka enformalite ki egziste, partikilyerman dan serten sektor parey tourizm.
- Alawenns pour taks depresyasyon ki pli spesifik vizavi son target, atraver restriksyon zot lizaz eksepte dan ka bann aki produktiv ki’n spesifye, ek kapital ki efikas vizavi lenerzi. Pour lezot aki, mentenir depresyasyon akselere, me selman ziska 100% kou lenvestisman.
- Retire oubyen diminye bann legzanmpsyon taks pour karbiran ki ankor egziste (eksepte pour sa ki donn servis leberzman ki pa konekte ek ‘grid’ PUC )
- Entrodwir en sonm fiks anyelman koman en fre pour serten aktivite tel ki pour peser ek artis. Savedir, olye ki bann dimoun ki anploye dan sa de sektor i pey taks reveni, zot pou bezwen pey en pri fiks anyelman. Sa i ava amelyor e fasilit peyman pour sa bann sektor partikilye.

### **2. Bann priyorite mwayen term:**

- Komans prosedir renegotyasyon dan kad sa 28 trete taks doub (DTAs) ki pa pe anpes lerozyon labaz sifizaman.
- Armoniz e bes ‘rate’ taks biznes atraver lentrodiksyon en nouvo ‘schedule’ pour ‘rate’ taks biznes ki aplik pour tou biznes. Sa i ava osi enkli tou biznes ki aktyelman pe ganny takse anba bann ‘rates’ taks biznes regilye, tel ki sektor tourizm, lapas, CSPs; me sa i eksklir sektor ‘high end’, ki pou inisyalman kontinyen ganny takse lo bann ‘rates’ ki egziste deza. Sektor ‘high end’ i konpri bann lakonpanyen servis telekominikasyon, labank, lakonpanyen lasirans, lakonpanyen ki manifaktir sigaret ek lalkol. Enn fwa ki bann

lezislasyon i anplas, ki ava permet nou agrandi nou labaz taks pli byen, sa bann kategori osi pou alinyen. Bann nouvo ‘rates’ taks biznes ki’n ganny armonize i kapab par egzanp, vin konm swivan: 15% ziska profi ki ariv SR 1 milyon; e 25% lo profi par lao SR 1 milyon. Ler nouvo ‘rates’ taks biznes pe ganny etabli, nou bezwen pran an kont bann devlopman lo lasenn enternasyonal vizavi taks.

Msye Spiker, si nou entrodwir en ‘flat rate’ 15% pour taks biznes, sa pou reprezant en pert enportan pour gouvènmman. I pou reprezant en pert lo reveni apepre 1.7% nou GDP oubyen 0.8% pert reveni an term GDP si sekter ‘high end’ i ganny ekskli.

Lanaliz ki’n fer i alor sizere ki nou devret konplèmant sa ‘rate’ taks 15% avek en ‘rate’ 25% ki merit ganny takse lo tou profi par lao R 1 milyon, ki a fer sa reform vin net vizavi reveni si i ganny enplimante korekteman.

‘Rates’ progresiv i osi permet ki bann biznes ki pe deza pey 15% pa ava redwir zot lenvestisman. Adisyonnèlman, sa i ava antrenn en rediksyon enportan dan ‘rate’ taks biznes ki a donk kree lankourazman nesese pour fer lenvestisman. I ava redwir ‘rate’ taks lo pti biznes konsiderableman, ki aktyelman pe ganny takse lo en ‘rate’ tre o anba rezim normal.

- Ogmant ‘cash accounting limit’ pour biznes taks ziska SR 2 milyon, dan plas sa limit SR 1 milyon ki anplas aktyelman. Saverdir, permet bann biznes avek en reveni ziska SR 2 milyon ganny opsyon pour raporte lo en baz ‘cash’. Sa i en fason senplifye pour raport lo performans en biznes.
- Konsider en taks lo reveni kapital si ‘rates’ taks biznes i ganny redwir e i anliny, pour evit distorsyon e redwir lenzistis. Sa i akoz reveni kapital endividyel i ganny takse pli lezerman ki ki reveni travay.
- Fer ‘Tourism Marketing Tax’ (TMT) ek taks Responsabilite Sosyal pour bann lakonpanyen (CSRT) pli kapab donn kredi kont taks biznes, e gradyelman ‘phase out’ sa bann taks.
- Amelyor laform ‘Progressive Income Tax rate schedule’
- Enplik bann platform elektronik dan koleksyon VAT lo bann servis touristik e dan koleksyon lenformasyon ki annan pour fer avek bann tranzaksyon ki zot fasilite.

Msye Spiker, gouvènmman pou kontinyen angaz li avek bann partiprenan relevan, e i annan bi finaliz sa reform enportan lannen prosen. Sa bann reform i bezwen ganny fer par faz, avek en lapros konpreansiv, parce lenplimantasyon sa bann reform i demann bokou planifikasyon ek preparasyon.

## **9. LEZOT REFORM EK LOPORTINITE DAN BANN SEKTER KLE**

### **9.1. Devlopman Sekter Finansyel**

Msye Spiker, Gouvènmman i reste angaze pour amelyor striktir zirisdiksyon Anti-Blansisaz Larzan e pour Lit Kont Finansman Terorizm (AML/CFT). En Komite nasyonal in ganny apwente pour amelyor kordinasyon nasyonal e asire ki bann defayans ki’n note dan ‘Mutual Evaluation Report’ i ganny adrese atan. Draf sa prozedlwa in ganny sirkile avan nou konmans konsiltasyon avek bann partiprenan, e i ekspekte ki prozedlwa i a ganny gazete ver lafen Novanm 2019. Sa lalwa i a fer provizyon pour permet en lapros baze lo risk vizavi sipervizyon. Adisyonnèlman, i pou asire ki

bann rekomandasyon neser anba standar ‘Financial Action Task Force (FATF) i ganny enkli dan striktir regilatwar. Sa komite pe osi revwar lakt ki kouver gen ki’n atenn atraver krim ek lakt ki kouver prevansyon terorizm, avek lentansyon Governman pour prezant lezot lamannman dan sa de lezislasyon dan premye mwatye 2020.

Msye Spiker, bann veikil ‘corporate’ tel ki lakonpanyen, bann ‘trusts’, bann fondasyon, bann partenarya ek lezot kalite antite legal ek laranzman i fer en gran varyete aktivite komersyal e antreprenen. Sepandan, malgre rol esansyel e lezitim ki bann veikil ‘corporate’ i zwe dan lekonomi global, anba serten kondisyon, zot in ganny servi pour bann aksyon ilegal. Pour konbat sa aktivite ilegal, latransparans vizavi propriyeter legal ek lezot laranzman i krisyel pour proteksyon sistenm finansyel enternasyonal. Plizyer lorganizasyon enternasyonal tel ki G8, G20, FATF ek OECD, in pran aksyon konkret pour promouvwar latransparans dan konteks propriyeter legal ek bann laranzman ki benefisyen dan sa bann aktivite. Latransparans vizavi lenformasyon lo propriyeter legal e akse avek sa lenformasyon par lotorite relevan i bann mwayen enportan pour prevansyon frod, move kondwit, blansisaz larzan, finansman terorizm, evazyon taks, pran oubyen donn gous, koripsyon ek lezot krim serye. Msye Spiker, dan sa konteks, nou pe finaliz en prozedlwa ‘Beneficial Ownership’ pour nou konmans prosedir konsiltasyon avek bann partiprenan avan nou finalize. Sa i pou en nouvo lezislasyon pour fer provizyon pour idantifikasyon ek verifikasyon ‘beneficial ownership’ bann antite legal ek bann laranzman legal, e osi en letablisman en databes santral pou rikord lenformasyon ki ganny anrezistre lo bann antite legal ek bann laranzman legal, dan Sesel, avek bi pour promouvwar latransparans kot i konsern ‘beneficial ownership’ e pour rezon koneksyon.

Gouvernman in donn resours adisyonnèl dan bidze 2020 pour bann lazans ki anfers lalwa ek bann lotorite regilatwar, pour asire ki pei i amelyor son kapasite pou konbat blansisaz larzan e terorizm e asire ki i annan en striktir efektiv pour ‘AML/CFT’ dapre plan nasyonal.

Labank Santral pe kontinyen dan son zefor pour moderniz sistenm nasyonal pour peyman, pour efekte bann fasilite peyman pli efikas, konvenyan, fyab e abordab. Koman en pilye santral Plan Enplimantasyon pour Devlopman Sektè Finansyel, en sistenm nasyonal pour peyman ki efikas e efektiv i kontribye dan en fason kritik pour etabli en fondasyon solid pour devlopman FinTech, an agrandisan posibilite pour bann pti e mwayen lantrepriz eksplwat bann vid lo marse, e pour devlop e konsolid konfyans piblik dan sistenm finansyel. I osi servi pour anmenn krwasans bann peyman inovativ, non selman dan perspektiv bann itilizater, me osi dan perspektiv lezot parti konsernen dan ‘value chain’, par egzanz, marsan, ki donk asir lenklizyon finansyel dan tou son laspe.

Se dan sa loptik ki Labank Santral pe kontinyen angaz avek bann partiprenan relevan, pour enplimant en lenfrastruktir peyman ki ava reponn a bann bezwen pei ensi ki bann defi ki i pe fer fas avek, e asire ki person pa ganny kit deryer. Swivan bann letid dyagnostik ki’n entrimantal dan formasyon konsepsyon modernizasyon sistenm peyman nasyonal, Labank Santral, an etrwat kolaborasyon avek son bann partener kle pe aprezan finaliz bann detay teknik pour lenplimantasyon lenfrastruktir teknozik ki neser e kree lanvironnman apropiye pour lekonomi elektronik. Tandis ki proze modernizasyon i konpreansiv e long term par natir, an vi neserite pour

lamannman lezislativ, e neseseite pour kontinyen avek program literasi finansyel, lenplimantasyon sa lenfrastruktir teknolojik ki nesese i ekspekte konplete ver lafen 2022.

### 9.2.Devlopman Sekter Prive

Msye Spiker, pour 2020, Gouvernman pou kontinyen siport bann divers skim biznes konm swivan;

- SR 3 milyon pour Fon Devlopman Lagrikiltir, atraver DBS
- SR 5 milyon pour ‘Youth Employment Scheme’ (*Skim ‘Mon Premye Dyob’*),
- SR 1 milyon pour Skim Lantreperenarya Lazenés (*YES*)
- SR 25 milyon pour skim bann pti ek mwayen lantrepriz (*SMEs Scheme*)

Msye Spiker, Lenvestisman Direk Etranzer pour lannen 2019 in ganny prozekte pour ariv USD 327.9 milyon, pli gro sif depi 2015. Depi Zanvye ziska Septanm 2019, Bord Lenvestisman in tret lavalé SR 10.7 bilyon lenvestisman. Msye Spiker, Sesel in sorti 96 pour al lo 100 dan rapor ‘Doing Business’ pour 2020. Sa i pa akseptab. Lobzektif se pour Sesel ganny konte dan premye senkant pandan sa prosen trwa-z-an. En plandaksyon ki detay bann mezir nesese ki nou bezwen pran dan sa peryod 2020-2022 pe ganny devlope e sipoze konplete ver Desanm 2019. Son lenplimantasyon a ganny swiv par en komite ‘High-Level Ease of Doing Business’ ki enkli reprezantan sekter prive. Striktir lenvestisman pei pe osi ganny revwar par UNCTAD ki pe fer provizyon nesese pour lasistans teknik, pour revwar polisi lenvestisman.

Msye Spiker, an vi bann gran proze nasyonal ki’n ganny idantifye pour ganny enplimante atraver partenarya Piblik-Prive, Gouvernman pou soumet prozedlwa Partenarya Piblik-Prive ver milye Novanm 2019, pour laprouvasyon Lasanble Nasyonal. Prosesis pour ‘project initial screening’ ki enkli son ‘feasibility study’ ek prosedir ‘procurement’ in ganny detaye dan sa prozedlwa. Adisyonneman, zesyon lagreman partenarya piblik-prive pour protez toulede, investiser ek gouvernman, in osi ganny detaye dan sa prozedlwa. Enn fwa ki gouvernman in resevwar laprouvasyon Lasanble Nasyonal, nou swete ki sekter prive i ava pran loportinite ki sa nouvo striktir i ofer pour partisip dan bann gran proze gouvernman.

Msye Spiker, premye proze ki gouvernman pou tennder dan premye mwatye 2020, an servan sa striktir, i proze konblaz 18 ektar later lo Ile Aurore. Sa lenvestiser pou ganny envite pour partisip dan lapeldof pour devlopman en proze touristik lo Ile Aurore. Sa investiser pou bezwen pey en kapital inisyal pour lwe sa later. Sa peyman davans ava ganny servi pour konble sa later e met lenfrastruktir nesese lo Ile Aurore pour fasilite konstriksyon lezot lenfrastruktir sosyal. Lavantaz sa proze devlopman touristik lo Ile Aurore se ki i pou konplemant sa fasilite sant konferans 1,000 syez ki pou ganny konstrir dan term mwayen atraver en ‘grant’ gouvernman Lenn. Sa i ava kree loportinite pour bann gran konferans ganny organize isi Sesel, e donk ouver posibilite pour sekter prive.

Anliny avek konseps devlopman ki Konsey Minis in aprouve koman parti rekiperasyon ‘Societe Seychelloise d’Investissement Limited (SSI)’; SSI, an konsiltasyon avek diferan partiprenan in koman konseps devlopman pour bann sit dan Beau Vallon ki koni koman sit regata. Bazar labrin pou aprezan vin en levennman kotidyen, e sa pou efektiv aparti Zen 2020. En sonm SR 1.5 milyon in ganny enkorpare dan bidze 2019 pour konstriksyon bann kyosk. Sa bann kyosk ava ganny konsevwar pour melanz byen avek lezot batiman ki’n propoze, e Lazans Lantrepriz

Sesel ava lwe sa bann fasilite avek bann vander Bazar Labrin. Sa devlopman i osi konpri en kompleks sport ‘multi-purpose’, ki pou ganny finanse atraver sponnser. Batiman komersyal SSI, ki pou ouver tar an 2020, pou reflekte larsitektir Seselwa e pou konpri en ‘food court’, biro lapolis, stoudyo ladans, bann lofis, diferan labank, magazen, kafetarya, galeri lar ek mize ek lezot servis. Fodre note ki Regata oubyen okenn lezot levennman nasyonal pa pou ganny afekte par sa devlopman.

Msye Spiker, Lotorite Zón Endistriyel in ganny en bidze SR12.2 milyon. Sepandan, ‘pipeline’ pour lenplimantasyon proze i konm swivan;

- Zón 6 SR 32.9 milyon
- Zón 20 SR 64.0 milyon
- Zil Eve SR 30 milyon

Nou pe travay avek Lotorite Zón Endistriyel an 2020 pour ki i vin en lantrepriz etatik dan dezyennm mwatye 2020, pour asire ki sa nouvo antite i kapab lev fon neseseur pour finans lenfrastruktir ki bezwen. Tou later dan zón endistriyel pou ganny transfer anba sa nouvo antite pour ki valer sa later i a kapab servi koman kolateral. Sa i ava en lot loportinite finansman pour bann labank.

Msye Spiker, parey in deza mansyonnen dan bann lannen presedan, Gouvernman pe finaliz bann lamannman ‘Public Procurement Act’. Pandan konsiltasyon avek bann partiprenan, sekter prive in reitere lo neseseur pour protez e ankouraz plis partisipasyon lokal, espesyalman dan bann gran proze lenfrastruktir. Koman parti bann lamannman, younit ‘procurement oversight’ pou travay lo en polisi preferans oubyen rezervasyon pour definir klerman;

- a) group ki pe ganny targete e bann kriter pour ganny swazir;
- b) poursantaz preferans oubyen rezervasyon, kot i aplikab;
- c) peryod pour loperasyon en skim; e
- d) bann lobzektif sa bann preferans ouswa rezervasyon, e mwayen evalyasyon zot efektivite pour atenn zot lobzektif.

Sa i ava permet pli partisipasyon lokal e kree plis loportinite pour sekter prive dan bann gran proze lenfrastruktir.

Msye Spiker, fodre admet ki nou ankor ganny konplent sorti kot kontrakter ek bann operater servis, ki zot pa pe resevwar zot peyman a tan. Ansemoman, nou annan en polisi depans ek peyman anplas ki definir kantite letan ki gouvernman i pran pour efektye peyman. Dapre sa polisi;

- i. pour tranzaksyon komersyal (pour aste bann byen ek servis) ‘invoice’ i devret ganny peye dan 10 zour travay (oubyen 14 zour kalandriye).
- ii. pour bann proze kapital ki relativman pti, fodre pa depas 10 zour travay (oubyen 14 zour kalandriye). Sa i a donn sifizaman letan pour sa lazans ki pe enplimant proze fer lenspeksyon.



- iii. pour bann gran proze lenfrastruktir, fodre pa depas 15 zour travay (oubyen 21 zour kalandriye).

En lentere 0.05 poursan par zour pou ganny enpoze lo okenn peyman ki pa ganny fer pandan sa peryod letan ki'n spesifye, lo total sa 'invoice'. Msye Spiker, plis program sansibilizasyon i bezwen ganny met anplas dan gouvrenman pour asire ki 'checklist' i ganny observe konmilfo avan okenn peyman i gny anvoye kot 'accounts', ki a limit lakantite kekyon ki leve lo en 'invoice'.

Vi ki bidze in vin pli gro, Trezor pe tret an mwayenn, 300 a 400 'vouchers' par zour, e apepre 500 a 600 dan lafendimwan. An Desanm, sa i ariv an mwayenn 900 'vouchers' par zour dan bann dernyen zour avan bidze i fermen.

Prosedir peyman i normalman pas dan trwa staz. Premye staz i a letan ki en minister oubyen lazans i pran pour travay lo en tranzaksyon, depi prosedir 'procurement', ziska lotorizasyon entern pour fer peyman. Dezyenm staz, se letan ki pran enn fwa ki en minister oubyen lazans in soumet son peyman kot Trezor pour ganny peye. Trwazyenm staz, se letan ki pran pour Labank Santral transfer larzan dan kont komersyal sa vander. Msye Spiker, staz enn, kot bann minister ek lazans i it ret son bann 'invoice' i pran plis letan. Ler Trezor i resevwar en 'invoice', i annan trwa zour pour efektye peyman, dapre polisi peyman ek depans. Sepandan, an pratik, Trezor i efektye peyman landmen ki i'n resevwar en 'voucher', tandis ki Labank Santral i kapab efektye peyman dan kont komersyal vander imedyatman.

Msye Spiker, Gouvrenman i rekonnèt ki plen pti kontrakter ek pti biznes Sesel i fer fas avek bann defi likidite. Idealman, en antreprenèr i bezwen fer sir i annan sifizaman finansman, avan ler i angaz li dan en biznes. Sepandan, sa i pa le ka pour bann tre pti, pti ek mwayen lantrepriz vi ki zot rankontre bokou difikilte pour ganny finansman avek labank komersyal si zot pa arive ganny ase garanti, e vi ki zot pti, finansman kapital travay i kapab kout zot tre ser. I i reprezant en gro fardo pour gouvrenman vi ki bann 'suppliers' i normalman met presyon pour ganny peye toudswit malgre ki i annan en polisi peyman anplas, ki asire ki bann prosedir entern i ganny swiv avan ki okenn peyman i ganny fer.

Donk, dan en zefor pour asiste bann pti kontrakter vizavi zot bann defi likidite, ki normalman i afekte realizasyon bann pti proze kapital, Gouvrenman pe al entrodwir en 'Mobilization Advance Payment' (MAP) pour bann kontrakter klas III ek IV pour proze ki ariv ziska SR750,000.00. MAP i en peyman monneter ki pou ganny entrodwir, e i pou fer par minister anver kontrakter pour bann depans inisyal an sa ki konsern mobilizasyon sit, ek en proporsyon zis bann fre preliminar. MAP pou ganny elarzi pour kouver kontrakter klas III ek IV ki annan en bon rikord, e i pou bezwen laprouvasyon Departman Finans pour kapab ganny sa fasilite. Pou napa en garanti bond lo sa davans. I pou konpri en peyman inisyal 20% lo pri kontra, e pou ganny peye avek kontrakter avan okenn travay fizik i komanse. Sa fasilite san lentere i annan pour bi donn bann pti kontrakter motivasyon nesese pour anboufte zot kapital travay, permet annan en lenpakt pozitiv lo zot 'cash flow' e permet zot pli byen mobiliz bann meyer resours, ki a retour ankouraz kontrakter pour konplet proze a ler e lo en bon nivo. Sa nouvo prosedir pour ganny gide anba en lankadremman.

Dan ka lezot klas kontrakter e pour proze par lao SR750,000, zot kapab touzour ganny en davans normal ki kapab ganny negosye dan zot kontra, avek en garanti bond.

## **10. PROZE ZIL PROS**

Msye Spiker, sa bann proze spesifik ki swiv in ganny en alokasyon dan bidze 2020 pour bann proze Zil Pros;

- Rekonstriksyon kordgard La Digue SR 6.7 milyon
- Rekonstriksyon Lopital La Digue SR 5.7 milyon
- Rekonstriksyon Lekol La Digue SR 4.7 milyon
- Rekonstriksyon kordgard Baie Ste Anne Praslin SR 3 milyon
- Amelyorasyon laplenn zwe Praslin SR 2.0 milyon
- Proze semen atraver SLTA
  - Travay amelyorasyon St Sauver Praslin SR 1.5 milyon
  - Travay lo trotwar Cote D’Or Praslin SR 1 milyon
  - Koko Ibrid La Digue SR 2.5 milyon
  - Pension Michel La Digue SR 1 milyon
  - Agrandi semen Salazie Baie Ste Anne SR 2 milyon
  - Vanilla Road La Digue SR 1 milyon
  - Kontinyasyon semen Pasquere Praslin SR 4 milyon
  - Proze resirfas semen beton lo La Digue SR 4 milyon, ki enkli dezyenm faz semen Boule De Neige.

## **11. LANTREPRIZ PIBLIK**

Msye Spiker, gouvènmman in prevwar SR 159 milyon dan bidze 2020 budget pour sibvansyon lantrepriz piblik. Sa i enkli US\$ 6 milyon pour Air Seychelles ki pou ganny transfer anyelman pour sa prosen senk an apartir 2019 ziska 2023. Gouvènmman pou angaz li pour permet ganny en garanti labank lavalèr US\$ 30 milyon bann ‘Preference shares’ an faver ‘shareholder’ Etihad, baze lo bann det ki Air Seychelles in akimile vizavi Etihad pandan sa bann dernyen lannen. Sa i a ogmant ‘debt-GDP ratio’ par 2%.

Nou’n fer en provizyon SR 50 milyon ek SR 21.7 milyon anba sibvansyon lantrepriz piblik ek bann ‘grant’ devlopman, respektivman pour SPTC. Msye Spiker, gouvènmman an partenarya avek Labank Mondyal pou travay apartir 2020 ziska mwayen term, pour sa bann eleman swivan;

1. Devlopman Polisi gouvènmman ek en ‘framework’ 5 an pour provizyon transpor piblik dan Sesel;
2. Revwar rezo semen ki SPTC pe kouver aktyelman, enkli kapasite, nivo servis e diferansyasyon prodwi;
3. Ranforsi striktir SPTC enkli son kapasite ek prosedir, pour delivre rezo ki’n ganny revize dan sa letan ki’n agree ;
4. Evalye fezabilite bann opsyon pour partisipasyon bann operater sekter prive dan servis transpor piblik dan Sesel, enkli idantifikasyon bann ‘entry point’ potansyel ek mezir sipor pour sa tranzisyon.

## **12. RESANSMAN POPILASYON EK LOZMAN 2020**

Msye Spiker, pandan 2020 i pou annan en resansman popilasyon ek lozman par Biro Nasyonal pour Statistik. Sa legzersis pou kontribye dan disponibilite en seri sekans letan ki fyab pour data

debaz demografik e sosyo-ekonomik ki neseler pour formilasyon, swivi ek evalyasyon bann plan ek program devlopman sosyo-ekonomik. Lobzektif imedyat sa proze pou ganny organize otour sa peryod resansman ki pou kouven en peryod set zour tar dan Out ziska boner an Septanm 2020. Kout total pour Resansman Popilasyon ek Lakaz 2020 i ekspekte ariv SR 13.1 milyon akoz pour premye fwa, sa resansman pou dan laform elektronik. Donk, Biro Statistik i ekspekte aste apepre 700 tablet pour antreprann sa legzersis. Aktyelman, i annan apepre SR 6.2 milyon dan bidze 2020 pour Resansman Popilasyon ek Lakaz. Sa ki reste i a ganny finanse atraver fon COMESA ek sipor bann lakonpanyen telekominikasyon.

### **13. KONKLIZYON**

Msye Spiker, sa bidze ki Gouvernman in propoze pour konsiderasyon Lasanble Nasyonal, pou permet Seselwa pran bann loportinite ki annan, pour ki ansanm, nou kapab batir sa pei e anmenn li ver en krwasans soutenab dan long term.

Mon konnen ki malerezman, nou pa'n kapab enkli tou keksoz ki'n ganny demande swivan bann konsiltasyon, vi ki nou resours i pa san limit. Me mon konvenki ki sa ki nou'n fer provizyon dan bidze 2020 pou ouver posibilite pour plis loportinite krwasans dan bann diferan sekter, tandis ki koman en pei, nou reste rezilyan.

Mon ti a kontan remersye toulmonn ki'n kontribye anver preparasyon sa bidze.

An premye, mon remersye Prezidan Larepublik pour son sipor ek gidans ki i'n donn mon minister pour permet nou pous devan nou azanda reform ek polisi.

Mon ti a kontan remersye osi mon bann koleg minis ek zot lekip respektiv.

Mon remersye mon staf dan Minister Finans, Komers, Lenvestisman ek Planifikasyon Ekonomik ki'n travay tre dir. Mersi pour zot profesyonnalizm, dedikasyon, e sakrifis pour byennet e sikse nou pei.

Lo sa not, mon osi remersye Gouverner Labank Santral ek son lekip pour sa kolaborasyon tre pros ant polisi monneter e fiskal pandan lannen 2019 e dan preparasyon bidze 2020.

Mon lapresyasyon i osi al pour bann operater sekter prive, bann lorganizasyon sosyete sivil, lorganizasyon enternasyonal e tou lezot partiprenan pour zot sipor dan formilasyon bann polisi pour lavenir nou pei.

Adisyonnelman, Msye Spiker, mon remersye ou ek tou manm Lasanble Nasyonal ek son staf, pour zot sipor ek kolaborasyon pandan lannen antye.

Mon ti a kontan remersye pep Seselwa pour zot kouraz e pour sipor ki zot donn Gouvernman dan zefor pour anmenn nou pei pli devan.

Aprezan, mon soumet Prozedlwa pour Bidze 2020, ki ariv Nef bilyon, de san katreven douz milyon, katreven wit mil, e de san swasande roupi (SR 9,292, 088,262) pour laprouvasyon Lasanble Nasyonal.

Mersi Msye Spiker.



# **SEYCHELLES GOVERNMENT BUDGET**

**For the Fiscal Year 2020**

***Theme: “Equitable Outcomes-Shared Prosperity”***

**Delivered by:**

**Ambassador Maurice Loustau-Lalanne**

**MINISTER OF FINANCE, TRADE, INVESTMENT AND ECONOMIC PLANNING**

**In the Seychelles National Assembly**

**Ile Du Port, Victoria, Mahe, Seychelles**

**on**

**Thursday 31<sup>st</sup> of October, 2019**

**at 9.00 a.m.**

## TABLE OF CONTENTS

	<b>Page</b>
<b>1. INTRODUCTION</b>	<b>4</b>
<b>2. OVERVIEW OF THE ECONOMY IN 2019 AND MEDIUM TERM</b>	<b>4</b>
2.1. Overview	<b>4</b>
2.2. 2019 in Context	<b>4</b>
2.3. 2020 Projection and the Medium Term	<b>5</b>
<b>3. 2019 BUDGET PERFORMANCE</b>	<b>5</b>
<b>4. PROJECTIONS FOR FISCAL YEAR 2020</b>	<b>6</b>
4.1. Primary Objectives	<b>6</b>
4.2. Revenue	<b>6</b>
4.3. Government Expenditure	<b>6</b>
4.4. Wages and Salaries	<b>7</b>
<b>5. EXPENDITURE IN THE SIX THEMATIC PILLARS OF THE NDS 2019-2023</b>	<b>9</b>
5.1. Good Governance	<b>9</b>
5.2. People at the Centre of Development	<b>9</b>
5.3. Social Cohesion	<b>10</b>
5.3.1. Land and Housing sector	<b>10</b>
5.3.2. Community	<b>11</b>
5.3.3. Arts, Culture and Heritage	<b>11</b>
5.3.4. Youth and Sports	<b>12</b>
5.4. Economic Transformation	<b>12</b>
5.4.1. Transport sector	<b>12</b>
5.4.2. Energy sector	<b>14</b>
5.4.3. Agriculture, Fisheries and the Blue Economy	<b>14</b>
5.5. Innovative Economy	<b>15</b>
5.6. Environmental Sustainability and Resilience	<b>16</b>
<b>6. 2020 BUDGET FOR SOCIAL PROGRAMS</b>	<b>17</b>
<b>7. CONTINGENCY</b>	<b>18</b>
<b>8. NEW POLICIES FROM THE 2019 BUDGET</b>	<b>18</b>
8.1. Increase in Minimum Wage	<b>18</b>
8.2. Increase in Benefits and Approved Programs of ASP	<b>18</b>
8.3. Minimum Pensions of SR 1,000	<b>19</b>
8.4. Special Category of Pensions of SR 500 to a group of retirees.	<b>19</b>
8.5. Day Care and Child Minding Assistance	<b>19</b>
8.6. Proposal for Allowance for expectant mothers residing on Inner Islands giving birth on Mahe	<b>19</b>

	<b>Page</b>
8.7. Annual Leave	19
8.8. Flexible Working Hours in Government	20
8.9. Review of Housing Subsidy Scheme	20
8.9.1. To Review the rate per square meter for the three main islands	20
8.9.2. To Include reconstruction of houses under the application for housing subsidy	20
8.9.3. To Include the purchase of land with property in the criteria to qualify for housing subsidy	21
8.9.4. to Review the income brackets for the qualification of the housing subsidy	21
8.10. Vehicle Personalized Plate Number	21
8.11. New Category of Gainful Occupation Permit	21
8.12. Exempt Private Pensions under Second Schedule of the Income and Non-Monetary Benefits Tax act	22
8.13. Review of the Non-Monetary Benefits under Fourth Schedule of the Income and Non-Monetary Benefits Tax act	22
8.14. Immovable Property Tax	22
8.15. Revision in the Postage and Courier Tax Free Personal Allowance	23
8.16. Revised Vehicle Levy	23
8.17. Ozone amendment to the Environment Protection (Ozone) regulations 2010	24
8.18. Change in Tax Structure for Alcohol Beverages	24
8.19. Business Tax Reform	24
<b>9. OTHER REFORMS AND OPPORTUNITIES IN KEY SECTORS</b>	<b>28</b>
9.1 Financial Sector Development	28
9.2 Private Sector Development	29
<b>10. INNER ISLANDS PROJECTS</b>	<b>32</b>
<b>11. PUBLIC ENTERPRISES</b>	<b>33</b>
<b>12. POPULATION AND HOUSING CENSUS 2020</b>	<b>33</b>
<b>13. CONCLUSION</b>	<b>34</b>

# **Budget Speech Outline for Fiscal Year 2020**

## **1. INTRODUCTION**

Mr. Speaker,  
Honorable Leader of the Opposition,  
Honorable Leader of Government Business,  
Honorable Members of the National Assembly,  
The People of Seychelles.

Good Morning

Mr. Speaker, on the 5<sup>th</sup> of August 2019, Government launched the Vision 2033-aspiring to transform Seychelles to “A resilient, responsible and prosperous nation of healthy, educated and empowered Seychellois living together in harmony with nature and engaged with the wider world.” The launching of the long term Vision highlighted the need to look beyond the medium term and ascertain what we want to achieve as a nation over the next 15 years.

The Vision 2033 was done in partnership with the Government, civil society, private sector, the international community and the different groups within our society. Thus, it is of collective responsibility to ensure that Vision 2033 is translated into reality.

Our country remains vulnerable to external shocks especially at this crucial point in time where the steady pace of expansion in the global economy masks an increase in downside risks that could potentially exacerbate development challenges in many parts of the world. Thus, we need to continue to work together to ensure we are resilient and find a common solution for our challenges.

Mr. Speaker, the 2020 budget is designed around the six thematic pillars of the NDS. In light of this, the theme chosen for the 2020 budget is “Equitable Outcome-Shared Prosperity”. For the 2020 budget, following consultation with the National Assembly, we will only provide electronic copies of the budget.

## **2. OVERVIEW OF THE ECONOMY IN 2019 AND MEDIUM TERM**

### **2.1. Overview**

As per the October 2019 World Economic Outlook, the global economy is in synchronized slowdown and growth has been downgraded once again to 3 percent in 2019, and is expected to pick up to 3.4 percent in 2020.

### **2.2. 2019 in Context**

Mr. Speaker, in the context of Seychelles, Real GDP growth for 2019 has been revised upwards to 3.9 per cent compared to the initial estimate of 3.5 per cent at the time of budget preparation. This upward revision follows stronger performance during the first half of 2019 than initially anticipated. The main driver behind this more favorable outlook is the ‘Manufacturing of beverages and tobacco’ sector. By the end of the second quarter of 2019, the production of ‘stout

and beer’, stood at 21 and 12 per cent respectively. Increase in tourism activities, the main economic pillar for Seychelles, is also contributing towards the upward revision with visitor arrivals growth at 5 per cent year on year by the 20<sup>th</sup> of October 2019. The ‘tourism’ sector anticipates to grow by 5 per cent in 2019, compared to the initial 4 per cent forecasted. Continuous increase in data usage and demand for internet services is driving growth in the ‘Information and telecommunication’ sector with the overall forecast at 7 per cent. This sector has been resilient over the past 5 years and outlook is anticipated to remain strong in the medium term with the installation of a second submarine cable. Finally, the ‘construction’ sector is resurgent in 2019 given several Government housing projects, the expansion of La Gogue Dam, the renovation of Ste. Anne Resort, as well as other ongoing projects spilling over from 2018. This has led to an increase in manufacturing of ‘concrete and rock products’, and thus, a positive outlook for this sector also. Such increases in economic activities naturally necessitate increased demand for ‘electricity and water supply’ as evidenced by year to date growth of 8 per cent on average.

### **2.3. 2020 Projection and the Medium Term**

For 2020, growth remains positive at 3.5 per cent, driven by continuous activities in the ‘information and telecommunication’ sector with a growth of 5 per cent. Tourism, the main contributor to overall GDP, will help sustain growth with an estimated growth of 5 per cent as a whole. Tourist arrivals is anticipated to be strong following the announcement by Air France, to recommence its flights to Seychelles, and the increased flight frequency by Qatar Airways to 14 flights per week as of end March 2020. Furthermore, Air Seychelles will start flying to Tel Aviv, and this may help to further boost arrivals. Activities in the ‘construction’ sector will continue into 2020 thus supporting growth.

With a lower than initially forecasted inflation estimate on a twelve month average, from 2.2 to 2.0 per cent, and with more favourable exchange rate against the Euro and the US Dollar than initially anticipated, the Nominal GDP growth assumption has been revised downwards by 0.3 percentage point compared to the March 2019 revision. This has slightly lowered Nominal GDP forecast to reach SR 24.4 billion.

In the medium term, growth is forecasted at an average of 4 per cent. The main drivers of growth remains tourism, information and telecommunication as well as the financial and insurance sector.

### **3. 2019 BUDGET PERFORMANCE**

Mr. Speaker, Government is forecasting to end 2019 with a primary balance of SR 583.9 million or 2.5% of GDP. Tax revenue is expected to be in line with the initial budget with only SR 5.9 million higher, with a shortfall in business tax offset by higher personal income tax receipts. However, the non-tax revenue is SR 50.3 million below the original budget. The total grants expected to be collected in 2019 will be SR 64.2 million below the initial budget.

In regards to the expenditure, Government proposed a supplementary budget during October 2019 with a net savings of SR 125.6 million or 0.5% of GDP. Thus, expenditure has been forecasted



downward. The main savings has been under wages and salaries amounting to SR 52.0 million and goods and services at SR 26.8 million.

Mr. Speaker, there were a number of discussions in regards to budget freeze that was done during the mid-year review exercise. Section 26 of the Public Finance Management Act, 2012 give the Minister responsible for Finance the power to;

1. Set restrictions for the use of an appropriation by an accounting officer;
2. Limit the use of an appropriation if it is justified by economic or fiscal conditions or the purpose for which the appropriation was authorized is no longer applicable.

#### **4. PROJECTIONS FOR FISCAL YEAR 2020**

##### **4.1 Primary Objectives**

Mr. Speaker, Government remains committed towards achieving its fiscal balance of 2.5% of GDP for the year 2020. This target will allow us to meet our debt reduction target of 50% of GDP by 2021. However, the latest projection indicates that the debt to GDP will be at 51.7% in 2021 because of the additional Air Seychelles guarantee amounting to US\$ 30 million. Nevertheless, we will work further during 2020 to ensure that the debt target remain on target of 50%.

##### **4.2 Revenue**

Mr. Speaker, for the year 2020, we are projecting total revenue including grants to increase from SR 8.8 billion in the revised 2019 budget to SR 9.9 billion in 2020. Of this, SR 7.73 billion will be tax revenue, which represents 78.4% of the total revenue collection. A total of SR 1.48 billion is forecasted for non-tax revenue and SR 647 million as grant receipts.

##### **4.3 Government Expenditure**

For the year 2020, the Government is proposing an appropriation bill of SR 9.29 billion which is being financed 88.9% from domestic resources, 4.1% loan financing and 7.0% as grant financing.

Mr. Speaker the education and health sector remains the priority sectors with the largest share of the budget allocation at a total of SR 1.18 billion and SR 1.12 billion respectively which the total of the two sectors represent 24.7% of the total appropriation bill. Mr. Speaker, these two sectors, have contributed immensely towards an excellent human capital index for Seychelles.

Mr. Speaker, the tender process for the integrated Health Information System has completed and is currently entering the contract negotiation phase. We expect the contract to be signed by the end of this year. By establishing an integrated Health Information System, the Government is making the necessary commitment that is expected to ensure improvements in health care quality, efficiency of delivery and access, while also moving the health care system closer to harmonization with relevant international standards. Central to this is the implementation of an integrated Electronic Medical Record solution that will cover 100% of the citizen population of Seychelles. The secondary purpose of the project is to link the Health Information System to the various national E-Government systems (e.g. birth and death registry) to improve health related regulatory enforcement and overall Government strategic decision-making nationally for planning purposes

Major setbacks are being encountered in the implementation of capital projects for various line ministries and implementing agencies. Government has quite an ambitious infrastructure development plan as well as a vast number of aging infrastructure that requires significant attention. As a temporary measure, Government has recruited foreign project staff to assist with the implementation. The ability to recruit local expertise remains very challenging, as Government cannot compete with the private sector which remains a more attractive option. In addition, it would be necessary to ensure that project officers dedicate their full effort on Government projects which is quite demanding, and as a result they would not be allowed to carry out private works. We have seen that this affect the service delivery and as such, this measure is required to ensure that Government attains its targets accordingly.

#### **4.4 Wages and Salaries**

Mr. Speaker, a sum of SR 3.0 billion equivalent to 12.3% of GDP has been allocated to Wages and Salaries. This represents an increase of SR 382.6 million or 15% compare to the revised 2019 budget.

Mr. Speaker, a total budget of SR 81.4 million has been allocated under wages and salaries for the revision of schemes of service in 2020 and the full impact of the 2019 scheme of service implementation during the year.

The following scheme of service will be revised effective January 2020;

- Seychelles Land Transport Agency; Asphalt Workers
- All project officers in Ministries/Departments/Agencies
- Attorney General – Public Prosecutors
- Ministry of Education and Human Resources Development – Head teacher and Deputy Head teachers, Library Cadre
- Department of Immigration and Civil Status
- Department of Foreign Affairs; Diplomatic Cadre for Seychelles Diplomatic Missions Abroad and Protocol Chauffeur
- The Legislature; Parliamentary Unit and Secretariat
- Department of Risk and Disaster Management: Disaster & Risk Management Cadre

Scheme of service for the Ministry of Environment, Energy and Climate Change will be revised effective March 2020 and scheme of service for Judiciary will be revised effective April 2020. In addition, the Seychelles Bureau of Standards scheme will be implemented from July 2020.

The scheme of service for nurses was revised in 2018 when Government introduced a retention allowance of SR 3,000 per month and a revision in the way we calculate the nurses gratuity. Therefore, during 2020, we will work to review the basic salary of nurses with the aim of 2021 implementation.

In addition, Government aims to review the common support cadre in 2021. These are the Human Resource, Administration and secretarial cadres. Although these schemes were revised in 2018, there is a need to re-consider these scheme of service to attract and retain quality support structures

in the various organisations, which is crucial to ensure that all Government organisations operates effectively and efficiently.

Mr. Speaker, for the year 2019, there is a provision in the budget to implement the five percent salary increase from April 2019. In 2020, the full year implication for the implementation of the five percent salary increase will be SR 74.4 million. In addition, we started the implementation of the long service allowance from July 2019. This will have a full year implication amounting to SR 103.8 million in the 2020 budget. Furthermore, as per the announcement made by the President in October 2019, the Long Service Allowance Scheme for Government employees which was introduced in July 2019, will now be applicable for employees on Public Service Commission and Agency contracts from 1st January 2020. This will costs SR 18.9 million in the 2020 budget. In addition, the long service allowance for housekeepers working with the Cleaner's Corporative and the security officers working for the VVIP unit will be entitled to their long service allowance from the day they joined the Government. It is to be noted Mr. Speaker, that the long service allowance is exempted from income tax.

Mr Speaker, the ability of Government to retain its workforce and attract other suitably qualified person to join the public service has been one of our main priority since the 2008 reform. A diagnostic report that focused on a review of the public service and performance management in Seychelles was carried out early this year, by the World Bank. In general it was observed that the Seychelles public service operates relatively well, continuing as a whole along familiar, but mostly traditional paradigm lines. It was also highlighted however, that our public service requires substantial strengthening to make it more performing.

The public service was perceived to be not appropriately sized for its mandates, as in many areas, existing staff and their skills are not employed effectively. The wage bill as a share to GDP is continuously increasing. This will lead to less space for pay and grading reform. In addition, the 2013 data shows a 20% overall wage premium over the private sector, although senior management, professionals and technician position in the private sector are relatively higher. Human Resource function of Government and the mandate, roles and responsibilities of DPA are perceived to be in need of reform, including the existing system of pay and benefits. In regards to pay policy, the paper acknowledge the 2013 restructuring of the salary scales as an improvement on what existed before. However, it stressed on the multiple number of allowances that are determined by scheme of service, which although convenient in the short run, will risk rendering pay non-transparent, reduce the share that should be performance related, and encourage a culture of entitlement that will not be in favour of result base management if we continue with this method. It is to be noted that there are currently 216 schemes of service in Government. It also stressed on the need to move away from a traditional human resources management administration to a result based oriented, public service and public sector reform. Existing delegation of authority to MDAs was seen to be sufficient for the moment, but could be increased further as the Result Based Management is developed.

In regards to pay policy, a revision in our model of adopting schemes of service needs to be carried out, that stresses on competencies and performance. In addition, a new model of career progression could be developed that is less reliant on promotion, but place greater emphasis on work life skills

and training, varied experience and mobility. Government will therefore be analyzing these recommendations and will present policy options for the way forward.

## **5. EXPENDITURE IN THE SIX THEMATIC PILLARS OF THE NDS 2019-2023**

Mr. Speaker, the National Development Strategy 2019-2023, which is the first step towards the implementation of Vision 2033 is designed around six thematic pillars. I will therefore give an indication of the budget allocation around the six thematic pillars.

### **5.1. Good Governance**

Mr. Speaker, good governance is essential for ensuring a sound foundation for peace and prosperity, which in turn paves the way for sustainable development. In the 2020 budget a total of SR 221.8 million has been allocated with the different independent institutions as follows;

- The Judiciary SR 102.0 million
- The Legislature SR 43.0 million
- Office of the Auditor General SR 21.3 million
- Office of the Ombudsman SR 3.8 million
- Constitutional Appointments Authority SR 2.1 million
- Electoral Commission SR 8.9 million
- Anti-Corruption Commission SR 19.0 million
- Truth, Reconciliation and National Unity Commission SR 12.1 million
- Public Officers' Ethics Commission SR 3.0 million
- Seychelles Human Rights Commission SR 6.7 million

This is the cost to ensuring democracy. I know the request was much more from the institutions however we have managed to allocate the funding I have just mentioned. This represents an increase of SR 26.6 million or 13.6 % compared to the 2019 revised budget.

Mr. Speaker, in addition we have allocated SR 15 million for the expenses related to the executions of the Presidential election in 2020.

### **5.2. People at the Centre of Development**

Mr. Speaker, as Seychelles engages with the wider world, the country requires a pool of highly-skilled, creative workers who can increase labour productivity and stimulate economic growth. The Agency of National Human Resources Development which has been allocated with a budget of SR 205.2 million will play a key role in achieving this strategy. The agency will be working closely with the Ministry of Education and Human Resources Development and the Department of Employment to ensure that the education sector provide the required skills that are needed in the labour market.

During 2019, we have had 95 students graduated from overseas universities and 104 from the University of Seychelles. This number will increase in 2020, as we expect 238 graduates. In addition, based on the 2020 budget, the Agency of National Human Resources Development is expected to offer 358 scholarships in the different fields of study.

As mentioned by the President in his 2018 State of the Nation address “there is a necessity to better prepare our youth from a young age for them to gain the knowledge and competence to better integrate into the economic sector”. To overcome these challenges and better equip Seychellois youth to benefit from the country’s economic growth, and to lay the foundation for future economic and social development, it is crucial for the Government to adopt a system-wide approach and at the same time be strategic and innovative in the education and training reform endeavors. The Government has embarked on an establishment of a new Technical and Vocational School.

The proposed National Technical School, under the present conceptual plan, is intended to take in students from the existing ‘General and Skills’ pathway that runs concurrently with the ‘Academic and Technical’ pathway in all secondary schools at S4 and S5 levels. This mixing of two pathways in the same school has proven to be difficult to manage for schools, creating diversion of critical resources and mixed missions. Hence the new National Technical School is intended to address this by bringing half of these students into a specialized school. The aim is for the new school at Ile Soleil to be operational by 2022.

Mr. Speaker, the new Seychelles Business Studies Academy and Seychelles Institute of Art and Design will be constructed at Ile Aurore. The project will go on tender in 2020. A provision of SR 27.9 million has been allocated in the 2020 budget.

Mr. Speaker we have allocated another SR 10 million for the Unemployment Relief Scheme and SR 3.1 million for the employment reskilling programme.

Mr. Speaker, the opportunities are there for our youth to study, the sky is the limit for them and they need to take these opportunities and use them in their development to take the highly skilled jobs that are being created in the country and be prepared for the jobs of tomorrow.

### **5.3 Social Cohesion**

Mr. Speaker, forty-two percent of the total appropriation bill is for the education, health and family affairs portfolio which represents 16.0% of GDP. A lot has been said about the Benefits and Approved Programmes of the Agency of Social Protection in the past few weeks. In the 2020 budget this will amount to SR 1.49 billion which represents an increase of SR 100.5 million or 7% compared to the 2019 revised budget. Mr. Speaker, SR 1.28 billion or 88 percent of the total allocation of SR 1.49 billion is for retirement benefits, invalidity benefits, disability benefits and home carers scheme. Thus there is little room for savings taking into account our ageing population. However, we are working towards rationalizing the functions and programs in the area of social services, with the aim of increasing efficiency in service delivery and achieve savings.

#### **5.3.1. Land and Housing Sector**

Mr. Speaker, land and housing remains a priority for the Government. Based on the availability of resources, we have been able to give 188 families the keys to their new homes from January to end of October 2019. We expect that another 152 families will receive their keys before the end of December 2019. Furthermore during 2020, we expect another 209 families to receive their keys. With regards to land allocation we have allocated 175 plots during 2019 and we expect to complete infrastructure to serve around 286 plots during 2020.

Mr. Speaker, in 2020 a total budget of SR 97.1 million has been allocated under the Ministry of Habitat, Infrastructure and Land Transport for the development of the housing and land projects. However, this will not be enough, Government through Property Management Corporation will have to finance another SR 200 million worth of projects. This will be through a bond that we expect Property Management Corporation will issue in January 2020 for 5 years at 5% interest rate. The repayment will be through the budget. Government will use SR 40 million from that SR 200 million to purchase the Ile Perseverance housing project from Seychelles Pension Fund. The project consists of 24 two bedrooms apartments and 18 one bedroom apartments at a purchasing price at SR 68.5 million. This project is expected to be completed by end of November 2019. The balance of the funds will be financed through loans by the individual graduate at a price of SR 1.2 million per unit. The 18 one bedroom apartments will be used by Property Management Corporation to rent out to graduates at a reasonable rate at SR 6,000 per month in the interim while they wait for either a Condominium or plot of land from Government.

The new bond of SR 200 million will also be used to finance the replacement of roofing tiles project by Property Management Corporation.

### **5.3.2. Community**

Mr. Speaker, during the year 2019, the Department of Local Government is expected to complete 210 small community projects worth of SR 27.4 million. Another SR 30 million has been allocated in 2020 for the small community projects. In addition, SR 9.2 million has been allocated in 2020 for minor emergency works.

By end 2019 budget, the following day care centers would have been completed;

- Anse Aux Pins Day Care
- Glacis Day Care
- Takamaka Day Care
- Grand Anse Praslin Day Care

In addition, we will use the financing through the Small Development Project Grants under Indian Government financing to construct, the following day care centers in the following districts;

- Cascade
- English River
- Grand Anse Mahe
- Ile Perseverance
- Les Mamelles
- Roche Caiman

These will be new business opportunities for Seychellois operators.

### **5.3.3. Arts, Culture and Heritage**

Mr. Speaker, the different departments and entities under arts, culture and heritage sector have received a total allocation of SR 153.7 million. In addition, Government has provided SR 0.5 million and SR 1 million under the Seychelles Heritage scheme and Culture and Arts Trust Fund respectively.

Effective January 2020, a National Arts Council grants policy will be introduced. The new Seychelles National Cultural Policy emphasizes on the importance to encourage artistic creativity to further enrich the Seychellois Culture and promote Seychellois cultural goods and services abroad. The Grants Policy seeks to support and nurture creativity and encourage cultural activity to encourage greater social cohesion and economic development.

A sum of SR 1 million has been allocated to the National Arts Council, to nurture the capacity of the arts sector in Seychelles. The National Arts Council Grant will provide support to artists and Arts Associations in bringing the arts to communities, to engage, inspire and create shared experiences for people to connect with one another.

Funding will be provided to projects that will promote, develop and preserve arts in Seychelles especially projects that:

- Development of all Art forms;
- Build capacity within arts;
- Promote the visibility of the arts;
- Create opportunities through the arts;
- Promote meaningful changes and interventions within the communities.

In 2020, we will commemorate the 250<sup>th</sup> anniversary since the first settlers arrived in Seychelles. The National Preparatory Committee for the 250<sup>th</sup> anniversary of Seychelles will organise a number of activities at national level and in all districts with a provision of SR 5 million allocated in the budget 2020.

#### **5.3.4. Youth and Sports**

The Department of Youth and Sports and National Sports Council have received SR 9.2 million and SR 77.7 million respectively. Mr. Speaker, we have seen the success of our athletes during the 2019 Indian Ocean Island Game. We need to continue to allocate resources to upgrade the current sports facilities and train our athletes to enable them to compete at the international level. In the 2020 budget, we have made provision for our athlete to prepare and participate in the 2020 Tokyo Olympic Games and to host the “Zwe Lespwar” in 2020.

The Seychelles National Youth Council has received an allocation of SR 28.2 million for the Council to continue to discharge and play its role in the country.

#### **5.4. Economic Transformation**

Mr. Speaker, as we look at the economy over the medium term, we need to ensure that we transform our economy for sustainable growth and shared prosperity. Some of the key sectors which will enable that transformation Includes;

##### **5.4.1 Transport Sector**

For the 2020 budget we have allocated SR 85.2 million under Seychelles Land Transport Agency for the different road infrastructure projects. The Seychelles Land Transport Agency will continue to implement the Victoria Traffic Management master plan in phases to improve the circulation of

traffic within and around greater Victoria. As present, the third lane along Fifth June Avenue is being implemented and with its completion by end of 2019, we expect to see a reduction in traffic congestion especially around the Independence House roundabout and adjoining roads. The recently completed roundabout and connecting roads at Bois De Rose is functioning well and the project will continue up to Roche Caiman. The road from Eden Island towards Providence Industrial Estate will be widened to allow more traffic to flow. Other important projects that form part of the Victoria Master Plan that the Seychelles Land Transport Agency will implement are, overhead pedestrian bridges to segregate pedestrians and vehicular traffic to allow smoother flow of traffic and improve safety of pedestrians. In addition, the project for the dual carriageway from Perseverance to Ile Du Port and Inter Island Quay is part of the medium term plan.

Mr. Speaker, the rehabilitation and extension of the Victoria Commercial Port is currently at the design stage and we expect that the project will be on tender by January 2020 with an indicative start date for construction of June 2020. The Seychelles Port Authority considers the investment in seaports infrastructure facilities and equipment as one of the most important element of its long term strategy to become competitive and to remain self-sustainable. During the year 2020, Seychelles Port Authority will maintain its strategy to invest in port infrastructure and equipment, and it is for this reason that an allocation of SR 109.2 million, mainly for the following projects;

- Relocation of Container opening Yard at Ex Coast Guard
- Eve Island Passenger Terminal Building and Infrastructure
- Realignment of seawall La Digue Jetty by 150 metres
- Purchase of 40 Ton BP Tug
- Purchase of a pilot boat
- Improvement in the Port Management System

Seychelles Civil Aviation Authority (SCAA) will be in the fifth and final year of implementation of its five-year investment plan. SCAA has thus far been able to use its retained profit to achieve its capital projects to an actual sum of SR 237.7 million, of which SR 59.8 million was incurred in 2019. During 2020 SCAA is forecasting to invest an amount of SR 103 million in capital investment.

Focus will be mainly on infrastructure projects such as SCAA's new office block, Terminal concourse refurbishment and road restructuring for improved traffic flow. In addition SCAA will continue with the airside infrastructure projects amounting to SR 17.7 million, that is maneuvering areas repairs and extension, improvement in northern-end drains and reclamation of land for RESA and piling works for pontoon for securing rescue boats.

SCAA will also invest in the replacement of the Air Traffic Management software amounting to SR 26 million to cater for surveillance and other key services in our airspace, which is critical. Furthermore, SCAA will invest SR 16.3 million in its Information, Communication and Technology network infrastructure.



#### **5.4.2 Energy Sector**

Mr. Speaker, PUC will be undertaking SR 348.9 million worth of projects to be financed either by PUC or Government development grant.

The power outages that the residents of La Digue experienced during August and September was finally resolved late September. As a Government we need to provide the infrastructure to ensure that these interruptions do not re-occur. PUC has provided standby generator system for La Digue costing SR 21.7 million. In addition, Government is finalizing the agreement with Abu Dhabi Fund for the loan amounting to US\$ 10 million equivalent to SR 143 million to install a third cable so as to ensure continuity of services in the event of a breakdown/failure.

PUC has also started the noise reduction and ventilation improvement at the Baie Ste Anne Power station costing SR 47.2 million. This project will be completed in 2020.

PUC has begun installing pre-paid electricity metres at selected homes at Ile Perseverance. There are 190 vulnerable families across Mahé, Praslin and La Digue, benefiting from social welfare assistance towards payment of their electricity bills from the Agency for Social Protection. They are the first ones benefiting from such service.

#### **5.4.3 Agriculture, Fisheries and the Blue Economy Sector**

Mr. Speaker, after one year, the Agriculture Comprehensive Plan can be seen as progressing well. 380 hectares of agricultural land has been surveyed which has been divided into 564 plot of land of which 436 plot of land has already been allocated to the farmers. The Government has also put in place the mechanism to allow registered farmers and fishermen to be eligible for VAT refund on locally purchased goods/equipment solely for use in their business.

In the 2020 budget, the Government has allocated SR 30.8 million and SR 41.1 million to the National Biosecurity Agency and Seychelles Agricultural Agency respectively. During the 2020 budget, the Seychelles Agricultural Agency will continue to invest in new farm roads and irrigation projects in the different districts.

In regards to the Fisheries sector, on the 22 October 2019, Government and the European Union concluded negotiations for a new Sustainable Fishing Partnership Agreement and a new Protocol that will strengthen their cooperation in the fisheries field for the next six years. The agreement marks a new important milestone of the long-standing bilateral cooperation between the Government and the European Union in fisheries and of their commitment in promoting the sustainable use of marine resources. Based on a reference tonnage of 50 000 tonnes, the EU will provide the Seychelles with an annual financial contribution of Euro 5.3 million equivalent to SR 89.5 million. A significant part of this contribution, Euro 2.8 million equivalent to SR 47.3 million per year, is specifically earmarked to promote the sustainable management of fisheries in Seychelles, as well as to support the development of small-scale fisheries. For the whole duration of the protocol, the total estimated value, including the EU ship-owners contribution, amounts to Euro 58.2 million or SR 982.4 million, equivalent to Euro 9.7 million or SR 163.7 million per year. For the first time, EU ship-owners payments will also include a specific contribution to a dedicated Fund that Seychelles will put in place to improve environmental management and the observations of marine ecosystems in our waters.

Mr. Speaker, we anticipate to complete the phase one of Ile Du Port Infrastructure during first quarter of 2020 and this will cost SR 29.6 million . We are working on the second phase of the Ile Du Port Infrastructure which will costs SR 87.5 million in total, mainly for road works, drainage and electrical works. The tender process will start during 2020.

Mr. Speaker, the Blue Bond proceeds will continue to finance several projects under the Blue Grant Fund under SEYCATT and Blue Investment Fund under DBS. During the year 2019, SEYCATT has financed several grant under the Blue Grant Fund as follows;

- 7 Small and Medium projects amounting to SR 0.7 million
- 4 Large projects amounting to SR 2.4 million

And 12 large projects amounting to SR 10.6 million are being evaluated.

The same process will be followed during 2020 since US\$ 0.5 million and US\$ 2 million will be available through SEYCATT and DBS respectively.

### **5.5. Innovative Economy**

Mr. Speaker, science, technology and innovation are important drivers of economic development. We need to find new ways of doing business to ensure we remain resilient and sustain our development.

Mr. Speaker, in 2019 the World Bank undertook two diagnostic surveys; one on Digital Government and the other on the Digital Economy in Seychelles. Recommendations emanating from these will help inform improvements required so that the Department can better deliver its mandate. The focus for 2020 will be on the rolling out of fully interactional digital services (or e-services) similar to what has been achieved for the Planning Authority and also on the implementation of the National Cybersecurity Strategy. The implementation of the recommendations in these reports and some decisions already taken by Government, also imply that there will need to be changes in the structure and work practices of the Department. This includes the setting up of an independent regulator for the broadcasting and electronic communications sector. Work is on-going on the new legislation, which will replace the Broadcasting and Telecommunications Act, 2000. The new legislation will separate the functions of state from that of regulatory activities.

The Department of ICT (DICT) has also undertaken new spectrum planning to accommodate 5G and has assigned radio frequency spectrum to two mobile operators for the deployment of 5G network, and it is expected that provision of 5G services will commence sometime in 2020. Note that 5G is the fifth generation cellular network technology and it allows for the transportation of huge amount of data much faster, reliably connecting extremely large number of devices and processing very high volumes of data with minimal delay. 5G is expected to connect people, things, data, applications, transport systems and used in the Internet of Things in smart networked communication environments. Therefore, 5G should deliver significantly increased operational performance, as well as superior user experience. On top of mobile broadband, 5G is also expected to be used to provide fixed broadband access and this will assist in improving the fixed broadband

penetration in Seychelles; since 5G, being a wireless system, will be able to reach areas that are currently inaccessible by copper and fibre networks.

The second submarine cable project is in its full implementation process with the marine survey expected in the first half of 2020 and the coming into operation of the PEACE system in mid-2021. The Cable Landing Station of this system will be located on Perseverance. The Government has also recently approved the project for the installation and operation of a third submarine cable system by a local operator to provide international connectivity. It is therefore expected that in the near future, Seychelles will be connected, not by 2 but by 3 submarine cables.

Mr. Speaker, with the new developments, particularly in the mobile sector and submarine cable systems, which will increase connectivity and bandwidth availability, there should be better and more competitive prices for services, particularly for mobile voice and data, which is still considered as expensive, compared to prices for similar services on fixed networks.

#### **5.6. Environmental Sustainability and Resilience**

Seychelles has been a champion in conservation, preservation and protection of our natural environment, while we also continue to develop as a nation. Diversifying our energy sources is also paramount to maintaining our resilience as we are currently almost entirely reliant on imported fossil fuel for electricity.

Mr. Speaker, as a Government we need to set the example. From now on, Government will only procure hybrid or electric vehicles. This will also be part of the Government replacement plan of the current conventional vehicle.

Mr. Speaker, we still remain on track to be amongst the first floating utility scale Photovoltaic plant on marine in the World. Government is currently evaluating the technical proposals of the six bidders. This will be followed by opening of financial bids and subsequent evaluation of the same. Government expect to announce the successful bidder before the end of the year and we expect construction to start in the first quarter of 2020 and the commissioning is scheduled towards the end of 2020.

In addition, the two Photovoltaic projects being undertaken by PUC on Ile De Romainville are in advanced stages and are expected to be commissioned in the first half of 2020. One is for a five Megga-Watt capacity being co-financed by Abu Dhabi Fund for Development and PUC costing US\$ 3.43 million equivalent to SR 49.0 million and the other one is a one Megga-Watt capacity financed by a component of the Grant from the Republic of India which include 944 KW of distributed roof tops PV (about 150 units) which have been installed on premises of families in the low income group, and on Government buildings.

The renewable energy development plan, climate change mitigation and adaptation remains high on the Government agenda. Mr. Speaker, the Government with the assistance of one of its development partners has developed a Coastal Management Plan 2019 to 2023 which aims to help maintain and protect the coastal zone to reduce coastal risk, support healthy ecosystems, and enable sustainable coastal economic development. The plan has been costed at US\$ 15.8 million or SR

225.9 million. The Government is currently in discussion with its development partners to work on a financing strategy for the Coastal Management Plan.

The new National Waste Policy was approved in December 2018. The purpose of this policy is to provide a framework to facilitate the involvement of the Government, private sector and the general public in the waste management sector and encourage the efficient use of resources by helping the public to make better informed decisions on how to manage and dispose of their waste. The objective of the policy is to minimize the amount of waste from being landfilled by promoting waste minimization through the 3Rs (reduce, re-use, recycle) and build capacity among state and non-state institution to manage waste.

There are a number of other related initiatives currently underway, with our international partners, including

- A World Bank project in the Seychelles is documenting the solid waste management infrastructure to understand the impact of disaster on coastal solid waste management and infrastructure. It aims to provide a diagnostic designed to define potential interventions for policy reform, alternative options for mitigating the forecasted climate and weather related risks and strengthened institutional capacity for managing the risk. The study is employing a multi-sectoral integrated and holistic approach to stimulate informed decision making and targeted stakeholder engagement.
- In parallel, the European Union is supporting the Government in preparing a Solid Waste Master Plan that will ensure that the management of solid waste in an integrated manner through the right policy, infrastructure, and capacity (financing and human resources) to implement advanced, solid waste management programs that will respond to the needs of the country for the forthcoming 25 years.

## **6. 2020 BUDGET FOR SOCIAL PROGRAMS**

In the 2020 budget, Government will maintain its commitment to finance Social Programs targeting the most vulnerable people in our society. The budget for the various programs are as follows:

- SR 47.8 million for Social Safety Net by the Agency for Social Protection (ASP),
- SR 5 million for Home Improvement/Re-roofing Scheme for Pensioners through HFC,
- SR 10 million for Vulnerable Home Repair Scheme through ASP,
- SR 28 million for the SPTC travel concessions for the Elderly, students and disable through ASP
- SR 18 million for Housing finance Subsidy Scheme,
- SR 4.2 million for dedicated funds for Schools
- SR 6.7 million for Daycare Scheme, and
- SR 3.2 million for Foster Care Scheme
- Inner Islands Transport scheme for students, medical referrals, and pensioner totaling to SR 5.7 million
- SR 1.5 million for Emergency Housing Assistance scheme
- SR 292 million for Home Carers which include their 13th Month pay.

## **7. CONTINGENCY**

Mr. Speaker, for the year 2020, we have allocated SR 45 million under contingency. From that amount, SR 37.5 million is for the compensation of the La Misere water pollution cases. We will start to pay the first batch of individuals who were paid previously as follows;

- a) Adult resident & children above 7 years SR 50, 000
- b) Children aged 7 years & below SR 15, 000
- c) La Misere school students SR 25, 000
- d) Seychelles Tourism Academy students and Staff SR 25, 000

Mr. Speaker the rate mentioned above will be prorated based on the SR 37.5 million available in 2020 and the balance will be paid in 2021. If budget permit a further payment will be done during the mid-year review exercise. In regards to the second batch of individuals, work is ongoing to finalize the list. A timeline has been set by Government by March 2020. In addition, the payment will be done for the individuals affected by the diesel pollution during the first quarter of 2020.

Another compensation which is under contingency is for the Petit Paris Asphalt Plant. This will be finalized during the first six months of 2020 and payment will be process once completed. There is currently a total of 34 claimants.

Mr. Speaker, the other group that is waiting for compensation is the Baie Ste Anne Praslin Residents that has been affected from the Power Stations. This has been another case since 2017. We will aim to resolve the matter during the first six months of 2020.

## **8. NEW POLICES FROM THE 2020 BUDGET**

### **8.1 Increase in Minimum Wage**

As per announcement made by the President on Labour day, the minimum wage will increase by SR 500 per month effective 1<sup>st</sup> of January 2020. This will be equivalent as follows:

- From SR 34.97 to SR 38.27 per hour for all workers other than casual. This means, work based on 35 hours a week, the salary will increase from SR 5,303.70 to SR 5,804 per month from January 2020.
- The rate for casual workers will be raised from SR 40.30 to SR 44.10 per hour.

The impact of the minimum wage will increase the salary for full time Home Carers from SR 6,060.60 to SR 6,633.47 as of 1<sup>st</sup> of January 2020. The salary of the Home Carers on part time basis will be increased from SR 3,787.35 to SR 4,145.92. This will also mean an increase in pension contribution payment made by Government on behalf of the Home Carers. This increase alone will cost SR 24 million to fund.

### **8.2. Increase in Benefits and Approved Programs of Agency and Social Protection**

Mr. Speaker, the following benefits will be increased as follows:

- Retirement Benefits for the elderly from SR 5,250 to SR 5,750
- Invalidity and Disability Benefits from SR 5,250 to SR 5,750

### **8.3 Minimum Pensions of SR 1,000**

Mr. Speaker, there is a category of workers receiving less than SR 1,000 a month through Seychelles Pension Fund. From January 2020, Government will implement a policy so that their pension increases by SR 1,000 a month. Therefore, Government will introduce a minimum Pensions of SR 1,000 through Seychelles Pension Fund. This will costs the budget SR 4.8 million in 2020.

### **8.4.Special category of Pensions of SR 500 to a group of retirees**

Mr. Speaker, as the President announced on Labour Day this year, there were other generations of workers that knew deplorable, difficult, and unjust working conditions. They are the ones who made the foundation from which workers today can continue to build upon, and they are the ones who have enabled us to be where we are today. This category of workers took their retirement many years ago, and today they live only on their social security retirement benefits. This category of pensioners took their retirement before the Seychelles Pension Fund was established.

They do not get any other pension that exists today aside from social security retirement benefits. Government has decided to give them an additional support. They will get an additional SR 500 a month from January 2020. This sum that has been budgeted in the 2020 Budget is SR 12 million and will be administered by the Agency for Social Protection.

### **8.5.Day Care and Child Minding Assistance**

Mr. Speaker, the assistance that parents are eligible to receive from the Government for Day Care and Child Minding will be increased from SR 500 to SR 750 from January 2020.

### **8.6.Proposal for Allowance for expectant mothers residing on Inner Islands giving birth on Mahe**

In 2018, Seychelles recorded 1,650 live births. Out 66 births registered for Grand Anse Praslin, 40 births and 45 out of 69 births recorded for Baie Ste Anne were at the Seychelles Hospital. La Digue recorded 45 births out of which 36 was on Mahe. Expectant mothers on Praslin and La Digue, upon reaching 34 weeks gestational age, have to be transferred to the ante natal ward at the Seychelles Hospital until delivery. Expectant mothers therefore had to seek alternative accommodation until delivery. Following the parenting programme held on Praslin, the expectant mothers have expressed concern in regards to the cost for accommodation as this puts an extra burden on them to find the money to contribute for lodging whilst on Mahe. This puts them at a disadvantage compared to their peers on Mahe given that this period could last up to six weeks until the time of delivery.

A flat allowance of SR 1,500 will be given to support expectant mothers from inner islands coming to Mahe to give birth and required to seek alternative accommodation. This will be done through the Agency of Social Protection.

### **8.7.Annual Leave**

Mr. Speaker, another measure that was announced by the President on the Labour Day is in regards to annual leave. As you all know, all workers get 21 days as annual leave. Government has decided that from January 2020, annual leave will be 24 days.

### **8.8.Flexible Working Hours in Government**

Mr. Speaker, Government need to empower our public service to be more efficient as well as more accountable. During the first quarter of 2020, Government will put a framework in place to cater for flexible working hours. In the current climate we are all starting to work at 8.a.m and finish at 4.p.m. In this modern world and to further encourage productivity we need to ensure we put place a conducive working environment to ensure that the working parents have time for their children, professionals continue to study through distance learning, a healthy lifestyle through proper exercise and balanced diet.

The flexible working hours could allow employees to start work any time between 7a.m. to 5p.m. and in certain circumstances to work at home during a particular period of time. However the total working hours will not change. It is to be noted that the flexible working hours would depend on the nature of the job, the need of the department during certain time of the year and the impact on the other stakeholders. This practice is being done in some of the Government organization currently like the Anti-Corruption Commission, National Institute of Technology, Science and Innovation, and Central Bank of Seychelles. Mr. Speaker a framework will be put in place and ensure all Government employees follow a process for the flexible working hours.

### **8.9.Review of Housing Subsidy Scheme**

Mr. Speaker, the Housing Subsidy Scheme was launched in 2014. The scheme was set up to improve access to affordable construction and ownership of dwelling by the targeted sector of the population. In order to qualify for the loan, applicants must be an employed or self-employed Seychellois citizen earning a fixed income. The applicant should also be a first time home owner. The subsidy amount helps to add on to the housing loan applied for and which does not have to be repaid by the applicant. Over the years, there has been significant changes in the costs of construction and other factors which prevents the maximum number of Seychellois from benefitting from it. As such, there has been a need to review the scheme.

#### **8.9.1 To review the rate per square meter for the three main islands**

Since its inception, a rate of SR 7, 500 per square meter is being used to calculate the subsidy entitlement. The current rate per square meter is applicable to Mahe, Praslin and La Digue. Having a flat rate for all three islands does not take into consideration the higher cost of construction for Praslin and La Digue, compared to Mahe.

The rates will be revised as follows:

Mahe: From **SR7, 500** /sq. meter to **SR 8, 500** /sq. m

Praslin: From **SR7, 500**/sq. meter to **SR9, 500**/sq. meter

La Digue: From **SR7, 500**/sq. m to **SR12, 500**/sq. meter

#### **8.9.2. To Include reconstruction of houses under the application for housing subsidy**

At present, subsidies are not applicable to the reconstruction of houses but only to first time and second housing constructions. In this respect, applicants will qualify for subsidies in reconstruction cases, whereby there has been an unforeseen disaster such as a fire or, in terms of

first time homeowners having to put down the old house of their parents to allow for the construction of their own.

However, to ensure the losses resulting from natural disasters and fires are reduced, Government strongly encourages homeowners to ensure their houses are insured and premium payments paid.

### **8.9.3. To include the purchase of land with property in the criteria to qualify for housing subsidy**

Mr. Speaker, currently, subsidies are not applicable for purchase of built houses with land but various applicants have appealed for approval. The revised policy will formally include the purchase of built houses on land as a criteria for qualifying for subsidy.

### **8.9.4. To review the income brackets for the qualification of the housing subsidy**

Mr. Speaker, in the current policy, individuals with income of up to SR 5,999.00, benefits the maximum of SR 200,000 from the subsidy. In order to tie-in the benefits of this scheme with the low income earners within the Progressive Income Tax, the salary of SR 8,555 will now be eligible to receive the maximum subsidy of SR 200,000.

## **8.10. Vehicle Personalized Number Plate**

Mr. Speaker from January 2020, Government will introduce a Personalized Plate Number system for vehicles in Seychelles. The new system should not compromise traffic enforcement or other legal processes. For this reason, some specific characters and sequencing of characters will not be permitted in the interest of readability. A maximum of 6 characters will be used and the capital ‘S’ prefix currently in use would no longer be mandatory for the private number plate. The font style, character size, spacing, overall plate characteristics would be also mandated by law. The character color and background plate color remain same as per the current system. All characters would be in uppercase. The fee will be as follows:

- Category 1: Only alpha characters at SR 60,000
- Category 2: Combination of alpha and numerical characters at SR 40,000
- Category 3: Combination of alpha and numerical characters at SR 20,000
- Category 4: Embellished bordering at SR 10,000

The following categories of motor vehicles will not be eligible to display a Personalized Plate Number:

- Vehicles owned by Government and State Owned Enterprises;
- Vehicles used by Diplomatic Missions/Consular Posts or delegates of International Institutions.

## **8.11. New Category of Gainful Occupation Permit**

Mr. Speaker, currently the Gainful Occupation Permit is at SR 500 per month per non-Seychellois employee. There are 4,733 non-Seychellois employees that have been in the country for more than six years. With the aim of encouraging a proper understudy programme for Seychellois to take over those posts, Government will be introducing another two categories of Gainful Occupation Permit fee;

1. For non-Seychellois employees who are in the country for more than six years, the fee will be increase from SR 500 to SR 1,000 per month



2. For non-Seychellois employees who are in the country for more than ten years, the fee will be increase from SR 500 to SR 5,000 per month

The new fee will be applicable from 1<sup>st</sup> of January 2020.

Mr. Speaker, the Government has introduced tax incentives during 2018 as follows to encourage the private sector to provide the necessary training;

- Total amount of deduction allowable under the business tax act for training costs incur is 150% of the training costs.
- Training costs incurred by a business is exempt under the income and non-monetary benefits tax act.

#### **8.12. Exempt Private Retirement Pensions under the second schedule of the Income and Non-Monetary Benefits Tax Act**

Mr. Speaker, a number of private sector employers are investing in private pensions and on retirement the individuals receive an additional pension. We will amend the second schedule of the Income and Non-Monetary Benefit Tax Act in order for private retirement pension to be exempted from income tax.

#### **8.13. Review of the Non-Monetary Benefits under fourth schedule of the Income and Non-Monetary Benefits Tax Act**

The fourth schedule of the Income and Non-Monetary Benefit Tax Act contains a number of non-monetary benefits that can be provided to an employed person in respect of the person's employment or to an associate of an employed person in relation to the performance of the work. An employer is liable to pay tax at the rate of 20% of the value of the non-monetary benefits provided to the employees to the Seychelles Revenue commission.

The Act stipulates that the non-monetary benefits should be taxed at the fair market value and also impose certain taxable value on certain benefits, namely accommodation, meals, motor vehicles and entertainment allowance. These taxable value is now too low and do not reflect current market conditions in relation to the benefit being incurred. Effective 2020, a revision in the rates will be implemented so as to align the taxable value to a more reasonable rate as well as apply the market rates where appropriate.

In addition, Government will as from 2020, exempt medical fees incurred in regards to medical tests carried out in relation to employing local and foreign workers. This is in view that, this should not be regarded as a benefit, since the employer has not yet recruited the staff. It is a requirement to carry out a medical test to see if the worker is medically fit to perform the job and work in Seychelles, and will therefore not be taxed.

Furthermore, tax on the cost incurred for the insurance benefit provided to employees will also be exempted as from 2020. This aim to encourage employers to insure the house, motor vehicles and other personal content of their employees in case of burglary or fire disasters.

#### **8.14. Immovable Property Tax**

Mr, Speaker, the Immovable Property Tax Bill is under public consultation and will be ready for gazetting during November 2019.

The rate will still be at 0.25% of the market value of any immovable property liable to be taxed. The tax will be due and payable to the Commissioner General on or before 31 December of each year. Mr. Speaker the following immovable property will be exempted from the Immovable Property Tax;

- a) used for residential purposes that is owned by one taxpayer, who is married to a Seychellois, and whose marriage is still subsisting or, whose spouse has since died after owning the immovable property; or
- b) considered to be commercial land or industrial land.

After the coming into operation of this Act, a non-Seychellois, who is for the first time an owner of immovable property used for residential purposes, may apply in writing to the Commissioner General for exemption from tax. The exemption for Immovable Property Tax will only apply in the year of purchase, the subsequent year the non-Seychellois will pay in view that they pay stamp duty during the first year.

#### **8.15. Revision in the Postage and Courier Tax Free Personal Allowance.**

Mr. Speaker, currently an import of goods arriving by air or sea, through postal or courier services into Seychelles has a tax free personal allowance of SR 3,000. Nevertheless, there is no limitation on the number of times that an individual can make use of this allowance or any requirement to produce a Bill of Entry. As there are shortcomings in the ability to effectively monitor these activities, it is perceived that this has opened a door for abuse and loss of revenue which has been very difficult to control. Also it is not fair on businesses which are paying rent, taxes, and provides employment opportunities compare to the individual using these shortcoming to order online and only to re-sell on facebook or through other sources.

Therefore from January 2020, Postage and Courier Tax Free Personal Allowance will be reduced from SR 3,000 to SR 1,500 and there will be an introduction of a Customs processing fee of SR 50 to be applicable.

#### **8.16. Revised Vehicle Levy**

Mr. Speaker, multiple studies have found that electric vehicles are more efficient, and therefore responsible for less greenhouse gas and other emissions than vehicles powered solely by internal combustion engines. As per the current tax legislations there is only VAT on the electric vehicles.

Mr. Speaker, with the aim of encouraging the use of more electric vehicles, Government has decided from January 2020 to revise the current levy on vehicle as follows;

1. Increase of the levy on commercial vehicles to be on par with that which is applicable on private motor vehicles;
2. Increase the current levy on conventional motor vehicles by SCR 25,000.
3. Review of excise tax and levy applicable on all types of hybrid motor vehicles above 1600cc, to align to that which is applicable on its similar conventional counterpart;

Mr. Speaker, we are also working with SEYPEC to put solar panel and electric charger on some of the Petroleum depot so that electric vehicle owner could charge their vehicle direct from the station itself.

### **8.17. Ozone amendment to the Environment Protection (Ozone) regulations 2010**

As of 1<sup>st</sup> January 2020 the following Amendments to the existing Environment Protection (Ozone) Regulations 2010 to cater for the Ratification of the Kigali Amendment to the Montreal Protocol, will come into force. The Government will impose the following levies on imported refrigerant equipment and refrigerant gases as follows:

- a) No Environment levy on gas/equipment with less than 100 Global Warming Potential (GWP) to encourage importers to import ozone and climate friendly equipment to make it more cheaper on the local market.
- b) 5% 100-2000 GWP
- c) 8% 2000-3000 GWP
- d) 10% 3000 & Above.

The percentage on GWP will be calculated by the Ozone Unit of the Ministry of Environment, Energy and Climate Change and the collection point for levy will be at custom.

Moreover, there will be no VAT on refrigerant equipment and refrigerant gases with less than 100 GWP.

### **8.18. Change in Tax Structure for Alcohol Beverages**

As part of Government's policy to mitigate the effect of alcohol on the health of our nation, Government announced changes to the way alcoholic drinks are currently being taxed. Given that these changes would be extensive and include a complete overhaul of the excise tax regime, Government is in the process of bringing in a consultant to ensure that our systems in place can cater for such. As this will be a comprehensive exercise, it will take at least a year before it is implemented. Given the length of time that exercise will take, and to ensure that some policies are in place to reduce abuse of alcohol, as of the 1<sup>st</sup> January 2020, the excise tax on alcoholic beverages will be increase by 10% across the board. Further, to that, we have identified a loop hole in the system whereby some local manufacturers were classifying their locally produced rums under "alcopops" as it attracted a lower tax rate. As of 1<sup>st</sup> January 2020, the description of "alcopops" will only allow flavoured alcoholic drinks of an alcoholic volume of 8% and below to be classified as such.

### **8.19. Business Tax Reform**

Mr. Speaker, during the 2019 budget, several amendments in regards to the Base Erosion Profit Shifting projects came into forced from 1<sup>st</sup> of January 2019. However, based on the European Union requirement, we have to make further amendments of the business tax section governing the manufacturing activities under the International Trade Zone regime. We intend to apply a grandfathering period for this regime with the amendments, which will not extend beyond 31<sup>st</sup> December 2022.

The European Union has also highlighted some concern regarding the current Seychelles territorial tax systems mainly from the assumption that they can facilitate double non-taxation. They have highlighted that there could be income that is not taxed anywhere. We are working to finalise these two amendments before the 31<sup>st</sup> of December 2019 to ensure that we will be in full compliance with the European Union methodology.

Mr. Speaker, in January 2020, we will amend the Business Tax Act for a reduction of business tax on residential dwelling from 15% to 3%. Mr, Speaker, we urge the private sector to pass on some of the benefit to the people renting accommodation. The Government is doing its part on the reduction in taxation but the private sector need to do its part as well.

Mr Speaker, the Pay As You Go specified business that certain businesses were liable to deduct 5% of their income at source, this will no longer exist as from January 2020. These businesses are Building Contractor, Maintenance Contractor, Mechanic, Hirer or Operator of Plant and Equipment, Hirer of Omnibus.

Mr. Speaker, as announced in my budget address last year, Government initiated a business tax review this year with the aim of keeping it simple. The aim of this comprehensive tax policy review was to see to the possibility of enhancing the country's business tax system to provide an independent, in-depth and comparative assessment of our business tax system and thereby provide a set of tailored policy recommendation.

A series business tax consultation was therefore initiated in July with the assistance of the Organisation for Economic Corporation and Development (OECD). Several stakeholder dialogues were held with representatives from different associations, organisations, ministries, government agencies and the business community in general. In September 2019, a follow up mission was also carried out to discuss preliminary findings and initiate policy proposals with the Ministry of Finance as well as with the various stakeholders.

In context, our Tax-to-GDP forecast shows a slight decline from 32.1% in 2018 to 32.3% in 2019 and to 31.6% in 2020. As highlighted by the OECD, this is the highest ratio across all of the African countries covered by the OECD Global Revenue Statistics Database and highest in comparison to other small and highly tourism-dependent island economies. On the other hand, with the graduation of the Seychelles to a high income country, we now face many challenges in obtaining development assistance aid. We therefore need to improve and enhance our own domestic resources mobilisation capacity, as well as venture into innovative financing to compensate for this funding gap. The climate change, disaster risk reduction, infrastructure development gap, along with our ageing population, are crucial agendas that requires considerable attention and funding to ensure that the country remains resilient to shocks and ensure our stability, growth and development into the future. Strengthening our tax system will be very important as the scope to use other sources of financing is relatively limited.

This means that any changes to our tax system need to be carefully assessed to ensure that these do not affect growth or create more unfairness in our regime, as well as create significant revenue loss to government that will affect funding requirement on the budget. In view of these challenges the Government has to consider a business tax reform that takes into consideration these factors and implement a regime that will simplify our corporate income tax regime, reduce tax planning and improve tax compliance.

Primarily, a major policy change, will be to address issues at source rather than indirectly through the tax system. Mr. Speaker, for many years the tax system has been used as a means to address challenges in a particular sector. This has been in terms of preferential rates, exemptions or

incentives that in the end only distorts the tax base. Incentives were also provided in the past to encourage foreign direct investment and attempt to stimulate certain sectors. This has served its purpose very well. However, it is now important that these are also reviewed to determine whether the same investment climate and challenges exist today.

The preliminary OECD report, confirms that the biggest issue with our business tax system lies in its imbalance. That is, some sectors and businesses contribute a lot, whilst most pay little because of the preferential tax rates and generous deductions they receive. From the 2017 data for instance, only 39% of companies under the Business Tax had a positive tax liability.

In addition, only 10% of companies accounted for 96% of the total business tax or alternatively only 30 companies accounted for 80% of total business tax paid. About half of total companies, that is 717 companies, reported a zero tax liability. This is because of the large tax deductions which reduces taxable income to negative values, which result in tax losses that can be carried forward.

Wholesale and retail trade as well as accommodation and food services are two sectors with the highest percentages of companies reporting losses. For 2017, 77% of companies in wholesale and retail trade reported losses, whilst 66% in accommodation and food services.

The report also confirms that the accommodation and food service activities, which account for 15% of value added and 41% of VAT collected, only account for 7% of total business tax revenues. This largely results from the tax preferences that the sector has received, as well as from tax avoidance practices by the largest operators in the tourism sector. For instance, 44 companies in the tourism sector reported depreciation deductions that exceed 50% of turnover and a zero tax liability. In addition, many companies in this sector report disproportionately high amounts of other operating expenses relative to their turnover levels.

This is in view that the Business Tax Act allows an accelerated depreciation rate on capital investment other than buildings that sums up to 145% in five years, to tourism related businesses as well as agriculture and fisheries, compared to other sectors. In addition, hotels enjoys a 20% depreciation rate in the first tax year and 10% in each subsequent tax year.

Secondly, the informal sector is also a challenge. As a result, addressing the informality and broadening the net of taxpayers should be a priority in order to avoid overburdening the formal sector operators and prevent unfair competition. It is imperative that the formal sectors should not be subject to further increase in tax rates so as to raise revenues. Instead, there is a need to broaden our tax base by capturing the informal sector, while maintaining the tax burden on the formal sector at a reasonable level.

Mr. Speaker, government is therefore considering rebalancing the business tax burden. As recommended by the OECD, this can be achieved by lowering the tax burden on many operators, but increasing tax levels on those that currently contribute insufficiently to the collection of revenue.

## **1. In the short term the following measures will be introduced:**

- Introduce international corporate tax base protection measures, including transfer pricing rules, interest limitations rules and controlled foreign company (CFC) rules.
- Facilitate tax compliance and strengthen the tax administration's verification capacity, in particular by:
  - a. Encouraging and facilitating electronic tax filing
  - b. Maintain the Presumptive tax, as a simplified tax for micro, small and medium enterprises and require businesses that report under the presumptive tax to provide a minimum amount of information (on salaries, fuel use, etc.) so that the tax administration can verify whether businesses under-report their turnover
  - c. Ensuring adequate staffing of the tax administration
  - d. Introducing an automated risk-based auditing system
- Set up a multi-stakeholder group with representatives of different ministries, public bodies and representatives of the private sector with a view to adopting a strategy to address informality that exist particular in some sectors such as tourism.
- Better target enhanced tax depreciation allowances by restricting their use to investments in specified productive assets and energy-efficient capital. For other assets, maintain accelerated depreciation but only up to 100% of the cost of the investment.
- Remove or at least scale back the remaining fuel tax exemptions (except for accommodation services providers that are not connected to the PUC grid)
- Introducing a fixed lump-sum annual fee for certain activities such as for fishermen and artists. That is, for employed persons in these two sectors instead of paying income tax, the workers will be liable to a flat annual fee. This will improve administration and compliance and facilitate payment from these particular sectors

## **2. In the Medium-term priorities:**

- Start the process of renegotiating the 28 double tax treaties (DTAs) that insufficiently prevent base erosion
- Harmonise and lower business tax rates by introducing a new business tax rate schedule that applies to all businesses. This will also include all the businesses currently taxed under the regular business tax rates, such as the tourism sector, fisheries, CSPs; but excluding the "high-end" sector, which would remain taxed under existing rates, initially. The high end sector comprise of the Telecommunications service providers, banks, insurance companies, alcohol and tobacco manufacturers. Once the legislations are in place that allows us to broaden our tax base better, these category would also be aligned.  
The new harmonised business tax rates could for instance be as follows e.g.: 15% up to profits of SR 1 million; and 25% on profits above SR 1 million. The setting of new business tax rates should also take into account international tax developments.

Mr. Speaker, to introduce a flat 15% business tax rate would represent a significant revenue loss to government. This would represent a loss of revenues of approximately 1.7% of our GDP or 0.8% revenue loss in terms of GDP if the high end sector are excluded.

The analysis carried out therefore suggests complementing the 15% tax rate with a rate in the order of 25% levied on profits above R 1 million threshold, which the reform would be more or less revenue neutral if implemented comprehensively.

The progressive rates also allows for businesses already paying 15% to not reduce their investment. In addition, it would entail a significant business tax rate reduction for many businesses and therefore create an incentive for investment. It would significantly reduce the tax rate on small businesses, which are currently taxed at a high rate when they are taxed under the normal regime.

- Extend the cash accounting limit for business tax purposes to SR 2 million, instead of the current SR 1 million threshold. That is, allow businesses with revenues up to SR 2 million with the option of reporting on a cash basis, which is a simplified manner to account on a business performance.
- Consider tax on capital income if the business tax rates are reduced and aligned so as to prevent distortion and reduce unfairness. This is in view as individual capital income is more lightly taxed than labour income.
- Make the Tourism Marketing Tax (TMT) and the Corporate Social Responsibility Tax (CSRT) creditable against business tax and then gradually phase these taxes out
- Improve the design of the Progressive Income Tax rate schedule
- Involve digital platforms in the collection of VAT on tourism-related services and in the collection of information related to the transactions they facilitate

Mr. Speaker, Government will continue to engage with the relevant stakeholders and aims to finalise this important reform next year. These reforms need to be phased in gradually with a comprehensive approach, as significant planning and preparation is required in implementing these major reforms.

## **9. OTHER REFORMS AND OPPORTUNITIES IN KEY SECTORS**

### **9.1. Financial Sector Development**

Mr. Speaker, the Government remains committed to improving the jurisdiction's Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) framework. A National AML/CFT Committee has been appointed in order to improve national coordination and ensure that the deficiencies as noted in the National Risk Assessment and Mutual Evaluation Report are addressed in a timely manner. To this effect a draft AML bill has been prepared and circulated to all stakeholders ahead of the public consultation. It is expected that the bill will be gazetted by end November 2019. This law will make provision for the implementation of a risk-based approach to AML/ CFT supervision. It will further ensure that the necessary measures under the Financial Action Task Force (FATF) standards are encased in the regulatory framework. In addition, the Committee is reviewing the Proceeds of Crime Act and the Prevention of Terrorism Act in line with the Government's intention of presenting further amendments to these two legislations in the first half of 2020 to further strengthen our AML/ CFT legislative framework.

Mr. Speaker, corporate vehicles such as companies, trusts, foundations, partnerships and other types of legal persons and arrangements conduct a wide variety of commercial and entrepreneurial activities. However, despite the essential and legitimate role that corporate vehicles play in the global economy, under certain conditions, they are liable to be misused for illicit purposes. To

deter and detect these illicit activities, it is critical to promote transparency in relation to beneficial ownership of legal persons and arrangements. Increasingly international bodies, such as the G8, G20, FATF and OECD, are taking concrete actions to promote transparency as it relates to beneficial ownership of legal persons and arrangements. Transparency of beneficial ownership information and access by the relevant authorities are important means of preventing fraud, money-laundering, terrorist financing, tax evasion, bribery, corruption and other serious crimes. Mr. Speaker, in this context we are in the process of drafting a Beneficial Ownership bill which shall be subject to public consultation with all relevant partners prior to due legislative process. This new legislation will provide for the identification and verification of beneficial ownership of all legal entities and legal arrangements established and registered in Seychelles, as well as the establishment of a central database to record all registrable particulars of beneficial owners of legal entities and legal arrangements formed in Seychelles, in order to promote transparency with regards to beneficial ownership.

Government has allocated additional resources in the 2020 budget for law enforcement and regulatory authorities to strengthen the country's capacity in its fight against Money Laundering and Terrorism and ensure that it has a robust and effective AML/CFT framework which is aligned with the National AML/CFT Strategic Plan.

The Central Bank continues to pursue its endeavour to modernise the national payment system to achieve more efficient, convenient, reliable and affordable innovative payment facilities. Being a core pillar of the Financial Sector Development Implementation Plan, an efficient and effective national payment system is a critical contributor in serving a reliable foundation for the growth of FinTech, expanding the exploitation gaps for small- and medium-sized enterprises (SMEs) to foster and building public confidence in the financial system. It also serves in bringing about the growth of affordable innovative payments not only from an end user perspective but also that of other parties in the value chain, i.e., merchants thereby ensuring financial inclusion in all its aspects.

It is in this context that the Central Bank continues to engage with the relevant stakeholders to implement a payment infrastructure that would be responsive to the needs and challenges of the country ensuring that no one is left behind. Subsequent to diagnostic studies that were instrumental in shaping the national payment system modernisation concept, the CBS in close collaboration with its key partners is now in the process of finalising the technical requirements for the implementation of the necessary technological infrastructure and enabling environment that would pave the way to the digitalisation of the economy. Whilst the modernisation project is comprehensive and long term in nature in view of the need for legislative amendments, ongoing digital financial literacy and awareness, the implementation of the necessary technological infrastructure is expected to be completed by the end of 2022.

## **9.2.Private Sector Development**

Mr. Speaker for 2020, Government will continue to support to the various business schemes as follows;

- SR 3 million for the Agriculture Development Fund through DBS
- SR 5 million for Youth Employment Scheme (*My First Job Scheme*),
- SR 1 million for the Youth Entrepreneurship Scheme (*YES*)



- SR 25 million for the Small Medium Enterprises Scheme (*SMEs Scheme*)

Mr. Speaker, Foreign Direct Investment for the year 2019 is forecasted to hit USD 327.9 million, the highest since 2015. The Seychelles Investment Board as at September 2019 processed SR 10.7 billion worth of investment from January to September 2019. Mr. Speaker, Seychelles has slipped from 96 to 100 on the 2020 Doing Business report. This is not acceptable. The aim is for Seychelles to be amongst the top 50 in the next three years. An action plan detailing the necessary measures to be undertaken for the period 2020-2022 will be developed by December 2019. Its implementation will be monitored by a High-Level Ease of Doing Business Committee including private sector representatives. The investment framework of the country is also being reviewed by UNCTAD which is providing the necessary technical assistance to review the investment policy.

Mr. Speaker, with large national projects identified to be implemented through Public-Private Partnership, the Government will submit by mid-November 2019 the Public-Private Partnership Bill for approval by National Assembly. The process of project initial screening which include the feasibility study and the procurement process have been detailed in the Public-Private Partnership bill. In addition, the management of the public-private partnership agreement to protect both the investor and the Government has also been detailed in the Public-Private Partnership bill. Once Government received the National Assembly approval, we hope that the private sector take the opportunity of this new framework to participate in the large Government project.

Mr. Speaker, the first project that Government will tender in the first half of 2020 using this framework, will be the reclamation of the 18 hectares of land at Ile Aurore. The investor will be invited to participate in the bid for the Development of a tourism project at Ile Aurore. The investor will have to pay an initial capital for the lease of the land. The advance payment from the investor will be used to reclaim the land and put the necessary infrastructure at Ile Aurore to facilitate the construction of the other social infrastructures. The advantage of the Ile Aurore tourism development project is that it will complement the 1,000 seat conference centre facility which will be built in the medium term and finance through an Indian Government grant. This will open opportunities for large conference to take place in Seychelles and thus open opportunities for the private sector.

In line with the development concept approved by cabinet as part of recouping Societe Seychelloise d'Investissement Limited (SSI) Investment; SSI in consultation with different stakeholders has started the development concept for the Beau Vallon properties well known as Regatta site. The Bazar labrin will be a daily event effective from June 2020. A budget of SR 1.5 million has been incorporated in 2019 for the construction of the kiosks. The kiosks which will be designed to blend with the other proposed buildings and lease to the vendors of Bazar Labrin by Enterprise Seychelles Agency. A multi-purpose sport complex is also part of the development which will be financed through sponsorship. The SSI commercial building which will open late 2020 will reflect the Seychelles architecture and house a food court, police office, dancing studio, offices, different banks, shops, cafes museum/art gallery and other services. It is to be noted Regatta and any other national events will not be affected by this development.

Mr. Speaker, the Industrial Estate Authority has been allocated with a budget of SR 12.2 million. However, the pipeline of projects for implementation is as follows;

- Zone 6 SR 32.9 million
- Zone 20 SR 64.0 million
- Eve Island SR 30 million

We will be working with the Industrial Estate Authority in 2020 to become an autonomous state owned enterprises in the second half of 2020 to ensure the new entity is able to raise finance for the infrastructure requirement. All the land on the industrial estate will be transferred to the new entity so that the land value can be used as collateral. This will be another financing opportunities for the banks.

Mr. Speaker, as previously mentioned in previous years, Government is finalizing the amendments of the Public Procurement act. During the consultation process with stakeholders, the private sector have reiterated the need to protect and encourage more local participation especially in large infrastructure projects. As part of the amendments, the procurement oversight unit will work on a preference or reservation policy to clearly define;

- a) the target group and eligibility requirements;
- b) the percentage of preferences or reservations, where applicable;
- c) the period for the operation of a scheme; and
- d) the objectives of the preferences or reservations, and the means of measuring their effectiveness in achieving their objectives.

This will allow more local participation and create more opportunities for the private sector in the large infrastructure projects.

Mr. Speaker, I must admit that we still have complaints from contractors and service providers that they are not receiving their payment on time. Currently we have an expenditure and payment policy in place which states the timeframe that Government is required to effect the payment. As per the policy;

- i. For commercial transactions (procurement of goods and services) invoices should be settled within 10 working days (or 14 calendar days).
- ii. For relatively small capital projects must not exceed 10 working days (or calendar 14 days). This will allow sufficient time for inspection of projects by the implementing agency.
- iii. For large infrastructure projects must not exceed 15 working days (or 21 calendar days).

Any payment that is not effected within the payment timeframe will be subjected to an interest of 0.05 percent per day of the total invoice amount. Mr. Speaker, more awareness program needs to be in place within Government to ensure the checklist are properly abide to before sending any payments to accounts and limit the number of queries that may exist pertaining to an invoice.

With the increase in size of the budget, Treasury is processing on average 300 to 400 vouchers per day, and around 500 to 600 during end of month, with December on average processing approximately 900 vouchers in the days nearing end of year closure.

Payment settlement usually passes through three stages. Stage one is the time taken by a ministry or agency to process a transaction from the procurement process, to authorizing the payment internally. Stage two is the time taken once a ministry or agency submit its payment to Treasury for settlement. Stage three will be the time taken by the Central Bank to transfer the funds into the commercial bank account of the vendor. Mr. Speaker most time is taken in stage one where a Ministry/Department/Agency processes its invoices. Upon receiving an invoice, Treasury as per the Expenditure and Payments Policy has 3 days to a process payment. However, in practice, Treasury settles a payment within the next day of receiving a voucher, whilst the Central Bank can settle a payment file instantly to a commercial bank.

Mr. Speaker, Government recognize that many small contractors and businesses in Seychelles face liquidity challenges. Ideally in order to be able to engage in a business, an entrepreneur needs to ensure it has sufficient financing. However, this is not the case for many micro, small and medium enterprises as they face many difficulties to secure financing from commercial banks, if they are not able to provide adequate guarantees and in view of their size working capital financing might prove to be costly for them. This therefore poses a huge burden for Government, as suppliers would usually put pressure to be paid immediately despite having a payment policy in place, which ensure that the proper internal processes have been followed before any payments are settled.

Therefore, in an attempt to assist small contractors with their liquidity challenges which usually affects the delivery of relatively small capital projects, Government will be introducing a 'Mobilization Advance Payment' (MAP) for Class III and IV contractors for projects up to SR750,000.00. MAP will be a monetary payment introduced made by the client ministry to the contractor for initial expenditure in respect of site mobilization, and a fair proportion of job overhead or preliminaries. The MAP will be extended to Class III and IV contractors with good track record and will require the approval of the Finance Department to be provided this facility. The advance will be provided with no requirement for a bond guarantee, it will constitute a twenty percent payment of the initial contract price and paid to the contractor before any physical works are executed. This interest free facility aim to motivate the small contractors by enhancing their working capital, allow some positive impact on their cash flow and allow them to better mobilise better resources and motivate the contractor to complete the project on time and with good quality. This new procedure will be guided in a new framework.

For the other class of contractors and for projects above the SR750,000 threshold, they can still be provided the normal advance payment as will be negotiated in their contract, with a requirement for a bond guarantee.

## **10. INNER ISLANDS PROJECTS**

Mr. Speaker, the following specific projects has been allocated in the 2020 budget for the Inner Islands;

- Reconstruction of La Digue Police station SR 6.7 million
- Reconstruction of La Digue Hospital SR 5.7 million
- Reconstruction of La Digue school SR 4.7 million
- Reconstruction of Baie Ste Anne Police station SR 3 million
- Upgrading of Praslin Playing field SR 2.0 million
- Road projects through Seychelles Land Transport Agency
  - Upgrading works St Sauver Praslin SR 1.5 million
  - Pavement work Cote D'Or Praslin SR 1 million

- Koko Ibrid La Digue SR 2.5 million
- Pension Michel La Digue SR 1 million
- Road Widening Salazie Baie Ste Anne SR 2 million
- Vanilla Road La Digue SR 1 million
- Continuation of Pasquere road Praslin SR 4.5 million
- Concrete Road surfacing on La Digue SR 4 million which include Boule De Neige Road Phase two

## **11. PUBLIC ENTERPRISES**

Mr. Speaker, the Government has allocated SR 159 million in the 2020 budget for the subvention to public enterprises. This include US\$ 6 million for Air Seychelles which will be the yearly transfers for the next five years starting from 2019 until 2023. Government will provide a guarantee to enable the issuance of a bank guarantee of the US\$ 30 million worth of Preference shares in favor of Etihad shareholder based on the current liabilities that Air Seychelles owe Etihad during the past years. This will increase the debt-GDP ratio by 2%.

We have made a provision of SR 50 million and SR 21.7 million under subventions to public enterprises and development grants respectively to SPTC. Mr. Speaker, the Government in partnership with the World Bank will be working on a project from 2020 to medium term, for the following elements;

1. Development of Government Policy and a 5-year framework for provision of Public Transport in Seychelles ;
2. Review of the route network currently operated by SPTC, including capacity, service levels and product differentiation;
3. Strengthen the Structure of SPTC, including its capacity and processes, to deliver the revised network within the agreed framework;
4. Assess the feasibility of options for participation of private sector operators in public transport services in Seychelles, including identification of potential entry points and support measures for the transition.

## **12. POPULATION AND HOUSING CENSUS 2020**

Mr. Speaker, during 2020 there will be the Population and Housing Census by the National Bureau of Statistics. This exercise will contribute to the availability of a reliable time series of demographic and socio-economic basic data required for formulation, monitoring and evaluation of socio-economic development plans and programmes. The immediate objectives of the project will be organised around the census period, which would cover a period of seven days during late August to early September 2020.

The total costs of the 2020 Population and Housing Census is expected to cost SR 13.1 million as the survey will be digitalized for the first time. Thus, the National Bureau of Statistics is expected to purchase around 700 tablets to undertake such exercise. There is currently around SR 6.2 million

in the 2020 budget for the Population and Housing Census. The balance will be financed through COMESA fund and support from the telecommunication companies.

### **13. CONCLUSION**

Mr. Speaker, this budget that the Government is proposing for the National Assembly consideration will allow the Seychellois to take the opportunities so that together we build this country towards long term sustainable growth.

I know that unfortunately we have not been able to include everything that have been requested during the different consultations since our resources are not unlimited. But I am convinced that what we have provided in the 2020 budget will allow for future growth opportunities in the different sectors whilst we remain resilient as a country.

I would like to thank everyone who has contributed toward the preparation of this budget.

First, I thank the President of the Republic for his support and guidance in supporting my Ministry to push our policies and reform agenda forward.

I would also like to thank my colleague ministers and their respective teams.

I thank my hardworking staff in the Ministry of Finance, Trade, Investment and Economic Planning for their continued professionalism, dedication and sacrifices for the betterment of the country's success.

On that note, I also thank the Governor of the Central Bank and her staff for the close collaboration between fiscal and monetary policies during the year 2019 and the preparation of the 2020 budget.

My appreciation also goes to all private sector operators, civil society organisations, international organisations and all other stakeholders for their support in formulating policies for the future of the country.

In addition, Mr. Speaker, I thank you, all the members of the National Assembly and all staff for the collaboration and support throughout the year.

I would like to thank the people of Seychelles for their courage and for their continuing support they give to the Government in bringing our country forward.

I now commend the Appropriation Bill 2020 amounting to Nine Billion two hundred and ninety-two million, eighty eight thousand, and two hundred and sixty two rupees (SR 9,292, 088,262) for the approval of the National Assembly.

I thank you, Mr. Speaker.

# Budget Strategy and Outlook 2020

**Estimates of Revenue and Expenditure and Appropriation Bill October 2019**

# Contents

<b>List of Tables</b> .....	<b>III</b>
<b>List of Figures</b> .....	<b>IV</b>
<b>Acronyms and Abbreviations</b> .....	<b>V</b>
<b>About the Document</b> .....	<b>1</b>
<b>Economic Outlook</b> .....	<b>2</b>
Overview.....	2
<b>Real Sector</b> .....	<b>4</b>
Tourism .....	4
Manufacturing.....	4
Construction .....	5
Information and Communication .....	5
<b>Monetary Sector</b> .....	<b>9</b>
<b>External Sector</b> .....	<b>11</b>
<b>Public Finance Management Reforms</b> .....	<b>16</b>
<b>Budget Outlook</b> .....	<b>17</b>
Revenue & Grants .....	19
<i>Tax Revenue</i> .....	20
<i>Non-Tax Revenue &amp; Grants</i> .....	39
Expenditure .....	43
<i>Goods and Services</i> .....	48
<i>Transfers</i> .....	51
<i>Public Sector Investment Programme</i> .....	55
<i>Development Grants to Public Enterprises</i> .....	61
<i>Net Lending</i> .....	62
<i>Contingency</i> .....	62
Debt Outlook.....	63
<i>2019 Domestic Debt Stock</i> .....	64
<b>Selected Economic Indicators</b> .....	<b>65</b>

## List of Tables

---

Table 1: Yearly Comparison in Visitor Arrivals by market as at Q3 2019 .....	4
Table 2: Summary of Tourism Earnings and VAT Receipts .....	7
Table 3: Seychelles Reform Target under the PCI 2019-2020 .....	16
Table 4: Government Revenue and Expenditure Projections, SR'000s .....	17
Table 5: Breakdown of Medium Term Revenue Projections, SR'000s .....	19
Table 6: Tax revenue ratios to GDP .....	20
Table 7: Cost of Tax revenue policies in 2020 (SR'm) .....	21
Table 8: Income Tax Projections 2018-2021, SR'000s .....	22
Table 9: Custom Duties Projections 2018-2022, SR'000s.....	24
Table 10: Cost of Excise Tax policies in 2020 (SR'm).....	26
Table 11: Excise Tax Projections 2018-2022, SR'000s.....	26
Table 12: Spare part imports (SR'm) .....	28
Table 13: Increase in Consumption 2016-2019 .....	30
Table 14: GST Projections 2020, SR'000s .....	31
Table 15: VAT Projections 2018-2022, SR'000s .....	32
Table 16: Business Tax Projections 2018-2022, SR'000s.....	33
Table 17: Estimated cost of lowering residential dwelling rate from 15% to 3%, SR'000s.....	34
Table 18: Corporate Social Responsibility Tax Projections 2018-2022, SR'000s .....	35
Table 19: Tourism Marketing Tax Projections 2018-2022, SR'000s .....	36
Table 20: New levy rates (SR' m) .....	37
Table 21 : Revenue Gain from new policies (SR 'm).....	37
Table 22: Other Tax Projections 2017-2021, SR'000s .....	38
Table 23: Non-Tax revenue and grants, SR'000s.....	39
Table 24: Dividend income, SR'000s .....	40
Table 25: Other Non-Tax Revenue, SR'000 .....	41
Table 26: Summary of Expenditure, SR'000.....	43
Table 27: Share of Recurrent Expenditure by Portfolio .....	45
Table 28: Summary of Total Transfers by Different Categories, SR'm.....	51
Table 29: Public Sector Investment 2017-2021, SR'000s .....	55
Table 30: Financing allocation for 2019-2022, SR'm .....	60
Table 31: External debt by instrument type .....	64
Table 32: External Debt Forecast by Year 2018-2021 (SR'm) .....	64
Table 33: Domestic debt by instrument type.....	64



## List of Figures

---

Figure 1: Real GDP Growth Projections 2019-2024 for Different Types of Economies .....	3
Figure 2: Nominal GDP and Real GDP Growth for Actuals and Forecasts .....	3
Figure 3: Visitor Arrivals by markets .....	6
Figure 4: Yearly Comparison in Visitor Arrivals from Europe .....	7
Figure 5: Quarterly Tourism Earnings (Euros) and Visitor arrivals .....	8
Figure 6: Lending and Savings Rates (%) .....	14
Figure 7: Select Deposit Rates .....	14
Figure 8: Treasury Bill Rates versus MPR (%) .....	15
Figure 9: Evolution of MPR YTD .....	15
Figure 10: Total Debt Stock as a percentage of GDP, 2011-2022 .....	18
Figure 11: 2020 Budget envelope contributions .....	19
Figure 12: Motor vehicle imports 2015 to 2019.....	27
Figure 13: Cumulative stock of motor vehicle .....	27
Figure 14: Share of total motor vehicle imports .....	27
Figure 15: Share of total tax raised from motor vehicle .....	28
Figure 16: Share of CIF.....	29
Figure 17: Petroleum Consumption 2016-2019 .....	30
Figure 18: 2020 Budget Allocation .....	44
Figure 19: 2018-2022 Wage Budget Allocation .....	46
Figure 20: Evolution of Portfolio shares actual and budgeted wages & salaries (2018-2022)(SR'000s) .....	47
Figure 21: Evolution of Portfolio shares Actual and Budgeted Goods and Services (2018-2022) (SR '000).....	49
Figure 22: Public Sector Investment financing for 2020 to 2022 .....	56
Figure 23: Domestic Financing allocations .....	57
Figure 24: Foreign Loan per Portfolio .....	58
Figure 25: Grant Financing per Portfolio .....	59
Figure 26: External debt by Creditor category .....	63

## Acronyms and Abbreviations

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BT	Business Tax
CBS	Central Bank Seychelles
CIF	Cost, Insurance and Freight
CSR	Corporate Social Responsibility Tax
EIB	European Investment Bank
EOY	End of Year
ET	Excise Tax
FPCD	Financial Planning and Control Division
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GST	Goods and Services Tax
IMF	International Monetary Fund
ICT	Information Communications Technology
LMG	Locally Manufactured Goods
LPG	Liquid Petroleum Gas
LPO	Local Purchase Order
PIM	Public Investment Management
PIT	Personal Income Tax
PEMC	Public Enterprise Monitoring Commission
PFM	Public Finance Management
PPBB	Performance Program Based Budgeting
PSIP	Public Sector Investment Program
SADC	Southern African Development Community
SSF	Social Security Fund
SRC	Seychelles Revenue Commission
NBS	National Bureau of Statistics
NTB	National Tender Board
NDEA	National Drug Enforcement Agency
MFAD	Macroeconomic Forecasting & Analysis Division
MFTEP	Ministry of Finance Trade and the Economic Planning
ODC	Other Depository Corporations
OT	Other Tax
SEAS	Seychelles East-Africa Submarine cable
SIDS	Small Island Development States
TT	Trade Tax
TMT	Tourism Marketing Tax
VAT	Value Added Tax
WEO	World Economic Outlook

## About the Document

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This document sets out the economic and fiscal context for the 2020 Budget. It presents an overview of Seychelles economy, provides revenue and expenditure estimates for 2020 and the medium term. It briefly covers key measures and strategies influencing the Budget and gives a brief overview of the main economic reforms being undertaken by Government.

The budgeted revenue and expenditure numbers have been prepared in consideration of the outlook for the real, monetary and external sector using the best information available at the time of publication. The estimates are based on a range of economic and other parameters.

## Economic Outlook

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### Overview

As per the October 2019 World Economic Outlook, **the global economy is in synchronized slowdown**. GDP figures so far this year, together with generally softening inflation, point to weaker-than-anticipated global activity. Global growth is forecasted at 3 percent in 2019, and is expected to pick up to 3.4 per cent in 2020.

#### *2019 Context*

In the context of Seychelles, **Real GDP growth for 2019 has been revised upwards to 3.9 per cent** compared to the initial estimate of 3.5 per cent at the time of Budget preparation. This upward revision follows stronger performance over the first half of 2019 than initially anticipated. The main driver behind this more favorable outlook is the ‘Manufacturing of beverages and tobacco’ sector. By the end of the second quarter of 2019, the production of ‘stout and beer’, stood at 21 and 12 per cent respectively. Increase in tourism activities, the main economic pillar for Seychelles, is also contributing towards the upward revision with visitor arrivals growth at 5.4 per cent year on year by the end of September 2019. The ‘tourism’ sector is anticipated to grow by 5 per cent in 2019, compared to the initial 4 per cent forecast. Continuous increases in data usage and demand for internet services is driving growth in the ‘Information and telecommunication’ sector with the overall forecast at 7 per cent. Finally, the ‘construction’ sector is resurgent in 2019 given several Government housing projects, the expansion of La Gogue Dam, the renovation of Ste. Anne Resort, as well as other ongoing projects spilling over from 2018. This has led to an increase in manufacturing of ‘concrete and rock products’, and thus, a positive outlook for this sector also. Such increases in economic activities is naturally necessitating increased demand for ‘electricity and water supply’ as evident by year to date growth of 8 per cent on average. Continuous credit growth is supporting activities in the ‘financial and insurance’ sector. By the end of August, credits by banks to private sector stood at 12.4 per cent.

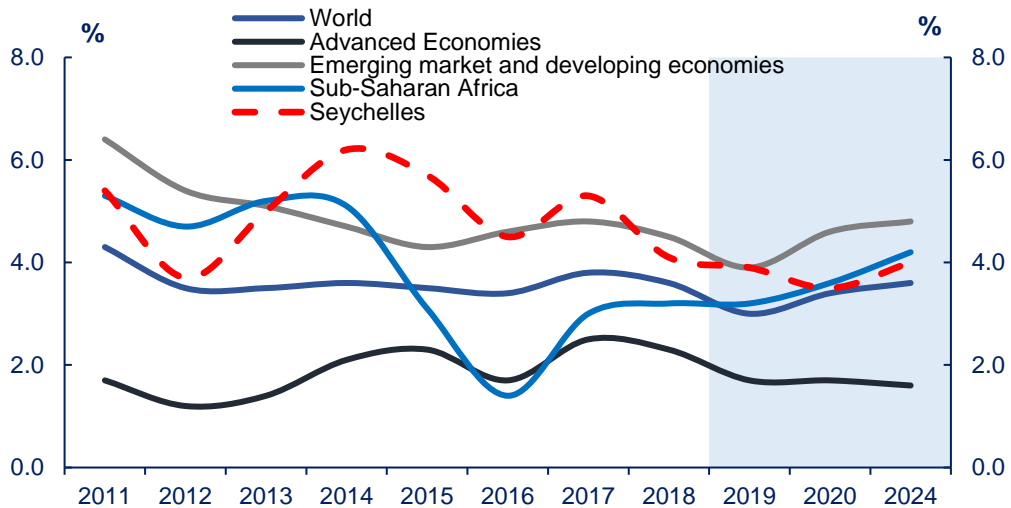
#### *2020 Projection and the Medium Term*

**For 2020, growth remains positive at 3.5 per cent**, driven mainly by continuous activities in the Tourism sector. Tourism, the main contributor to overall GDP, will help sustain growth with an estimated growth of 5 per cent as a whole. Arrivals is anticipated to be strong following the announcement of Air France to recommence its flights to Seychelles, and the increased flight frequency by Qatar Airways to 14 flights per week as of March 2020. Furthermore, Air Seychelles will start flying to Tel Aviv, and this may help boost arrivals further if this route remains profitable. Growth will also be sustained by the ‘information and telecommunication’ sector with anticipated growth of 5 per cent. This sector has been resilient over the past 5 years and outlook is anticipated to remain strong in the medium term with the installation of a second underground cable. Activities in the ‘construction’ sector will continue into 2020. As has been observed in the past, the upcoming election will positively impact the ‘wholesale and retail’ sector, with growth anticipated at 4 per cent thus help drive overall growth.

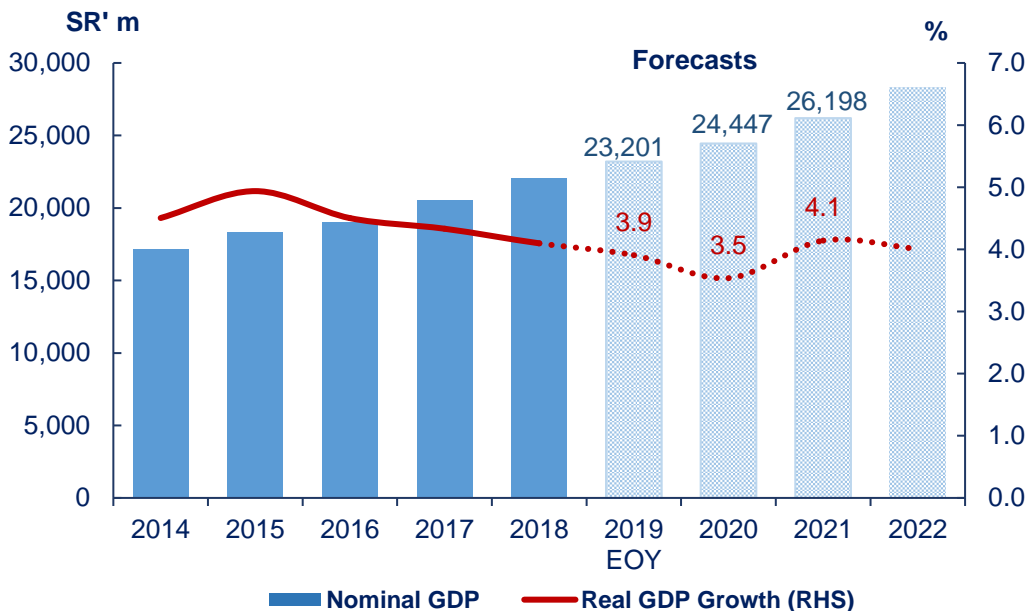
With a lower than initially forecasted inflation estimate, from 2.2 to 2.0 per cent (12 month average), and with more favourable exchange rate against the Euro and the US Dollar than initially anticipated, the Nominal GDP growth assumption has been revised downwards by 0.3 percentage point compared to the March 2019 revision. This has slightly lowered Nominal GDP forecast to reach SR 24.4bn.

In the medium term, growth is forecasted at an average of 4 per cent. The main drivers of growth remains tourism, information and communication as well as the financial and insurance sector.

**Figure 1: Real GDP Growth Projections 2019-2024 for Different Types of Economies**



**Figure 2: Nominal GDP and Real GDP Growth for Actuals and Forecasts**



Source: Macroeconomic Fiscal Working Group and MFAB Estimates

## Real Sector

### Tourism

By the end of the third quarter of 2019, a total of 274,823 had disembarked in Seychelles. This represents a 5.4 per cent increase compared to the same period last year. This growth is being primarily supported by the main market, European market, which has seen a 10.8 per cent increase in arrivals so far in 2019. With the exception of France, all the European market is showing growth, with strong growth from the leading market- Germany. Germany alone contributes to 18 per cent of total arrivals and by the end of Q3 the market grew by a significant 25.8 per cent compared to the same period last year. The market is anticipated to remain strong even if Thomas Cook, the parent company of Condor that offers direct flights from Germany, declared bankruptcy late September 2019. The company reported that their twice-weekly flights to Seychelles would not be disrupted. This will help sustain the current growth from the German market. The table below shows yearly comparison in visitor arrivals as at Q3. A more detailed analysis on Tourism is provided in Box 1.

**Table 1: Yearly Comparison in Visitor Arrivals by market as at Q3 2019**

ORIGIN	Q3 2018	Q3 2019	%
<b>Europe</b>	<b>169,704</b>	<b>187,962</b>	<b>10.8</b>
France	32,018	30,964	-3.3
Germany	39,351	49,516	25.8
Italy	19,263	21,649	12.4
Russia	8,390	8,549	1.9
Other Europe	70,682	77,284	9.3
<b>Asia</b>	<b>54,844</b>	<b>50,415</b>	<b>-8.1</b>
UAE	19,756	19,393	-1.8
China	7,703	4,832	-37.3
Other Asia	27,385	26,190	-4.4
<b>Africa</b>	<b>24,428</b>	<b>24,025</b>	<b>-1.6</b>
<b>America</b>	<b>10,378</b>	<b>10,998</b>	<b>6.0</b>
<b>Oceania</b>	<b>1,507</b>	<b>1,423</b>	<b>-5.6</b>
<b>Total:</b>	<b>260,861</b>	<b>274,823</b>	<b>5.4</b>

Source: National Bureau of Statistics

### Manufacturing

In this sector, the manufacturing of beverages increased on a weighted average by 8.4 per cent after the first half of 2019 compared to 2018. Beer and stout grew by 12 and 21 per cent respectively. Carbonated soft drinks also experienced growth of 2 per cent in the first half of 2019. However, the Production of Spirits dropped by 10 per cent compared to 2018. The brewery maintains a positive outlook for the rest of 2019 and 2020 because of continued investment in their supply chain and primarily focusing on improving product quality. The company also made significant investment in staff, which also contributed to the company's good

performance. The other factors contributing to the company's performance is innovation and investment in brands. In terms of innovation, three main products were identified as successful launches. These include the 'Slow turtle', 'Seypearl Pineapple' and the relaunching of the 'Ginger ale'. Finally, the company intends to start exporting in the near future, however challenges remain concerning production facility and cost of imports which directly affects their competitiveness on the international markets.

The manufacture of tobacco also experienced a drop of 4 per cent after the first half on 2019 compared to 2018. However, production expects to pick up the second half of 2019 as well as continued growth in 2020.

The manufacture of food such as canned tuna dropped by 7.4 per cent at the end of the first half of 2019. This is mainly due to slower production in 2019 when compared to a higher base production in 2018. As a result, the second half of 2019 remains uncertain hence GDP sectoral projections remain relatively flat for 2019.

Manufacture of construction products has shown a positive weighted average growth of 6 per cent given continued activities in the 'construction sector'. Production of blocks grew by 16 per cent after the first half of 2019. Plastering dust and crusher dust grew by 2 and 12 per cent respectively after the first half of 2019. For 2020, this sector expects to maintain positive growth given ongoing projects spilling over into 2020.

## Construction

The construction sector remained positive in 2019. This came after SIB reinforced its policy on the timeframe that constructions should start for FDI projects. Furthermore, several government projects such as 'housing' are still ongoing. Indicators supporting this assumption is the increase in the production of blocks by 15.7 per cent in the first six months compared to the same period last year. However, the industry is still facing issues in relation to increased prices of local raw materials. The rising cost of fuel price is also a point of concern for this sector. For the upcoming year, growth in the construction industry is expected to remain positive, with major projects scheduled for 2020.

## Information and Communication

The Information and Communication sector remains strong in 2019 with the level of data usage showing a double-digit growth of 19 per cent for the first half of the year compared to the same period last year. The continuous increase in the internet data usage remains one of the main component contributing to the strong performance of this sector. In addition, the growth of this sector is also fuelled by the continuous efforts of Companies constantly finding new and improved products to satisfy the customer demand. Various efforts have been undertaken by companies to diversify their products so as to be more competitive whilst striving to offer their services at a more competitive rate. With the installation of the new fibre optic cable, service providers are expected to provide faster internet, hence higher demand which will further boost the growth in this sector.

**Box 1: Tourism**

**Seychelles Tourism Performance**

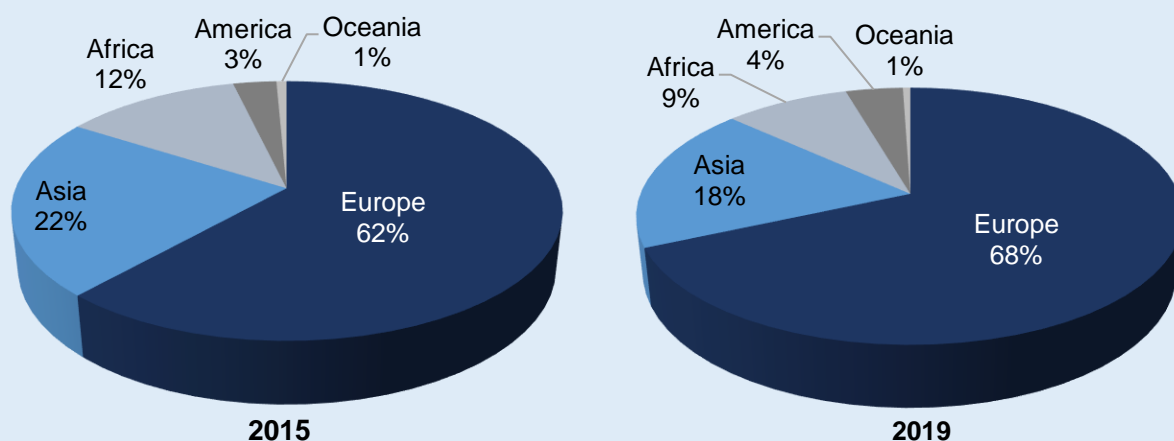
Tourism remains the largest contributor to the economy, contributing an average of 30 per cent of GDP. The immediate measure of real tourism activity is through visitor arrivals. Over the past 5 years the tourism sector has grown significantly, with an average growth of 11 per cent.

After experiencing moderate growth in 2018, this year the industry managed to pick up slightly, recording a 5 per cent year on year growth by the end of the third. This is also reflective in bed nights occupied, which by the end of August 2019 had increased by 3.5 per cent compared over 2018. Despite such growth, there has been a 4 per cent decrease in the average length of stay per visitor. This can be explained by the increase in flights frequency and airlines operators in the recent years.

**Markets**

Figure 2 below shows arrivals by markets for the current year and 2015, up to Q3. As it can be seen, over the period there has been a decline of 4 per cent and 3 per cent in the proportion of visitors arriving from the Asian and African markets respectively. However, arrivals from the European market have increase, thus supporting overall growth.

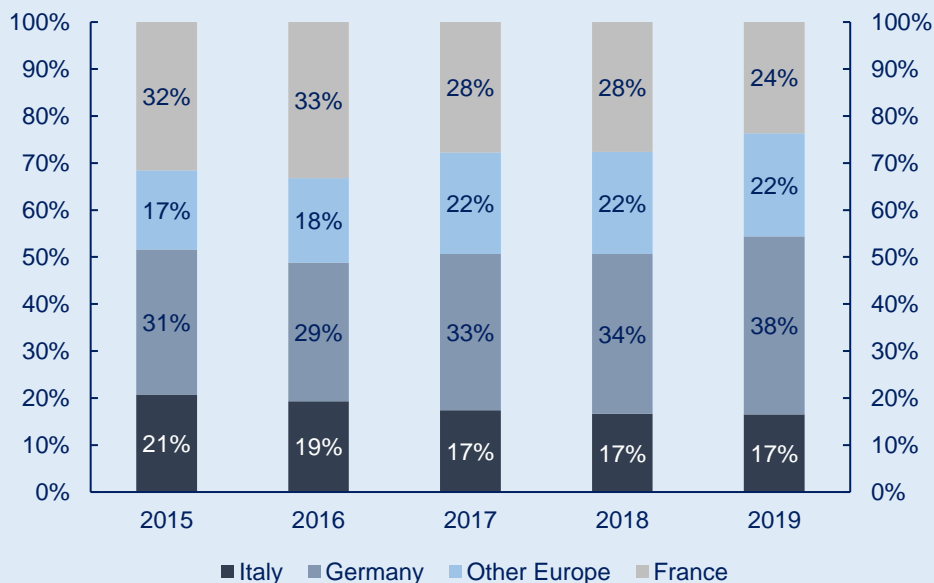
**Figure 3: Visitor Arrivals by markets**



Source: National Bureau of Statistics

Europe remains generally a promising market for the tourism sector, with Germany as the leading country of origin, followed by France. This is contrary to 2015, whereby the greatest proportion of European visitors were from France. This change may be attributed to increased accessibility through direct flights being offered by Condor airline from Germany, while Air Seychelles cancelled its direct flights from Paris to Seychelles. Condor operates twice-weekly flights to Seychelles. The graph below shows the changes in market shares of visitors from Europe over the past five years.



**Figure 4: Yearly Comparison in Visitor Arrivals from Europe**


Source: National Bureau of Statistics

### Earnings

Visitor arrivals serves as an immediate indicator of tourism activities. However tourism direct earnings (from the CBS survey) and tax revenue collection from the tourism sector is equally important in assessing tourism performance. The table below shows the third quarter comparison in tourism earnings as well as VAT revenue from tourism sector. In Euro terms, tourism earnings increased by 10.2 per cent as at Q3. The appreciation of the Seychelles Rupee against the Euro in 2019 has resulted into a lower growth rate of the earnings in local currency terms – by about 4.9 per cent. In terms of VAT receipts, a total of SR 655m was collected up to Q3. This represents a 2.1 per cent increase compared to the same period last year.

**Table 2: Summary of Tourism Earnings and VAT Receipts**

DESCRIPTION	2018 Q3	2019 Q3*	% Diff
Tourism Arrivals (No.)	260,863	274,823	5.4%
Tourism Earnings (EUR' m)	341	376	10.2%
<i>Average SR/EUR rate</i>	16.62	15.81	-4.9%
Tourism Earnings (SR' m)	5,664	5,941	4.9%
VAT Tourism Receipt (SR' m)	641	655	2.1%

\*Note: Q3 2019 figures are still provisional

Source: Central Bank of Seychelles and Seychelles Revenue Commission

The graph below shows the quarterly tourism earnings (in millions of Euros) and visitor arrivals over the past five years. It can be observed that in recent years, arrivals and earnings are correlated. Earnings also tend to be more volatile compared to arrivals. The latter is greatly influenced by the type of visitors and their spending patterns.

**Figure 5: Quarterly Tourism Earnings (Euros) and Visitor arrivals**



Source: Central Bank of Seychelles and National Bureau of Statistics

So far, all indicators are showing resilient growth in the tourism sector for 2019. In the medium term Tourism activities is expected to continue and support overall growth in the Seychelles economy.

## Monetary Sector

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The primary mandate of the Central Bank of Seychelles (CBS) is to promote domestic price stability. As of January 2019, the monetary policy framework transitioned from reserve money targeting to an interest rate-based framework. Thus, the focus of monetary policy shifted from indirectly influencing the intermediate target of money supply growth to guiding short term interest rates through the introduction of a Monetary Policy Rate (MPR). The latter accompanies the pre-existing interest rate corridor, whereby the Standing Deposit Facility (SDF) and Standing Credit Facility (SCF), serve as the floor and ceiling, respectively. The MPR is the midpoint of the corridor and is the key policy rate used to signal monetary policy stance.

The tight monetary policy stance adopted as of April 2018 was further tightened for the first quarter of 2019. This was on account of short-term inflationary impulses anticipated from tax and salary revisions announced in the budget for 2019. In the medium term, sustained growth in private sector credit as well as direct and indirect spill-over effects associated with large capital projects were anticipated to add further inflationary pressures. These factors were expected to outweigh the dampening effect on inflation expectations originating from the external front, namely projected decline in oil and commodity prices. In line with the transition in the monetary policy framework, the inaugural MPR was set at 5.5 per cent. Consistent with the monetary policy stance, the SDF rate was increased from 2.0 per cent to 2.5 per cent whilst the SCF rate rose from 8.0 per cent to 8.5 per cent. The MPR was maintained until the end of the third quarter of 2019 and as such, the rates on the SDF and SCF remained unchanged over the same period.

Subsequently, an increase in key interest rates was observed. As at August 2019 and relative to December 2018, the average lending and savings rate increased by 8.9 basis points and 26 basis points, correspondingly. Credit allocated to the private sector grew by 15 per cent on year-to-date terms, primarily due to loans disbursed to the tourism category.

In line with subdued projected inflationary pressures, monetary policy stance was loosened in the fourth quarter of 2019. Moderate inflationary pressures were expected from the external front due to weak growth in global commodity prices relative to 2018 and a generally stable Seychelles rupee vis-à-vis the US dollar. Although some uncertainties surrounding fiscal measures remained, inflationary pressures were not expected to reach levels that would threaten the primary mandate of promoting domestic price stability. As such, the MPR was lowered from 5.5 per cent to 5.0 per cent. Consequently, the interest rate on the SDF and SCF was revised downwards to 2.0 per cent and 8.0 per cent, respectively.

## Inflation

As per the Consumer Price Index (CPI), compiled and published by the National Bureau of Statistics (NBS), the end-of-period inflation rate for 2018 stood at 3.4 per cent which showed a moderation in inflation during the year, a general trend that has been recorded thus far in 2019. Relative to 2018, the lower-than-anticipated increase in average prices was attributed to stability in the value of the Seychelles rupee against the US dollar, lower energy prices and higher competition among retailers. As such, as at September 2019, year-on-year and annualised inflation stood at 1.4 per cent and 2.3 per cent, correspondingly.

In the upcoming year, modest inflationary pressures are expected in line with subdued global commodity prices and sustained export growth, despite robust domestic demand. With regards to the domestic currency, the Seychelles rupee is expected to remain generally stable against its main counterparts whilst adjusting to market conditions. In this regard, the Bank remains committed to its mandate and stands ready to adjust its monetary policy stance, as deemed necessary.

## Credit

For the month of August 2019, the total stock of outstanding domestic credit grew by 5.6 per cent in year-on-year terms. This was primarily attributed to an increase of 22 per cent (SR 1,409m) and 17 per cent (SR 98m) in credit disbursed to the private and parastatal sectors, correspondingly. Conversely, credit allocated to the government sector declined by 23 per cent (SR 903m).

Analysis of the distribution of private sector credit indicated that the categories of 'fishing', 'community, social & personal' and 'tourism' grew by 67 per cent (SR 38m), 53 per cent (SR 31m) and 49 per cent (SR 477m), respectively. In contrast, loans to the categories of 'health' and 'manufacturing' fell by 96 per cent (SR 150m) and 20 per cent (SR 42m), correspondingly.

## External Sector

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### Balance of Payments

The country's external position is expected to slightly worsen in 2019 relative to 2018. Initial projections indicate that the current account deficit is forecasted at 17.2 per cent of GDP in 2019 compared to 16.7 per cent of GDP in 2018. This is primarily on account of lower projected exports of goods.

### Current Account

The trade balance deficit is projected to widen from USD 615m in 2018 to USD 619 million in 2019, mainly due to a decrease of USD 9.0m in exports of goods in 2019 relative to the previous year. This is marginally offset by a decline of USD 5.4m for total imports of goods.

The projected decrease in exports for the year is mainly due to a fall in the value of tuna exports by 12 per cent. This was as a result of a logistical restructuring at IOT -which led to the temporary closure of the factory in July 2019 - as well as lower production targets set for the year. In terms of imports, the lower price of oil in international markets has led to a reduction of USD 30m in the projected cost of oil imports for the year.

With regards to services, the tourism sector is expected to maintain a positive performance in 2019. Figures to date shows a 5.0 per cent increase in visitor arrivals to Seychelles. The projected increase in the number of tourists for the year is 7.0 per cent above the 2018 level. Growth for the remainder of the year is expected to be supported by the introduction of scheduled chartered flights to Tel Aviv, the reintroduction of Air France and the increase in flight frequency to Seychelles by Qatar Airways. Consistent with historical trends, Europe remained the primary contributor of visitors. With regards to yield from the sector, growth is estimated at 6.4 per cent relative to 2018, from USD 559m in the previous year to USD 595m.

Gross international reserves is projected to stand at USD 530m at the year's end, compared to USD 549m at the end of 2018. In terms of reserves adequacy, the level implies a decrease to 3.5 months of imports of goods and services from 3.8 months in 2018. The forecasted fall in external reserves is mainly on account of an increased level of public debt repayments made during the year and limited periods for opportunistic buying by the Bank. Reserves are necessary to meet the country's debt obligations, as well as for precautionary purposes in the unlikely event of an adverse economic shock. Nonetheless, the level for the year remains within an acceptable range of import cover as well as with other reserves metrics.

## Exchange Rates

Movements in the rupee exchange rate is partly influenced by developments in the international currency markets. In 2019, this has been especially the case for the Euro and the Pound Sterling which weakened in value against major counterparts. The prolonged accommodative monetary policy stance of the European Central Bank (ECB) has been the main factor behind the weakening of the Euro. In addition, the recent announcement by the ECB in September, to cut interest rates further below zero and revive the Quantitative Easing programme (QE) may lead to further depreciation of the currency. On its part, political and economic uncertainties surrounding Brexit negotiations in the United Kingdom have weighed on the Pound Sterling which has weakened this year relative to 2018. The United Kingdom (UK) is scheduled to exit the European Union on October 31, 2019 and more volatility is expected for the remainder of the year. As compared to the aforementioned currencies, the US dollar remains relatively stable against its major counterparts, despite the Federal Reserve's decision to lower interest rates for the second time this year.

On the domestic front, the Seychelles rupee has remained generally stable against the US dollar on the back of higher supply relative to 2018 which exceeded demand for the said currency. As at October 17, the SR/USD stood at 14.03 which was a weakening of 14 cents relative to the same period in 2018. By contrast the local currency strengthened by 81 cents against the Euro and by 87 cents vis-à-vis the GBP, respectively.

While demand for foreign exchange is expected to remain strong, this may be offset by increased inflow of foreign exchange in the economy. As a result, the rupee is anticipated to remain generally stable against the US dollar for the remainder of the year and into 2020. As for the EUR and GBP, developments in international markets indicate a greater level of volatility in the currencies. Furthermore, any movements in the EURUSD cross rate in international markets will affect the value of the domestic currency and thus, import-export as well as price dynamics. A general weakening of the EUR would likely result in lower export earnings in SR terms and in turn imply a possible weakening of the SR against the US dollar, the primary currency of import payments. In effect, increased exchange rate volatility externally, increases the probability of a terms of trade shock locally.

**Box 2: The Monetary Policy Rate, Recent Developments and Challenges****Overview**

Effective January 2019, the Bank transitioned from indirectly managing money supply growth through the use of Reserve Money to the new policy variable, the Monetary Policy Rate (MPR). In doing so, rather than target a pre-determined level of liquidity to be held by commercial banks, the Bank aims to influence the cost of short-term funding rates via changes to the MPR. This in turn impacts medium to long run lending and deposit interest rates of banks, albeit with a lag and at a level consistent with the price level deemed stable for the Seychelles economy.

The MPR is formulated based on analyses and projections of inflation and other key macroeconomic variables, determined by the Bank's macroeconomic modelling and forecasting framework which is consistent with economic theory and incorporates qualitative input from technical staff. It is directly linked to the Bank's interest rate corridor, with the Standing Deposit Facility and the Standing Credit Facility serving as the floor and ceiling respectively. The interbank lending rate – the average rate at which banks lend funds to one another – is expected to fluctuate between the floor and ceiling, with adjustments influenced by any shifts in the MPR and therefore impacting the cost of interbank funds in the market.

Communications and credibility are two critical factors in improving the effectiveness of monetary policy transmission in any economy. The choice of the MPR as the key policy variable therefore simplifies the Bank's communications on monetary policy and allows for improved dialogue with all relevant stakeholders. This is mainly achieved through quarterly press communiqués and press conferences subsequent to the Board's decision on monetary policy, which is normally scheduled at the end of every quarter. The press communiqués provide a summary of critical areas reviewed by the Board in taking its decision whilst the press conference provides an avenue for a direct line of questioning from the media relating to Monetary Policy.

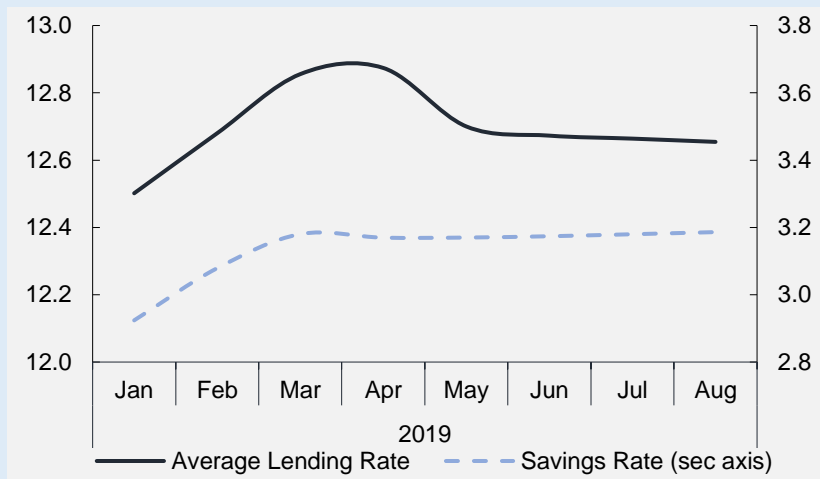
The ultimate responsibility for formulating and implementing monetary policy rests with the CBS Board. To ensure the effective segregation of responsibilities and to place due emphasis on monetary policy decisions taken at Board level, the Board decided to replace the Monetary Operations Committee (MOC) by the Monetary Policy Technical Committee (MPTC). Nonetheless, the main responsibility of the Committee remains to consider, advise and decide on issues primarily relating to the formulation and implementation of monetary policy within the general guidelines determined by the Bank's Board.

**Recent Developments**

At the Monetary Policy meeting held on December 24, 2018, the Board tightened the monetary policy stance and set the inaugural MPR at 5.5 per cent. In doing so, the expectation was to see a more dynamic interbank rate and a general rise in interest rates, albeit with a lag in the latter.

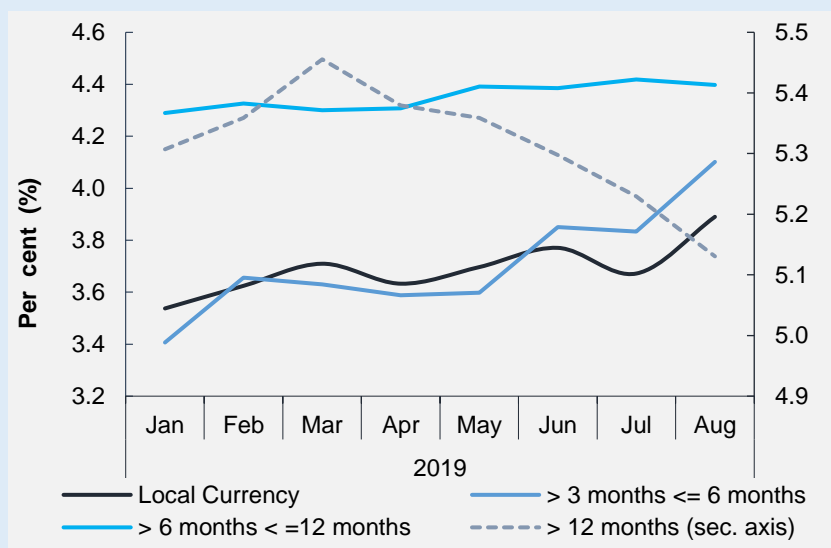
Interest rates for the year to date suggest a modicum of evidence of the MPR effect, with both average lending and deposit rates increasing in the first quarter of 2019, albeit with the movements differing across maturities

**Figure 6: Lending and Savings Rates (%)**



Source: Central Bank of Seychelles

**Figure 7: Select Deposit Rates**



Source: Central Bank of Seychelles

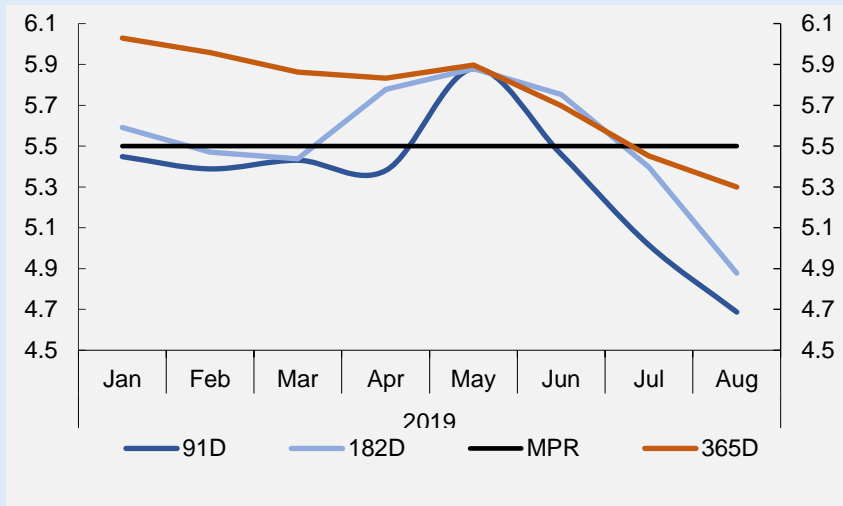
**Challenges**

The nascent period under the MPR provides conflicting results of its effects, thereby providing further evidence of rigidities within the financial system, including the pricing of uncertainty, lack of competition in the sector and inelastic pricing when it comes to demand for credit and savings amongst others. However, no definitive conclusions can be drawn of its effectiveness given the short timeframe of its implementation.

Nevertheless, in the long run the MPR is expected to improve the transmission mechanism of monetary policy relative to the previous framework as it not only incorporates enhanced modeling capacity and technical judgement, but also strengthens the communications channel. As such, the Bank will be better positioned to influence economic expectations and therefore, future investment and savings decisions of businesses and households.



**Figure 8: Treasury Bill Rates versus MPR (%)**



As previously highlighted, substantial impediments within the financial sector, domestic uncertainty and structural challenges remain.

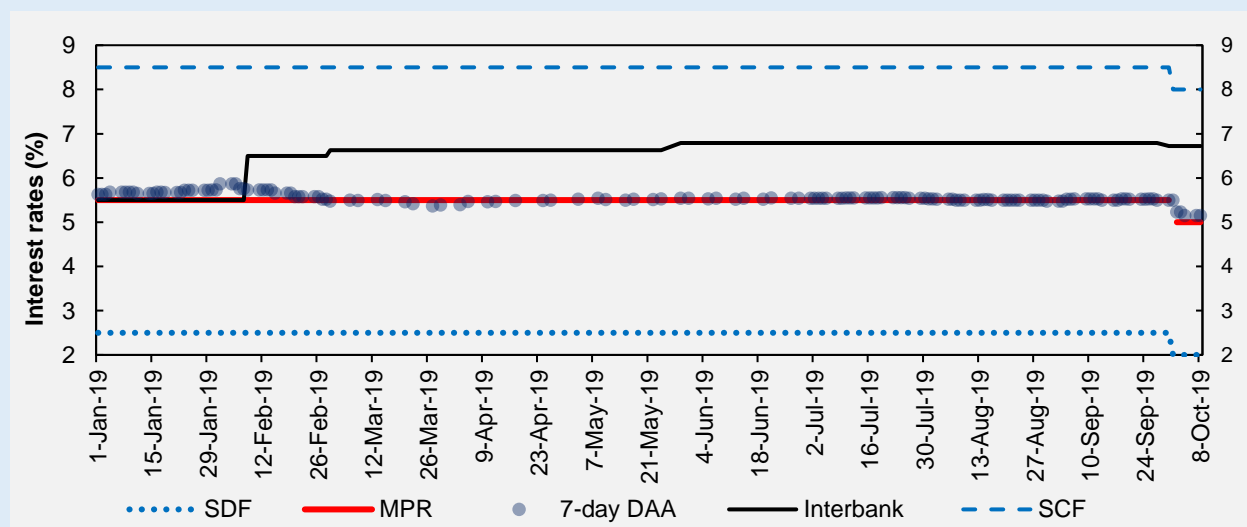
Source: Central Bank of Seychelles

In the short to medium run, the uneven distribution of the liquidity overhang creates operational and policy challenges whilst the implications of a recently distorted yield curve -whereby yields on short term government securities are lower than that of the MPR and the 7-day Deposit Auction Arrangement rate - remain uncertain but cannot be seen as conducive to further market development.

In the medium to long run, a gradual decline in local government securities and lack of other investment options will impede the financial sector's ability in pricing products over time and potentially leading to increasing asset-liability mismatches of banks. Given the specificities of the system, this is likely to act as a further disincentive in developing a much-needed savings culture.

Moreover, the price inelastic behaviour of a large segment of credit seekers, more specifically those funding consumption loans, may limit the Bank's ability in steering economic demand whilst simultaneously increasing debt burden on households, default risks and exacerbate price pressures via the import channel.

**Figure 9: Evolution of MPR YTD**



Source: Central Bank of Seychelles

## Public Finance Management Reforms

The Table below shows the reform targets under the current IMF Policy Coordination Instrument (PCI) as of July 2019.

**Table 3: Seychelles Reform Target under the PCI 2019-2020**

ACTIONS	TIMING	OBJECTIVE/STATUS
<b>Fiscal and Public Financial Management Policy</b> Submit a report on cost-benefit analyses of public investment projects with a cost above 10 million rupees to the cabinet	End June 2018	Not met. It was implemented with delay in March 2019.
<b>State-Owned Enterprise (SOEs)</b> Submit the new Code of Governance for the SOEs based on OECD Guidelines to the Cabinet for enactment.	End September 2018	Not met. It was implemented with delay in February 2019.
Submit the amendments on Public Enterprise Monitoring Committee (PEMC) Act to the Cabinet to strengthen enforcement power of PEMC.	End September 2019	Reinforce the monitoring and oversight of SOEs.
Submit operational and governance assessments of Air Seychelles to the Cabinet.	End December 2019	Reduce the potential fiscal risks arising from Air Seychelles.
<b>Financial Sector Stability</b> Review the AML/CFT legal and institutional framework and submit the amended framework to the Cabinet in line with the FATF standard, particularly regarding entity transparency and AML/CFT institutions.	End June 2018	Not met. It was partially implemented in December 2018.
Implement a risk-based approach to the supervision of banks and trusts and company service providers, consistent with the FATF standard.	End March 2019	Not met. This reform target is being revised and reset (see below).
Submit to the Cabinet amendments to legal framework that allows to implement a risk-based approach to the supervision of banks and trusts and company service providers, consistent with the FATF standard.	End March 2020	Reduce AML risks in financial and off-shore sectors.
Submit draft legislation to Cabinet to solidify the legal framework for crisis management, bank resolution, and safety nets.	End March 2020, reset from end-June 2019	Buttress financial sector stability.
Complete a full transition to Basel II and adopt the Basel III capital definition.	End December 2019	Buttress financial sector stability.
Submit a draft Financial Stability Act to the Cabinet to assign macro prudential power to relevant institutions.	End September 2020, reset from end May 2019	Not met

Source: IMF PCI 2019 Document

## Budget Outlook

2019 has proven to be a challenging year where increasing budgetary expenditure pressures, amidst a backdrop of stagnant revenue growth, has meant a re-prioritisation of resources. This was highlighted by the recruitment freeze and cuts on recurrent spending across the majority of ministries, departments and agencies. The Government of Seychelles remains fully committed towards the reduction of public debt to 50 per cent of GDP by 2021, which requires a primary surplus of 2.5 per cent of GDP to be maintained. As such, these measures were deemed necessary to remain on the path towards greater sustainability of public finances.

Going forward towards 2021, the surplus target is set at 2.5 per cent of GDP. This represents the required level of effort needed to honour debt obligations, lower the debt stock and ensure sustainability over the medium term. The other key priorities for the Government will be to:

- Consolidate social programmes;
- Invest in infrastructure to support economic growth;
- Invest in programs and projects that will improve the lives of all citizens; and,
- Contain the increasing social expenditure pressures on welfare.

In 2020, the primary surplus target remains at 2.5 per cent of GDP, which equates to about SR 611m in level terms (Table 4 below). This will be supported and constrained by sizeable increases in total revenue and primary expenditure at an average of 11.7 per cent respectively. It must be noted that this growth is almost triple that of 2019 with respect to 2018. While tax receipts as the main earner accounting for 78 per cent of total revenue, a surge in Grants, an almost fivefold increase, is what is causing this step up in total receipts in 2020. On the expenditure side, the spill over of recruitment and additional schemes will result in a public wage bill high of SR 3bn – compared to an average of SR 2.6bn over the past three years and a tripling of the 2012 amount. A higher outlay under capital expenditure is also pushing the overall spending levels upwards. Other drivers behind the estimated increases in these fiscal balances will be looked at in more depth in the ensuing sections.

**Table 4: Government Revenue and Expenditure Projections, SR'000s**

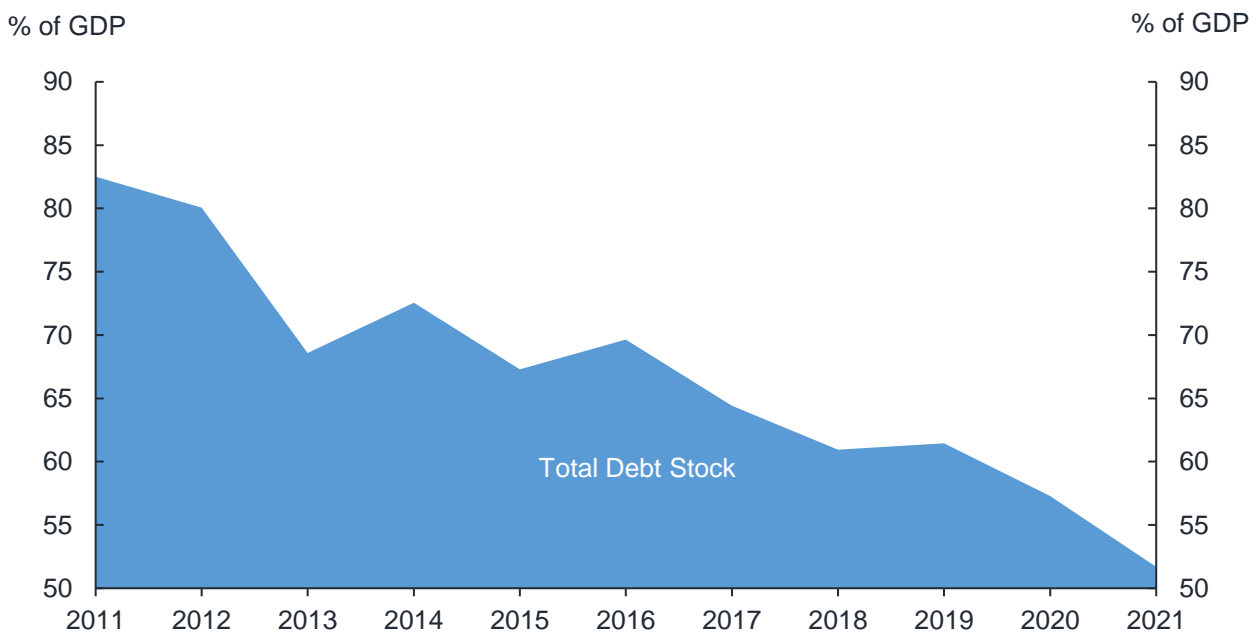
DESCRIPTION	2018 Actual	2019 EOY	2020 Budget	2021	2022
Revenue & Grants	8,488,041	8,840,255	9,853,706	10,263,430	10,375,653
Primary Expenditure	7,926,519	8,256,371	9,242,491	9,608,850	9,667,923
<b>Primary Balance:</b>	<b>561,521</b>	<b>583,884</b>	<b>611,214</b>	<b>654,580</b>	<b>707,729</b>
<b>% of GDP:</b>	<b>2.6</b>	<b>2.5</b>	<b>2.5</b>	<b>2.5</b>	<b>2.5</b>

Source: MoFTIEP, MFAB, FPCD

Total public debt to GDP, the main fiscal anchor over the medium term, will continue its gradual reduction over 2020 to reach the 50 per cent target by the end of 2021. Public debt refers to all Government debt – external and domestic (of which includes debt issues by the Central Bank for monetary purposes), as well as all Government-guaranteed debt. With increasing demands for additional borrowing on major capital projects, continued fiscal discipline in maintaining the yearly debt ceiling remains paramount in ensuring debt levels remain manageable and on the downward path. By the end of 2019, a total of SR 679m in external debt service payments (inclusive of interest) will have been made and the stock will stand at 62 per cent of GDP. External Debt repayments will amount to SR 740m in 2020, with a year-end total stock estimated at 58 per cent of GDP. Figure 10 below depicts the path of debt reduction from 2011 to 2021.

Government remains committed to reach the 50 per cent debt target by 2021. However, as per the initial assessment this will be slightly off target by 1.7 per cent of GDP by 2021. This is mainly because of a new Air Seychelles debt guarantee which was not in our initial estimate. Government will provide a guarantee to enable the issuance of a bank guarantee of the USD 30 million worth of Preference shares in favor of Etihad shareholder based on the current liabilities that Air Seychelles owe Etihad during the past years. This will increase the debt-GDP ratio by 1.8 per cent. Therefore, during the year 2020 and 2021 any additional revenue collected over the original will be used to retire debt to ensure that Government reach the target of 50 per cent by 2021.

**Figure 10: Total Debt Stock as a percentage of GDP, 2011-2022**



Source: MoFTIEP, Public Debt section

## Revenue & Grants

The Budget envelope for 2019 is estimated at SR 8.8bn, equivalent to 38.1 per cent of GDP (Table 5 below). This consists of total tax and non-tax revenue, as well as grant receipts. In comparison to the initial Budget for 2019, this translates to a downward revision of about SR 109m or 1.2 per cent. Significant reductions have been made under the Grants line by SR 64m, and under Non-tax by about SR 50m, reflecting under execution of certain linked projects, as well as delays in proposed increases under ‘Fees and charges’. Tax revenue, on the other hand, has been raised slightly by SR 6m, mostly due to good year to date performances in certain lines. It must be noted that Property tax will now be implemented in 2020 given certain setbacks.

**Table 5: Breakdown of Medium Term Revenue Projections, SR'000s**

REVENUE & GRANTS	2018 Actual	2019 EOY	2020 Budget	2021	2022
Tax Revenue	7,290,933	7,496,780	7,729,429	8,101,419	8,557,160
Non-Tax Revenue	915,934	1,198,469	1,476,792	1,370,430	1,373,939
Grants	281,174	145,006	647,484	791,582	444,553
<b>Total Revenue &amp; Grants:</b>	<b>8,488,041</b>	<b>8,840,255</b>	<b>9,853,706</b>	<b>10,263,430</b>	<b>10,375,653</b>
<b>% of GDP:</b>	<b>38.5</b>	<b>38.1</b>	<b>40.3</b>	<b>39.2</b>	<b>36.7</b>

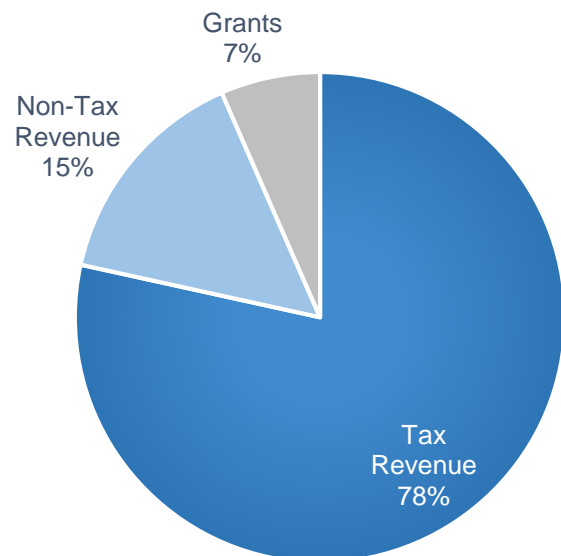
Source: MoFTIEP

For the 2020 fiscal year, the total Budget envelope is estimated at SR 9.85bn, corresponding to a sizeable 11.5 per cent and SR 1bn increase over the end of year estimate for 2019. The bulk of this increase stems from much higher grant income following spill overs from 2019, as well as the commencement of new grant financing priorities and projects. Total Grants is estimated at SR 647m, a return to 2012 high levels. Non-tax revenue is also contributing positively with double-digit increases across all of its lines. Tax revenue is estimated to grow moderately over 2019 by 3 per cent to reach SR 7.7bn. This less buoyant growth is largely due to the removal of large one-off items from the base.

As a ratio to GDP, total Government revenue is estimated at 40.3 per cent in 2020 – a seven year high. In the following year of 2021, despite total revenue breaking the SR 10bn barrier for the first time, the GDP ratio is estimated to decline to 39 per cent on

account of a higher projected Nominal GDP growth (from 5.4 per cent in 2020 to 7.2 per cent in 2021).

**Figure 11: 2020 Budget envelope contributions**



Source: MoFTIEP

## Tax Revenue

Tax revenue has performed adequately in 2019 with year to date collections up to August standing at SR 4.6bn, 2.9 per cent higher than over the same period in 2018. The end of year outturn for 2019 is estimated at SR 7.5bn (Table 6 below), about the same level as the initial Budget figure, with a marginal SR 6m increase. As a ratio to GDP however, total tax revenue in 2019 is now higher by 0.5 percentage points to reach 32.3 per cent, given the lower Nominal GDP level estimate (as discussed in the Economic Outlook section).

**Table 6: Tax revenue ratios to GDP**

DESCRIPTION	2018 Actual	2019 EOY	2020 Budget	2021	2022
<b>Total Tax Revenue (SR' bn):</b>	<b>7.29</b>	<b>7.50</b>	<b>7.73</b>	<b>8.10</b>	<b>8.56</b>
<b>Top tax revenue earners ranked</b>	<b>Ratios to GDP (%)</b>				
Value Added tax	11.3	11.4	11.5	11.4	11.4
Excise tax	5.8	6.1	6.3	6.1	5.9
Business tax	6.3	5.8	5.8	5.5	5.1
Income tax	4.4	4.2	4.1	4.1	4.1
Other tax	2.2	2.6	1.5	1.3	1.3
Trade tax	1.4	1.4	1.4	1.4	1.3
Corporate Social Responsibility tax	0.5	0.5	0.5	0.5	0.5
Tourism Marketing tax	0.3	0.3	0.3	0.3	0.3
Property tax	-	-	0.2	0.2	0.1
<b>Total :</b>	<b>32.1</b>	<b>32.3</b>	<b>31.6</b>	<b>30.9</b>	<b>30.2</b>

Source: MoFTIEP, Macroeconomic Forecasting & Analysis Branch estimates

With the deferment of the introduction of the Property tax to 2020, along with its SR 40m Budget estimate (as mentioned in the Mid-Year Economic and Fiscal Outlook 2019 document), a net SR 46m increase in the outturns of the other tax lines has been a welcome revision. The outlook of certain taxes has changed on the back of significant base changes and year to date performances, as well as macroeconomic assumptions changes (as mentioned above). Strong year to date performances under Income tax, VAT, and to a lesser extent CSR, coupled with new information relating to additional Stamp duty revenues has resulted in an upward revision of SR 164m within these lines. However, this has been largely offset by downward revisions under Business and Excise taxes by about SR 119m. Business tax under-performed significantly by about 10 per cent in 2018 resulting in a much lower 2019 base. Collections have also been lower in 2019 given delays in arrears payments and a much higher stock of refunds claimed. In addition to a lower base for excise on 'Petroleum', there have been under-performances in tobacco excise revenues and the newly introduced Sugar tax.

In 2020, tax revenue is forecasted at SR 7.73bn accounting for 31.6 per cent of GDP. This also represents an increase in revenue by about SR 233m or 3.1 per cent, over the 2019 estimate. As can be seen from the table above, this estimate is driven predominantly by VAT, Excise, Business and Income taxes, which altogether will bring in just above  $\frac{4}{5}$  of total revenue. VAT remains as the main revenue earner for the Government, accounting for slightly over a third of total collections – about 11.5 per cent of GDP, equivalent to SR 2.8bn. This is supported heavily by VAT tourism receipts, which accounts for over half of total collections, and will grow in line with the overall increase in tourism activities.

Other lines are estimated to have growths consistent with GDP, as well as the addition of new policies as detailed in Table 7 below. An ‘election effect’ was also considered on several consumption taxes as has been previously observed in past election years. As announced in the State of the Nation Address of 2019, the Government is envisaging a change in the Excise tax structure of alcohol to reflect more closely alcoholic strength. Given that this will require an implementation timeframe of about one year, a 10 per cent increase in the excise rate on alcoholic beverages will be effected as of January 2020, so as to ensure continuity in the policy of reducing abuse. This is estimated to result in a SR 41m increase in revenue. A review of taxes on the importation of motor vehicles through increases in the fixed ‘levy’ rate, as well as a review of taxes on hybrid vehicles of higher engine capacity, is estimated to bring in about SR 44m in extra revenue. A new policy of ‘special license plates’ has been conservatively assumed to yield about SR 10m in revenue. Due to delay in implementation, Property tax, which was announced in 2019 Budget, will come into effect in 2020 and is estimated to bring an additional SR 40m in revenue. The only revenue losing policy is the rate reduction for ‘Residential dwelling’ tax announced in the 2019 Budget speech and estimated to result in a revenue loss of about SR 34m. The total impact of all policies for the 2020 Budget is an estimated net revenue gain of SR 100.4m, corresponding to 0.4 per cent of GDP.

**Table 7: Cost of Tax revenue policies in 2020 (SR' 000s)**

DESCRIPTION OF POLICIES	2020 Cost
<b>Revenue gaining</b>	<b>134,500</b>
<b>Excise tax</b>	
10% increase in alcohol tax rate across the board	41,000
Excise increase for Hybrids >1.6 litre engines	3,000
VAT imports impact	500
<b>Other tax</b>	
SR 25k levy increase across the board with commercial at par	40,000
Special License plate	10,000
<b>Property Tax</b>	40,000
<b>Revenue losing</b>	<b>-34,106</b>
<b>Business tax</b>	
Reduction in Residential Dwelling rate from 15 to 3 per cent	-34,106
<b>Total impact:</b>	<b>100,394</b>
<b>% of GDP</b>	<b>0.41</b>

Source: MoFTIEP

## Income Tax

### Background

Income tax is a withholding-based tax on wage income for nationals and resident expatriates. Also levied on Non-Monetary employee benefits, this tax was introduced on the 1<sup>st</sup> of July 2010 and replaced the previous Social Security Contribution system. The Income tax rate was harmonised to 15 per cent for all workers in January 2011.

As of the 1<sup>st</sup> of June 2018, the current flat Income tax regime was replaced by a progressive system with different rates applicable at different income brackets. This will enable more vertical equity and ensure that the tax burden is lessened on the low-income earners.

### 2019 Context

In comparison to initial Budget, the end of year 2019 estimate for Income tax represents an upward revision of about SR 77m (Table 8 below). This is equivalent to an increase of about 8.9 per cent and remains consistent with the mid-year Budget revision of September 2019. Total collections are now estimated to reach SR 964m in 2019, which accounts for 4.2 per cent of GDP – a 0.4 percentage point increase. A positive base effect under the ‘Private sectors’ line (by about 20 per cent) has been the main driver behind this more positive expected outturn. This is despite end of year 2018 under-performances extending into 2019 for ‘Central Government’ and ‘Other Public sectors’ lines. The recent reduction in Government wages and recruitment freeze has also been accounted for. The main cause of these performances can be explained by uncertainties in measuring the size and share of the cost of the new progressive system within the tax lines.

2019 would represent a first full year with the new PIT system and should provide a better base for 2020 as compared to the 2018 where the new tax was implemented halfway through the year. Compliance issues are also expected to lessen in 2020 as tax payers being more conversant with the new tax system.

**Table 8: Income Tax Projections 2018-2021, SR'000s**

INCOME TAX	2018 Actual	2019 EOY	2020 Budget	2021	2022
Central Government	235,925	201,464	208,678	223,624	241,781
Other Public Sectors	122,013	122,061	126,432	135,487	146,488
Private Sector	607,159	640,515	674,921	723,259	781,985
<b>Total Income Tax:</b>	<b>965,097</b>	<b>964,039</b>	<b>1,010,031</b>	<b>1,082,370</b>	<b>1,170,254</b>
<b>% of GDP:</b>	<b>4.4</b>	<b>4.2</b>	<b>4.1</b>	<b>4.1</b>	<b>4.1</b>

Source: MoFTIEP, Macroeconomic Forecasting & Analysis Branch estimates

### Policy Changes

No major policy changes have been envisaged for Income tax in 2020.



*2020 Projection and the Medium Term*

The Government embarked upon Income tax reform in 2016 to help address income inequality concerns, culminating with the full implementation of a progressive regime in June 2018. These reforms have been at a significant cost given the tax burden lowering for almost 98 per cent of the workforce<sup>1</sup>. Over the past three years therefore, Income tax has been on a declining trend. In level terms, collections have stagnated during this period with the 2019 revised estimate at only SR 4m higher than the 2018 outturn. In GDP terms, the ratio is now at the 4 per cent mark, compared to 5 per cent in 2015. With this transitory reform period now at an end, Income tax collections are expected to expand in 2020, and track GDP growth more evenly over the medium term.

For the 2020 Budget, Income tax is estimated at SR 1bn – a first for this tax and equivalent to a 4.8 per cent increase (or SR 46m). Given the more stable 2019 base (as mentioned on the previous page), Income tax lines are expected to grow in line with Nominal GDP, with the ‘Private sector’ line accounting for two thirds of collections. The ‘Central government’ line will grow in line with the overall wage bill. Given current shortfalls in the ‘Other Public sectors’ line, a more conservative approach was taken. Over the medium term, Income tax is projected to grow more steadily in level will be just below the SR 1bn mark by 2021.

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<sup>1</sup> Early 2017 estimates

## Custom Duties

### Background

Custom duties is levied on specified goods that are imported to Seychelles based on their CIF (Cost, Insurance and Freight) value. However, approximately 90 per cent of the tariff lines are subject to a zero per cent rate. The applicable tax rate depends on the nature of the custom duty component, whether it is specific or ad valorem. Tax collections on ad valorem rate items tend to grow in tandem with the nominal GDP whereas, tax collections on specific rate items grow in tandem with real GDP only. Following WTO policies and regulations, certain custom duty rates have been significantly reduced and others, such as petroleum, motor vehicles and levy, have been or are expected to be transferred out of Custom Duties.

### 2019 Context

Compared to the Budget Custom Duties was revised downwards by SR 1.5m, or 0.5 per cent. The end of year estimate now stands at SR 328m. This is mainly attributed to a SR 16.3m, or 12 per cent, downward revision in alcohol which can be explained by a decreased in the importation of alcoholic beverages as seen from the import data.

**Table 9: Custom Duties Projections 2018-2022, SR'000s**

CUSTOM DUTIES	2018 Actual	2019 EOY	2020 Budget	2021	2022
<b>Custom Duties Direct Imports</b>	<b>318,721</b>	<b>333,050</b>	<b>347,980</b>	<b>366,254</b>	<b>386,564</b>
Alcohol	128,272	118,522	123,543	128,660	133,815
Petroleum					
Textiles and textile articles	14,548	5,688	6,013	6,443	6,966
Motor Vehicles	831				
Tobacco	2,144	2,227	2,296	2,391	2,487
Prepared Food	10,963	11,552	12,211	13,085	14,148
Others	96,549	101,731	107,535	115,237	124,593
Levy	63,536	66,019	68,062	70,881	73,721
Documentary Charges	1,878	1,979	2,092	2,241	2,423
Livestock Trust Fund		25,333	26,229	27,315	28,410
<b>Custom Duties Exemptions</b>	<b>(3,702)</b>	<b>(5,000)</b>	<b>(5,000)</b>	<b>(5,000)</b>	<b>(5,000)</b>
<b>Total Custom Duties:</b>	<b>315,019</b>	<b>328,050</b>	<b>342,980</b>	<b>361,254</b>	<b>381,564</b>
<b>% of GDP:</b>	<b>1.4</b>	<b>1.4</b>	<b>1.4</b>	<b>1.4</b>	<b>1.3</b>

Source: MoFTIEP, Macroeconomic Forecasting & Analysis Branch estimates

### Policy Changes

No direct policy change has been proposed for Customs duties for 2020.

*2020 Projection and the Medium Term*

In 2020 Customs Duties revenue is estimated at SR 343m about SR 15m (or 5 per cent) higher than the 2019 estimate. This will account for 1.4 per cent of GDP. For the Medium Term revenue from Customs Duties is expected to grow on average by 5 per cent.

**Excise Tax**

Excise tax is applied to specific imported and locally manufactured goods in order to control consumption because of health or environmental reasons. The former reason applies to alcohol, tobacco and sugar while the latter applies to petroleum and motor vehicles. Excise tax on all these goods, other than motor vehicles, is specific.

Imported petroleum products account for the highest contribution to the Excise tax, amounting to approximately 46 per cent of the total. Demand for excisable goods generally shows a minimal response to price fluctuations, given that most of these goods, in particular tobacco, are relatively non-responsive to price change. Hence, this tax line proves to be a significant revenue earner for the Government.

*2019 Context*

Excise tax has been performing below par in 2019, which is why the end of year forecast has been revised downwards by SR 34.8m or 2 per cent compared to the budget. This is mainly due to an underperformance in petroleum by SR 25.6m or 4 per cent due to a downward revision of the 2018 base. Further significant underperformances could be observed for both locally manufactured and imported Tobacco which were revised downwards, by SR 1.9m and SR 12.9m, respectively. This can be attributed to the tobacco tax increase in January 2019, which led many tobacco sellers to stock buy tobacco products in advance, in order to avoid the tax increase. However, MFAB expects the revenue to pick up in the coming months. Likewise, Sugar Tax was revised downwards by SR 10.3m due to administrative issues in the tax collection which is expected to improve in the future. The above mentioned underperformances were partially offset with over performances in imported Alcohol and Motor Vehicles. Imported Alcohol was revised upwards by SR 14.9m. However, this goes in line with a downward revision in locally manufactured Alcohol, indicating a shift in consumption. Motor Vehicles were revised upwards by SR 6.7m or 5 per cent due to increases in vehicle sales.

*Policy Changes*

Two new policies are tabled under Excise tax for 2020. One is an increase in the Excise rate of alcoholic beverages by 10 per cent across the board and the other is an increase in the Excise rate for hybrid motor vehicles, both effective from January 2020.

The tax on hybrid vehicles will increase and go in line with tax issued on conventional vehicles. This is expected to add SR 3m to tax revenue collections for motor vehicles. The increase in the Excise rate of alcohol is expected to increase revenue by SR 41m.

The changes in policy and their revenue implications are tabled below:

**Table 10: Cost of Excise Tax policies in 2020 (SR' m)**

POLICIES	Proposed Rate	2020 Budget
Motor Vehicles engine capacity		
>1600<=2000cc	75%	3.0
>2000<=2500cc	100%	
>2500cc	100%	
Increase in Alcohol Excise rate	10%	41.0
<b>Total Policy cost:</b>		<b>44.0</b>
<b>% to GDP</b>		<b>0.17</b>

Source: MoFTIEP, Macroeconomic Forecasting &amp; Analysis Branch estimates

*2020 Projection and the Medium Term*

The table below shows Excise tax projection for 2020 and the medium term. Excise tax collections are expected to increase by SR 127.6m, or 9 per cent, due to a more favourable real GDP growth and the new policy implications. Furthermore, MFAD has added SR 3m to alcohol excise, anticipating an increase in consumption during election year. Additionally, sugar tax collections are expected to run more smoothly in 2020, hence the collections have been revised upwards by SR 8.4m.

**Table 11: Excise Tax Projections 2018-2022, SR'000s**

EXCISE TAX	2018 Actual	2019 EOY	2020 Budget	2021	2022
<b>Excise Tax - Imports</b>	<b>950,903</b>	<b>1,029,087</b>	<b>1,113,054</b>	<b>1,164,993</b>	<b>1,218,782</b>
Alcohol (Beverages Spirits and Vinegar)	208,378	224,988	256,602	267,229	277,937
Petroleum (Mineral Products)	609,229	650,095	691,245	720,844	749,729
Motor Vehicles ( Vehicles, Aircrafts, vessels)	122,727	150,200	161,268	172,818	186,850
Tobacco Imported	5,885	3,804	3,939	4,102	4,266
<b>Excise Tax - Locally Manufactured Goods</b>	<b>334,223</b>	<b>352,719</b>	<b>387,939</b>	<b>400,882</b>	<b>416,945</b>
Alcohol	173,919	180,713	209,849	215,416	224,048
Tobacco	160,370	172,006	178,090	185,466	192,897
<b>Sugar Tax</b>		<b>28,631</b>	<b>37,054</b>	<b>38,589</b>	<b>40,135</b>
Imported Beverages		18,900	24,461	25,474	26,495
LMG - Beverages		9,730	12,593	13,115	13,640
<b>Total Excise Tax:</b>	<b>1,280,443</b>	<b>1,410,437</b>	<b>1,538,046</b>	<b>1,604,464</b>	<b>1,675,862</b>
<b>% of GDP:</b>	<b>5.8</b>	<b>6.1</b>	<b>6.3</b>	<b>6.1</b>	<b>5.9</b>

Source: MoFTIEP, Macroeconomic Forecasting &amp; Analysis Branch estimates

**Box 3: Motor Vehicle imports**

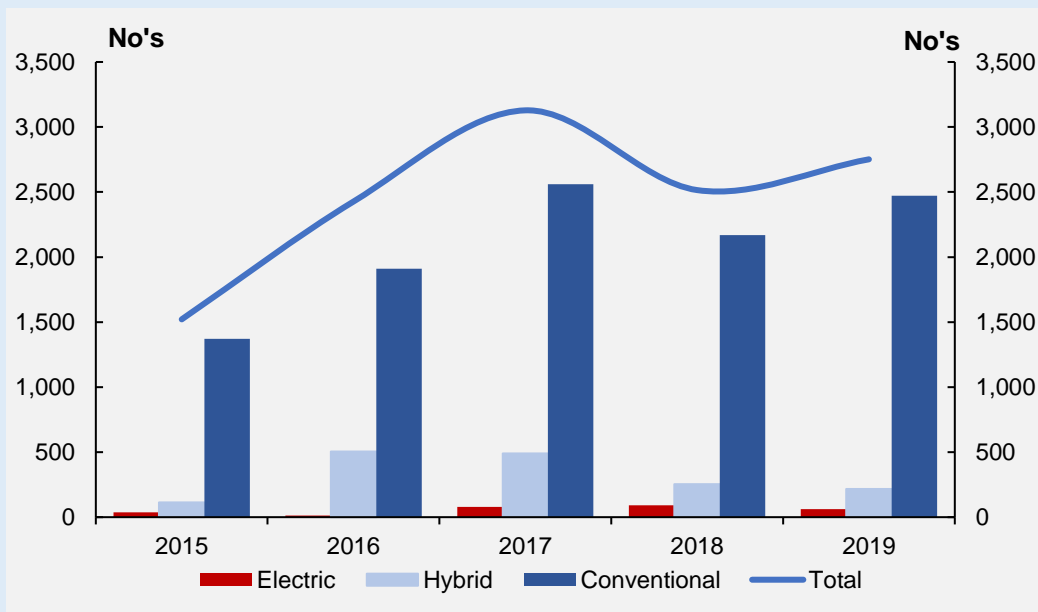
**Motor Vehicle analysis in Seychelles**

The following analysis highlights the importation of motor vehicles in Seychelles over the past 5 years.

**Volumes**

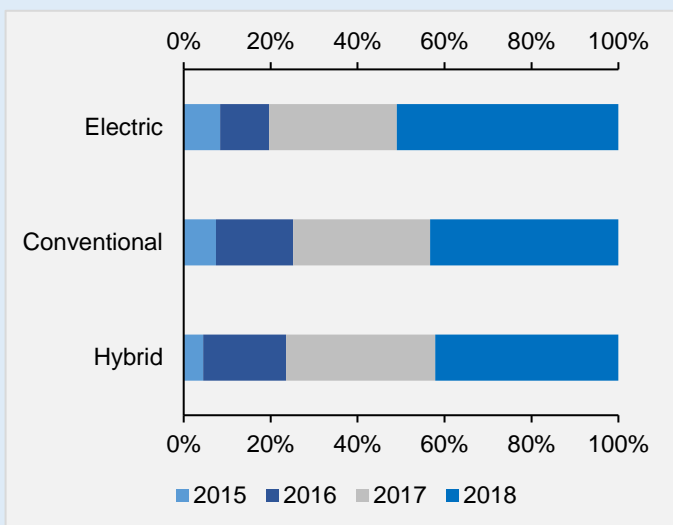
Compared to 2015, total number of vehicles imported in 2018 increased by 65 per cent. With conventional vehicles being the main type of imported transport. The average tax collected per year, from 2015 to 2018 amounts to SR 221.8m. The total tax raised in 2019 up to July amounted to SR 153m which accounts for 1 per cent of GDP. The total importation of cars has been on the rise since 2015 reaching a peak in 2017. The following year, there was a 15 per cent decline in the importation conventional cars. Up until July 2019 a total of 1,605 vehicles was imported, motor vehicle imports for the rest of the year was estimated

**Figure 12: Motor vehicle imports 2015 to 2019**

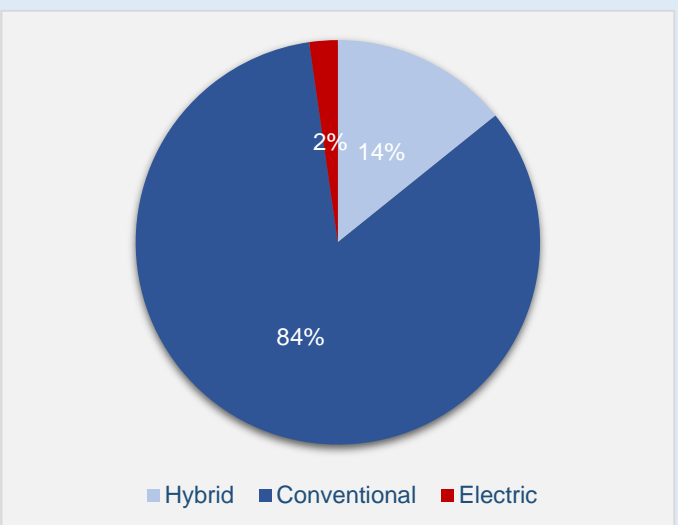


Source: Seychelles Revenue Commission, Customs data

**Figure 13: Cumulative stock of motor vehicle**



**Figure 14: Share of total motor vehicle imports**

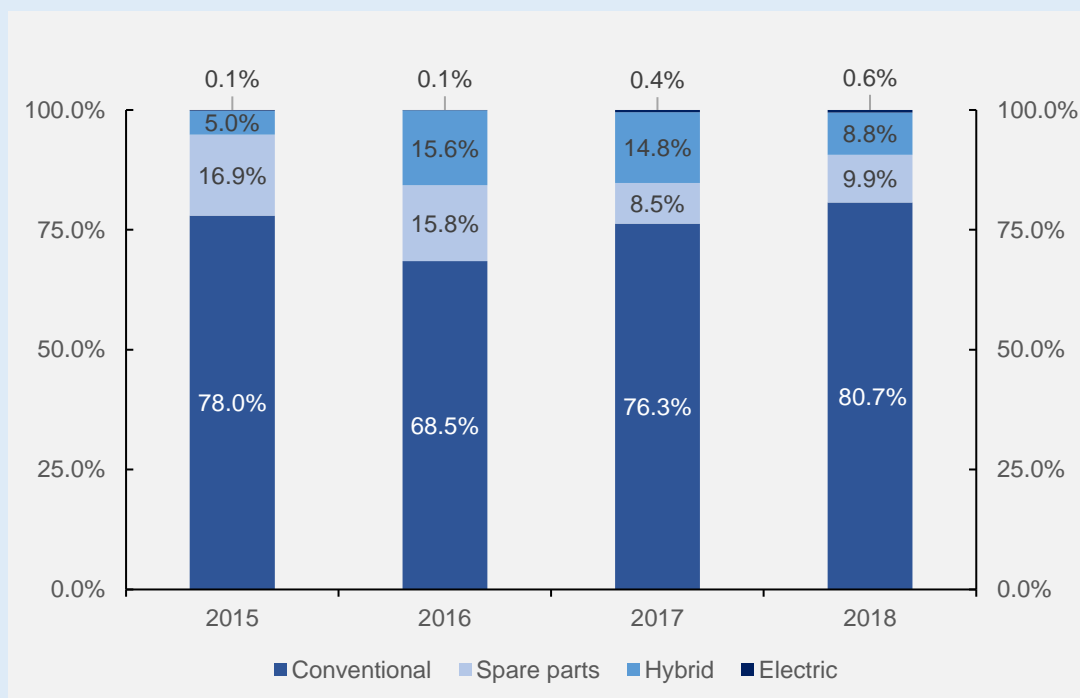


Source: Seychelles Revenue Commission, Customs data

## Tax revenue

Over the past four years from 2015 to 2018 a total of SR 887m has been collected on motor vehicle imports (including spare parts). Conventional vehicles accounts for the majority of total taxes raised by about 76 per cent on average equivalent to SR 168m per year from 2015 up to 2018. Figure 12 below also shows the percentage breakdown of the total tax collected on other motor vehicles and spare parts. Hybrids hold an average share of total tax contribution of 11 per cent. From 2015 up to 2018, the average amount of tax collected per year on hybrid amounts to SR 26m, whilst electric cars and spare parts amounted to SR 0.68m and SR 28m respectively. Each holding a 0.3 per cent and 13 per cent share of total tax raised from motor vehicle.

**Figure 15: Share of total tax raised from motor vehicle**



Source: Seychelles Revenue Commission, Customs data

On average total imports of spare part averages to SR 0.23m for the past 5 years, with 2018 recording the highest level of imports of SR 0.26m. Spare parts holds the second highest percentage of total tax raised from motor vehicles after conventional cars (figure x). On average total tax revenue collection for this five years amounts to SR 24.5m. The table below also provides the total value of imports each year and the amount of tax raised.

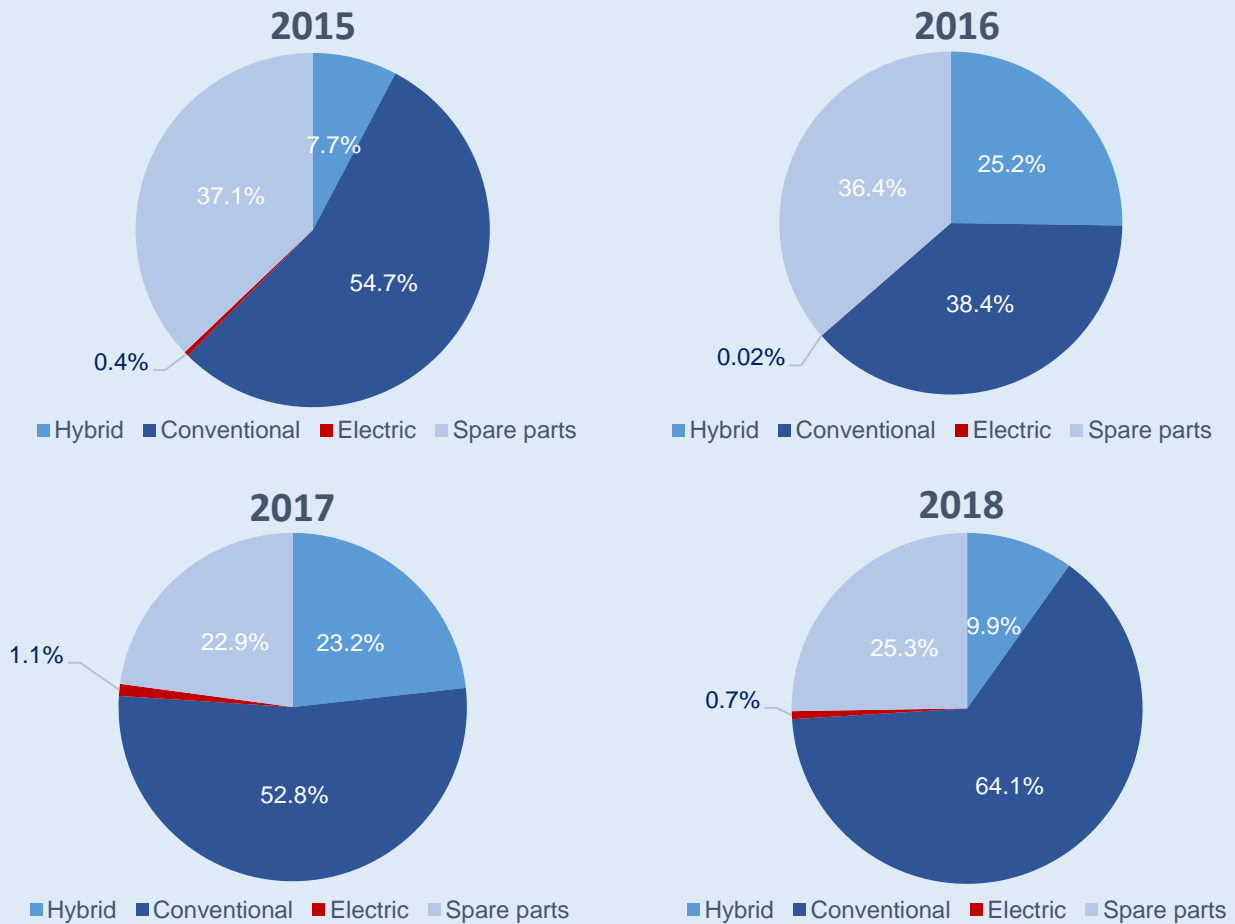
**Table 12: Spare part imports (SR' m)**

	Total Imports	Value	Tax Raised
2015	0.24	185.89	30.21
2016	0.25	266.18	38.59
2017	0.23	154.82	21.29
2018	0.26	153.75	21.30
2019 (Jan-July)	0.15	94.42	10.93
<b>Total</b>	<b>1.13</b>	<b>855.05</b>	<b>122.33</b>
<b>% GDP</b>	<b>0.001</b>	<b>0.858</b>	<b>0.124</b>

Source: Seychelles Revenue Commission, Customs data

The graphs below illustrates the share of CIF (Cost, Insurance, Freight) of each type of motor vehicle and spare parts per year from 2015 to 2018

**Figure 16: Share of CIF**



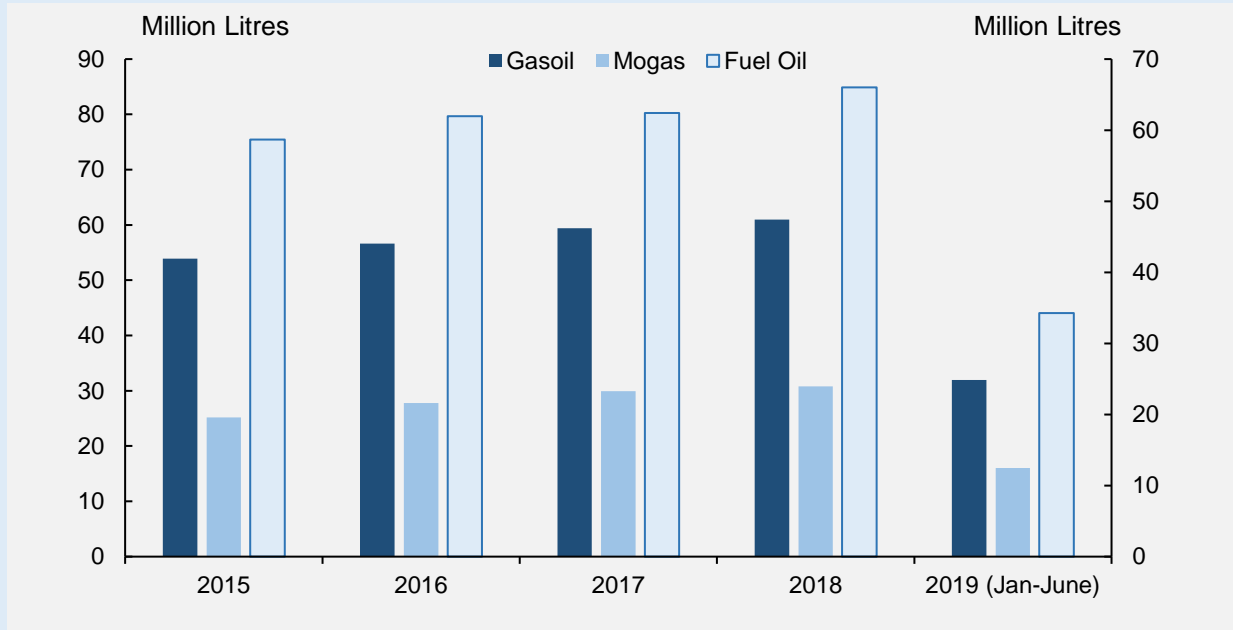
Source: Seychelles Revenue Commission, Customs data

As can be observed, conventional motor vehicles holds the biggest share of CIF each year, simply because over these vehicles are still the most popular as shown in the import numbers. On the other hand, Hybrid's share of CIF more than doubled in 2016. This was then followed by a decrease of 15 per cent in 2017, and an even greater fall in 2018. This can be explained by the decrease in the number of hybrid vehicles imported and tax rate changes. Electric vehicles holds the smallest share of CIF with very few imported each year compared to hybrids and conventional vehicles. Over the past 4 years spare parts has had an average share of 30 per cent of CIF.

**Petroleum Consumption**

Petroleum consumption over the past four years has been increasing steadily. Between 2015 and 2018, Gasoil consumption increased by an average of 4 per cent, Mogas (motor gasoline) by an average of 7 per cent and Fuel oil by an average of 4 per cent. 2019 has also seen an increase in consumption over the first half of the year. Compared to the first half of 2018, Gasoil and Mogas consumption increased by an average of 5 per cent and Fuel Oil shows an increase of 3 per cent. The figure below shows the petroleum consumption between 2016 and 2019 in litres.

**Figure 17: Petroleum Consumption 2016-2019**



Source: SEYPEC

The table below shows increases in petroleum consumption for the period between January and June for the past three years. As can be seen petroleum consumption shows a positive growth each year for the first half of the year, namely January to June.

**Table 13: Increase in Consumption 2016-2019**

Petroleum type	Consumption growth Jan-June			
	2016	2017	2018	2019
Gasoil	6.98	2.01	4.49	4.93
Mogas	12.21	8.74	3.99	4.56
Fuel Oil	4.02	1.76	6.98	3.17

Source: SEYPEC



## Goods and Services Tax

### Background

The Goods and Services Tax (GST) was applied to selected locally manufactured goods; the vast majority of imported goods; as well as selected services. GST was replaced by VAT as of the **1st of January 2013**.

### 2019 Context

A total of SR 2.2m has been collected up to August in terms of GST arrears.

### 2020 Projection and the Medium Term

As informed by SRC, no major arrears is anticipated in the short and medium term. The table below presents GST actuals and projections.

**Table 14: GST Projections 2020, SR'000s**

GOODS & SERVICES TAX	2018 Actual	2019 EOY
Arrears	2,637	2,171
<b>Total GST:</b>	<b>2,637</b>	<b>2,171</b>
<b>% of GDP:</b>	<b>0.0001</b>	<b>0.0001</b>

Source: MoFTIEP, Macroeconomic Forecasting & Analysis Branch estimates

## Value Added Tax

### Background

VAT commenced in 2013 to replace the previous GST tax regime as the last phase of the major tax reforms undertaken by the Government since 2008. VAT is charged on all taxable imports and not on exports, also known as the 'Destination Principle'. It is imposed on the value addition of all taxable goods and services that are produced and consumed domestically provided by VAT registered companies. VAT rate is currently at 15 per cent and it is the biggest tax line, accounting for 33 per cent of Tax revenue.

### 2019 Context

VAT has been revised upwards by SR 48.3m, or 2 per cent, in comparison to the initial Budget forecast. This is mainly attributed to revision on Domestic VAT. An extra SR 62m, or 4 per cent, was added to this line to factor the higher 2018 base. The major upward revision was in Tourism, which was revised upwards by 9 per cent to factor the strong 2018 performance. Additionally, SR 10m, or 40 per cent VAT was removed from the line VAT exemptions due to lower exemptions expected this year.

### Policy Changes

No direct policy for VAT will be introduced in 2019. However, the policy to revise the Excise tax rates on Hybrid vehicles will indirectly impact VAT revenue by a minimal amount.

## 2019 Projection and the Medium Term

The table below presents the VAT Budget forecast for 2020 and outer years. A total VAT of SR 2,807m, accounting for around 36.7 per cent of total tax revenue, is forecasted for 2020 budget. In the medium term VAT is expected to grow in line with nominal GDP growth at an average of 6 per cent. The main contributor to VAT is Tourism, which accounts for 34 per cent of total VAT collections.

Table 15: VAT Projections 2018-2022, SR'000s

VALUE ADDED TAX	2018 Actual	2019 EOY	2020 Budget	2021	2022
VAT- Domestic	<b>1,550,187</b>	<b>1,632,952</b>	<b>1,733,120</b>	<b>1,843,944</b>	<b>1,993,270</b>
LMG- Alcohol	74,556	75,575	84,635	85,266	92,190
LMG- Tobacco	29,413	30,991	32,656	34,995	37,836
Construction	81,077	87,476	92,175	98,777	106,797
Services - Tourism	866,972	893,439	941,431	1,008,009	1,089,855
Services - Financial and Insurance activities	55,842	49,154	51,795	55,504	59,616
Services - ICT and Telecommunication	122,608	129,189	136,129	145,878	157,723
Real Estate	54,364	61,404	64,702	69,310	74,938
Wholesale Retail - Others	133,209	167,374	183,365	189,498	204,884
Others	132,146	138,350	146,233	156,706	169,430
VAT- Imported Goods	<b>967,793</b>	<b>1,033,361</b>	<b>1,089,369</b>	<b>1,167,390</b>	<b>1,262,178</b>
VAT- Exemptions	<b>(25,133)</b>	(15,000)	(15,000)	(15,000)	(15,000)
<b>Total VAT:</b>	<b>2,492,847</b>	<b>2,651,313</b>	<b>2,807,489</b>	<b>2,996,334</b>	<b>3,240,448</b>
<b>% of GDP:</b>	<b>11.3</b>	<b>11.4</b>	<b>11.5</b>	<b>11.4</b>	<b>11.4</b>

Source: MoFTIEP, Macroeconomic Forecasting & Analysis Branch estimates

## Business Tax

### Background

The Business tax revenue consists of a provisional payment (called Pay As You Go – PAYG) paid by businesses in monthly instalments for the current year. Additionally, the businesses are assessed on their profit of the previous year. Based on this assessment, the company either has an additional tax liability (PAYG paid is less than actual tax payable) or due for a refund (PAYG paid exceeds actual tax payable). Although companies are required to lodge their returns by March, extensions of this lodgement date are provided under the SRC lodgement program.

### 2019 Context

Business tax was revised downwards by about SR 83.8m or by 5.8 per cent when compared to the initial budget figures. The base was lowered by SR 145m compared to the initial base used during Budget preparation. The largest difference of the base change came from companies, sole traders and withholding tax. The base was lowered by SR 127m, SR 7.4m and SR 10.6m respectively. The nominal GDP growth assumption used was also revised downwards and lowered projections by SR 59m. However, with SRC's increase in collection efforts, about SR 63m is expected to be collected by the end of 2019. In addition, taking into account the year-to-date figures a windfall of SR 19m was included in the revised figure under companies. Sole traders was revised upwards by SR 12.5m and Partnerships increased by SR 2.6m.

**Table 16: Business Tax Projections 2018-2022, SR'000s**

BUSINESS TAX	2018 Actual	2019 EOY	2020 Budget	2021	2022
Companies	1,157,074	1,112,535	1,197,603	1,203,661	1,203,661
Sole Traders	45,587	58,097	63,957	68,538	68,538
Partnerships	18,170	20,773	22,981	24,627	24,627
Trusts	98	61	70	75	75
Withholding Tax	96,475	96,475	107,307	114,992	114,992
Others	89	49	57	61	61
Residential Dwelling	59,002	62,067	34,839	37,334	37,334
<b>Total Business Tax:</b>	<b>1,376,495</b>	<b>1,350,057</b>	<b>1,426,814</b>	<b>1,449,288</b>	<b>1,449,288</b>
<b>% of GDP:</b>	<b>6.3</b>	<b>5.8</b>	<b>5.8</b>	<b>5.5</b>	<b>5.1</b>

Source: MoFTIEP, Macroeconomic Forecasting & Analysis Branch estimates

*Policy Changes*

The applicable rate of Business tax on residential dwelling is to be reduced from 15 per cent to 3 per cent in an attempt to contain rising rent prices. Resulting from this policy, the Government expects to incur a reduction in revenue amounting to SR 34m.

**Table 17: Estimated cost of lowering residential dwelling rate from 15% to 3%, SR'000s**

DESCRIPTION OF POLICIES	2020 Cost
lowering rate from 15% to 3% SR'm <b>% GDP</b>	34 <b>0.14</b>

Source: MoFTIEP, Macroeconomic Forecasting & Analysis Branch estimates

*2020 Projection and the Medium Term*

In 2020, Business tax as a percentage of GDP expects to remain relatively constant compared to that of 2019, however it begins to decline steadily between 2021 and 2022. Following the 2019 outturn, the Business tax estimate for 2020 was increased by about SR 71.2m compared to initial projections of 2020. An additional SR 120m was added to Business tax as as the assumed the amount of arrears collections from disputed cases under prosecution. Moreover, SR 42m was removed from the base of 2019 as arrear payments. Under the line Residential dwelling, about SR 34m was removed from the base in line with the above mentioned policy to lower the tax rate applicable on residential rent.

Table 16 highlights the business tax projections from 2020 to 2022 of which are expected to grow in line with nominal GDP growth over the medium term. Business tax is forecasted to reach SR 1.19bn in revenue for the 2012 Budget, which represents 5.8 per cent of GDP and 18.5 per cent of total tax revenue – still significantly higher than 2010 to 2015 figures. The majority of this growth is driven from the continued performance by 'Companies', accounting for 84 per cent on the Business tax line.

**Corporate Social Responsibility Tax***Background*

Corporate Social Responsibility Tax (CSR) was introduced Tax in January 2013 and is applicable to all businesses with a turnover of SR 1m and above. CSR entails compliance with ethical and regulatory standards, promoting accountability for businesses' actions that can lead to a positive impact on the communities and markets in which they operate. It is a tax levied on monthly company turnover at a 0.5 per cent rate. Half of this can also be offset against any donations or sponsorships a company chooses to make.

### 2019 Context

CSR collections have been more or less on target in 2019. The end of year forecast stands at about SR 118m, slightly over the SR 113m initially estimated for 2019 by SR 5m or 4 per cent.

**Table 18: Corporate Social Responsibility Tax Projections 2018-2022, SR'000s**

CORPORATE SOCIAL RESPONSIBILITY TAX	2018 Actual	2019 EOY	2020 Budget	2021	2022
Corporate Social Responsibility	106,256	117,980	124,419	133,330	144,156
<b>Total CSR:</b>	106,256	117,980	124,419	133,330	144,156
<b>% of GDP:</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>

Source: MoFTIEP, Macroeconomic Forecasting & Analysis Branch estimates

### Policies

There will be no policy change made to CSR tax for the 2020 Budget. However, policies on the treatment of this tax for business purposes has been under discussion with stakeholders.

### 2020 Projection and the Medium Term

CSR tax revenue for the year 2020 is forecasted to be about SR 124m representing a 10 per cent increase over the 2019 estimate. It is expected that CSR tax collections will continue to grow at a moderate pace of about 5 per cent. This is also evident in the shares to GDP for this tax, which is projected to remain constant at 0.5 per cent.

## Tourism Marketing Tax

### Background

Tourism Marketing Tax (TMT) is a newly introduced tax, as of January 2013 and is applicable to all Tourism operators, Banks, Insurance, and Telecom companies with turnovers of SR 1m and above. It is a 0.5 per cent tax levied on company turnover with the aim of having greater private sector contribution to the Tourism Marketing Fund.

### 2019 Context

TMT has been under-performing for most of this year with a recorded under-performance of about SR 3m or, 6 per cent so far. Consequently, a downward revision of the same amount was made to reflect the lower collections in this tax line.

### Policy Changes

No new policies have been projected for TMT for the year 2020.

*2020 Projection and the Medium Term*

TMT is expected to grow over the medium-term. This is also evident as the nominal GDP for 2020 remains relatively positive. A total of SR 77m is expected to be collected in 2020, this represents an additional SR 4m compared to 2019.

**Table 19: Tourism Marketing Tax Projections 2018-2022, SR'000s**

<b>TOURISM MARKETING TAX</b>	<b>2018 Actual</b>	<b>2019 EOY</b>	<b>2020 Budget</b>	<b>2021</b>	<b>2022</b>
Tourism Marketing Tax	70,173	73,122	77,050	82,568	89,273
<b>Total TMT:</b>	70,173	73,122	77,050	82,568	89,273
<b>% of GDP:</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>

Source: MoFTIEP, Macroeconomic Forecasting & Analysis Branch estimates

**Other Tax**

*Background*

Other tax comprises of a set of licence fees and smaller tax lines that covers a variety of sectors in the economy. The main constituents of Other Tax are ‘Road Tax’, ‘Telecommunications Licences’, fishing license fees, ‘FSA Fees’ and ‘Stamp Duty’. These five components account for more than 95 per cent of Other Tax Revenues. The regulation and collection of these tax lines involves a range of authorities including SLA, SFA and FSA.

*2019 Context*

The end of 2019 estimates for ‘Other tax’ stands at about SR 600m. This represents a SR 32m or 6 per cent upward revision compared to the initial budget. The main contributor to this revision was ‘Stamp Duty’ which was revised upward by SR 60.4m or 20 per cent. This increase is mainly attributed to receipts from the sale of Cable and Wireless shares. An additional SR 12.5m or 11 per cent upward revision was also made to ‘Road Tax’. This is as a result of the ongoing misclassification of ‘Levy’ under ‘Custom Duties’ into this tax line.

*Policy Changes*

Two new policies have been proposed for the year 2020. This includes the personalisation of license plates which is expected to increase revenue by SR 10m. An additional SR 40m is also estimated to be raised from a review of the ‘Levy’ rate on motor vehicle imports.

As shown in Table 20 below, levy on commercial cars is expected to increase to be at par with private vehicles. In addition to this, there will be a SR 25k increase in levy across the board for all motor vehicles, with the exception of buses and motor cycles. Introduction of levy on hybrid to match its conventional counterparts will also be implemented.

**Table 20: New levy rates (SR' m)**

CATEGORIES	Private	Commercial	Hybrid
	Levy Rate (SR'000)		
<= 1600cc	70	70	-
>1600cc <= 2000cc	100	100	100
> 2000cc	175	175	175
Pickup-Trucks(single cab)	40	40	-
Motor cycle	8	8	-
Buses	8	8	-

Source: MoFTIEP, Macroeconomic Forecasting & Analysis Branch estimates

**Table 21 : Revenue Gain from new policies (SR 'm)**

POLICIES	2020 Budget
Personalised Licence Plate	10
Increased in Motor vehicles Levy	40
<b>Total Policy Cost:</b>	<b>50</b>
<b>% of GDP:</b>	<b>2.1</b>

Source: MoFTIEP, Macroeconomic Forecasting & Analysis Branch estimates

#### *2020 projections and medium term*

The 2020 'Other tax' projection is at approximately SR 363m and this represents a reduction of SR 237m or 40 per cent compared to 2019 end of year (Table 22 overleaf). The main constituent of this decrease is the major reduction in Stamp Duty collections by SR 296m or 82 per cent. This follows the removal of 'Cable and Wireless' stamp duty sale payment from the base.

However, an increase of SR 44.4m or 36 per cent under 'Road tax and other licences' has been forecasted on account of the new policies mentioned above. The remaining lines under 'Other tax' are expected to grow in line with nominal GDP, with the exception of license fees. The 2019 outturn and the medium term revenue for 'Other tax' is summarised in the table below.

**Table 22: Other Tax Projections 2017-2021, SR'000s**

OTHER TAX	2018 Actual	2019 EOY	2020 Budget	2021	2022
<b>Ministry Of Finance, Trade and Economic Planning</b>					
Trade/Ind Licences	10,039	10,432	10,800	11,200	11,649
Licences and Other Licence Registration	3,672	4,758	14,927	14,879	15,476
Road Tax and Other Licences	108,398	124,610	169,018	129,614	134,808
Telecommunications Licences	68,805	82,933	87,080	87,602	88,128
Casino Licences	300	-	-	-	-
Hotel Licences	246	255	263	274	285
Liquor and Toddy Licences	324	337	347	362	376
Radio Broadcasting Licences	2,050	2,050	2,050	2,050	2,050
<b>Sub Total:</b>	<b>193,835</b>	<b>225,376</b>	<b>284,484</b>	<b>245,982</b>	<b>252,771</b>
<b>Ministry Of Environment, Energy and Climate change</b>					
Annual EU Fishing License Fees	42,165	-	-	-	-
EU Fishing License: Vessel Fee	35,155	-	-	-	-
Non-EU Fishing License Fees	72,447	-	-	-	-
Local Fishing Licence Fees	2,391	-	-	-	-
Environment Trust Fund		5,760	5,760	5,879	5,855
<b>Sub Total:</b>	<b>152,158</b>	<b>5,760</b>	<b>5,760</b>	<b>5,879</b>	<b>5,855</b>
<b>Department Of Legal Affairs</b>					
Stamp Duty	119,703	359,827	63,572	90,784	98,155
<b>Department Of Transport</b>					
Vehicle Testing	8,217	8,538	8,784	9,167	9,535
<b>Total: Other Tax</b>	<b>473,913</b>	<b>599,501</b>	<b>362,600</b>	<b>351,812</b>	<b>366,316</b>
<b>% of GDP:</b>	<b>2.0</b>	<b>2.5</b>	<b>1.5</b>	<b>1.3</b>	<b>1.3</b>

Source: MoFTIEP, Macroeconomic Forecasting & Analysis Branch estimates



## Non-Tax Revenue & Grants

Non-tax revenues are other revenues generated other than by taxation, through the different services being offered by Government either through a cost recovery basis or depending on the Government policy on the services being offered. The table below shows the breakdown of non-tax revenues and grants forecasted for 2020 and the medium term.

For Non-tax revenues the 2020 budget reflects a 23 per cent increase from the 2019 EOY estimates or SR 278m in nominal terms. Dividends remains the main contributor towards this category of revenue.

**Table 23: Non-Tax revenue and grants, SR'000s**

NON-TAX & GRANTS	2018 Actual	2019 EOY	2020 Budget	2021	2022
<b>Non-Tax</b>					
Fees and Charges	334,934	352,071	450,079	454,515	457,377
Dividends Income	426,355	694,075	825,575	755,575	755,575
Other Non-Tax	32,789	40,638	54,382	46,973	47,720
Proceeds from Sale of Assets	121,856	111,685	146,757	113,367	113,267
<b>Total Non Tax</b>	<b>915,934</b>	<b>1,198,469</b>	<b>1,476,792</b>	<b>1,370,430</b>	<b>1,373,939</b>
<b>Grants</b>	<b>281,174</b>	<b>145,006</b>	<b>647,484</b>	<b>791,582</b>	<b>444,553</b>
<b>Total Non-Tax &amp; Grants:</b>	<b>1,197,108</b>	<b>1,343,475</b>	<b>2,124,277</b>	<b>2,162,011</b>	<b>1,818,492</b>
<b>% of GDP:</b>	<b>5.4</b>	<b>5.8</b>	<b>8.7</b>	<b>8.3</b>	<b>6.4</b>

Source: MoFTIEP, Financial Planning and Control Division estimates

### Fees and Charges

Government has forecast to collect SR 450m under Fees and Charges. This is an increase of SR 98m or 28 per cent over the 2019 EOY estimates primarily due to two main factors; the introduction of new fees in 2020 and revisions in some fees. The main increases under this category are as follows:

- The Department of Immigration is expected to collect an additional SR 28m under Immigration Fees. The increase is linked with revision under the Gainful Occupational Permit. From January 2020 Government will be introducing another two categories of Gainful Occupation Permit fee;
  1. For non-Seychellois employees who are in the country for more than six years, the fee will be increase from SR 500 to SR 1,000 per month
  2. For non-Seychellois employees who are in the country for more than ten years, the fee will be increase from SR 500 to SR 5,000 per month
- There is an increase of SR 6.9m under Trade Tax Division (Customs Fees and Fines). The main increase is linked with the introduction of a Customs processing fee of SR 50 for any importation of goods which is expected to generate revenue of SR 6.8m. This will not apply to packages of documentations.
- There is an increase of SR 4.3m in 2020 for fees and charges under SMSA. The increases are linked primarily with the provision under the SMSA Bill which is expected to be submitted to the National Assembly before the end of 2019. In addition, there is an increase of SR 45.5m in 2020 for Passenger

Service Fee. The increase is linked primarily with the expected increase of USD 10 which has been postponed for implementation for January 2020.

- There is increase of SR 3.7m under School Meal to cater for the new school meal fee of SR 5 per meal per day which is expected to be applicable from January 2020.
- There is an increase of SR 2.5m under Pharmacy fees which is related with the full year estimated collection for the prescription fee.
- Seychelles Heritage Foundation is expected to start collecting revenue at mission lodge as entrance fees and the sum of SR 4.7m has been forecasted.

### Dividends Income

The dividends income for 2020 is budgeted at SR 826m representing 8 per cent of the total estimated revenue and grants for the year and an increase of 19 per cent over the 2019 EOY estimates. An increase of SR 50m has been budgeted as dividend from SIMBC Nouvobanq and Financial Service Authority. In 2019 Dividend is expected from IDC and SSI for a total sum of SR 35m.

Table 24: Dividend income, SR'000s

DESCRIPTION	2018 Actual	2019 EOY	2020 Budget	2021	2022
SIMBC Nouvobanq	184,703	200,000	250,000	200,000	200,000
Seychelles Petroleum Company	145,000	250,000	250,000	250,000	250,000
Seychelles Ports Authority		25,000	25,000	25,000	25,000
Seychelles Civil Aviation Authority	43,200	115,000	100,000	100,000	100,000
Afrexim Bank	-	375	375	375	375
Seychelles Trading Company (STC)	-	-	-	5,000	5,000
Island Development Company (IDC)	-	-	10,000	10,000	10,000
Seychelles Commercial Bank	3,600	3,200	3,200	3,200	3,200
Development Bank of Seychelles	-	3,000	2,000	2,000	2,000
African Insurance Corporation	757	-	-	-	-
Financial Services Authority	49,095	50,000	100,000	100,000	100,000
Société Seychellois D'investissement (SSI)	-	-	25,000	-	-
Seychelles Fishing Authority	-	47,500	60,000	60,000	60,000
<b>Total Dividends:</b>	<b>426,355</b>	<b>694,075</b>	<b>825,575</b>	<b>755,575</b>	<b>755,575</b>
<b>% of GDP:</b>	<b>1.9</b>	<b>3.0</b>	<b>3.4</b>	<b>2.9</b>	<b>2.7</b>

Source: MoFTIEP, Financial Planning and Control Division estimates

### Other Non-Tax

#### Background

Other Non-tax relates to revenue from rent and royalties, interest income, statutory transfers from CBS, and other miscellaneous income.

Other non-tax is expected to increase by 34 per cent. This is mainly due to increase in rental of facilities under CINEA to cater for the rental of the Music Stadium. Increase in interest receipts from PUC and DBS.

**Table 25: Other Non-Tax Revenue, SR'000**

OTHER NON-TAX REVENUE	2018 Actual	2019 EOY	2020 Budget	2021	2022
Other Non-Tax Revenue	32,789	40,638	54,382	46,973	47,720
<b>% of Total Non- Tax &amp; Grants:</b>	<b>2.7</b>	<b>3.0</b>	<b>3.4</b>	<b>2.3</b>	<b>2.4</b>
<b>% of GDP:</b>	<b>0.1</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>

Source: MoFTIEP, Financial Planning and Control Division estimates

### Proceeds from sale of Asset

The 2020 proceeds from sale of asset projection is at approximately SR 146.8m, this represents an additional SR 35m or 31 per cent compared to 2019 end of year estimates. The increase is mainly under MHILT SR 30m; which relates to increase under sale of land bank and Long term lease of land and Building.

### Grants

For the medium term 2020 -2022 a total amount of SR 1.9bn worth of projects and programmes is expected to be funded through grants from various external bilateral and multilateral donors.

A total amount of SR 647.5m is expected to be received as external grants in the year 2020, out of which SR 388.2m as cash grant and SR 259.2m in kind. The total expected grant receipt represents 2.6 per cent of GDP.

The grant receipts of SR 647.5m will fund various projects in various sectors as per below

- **Education Sector**

- Re-construction of the school of Business Studies and Arts & Design being funded by the Government of the Republic of China – SR 24.9m.
- Renovation Works at different Government Schools being funded by the Government of India SR 12.1m.
- The construction of the Institute of Early Childhood Development Headquarters being funded by the United Arab Emirates - SR 7.6m.

- **Blue Economy Sector**

- Third South West Indian Ocean Fisheries Governance and shared growth project for ongoing implementation of various programmes towards improving management of marine areas and fisheries and to strengthen the fisheries value chain. The grant component of the project is from the Global Environment Facility Trust Fund (GEF) - SR 14.3m.
- The African Development Bank (AFDB) is also supporting the above sector with a grant for Technical Assistance and Capacity Building Project for support to the Blue Economy Micro Small and Medium Enterprises (MSMEs) in Seychelles for a total sum of USD 0.8m of which half is expected to be spent in 2020.

- **Environment and climate change sector**

Various on-going environment protection and climate change projects:

- Adaptation to Climate Change Project – SR 7.15m (Adaptation Fund)
- Ecosystem based adaptation to climate change – SR 7.15m (GEF)
- Climate change education – SR 5.72m (GEF)
- Ridge to Reef- Integrated Management of Marine, Coastal & Terrestrial Ecosystems- SR 9.3m (UNDP)

- **Law and Order**

- On-going construction of the new magistrate court and tribunals at Ile du Port being funded by a grant from the Government of India in 2020, the project is expected to be completed in 2020. An amount of SR 20.7m has been budgeted as expenditure under the grant for 2020.
- The Government of India will be financing the construction of a new Seychelles Police Headquarters at Ile Du Port. The project is estimated to cost SR 195m and SR 86.8m has been forecasted in 2020.
- The Government of India will be financing the construction of a new building for the Attorney General Chamber at Ile Du Port. The project is estimated to cost SR 164m and SR 82.4m has been forecasted in 2020.

- **Seychelles Broadcasting Corporation**

- The construction of the Seychelles Broadcasting house is being funded by the Government of China and an amount of SR 155.5m is anticipated to be spent under the grant in 2020.

- **Trade Facilitation**

- Programme in support of Seychelles of the Economic Partnering Agreement (EPA) with the European Union under the 11th European Development Fund – SR 2m
- The project for enhancing trade facilitation, sanitary measures, technical barriers and trade defence measures under the SADC Trade facility – SR 4.3m

Other grants expected to be received over the medium term (2020-2022) are as follows:

- The Health Master Plan to be funded by the Government of the Republic of China- SR 71m
- Construction of new Drug Rehabilitation Village to be funded by the United Arab Emirates – SR 44.6m
- Construction of new Youth Hope Centre to be funded by the United Arab Emirates- SR 44.6m
- The Government of India is expected to fund the construction of a Government house at Ile du Port for an amount of SR 650m to accommodate several Ministries, Departments and Agencies.
- SR 4m has been allocated for the purchase of Mobile Library; the project is finance by the Government of India.

- The United Arab Emirates will be providing support through a grant to Air Seychelles for Five years for an annual sum of USD 6m.
  - The renovation of the National Library to be funded by the Kuwait Government- SR 35m
- The Construction of a Demonstration Kitchen to be funded by the United Arab Emirates- SR 6.6m

## Expenditure

Table 26: Summary of Expenditure, SR'000

DESCRIPTION	2018 Actual	2019 EOY	2020 Budget	2021	2022
<b>Expenditure and net lending</b>	<b>8,485,443</b>	<b>8,808,087</b>	<b>9,778,100</b>	<b>10,171,008</b>	<b>10,289,083</b>
<b>Current expenditure</b>	<b>7,311,662</b>	<b>7,605,882</b>	<b>8,328,036</b>	<b>8,420,901</b>	<b>8,564,506</b>
<b>Primary Current Expenditure</b>	<b>6,752,739</b>	<b>7,054,166</b>	<b>7,792,428</b>	<b>7,858,743</b>	<b>7,943,347</b>
Wages and salaries	2,474,281	2,620,723	3,003,526	3,053,674	3,037,421
Goods and services	2,804,887	2,798,778	2,961,757	2,962,351	2,952,340
Capital expenditure	804,935	868,386	1,113,799	1,452,189	1,371,015
Social program of Government	114,410	159,741	175,344	180,152	190,169
Transfers to Public Enterprises	54,701	77,978	159,078	140,398	143,698
Benefits and approved programmes of SSF	1,273,464	1,357,244	1,457,787	1,487,232	1,584,783
<b>Others</b>	<b>30,995</b>	<b>39,703</b>	<b>34,936</b>	<b>34,936</b>	<b>34,936</b>
<b>Interest due</b>	<b>558,924</b>	<b>551,716</b>	<b>535,609</b>	<b>562,158</b>	<b>621,159</b>
External	222,935	232,716	234,609	221,158	221,159
Domestic	335,988	319,000	301,000	341,000	400,000
<b>Development Grant</b>	<b>222,540</b>	<b>125,215</b>	<b>144,453</b>	<b>172,268</b>	<b>251,835</b>
<b>Net lending</b>	<b>99,519</b>	<b>158,603</b>	<b>146,813</b>	<b>80,650</b>	<b>56,728</b>
<b>Contingency</b>	<b>46,787</b>	<b>50,000</b>	<b>45,000</b>	<b>45,000</b>	<b>45,000</b>
<b>Primary Balance:</b>	<b>596,467</b>	<b>580,051</b>	<b>611,214</b>	<b>654,580</b>	<b>707,729</b>
<b>% of GDP:</b>	<b>2.7</b>	<b>2.5</b>	<b>2.5</b>	<b>2.5</b>	<b>2.5</b>

Source: MoFTIEP, Financial Planning and Control Division estimates

For the fiscal year 2020 Government has budgeted an overall expenditure and net lending totalling to SR 9.78bn. This allows for primary balance of 2.5 per cent of GDP, to continue Government's debt repayment programme and sustainability. Table 23 shows the main expenditure allocations.

Overall expenditure and net lending increases by 7.7 per cent compared to the 2019 approved budget, and 11 per cent when compared to the 2019 end of year estimates. Below are the variances for each of the main categories of expenditure in 2020 when compared to the 2019 revised estimates:

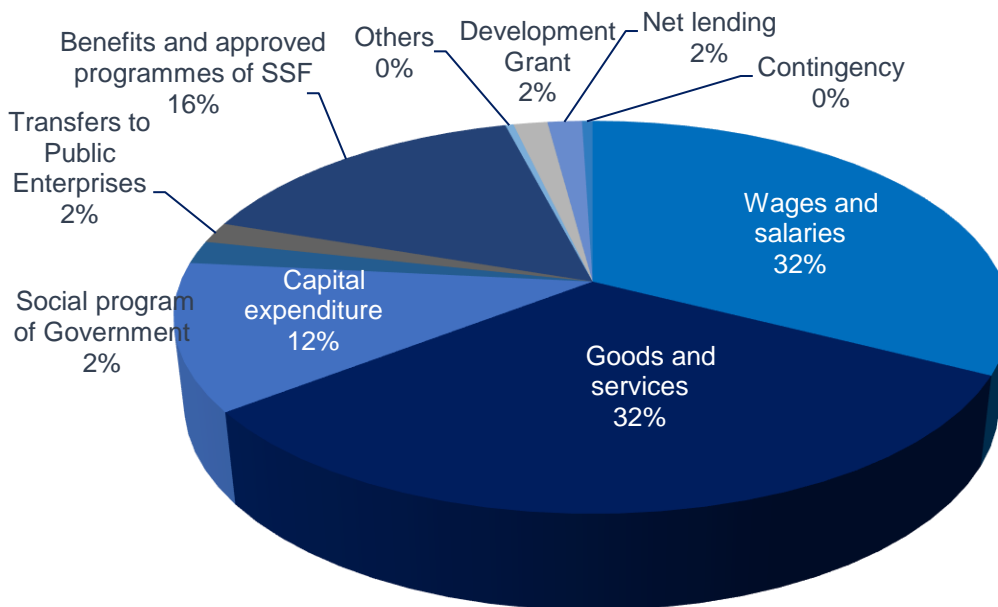
- Wages and Salaries increases by 14.6 per cent.
- Goods and Services increases by 5.8 per cent.
- Capital expenditure increases by 28.3 per cent
- The Social Programme of Government increases by 9.8 per cent.
- Transfers to Public Enterprises increases by 104 per cent

- Benefits and Approved Programmes of the Agency for Social Protection increases by 7.4 per cent.
- Other expenditures, which comprise of subscription to international organisations decreases by 12.0 per cent
- Development Grants increases by 15.4 per cent
- Net lending decreases by 7.4 per cent, and
- Contingency decreases by 10 per cent

**Expenditure distribution by main budget allocation (excluding interest payments)**

As illustrated in the diagram below, Wages and Salaries and Goods and Services remains as the two main drivers of budget expenditure, both with shares of 32 per cent of the total budget allocation. This is followed by benefits and approved programs of ASP with a total share of 16 per cent of the total budget allocation. Capital Expenditure is allocated with 12 per cent of the total budget expenditure.

**Figure 18: 2020 Budget Allocation**



Source: MoFTIEP, Financial Planning and Control Division estimates

### Distribution by Portfolio

Government's expenditure is categorised into fourteen portfolios. The table below shows the overall recurrent percentage share of each portfolio for the 2020 proposed budget in comparison to the 2019 EOY.

**Table 27: Share of Recurrent Expenditure by Portfolio**

PORTFOLIOS	2019 EOY Share (%)	2020 Budget Share (%)
Designated Minister	17.99	17.28
Education and Human Resource Development	18.75	19.11
Employment, Immigration and Civil Status	1.34	1.61
Environment, Energy and Climate Change	6.19	6.16
Family Affairs	2.13	2.13
Health	18.39	18.24
Other Statutory Bodies	2.40	2.44
Tourism, Civil Aviation and Marine	4.01	3.79
President's Office	8.69	8.61
Vice-President's Office	4.58	4.62
Constitutional Appointees	2.85	2.84
Finance, Trade, Investment and Economic Planning	6.91	7.23
Fisheries and Agriculture	1.51	1.56
Habitat, Infrastructure and Land Transport	4.26	4.39

Source: MoFTIEP, Financial Planning and Control Division estimates

The share between the portfolios has remained constant for the two years, with the Education and the Health portfolio remaining as the two leading portfolios, 19.1 per cent and 18.2 per cent respectively of the total recurrent budget. This is followed by the Designated Minister's portfolio, whose share is also significant because of it being a diverse group representing 17.28 per cent of the total recurrent allocation or 4.0 per cent of GDP.

The details of each MDAs' 2020-2022 budgets are presented in the PPBB statements. These provides the medium term priority objectives and performance measures against the budget allocations.

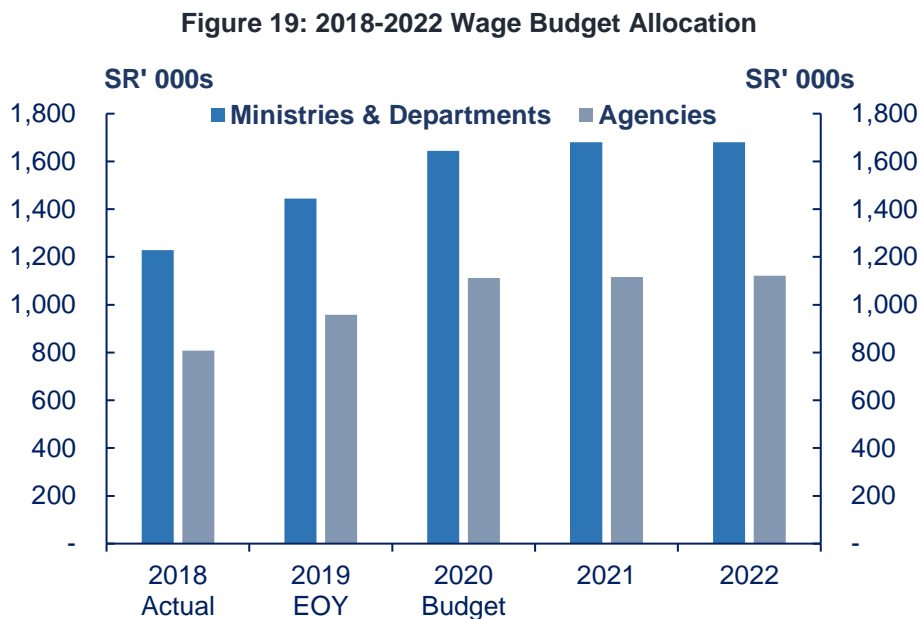
## Current Expenditure

### Wages and Salaries

A total sum of SR 3bn is being proposed for wages and salaries. This represents an increase of SR 383m or 15 per cent compared to the 2019 end of year estimates. Compensation of employees remains a significant part of Government budget. Wages and Salaries in 2020 represents 12 per cent of GDP. Nonetheless Government remains committed to ensure that the budget for this expenditure line is sustainable. The wage bill for Agencies are since 2017 being monitored compared to previous years when only Ministries and Departments wage expenses were monitored.

Ministries and Department’s wages is expected to grow by 16.4 per cent in the medium term when compared to the 2019 end of year estimates. Whilst a growth of 17.1 per cent is expected in Agencies wages budget in the medium term.

The graph below shows the allocation of wages and salaries in Ministries and Departments against the Agencies.

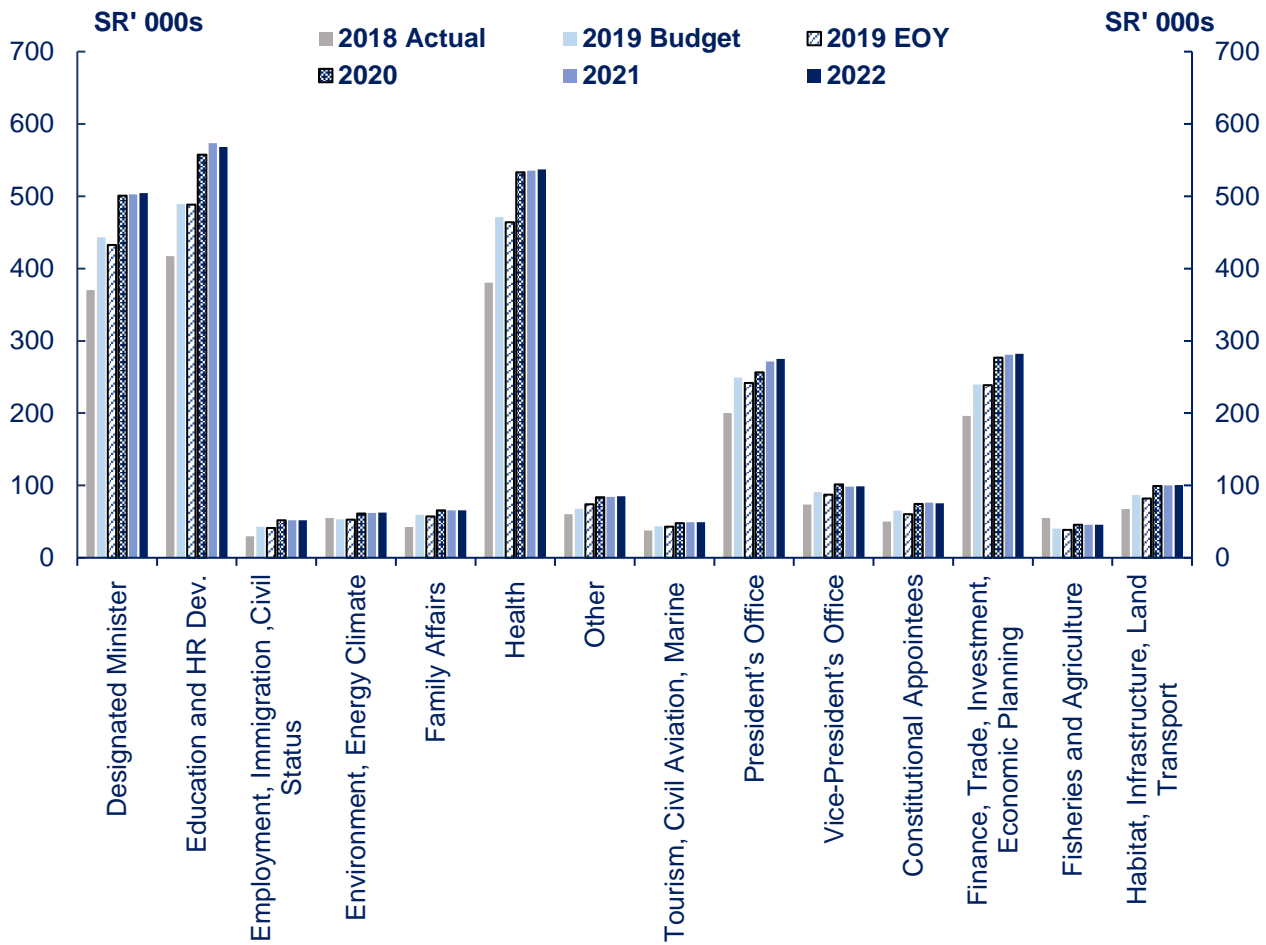


Source: MoFTIEP, Financial Planning and Control Division estimates

The below graph demonstrates the wages allocations by portfolios for the period 2018 to 2022. The allocation to the education, health, Designated Minister and President’s Office portfolios amounts to SR 1.85bn. This represents 67.05 per cent of the total MDAs wages and salaries allocation for 2020.



Figure 20: Evolution of Portfolio shares actual and budgeted wages & salaries (2018-2022)



Source: MoFTIEP, Financial Planning and Control Division estimates

### Schemes of Service

A total of SR 81m has been allocated under wages and salaries for the revision of scheme of service in 2020 and the full impact of the 2019 scheme of service implementation during the year. The revisions are aimed at improving the salary packages of the different cadres as part of the Government’s effort to retain its employees.

Revisions in schemes of service are carried out on a phased medium term basis based on priority and considering when the last revision was carried out for a particular cadre. Revisions also considers the sustainability of any increases whilst taking into consideration any implication for other sectors.

New Schemes of service being funded are as per below:

Implementation from January 2020

- Project Officers
- Asphalt Workers

- Attorney General – Public Prosecutors
- Education – Head Teacher and Deputy Head teachers, Library cadre
- Department of Immigration & Civil Status
- Department of Foreign Affairs ; Diplomatic Cadre (Overseas) & Protocol Chauffeur
- Disaster & Risk Management
- Legislature – Parliamentary Unit

#### Implementation from March 2020

- Ministry of Environment, Energy & Climate Change

#### Implementation from April 2020

- Judiciary

#### Implementation from July 2020

- Seychelles Bureau of Standards- Retention Allowance

### Recruitment

A sum of SR 20.8m is being allocated in 2020 for the creation and unfreezing of posts. Recruitment in 2020 has been limited to filling vacant positions in the 2019-funded list. However, for some MDAs some of the 2019 funded posts has been frozen in order to address challenges faced by other key priority portfolios. This takes into account the supply of the labour market. The major challenge remains the ability to recruit for all available positions. The number of graduates from universities and professional centres in Government related field is lower than the available vacancies in Government.

### Other Factors

Below is a brief summary of other allocations in regards to wages & salaries:

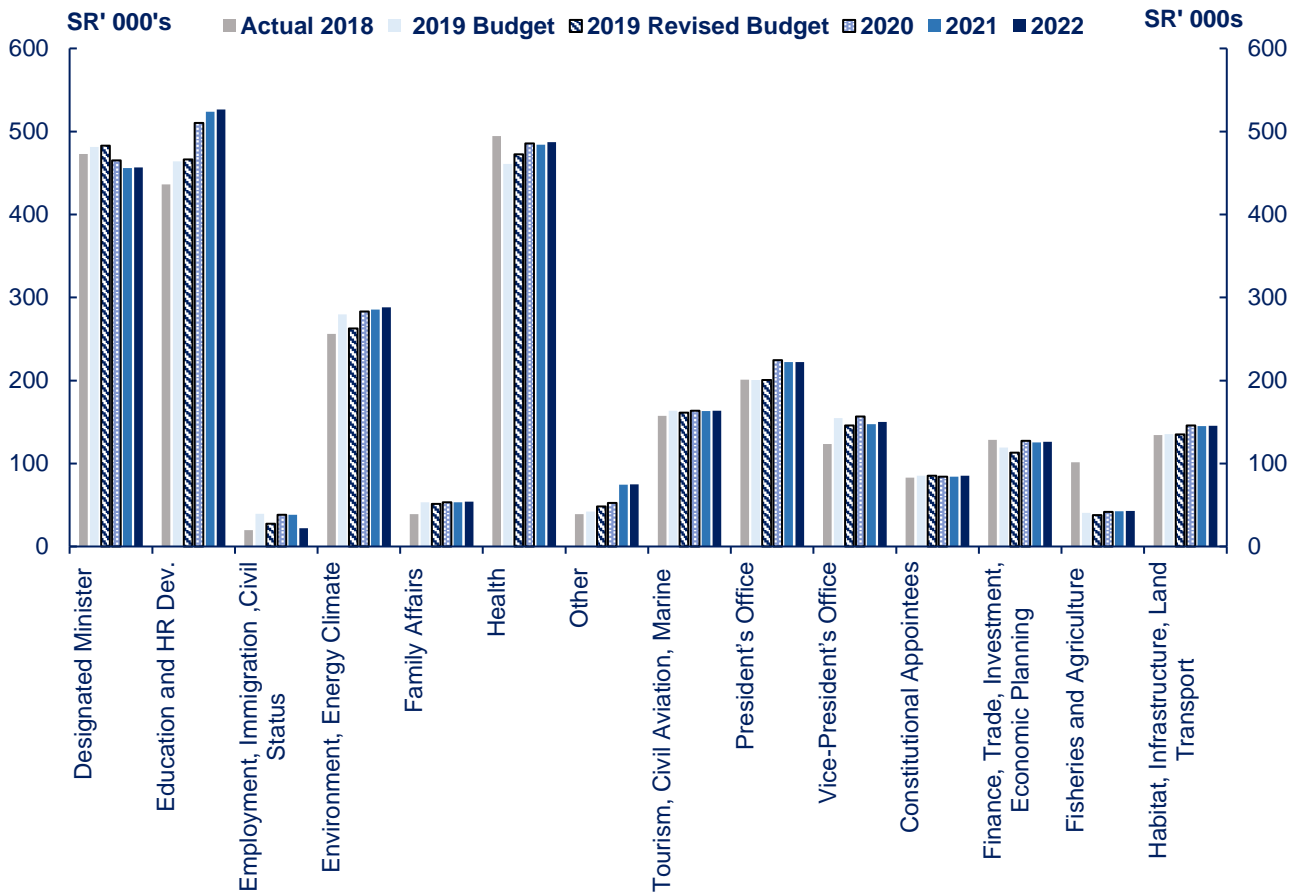
- SR 18.9m is being catered for the extension of the long service allowance to include employees on Public Service Contracts (PSC) as well as Agency contracts
- SR 101.7m is being allocated for 13<sup>th</sup> month salary for MDAs personnel
- SR 32.9m is being allocated for promotion, upgrading and salary enhancement
- SR 100.9m is being catered for gratuity and compensation for continuous service under the respective MDA's budget. In addition, SR 61m is being budgeted for gratuities and compensation for staff on PSC.

### Goods and Services

A sum of SR 2.96bn has been allocated towards Goods and Services in 2020. This represents 30.3 per cent of the total expenditure and net lending and 12.1 per cent of GDP. The Goods and Services expenditure has increased by SR 162.9m in comparison to the 2019 end of year estimates. Ministries and Departments' Goods and Services has increased by SR 85.1m whilst Agencies has increased by SR 56.5m. "Other Goods and

Services” category has increased by SR 18.8m mainly because of ‘Execution for Elections’ as the presidential election is due in 2020.

Figure 21: Evolution of Portfolio shares Actual and Budgeted Goods and Services (2018-2022)



Source: MoFTIEP, Financial Planning and Control Division estimates

*Office of the President*

The Office of the President will see a decrease of SR 6m under its Goods and Services in 2020 when compared to the 2019 end of year estimates. This is because the office had several one off projects that will be completed by the end of 2019 therefore, the funds is not required in 2020. The office has also installed solar panels on the roof of its buildings and thus anticipating lower electricity bills from 2020 onwards.

*Department of Defence*

For the year 2020, the Department of Defence will see an increase of SR 23m or 19 per cent over its 2019 end of year estimates. The department has received several donations such as boats and aeroplanes and this has a direct impact on the recurrent budget of the department for the maintenance of these vessels. The cost of not maintaining these vessels will be higher in later years if consistent repairs are not ensured.

*Department of Police*

For the year 2020, the Department of Police will see a decrease of SR 6.2m or 4 per cent in comparison with the 2019 end of year estimates. The 2019 budget had catered for the department to settle its utility arrears to the Public Utilities Corporation. The department had settled its debt in early 2019 therefore the provision has been reduced from the department's 2020 Budget allocation.

*Department of Prison*

In 2020, the Department of Prison's budget will see a decrease of SR 7m when compared to the 2019 end of year estimates. This is because of the closure of the Coetivy Prison therefore the operational cost of island prison has been reduced from the department's 2020 estimates.

*Seychelles National Youth Council*

The Seychelles National Youth Council will see an increase of SR 3.2m in its 2020 budget when compared to the 2019 revised budget. This is because the council had moved its offices to the new premises at SACOS tower resulting in higher rent.

*National Sports Council*

For the year 2020, the National Sports Council will see a decrease of SR 10.5m or 18 per cent when compared to the 2019 end of year estimates. This is because the 2019 had made provisions for several games that took place in 2019 such as the Indian Ocean games. While the 2020 makes provisions for other 2020 games but they are not as high profile as the IOIG, thus the reduction.

*National Bureau of Statistics*

The National Bureau of Statistic's goods and services budget has increased by 116 per cent in 2020 compared the 2019 EOY estimates. The 2020 estimates makes provision for the agency to conduct the Population & Housing Census, which is due in 2020.

*Ministry of Education and Human Resource Development*

The total Goods and Services allocated to the Ministry of Education and Human Resource Development amounts to SR 301.4m. This represents an increase of SR 50.4m or 20 per cent above the 2019 end of year estimates. The increase can mainly be attributed to the rental of houses for expatriate staff. Due to shortages on the local market, the ministry has been recruiting expatriates in order to fill its available vacancies thus the increase in housing rental. The revised Board Remuneration policy has also contributed to the increase under goods and services as all the schools are each oversee by a committee.

*Agency for National Human Resources Development (ANHRD)*

In 2020, the ANHRD's budget has decreased by SR 7.4m in comparison the 2019 EOY estimates. The 2019 end of year estimates makes provision for the agency to settle its University of Seychelles arrears. As the outstanding amount is expected to be settled by the end of 2019, the amount has been deducted from the 2020 budget allocation to ANHRD.

*Seychelles Land Transport Agency*

The Seychelles Land Transport Agency’s goods and services budget has increased from SR 95m to SR 103.8m or 9 per cent. Road maintenance is the main reason for the increase in the agency’s goods and services budget. The 2020 forecast for road maintenance is based on the current level of spending under the vote.

*Health Care Agency*

For the year 2020, the Health Care Agency’s budget is higher by SR 9.3m over the 2019 EOY estimates. The agency finds itself in a similar position to the Ministry of education in being unable to recruit on the local market and thus has to seek for expatriates to fill its available positions leading to increases in the agency’s housing budget explaining the increase in the goods and services budget of the agency.

**Transfers**

**Table 28: Summary of Total Transfers by Different Categories, SR' m**

TRANSFER TYPE	2018 Actual	2019 EOY	2020 Budget	2021	2022
Social Programs of Government	114,410	159,741	175,344	180,152	190,169
Transfers to Public Enterprises	54,701	77,978	159,078	140,398	143,698
Benefits and approved programmes of SSF	1,273,464	1,357,244	1,457,787	1,487,232	1,584,783
<b>Total Transfers:</b>	<b>1,442,575</b>	<b>1,594,963</b>	<b>1,792,209</b>	<b>1,807,782</b>	<b>1,918,650</b>
<b>% of GDP:</b>	<b>6.6</b>	<b>6.9</b>	<b>7.3</b>	<b>6.9</b>	<b>6.8</b>

Source: MoFTIEP, Financial Planning and Control Division estimates

*Transfers to Social Programs of Government*

A sum of SR 175.3m is being catered for under this category. This consists of Government’s contribution towards a number of Non-Governmental Organisations, Councils and Funds created by Government, as well as schemes introduced by Government to incentivise targeted sectors or programmes aimed at providing assistance to small entrepreneurs or to promote educational and social programmes and values to society. There has been an increase of SR 15.6m or 10 per cent over the 2019 EOY estimates. Provision under the Social Programmes include the following:

*Housing Finance Scheme*

The Housing Finance Scheme was first introduced in 2014 with the intention of assisting first time home owners with a cash grant that would help bridge the gap between the loan they can afford and the cost of the house. The level of subsidy depend on the applicant’s income and loan amount received. A provision of SR 18m has been made in the 2020 budget.

*Home improvement/re-roofing scheme for pensioners*

A provision of SR 5m has been catered for the Home Improvement and re-roofing scheme for Pensioners. Under the scheme pensioner's benefit from an interest free loan for renovations up to SR 50,000 while re-roofing projects are supported up to SR 100,000.

*Land Compensation Tribunal*

The Land Compensation Tribunal was set up in mid-2018 in order to review all outstanding cases with regards to land which the Government has taken from the Public since 1993. A budget of SR 2.5m has been allocated to cater for the operational cost of the Tribunal.

*Youth Employment Scheme*

The sum of SR 5m has been maintained under the Youth Employment Scheme for 2020. Under the scheme Government will refund 40 per cent of the salary of youths aged between 15 and 25 years old to an employer for their first year of employment.

*Youth Entrepreneurship Scheme*

The amount of SR 1m catered for under the Youth Entrepreneurship Scheme is used to support the young entrepreneurs.

*Contribution to Agricultural Development Fund*

Government's contribution to the Agricultural Development Fund is being maintained at SR 3m. The purpose of the Fund is to provide financing for the development of small-and medium-sized agricultural and horticultural projects.

*Small and Medium Enterprise Scheme*

Government's contribution to the Small and Medium Enterprise Scheme has increased to SR 25m for 2020. Since 2014 to September 2019 a total of 2,126 loans have been approved under the Scheme for a total of SR 1.83bn.

*Empowerment and Social Protection Programme*

A National Grants Committee has been set up in 2018 to evaluate the projects that used to be funded from the Empowerment and Social Protection Programme. The amount of SR 0.5m in 2020 is allocated for small programmes not registered under NGO's such as the Renaissance Programme. The allocation for the NGO's in 2020 has been allocated to the individual NGO's and some grouped under the National Grants for other Not- for- Profit Organisations. The Grants Committee approved the sum of SR 6.6m as Government financial support for nineteen NGO's.

*250th Victoria Celebrations*

Government will be contributing SR 5m in 2020 as its support towards the 250<sup>th</sup> Victoria Celebrations. In view that this celebration will be National Celebration for the year 2020 the National Theme will not be organising any activities and as such no provision has been made under the National Theme in 2020.

*Subvention to Public Enterprises*

The Government is assisting the following State-Owned Enterprises (SOEs) with a total sum of SR 159 m in 2020, and increase of SR 81m or 1045 per cent compared to the 2019 end of year estimates.

- **Air Seychelles:** The amount of SR 105m has been allocated for Air Seychelles which includes USD 6m in terms of the 5 yearly transfers. Government will provide a guarantee to enable the issuance of a bank guarantee of the USD 30m worth of preference shares in favour of Etihad shareholder based on the current liabilities that Air Seychelles owe Etihad during the past years.
- **SPTC:** Total assistance to the Seychelles Public Transport Corporation (SPTC) amounts to SR 50m. The subvention will be assisting SPTC towards the negative cash flow projection in 2020 resulting from the reduction in number of passengers.
- **Seychelles Postal Services Company:** The Government has catered for a sum of SR 4m to support the operations of the Seychelles Postal Services.

*Benefits and Approved Programmes of SSF*

The Agency for Social Protection (ASP) is mandated to provide social security coverage and protection against poverty through financial assistance as laid out under the Agency for Social Protection and the Social Security Benefit Act. The Agency is principally an agency that effects payment on behalf of Government for all the benefits and approved programmes of ASP. In the 2020 budget Government will maintain its commitment to finance the social programmes targeting the most vulnerable people in our society. Benefits and Approved Programmes of ASP represent 6.0 per cent of GDP for 2020. A sum of SR 1.45bn is being catered to finance the payment under the Approved Programmes of ASP. This represents an increase of SR 100.5m compared to the 2019 end of year estimates. With the ageing population, retirement and home care benefits remain a concern, particularly in terms of the sustainability. World Bank is assisting the Agency for Social Protection to review the benefits to ensure its sustainability.

*Retirement, Invalidity and Disability Benefits*

Government has allocated SR 770m, SR 114m and SR 104m for Retirement Benefits, Invalidity Benefits and Disability Benefits respectively. The three benefits accounts for 67.8 per cent of the total Benefits and Approved Programmes of ASP or 4.0 per cent of GDP. The increase under the three benefits is linked with the SR 500 increase from January 2020.

*Home Carers Scheme*

Government has allocated SR 292m under Home Carers Scheme. There is an increase of SR 24.0m or 9 per cent compared to the 2019 end of year estimates. The increase is linked with the impact of the minimum wage. The salary of full-time home carers will increase from SR 6,060.60 to SR 6,633.47 and the salary of part time Home Carers will increase from SR 3,787.35 to SR 4,145.92 as of 1<sup>st</sup> of January 2020. The benefits accounts for 1.2 per cent of GDP.

*Social Safety Net*

Social Safety Net is the only discretionary assistance programme. In 2018 SR 71m was spent for welfare assistance, compared to SR 80m in 2017. The 2019 end of year estimates was revised upwards to SR 49m compared to the approved amount of SR 40m. Government has allocated SR 47.7m in 2020.

*Emergency Housing Assistance Scheme*

The sum of SR 1.5m has been maintained in 2020 for the Emergency Housing Assistance Scheme. The scheme is for the payment of temporary accommodation for victims of burnt houses until they are provided with a house.



## Public Sector Investment Programme

The Central Government investment programme for the period of 2020 to 2022 is estimated at SR 3.9bn. A total of SR 1.11bn worth of projects is to be financed from the 2020 Budget, representing 28 per cent of this medium term investment plan.

The Central Government Projects continues to take on the largest proportion of the 2020 Budget. Other than this, the budget also provides for financing of investment programmes through the Net Lending and Development Grants. These two lines are focused towards funding capital projects of Public Enterprises, namely Public Utilities Corporation (PUC), Seychelles Public Transport Corporation (SPTC), and Property Management Corporation (PMC). The graph below portrays the trends in the investment budget over the period 2018 to 2021 and across the main categories. The table below shows the total PSIP allocations made across the medium term.

**Table 29: Public Sector Investment 2017-2021, SR'000s**

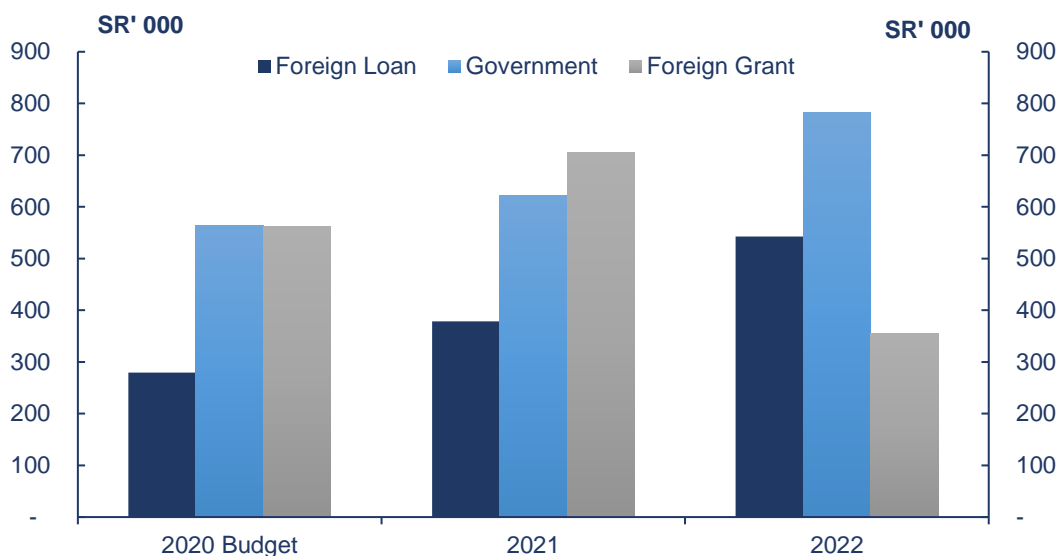
	2018 Actual	2019 EOY	2020 Budget	2021	2022
Central Government Projects	804,935	868,386	1,113,799	1,452,189	1,371,015
Net Lending	99,519	158,603	146,813	80,650	56,728
Development Grants	222,540	125,215	144,453	172,268	251,835
<b>Total Allocation:</b>	<b>1,126,994</b>	<b>1,152,204</b>	<b>1,405,065</b>	<b>1,705,107</b>	<b>1,679,578</b>
<b>% of GDP:</b>	<b>5.1</b>	<b>5.0</b>	<b>5.8</b>	<b>6.5</b>	<b>5.9</b>

Source: MoFTIEP, Financial Planning and Control Division estimates

The figures show an upward allocation in central Government capital expenditure for the years 2020 to 2022 as compared to the actual and revised figures for 2018 and 2019 respectively. This is largely due to increasing numbers from foreign financing being featured in the 2020 – 2022 budget figures for financing of certain large infrastructure projects.

The financing towards the PSIP is not limited to the Government. In addition, the capital projects do receive support through the external development partners, through grants and loans. Despite the external financing, the Government funds remain as the largest source of financing for these projects. For the period 2020 to 2022, Government financing totals up to SR 2bn, or 41 per cent, loans SR 1.2bn or 25 per cent and grants SR 1.7bn or 34 per cent.

**Figure 22: Public Sector Investment financing for 2020 to 2022**



Source: MoFTIEP, Financial Planning and Control Division estimates

The local financing is seen to reduce slightly in 2020, only to pick up in the following year with a significant increase. The loan funding follows a similar pattern. The grant financing, on the other hand, follows a reverse pattern with an increase in 2020 and a decrease in the following years.

The main external donors and creditors are European Union (EU), World Bank, South African Development Community (SADC), Arab Bank for Economic Development in Africa (BADEA), OPEC Fund for International Development (OFID), Global Environment Facility (GEF), Government of India, Government of China and Government of United Arab Emirates.

### 2019 Overview

A total budget of SR 884.7m was allocated towards the Central Government capital projects for the year 2019. However, due to delays in the implementation of several of the projects, there was a downward revision in its budget during the Mid-Year Process. The delays in the implementation were brought about by several factors including lack of internal capacity to implement and oversee the projects. In addition to this, unforeseen delays in the progress of projects have resulted in slow spending within this category of expenditure.

Main projects completed during 2019 to date includes housing projects such as the 64 housing units at the Ile Perseverance district completed during first quarter of 2019 at contracted cost of SR 40m and land bank projects such as Ex Hodoul land bank and Anse Corail Takamaka. There are also certain land infrastructure projects from the Seychelles Land Transport Agency including improvement to Agathine road at Takamaka and general renovation works across certain state schools including Baie Lazare, Belonie and Ile Perseverance.

2020 Outlook

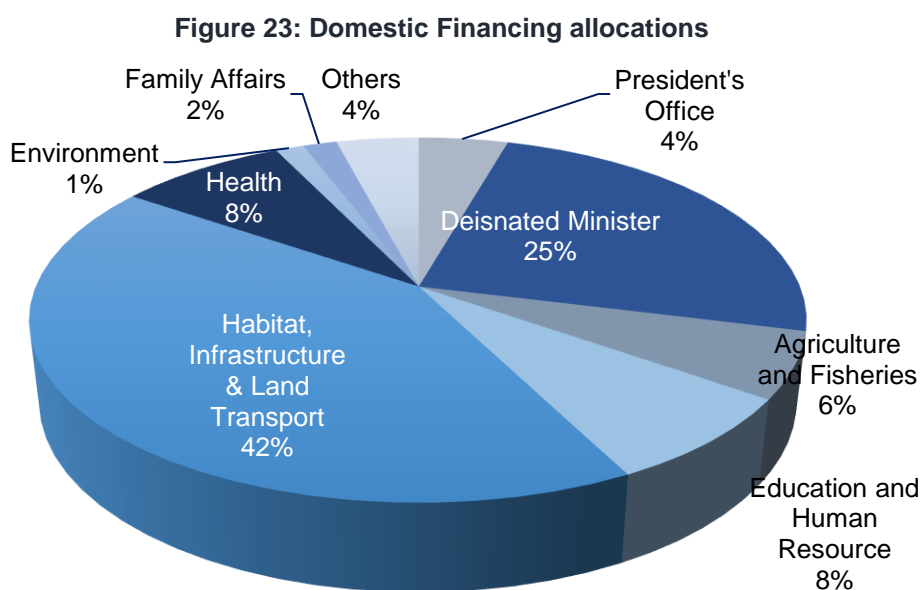
The total budget allocated towards Central Government investment projects for the year 2020 sums SR 1.1bn. This represents an increase of SR 245m, or 28 per cent when compared to the revised 2019 figures. The financing of the 2020 investment projects is largely through foreign where 62 per cent of the total requirements are provided by it. This is comprised of grant financing representing 50.4 per cent, and loan financing of 11.9 per cent.

Some of the main infrastructure projects expected to start in 2020 are:

- New Police Headquarters building being financed from foreign grant from the Government of India with a total of SR 86.8m budgeted in 2020.
- New Building for the Seychelles Institutes of Arts & Design and the Seychelles Business Studies Academy with total expenditure of SR 24.9m budgeted in 2020.
- Backfilling of Perseverance Coast Guard area with total budgeted figure of SR 6m in 2020.
- Various new land bank projects from the department of Infrastructure for the budgeted sum of SR 24m.
- Renovation of the Palais de Sports and the Unity Stadium with a budget of SR 7.3m in 2020.
- Setting up of vehicle testing station on Praslin with the sum of SR 2m budgeted in 2020

Domestic Financing

Similar to previous years, the Habitat, Infrastructure and Land Transport Portfolio makes up the largest portion (42 per cent) of the total local financing of SR 419m. This is followed by the Designated Minister’s Portfolio 24 per cent, Health Portfolio 8.3 per cent and Education 7.8 per cent. The below graph shows the domestic financing allocation across the portfolios:



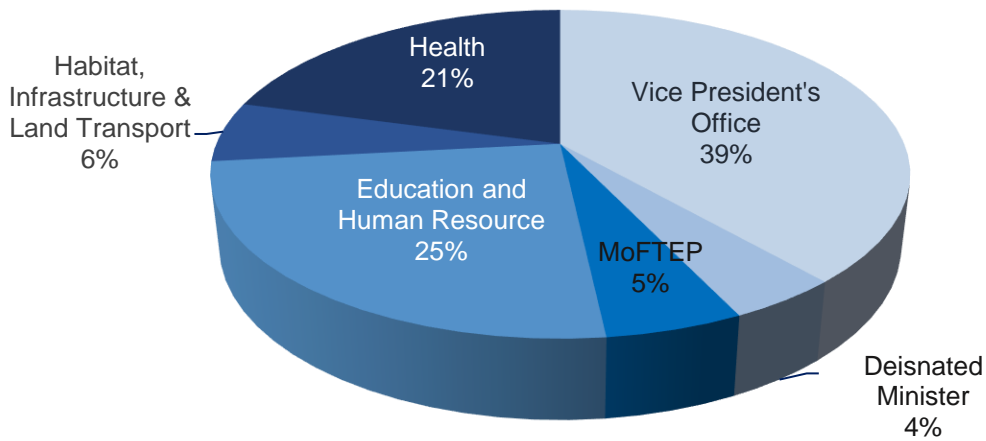
Source: MoFTIEP, Financial Planning and Control Division estimates

*Loan Financing*

A total of SR 132m of the capital projects planned for 2020 is financed through Loans. The composition for the loan financing varies compared to Domestic Financing. For this, the largest allocation is for the Vice President’s office portfolio accounting for up to 39 per cent. The other main portfolios are Education & Human Resource Portfolio taking up to 21 per cent and the Health Portfolio counting up to 21 per cent of total allocation.

Some of the key projects being financed from the loan financing includes the ongoing Swiofish project by the Word Bank/ GEF, the reconstruction of the La Rosiere primary school, the new infrastructure for the Seychelles Institute of Agriculture and Horticulture as well as the Health Information system from the Health Care Agency. The below graph shows the distribution of foreign loan per portfolio.

**Figure 24: Foreign Loan per Portfolio**

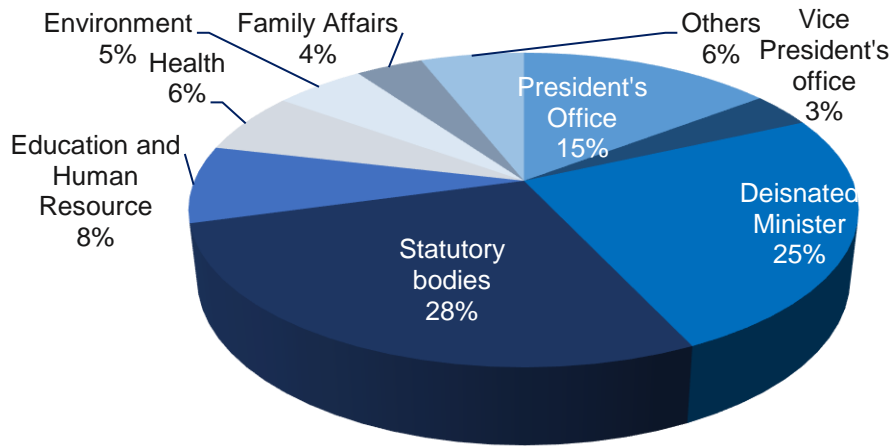


Source: MoFTIEP, Financial Planning and Control Division estimates

*Grants financing*

Grant financing accounts for the highest proportion of financing of the government’s public sector investment program for the year 2020. Grant financed projects are mainly allocated towards Statutory bodies accounting for up to 28 per cent of the total allocation, the Portfolio of the office of the designated minister accounting for up to 25 per cent and the office of the President’s portfolio summing up to 15 per cent of the total allocation. The below chart shows the allocation of grant financing per portfolio.

**Figure 25: Grant Financing per Portfolio**



Source: MoFTIEP, Financial Planning and Control Division estimates

Grant allocation are shared between 'cash grant' and 'benefits in kind' across the years.

*Cash Grant financing*

A number of new projects are expected to be financed through cash grant in the year 2020. Main ones include the construction of the new police headquarters through a grant from the Indian Government, the construction of the Attorney General's office building also through a grant from the Indian Government. An allocation has also been made to cater for the ongoing 'New Magistrates court' building project as well as the ongoing 'small development projects' used to finance numerous small community projects from different MDAs.

*Benefits in Kind:*

A number of major projects earmarked to start in the year 2020 or currently being implemented but is set to continue in 2020 are being financed through 'benefits in kind'. Main projects in this category includes the ongoing works for the construction of the SBC house, the new project for the construction of an infrastructure to house the SIAD and SBSA schools as well as projects from the Ministry of family affairs and the APDAR for the construction of a youth hope centre and a drug rehabilitation facility respectively.

*Planned Investment by Sector*
**Table 30: Financing allocation for 2019-2022, SR'm**

SECTORS	2019 EOY	2020 Budget	2021	2022
Defence	8,301	14,103	25,502	135,745
Housing	206,993	97,077	447,072	442,263
Land Transport	76,016	87,187	85,516	110,289
Economic	136,530	101,131	117,770	125,346
Fisheries & Agriculture	32,145	24,472	25,544	34,000
Health	55,649	97,748	97,872	91,804
Education	126,324	110,340	203,450	230,694
Community amenities	40,652	65,227	51,000	50,500
Public Order and Safety	54,442	248,745	270,220	19,620
Youth Sports & Culture	50,288	33,274	52,378	52,500
Social Affairs		23,750	30,750	1,129
Environment	27,197	34,569	17,850	14,796
General Public Services	53,799	176,176	27,265	62,329
<b>TOTAL:</b>	<b>868,386</b>	<b>1,113,799</b>	<b>1,452,189</b>	<b>1,371,015</b>

Source: MoFTIEP, Financial Planning and Control Division estimates

*Department of Education*

A total of SR 110.3m is budgeted to be allocated to the Department of Education to assist with infrastructure in the sector. The main projects being financed are:

- Ongoing works for the reconstruction of La Rosiere primary school funded from foreign loan financing
- Ongoing works for the construction of the La Digue primary school
- Construction of new infrastructure for the School of Agriculture and Horticulture
- Construction of new infrastructure to house the School of Business Studies & Accounting and the Seychelles Institute of Arts & Design

*Health and Social Services*

The total budget allocation made to the Health and Social Services sector for the year 2020 totals SR 121.5m. Main projects being financed are:

- Ongoing works for the setting up of the Health Information System from the Health Care Agency
- Ongoing works for the conversion of the diagnostic center into the clinical laboratory
- The construction of the new La Digue hospital
- Constructoin of the Baie Lazare health Center
- Renovation of the North East Point hospital
- Construction of the youth hope center from the Ministry of Family Affairs

*Infrastructure and Community*

The Infrastructure and Community sector combined has been allocated a total of SR 162.3m for the year 2020.

Main project being financed from the sector are:

- Land bank project for phase II of Ex Holden Pierre
- Land bank project for the Sogis estate extension
- Infrastructure works for special housing – poverty alleviation
- Phase II infrastructure onsite works Perseverance
- Construction of the Cascade Community centre
- Upgrading of existing DA offices & Community centres across various district

*Fisheries and Agriculture*

A total of SR 24m has been allocated to the Fisheries and Agriculture sector for the budget 2020. The total allocation reflects funds to be received from the Livestock Trust Fund.

*Energy, Environment and Climate Change*

A total of SR 34.6m is allocated to the Energy and climate change sector for the budget 2020. Up to 84.6 per cent of this is being financed from foreign grant from GEF. Main projects funded are:

- Projects related to adaptation to climate change funded through foreign grant financing
- Infrastructure projects for the priority drainage programme covering various districts
- Infrastructure projects for the coastal rehabilitation programme covering various districts

*Transport Sector*

A total of SR 87.2m has been allocated to the Transport sector in the 2020 budget. Main projects being funded are as follows:

- Ongoing road infrastructure works at the RC mission at Anse Boileau
- Ongoing road widening works at Cap Ternay
- Construction of Footpath Grand Anse mahe
- Road infrastructure works at Koko Ibrid
- Road infrastructure works at La Plaine Hollandaise
- Ongoing works for the Victoria Traffic Management

**Development Grants to Public Enterprises**

A total sum of SR 144m is being allocated towards development grants to state owned enterprises. This relates to the financing of their capital projects.

- SPTC is being allocated a total of SR 22m. Of this, SR 14.5m relates to Government’s contribution towards the implementation of its capital projects. The SR 7.2m within foreign financing relates to the procurement of TATA buses. This is to be financed through the Indian Line of Credit.
- Property Management Corporation (PMC) is to be allocated a Budget of SR 63m in 2020.

The Government's contribution towards the Public Utilities Corporation (PUC) for 2020 is SR 60m. The allocation is Government support towards the Infrastructure project.

### **Net Lending**

The figures for net lending shows a budgeted decrease across the years 2020 to 2022 as compared to the revised figures of the previous years. A total of SR 176m is being budgeted towards the Net Lending in 2020. This amount relates to funding provided by loans from financial institutions and which are then allocated to PUC. It relates to financing from three loans: (1) SR 66m from the loan with EIB/ ADB for the financing of its infrastructure master plan; (2) SR 59.8m for the financing of its 33KV project. This is financed by BADEA; and (3) SR 51m to fund the La Gogue dam raising project. This is also financed by BADEA.

### **Contingency**

A provision of SR 45m is being allocated under the contingency fund for 2020 of which SR 37.5m has been budgeted annually during the period 2020-2022 for the La Misere Water pollution cases and the balance is for the normal contingency provision.



## Debt Outlook

### Debt Outlook

At the end of September 2019, the total government and government guaranteed debt amounted to SR 12,594m, representing about 53.42 per cent of GDP. The total debt stock was mostly comprised of domestic debt, which accounted for about 56 per cent of the debt stock. As can be seen in table 31 below, the total stock of domestic debt amounted to SR 7,037m whilst the external debt stock amounted to about SR 5,557m.

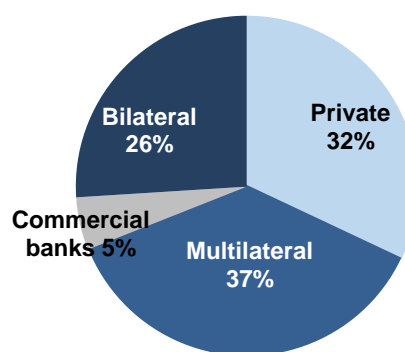
### 2019 External Debt Stock

The external debt is defined as the outstanding amount of those actual current, and not contingent, liabilities that require payment(s) of principal and/or interest by the debtor at some point(s) in the future and that are owed to non-residents by residents of the Seychelles economy.

At the end of September 2019, the total stock of external debt amounted to about SR 5,557m representing an equivalent of 23.6 per cent of GDP. As shown by Figure 26, debts owed to multilateral creditors accounts for the largest share of the total external debt stock at 37 per cent of the total external debt. Private and Bilateral debts made up for 32 per cent and 26 per cent of the total external debt stock respectively. Debts owed to commercial banks accounts for the smallest share of the total external debt at only 5 per cent.

Figure 26: External debt by Creditor category

CREDITOR CATEGORY	EXTERNAL DEBT STOCK
Multilateral	2,078
Bilateral, (of which);	1,424
Paris Club	731
Non-Paris Club	692
Commercial banks	293
Private	1,762
<b>Total</b>	<b>5,557</b>



Source: MoFTIEP, Public Debt Section

As indicated by Table 31, loans and securities are the main types of instruments contained in the debt portfolio. Securities account for the largest share of the external debt stock at 59 per cent whilst loans accounts for 40.7 per cent. Other Debt Liabilities account for the smallest share of the external debt portfolio at 0.3 per cent.

**Table 31: External debt by instrument type**

	2019 (SR' m)	%
Loans	5,127	41
Securities	7,433	59
Other Debt Liabilities	33	0.3
<b>Total Debt</b>	<b>12,594</b>	<b>100</b>

Source: MoFTIEP, Public Debt Section

## External debt repayments

**Table 32: External Debt Forecast by Year 2018-2021 (SR' m)**

EXTERNAL DEBT	2018	2019	2020	2021
Total Principle	445	440	508	515
Total Interest	226	239	233	216
<b>Total: External Debt</b>	<b>671</b>	<b>679</b>	<b>740</b>	<b>731</b>

Source: MoFTIEP, Public Debt Section

## 2019 Domestic Debt Stock

The stock of domestic debt comprises of all debt liabilities owed to residents of Seychelles economy. As of September 2019, the total domestic debt amounted to SR 7,037m. Loans and Securities are the main components of the domestic debt, with loans accounting for about 20 per cent and securities 80 per cent of the domestic debt stock. The securities category mostly comprises of treasury bills, which accounts for 66 per cent of the total domestic debt.

**Table 33: Domestic debt by instrument type**

	2019 (SR' m)	%
<b>Loans</b>	1,398	20
<b>Securities of which;</b>	5,606	80
Treasury Bills	4,673	66
Treasury Bonds	550	8
DBS Bonds	300	4
Deposits	38	0.5
Notes	45	0.6
<b>Other Debt Liabilities</b>	34	0.5
<b>Total Debt</b>	<b>7,037</b>	<b>100</b>

Source: MoFTIEP, Public Debt Section

## Selected Economic Indicators

	2016	2017	2018	2019	2020	2021	2022
<b>National income and prices</b>							
Nominal GDP (millions of Seychelles rupees)	19,014	20,515	22,019	23,201	24,447	26,198	28,011
Real GDP growth	4.5	4.3	4.1	3.9	3.5	4.1	4.0
GDP deflator growth	-0.8	3.4	3.1	1.4	1.8	2.9	2.8
CPI (annual average)	-1.0	2.9	3.7	2.0	2.1	2.9	2.9
<b>Government Budget (% GDP)</b>							
Total revenue, including grants	37.9	36.4	37.6	38.0	39.8	39.2	36.7
Total revenue, excluding grants	36.6	35.6	36.3	37.1	37.2	36.2	35.1
Grants	1.3	0.8	1.3	0.9	2.6	3.0	1.6
Expenditure and net lending	38.1	37.1	37.8	38.5	40.4	38.8	36.3
Current expenditure	33.1	32.7	32.8	33.1	34.3	32.2	30.3
<i>Of which: interest payments</i>	3.8	3.1	3.1	3.1	3.0		
Capital expenditure	5	4.4	4.3	4.3	4.8	5.5	4.8
Net Lending	0.2	0	0.4	0.9	0.6	0.3	0.2
Primary balance	3.2	3.1	2.9	2.5	2.5	2.5	2.5
Overall balance (accrual basis), including grants	1.7	2.2	0.7	0.1	0.3	0.4	0.3
Overall balance (accrual basis), excluding grants	-0.7	0	-0.6	-0.8	-2.5	-2.6	-1.3
<b>External sector (% GDP, unless otherwise indicated)</b>							
Current account balance including official transfers	-20.3	-19.7	-17	-17.3	-17.6	-17.9	-18.0
<i>Imports of goods (USD'm)</i>	-286	-296	-270	-287	-302	-324	-342
<i>Imports of services (USD'm)</i>	991	1155	1234	1215	1259	1358	1426
<i>Exports of goods (USD'm)</i>	507	552	533	549	562	583	609
<i>Exports of services (USD'm)</i>	459	565	562	565	581	621	648
Primary Income, net	894	998	1,015	1,021	1,052	1,111	1,169
Secondary Income, net	-131	-136	-98	-93	-96	-100	-108
Foreign Direct Investment	-10	-16	19	-14	-17	-14	-15
Gross official reserves (USD'm)	12.8	18.0	7.3	14.4	15.3	17.6	17.4
In months of imports, c.i.f.	523	545	549	542	540	558	581
	4.1	4.2	3.8	3.6	3.3	3.3	3.2
<b>Total external debt outstanding (% of GDP)</b>							
Total debt outstanding (SR'm)	12,910	12,693	13,432	14,257	14,003	13,541	13,135
Total debt outstanding % of GDP	68	62	61	62	57	52	47
<i>Domestic (% of GDP)</i>	36	32	32	33	30	27	23
<i>External (% of GDP)</i>	32	30	29	29	27	25	24

Source: MoFTIEP, IMF tables



# **GOVERNMENT OF SEYCHELLES**

## **Debt Management Strategy:**

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For the years 2020 - 2022



Ministry of Finance, Trade, Investment & Economic Planning  
Republic of Seychelles  
October 2019

# TABLE OF CONTENTS

<b>INTRODUCTION .....</b>	<b>3</b>
<b>PART I.....</b>	<b>4</b>
1.1 Debt Management Objective .....	4
1.2 The Goals for Debt Management.....	4
1.3 Scope of the Debt Management Strategy.....	5
1.4 Legal and Institutional Framework .....	5
1.5 Evolution of debt .....	6
<b>PART II .....</b>	<b>7</b>
<b>2. OVERVIEW OF THE EXISTING DEBT.....</b>	<b>7</b>
2.1 External Debt Profile .....	8
2.2 Domestic Debt Profile .....	9
<b>3. RISK INDICATORS .....</b>	<b>10</b>
<b>3.1 REFINANCING RISKS .....</b>	<b>10</b>
3.1.1 <i>Average Time to Maturity</i> .....	10
3.1.2 <i>Share of Debt Maturing within in one year</i> .....	10
3.1.3 <i>The Redemption Profile</i> .....	11
<b>3.2 INTEREST RATE RISKS.....</b>	<b>13</b>
3.2.1 <i>Average Time to Re-fixing</i> .....	13
3.2.2 <i>Percentage of Debt Re-fixing within 1 year</i> .....	13
3.2.3 <i>Fixed Rate Debt as a share of the total debt</i> .....	13
<b>3.3 EXCHANGE RATE RISKS .....</b>	<b>14</b>
3.3.1 <i>The currency composition</i> .....	15
<b>3.4 OPERATIONAL RISKS .....</b>	<b>16</b>
<b>3.5 COST OF DEBT .....</b>	<b>16</b>

<b>4. RECENT DEVELOPMENT .....</b>	<b>17</b>
<b>PART III .....</b>	<b>18</b>
<b>5. THE ENVIRONMENT FOR DEBT MANAGEMENT .....</b>	<b>18</b>
<b>6. THE DEBT MANAGEMENT STRATEGY FRAMEWORK.....</b>	<b>22</b>
<b>6.1 DEBT MANAGEMENT STRATEGY 2020-2022 .....</b>	<b>22</b>
<b>2020 BORROWING PLAN .....</b>	<b>25</b>
Overall Financing Plan .....	25
External Debt .....	26
Domestic Debt.....	27

# INTRODUCTION

The Government of Seychelles's Debt Management Strategy provides details of the Government's plans for managing government and government guaranteed debt over the medium term. It is prepared in compliance with international best practices in debt management and the requirements of the Public Debt Management Act of 2008 (amended in 2009 and 2012).

The aim of the Debt Management Strategy (DMS) is to determine the most effective debt management strategies for achieving the desired future debt structure based on cost and risk implications. The design of the DMS takes into consideration macroeconomic objectives and policies such as fiscal and monetary policies. This strategy document is broken down into the three parts listed below;

**Part I** covers the objectives, scope and the legal framework for the DMS. It also describes the role of debt management in the macro economic framework and provides a historical overview of the debt structure. This section also outlines the evolution of the debt and the goals for the 2020-2022 period.

**Part II** gives an overview of the current debt profile. It provides an analysis of possible risks to the portfolio, the volatility of the risk factors and the exposure to these risks. This will provide clues as to whether the existing cost and risk structures are satisfactory or what needs to be changed. It will also help to identify which of the risks are more pertinent.

**Part III** looks at the environment for debt management, followed by the debt management framework and strategy. Part III will conclude with the borrowing plan for 2020, taking into account the fiscal balances.

# PART I

## 1.1 Debt Management Objective

The government's primary debt management objective is founded on international best practice for debt management. As recommended by the International Monetary Fund (IMF), World Bank and other international institutions, the government's primary debt management objective is defined as follows;

***“To ensure that the Government’s financing needs and payment obligations are met on a timely basis, and at the lowest possible cost, consistent with a prudent degree of risk.”***

## 1.2 The Goals for Debt Management

To help achieve the primary debt management objective, the government will pursue the following goals over the medium term;

- i. Ensure that the fiscal and monetary authorities are aware of the impact of government’s financing requirements and monetary policies on the levels and the rate of growth of public debt.
- ii. Work towards an optimum structure for public debt that minimizes costs and risks, including currency mismatch, adverse movement in interest rates, refinancing and operational risks.
- iii. Assist the government in achieving its objective of limiting public borrowing to an amount that is consistent with the country’s medium-term payment capacity assessed from both a fiscal and balance-of-payments perspective.
- iv. Assist towards the development of the domestic financial market and the lengthening of the debt maturity profile.



### **1.3 Scope of the Debt Management Strategy**

The Debt Management Strategy will examine the total public debt for years 2020 to 2022, where the total public debt is defined as the total government and government guaranteed liabilities that require payment of principal and/or interest to external and domestic creditors. External and domestic classifications are based on the residency of the creditors.

The debt stock figures for the years 2008-2018 are as at calendar year end, whilst the 2019 figures are as at 30<sup>th</sup> September 2019.

### **1.4 Legal and Institutional Framework**

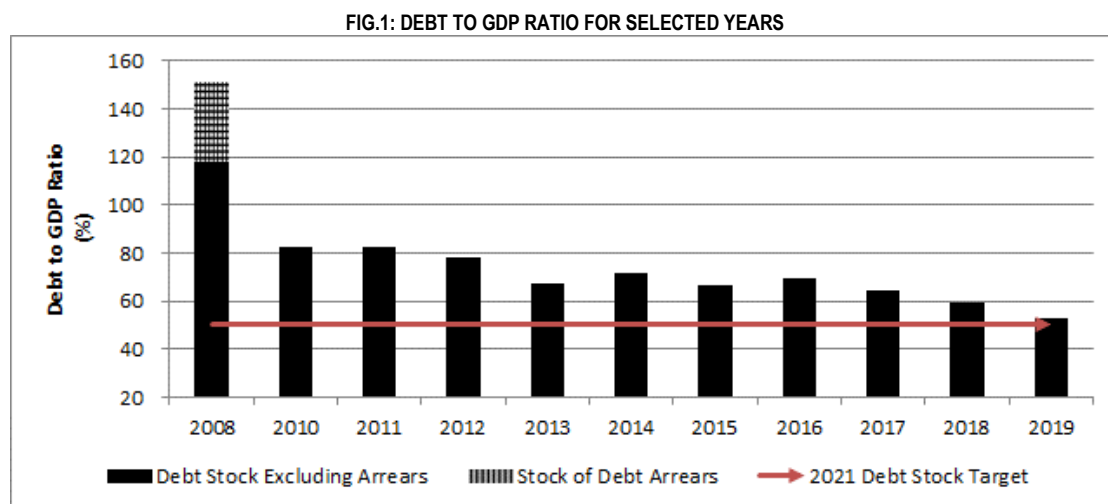
The primary responsibility of debt management lies with the Debt Management Division of the Ministry of Finance, Trade, Investment & Economic Planning. The Division is responsible for managing government and government guaranteed debt as well as monitoring all non-guaranteed public enterprise debt. Public debt management in Seychelles is regulated by the Public Debt Management Act of 2008 (amended in 2009 and 2012).

## 1.5 Evolution of debt

Since 2008, the government has made significant progress in reducing the level and structure of its public debt. This remarkable achievement was mostly attributed to the 2008 debt restructuring program whereby some Paris Club creditors including Malaysia and South Africa agreed to write off 45% of the debts outstanding. The remaining bilateral creditors, commercial banks and private creditors agreed to provide comparable debt service relief, which has helped to alleviate the repayment burden over the subsequent years, enabling the government to service its debts without accumulating payment arrears.

Figure 1 below, shows the evolution of total public debt as a share of GDP for selected years. The total debt stock fell from over 150% to 67% of GDP in 2013. However, the introduction of treasury bills for monetary purposes in 2014 and loosening of the fiscal policy in 2016 slowed down the rate at which the debt level was falling in 2017.

The government is committed to keep its debts on a sustainable path and the fiscal target is to achieve a Debt to GDP ratio of 50% by the end of 2021.



Source: Ministry of Finance, Trade, Investment & Economic Planning

## PART II

### 2. OVERVIEW OF THE EXISTING DEBT

At the end of September 2019, the total government and government guaranteed debt amounted to SCR 12,594.16 million, representing about 53.4% of GDP. The total debt stock, mostly comprised of domestic debt, which accounted for about 56% of the debt stock. As can be seen in Figure 2 below, the total stock of domestic debt amounted to SR 7,037.35 million whilst the external debt stock amounted to about SR 5,556.81 million.

Figure 3 gives an indication of the nature of the public debt. Ninety-two percent (92%) of the total debt was that of the central government and the remainder (8%) was government guaranteed debt.

The stock of guaranteed debt was predominantly made up of domestic guarantees to public enterprises. The Development Bank of Seychelles (DBS) and the Property Management Corporation (PMC) holds the largest stock of government guaranteed debt. The guarantees to DBS accounting for 4% and that of PMC to 2% of the total debt stock.

**FIG.2: TOTAL DEBT BY RESIDENCY OF CREDITORS**

	<b>2019</b> <i>(In Millions SCR)</i>	<b>%</b>
<b>DOMESTIC</b>	<b>7,037.35</b>	<b>56</b>
<i>of which</i>		
Government	6,131.34	49
Guarantees	906.01	7
<b>EXTERNAL</b>	<b>5,556.81</b>	<b>44</b>
<i>of which</i>		
Central Government	5,461.47	43
Guarantees	95.34	1
<b>Total Debt</b>	<b>12,594.16</b>	<b>100</b>

Source: Ministry of Finance, Trade, Investment & Economic Planning

**FIG. 3: TOTAL DEBT BY GUARANTEE STATUS**

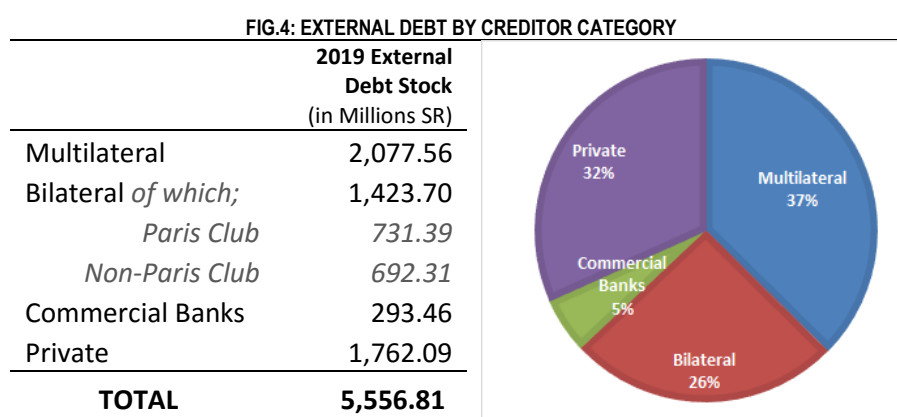
	<b>2019</b> <i>(In Millions SCR)</i>	<b>%</b>
Government	11,592.81	92
Guarantees	1,001.35	8
<b>Total Debt</b>	<b>12,594.16</b>	<b>100</b>

Source:  
Ministry of Finance, Trade, Investment & Economic Planning

## 2.1 External Debt Profile

The external debt is defined as the outstanding amount of those actual current, and not contingent, liabilities that require payment(s) of principal and/or interest by the debtor at some point(s) in the future and that are owed to non-residents by residents of the Seychelles economy.

At the end of September 2019, the total stock of external debt amounted to about SR 5,556.81 million representing an equivalent of 23.57% of GDP. As shown by Fig 4, debts owed to multilateral creditors accounts for the largest share of the total external debt stock at 37% of the total external debt. Private and Bilateral debts made up for 32% and 26% of the total external debt stock respectively. Debts owed to commercial banks accounts for the smallest share of the total external debt at only 5%.



Source: Ministry of Finance, Trade, Investment and Economic Planning

As indicated by Figure 5, the debt portfolio contains two main types of instruments (i.e. loans and securities). Loans account for the largest share of the external debt stock at 67% whilst securities accounts for 33%.

**FIG.5: EXTERNAL DEBT BY INSTRUMENT TYPE**

	<b>2019</b>	<b>%</b>
	<i>(In Millions SCR)</i>	
Loans	3,729.7	67
Securities	1,827.1	33
<b>Total Debt</b>	<b>5,556.8</b>	<b>100.0</b>

Source: Ministry of Finance, Trade, Investment and Economic Planning

## 2.2 Domestic Debt Profile

The stock of domestic debt comprises of all debt liabilities owed to residents of Seychelles economy. As of September 2019, the total domestic debt amounted to about SR 7,037 million. Loans and Securities were the main components of the domestic debt, with loans accounting for about 20% and securities 80% of the domestic debt stock. The securities category was mostly made up of treasury bills, which accounted for 66% of the total domestic debt.

FIG. 6: DOMESTIC DEBT BY INSTRUMENT TYPE

	<b>2019</b>	<b>%</b>
	<i>(In Millions SR)</i>	
Loans	1,397.6	19.9
Securities <i>of which;</i>	5,606.3	79.6
<i>Treasury Bills</i>	4,672.7	66.4
<i>Treasury Bonds</i>	550.0	7.8
<i>DBS Bonds</i>	300.0	4.3
<i>Deposits</i>	38.3	0.5
<i>Notes</i>	45.3	0.6
Other Debt Liabilities	33.5	0.5
<b>Total Debt</b>	<b>7,037.4</b>	<b>100.0</b>

Source: Ministry of Finance, Trade, Investment & Economic Planning

### 3. RISK INDICATORS

*Sound risk management, debt and organisational structures are important elements in reducing exposures to risks such as interest risks, currency risks, liquidity risks and operational risks.*

#### 3.1 REFINANCING RISKS

Refinancing risk refers to the risk that the existing debt will have to be refinanced at an unusually high cost or in extreme circumstances cannot be refinanced at all. Important measures of the exposure to refinancing risks include the Average Time to Maturity (ATM), the debt redemption profile of the outstanding debt stock and the percentage of debt maturing in one year. Two indicators of refinancing risks are shown in Fig 7 below.

FIG. 7: KEY REFINANCING RISKS INDICATORS AS AT THE END OF 2019

Refinancing Risks	External Debt	Domestic Debt	Total Debt
ATM (years)	6.1	3.1	4.8
Debt maturing in 1yr (% of total)	8.8	57.5	30.9

##### 3.1.1 Average Time to Maturity

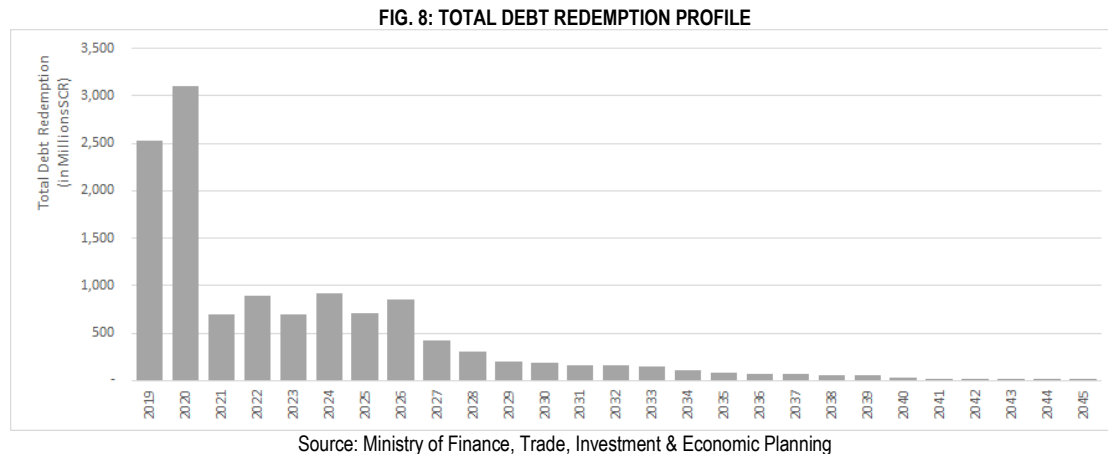
The Average Time to Maturity (ATM) measures the weighted average length of time the debt will mature on the portfolio. The average life of the total portfolio indicates moderate risks and also a reduction in the exposure of the debt portfolio to refinancing risk from the 2018 levels. The ATM has increased from 4 years in 2018 and is expected to reach about 5 years at the end of 2019. This improvement was mostly attributed to the issuances of new bonds in 2019 which has increased the ATM on the domestic portfolio from about 2 years to 3 years. The ATM on the external debt remains about 6 years.

##### 3.1.2 Share of Debt Maturing within in one year

The share of debt maturing in one year also shows an improvement in the refinancing risks indicator. The share of total debt maturing within one year has reduced from about 43% in 2018 to about 31% in 2019. This also indicates moderate risks. Again, this improvement has been attributed to the bond issuances in 2019, which has reduced the share of debt maturing in one year from 72% in 2018 to about 58% in 2019. The share of the external debt portfolio maturing in one year has also reduced by about 1% from the 2018 levels.

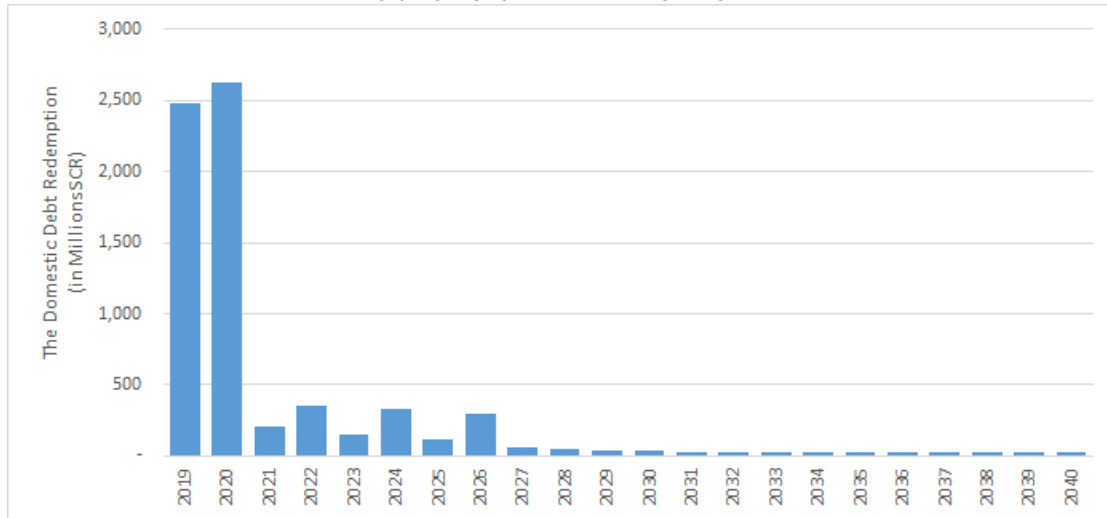
### 3.1.3 The Redemption Profile

The debt maturity/ redemption profile shows the total principal payments falling due each year over the life of the portfolio. As illustrated by Figure 8, a total of about SR 5.6 billion worth of debts is expected to fall due between the last quarter of 2019 up to the end of 2020. This is attributed to the high share treasury bills within the debt portfolio which are short term instruments. As a result the redemption profile for the total debt from 2021 to 2040 closely mirrors that of the external debt profile, which comprises of longer term instruments.



The domestic debt profile in Fig 9, shows that about 73% of the total domestic debt stock is expected to mature between the final quarter of 2019 up to the end of 2020. This indicates a relatively high roll-over/refinancing risks. However, given the current stable macroeconomic conditions, most of these debts are expected to be rolled over. In order to mitigate some of the possible exposure to refinancing risks, the government will continue with its efforts to lengthen the maturity of the domestic debt portfolio.

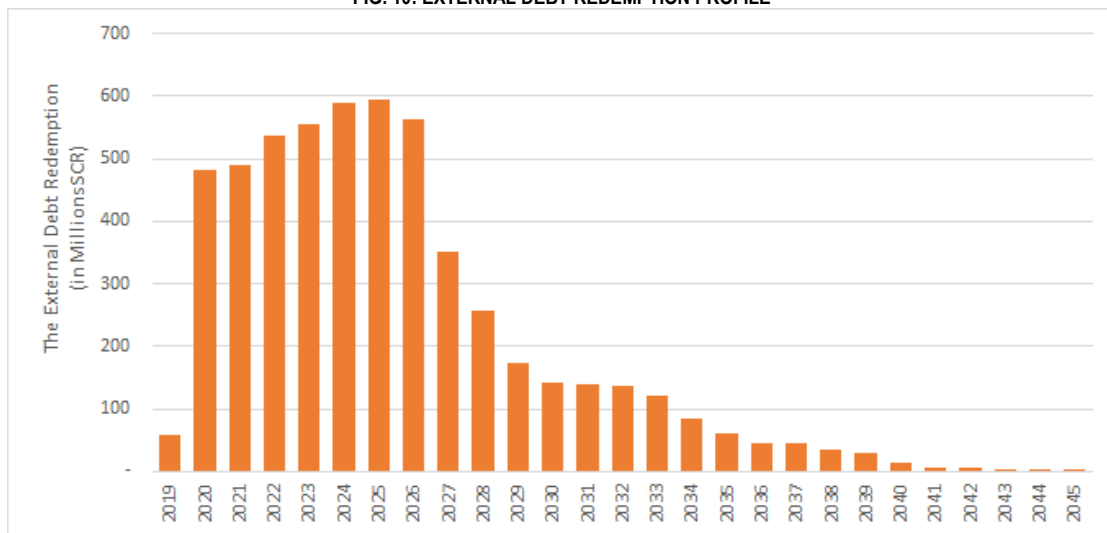
**FIG. 9: DOMESTIC DEBT REDEMPTION PROFILE**



Source: Ministry of Finance, Trade, Investment & Economic Planning

On the other hand the external debt profile indicates low exposure to refinancing risks. As can be seen in Fig 10, less than 10% of the total external debt is expected to mature between the fourth quarter of 2019 up to the end of 2020. The total principal repayments are expected to gradually increase from 2021 to reach a peak in 2025, reflecting the profile of the restructured Paris Club debts. As the government continue to service its debts the total repayments are expected to gradually decline from 2025 throughout the life of the portfolio.

**FIG. 10: EXTERNAL DEBT REDEMPTION PROFILE**



Source: Ministry of Finance, Trade, Investment & Economic Planning



## 3.2 INTEREST RATE RISKS

Interest rate risks refers to the risk of increases in the cost of the debt arising from changes in interest rates. This risk can occur when variable rates on floating debt are reset and/or fixed rate debt needs to be refinanced. Indicators of Interest rate risks shown in Fig. 11 include the Average Time to Re-Fixing (ATR), the share of debt subject to interest reset within the next year and the share of fixed interest rate debt within the portfolio.

FIG. 11: INTEREST RATE RISKS INDICATORS AT THE END OF 2019

Interest Rate Risk	External Debt	Domestic Debt	Total Debt
Average Time to Re-fixing (ATR) (years)	3.7	1.8	2.8
Debt re-fixing in 1yr (% of total)	39.3	74.1	55.1
Fixed rate debt (% of total)	67.6	82.4	74.3

### 3.2.1 Average Time to Re-fixing

The Average Time to Re-fixing (ATR) is a measure of weighted average time until all the principal payments in the debt portfolio become subject to a new interest rate. The Average Time to Re-fixing is about 4 years for the external debt, 2 years for the domestic debt and 3 years for the overall debt. This implies moderate risks for the external and total debt. Despite the slight improvement from the 2018 levels, the risks on the domestic debt portfolio remains relatively high given the size of the domestic debt portfolio.

### 3.2.2 Percentage of Debt Re-fixing within 1 year

The percentage of debt that needs to be rolled-over (either because they are maturing or they are variable rate debt) within one year out of the total debt is another indicator of interest rate risks. About 39% of the external debt, 74% of the domestic debt and 55% of the total debt will be subject to a new interest rate within one year. These indicators shows moderate risks to the external and total debt portfolio but high risks to the domestic portfolio.

### 3.2.3 Fixed Rate Debt as a share of the total debt

The share of fixed rate debt within the portfolio is an indicator of interest risks, the higher the share of fixed rate debt the lower the exposure to interest rate risks. Fixed rate debt accounts for about 68% of the external debt portfolio, 82% of the domestic debt portfolio and 74% of the total debt portfolio. This indicates low risks to each of these portfolio.

### 3.3 EXCHANGE RATE RISKS

Exchange rate risks relates to the risk of increases in the cost of the debt arising from changes in exchange rates. Measures of exchange rate risk include the share of foreign currency denominated debt in the total debt portfolio and the ratio of short term external debt to international reserves.

FIG. 12: FOREIGN EXCHANGE RATE RISKS INDICATORS

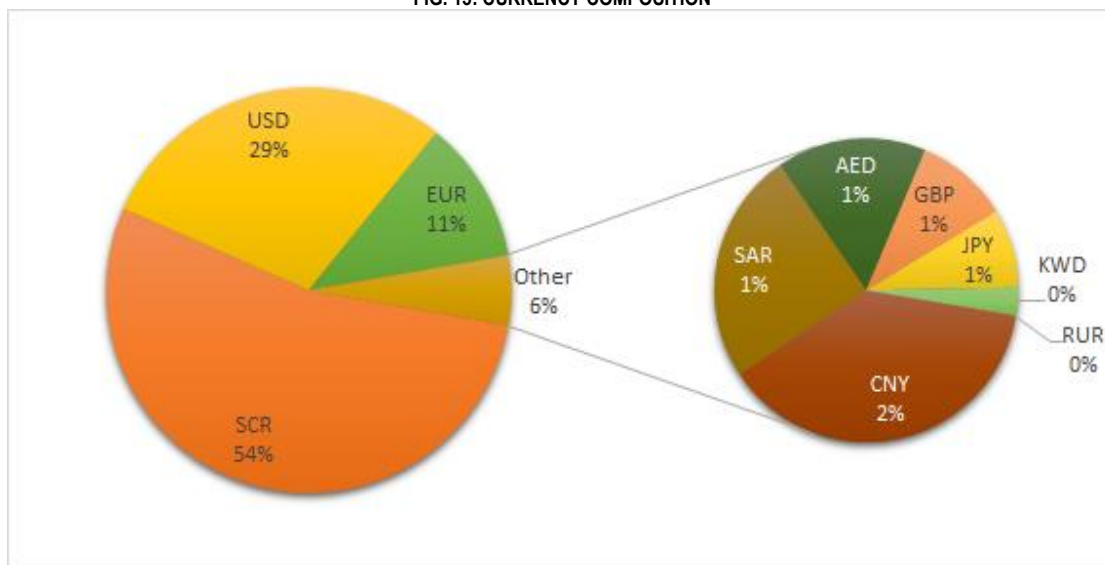
Risk Indicators	Total debt
FX debt (% of total debt)	46
ST FX debt (% of reserves)	6

Fig. 12 shows that foreign denominated debt accounts for 46% of the total debt which indicates moderate exchange rate risks. The share of external debt that will fall due within one year accounts for about 6% of reserves, indicates low risks.

### 3.3.1 The currency composition

The currency composition provides an overall indication of the exposure to exchange rate risks to the portfolios. The total debt stock is mostly made up of three main currencies the Seychelles Rupee (SCR), United States Dollars USD and Euros (EUR). About 54% of the total debt stock is denominated in the local currency, indicating moderate risks. The United States Dollars and the Euros account for 29% and 11% of the total debt stock respectively. Seven other currencies; the British Pound (GBP), Chinese Renminbi (CNY), Kuwaiti Dinar (KWD), UAE Dirham (AED), Japanese Yen (JPY), Russian Ruble (RUR) and Saudi Riyal (SAR) together accounts for about 6% of the total debt stock.

FIG. 13: CURRENCY COMPOSITION



Source: Ministry of Finance, Trade, Investment & Economic Planning

### 3.4 OPERATIONAL RISKS

Operational risks relate to various types of risks including transaction errors in the various stages of executing and recording transactions; inadequacies or failures in internal controls, or in systems and services; reputation risk; legal risk; security breaches; or natural disasters that affect the debt management's ability to pursue activities required to meet debt management objectives. Two of the main operational risks identified are as follows;

#### 3.4.1 IT Support

The debt management system is supported by only one staff from the Department of Information Technology (DICT), to reduce the risks associated with staff turnover, it is critical that additional IT personnel are also given the necessary training to provide the required support.

#### 3.4.2 Paper Based Documentations

Most of the debt management documentation such as loan agreements, bank statements and transactions confirmations are held in paper format. Constraints relating to storage facilities expose these documents to risks of being misplaced or difficulty to locate. Other risks of paper-based documentation include the risks of physical deterioration, risk of total destruction in the event of a fire or natural disaster. To mitigate these risks various longer-term solutions such as digitalization are being considered.

### 3.5 COST OF DEBT

The average interest rate gives an indication of the cost of debt on the portfolio. As shown by Fig. 14, by the end of 2019 the minimum expected interest rate payable on the existing stock of external debt is expected to be about 3%, is expected to be at about 2% on the existing stock of domestic debt and approximately 3% for the total existing debt stock.

FIG. 14: COST OF DEBT AS AT END 2019

Cost of Debt Indicators	External debt	Domestic debt	Total debt
Average IR (%)	3.2	1.6	2.5

## **4. RECENT DEVELOPMENT**

### **Legal Framework**

The Government with the support of the Regional Technical Assistance Center for Southern Africa (AFRITAC South – AFS), initiated a project during the third quarter of 2019 to strengthening the Public Finance Management (PFM) legislation. The objective of the project is to promote harmonization and consistency within the PFM legal framework including the Debt Management Act.

### **Lengthening the Domestic Maturity**

In line with the debt management strategy to lengthen the maturity of the domestic debt portfolio, three new bonds were issued in April and July 2019.

In April 2019, two bonds were issued in the form of government guarantees to the Development Bank of Seychelles (DBS). The bonds, each worth SR50 million has a maturity period of 3 and 5 years respectively.

The third bond, named “Bond 1770” in commemoration of the 250 years of the first settlement in Seychelles was issued in July 2019. The bond amounting to SR 200 million, has a maturity period of 7 years.

## PART III

### 5. THE ENVIRONMENT FOR DEBT MANAGEMENT

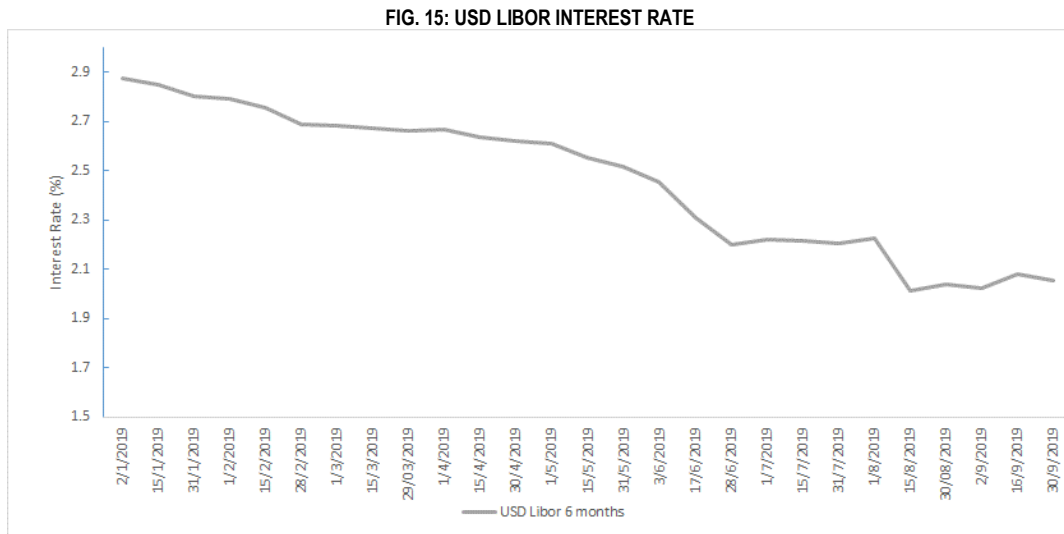
#### 5.1 The Fiscal Sector

In order to achieve its target of 50% debt to GDP ratio by 2021, the government plans to maintain its primary budget surplus of 2.5% of GDP until 2021.

#### 5.2 The Monetary Sector

##### Interest Rate

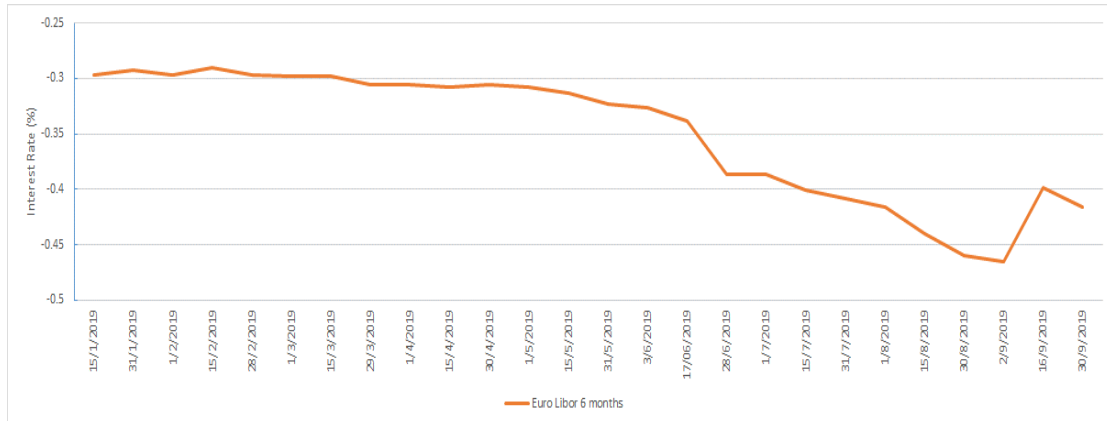
Since the beginning of 2019, the interest rate on the USD Libor 6 months has been on a general decline despite some slight increases at the beginning of the third quarter. As shown by Figure 15 below, the rates fell from nearly 2.9% at the beginning of January 2019 to reach 2% at the end of September 2019. The decline in the USD Libor rate is expected to lead to a reduction in the cost of servicing debt subject to this rate.



Source: Intercontinental Exchange (ICE)

As indicated by Figure 16, the Euro Libor rate has been stable at about -0.3% during the first two quarters of 2019. The rates started on a downward path during the third quarter to reach the lowest rate of -0.47% at the beginning of September 2019. During the month of September the rate changed towards an upward trend, reaching a slight peak of -0.40% towards the middle of the month. By the end of the month, the interest rate had fallen slightly to 0.42%.

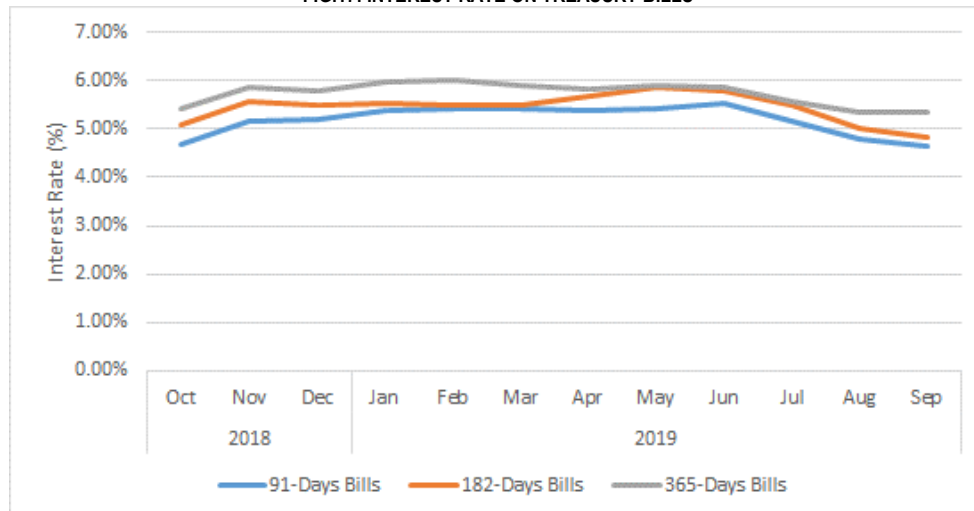
FIG. 16: EURO LIBOR INTEREST RATE



Source: Intercontinental Exchange (ICE)

In terms of the domestic market, interest rate on Treasury Bills have been very close on all three maturities. As can be seen in Figure 17, since October 2018 the weighted average interest rate have fluctuated between a minimum of 4.6% on the 91-days bills to a maximum of 6% on the 365-days bills. The interest rate on Treasury bills has a greater impact on the cost of domestic financing.

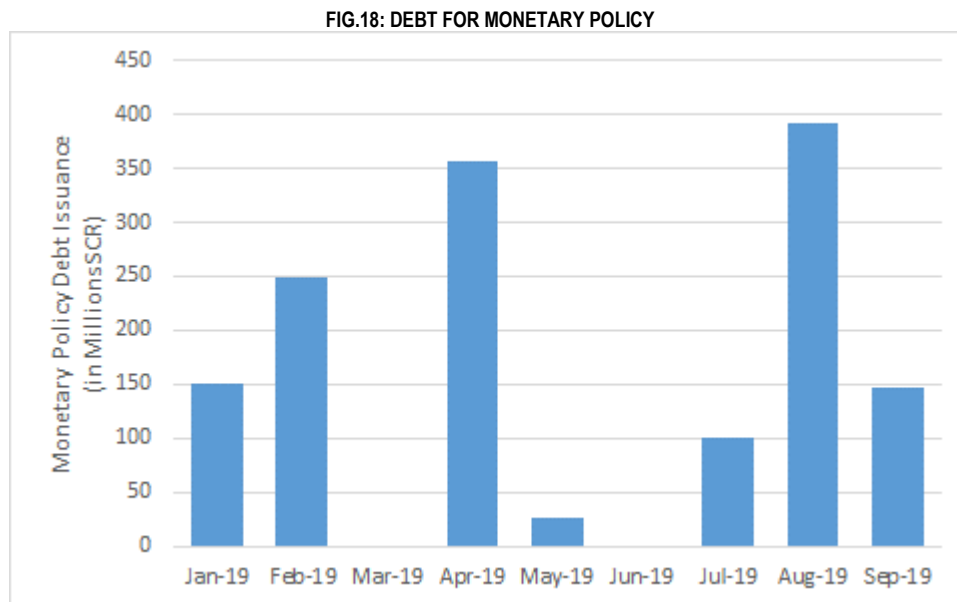
FIG.17: INTEREST RATE ON TREASURY BILLS



Source: Central Bank of Seychelles

### Debt for Monetary Policy

The use of securities by the Central Bank as an instrument to mop up excess liquidity in the monetary system has led to a general increase in the domestic and total debt stock since 2014. However, efforts by the Government in collaboration with the Central Bank to achieve the 2021 debt target has contributed to the gradual reduction in the issuance for debt monetary policy purpose from the 2018 levels. At the end of September 2019, debt for monetary purpose accounted for about 6.2% of GDP. Fig 18 below shows the trend of issuance for the first three quarters of 2019, most of the issuances were in the months of April and August 2019 with no issuances in March and June 2019.



Source: Ministry of Finance, Trade, Investment & Economic Planning, Central Bank of Seychelles

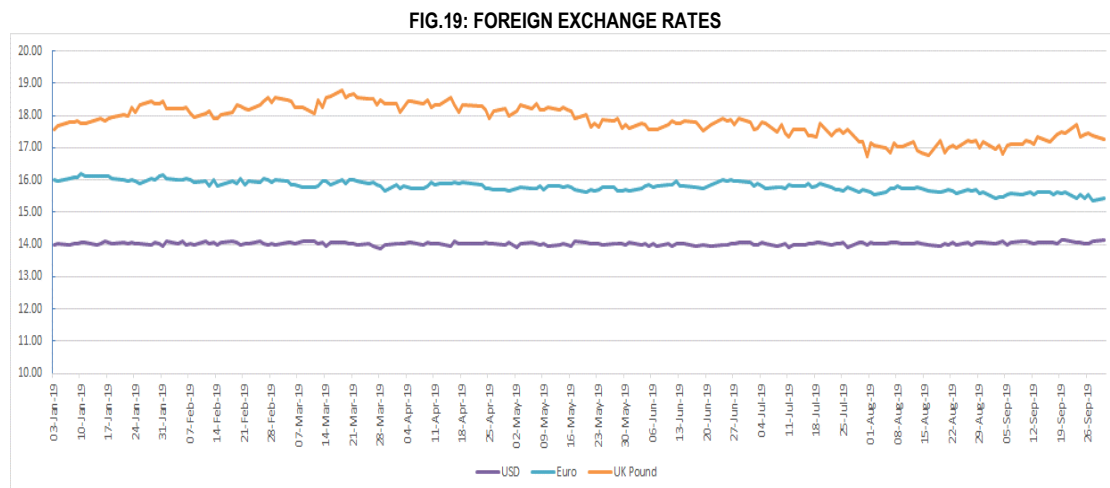


### 5.3 The External Sector

Figure 19, below indicates that the Seychelles Rupee has been relatively stable against the dollar and the Euro. From the beginning of 2019 up to the end of September 2019, the Seychelles Rupee has been trading at about SR14 to a dollar. Similarly, the Euro has also been stable, trading at about SR16 to a Euro despite some slight depreciation of the Euro towards the end of September.

On the other hand, the British Pound continues to fluctuate. The exchange rate of Seychelles Rupee to the Pound has increased from less than SR18 at the beginning of the year to almost SR19 in March 2019. From there, it fell gradually decline to reach about SR17 at the end of July 2019. During August the rates was rather stable but started once again on an upward trend at the end of September 2019.

Stability of the Seychelles Rupees to the major currencies implies stability and greater predictability in the cost of servicing debt denominated in these currencies.



Source: Central Bank of Seychelles

### 5.4 The Real Sector

The Gross Domestic Product (GDP) is a very important contributor in achieving the government’s debt reduction target of 50% of GDP by 2021. The real GDP growth is forecasted at 3.9% for 2019 and 3.5% in 2020. This slowdown in 2020 will adversely affect the debt to GDP ratio in that year. Nonetheless, the rate of growth is expected to increase to 4% in 2021.

## **6. THE DEBT MANAGEMENT STRATEGY FRAMEWORK**

The Debt Management Strategies for the Seychelles debt portfolio has been guided by the following choices;

- Concessional / semi-concessional / commercial
- Currency composition
- Short and long term maturities
- Variable and fixed rate debt

### **6.1 DEBT MANAGEMENT STRATEGY 2020-2022**

#### **6.1.1 Alternative Strategies**

##### Strategy 1

This strategy considers an extreme scenario whereby borrowing is restricted primarily to external multilateral sources with small amounts contracted from bilateral sources. Commercial and private external finances are assumed to be too high. Domestic borrowing are also excluded due to assumptions of limited market demand and high cost of borrowing.

##### Strategy 2

Strategy 2 looks at an alternative extreme scenario, which constrains borrowing only to domestic sources due to the lack of external finance. The scenario also assumes that the borrowing is done only in the local currency with a higher share of fixed rate debt.

##### Strategy 3

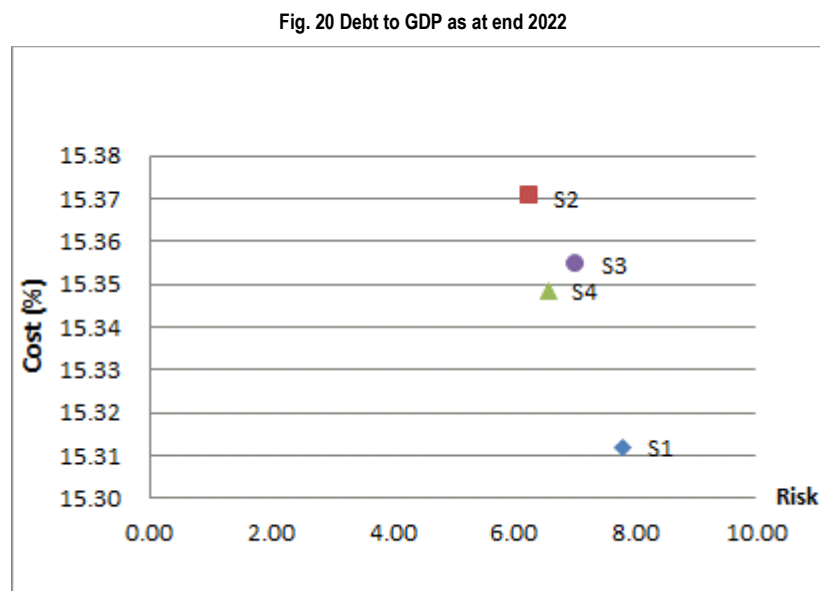
The third strategy contemplates a more realistic scenario, which assumes equal share of both external and domestic borrowings. On the domestic market, it assumes that most of the borrowing will be from commercial and private sources with a higher share of fixed rate debt. External borrowing has a similar assumption to Strategy 1 with most borrowing from multilateral creditors with small amounts to be secured from bilateral sources.

##### Strategy 4

Strategy 4 also examine a realistic scenario comprising of a mixed strategy with a much higher share of fixed rate domestic debt with longer maturities. It assumes low amounts of external borrowing mostly from multilateral creditors with minor amounts from bilateral sources only. Another assumption is that most of the external borrowing will be in the form of fixed-rate debt.

## 6.1.2 Analysis of the Alternative Strategies

The government's target is to achieve a debt to GDP ratio of 50% by 2021 that will be driven by positive GDP growth and a constant primary surplus of 2.5% of GDP. Figure 20, illustrates the cost and the risk implications for the each of the proposed alternative strategies for the medium term.



In the case of strategy 1 (S1), in spite of being of the least costly strategy it is also the riskiest strategy as opposed to the other strategies. This is mainly because high dependence on foreign finances will subject the portfolio to high degree of foreign exchange risks.

On the other hand, although strategy 2 (S2) might appear as the least risky strategy in terms of foreign exchange risks, it also carries high rollover risks. As highlighted earlier, this is due to the fact that most of the stock of domestic debt are in the form of treasury bills with short term maturities that are expected to be rolled over in the subsequent years. Strategy 2 is also the most costly strategy as opposed to the other strategies.

Given the current economic environment, it will be better to have a mixed borrowing strategy which involves borrowing at affordable interest rates and limit borrowing which will lead to very high exposure to refinancing, interest, and foreign exchange risks. These objectives can be achieved by choosing either strategy (S3) and (S4), which are more favourable given the cost and risk indicators.

Given that Strategy 4 (S4) involves both a lower costs and risks compared to (S3), the government will strive to implement strategy 4 (S4) over the medium term.

## Overall Financing Plan

For the year 2020, the government is expected run an overall budget surplus amounting to SR 75.6 million on a cash basis, an equivalent to about USD 5.3 million. This surplus will contribute towards the reduction in the total debt levels.

In net terms, the government expects to repay foreign debt of SR 133.8 million whilst increasing the domestic debt by about SR 58.2 million in net terms to finance its operations.

Fig. 21: Overall Financing

	<u>US\$ million</u>	<u>SR million</u>
<b>Total Financing (overall budget deficit)</b>	<b>(5.3)</b>	<b>(75.6)</b>
Foreign financing, net	(9.4)	(133.8)
Domestic financing, net	4.1	58.2

## External Debt

### Requirements

In net terms, the government is expected to reduce its foreign debt by SR 133.8 million (i.e. USD 9.4 million) for the year 2020. This stems from the gross borrowing of SR 390.5 million (USD 27.3 million) and SR 524.3 million (USD 36.7 million) from the amortization of foreign debt. The new debts that will be incurred in fulfilling the borrowing requirements will be used to finance both new and existing projects.

### Sources

The external borrowing needs will primarily be financed from the multilateral and bilateral sources given in Figure 22. The bilateral sources include the; African Development Bank (AfDB), Arab Bank for Economic Development in Africa (BADEA) and the International Bank for Reconstruction and Development (IBRD/World Bank). Bilateral Sources include the Kuwait Fund, the Exim Bank of India and the Saudi Fund for Development. The proceeds from the blue bond issuance of 2018 will provide financing for the blue economy through the Development Bank of Seychelles (DBS) and the Seychelles Conservation and Climate Adaptation Trust (SEYCCAT).

Fig.22: Foreign Financing

	<u>US\$ m</u>	<u>SR m</u>
<b>Net Foreign Financing</b>	<b>-9.4</b>	<b>-133.8</b>
<b>Total Borrowings</b>	<b>27.3</b>	<b>390.5</b>
PUC La Gogue Dam (AfdB)	3.6	51.0
Health Information system (India)	1.4	20.3
Line of credit (India)	7.8	111.8
Rehabilitation of Schools (Kuwait Fund)	1.8	26.1
PUC 33kv (Badea/Saudi Fund)	4.2	59.8
PUC Sewerage South East Coast	5.0	71.5
*Blue Bond – DBS	2.0	28.6
*Blue Bond – SEYCCAT	0.5	7.2
Swiofish3 (IBRD)	1.0	14.3
<b>Total Amortization</b>	<b>-36.7</b>	<b>-524.3</b>

*\*Note: The blue economy will be financed from the proceeds of the blue bond through DBS & SEYCCAT*

## Domestic Debt

### Requirements

The total net domestic requirement for 2020 is forecasted at about SR 58.2 million. This results from a gross domestic issuance of about SR 4,958.6 million and gross domestic debt retirement of about SR 4,900.4 million.

### Sources

The main source of the domestic financing will be in the form of Treasury Bills and Bonds sold at auction. In order to lengthen the maturity of the domestic debt profile in the medium-term, the government plans to continue with its bonds issuance during the year 2020.

Fig. 23: Domestic Net Financing

<b>Domestic Debt Financing Table</b>	
	<b>SR million</b>
<b>Gross Issuance</b>	<b>4,958.6</b>
<b>Gross Retirements</b>	<b>-4,900.4</b>
<i>*T-Bills Stock</i>	-4,672.7
91 day bills	-461.1
182 day bills	-870.3
365 day bills	-3,341.3
<i>Bond Maturities</i>	-50.0
<i>Loans from Commercial Banks</i>	-177.6
<b>Net Domestic Issuance</b>	<b>58.2</b>

*\*Outstanding stocks are as at the end of September 2019*

*.Note: CBS is expected to issue additional debt for monetary purposes.*

# Public Enterprises

**Budget report for the year 2020**

**October 2019**





## Contents

1. Introduction .....	3
2. Financial performance .....	4
3. Revenue .....	7
4. Expenditure .....	8
5. Taxes .....	9
6. Dividend .....	10
<i>Appendix 1</i> .....	<i>11</i>
<i>Appendix 2</i> .....	<i>12-13</i>

## 1. Introduction

The principal object of the Public Enterprise Monitoring Commission (the Commission) as stated in Section 6 (1) of the Public Enterprise Monitoring Commission Act 2013 (the Act) is to *“monitor and evaluate the overall performance of Public Enterprises, ensure efficient operation of such Enterprises, promote ethics of good governance in all business transactions, including financial matters such as investments and budget, give recommendations to improve performance and thus increase the return on investments.”*

There are currently twenty-one Public Enterprises (PEs) and their subsidiaries reporting to the Commission as per Schedule one of the Act and they operate in the following sectors:

- Services and development
- Energy
- Transport
- Financial services

Details of the Government of Seychelles (GOS) shareholding of the PEs per sector are provided in Appendix 1.

It is a requirement under Section 39 of the Act for PEs to submit their estimates and projections in respect of the next financial year to the Commission at such time as the Commission may determine.

The Commission issued a circular (PEMC circular No. 7 2019) on the July 24, 2019 requesting that all PEs submit to the Commission their estimates and projections for the year 2020 by August 31, 2019.

As at reporting date (October 16, 2019), nineteen PEs had submitted their 2020 budget to the Commission. PEs which had not submitted their budget are Air Seychelles Ltd, L'Union Estate Ltd,

Seychelles International Mercantile Banking Corporation Ltd (Nouvobanq) and the Financial Services Authority (FSA).

## 2. Financial performance

The forecasted performance information (excluding subvention request) of the nineteen PEs for the year 2020 is summarised in Table 1. Detailed forecasted income and expenditure statements per PE are provided in Appendix 2.

**Table 1. Forecasted performance information of the PEs for the year 2020**

PEs	Surplus for the period before tax	Surplus for the period after tax & dividends	Taxes payable	Dividend	Subvention request
	mSCR	mSCR	mSCR	mSCR	mSCR
<b>Transport sector</b>	<b>69.72</b>	<b>(25.02)</b>	<b>53.47</b>	<b>41.26</b>	<b>66.62</b>
Seychelles Public Transport Corporation	(85.00) <sup>1</sup>	(85.00)	N/A <sup>2</sup>	0.00	66.62
Seychelles Ports Authority	36.88	18.71	18.18	0.00	0.00
Seychelles Civil Aviation Authority	117.83	41.26	35.30	41.26	0.00
<b>Services and development sector</b>	<b>371.25</b>	<b>73.71</b>	<b>25.02</b>	<b>272.52</b>	<b>8.00</b>
Islands Development Company Ltd	5.26	1.47	0.79	3.00	0.00
National Information Services Agency-	1.56	1.14	0.42	0.00	0.00
Seychelles Trading Company Ltd	59.50	38.65	20.85	0.00	0.00
Seychelles Postal Services Ltd	(8.77)	(8.95)	0.18	0.00	5.00
Property Management Corporation	1.90	1.90	N/A	0.00	0.00
Bois De Rose Investment Ltd	5.71	4.04	1.66	0.00	0.00
2020 Development (Seychelles) Ltd	3.25	3.18	0.06	0.00	0.00
Paradis Des Enfants Entertainment Ltd	(2.99)	(2.99)	0.00	0.00	3.00
Société Seychelloise d'Investissement Ltd	305.85	35.27	1.06	269.52	0.00
<b>Financial sector</b>	<b>122.07</b>	<b>99.44</b>	<b>16.03</b>	<b>6.60</b>	<b>0.00</b>
Development Bank of Seychelles	7.23	7.23	N/A	0.00	0.00
Housing Finance Company Ltd	14.63	8.63	6.00	0.00	0.00
Seychelles Commercial Bank Ltd	30.64	14.01	10.03	6.60	0.00
Seychelles Pension Fund	69.58	69.58	N/A	0.00	0.00
<b>Energy sector</b>	<b>317.51</b>	<b>(60.04)</b>	<b>127.55</b>	<b>250.00</b>	<b>0.00</b>
Public Utilities Corporation	50.92	50.92	N/A	0.00	0.00
Seychelles Petroleum Company Ltd	270.93	(106.62)	127.55	250.00	0.00
Petro Seychelles Ltd	(4.34)	(4.34)	N/A	0.00	0.00
<b>Total</b>	<b>880.54</b>	<b>88.08</b>	<b>222.07</b>	<b>570.39</b>	<b>74.62</b>

<sup>1</sup> This figure does not agree to SPTC's budget due to an error in the excel document submitted by SPTC. SPTC forecasted a loss of SCR 83,616,000.

<sup>2</sup> N/A means that those PEs are exempted from paying business tax.

The projected surplus before tax and dividend of the nineteen PEs amounts to **mSCR 880** for the year 2020. It is important to note that this figure includes the surplus of **mSCR 305.8** from the Société Seychelloise d'Investissement Ltd (SSI) and comprises of dividend income from its subsidiaries (i.e. other PEs) amounting to **mSCR 275.9**. To avoid double-counting dividend from the PEs it can be noted that the forecasted surplus of the PE sector without the dividends from SSI subsidiaries for the year 2020 is **mSCR 605**.

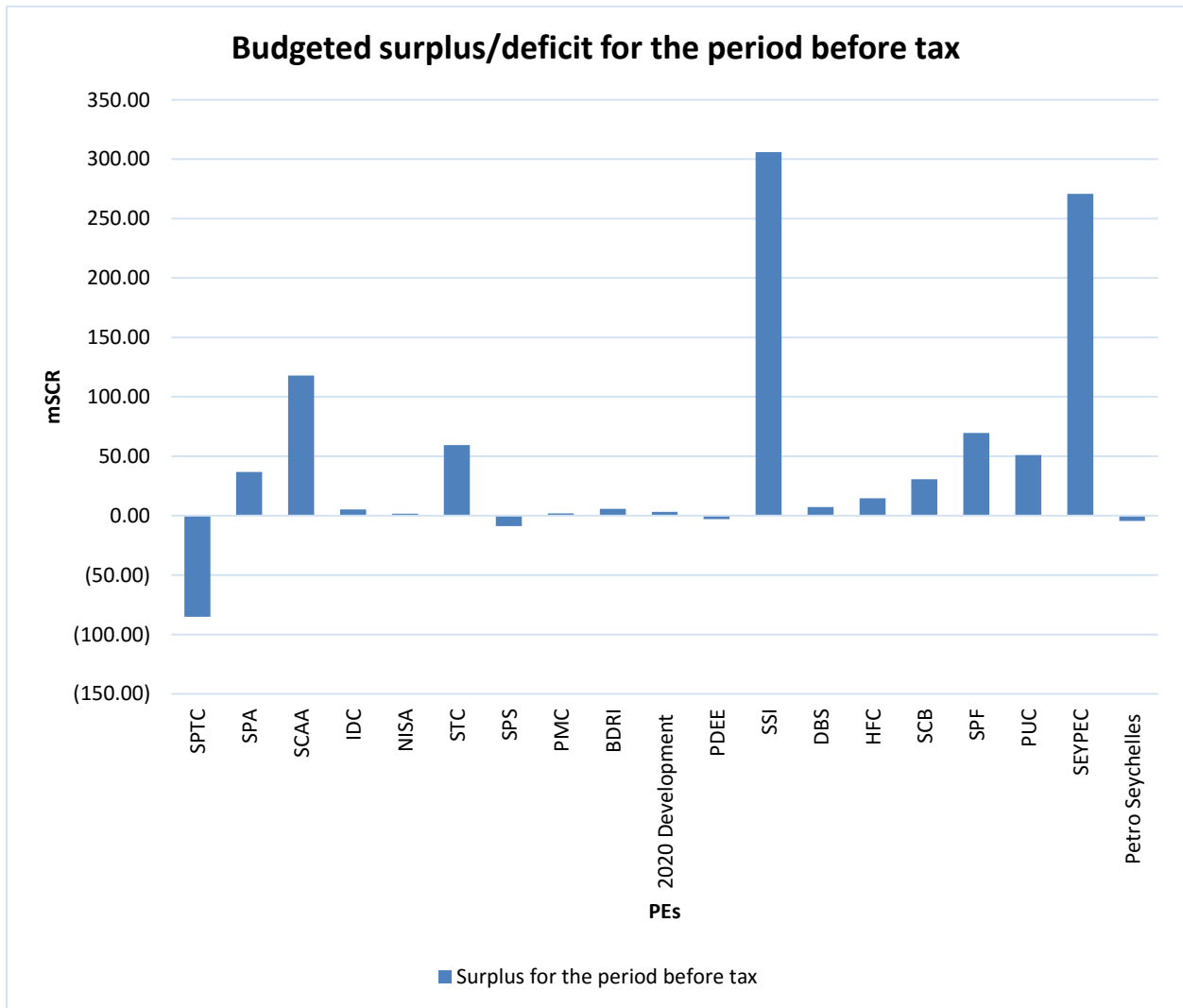


Figure 1. Forecasted surplus/(deficit) before tax of the Public Enterprises for the year 2020

The PEs with the highest projected net surplus before tax for the year 2020 are SSI (mSCR 305.85), SEYPEC (mSCR 270.93) and SCAA (mSCR 117.83).

Amongst the nineteen PEs, four PEs have forecasted a loss for 2020, namely Seychelles Public Transport Corporation (mSCR 85), Seychelles Postal Services Ltd (mSCR 8.77), Paradis Des Enfants Entertainment (mSCR 3) and Petro Seychelles (mSCR 4.3). It is to be noted that the budget for SPTC, SPS and PDEE in this report do not include subvention request from Government.

Aggregation of the PE budgets by sector revealed that the highest projected surplus before tax has been forecasted by the services and development sector (mSCR 371) followed by the energy sector (mSCR 317.5) (Figure 2). This is inclusive of the dividend income from SSI’s subsidiaries.

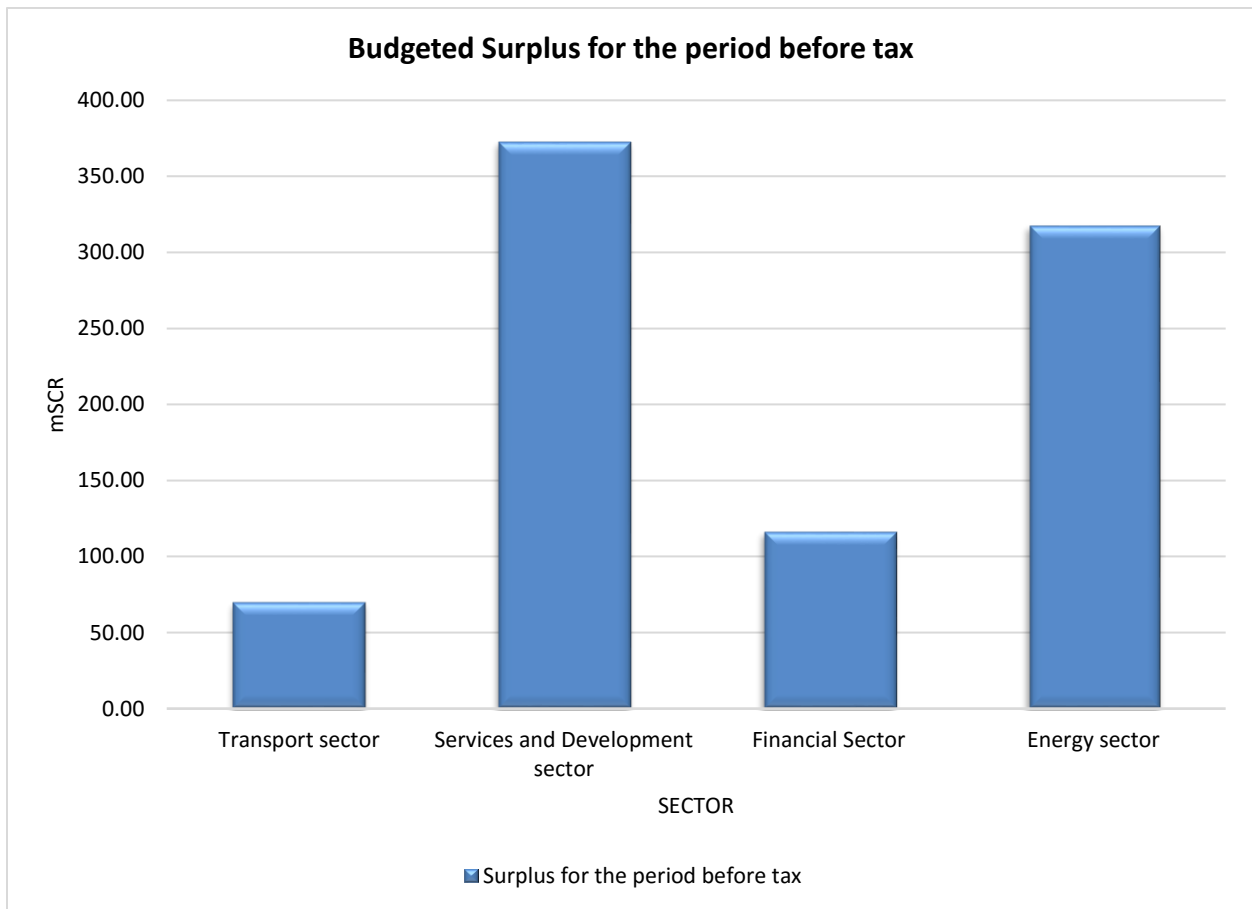
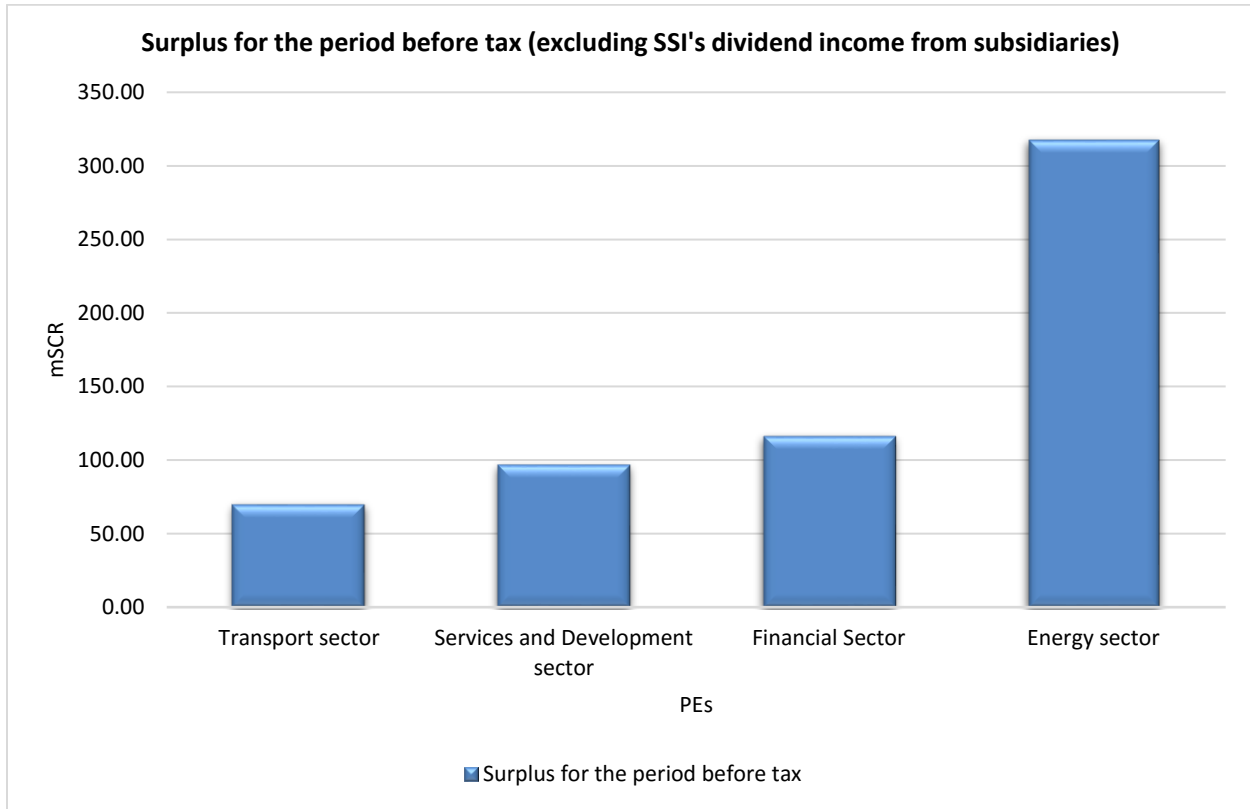


Figure 2. Forecasted surplus/(deficit) after tax and dividend for the year 2020, by sector

The aggregate of the PE budgets by sector excluding the SSI's dividend income from subsidiaries shows that the highest projected surplus before tax has been forecasted by the energy sector (mSCR 317.5) followed by the financial sector (mSCR 122.1) (ref. Figure.3).



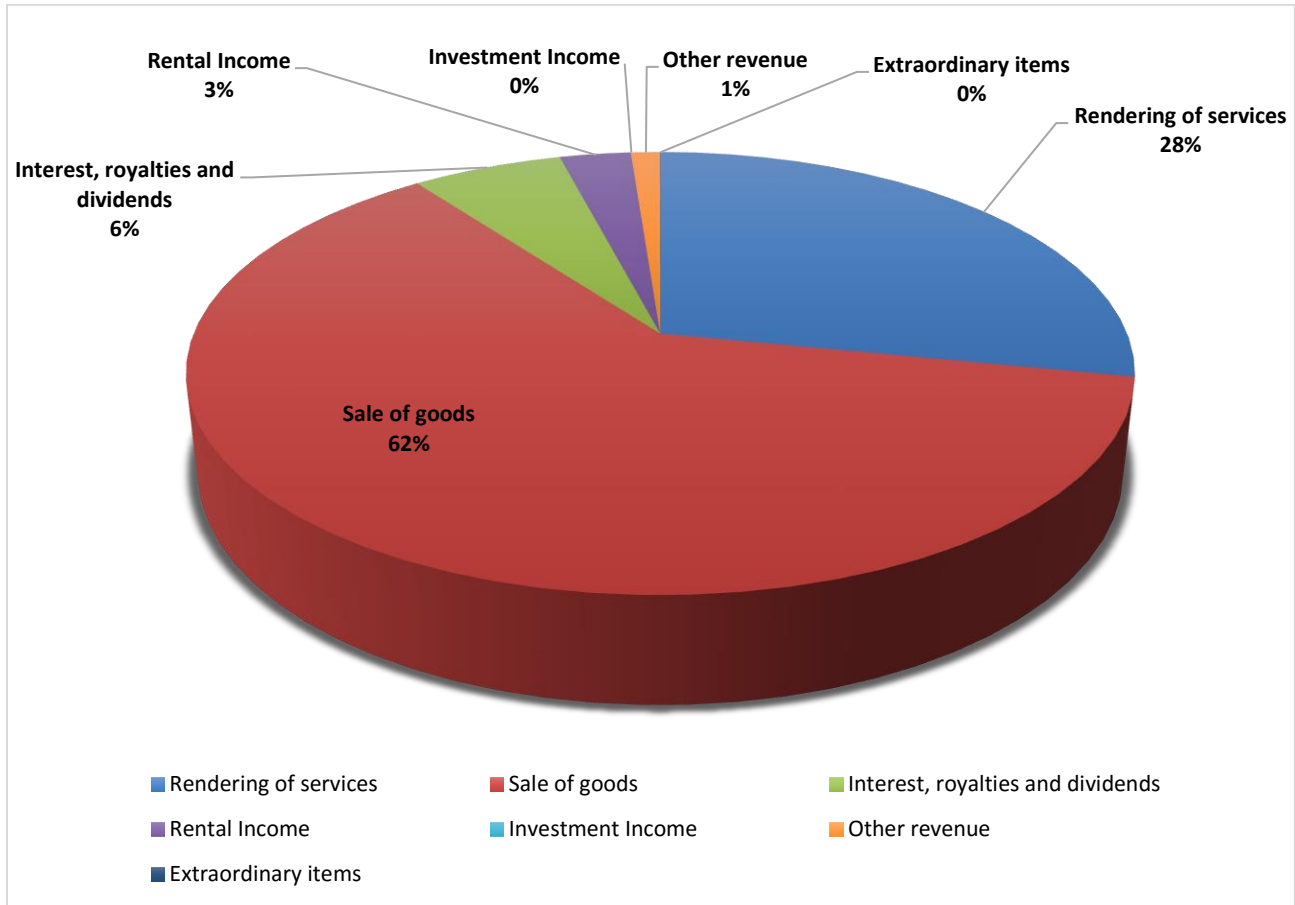
**Figure 3. Forecasted surplus/(deficit) after tax and dividend for the year 2020, by sector excluding SSI's dividend income from subsidiaries**

The transport sector is forecasting to record the lowest performance with a projected surplus for the year 2020 of mSCR 69.7 before tax and dividend. This is due to the sustained projected losses from SPTC. Therefore, this sector may require government intervention to support the loss-making PEs. It is to be noted that the data for the transport sector excludes Air Seychelles and any financial support that it may require from the Government for 2020, since it had not submitted its budget 2020 to the Commission by the reporting date.

### 3. Revenue

Total forecasted revenue amounts to **bnSCR 10.8** with sale of goods constituting 62% of total revenue, followed by rendering of services constituting 28% of total revenue (ref. Figure 4). The

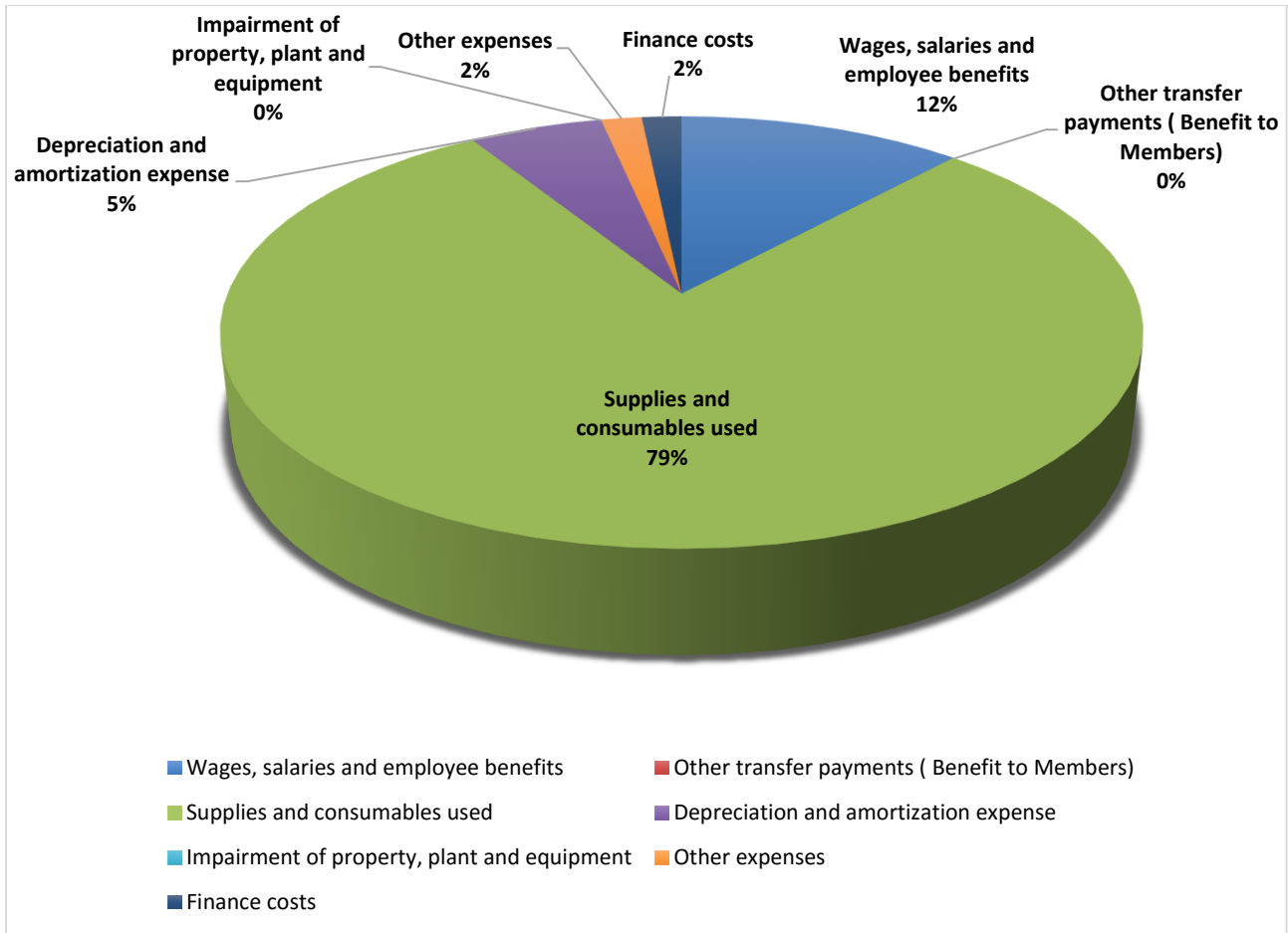
PEs which forecasted the highest total revenue were SEYPEC with **bnSCR 5.5**, PUC with **bnSCR 1.9** and STC with **bnSCR 1.2** representing 51%, 18% and 11% respectively of the total forecasted revenue for the year 2020.



**Figure 4. Forecasted revenue for the year 2020 by category**

#### 4. Expenditure

Total forecasted expenditure amounts to **bnSCR 9.9** for 2020 of which supplies and consumables expense represents 79%; wages, salaries and employee benefits expense represent 12% and depreciation and amortisation represent 5% (ref. Figure 5).



**Figure 5. Budgeted expenditure for the year 2020 by category**

The PEs which forecasted the highest total expenditure were SEYPEC with **bnSCR 5.2** and PUC with **bnSCR 1.9** representing 52% and 19% respectively of the forecasted total expenditure.

### 5. Taxes

Six PEs out of the nineteen which submitted their budget for the year 2020 are not liable to pay business tax (ref. Table 1) either due to explicit exemptions in the Business Tax Act or due to the nature of their activity. From the remaining thirteen PEs, a total amount of mSCR 222.1 is being projected to be paid as taxes to Government, this relates mainly to Business Tax. The PE with the highest budgeted tax expense for 2020 was SEYPEC, which has forecasted a sum of mSCR 127.5.



## 6. Dividend

The PEs which have submitted their budget 2020 to PEMC have forecasted a total dividend payment amounting to mSCR 570.4. It is important to note that this figure consist of dividends from SSI which comprises of dividends from PEs. SSI forecasted a total of mSCR 275.9 dividends to be received from other PEs for the year 2020. Thus the forecasted dividend contribution from the PE sector for the year 2020 is mSCR 294.5. The PEs which have forecasted the largest dividend payment are SEYPEC (mSCR 250) and SCAA (mSCR 41.3). It is to be noted that Nouvobanq is the PE which has made the largest dividend payments over the period 2013-2018 (mSCR 225 dividend payment for 2018). The dividend forecast in this report does not include data from Nouvobanq as it had declined to submit its budget 2020 to the Commission by the reporting date.

SEYPEC has forecasted a dividend payment of mSCR 250 for the year 2020 which will result in a deficit of **mSCR 106.6 after tax and dividends**. Thus, SEYPEC will be partly financing the dividend for 2020 from its reserves.

However, it is to be noted that the actual amount of dividend to be paid for 2020 will depend on whether the PEs achieve their targets during the year. The details of dividend projections for each PE are presented in Table 1.

## Appendix 1. Public Enterprises as per the Schedule one of the PEMC Act 2013

<b>PUBLIC ENTERPRISE</b>	<b>GOS SHAREHOLDING</b>
<b>FINANCIAL SECTOR</b>	
Seychelles International Mercantile Banking Corporation Ltd (SIMBC/Nouvobanq)	78%
Seychelles Commercial Bank (SCB)	60%
Development Bank of Seychelles (DBS)	60.50%
Housing Finance Company Limited (HFC)	100%
Financial Services Authority (FSA)	100%
Seychelles Pension Fund (SPF) <sup>3</sup>	-
<b>ENERGY SECTOR</b>	
Seychelles Petroleum Company Limited (SEYPEC)	100%
Public Utilities Corporation (PUC)	100%
Petro Seychelles Limited	100%
<b>TRANSPORT SECTOR</b>	
Seychelles Ports Authority (SPA)	100%
Air Seychelles Limited	60%
Seychelles Civil Aviation Authority (SCAA)	100%
Seychelles Public Transport Corporation (SPTC)	100%
<b>SERVICES AND DEVELOPMENT SECTOR</b>	
Islands Development Company Limited (IDC)	100%
Property Management Corporation (PMC)	100%
L'Union Estate Company Limited	100%
Société Seychelloise d'Investissement Limited (SSI)	100%
National Information Services Agency (NISA)	100%
Seychelles Postal Services Limited (SPS)	100%
Bois De Rose Investment Limited (BDRI)	100%
Seychelles Trading Company Limited (STC)	100%

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<sup>3</sup> SPF is owned by its members.

Appendix 2. Public Enterprises Consolidated Budget For 2020												
INCOME AND EXPENDITURE STATEMENT FOR 2020												
	Development Bank of Seychelles	Housing Finance Company Ltd	Islands Development Company Ltd	Seychelles Commercial Bank Ltd	National Information Services Agency	Public Utilities Corporation	Air Seychelles Ltd	Seychelles International Mercantile Banking Corporation Ltd (Nouvobanq)	Seychelles Pension Fund	Seychelles Petroleum Company Ltd	Seychelles Public Transport Corporation	Seychelles Trading Company Ltd
	Year ended 31-12-2020	Year ended 31-12-2020	Year ended 31-12-2020	Year ended 31-12-2020	Year ended 31-12-2020	Year ended 31-12-2020	Year ended 31-12-2020	Year ended 31-12-2020	Year ended 31-12-2020	Year ended 31-12-2020	Year ended 31-12-2020	Year ended 31-12-2020
	SCR	SCR	SCR	SCR	SCR	SCR	SCR	SCR	SCR	SCR	SCR	SCR
<b>Income Statement 2020</b>												
<b>Revenue from exchange transactions</b>												
Rendering of services	-	-	286,409,058	20,100,000	2,496,000	1,933,065,496			-	-	128,600,000	-
Sale of goods	-	-	7,129,000	-	24,556,478	-				5,392,619,105	-	1,199,676,000
Interest, royalties and dividends	83,918,000	53,315,810	-	128,069,250	140,000	9,862,021			62,106,000	-	-	582,000
Rental Income	-	-	10,685,640	-	-	-			115,394,000	40,953,600	800,000	2,155,000
Investment Income	-	-	-	-	-	-			-	-	-	-
Other revenue	6,504,000	1,299,310	-	-	119,800	3,000,000			26,000,000	35,492,246	2,179,500	6,473,000
Extraordinary items												
<b>Total revenue</b>	<b>90,422,000</b>	<b>54,615,120</b>	<b>304,223,698</b>	<b>148,169,250</b>	<b>27,312,278</b>	<b>1,945,927,517</b>			<b>203,500,000</b>	<b>5,469,064,951</b>	<b>131,579,500</b>	<b>1,208,886,000</b>
<b>Expenses</b>												
Wages, salaries and employee benefits	23,601,000	12,602,372	62,880,000	37,729,121	11,196,944	323,158,278			34,978,000	64,057,146	124,500,000	140,834,000
Other transfer payments (Benefit to Members)	-	-	-	-	-	-						
Supplies and consumables used	10,411,000	8,817,684	213,917,268	27,376,823	11,553,874	1,322,036,172			45,559,000	4,920,837,871	74,675,000	992,168,000
Depreciation and amortization expense	5,156,000	715,000	21,600,000	5,700,000	1,800,000	196,158,253			7,415,000	211,574,081	17,000,000	10,497,000
Impairment of property, plant and equipment	-	-	-	-	-	-			-	-	-	-
Other expenses	6,300,000	335,000	567,000	3,516,000	-	4,548,595			45,970,000	1,670,550	-	1,402,000
Finance costs	37,729,000	17,517,656	-	43,210,000	1,200,000	49,107,449			-	-	400,000	4,488,000
<b>Total expenses</b>	<b>83,197,000</b>	<b>39,987,712</b>	<b>298,964,268</b>	<b>117,531,944</b>	<b>25,750,818</b>	<b>1,895,008,747</b>			<b>133,922,000</b>	<b>5,198,139,648</b>	<b>216,575,000</b>	<b>1,149,389,000</b>
<b>Surplus/(deficit) before tax</b>	<b>7,225,000</b>	<b>14,627,408</b>	<b>5,259,430</b>	<b>30,637,306</b>	<b>1,561,460</b>	<b>50,918,770</b>			<b>69,578,000</b>	<b>270,925,303</b>	<b>(84,995,500)</b>	<b>59,497,000</b>
Taxes	-	6,000,000	788,915	10,030,311	418,438	-			-	127,545,715	-	20,848,000
Dividend paid	-	-	3,000,000	6,600,000	-	-			-	250,000,000	-	-
<b>Surplus/(deficit) for the period after tax and dividend</b>	<b>7,225,000</b>	<b>8,627,408</b>	<b>1,470,515</b>	<b>14,006,995</b>	<b>1,143,022</b>	<b>50,918,770</b>			<b>69,578,000</b>	<b>(106,620,412)</b>	<b>(84,995,500)</b>	<b>38,649,000</b>
Subvention request for 2020	-	-	-	-	-	-			-	-	66,616,000	-

Budget not submitted to the Commission at the time of drafting the report

Budget not submitted to the Commission at the time of drafting the report

**Appendix 2. Public Enterprises Consolidated Budget For 2020**

**INCOME AND EXPENDITURE STATEMENT FOR 2020**

	Financial Services Authority	Seychelles Postal Services Ltd	Property Management Corporation	Petro Seychelles Ltd	Seychelles Ports Authority	L'Union Estate Ltd	Seychelles Civil Aviation Authority	Bois De Rose Investment Ltd	2020 Development (Seychelles) Ltd	Paradis Des Enfants Entertainment Ltd	Société Seychelloise d'Investissement Ltd	Consolidated
	Year ended 31-12-2020	Year ended 31-12-2020	Year ended 31-12-2020	Year ended 31-12-2020	Year ended 31-12-2020	Year ended 31-12-2020	Year ended 31-12-2020	Year ended 31-12-2020	Year ended 31-12-2020	Year ended 31-12-2020	Year ended 31-12-2020	Year ended 31-12-2020
	SCR	SCR	SCR	SCR	SCR	SCR	SCR	SCR	SCR	SCR	SCR	SCR
<b>Income Statement 2020</b>												
												-
<b>Revenue from exchange transactions</b>												
Rendering of services		25,641,000	-	-	170,477,700		467,357,920	-	-	444,000	-	3,034,591,174
Sale of goods		1,690,000	-	-			-	-	38,500,000	-		6,664,170,583
Interest, royalties and dividends		15,000	2,619,152	249,374	-		-	-	-	-	318,333,636	659,210,243
Rental Income		-	64,908,168	1,976,967	12,087,000		36,362,793	26,065,325	-	1,522,363	60,000	312,970,856
Investment Income		-	-	-	-		-	-	-	-	-	-
Other revenue		-	2,458,500	1,516,500	8,445,000		5,517,932	4,276,789	21,984,500	480,000	1,500,000	127,247,077
Extraordinary items									1,133,269			1,133,269
<b>Total revenue</b>		<b>27,346,000</b>	<b>69,985,820</b>	<b>3,742,841</b>	<b>191,009,700</b>		<b>509,238,645</b>	<b>30,342,114</b>	<b>61,617,769</b>	<b>2,446,363</b>	<b>319,893,636</b>	<b>10,799,323,202</b>
<b>Expenses</b>												
Wages, salaries and employee benefits		20,761,411	11,164,551	4,665,041	76,746,900		219,755,743	585,112	1,040,896	1,616,025	4,982,119	1,176,854,659
Other transfer payments (Benefit to Members)							-	-	480,000	-	-	480,000
Supplies and consumables used		12,973,796	42,732,570	2,847,035	48,846,920		130,205,282	9,273,124	1,740,000	3,072,625	6,288,421	7,885,332,465
Depreciation and amortization expense		1,350,400	-	249,182	23,699,900		40,617,260	9,342,060	-	204,696	-	553,078,832
Impairment of property, plant and equipment							-	-	-	-	-	-
Other expenses		1,033,000	14,187,400	320,399	2,490,600		-	473,226	55,111,641	547,732		138,473,143
Finance costs					2,340,680		833,000	4,962,429			2,774,298	164,562,512
<b>Total expenses</b>		<b>36,118,607</b>	<b>68,084,521</b>	<b>8,081,657</b>	<b>154,125,000</b>		<b>391,411,285</b>	<b>24,635,951</b>	<b>58,372,537</b>	<b>5,441,078</b>	<b>14,044,838</b>	<b>9,918,781,611</b>
<b>Surplus/(deficit) before tax</b>		<b>(8,772,607)</b>	<b>1,901,299</b>	<b>(4,338,816)</b>	<b>36,884,700</b>		<b>117,827,360</b>	<b>5,706,163</b>	<b>3,245,232</b>	<b>(2,994,715)</b>	<b>305,848,798</b>	<b>880,541,591</b>
Taxes		180,000	-	-	18,175,400		35,298,208	1,661,849	63,984	-	1,061,464	222,072,284
Dividend paid		-	-	-	-		41,264,576	-	-	-	269,520,500	570,385,076
<b>Surplus/(deficit) for the period after tax and dividend</b>		<b>(8,952,607)</b>	<b>1,901,299</b>	<b>(4,338,816)</b>	<b>18,709,300</b>		<b>41,264,576</b>	<b>4,044,314</b>	<b>3,181,248</b>	<b>(2,994,715)</b>	<b>35,266,834</b>	<b>88,084,231</b>
Subvention request for 2020		5,000,000	-	-	-		-	-	-	3,000,000	-	-

Budget not submitted to the Commission at the time of drafting the report

Budget not submitted to the Commission at the time of drafting the report



# Fiscal Risk Statement 2020

Ministry of Finance, Trade, Investment & Economic Planning  
November 2019

This document provides an overview of the major fiscal risks facing the Budget for 2020. The Fiscal Risk Statement (FRS) comments on general economic risks and uncertainties, specific fiscal risks related to Budget execution, and presents a risk framework for public enterprises. Combined, this allows for the disclosure of risks to public finances and appreciation of the context within which the Government operates. The FRS is compiled and prepared by the Ministry of Finance, Trade, Investment & Economic Planning, with input from the Public Enterprise Monitoring Commission.

# Contents

List of Tables .....	2
List of Figures.....	2
Acronyms and abbreviations.....	3
1. Introduction .....	4
2. Macroeconomic Risks .....	5
2.1 Macroeconomic Assumptions .....	5
2.2 Macroeconomic Shock Scenarios.....	6
<i>Inflation Shocks</i> .....	6
<i>Exchange rate Shocks</i> .....	6
<i>Shocks on Tourism arrivals to Real GDP Growth</i> .....	7
2.3 GDP Rebasing .....	11
3. Budget Execution Risks .....	12
4. Public Enterprise Risks .....	13
4.1 PE Macroeconomic risks.....	13
4.2 Risks from Other Expenditure and Revenue Development .....	15
4.3 Contingent Liabilities .....	17
<i>Explicit Contingent Liabilities</i> .....	17
<i>Implicit Contingent Liabilities</i> .....	18
4.4 Arrears.....	20
<i>Arrears from Government to PEs</i> .....	20
<i>Arrears from PEs to Government</i> .....	21
<i>Arrears between PEs</i> .....	21
4.5 Institutional Risks .....	22
<i>Oversight Framework</i> .....	22
<i>Lack of Compliance (PEMC Act/Companies Act)</i> .....	23
5. Risk Assessment Matrix 2020.....	24
6. Mitigating Fiscal Risks.....	26
7. Conclusion .....	27

## List of Tables

Table 1. Budget Fiscal Risk Framework .....	4
Table 2. Macroeconomic assumptions 2019 to 2022 .....	5
Table 3: Risk Matrix illustrating the Macroeconomic Risks of PEs .....	14
Table 4: Risk Matrix of PEs affected by Risks from Expenditure and Revenue Development.....	16
Table 5: Risk Matrix of PEs substantially affected by Explicit Contingent Liabilities Risks .....	17
Table 6: Risk Matrix of PEs substantially affected by Implicit Contingent Liabilities Risks .....	18
Table 7: Details of loans between PEs .....	19
Table 8: Risk Matrix of PEs substantially affected by Arrears Risks .....	20
Table 9: Showing Arrears from Government to PEs (SR'm) .....	20
Table 10: Arrears from PEs to Government (SR' m) as at end 2018 .....	21
Table 11: Showing Arrears between PEs (SR' m) as at end 2018 .....	21
Table 12: Risk Matrix of PEs substantially affected by Risks stemming from Lack of Compliance .....	23
Table 13: Risk Assessment Matrix 2020.....	24

## List of Figures

Figure 1: Real GDP deviations from Base line .....	8
Figure 2: Nominal GDP Level deviations from Base line .....	8
Figure 3: Tax Revenue deviations from Base line .....	9
Figure 4: Inflation deviations from Base line .....	9
Figure 5: SR/USD deviations from Base line .....	10
Figure 6: SR/EUR deviations from Base line .....	10
Figure 7: Debt deviations from Base line .....	11
Figure 8. RAM 2020 charts .....	25

## Acronyms and abbreviations

### List of acronyms

AFD	Agence Française de Development
AFS	Annual Financial Statements
BADEA	Arab Bank for Economic Development in Africa
CBS	Central Bank of Seychelles
EIB	European Investment Bank
FDI	Foreign Direct Investment
FPCD	Financial Planning and Control Division
GDP	Gross Domestic Product
GDP	Gross Domestic Product
IFRS	International Financial Reporting Standard
IMF	International Monetary Fund
MEECC	Ministry of Environment, Energy and Climate Change
MFAB	Macroeconomic Forecasting and Analysis Branch
MHLILT	Ministry of Habitat, Lands, Infrastructure, and Land Transport
MoFTIEP	Ministry of Finance, Trade, Investment and Economic Planning
MTCAPM	Ministry for Tourism , Civil Aviation, Ports and Marine
NBS	National Bureau of Statistics
NISA	National Information Services Agency
PE	Public Enterprise
PEMC	Public Enterprise Monitoring Commission
PFM	Public Finance Management
PIM	Public Investment Management
PPBB	Performance Program Based Budgeting
PSIP	Public Sector Investment Program
QFA	Quasi-Fiscal Activity
ROA	Return on Assets
ROCE	Return on Capital Employed
ROE	Return on Equity
SCI	Statement of Corporate Intent
SRC	Seychelles Revenue Commission

### List of Public Enterprises

AS	Air Seychelles Limited
BDRI	Bois de Rose Investment Limited
DBS	Development Bank of Seychelles
FSA	Financial Services Authority
GICC	Green Island Construction Company Limited
GOIC	Green Oak Investment Company Limited
GTIC	Green Tree Investment Company Limited
HFC	Housing Finance Company Limited
IDC	Islands Development Company Limited
L'UE	L'Union Estate Limited
NISA	National Information Services Agency
PS	Petro Seychelles Limited
PDEE	Paradis des Enfants Entertainment Limited
PMC	Property Management Corporation
PUC	Public Utilities Corporation
SCB	Seychelles Commercial Bank
SCAA	Seychelles Civil Aviation Authority
SEYPEC	Seychelles Petroleum Company Limited
SIMBC	Seychelles International Mercantile Banking Corporation Limited
SPA	Seychelles Ports Authority
SPF	Seychelles Pension Fund
SPTC	Seychelles Public Transport Corporation
SPS	Seychelles Postal Services Limited
SSI	Société Seychelloise d'Investissement Limited
SPTC	Seychelles Public Transport Corporation
2020 DC	2020 Development (Seychelles) Limited



# 1. Introduction

Continued stability and economic growth, whilst ensuring the sustainability of public finances over the medium term remains as the foremost objective for the Government. The lowering of public debt to 50 per cent of GDP by 2021 remains a key target to that end. This document is aimed at identifying the main fiscal risks facing the 2020 Budget. These can broadly listed as risks relating to the macroeconomic environment, Budget execution risks, as well risks from Public Enterprises (PEs).

**Macroeconomic risks, largely emanating from external shocks, have been identified as the main source of risk in 2020 and the medium term.** Seychelles, as a small island economy, remains in fragile position due to its remoteness, relatively limited resources and heavy dependence on international trade. To the extent that unanticipated negative changes in economic conditions occur, their impact will flow through to Government expenditure (acting as a stability buffer) and revenue forecasts. Government will have to: either reduce and reschedule its planned expenditures, limited in scope; undertake additional financing and so increasing the debt stock; or not honour its debt obligations, resulting in crisis. It must be noted that the Government is on a debt reducing path, with a target of 50 per cent of GDP by 2021.

The risk framework presented below represents how the Ministry is approaching the issue of fiscal risk and has four broad categories – the macroeconomic situation, Budget spending, Public enterprise (PE) operations, and potential mitigation strategies. Although these categories are clearly defined, fiscal risks remain correlated and are inter-dependent, with one particular risk, affecting more than one category (especially the case for macroeconomic risks and the performance of PEs). For example, an increase in fuel price will affect both Government excise tax revenue, assuming a partial demand effect, and dividend from PEs heavily reliant on fuel. This will impact overall revenue and provide a constraint towards planned public spending, resulting in increased pressure on the primary surplus and debt targets.

**Table 1. Budget Fiscal Risk Framework**

Risk Category	Major issues considered
<b>Macroeconomic risks</b>	Shock scenario analysis to evaluate impact of macroeconomic variables on GDP growth, Budget aggregates and Debt target
<b>Budget execution risks</b>	Additional and unforeseen spending pressures as a result of capital project cost overruns, Impact of natural disasters on contingency reserves
<b>Public Enterprise risks</b>	Identified risk parameters affecting all Public enterprises
<b>Risk Mitigation</b>	Key measures that can be taken to offset the impact of such fiscal risks

## 2. Macroeconomic Risks

Seychelles faces numerous external vulnerabilities – large swings in international prices, changes to the global economic landscape, as well as continued uncertainty. We remain susceptible to external shocks, which poses considerable threat to the economy given the strong reliance on tourism exports and the importation of oil, food and other commodities.

**Macroeconomic developments can cause fiscal outcomes to deviate from projections for key macroeconomic variables such as Real GDP growth, oil price, interest rates, exchange rates and commodity prices and are consequently a source of fiscal risk.** In this section, we will consider three main macroeconomic risks and have simulated possible impacts through shock scenarios; shocks on inflation and exchange rate, which has a direct effect on the nominal GDP, and shocks on Tourism, which directly affects real GDP.

The budgetary impact of each of the scenarios will also be presented. Based on the identified risks, three scenarios of macroeconomic developments are elaborated: baseline, upside and downside. The Budget is prepared on the baseline scenario, which is the expected outcome incorporating assumptions and judgments based on the best information available at the time of publication. In the latter part of this section, the risks from National accounts GDP rebasing will also be discussed.

### 2.1 Macroeconomic Assumptions

The below table presents the main macroeconomic assumptions underpinning the Budget estimates and of which all shock scenarios are based upon.

**Table 2. Macroeconomic assumptions 2019 to 2022**

	<i>Actuals</i>		<i>Estimates</i>		<i>Projections</i>			
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Nominal GDP (SR' m)	19,014	20,515	22,019	23,201	24,447	26,198	28,325	30,282
Real GDP growth	4.5	4.3	4.1	3.9	3.5	4.1	4.0	4.0
GDP deflator growth	-0.8	3.4	3.1	1.4	1.8	2.9	4.0	2.8
CPI (annual average)	-1.0	2.9	3.7	2.0	2.1	2.9	3.0	3.0
SR/€ (average)	14.76	15.77	16.47	15.77	16.02	16.43	17.63	18.01
SR/US\$ (average)	13.32	13.65	13.91	14.04	14.30	14.52	15.07	15.33

Source: Macroeconomic Framework Working Group

## 2.2 Macroeconomic Shock Scenarios

The impact of macroeconomic risks on economic growth and Government balances will be discussed through several shock scenarios on inflation, exchange rates and tourism arrivals in this section. Fan charts for each shock will be presented at the end in Box 1.

### Inflation Shocks

Nominal GDP refers to the monetary value of all the finished goods and services produced within a country's borders in a specific time period evaluated at current market prices. Nominal differs from real GDP in that it includes changes in prices due to inflation, a rise in the overall price level. It is thus very sensitive to the rate of inflation. Inflation itself is affected by several factors mainly changes in oil prices and commodity prices. The Central Bank of Seychelles, through monetary policy aims to secure stability in domestic prices. Nominal GDP growth is taken as the main proxy for tax revenue growth.

#### *Sensitivity analysis*

Given our high dependency on imports, several external factors such as fluctuations in oil prices or in commodity prices, will have a direct impact on inflation. This will then have an impact on Nominal GDP and will affect Government's revenue. **Given the sensitivity of revenue to nominal GDP (a buoyancy of about 'one' for the majority of taxes), it is estimated that a 1 per cent decrease in inflation rate will translate into a 0.9 per cent, or SR 208m, reduction in nominal GDP. The direct impact on the 2020-budgeted tax revenue is an estimated reduction of 0.6 per cent, or SR 42.8m.** The negative effect will also impact on Non-tax revenue especially in terms of dividend receipts from PEs, which can be hard to quantify and so not included in this simulation.

It is important to note that there will be additional effect on the expenditure side. With a decrease in revenue, Government will have either to cut on expenditure or find other ways to finance its spending. Furthermore, if there is a rise in fuel prices, this will add further pressure on the Budget. For the year 2018, SR 68.7m was spent on fuel. Even small changes in the price will have significant budgetary impact. Government needs to mitigate these exposures given its commitment to attain its debt-to-GDP target of 50 per cent by 2021.

### Exchange rate Shocks

Since the country is highly dependent on imports and revenue inflows, fluctuations in the exchange rate also poses a risk to the Nominal GDP. The risks of exchange rate volatility is augmented given the current freely floating regime, which allows the currency to appreciate or depreciate dependent on market forces. It is important to note that swings in exchange rates also has an inflationary effect.

#### *Sensitivity analysis*

Fluctuations in exchange rate directly affects nominal GDP, which directly affects Government's tax revenue growth. Another direct impact in terms of revenue is on external grants. Grants are mainly from international donors and it comes in the form of foreign currency. **Given the sensitivity of exchange rate to nominal GDP, and that the majority of the country's imports is in USD, it is estimated that a 1 per**

**cent depreciation in the SR/USD rate will result in 0.3 per cent, or SR 80m decrease in nominal GDP. Assuming no other effects, this will translate into SR 16.6m reduction in tax revenue.**

**Given that most of the country's earnings is in Euro, it is estimated that a 1 per cent appreciation in the SR/EUR rate, will reduce nominal GDP by 85m, or 0.4 per cent. Ceteris paribus, this will translate into a SR 17.7m reduction in tax revenue.**

External debt is denominated in foreign currency and so entirely dependent on exchange rate. Any fluctuation in exchange rates will affect external debt repayments and dependent on the nature of the change, will impact the path towards the 50 per cent target either positively or negatively (an appreciation of the rupee will mean less spending to service debt in rupee terms). Fluctuations in exchange rate will also affect the expenditure side especially on the foreign exchange receipts and other spending of the Government. Total foreign exchange receipts and foreign exchange earnings, excluding debt, is estimated at USD 55.9m and USD 52.4m for Budget 2020 respectively.

### **Shocks on Tourism arrivals to Real GDP Growth**

In this section we shall look at shocks to real GDP growth which is affected directly by activities in the economy. Tourism remains the main economic activity in the Seychelles economy, contributing to an average of around 30 per cent of GDP. Any change in visitor arrivals and average lengths of stay will have a direct impact on the tourism contribution to real GDP growth. The effect on revenue will be lower when compared with that of nominal GDP growth, as only a few tax lines grow in line with real GDP. These are excises related to specific imports such as alcohol and petroleum.

#### *Sensitivity Analysis*

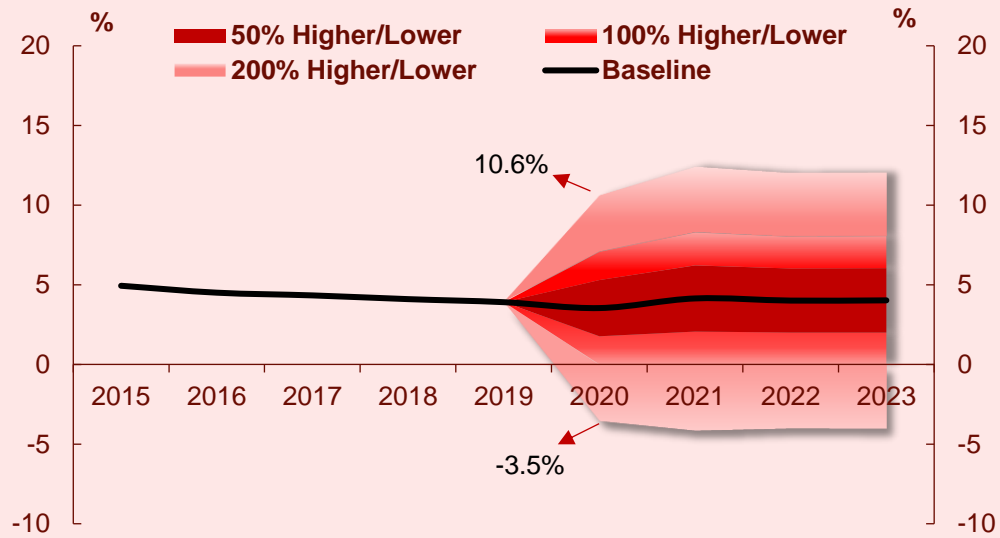
**It is estimated that a 1 per cent drop in arrivals will decrease the Real GDP growth by 0.2 percentage point. Ceteris paribus, this will result in a direct SR 2.9m drop in revenue.** Indirectly, there will be a significant drop in revenue from tourism related businesses. The magnitude of this will be hard to quantify. The drop will affect the visitor's earnings, VAT receipts on tourism, Business tax paid by tourism establishments, and other related tourism activities. The major impact will be on tourism VAT. It is important to note, that VAT tourism makes up an average of 54 per cent of total domestic VAT collected.

Major fluctuations in arrivals will also have an effect on exchange rate. Lower arrivals will mean lower foreign exchange earnings and given that the country is highly dependent on import, the demand pressures on the exchange rate may be higher than the supply, thus leading to depreciation in the exchange rates and resulting in a second round effect on revenue.

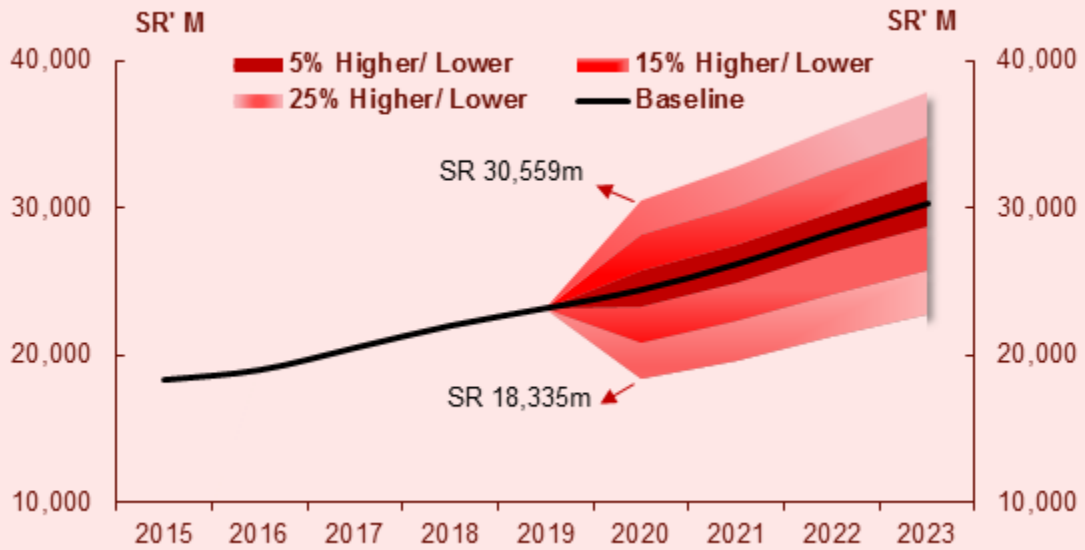
In what follows below, a series of charts are presented to show the deviations in major macro indicators from the baseline and also the deviations in Government's revenue as well as the effect on Government debt-to-GDP ratio target. Several percentage deviations are considered to show the upside risks as well as the downside risks on the key indicators.

**Box 1: Macroeconomic shocks: fan charts**

**Figure 1: Real GDP deviations from Base line**

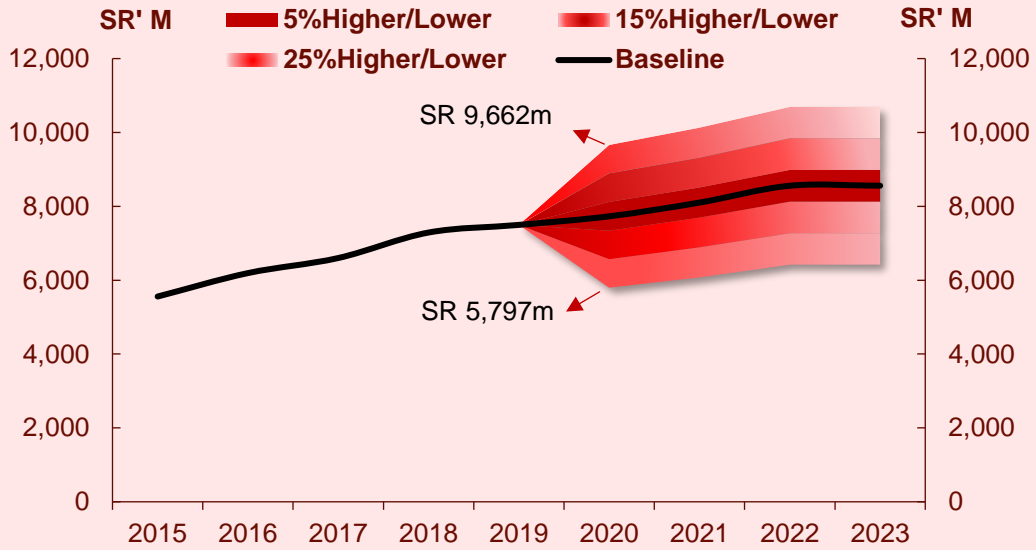


**Figure 2: Nominal GDP Level deviations from Base line**

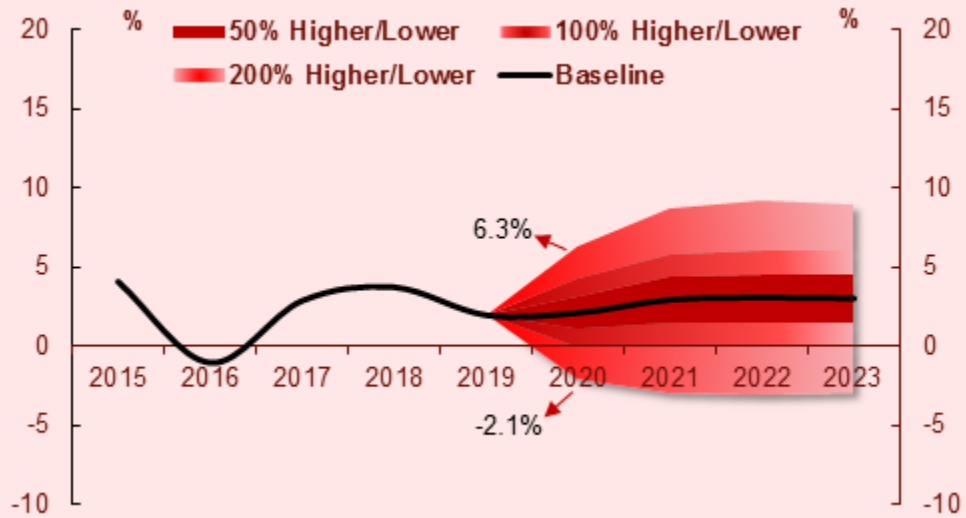


Source: MoFTIEP, Macroeconomic Forecasting and Analysis Branch Estimates

**Figure 3: Tax Revenue deviations from Base line**

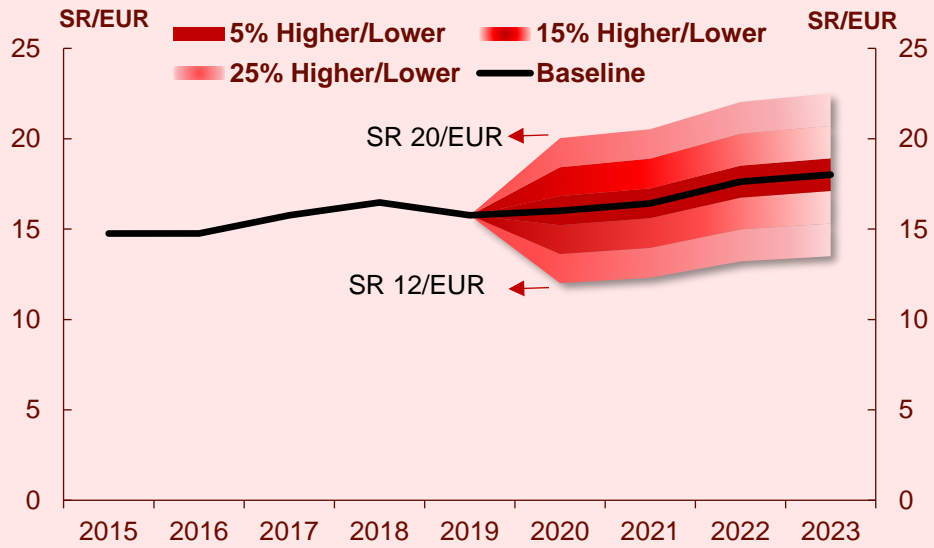


**Figure 4: Inflation deviations from Base line**

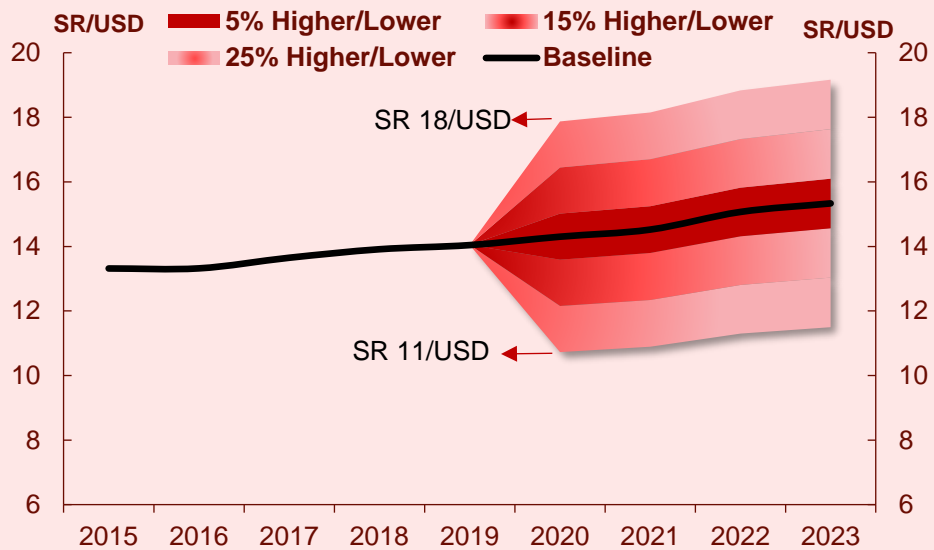


Source: MoFTIEP, Macroeconomic Forecasting and Analysis Branch Estimates

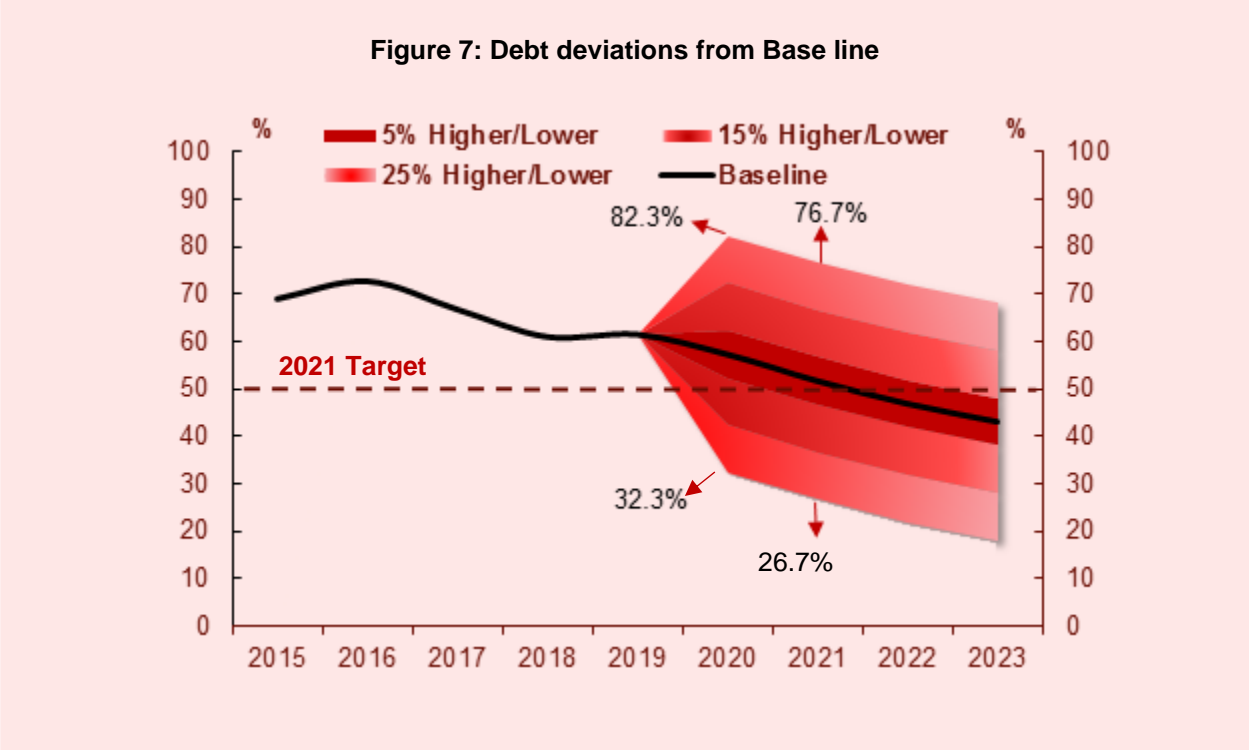
**Figure 5: SR/USD deviations from Base line**



**Figure 6: SR/EUR deviations from Base line**



Source: MoFTIEP, Macroeconomic Forecasting and Analysis Branch Estimates



Source: MoFTIEP, Macroeconomic Forecasting and Analysis Branch Estimates

**2.3 GDP Rebasing**

Given the importance of having up-to-date data, rebasing the GDP is a step in the right direction. With this, planning and investment decisions will be more robust and informed and better reflect the current economic situation. NBS will soon be conducting an exercise towards rebasing the GDP, currently set at 2006 prices. This represents a potential risk to the Budget.

When looking at other country’s recent experience who has undertaken this exercise, there is potential upside risk to GDP rebasing. In Nigeria, the revision increased the GDP by 90 per cent, whereas in Ghana there was a 60 per cent increase to the GDP number. The impact of an increase in the Nominal GDP will have a positive effect on the debt-to-GDP ratio and could allow the 50 per cent target to be reached even before 2021 given the base effect on the denominator.



### 3. Budget Execution Risks

An important fiscal risk relates to Budget execution, more specifically increased pressure on the Government Budget as a result of unforeseen circumstances such as natural disasters, and poor planning by ministries, departments and agencies. In this section, only a few aspects of execution risks are highlighted.

#### *Capital projects*

Capital project execution is a key Budget execution risk. Numerous projects have not been executed as planned over the past five years resulting in significant cost overruns, with added strain on the current Budget. Cost overruns on a project also means that the respective implementing agency has to re-allocate funds from other projects. Another challenge faced with capital projects are delays in project implementation largely due to delays in procurement, lack of human resources and capacity. This is often at the expense of other spending needs which could have been financed. Additionally, this distorts the outer year's Budget where re-allocation is needed to cater for funds for the delayed project. Delays in public infrastructure investment is also a downside risk to economic growth.

The Budget for Capital expenditure in 2019 is SR 1.1bn, equivalent to about 6 per cent of GDP. A 10 per cent increase in this outlay, through of poor execution and cost overruns, would result in a 0.6 per cent of GDP increase in overall expenditure, and will lower the primary balance target in GDP terms from 2.5 to 1.9 per cent.

#### *Risks Due to Uncertainty of Foreign Aid*

Expectations about foreign aid poses another source of risk to the Budget. Foreign aid, which comes in the form of grants, is estimated to be around 2.6 per cent of GDP for the 2020 Budget and is assumed to remain constant over the medium term. In 2020 grants will help contain spending pressures through provisions for Air Seychelles restructuring. Any international threat, such as financial crises, may affect revenues of our donor countries, and thus affect their ability to provide foreign aid. Furthermore, as Seychelles has been re-classified to a high-income country from upper-middle income, this could have a negative impact on the aid given. However, these may be countered by Seychelles presence on the international scene as a proponent for Small Island Developing States requiring funds for sustainable, environmental climate change projects.

#### *Natural disasters*

Natural disasters can have a significant impact on the Budget. Whilst a contingency fund is in place to cater for disaster preparedness, prevention and such unforeseen events, it might not be enough depending on the magnitude of the disaster. The current Contingency fund for the 2020 is set at SR 45m, which is lower than the amount for 2019, by SR 5m, but more than 2018, by SR 10m. This fund will also cater for unforeseen expenditures such as compensation claims on government or health epidemics mitigation.

## 4. Public Enterprise Risks

**Public enterprises can be a major source of fiscal risk to public finances if they do not perform well financially.** The fiscal risk analysis identifies, quantifies and discloses the fiscal risk exposure of the Government of Seychelles (GOS) arising from the Public Enterprises (PEs). Given the size of the PE sector as part of the economy, it is important to monitor PEs to ensure they are performing well financially and are sustainable.

Fiscal risks arise from a variety of sources, which affect the financial and fiscal performance of the PEs. A PE operating inefficiently could see its financial returns decline, its debt increase and its solvency could be at risk. This may result in lower financial returns from SOEs and additional fiscal costs to the Budget and an unsustainable level of debt for that PE.

**There are substantial fiscal risks emanating from the PEs in Seychelles.** The key fiscal risks in Seychelles includes:

1. **Macroeconomic shocks** for instance, the fluctuations in commodity prices particularly for oil, interest and exchange rates, real estate prices and tourism growth rates.
2. Fiscal risks emanating from other **expenditure and revenue developments** for example higher increases in salaries or in QFAs or lower sales of PEs which reduces the net profit or increases losses.
3. **Contingent liabilities** of which the Government either have legal or no legal obligations to intervene in cases where PE faces liquidity problems.
4. **Arrears**, whereby debts continue to accumulate, become uncollectible, are written off, resulting in profitability and liquidity problems.
5. **Deficiencies in the institutional framework** such as the significant non-compliance of PEs to the PEMC Act and other governing legislations.

### 4.1 PE Macroeconomic risks

**As highlighted in the previous sections, deviations in projections of key macroeconomic variables such as oil prices, interest rates, exchange rates and commodity prices and are consequently a major source of fiscal risk and can impact the financial performance of PEs.** The consequence of this would be on Government finances, such as the amount of taxes or dividends being paid into the Budget from PEs.

The risk matrix overleaf shows the vulnerability of each PE to different types macroeconomic risks. Some macroeconomic risks would have a substantial impact on all PEs, such as inflation, whereas other

macroeconomic risks are more specific to the sector in which the PEs operate, such as oil price risk. The matrix also indicates that all PEs are vulnerable to at least one type of macroeconomic risk.

**Table 3: Risk Matrix illustrating the Macroeconomic Risks of PEs**

<i>Risk Parameters</i>								
<b>PE</b>	<b>Oil price</b>	<b>Other commodity prices</b>	<b>Exchange rate</b>	<b>Interest rate</b>	<b>Credit availability</b>	<b>Tourism</b>	<b>Housing prices</b>	<b>Inflation</b>
AS	AFS 2018 not submitted to the Commission by reporting date							
BDRI	AFS 2018 not submitted to the Commission by reporting date							
DBS		x	x	x	x	x	x	x
FSA			x	x	x			x
GICC	x	x	x	x	x	x	x	x
GOIC		x		x	x		x	x
GTIC	x	x		x	x		x	x
HFC		x		x	x		x	x
IDC	x	x	x	x	x	x		x
I'UE	x	x	x			x	x	x
NISA	x	x	x	x	x			x
PS	x		x	x				x
PDEE	AFS 2018 not submitted to the Commission by reporting date							
PMC				x	x		x	x
PUC	x	x	x	x	x	x	x	x
SCB		x	x	x	x	x	x	x
SCAA	x	x	x	x	x	x		x
SEYPEC	x		x		x	x		x
SIMBC		x	x	x	x	x	x	x
SPA	x	x	x			x		x
SPF		x	x	x			x	x
SPTC	x		x	x				x
SPS	x		x					x
SSI	x	x	x	x	x	x	x	x
STC	x	x	x	x	x	x		
2020 DC	AFS 2018 not submitted to the Commission by reporting date							

Source: PEMC

Oil price, other commodity prices, exchange rates, interest rates, credit availability and inflation are the macroeconomic variables to which more than 50 per cent of PEs were exposed. Important fluctuations in the macroeconomic variables would have varying impact on the PEs, depending on the nature of their activity and their ability to absorb these fluctuations. For example, a significant spike in the oil price could affect the PEs which are heavily dependent on oil products, such as Air Seychelles, SEYPEC, PUC and SPTC, as they will have greater costs to absorb.

For example, An increase in the oil prices will have a direct impact on SEYPEC as its core activity comprises of supplying petroleum products in Seychelles, marine bunkering, aviation refueling and transshipment and transportation of petroleum and chemical products by tankers. A 32 per cent increase in oil price of the year 2018 would have resulted in an increase in fuel and oil expense in the range of SR 1bn to SR 1.2bn and this could mean that the company's net profit of SCR 87.6m for 2018 to a net loss amounting to approximately SR 1bn assuming all other variables remain constant. Similarly, a rise in interest rates would negatively impact PEs that have borrowings or those that had planned to borrow, as they may have greater interest payment.

Another example worth mentioning is PUC's exposure to exchange rate risk arising from its acquisition of supplies and capital projects that are denominated in currencies other than its functional currency, which is the Seychelles Rupee. PUC's primary currency exposures are with respect to the Euro, the US Dollar, the Singapore Dollar, the South African Rand and the British Pound Sterling.

An increase in the interest rate can impact on PEs which have large amount of borrowings especially those which are long-term and at floating rates. DBS' exposure to interest rate risk arises from the interest rate charged on loans taken from various banks such as Nouvobanq and Barclays bank of Seychelles for on-lending to its customers. A 1 per cent increase in the interest rate on borrowings with all other variables held constant, would have decreased the net profit of SR 26.4m by approximately SR 4m to SR 5m to a value within the range of SR 21m to SR 22m. DBS would therefore have been able to absorb the impact of a 1 per cent increase in the interest rate on its borrowings.

## **4.2 Risks from Other Expenditure and Revenue Development**

**All PEs across the public sector are at risk of expenditure and revenue deviating from the plans on their respective financial performance.** A selection of risks to the financial performance of the PE were identified and listed in Table 4 below.

The risk matrix overleaf shows the vulnerability of PEs to risks associated to fluctuating revenue and expenditure. Some expenditure and revenue risks would have substantial impacts on all PEs, such as natural disasters and/or lower sales. The matrix also indicates that all PEs are vulnerable to at least one type of expenditure or revenue risk.

**Table 4: Risk Matrix of PEs affected by Risks from Expenditure and Revenue Development**

PE	Higher expenditure because of:						Lower revenue because of:					
	<i>Risk Parameters</i>											
	Higher wages/salaries	Other current costs	Cost overruns investment projects	New or increased QFAs	Unexpected maintenance, new investment	Natural disaster	Government policies and regulations	Lower sales	Lower taxes paid in terms government	Lower dividends received	QFAs	Lower loan repayment
AS						X	X					
BDR1						X	X					
DBS				X		X	X	X			X	X
FSA		X				X	X	X		X		
GICC		X	X		X	X	X	X	X			
GOIC						X	X	X	X			
GTIC			X		X	X	X	X	X			
HFC				X		X	X	X	X		X	X
IDC			X		X	X	X	X	X	X		
I'UE				X		X	X	X	X		X	
NISA	X					X	X	X	X			
PS	X	X				X	X	X				
PDEE						X	X					
PMC	X	X	X	X	X	X	X	X			X	
PUC		X	X	X	X	X	X	X			X	
SCB						X	X	X	X	X		X
SCAA			X	X	X	X	X	X	X	X	X	
SEYPEC			X	X	X	X	X	X	X	X	X	
SIMBC						X	X	X	X	X		X
SPA	X		X		X	X	X	X	X			
SPF						X	X	X				
SPTC	X		X	X	X	X	X	X			X	
SPS	X			X		X	X	X			X	
SSI						X	X	X	X	X		
STC	X		X	X	X	X	X	X	X		X	X
2020 DC						X	X	X				
OICL						X	X	X				

Source: PEMC

### 4.3 Contingent Liabilities

Contingent liabilities can be defined as “any obligations, either explicit or implicit, triggered by an uncertain event (e.g. a loan guarantee dependent on future default)”. In the event these contingent liabilities materialize, there is a high risk that Government will be liable to provide fiscal support to PEs.

The risk matrix overleaf shows the vulnerability of PEs to different types contingent liabilities. Risk factors for contingent liabilities are classified into two main categories; explicit and implicit contingent liabilities.

#### Explicit Contingent Liabilities

Explicit contingent liabilities refer to the legal obligation or announced policy that the Government will be responsible to provide fiscal support in specific circumstances. Table 5 refers to four of the potential explicit contingent liabilities for the Government of Seychelles for the period 2013-2018.

**Table 5: Risk Matrix of PEs substantially affected by Explicit Contingent Liabilities Risks**

PE	Risk Parameters			
	Loans granted by government to PEs	Government guarantees granted for Public Private Partnerships (PPPs) undertaken by PEs	Other government guarantees granted to PEs	Bailouts of PEs/capital injections because of explicit contingent liabilities emanating from PEs
AS	x		x	x
BDR1				
DBS	x		x	
FSA				
HFC			x	
IDC				
L'UE				
NISA			x	
PS				
PDEE				
PMC		<i>PEMC did not receive data relating to government guarantees granted for PPP projects undertaken by PEs</i>	x	x
PUC			x	
SCAA				
SCB				
SEYPEC				
SIMBC				
SPA			x	
SPF				
SPS				
SPTC				
SSI			x	
STC	x			
2020 DC				

Source: PEMC

## Implicit Contingent Liabilities

Implicit contingent liabilities refer to cases where there is no legal responsibility or announced obligation, but there is possibility/likelihood of Government intervention in cases where a PE faces liquidity problems (e.g. possible need for Government to bail out a PE). This section focuses on identified implicit contingent liabilities based on information collected from PEs as shown in Table 6 overleaf.

**Table 6: Risk Matrix of PEs substantially affected by Implicit Contingent Liabilities Risks**

PE	Risk Parameters		
	Loans granted by PE to other PEs	Loans granted by PE to third parties	Legal against PEs claims
AS			
BDRI	x		
DBS	x	x	
FSA			
HFC	x	x	
IDC	x		
L'UE			
NISA	x		
PS	x		
PDEE			PEMC had no data pertaining to legal claims at the time of writing this report
PMC	x		
PUC	x		
SCAA	x		
SCB	x	x	
SEYPEC			
SIMBC	x	x	
SPA			
SPF	x		
SPS			
SPTC	x		
SSI	x		
STC			
2020 DC			

Source: PEMC

**Implicit contingent liabilities consist of mainly loans amongst PEs and loans provided by financial institutions to third parties.** Implicit contingent liabilities refer to cases where there is no legal responsibility or announced obligation for government support, but there is possibility/likelihood of government intervention in cases where a PE faces liquidity problems (e.g. possible need for government

to bail out a PE). This section focuses on identified implicit contingent liabilities based on information collected from PEs as shown in Table 6.

**Table 7: Details of loans between PEs**

<b>Lending institution/PE</b>	<b>Beneficiary</b>	<b>Currency</b>	<b>Legal end date</b>	<b>Maximum exposure 2018 (SR'm)</b>
SSI	BDR1	SCR	2028	58.5
	BDR1	SCR	Deferred	56.2
	PS	SCR	Not yet finalised	5
SCB	GTIC	SCR	2020	22
	HFC	SCR	2024	114.2
	SPTC	SCR	2019	3.8
Nouvobanq	NISA	SCR	2024	14
	DBS	SCR	2020	25.1
		SCR	2023	32.9
	GTIC	SCR	2020	27.5
		SCR	2025	89.9
	IDC	USD	2019	0.4
		USD	2023	1.8
		USD	2023	2
		SCR	2019	0.2
		GICC	SCR	2019
SCAA	USD	2019	4.2	
	SCR	2021	-0.9	
	SSI	SCR	2020	25.7
SPF	PMC	SCR	2026	138.8

Source: PEMC



## 4.4 Arrears

Arrears are financial obligations, which are due and have not yet been paid. They are recognized as a further source of fiscal risks, which may create liquidity problems and reduce profitability if debts are not collectible. This section identifies and determines arrears due in the following categories:

- from Government to PEs
- from PEs to Government and
- between PEs.

**Arrears that are not identified and quantified can disguise the true size of the Government's or the PEs' arrears.** As in many countries like the Seychelles, payments of arrears owing to PEs are recognised as having a lower priority than paying other creditors. The risk matrix below identifies four PEs with the issue of payments of arrears for the year 2018.

**Table 8: Risk Matrix of PEs substantially affected by Arrears Risks**

PE	<i>Risk Parameter</i>		
	Government in arrears to PE	PE in arrears to Government	Arrears to or from other PE(s)
PS	x	x	x
PUC	x		
SEYPEC			x
STC	x		x

Source: PEMC

### Arrears from Government to PEs

**Table 9: Showing Arrears from Government to PEs (SR'm)**

PE	SR'm
Petro Seychelles	0.01
PUC	26.5
STC	1.7
<b>Total</b>	<b>28.2</b>

Source: PEMC

\*These figures are still provisional at this point in time and yet to be reconciled with all parties

Government's arrears towards PUC correspond to outstanding utility invoices from Ministries, Departments and Agencies and amounted to SR 26.5m as at December 31, 2018. The payment was due for longer than ninety days. STC had two arrears from Government amounting to a total of SR 1.7m due to non-payment of invoices despite reminders, of which SR 0.07m was due longer than ninety days and SR 1.60m was due longer than one year. Petro Seychelles' arrears from Government amounted to SR 0.01m and was due longer than one year, this corresponds to the share capital of the 1 per cent share of the Company held by the Principal Secretary (PS) for Finance.

## Arrears from PEs to Government

**Table 10: Arrears from PEs to Government (SR' m) as at end 2018**

Debtor	Creditor	Amount outstanding
PEs	SEYPEC	2.50
SEYPEC	PEs	0.08
SPF	STC	0.00
SCAA	STC	0.00
Air Seychelles	STC	0.00
<b>Total</b>		<b>2.58</b>

Source: PEMC

Arrears from PEs to the Government can also create liquidity problems for the public department or concerned Ministry, may exert more fiscal burdens on the budget and may affect the availability of public finance if the PE cannot pay the amounts owed to the Government.

There was only one arrear from PE to Government at December 31, 2018. This was from Petro Seychelles Ltd and amounted to SR 0.012m, regarding the Audit journal for the year end 2018 which was due longer than one year.

## Arrears between PEs

**Similarly, arrears between PEs reciprocally affects their profitability and may lead to cash flow problems if not managed accordingly.** Arrears between PEs at December 31, 2018 amounted to SR 2.6m. Uncertainty of arrears may also cause PEs to limit their investments by being more conservative in their operations, thereby limiting growth in the public sector and the economy as a whole. This uncertainty can also deepen fiscal risks if both PEs and GOS do not have clear and quantifiable data on the extent of their arrears whilst they continue to invest or accumulate their dues. The monitoring of arrears is consequently critical.

**Table 11: Showing Arrears between PEs (SR' m) as at end 2018**

Debtor	Creditor	Amount outstanding
PEs	SEYPEC	2.5
SEYPEC	PEs	0.1
SPF	STC	0.0
SCAA	STC	0.0
Air Seychelles	STC	0.0
<b>Total</b>		<b>2.6</b>

Source: PEMC

It was recommended that MoFTIEP state a clear policy requiring the prompt payment of amounts owing by Government bodies to PEs. In addition, the PEMC could start to analyze information on the amount and age of PE receivables to determine the extent of any arrears problem and whether any action is necessary. (Oversight of Fiscal Risks of the SOE Sector Report, 2016)<sup>1</sup>.

PEMC could play an active role in determining whether there is any issue of payment arrears concerning PEs and if so draw MoTIEP and PE attention to the need to rectify this.

## 4.5 Institutional Risks

**The institutional risks, which arise from the gaps in the oversight framework, inadequate capabilities to deal with the increasing number of PEs and the lack of compliance to the relevant legislations by PEs, may lead to fiscal risks if not mitigated.** A weak oversight framework may have a substantial impact on their financial performance whereas non-compliance with the submission of relevant documents such as audited financial statements prevent the proper analysis and forecast of the financial performance of PEs. This in turn may have an effect on the executive decision-making and the policy formulation for their effective control and management.

### Oversight Framework

**The absence of Ownership policy indicates that there is inadequate guidance being provided to the PEs towards achieving their goals and objectives.** The Ownership Policy, which defines the mandates and objectives of the Government of Seychelles as the owner of PEs with the aim of improving efficiency and competitiveness of the economy, has been drafted and is yet to be implemented.

**Presently, no Public Policy Objective (Public policy) has been formulated for each PE, which indicates that their responsible ministry has not set the policy target.** The Public policy outlines the mandate and purpose of the PEs which also includes defining, identifying and quantifying and disclosing the costs associated with the Public Service Obligations (PSOs) currently being undertaken by PEs. PSOs lead to Quasi-Fiscal Activities (QFAs) where PEs are not reimbursed for performing these obligations. QFAs can affect the financial performance of a PE, such as in the case of STC whereby it is charging prices below market prices for 14 commodities. As STC is not being compensated for the provision of the reduced prices, it is cross subsidizing the reduced price by increasing the prices of its other goods. As the parent ministry is not setting the policy target, it may lead to financial consequences, which in turn affects the setting of financial targets.

**The PEMC does not partake in the setting of these financial targets despite its responsibility to monitor and evaluate the financial performance of PEs.** As per the PEMC Act, the setting of financial targets falls under the mandate of their respective board. In line with international good practice, the ownership and oversight unit set financial targets to ensure that there is alignment between these targets and the objectives outlined in its policy targets.

**There is fragmentation across the oversight framework whereby PEs are mandated to report to numerous oversight bodies and ministries in respect of its financial, governance and sectorial performance.** This leads to duplication of effort and impedes the effectiveness of the oversight framework.

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<sup>1</sup> Shand. D., Gokgur. N., & Aziz. I. (2016). *Oversight of Fiscal Risks of the SOE Sector*. International Monetary Fund IMF Afritac South

## Lack of Compliance (PEMC Act/Companies Act)

There is an overall non-compliance to the prescribed reporting obligations of PEs under Sections 34 to 38 within Part V of the Act. In general, the PEs have failed to comply to the legislated requirements of the Act during 2018, i.e. the submission of Statements of Corporate Intent (SCI) (Section 34), the contents of the SCI (Section 35), monthly financial statements (MFS) (Section 36) and Annual Reports (AR), including AFS (Section 38) for the year 2018 as illustrated by the table below.

The Commission lacks the enforcement powers to compel the PEs to comply with its information requests, as the PEMC Act does not provide for sanctions to be taken in the case where PEs are not complying with its reporting obligations. The lack of data and inadequate legal provisions contributes to the delay in conducting an effective and efficient analysis.

**Table 12: Risk Matrix of PEs substantially affected by Risks stemming from Lack of Compliance**

PE	Risk Parameter				
	Delayed submission of Annual Financial Statements 2018	Delayed submission of Statement of Corporate Intent	Delayed submission of monthly financial statements	Delayed submission of Annual Reports	Lack of Compliance with the IFRS-framework
AS	Not submitted by reporting date	x	x	Not submitted by reporting date	
SPF		x	x	x	
SPTC	x	x	x	x	
SSI	x	x	x	x	
SPA	x		x	x	x
SEYPEC	x		x	x	
PMC	x	x	x	x	
PUC	x	x	x	x	
SPS	x	x	x	x	
Nouvobanq	x			x	
NISA	x	x	x	x	
SCB	x	x	x	x	
FSA	x		x	x	
2020 DC	Not submitted by reporting date	x	x	Not submitted by reporting date	AFS 2018 not submitted by reporting date
I'UE			x	x	x
IDC		x		x	x
PS	x	x	x	x	
STC	x	x	x	x	
DBS	x			x	
HFC	x		x	x	
SCAA	x		x	x	x
PDEE	Not submitted by reporting date	x	x	Not submitted by reporting date	AFS 2018 not submitted by reporting date

Source: PEMC

## 5. Risk Assessment Matrix 2020

Given all fiscal risks presented, a fiscal Risk Assessment Matrix (RAM) was developed with risks sorted by category. The main risks were all assessed based on judgement and assigned a 'likelihood' and 'impact' value, from low to high using a scale of '1 to 3' in increasing severity. Possible transmission mechanisms and potential policy responses to mitigate the impact and likelihood of the risks. The effectiveness of mitigation measures were also assigned a value using the same scale. The RAM table below presents the summary of main risks.

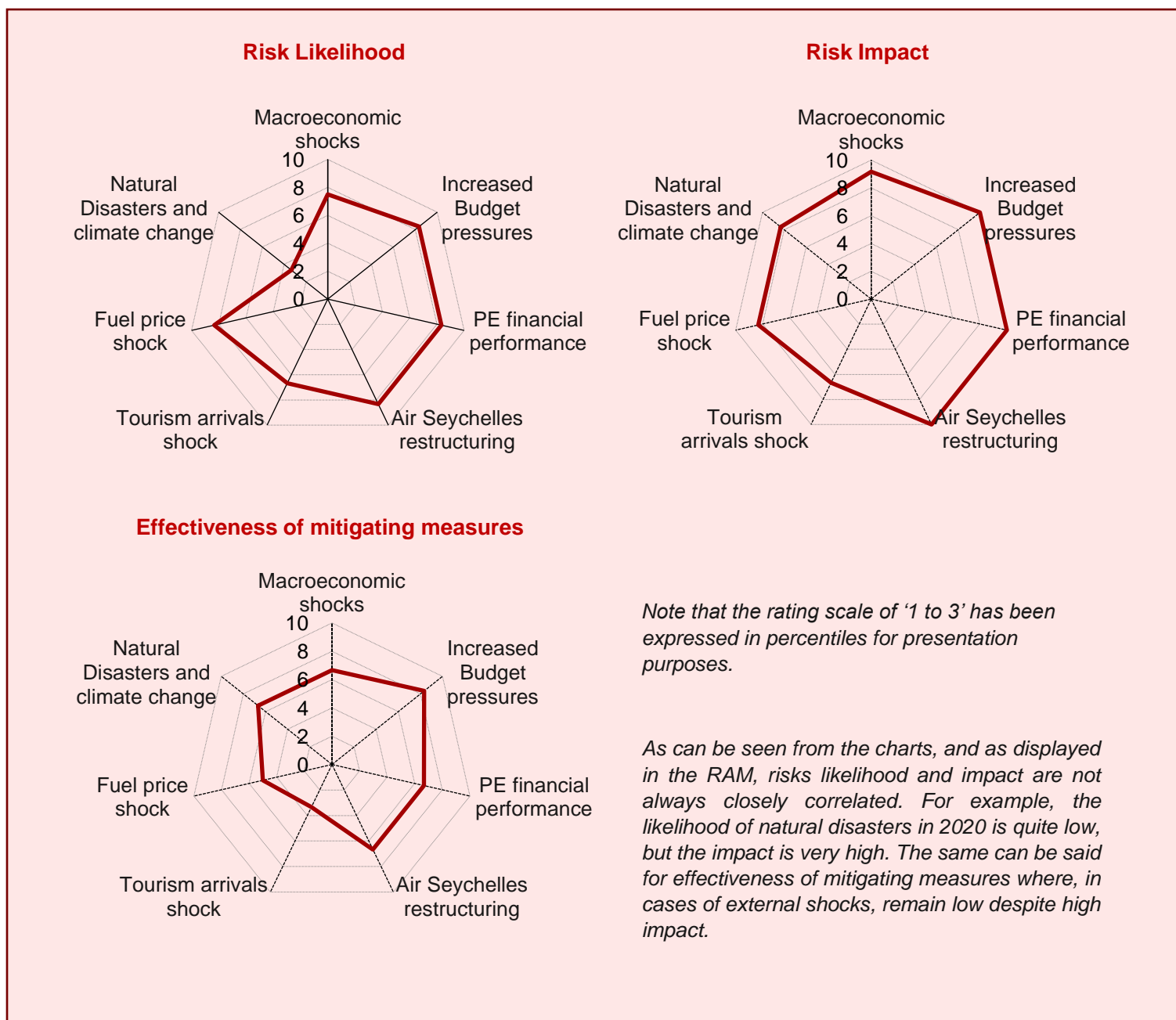
**Table 13: Risk Assessment Matrix 2020**

Risks Identified	Likelihood	Impact	Transmission	Mitigating Measure	Effectiveness of mitigating measures
<b>Macroeconomic Risks</b>					
Exchange Rate Shocks	Medium	High	Movements in EUR and USD rates	Monitor exchange rate movements	Medium
Inflationary Shocks	Med-High	Med-High	Uncertainties over the proposed 5% increase in public wages with private sector impact	Use of Macroprudential and monetary policy instruments to mitigate the risks	Medium
<b>Fiscal Risks</b>					
Increased pressure on the Budget	Med-High	High	Capital projects delays and cost overruns Additional compensation claims Lower grant receipts	Strengthen public investment management Build up contingency buffers Diversify Government revenue base	Med-High
<b>PE risks</b>					
Poor financial performance of PEs	Med-High	High	Debt and arrears accumulation Liquidity shortages Revenue shortfalls	Enhance monitoring and enforcement	Medium
Air Seychelles restructuring risks	Med-High	High	Constraints in restructuring path due to additional competition Lower demand Increases in operational cost	Increase pace of restructuring	Medium
<b>External Risks</b>					
Tourism Arrivals Shock	Medium	Medium	Downward movements in visitor arrivals	Monitor developments in the tourism sector	Low
Large movements in international price of fuel	Med-High	Med-High	High increases will negatively affect the external balance Inflationary pressures	Allow exchange rate to move freely to absorb shocks. Move towards less fuel dependency Improve energy mix (long term)	Med-Low
<b>Other Risks</b>					
Natural Disasters and climate change	Low	Med-High	Catastrophic weather event, rising sea levels	Build contingency buffer and create additional fiscal space	Medium

Source: MoFTIEP

The following radar charts presented below depict the RAM estimates for 2020 on 'likelihood, impact and effectiveness of mitigation measures' based on the values assigned. A radar chart is a two-dimensional chart displaying multivariate data with several quantitative variables represented on axes starting from the same point.

**Figure 8. RAM 2020 charts**



Source: MoFTIEP, Macroeconomic Forecasting and Analysis Branch Estimates

## 6. Mitigating Fiscal Risks

Necessary in the identification, evaluation and analysis of fiscal risks, are strategies and methods to mitigate the possible impact of such risks. As the risks discussed in this document will all affect the fiscal position of the country and impact upon fiscal targets and fiscal sustainability, risk mitigation is major priority for the Government.

Below are several strategies and initiatives that can be undertaken to help in mitigating fiscal risks. The Government remains committed towards further expanding its options towards this cause.

- Establish a Budget contingency provision for fiscal risks that are likely to materialize. This is expensed in the Budget to cover for any unforeseen expenditures that may arise, which were initially not predicted during Budget preparation. The Budget already includes this.
- Make provisions in the Budget to cater for the evaluation of risks materializing.
- Transferring risks through hedging and insurance instruments. The mentioned would help in mitigating the macroeconomic risks associated to the PEs in particular.
- Imposing caps and limits on the liabilities public entities can accumulate.
- Improve upon reporting requirements of PEs. This is currently being undertaken by PEMC.
- Make provision for the appropriate subsidization to PEs in case the institutional risks were to materialize into the fiscal risks and for the proper planning for the cost associated to QFAs so as to ensure that the compensation is incorporated in the Government Budget which will in turn avoid the risk of distorting the Government's fiscal position.
- Implementing a coordinated framework of reporting between MoFTIEP, the responsible ministries, regulators and the PEs concerning any decisions that would affect key stakeholders negatively. This framework would also allow risks to be identified and tackled early.

## 7. Conclusion

**The Fiscal Risk Statement covers potential fiscal risks that threaten the Government's Budget in the period ahead.** Macroeconomic risks are considered as the source of fiscal risk with most likelihood and with far reaching effects. The most significant fiscal risks over the next three years are lower-than-expected economic growth which threatens revenue forecast, higher-than-expected inflationary and exchange rate pressures, international fuel and commodity price movements, the parlous finances of public enterprises, as well as uncertainty in terms of foreign aid.

**Shock scenarios were simulated on inflation, exchange rates, and tourism arrivals, to illustrate the potential impact of these variables when in a downside and upside situation.** The shocks presented a combined effect of changes in the estimated inflation rate, and fluctuations in both the SR/EUR (affecting earnings) and SR/USD rate (affecting imports) on the Nominal GDP baseline. Similarly, given the high dependence on tourism, shocks on visitor arrivals are expected to have a significant impact on real GDP. These risks can also translate into upside and downside risks to the Government Budget in terms of tax revenue collections and expenditure. Consequently, this poses a threat to the Government's commitment towards debt management.

**Risks from PEs have also been presented. Fiscal risks emanating from PEs represent a substantial risk on public finances.** Shocks particularly from oil prices, interest rates, exchange rates, commodity prices and inflation affects significantly PEs such as Air Seychelles, PUC, SEYPEC and STC. As at December 31, 2018, there was only one arrear from PE to Government, and that was from Petro Seychelles Ltd.

In addition, PEs are exposed to revenue and expenditure risks. All PEs are affected by at least one revenue or expenditure change, which worsens their financial position and hence the position of Government. Other factors, such as contingent liabilities and calls on Government guarantees across PEs, also have potential negative impact. As from 2020, the Government will provide support to the restructuring plan of Air Seychelles in the form of an annual USD 6m injection over five years, at considerable strain to the Budget.

Risks deriving from the Government's institutional capacity could also take a toll on Seychelles' fiscal aggregates. Risks emerge from deficiencies in the institutional framework. Such discrepancies produce uncertainty and inadequate guidance undermining compliance transparency and accountability. For instance, several PEs did not submit their 2018 AFS on time.

**Finally, certain Government strategies are necessary to help mitigate overall fiscal risk and to better manage, exposure to risks associated with PEs.** In most cases, additional provisions in the Budget are necessary to act as a buffer against shocks, provide resources in evaluating fiscal risk likelihood and to aid PEs counter costs arising from QFAs. Hedging against potential risks is another strategy that can be employed, while developing a coordinated approach with all stakeholders in the identification and reporting on potential risks will help in early identification.

Current fiscal policies in place are designed to reduce these risks and to ensure that Government targets are achieved, although more could be done to safeguard the future. The Government remains committed towards this.