



REPUBLIC OF SEYCHELLES

2021 BUDGET

ASSUMPTIONS AND OBJECTIVES OF THE 2021 BUDGET

PART 2

Ministry of Finance, Economic Planning and Trade

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SECTION 1

Budget Speech



BUDGET 2021
GOVERNMENT OF SEYCHELLES

Delivered by:
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MINISTER FOR FINANCE, ECONOMIC PLANNING AND TRADE

At the Seychelles National Assembly
Ile Du Port, Victoria, Mahé, Seychelles
Tuesday 16th February, 2020
9.00 a.m.

Mr. Speaker,
Honourable Leader of the Opposition,
Honourable Leader of Government Business,
Honourable Members,
My fellow brothers and sisters, people of Seychelles.

Good morning.

1. Introduction

Mr. Speaker, today I am delivering the first budget address under the new administration. In fact, this is also my first budget speech as Minister for Finance, Economic Planning and Trade.

It is important to note that this new Government has taken over this country during one of the most difficult moments of its history. However, I am sure that we are determined to take our country through this difficult period and come out victorious. We are determined to not merely survive, but to also position ourselves in the best possible way, to allow us to once again, prosper.

It is with this in view that the 2021 Budget will present the Government's first plans for this year, and for the coming years. It will, in the first place, provide details of the measures it has taken, and will take, to ensure that our financial situation is stabilized and to ensure our debt sustainability. These measures will also help towards the better management of our country's resources through good governance.

Secondly, this budget will bring to the fore, the new policies that this new government has put in place in order to boost our economy, which has been brought to its knees by the Covid-19 pandemic. Our ambition is to bring about a comprehensive transformation that will create wealth for our people.

Mr. Speaker, in his State of the Nation Address, the President took a firm and frank approach to make us understand the challenge our country faces due to the pandemic, and more importantly, to convince us that we have to change the way our country has been governed before, for our own good.

We must rethink our dependence on the tourism sector. Admittedly, we do have an added advantage in this sector due to our abundant natural beauty, but the tourism industry in this country is presently on its knees. We thus have to redouble our efforts to recover by restructuring and changing the way we do things.

Seychelles will thus have to go through a series of macro-economic transformation, both structurally and in its governance, that will allow us to recreate wealth, ensure economic

development and promote and instil in our people, the importance of taking responsibility for ourselves.

It is important to understand that irrespective of the Covid-19 pandemic, this country could not have continued on the same path. It is thus necessary to inspire our people, to raise their morale and revive their values with regards to productivity, innovation and responsibility.

Mr. Speaker, this Covid-19 pandemic is a wake-up call for all of us.

During 2021, the Ministry of Health will continue to lead the difficult battle against Covid-19. It will intensify its efforts to administer the Covid-19 vaccine to all those who come forward, so that our country may reach the 'collective immunity' level that we need. This is the key to resuming a more or less normal life during this year.

More importantly, we must bear in mind that in this difficult moment when our resilience as a country and a nation is being tested, this is the moment when we should be open to the discovery of new opportunities.

Mr. Speaker, there is a saying that 'Every cloud has a silver lining'. We should be flexible enough to come out of our comfort zone, and be receptive to new opportunities.

In difficult times, we may discover new skills that we never knew we had, because we were in our comfort zones. This is the time to reinvent ourselves and our country.

This is the vision of our new Government. To build a country and a nation that is resilient in all challenges in its way, that is able to rise again after a fall, that it's people has initiative and take all opportunities put at their disposition.

A country with a diverse economy, and where we have not put all our eggs in the same basket.

Mr. Speaker, this Government wants a country that is able to withstand the impact, when the wider world sneezes, so that we are able to face any eventuality and do what is more important for our survival.

2. Review of global economic performance

According to the latest publications by global economic institutions such as the World Bank and OECD, global growth for the year 2020 is expected to shrink by 4 to 5%.

World Economic Outlook, published in October 2020, described the global economy as one which was still trying to raise itself from the depths to which it had fallen, due to major restrictions which had been imposed from April 2020.

The International Monetary Fund (IMF) has predicted a global contraction of 3.5% for 2020. This is 0.9% higher than had been estimated, in view that there had been increased activity in the global economy, especially during the second part of 2020. However, China is the only country that has seen a positive increase of 2.3% in 2020.

The IMF economic evaluation has predicted an improvement in global growth in 2021, compared to 2020. In 2021, the IMF expects that the global economy will increase by 5.5%, and by 4.2% in 2022. In spite of the uncertainties in this respect, this expectation is attributed to the ongoing vaccination campaigns, as well as the various macro-fiscal policies that every country will have to implement. This means that economic activity will be able to resume towards the middle of the year.

It is also important to note though, that in spite of the various vaccines being administered, and which gives hope to the world that we will be able to turn the present situation around, the new strands of the virus and consequent lockdowns being imposed in a number of countries remains a cause for concern with regards to growth predictions.

3. Overview of Seychelles' economic and fiscal performance in 2020

Mr. Speaker, the effects of the Covid-19 pandemic on the economy of Seychelles in 2020 has been one of the worst we have ever experienced. I repeat, it is one of the worst we have ever experienced.

With the 2020 Budget Amendment, we were expecting that our economy would contract by 10.8%. However, we have seen a further deterioration which has brought us to 13.5%.

This is due to a continued decrease in the tourism sector, in view of the fact that the number of arrivals after the re-opening of our frontier in August 2020, did not increase as per our expectations.

The latest figures show that tourist arrivals decreased by 70.1% compared to 2019, with 384,204 visitors in 2019 plummeting to just 114,858 visitors in 2020.

We have estimated that the accommodation, food and also the administrative sectors have also contracted by 65%.

We have estimated that the transportation and storage sectors, that are also linked to the tourism sector through plane and boat arrivals, will contract by 30%.

With such a performance in our tourism sector, its revenue collection has decreased by approximately 322 million American dollars. This represents a 61.3% decrease compared to the provisional estimate for the year 2019.

The same performance has been observed in VAT collection in the domestic tourism sector with a reduction of 48.2% at the end of 2020, which is equivalent to SCR416 million.

There has also been a decrease in construction activities that has resulted in a contraction of 1% in that sector for the year 2020.

In the utilities sector (water and electricity), we have observed a similar reduction of 1% in production, during 2020.

There has been a reduction of 15% in growth in the retail and distribution sectors, and in the arts, recreation and leisure sectors, economic growth has decreased by 35%.

On the other hand, in spite of the adverse effects in these sectors, we have seen a positive growth in other sectors.

In the food production sector, we have observed an increased growth of 17.55% whilst in the information and telecommunications sector, there was an increase of 13.95%

The financial and insurance sectors have seen an increase of 9.4%.

The fisheries sector has also recorded an increased growth of 2.20%. However, there has been a minimal contraction of 0.15% in the agricultural sector.

Mr. Speaker, with regards to our fiscal performance, it has been even worse than our economic situation before we embarked on the macro-economic reforms of 2008.

For the year 2020, we have experienced a preliminary primary deficit of 15%, or SCR3.231 billion, and an overall deficit of 18%, which represents SCR3.871 billion.

This means that the revenue that the Government needed to finance its planned expenditures, was not enough. As a result, Government has had to make up the difference through loans to the value of SCR 3.871 billion.

Mr. Speaker, this situation is not sustainable. The government will thus have to review the way it manages its expenses in the years to come, to ensure that we become more resilient with regards to the challenges we are presently experiencing.

The level of spending we have experienced in 2020 in spite of the fact that our economy had decreased in production means that we have continued to spend in an artificial way. This is one of the main reason why our currency has depreciated and the costs of living has increased.

An example of this is the introduction of the FA4JR scheme, which has not been implemented on the basis of merit. This has contributed to the country's inability to adjust to its new economic situation.

4. 2021 Budget

Mr. Speaker, for the budget 2020, a sum of SCR 9.292 billion was approved by the National Assembly in 2019 and with the 2020 Budget Amendment, Government proposed a budget of SCR10.447 billion. This was an increase of SCR 1.2 billion.

A sum of SCR 1.139 billion was also approved as supplementary budget estimate in December 2020 for the fiscal year 2020, which make the total approved budget for the year 2020 to be SCR 11.586 billion.

For the 2021 fiscal year, we are only proposing an expenditure of SCR11,013,648,296.00. We are predicting a revenue collection of SCR8.260 billion, inclusive of donations.

This means that we shall still have a primary fiscal deficit of SCR 2.642 billion or an equivalent of 11.8% our GDP, and an overall deficit of 15.3% of our GDP. This means that the Government will have to borrow SCR3.417 billion to meet our expenditures.

Mr. Speaker, Government expenditure remains very high for the year 2021, when we consider the critical situation we are in. The main reason behind our increased budget in 2021 is the depreciation of our Rupee by more than 50%, which has a direct impact on our expenditure, especially in foreign exchange, such as expenses for the importation of medicine, medical equipment, capital projects and other goods and services that Government procures.

Secondly, there are also some infra-structure projects that we anticipate will be financed by loans and donations. SCR1.185 billion of the funds for these projects will come from donations, and another SCR316.5 million will be financed by various loans.

Our plan for the medium term is to reduce this deficit to 8% in 2022 and 2% in 2023. Such a reduction will put us back on a sustainable path for the next 5 years.

To reduce this deficit, we have to continually reduce Government's recurrent expenditure, and ensure that we function more effectively by reducing wastage and duplication. However, for the year 2021, Government had reduced expenditure by cancelling the FA4JR scheme as from April of this year, which saves SCR1.082 billion in our budget, by reducing expenditure on welfare by SCR47.580 million and by reducing the URS expenditure by SCR24.689 million, compared to the 2020 budget.

This exercise of reducing expenditure will continue and will be reflected in the mid-year review, and in successive budgets for the coming years. It is good to note that the plan to reduce the fiscal deficit will also depends on an improvement in the global Covid-19 situation, and the speed at which the different economies recover.

4.1. National Debt

Mr. Speaker, the necessity for reducing our fiscal deficit becomes more important, in view of the fact that our Government debt is no longer sustainable. We may recall that we had made a commitment to attain the target of 50% debt-to-GDP by 2021.

Unfortunately, when I accepted the call from President Ramkalawan to head the Ministry of Finance, by the end of 2020, debt-to-GDP was 99.4%. The reduction in our gross domestic production and the various additional loans and guarantees taken by the Government, due to our country's reduced ability to generate revenue, has contributed to the deterioration in our debt-to-GDP.

At the end of 2020, our total debt was R18.085 billion. SCR9.064 billion of that is external debt, which is equivalent to 50.1% our total debt, and SCR9.021 billion is local debt.

External debt has increased by SCR3.507 billion compared to the end of 2019, and local debt has also increased by SCR1.984 billion compared to the end of 2019.

94.6% of the debt owed by the government of Seychelles is direct Government debt, and the rest are loans guaranteed by the Government.

We expect that at the end of 2021, our debt-to-GDP will arrive at 108.4%, and 87.2% by 2025, if we continue on the same path.

The discussion on our debt sustainability is being done in the context of our negotiations with IMF for a programme of reform.

4.2. National Reserve and the Monetary Sector

On a gross basis, the official reserve, which at the end of 2019 was US\$580 million has gone down to US\$559 million at the end of 2020, and was at US\$535 million by 12th February 2021.

This reduction is due to the sum that has been used to ensure that our country honours its international obligations with regards to debts. It is also due to market demands, principally to assist SEYPEC and STC, as well as demands from the commercial banks.

With regards to local deposits of foreign exchange at our domestic banks, this has seen a decrease, from US\$565 million in December 2019 to US\$546 million in December 2020.

In terms of exchange rate movements, the domestic currency depreciated against all of its main trading partners. The fall in the value of the Seychelles rupee was from an average of SCR14.03 in 2019 to SCR17.62 in 2020 or by SCR3.59 (26 per cent). Thus far in January 2021, the rupee has been trading at an average of above SCR21.50 relative to the US dollar.

Mr. Speaker, our reduced economic activity and the degree of uncertainty that currently exists, means that the demand and supply for credit has been severely affected. The preliminary results show that in 2020, there has been only a 5.1% expansion of loans in Rupees, that was given to the private sector, compared to a 17.2% expansion in 2019.

As for the lending rate, we have observed a reduction in 2020, whereby the average lending has gone down, from 12.36% in 2019 to 10.94% in 2020. The lending rate on savings has gone from 2.88% to 2.19, in that same period.

4.3. Economic context for 2021

Mr. Speaker, in 2021, we are expecting a moderate improvement in our economy.

We are projecting a growth in our GDP by 2.08%. This means that we expect our GDP to be at SCR22.361 billion, compared to SCR20,626 billion in 2020.

In the tourism sector, which is the main pillar of our economy, we are projecting a slight improvement of 0.95% as from the second quarter of 2021, in view of the various vaccination

programmes being implemented, especially in those countries where the bulk of our tourists come from.

The highest growth rate we are expecting is in the information and telecommunication sector, which has been predicted to increase by 5.23%, and in the food production sector, by 4.95%.

This is due to the ongoing demand within the population. We are also expecting an increase in demand as visitor arrivals begin to resume.

In the agricultural and fisheries sector, we expect to see an improvement of 2.32% and 1% respectively, in 2021, as our economy gradually recuperates, movement restrictions are lifted, and also restrictions in our key tourism markets.

We expect that with this, our economy will gradually take off in the medium term, with a 3.5% growth for the years 2022 and 2023.

In general, we are projecting an inflation rate of 3.78% in view of the high demand for foreign exchange – thus, even if the inflation rate is stabilizing, the fact remains that we depend heavily on importations, and this influences the price of commodities.

4.4. Tax collection

Mr. Speaker, we expect to collect SCR 6.17 billion in 2021 in taxes, which is the equivalent of 27.6% of our GDP. The projection for the 4 largest areas of tax revenue is as follows:

We expect to collect SCR1.1 billion in business tax in 2021, in view of losses in 2020 which will be carried over to 2021.

This represents a reduction of SCR81 million or 7.7%, compared to 2020. Even if we expect our economy to improve, business performance in 2021 might take a while to relaunch. It is only with the arrival of tourists that we will see a greater improvement in this tax area, in the medium term.

We are also expecting a reduction in income tax revenue in view that the FA4JR will be terminated at the end of March 2021, and the adjustments that private businesses are expected to make, and in view of the fact that there will be no salary increase or new scheme implementation.

As for VAT, we expect to collect SCR2.14 billion, which represents 35% of our tax revenue. This represents an increase of 2% or SCR 48.9 million compared to 2020. This projection is a moderate since we are expecting a moderate improvement of our economy in 2021.

In the mid-term, VAT will be expanded in line with the expansion of growth in our GDP.

We are projecting a SCR1.28 billion in Excise tax revenue for the year 2021. Fuel importation is the greatest contributor in this tax area, since changes in the price of this commodity does not generally have an effect on its demand.

This represents an increase of R21.6 million, compared to 2020, in view of expectations that economic activities will resume towards the middle of the year.

5. The 2021 Budget Context

So, Mr. Speaker, our priority for the 2021 budget, is:

(a) Firstly, to make the government budget become more sustainable by

Reducing fiscal deficits and make a gradual transition towards a budget that makes a surplus, which will help bring our Government debt at a sustainable level.

- (i) Reduce Government expenditure.
- (ii) Remove abuse and corruption in Government
- (iii) Remove dependence on social assistance by those individuals who are able to work

(b) Secondly, putting in place policies that will relaunch our economy in:

- (i) The Tourism Sector
- (i) The Fisheries Sector
- (ii) The Agricultural Sector
- (iii) The Financial Sector
- (iv) The Digital Economy Sector

5.1.1. Remove Abuse and Corruption

Mr. Speaker, it is this Government's priority to remove all abuse and corruption in the public finance of this country, and to put in place merit-based programmes that will create wealth and prevent poverty.

For many years, Government has not practiced good governance in its administration. It has condoned the dishonest management of public funds and has not ensured accountability in the way that the budget of independent agencies has been managed.

We need to ensure that funds are used to assist only those who needed it or to deliver programmes and projects that were much needed by the population.

5.1.2. Gradually reduce the fiscal deficit we have experienced in 2020, during the next 3 years.

Mr. Speaker, our budget deficit must be reduced gradually, in an organized manner, so that as we introduce macro-economic reforms that reduces Government expenditure, put a stop to wastage and corrupt practices, this deficit will become more sustainable.

5.1.3. Remove dependence on social assistance for individuals who are able to work

Government will put in place the necessary structures to protect those who are more vulnerable, and introduce employment management strategies to reduce the number of foreigners that are employed in this country. This will especially target positions that can definitely be filled by Seychellois.

For too long, there has been abuse of social assistance, to the point that those who really need assistance are not receiving it, whereas those who are able-bodied and can work, are benefitting.

Mr. Speaker, come what may, this kind of abuse has to stop.

Everybody that can work will have to work. There will be no exception for anybody. We should all be working to look after our family and not depend on the state to do it for us.

As the President said in his State of the Nation Address in January, we should be proud to work.

The value of hard work instilled in our forebears must be nurtured in today's generation. At the end of the day, we must all contribute to the development of our country.

5.2. Government Expenditure

5.3.1. Salaries

Mr. Speaker, for the year 2021, a budget of SCR2.96 billion is being proposed for salaries. This compares to SCR2.67 that has been spent in 2020. This means that we have a ratio of 13.24% salaries to our GDP.

Our expenses on salaries keep on rising, which reveals that Government has expanded again, contrary to the aims of the 2008 economic reforms, which precisely targeted a reduction in Government size.

Thus, in the face of budgetary challenges, Government will only finance recruitment in key positions in certain ministries and agencies, in 2021.

There will also be no salary increase for public service employees and no increase in long service allowance. In the same way, Government will not finance any new scheme of service for this year, bearing in mind our economic challenges.

A first phase of restructuring measures have been announced by President Ramkalawan.

With a budget review mid-year, we will have been able to consolidate these series of restructuring that are being worked on, to ensure that we have in place, a public administration that is more efficient, by reducing the amount of duplications and eliminating unnecessary positions or those who are not performing.

For the moment, most of the budgets being proposed are in their totality, until the laws that govern these entities in question have been completed.

5.3.2. Goods and Services

Mr. Speaker, the budget for Goods and Services in government is also a considerable one, with a provision of SCR3.085 billion.

One of my priorities in 2021, is to review our Public Procurement Act. In view of the amount of complaints there are with regards to procurement, Government will revise our procurement methods, with the aim of simplifying the procedures. At the same time, all ministries and departments will need to function better in this respect, by ensuring that they play a key role for a more transparent and also simplified procurement procedure.

Secondly, there will also be measures that will be taken against contractors who continually fail to deliver Government projects on time and of an acceptable level. The bids of those contractors for Government projects will no longer be accepted, if their performance is not at the required level.

Capital Projects will also have to be better managed. There has been too much abuse whereby contractors tender very low prices just so they get the contract, and then what happens? A series of additional payments are presented for so-called, 'cost over-run'.

Government will not tolerate any of its officials who make deals with contractors for their gain. This is a very clear warning that I am giving today.

During these coming weeks, Government will begin an exercise to review its expenditure in certain budget lines.

We consider that Government spends far too much on security, rent for accommodation or offices and cleaning services, which amounts to a total of SCR808.9 million per annum.

We are putting a proposal to all proprietors who rent properties to Government ministries, departments and agencies, to offer a reduction of up to 25% on rent, as from 1st February 2021.

Mr. Speaker, proprietors have not passed on to Government, any of the benefits of the tax reduction on accommodation which was passed in January 2020.

Secondly, in view of the economic situation of the country, Government has put in place a lot of schemes to assist businesses and individuals. In spite of that, we have not seen any of the businesses who have benefitted from these schemes, reduce their prices so that their tenants who have suffered from salary reduction and loss of revenue can also benefit.

I am thus appealing to all of us, to start doing our bit during this difficult period, and not to expect that only Government should give assistance in these circumstances, while we continue to collect revenues as usual.

We are also reviewing the way that we manage security services. Government is steering more towards surveillance equipment so that we can cut down on the exorbitant prices that we have to pay for this service.

In the same vein, Government is spending SCR301.1 million per year to outsource cleaning services for certain offices, roads, beaches and rivers.

The tenders for cleaning has been too politicized in the past. Thus, there will be a review of this process to ensure that cleaning allocations are made in way that we get value for money, instead of small separate contracts that end up becoming too expensive and unsustainable.

Mr. Speaker, Government has also observed a lot of corrupt practices in the procurement of goods and services in its ministries.

It is not acceptable for ministries to do business with their own staff, or for staff to get private jobs for which they use Government equipment.

The principle of conflict of interest must become a priority for all Chief Executives in government. It is not acceptable that such highly placed officials should allow such practices to go on within their organizations. It suggests that they are probably also implicated in these practices.

Mr. Speaker, the Department of Foreign Affairs, has for a while now, begun procedures for restructuring, with the aim of reducing its expenditure, especially expenditure in foreign exchange, without comprising its presence and engagements with our international partners.

This restructure includes the closure of three embassies abroad, notably, Havana, Colombo and our representation in Geneva.

This means that at present, Seychelles diplomatic Service has only nine embassies abroad. In collaboration with STB, certain embassies are also being used as the tourism office for Seychelles. This exercise is still ongoing.

On top of this, Government has also decided the remaining embassies will be managed by only one diplomat instead of two as has been the practice in the past. We will keep either a ‘Chargé D’Affaires’ or an Ambassador in these embassies. This will reduce our costs compared to when we have two Seychellois working in these embassies.

In order to keep Seychellois diplomacy on a professional level and up to standards, we shall support our embassies through our Honorary Consuls who may be found in more than 100 countries across the world.

We have completed a review of our list of Consuls, and we have replaced those who were not performing. New appointments have been made where necessary.

Government has asked all the Consuls to renew their engagement in this endeavour. It is important to note that an Honorary Consul works for the Republic of Seychelles for free.

The Department of Foreign Affairs is also investing a lot more in virtual meetings, so that Seychelles remains connected to the rest of the world, without needing to travel. This has also reduced costs with no adverse effects on our principal functions.

With these restructures, the budget of the Department of Foreign Affairs has been reduced, going from 108 million 700 thousand Rupees in 2020, to 93 million 464 thousand Rupees in 2021.

This is a reduction of 15 million 236 thousand Rupees.

5.3.3. Capital Investment Programme

Mr. Speaker, the Government’s programme for capital investments for the years 2021 to 2023, comes to a total of SCR 4.7 billion. 40% of this investment has been budgeted for implementation in 2021, which comes to a sum of SCR 1.9 billion. The total budget allocation for capital projects for 2021 represents an increase of 58% compared to the capital investment budget for 2020.

This increase is due to a number of large capital projects, especially in the health and education sectors, that are expected to be financed during this year, through financial donations and external debts.

The total budget for capital expenditure that is being financed by donations and external debts has increased on average by more than 100%, compared to the 2020 budget. The budget allocation that is receiving domestic financing has decreased by 6 % compared to the 2020 budget. This decrease is due to the fact that Government is financing only projects that are already in the implementation stage.

Some major projects being financed in the 2021 budget, as per their different funding sources are as follows:

Projects being financed through domestic budget are:

- Continuation of the '24/24' housing construction project that fall within the programme, with an allocation of SCR 120 million
- Continuation of the construction project of a new block at Belonie Secondary School with an allocation of SCR 10 million
- Continuation of the construction of the Anse Royale kindergarten with an allocation of SCR 9.7 million
- Continuation of the construction project for a new police-station on La Digue with an allocation of SCR 6.7 million
- Continuation of the third phase of the Pasquere road on Praslin with an allocation of SCR 5 million
- Construction of the new vehicle testing station on Praslin with an allocation of SCR 2 million
- A total of SCR 21.3 million has been allocated for different projects in the agricultural sector, including a sum of SCR 5.4 million to continue the construction project of a research facility at Anse Boileau
- A number of projects that are targeted for the economic infrastructure which includes the second phase of the industrial zone project in zone 20, and the development of *Zil Eve*, with a total allocation of SCR 36.8 million.

Projects being financed through external debts, these include:

- Reconstruction of the La Rosiere School with an allocation of SCR 38 million
- Construction of a new facility for the Seychelles Institute of Agriculture and Horticulture Design with an allocation of SCR 25.9 million
- Continuation of the Health Information System with an allocation of SCR 76.6 million
- Construction of the new jetty for the Coastguards, with an allocation of SCR 21.2 million

- Acquisition of new equipment for different Primary schools and kindergartens, with an allocation of SCR 22.9 million
- A total of SCR 83.9 million to finance projects which are already being implemented in the Blue Economy sector.

Projects being financed through external donations

- Continuation of the construction of the ‘SBC House’ building, with an allocation of SCR 36.4 million, financed by the Chinese Government
- Construction of the new Police Headquarters with an allocation of SCR 84.9 million, financed by the Indian Government
- Construction of the new La Digue hospital with an allocation of SCR 73.7 million, financed by the Government of the UAE
- Construction of a new building for the office of the Attorney General with an allocation of SCR 110.2 million, financed by the Indian Government
- Construction of the new Baie Lazare clinic with an allocation of SCR 44.2 million
- Construction of a new Isolation Centre with an allocation of SCR 39.8 million
- Acquisition of a new patrol boat for the Defence Forces with an allocation of SCR 340 million, financed by the Indian Government
- Construction of a new rehabilitation centre for drug addicts, with an allocation of SCR 34.5 million financed by the Government of the UAE.

Apart from the allocation of investment capital for its ministries, departments and agencies, Government has also provided for some allocations towards development projects in certain public enterprises.

A total of SCR 180.8 million has been budgeted for development grants towards projects in 2021, which comprises of SCR 78 million pour SPTC, SCR 62.8 million for PMC and SCR 40 million for PUC.

SPTC expects to buy 55 new buses in total, and this will be financed through a loan from the Government of India, for a sum of SCR 63.5m. Government will also SPTC with an additional sum of SCR 14.5m for its capital projects.

SCR62.8 million has been budgeted for PMC, of which, SCR52.8 million will go towards the repayment of PMC’s loans from Nouvobanq and Seychelles Pension Fund for housing projects, and SCR10 million for renovation jobs on the flats which are administered by this agency.

Government is also providing a sum of SCR 40 million for capital projects being implemented by PUC.

5.3.4. Benefits and the ASP Programme

Mr. Speaker, a sum of SCR1.425 billion is being proposed for benefits and programmes of Agency of Social Protection (ASP).

This is less than the budget of SCR 1.658 billion received by the ASP last year.

This reduction is due to the following expenditure:

- Allowance for post-secondary students,
- Apprenticeship Scheme,
- URS,
- Vulnerable home repair, and
- Dedicated fund

which will now be managed by their respective ministries, instead of ASP. This will simplify the procedures and ensure that ASP focuses only on its own schemes.

5.3.5. Subventions of Public Enterprises

A budget allocation of SCR220.8 million is being proposed for the subvention of public enterprises in 2021. A sum of SCR413 million was budgeted for this in 2020.

Out of the allocation, SCR133 million has been proposed for Air Seychelles, of which, SCR103.724 million will assist the payment of salaries for 9 months only.

A sum of SCR50 million is also being proposed for SPTC to assist it with revenue constraints.

Government is also assisting two or three public enterprises with their salary payments for this year, because they are dependent on tourism activities.

These public enterprises are as follows;

- SCR14.8 million for the Seychelles Marine Parks Authority
- SCR15 million for the Postal Services of Seychelles
- SCR7.6 million for the Guy Morel Institute

Mr. Speaker, we shall also have to work very closely with other enterprises that have a great possibility of being affected if the situation does not improve, for example, the Seychelles Civil Aviation Authority (SCAA).

5.3.6. Contingency

For 2021, a sum of only SCR50 million is being proposed for the contingency budget. In view of the financial challenges we are facing, Government will not be in position this year, to pay the second portion of the compensation payments for La Misere, which means thus, that these payments will have to be postponed to a later date.

6. Fiscal measures

6.1. Tax Reform

Mr. Speaker, another of our priorities to modernize the Seychelles Revenue Commission (SRC), with emphasis this year being laid on improving ‘compliance’, and secondly, to move towards e-service.

With the aim of improving the ASYCUDA, system, SRC will make certain upgrades in this system to enable it to function better.

The Customs Services will move to online service and reduce paper transactions.

This initiative will allow for declarations associated with imports and exports to be made electronically.

This will reduce the cost and time it takes to discharge merchandise at the ports and airport, and will also reduce exportation costs for our local businesses.

A Cargo tracking system will also be introduced to enable the identification of risks associated with specific cargo from their points of origin, which will facilitate the offloading of the merchandise when it arrives in Seychelles.

With regards to other services, we are working towards the improvement of existing online services. We will increase the number of services that can be offered online such as business registrations, the submission of returns and other forms that International Business Companies (IBCs) are obliged to submit.

There will be changes in the way SRC manages tax returns, with the aim improving tax collection and ensuring that businesses honour their obligations. this will make it easier to ensure compliance.

Government will move to a default assessment system instead of relying on self-assessment only. This will ensure that more taxpayers are covered in the audit system, and thus ensure that all businesses are making their tax payments as per their obligations.

SRC has been receiving information from financial institutions that report to Seychelles, under the ‘Global Forum’s Automatic Exchange of Information’, since 2017.

Unfortunately, we have no system in place that is properly able to manage this information.

SRC is thus evaluating two proposals for installing a new system which will enable it to use this information to audit and identify businesses that make financial deposits abroad, but who do not declare the tax returns on these revenues to the authorities in Seychelles.

6.1.1. Reforms in Business Tax

Mr. Speaker, in December 2020, Government organized a series of consultative meetings with the private sector and different business associations to discuss a new regime of business tax.

We have not been able to complete this process this year because of restrictions. We thus plan to complete these discussions, particularly with the fisheries and agricultural sectors, with the aim of installing a new tax system for businesses during this year.

The Government's policy on taxes is that every business and every individual, whichever sector they hail from, must do their part and make their contribution, depending on their performance.

The principle of taxes is that profit must be taxed, and the tax rate must be equitable and must apply to all sectors and businesses. As such, Government has plans very soon to reduce business taxes and bring about a more reasonable rate.

Applicable tax rates will be:

- 15% on profits of up to SCR 1 million,
- followed by 25% on profits above SCR 1 million.

Government will maintain the option of 'presumptive' tax that is imposed on small and medium entrepreneurs with revenues of less than SCR 1 million per annum.

We have also begun working towards establishing appropriate guides and policies, to ensure that we have no revenues that are 'eroded' or lost by businesses that engage in 'international profit shifting'. These are circumstances whereby businesses engage in transactions to move their money to their 'headquarters' outside Seychelles, in order to reduce their local tax obligations.

In so saying, Mr. Speaker, as from 1st April 2021, Government will abolish the CSR tax. This tax is a punitive one that taxes businesses on its revenue, and thus does not recognize entrepreneurial efforts.

Abolishing the CSR tax will give businesses some relief in this period of uncertainty, and enable them to retain a certain amount of liquidity for operating. However, Mr. Speaker, it remains the responsibility of every business to invest in their communities.

It is not because the government is abolishing this tax that charitable donations made by these businesses should stop. It is just that is not the role of Government to force businesses to make donations, nor should these businesses expect something in return.

We have to go back to giving with our hearts!

With regards to tax on VAT, the Revenue Commission will do the necessary to ensure that businesses that collect VAT, but do not remit this tax to Government, should stop, once and for all. Government will provide all the necessary support to SRC to function properly. All those tax payers that are not complying with the VAT act, I am sending a strong message to them to go and regularise their tax affairs because we are intensifying our compliance.

On the subject of tax collection, I have come to a simple conclusion, and I believe that everyone will agree with me. It is this Government's principle, as I have already said, to find ways of reducing taxes on individuals and enterprises. We can only succeed in this task if everybody takes their responsibility and pay their taxes. I am launching an appeal to everyone to take their

responsibility, and I am making it clear to those who keep on hiding their revenues and profits, that we are coming to find you, and the sanctions will be severe.

6.1.2. Reform “Excise tax”

Another area where we are envisaging reforms is in our Excise Tax system. This is being revised to allow Customs to better collect this tax.

This will help to improve things in certain sectors, especially alcohol production, where government has identified a number of anomalies.

This reform will include the introduction of a new law that is expected to give more authority to the Customs Division in the administration of control measures, and also to give better guidance to producers on the implementation of the Excise Tax. This is expected to be presented to Cabinet in the first quarter of 2021.

6.2. FA4JR

Mr. Speaker, in regards to the FA4JR scheme, Government is paying a monthly sum of SCR 125 million for this programme. If we maintain the same strategy, Government will have to spend SCR 1.5 billion for this in 2021. This is an amount not sustainable for our budget.

As I have already mentioned, we had a total of 12,690 foreigners working in our country at the end of January 2021. During 2020, the Department of Employment received a total of 10,412 applications for GOP, and 8,930 applications out of this have been approved.

So, Mr. Speaker, we can only conclude that there are enough jobs for every Seychellois in this country. As such, Government will have to review its proposal for FA4JR in 2021 as follows;

1. For January 2021, all businesses have been assisted equally during December 2020 except in cases where an employee had been removed from the payroll.
2. As from February 2021, Government has introduced an “affirmative list”.
3. For February and March 2021:
 - a. Those businesses on Form 1 on the affirmative list will receive 50 % assistance. Businesses not on this list will not receive any assistance.
 - b. Businesses on Form 2 on the affirmative list will receive SCR5,804 and those not on the list will not receive any assistance.

Government is ensuring that its vaccination programme is going smoothly, which will be necessary when we reopen our country to visitors towards mid-March 2021. Thus, March 2021 is the last month that Government will provide assistance to businesses under the FA4JR scheme. Businesses will have to reorganize themselves, taking into account new developments in our economy.

6.3. Assistance for businesses with liquidity constraints

Mr. Speaker, the Central Bank will continue to implement the ‘private sector relief scheme’ to assist those businesses that have impacted by the Covid-19 pandemic. This scheme was introduced to support operation costs for businesses.

A sum of SCR500 million is available for small and medium enterprises. This was supposed to be repaid on a three-year basis, but we are now extending the repayment period to five years. The interest rate on this scheme is 1.5% with a 70% guarantee by Government.

The other facility will be a sum of SCR750 million for the larger businesses, with an interest rate of 4.5%, that will also continue. This facility has a guarantee of 50% by government, and it will be paid on a 3-year basis.

There are ongoing discussions between the Central Bank and the banks in the private sector, to see how the challenges of implementing this scheme can be addressed.

The 'Small Business Support Fund' under the Development Bank of Seychelles (DBS) will also continue in 2021. This Fund is available for small enterprises with annual revenues below SCR 2 million, and there will be no interest payments on it.

7. Public Service Restructuring

Mr. Speaker, we are currently encumbered by a public administrative that is too large and full of duplications. This means that our public administration is currently unsustainable, and this situation is worsening with the current economic crisis we are facing.

We shall continue to review our Government structure and install a new administration that is more efficient.

As previously was announced, as from January 2021, STC would no longer pay rent on the Hypermarket complex. Following a review of the mandate and function of the Société Seychelloise D'Investissement (SSI), Government has taken a decision to close down this company.

SSI is a company that was created in 2008 with the sole aim of holding 'shares' owned by government. Unfortunately, it has since expanded in its function and has even impinged on the mandates of other organizations.

With this reform, the dividends that were being paid to SSI by public enterprises will now be paid directly into the Government's account at the Central Bank.

This will allow for better management of public finance. The activities that SSI was undertaking will be transferred to Government bodies that already have more or less the same responsibilities.

However, Government is giving its commitment to ensuring that SSI employees are offered other posts in the Public Service.

Government will also continue its work to reduce duplication in existing structures, and reduce the running costs of these entities. Along these lines, there will be a transformative reform in the role played by DPA.

To ensure better efficiency in the Public Sector, Government will accelerate its plan to put in place, a structure that is based on results and performance. In order to have good results and good

performance, it is important to have good planning. This Government is an efficient one that allows the private sector to play its role in our economy.

We must be able to plan, as a country, and all ministries and departments have the responsibility to ensure that they implement this. We must adopt a strategy where we plan before spending, and where our expenditure is evaluated to see if it has really benefitted our people, and to ensure that each individual is rewarded for their performance.

This will ensure that all public sector employees and all Government offices become accountable.

7.1. Flexible working hours

Mr. Speaker, as a result of this pandemic and the economic situation, we must also review service delivery.

In this new normal, it is important that we become innovative and have a certain degree of flexibility. It is with this in head that Government step up its efforts to adopt flexible working hours.

This will help workers to have a better ‘work life balance’, which in return, will improve productivity as well as better management of family responsibilities. Flexible working hours will bring about certain benefits, especially with regards to child-care.

In addition to this, there will be a positive impact on traffic management since not everybody will be beginning or ending their working day at the same time.

However, we recognize the fact that there could be certain challenges, especially with regards to internet, equipment that is needed to work at home, and also individual performance.

Policies will be developed to address these challenges and ensure that there is a framework in place to evaluate employee performance in the new normal.

It will become very important for all of us as workers, to take our responsibilities with regards to our production level.

7.2. Governance of Public Enterprises

Following government’s adoption of the ‘*Good Governance Code*’ and policies that are linked to public enterprises, Government is going to place more emphasis on the governance of those enterprises.

The Public Enterprise Monitoring Commission (PEMC) will become the only authority to oversee these public enterprises.

Mr. Speaker, this authority, in collaboration with the ministries concerned, and their boards, will establish targets for these enterprises to ensure that they generate revenue for the government and for the people of Seychelles.

This authority will also ensure that their targets are overlooked and that they are accountable to Government. The decisions taken by these enterprises must be aligned with national plans. The objective is that these enterprises function in the interest of the people of Seychelles, and not in isolation.

The time for public enterprises to be disconnected from government policies and to create their own empires, is past, and will no longer be tolerated.

All public enterprises will have to work in the national interest, guided by government policies, and in return, their boards are responsible for implementing the government's vision.

PEMC will be given every support and the necessary authority to ensure that the government's mandate is implemented.

7.3. Reform STC

We have observed that with our current economic situation, our Rupee has depreciated and this has caused a rise in the price of goods. Government's priority for 2021 is to put in place, fiscal policies to stabilize the exchange rate.

We are anticipating that when we reopen our economy and the tourism industry resumes its activities, more foreign exchange will enter our financial system. This will help our Rupee to appreciate and lower the price of goods.

As we have observed, there has been no change in the price of the 14 most essential commodities since 2012. This is in spite of foreign exchange rate depreciation, rising transportation costs, and changes in price on the international market.

STC is currently finding it very difficult to maintain the 2012 price for these products, as the cost of buying them has risen. The STC Board has thus been given a mandate to analyse the issue and present a proposal to Government.

Government will make it its priority to reform STC, to ensure that its operation costs are lowered. It will also look into STC's buying procedures to ensure that it is indeed buying at a lower cost.

Government remains committed to searching for ways to lower the cost of living for its people, and to ensure food security.

In order to ensure that this keeps on being guaranteed, Government is revising the operational structure of this company and its procurement system, to ensure that wastage, inefficiency and unnecessary expense are eliminated.

8. The Sectors;

Economic Transformation

Mr. Speaker, the Covid-19 pandemic has shown us how vulnerable we really are as an island state. Our country is one of the small island states that has been most affected. This is because the pandemic has impacted on our most important source of revenue, our tourism industry. At this point, it is important to note that tourism will always be the main pillar of our economy. We must thus ensure that our recovery strategy is one that will help us become more resilient in the face of external situations.

It is for this reason that we must together, explore the different options to transform our economy. In the tourism sector, we must intensify our efforts to put more on offer than just our natural beauty, we must also be able to offer a cultural experience that will give our visitors a uniquely Seychellois experience.

In agricultural and fisheries sectors, we must encourage the development of more products with added value that can also bring about more exportation opportunities for our local enterprises. It is just as important to encourage a culture of entrepreneurship in our population, to facilitate this economic transformation.

Mr. Speaker, the job market continues to be affected by the Covid-19 impact, especially now that we have many students who have completed their studies, and who expect to join the world of work. At the end of December 2020, the Department of employment approved only 2,763 cases. From the approved list, 36% or 1,004 were Seychellois workers. Up to 4th January 2021, there were 12,690 active work permits for foreign workers.

In addition, we are continuously receiving more requests for foreign workers in most sectors of our economy, including agriculture and fisheries. There are jobs in these sectors that Seychellois workers can easily fill with proper training. On top of this, there are 1,732 applications with regards to foreign workers who are stuck abroad and who want to come back. This makes it clear that there are enough jobs for Seychellois workers in this country.

Mr. Speaker, I want to send a strong message to workers and those who are seeking employment. Government is committed to putting Seychellois first in the matter of employment. At the same time, workers must take their jobs seriously. It is also your responsibility to be on time for work, to be productive and to contribute to your work place. Respect the rules and regulations of your organizations so that you don't lose your jobs for senseless reasons, which could have been avoided.

For those who are seeking employment, this is a time when we have to accept what is on offer, as it might get even harder later. When you are offered a job, do take it. When you are referred for an interview, go for your interview. Stop choosing jobs!

Prove yourself and accept jobs that are available and not necessarily in line with your preferences. When the economy is back on its feet, you will have the opportunity to choose a job that is to your

liking. To the employers, I would like to ask you to employ our Seychellois, before considering a foreign worker.

Prove yourself and accept jobs that are available and not necessarily in line with your preferences. When the economy is back on its feet, you will have the opportunity to choose a job that is to your liking. To the employers, I would like to ask you to employ our Seychellois, before considering a foreign worker.

Government has announced a series of reforms with regards to work permit procedures for foreign workers. I am asking employers to cooperate and ensure that employment opportunities are advertised with the necessary information so that Seychellois are better able apply for these positions. You must furthermore, make it your duty to offer more attractive packages to Seychellois, in comparison to what you offer foreign workers.

Private companies have a responsibility to create a clear career pathway for young workers who are just starting their careers. The hotel or bank where he/she works, must show him/her that if he/she performs and build his/her skills, he/she can also become the General Manager of a hotel or the Chief Executive of a bank. These posts should not be reserved for foreigners only. This will have to change, and we will have to value our own people. The Seychellois is a talented people, and if they are given the opportunity, they will deliver. Our GOP reforms will reflect these principles.

We will work towards modernizing our employment laws, and we will target certain key sectors in our economy, with the aim of improving working conditions for businesses as well as workers. The Department of Employment is working closely with the private sector so that workers seeking employment can access the necessary information. This includes employment opportunities on our outer islands.

Mr. Speaker, we are also working on reforming the benefits and programmes offered by the Agency for Social Protection.

As a government, we must ensure that benefits and programmes are given to the more vulnerable members of our society.

We also have to work with the beneficiaries of these programmes so that they do not become dependent on these only.

The budget for Benefits and Programmes is the biggest budget in the 2021 national budget. This represents 13% of the national budget.

We are aware that 17% of our population are 60 and above. We thus have to review our expenditure with regards to this segment of the population, to make it more appropriate for their needs and more sustainable.

As announced, we will have a series of reforms with the help of the World Bank, as follows:

- We have to ensure better coordination among key sectors in the country. We will establish a “social registry” for this. This will help to ensure that people who are really

vulnerable get the necessary assistance and thus cut down on bureaucracy. It will also ensure that the children in these families are not neglected, and they that they are able to take all opportunities available to them.

- We are going to modernize the Home Care system to ensure that it becomes more accessible to people who are more in need of it.
- We will also review the sustainability of the retirement benefits.
- We shall review the invalidity and disability benefits, to ensure that they target people with physical disabilities in accordance with international standards.
- We will also review our social welfare assistance according to socioeconomic needs.

8.1. The Tourism Sector

Mr. Speaker, as I have already pointed out, the tourism sector will remain the number one industry in our economy. It is for this reason that we have to review our strategies to relaunch this industry, and make it more sustainable and resilient. I am proud to say that we have already begun the first steps, through our vaccination programme.

For many years, we have depended on our natural beauty to attract our visitors. Even if this will remain our main attraction, we must diversify the products that we have to offer our visitors.

Certain new products such as ‘cultural tourism’ will be developed, so that our visitors may experience our heritage, our culture, and our cuisine. This will also help to bring about more development in our communities, which will enrich the experience of our visitors, and they will in return, spend more in our country.

We also have to review our tourism attractions and make them more interesting for visitors. As an island state, we have to make better use of our ocean, and create more water sport activities and other leisure activities.

We have heard time and time again that we have to encourage more local participation in this sector. For this to materialize, we must ensure that the supply chain is well established. This will create the opportunity for the other two key sectors, fisheries and agriculture, to also contribute to the recovery of our tourism industry and this new way of doing things.

Human capacity development in the tourism industry is also primordial to the transformation of this sector. We shall have to train the workers already in this sector and those who want to join it, so that we have a qualified working force. This will help reduce our dependence on foreign workers and also ensure that our Seychellois makes progress in this domain.

Our traditional markets in Europe are among those that have been the most affected by this pandemic. So, it is also important to diversify our markets, and during the last few months of 2020, Israel has shown us that this possible.

8.2. The Agricultural Sector

Government's commitment to the agricultural sector in 2021, is to give support to farmers, ensure that we reach our target of increasing our livestock and vegetable production, and to help farmers in the development of their businesses. In this regard, Government will continue to support meat production so that it becomes more competitive alongside importations, and contribute towards the country's food security. The medium term target is to increase production to at least more than half of what we consume.

Government will still support the following;

- a. The cost of slaughtering pigs and chicken at the abattoir;
- b. The production costs for pork and chicken for each farmer;
- c. Additional costs on baby chicks;
- d. Increases in the price of animal feed;
- e. And transportation costs for animal feed between Mahé and other islands.

Mr. Speaker, the abattoir on Praslin will be completed this year, with the support of the European Union, which is supplying technical assistance and equipment. Government has already identified a new site for the abattoir on Mahé, and we expect that construction will begin this year.

Government will continue to allocate funds to the Development Bank of Seychelles (DBS) to facilitate those who are engaging in production. The 'Agriculture Development Fund' scheme will be revised and will now on, provide a loan of up to SCR5 million, compared to the SCR1 million loan that is currently available. The interest rate on this scheme will be 2.5% for loans of up to SCR3 million, and for applications above SCR3 million, the interest rate will be 5%. This is being done in order to encourage farmers to expand their activities.

Mr. Speaker, it is important at this point in time, to make it clear that there has been abuse in this scheme. A close look at the scheme has revealed that many of those who have benefitted have not made the effort to repay their loans, and some have even completely stopped paying. I am thus making an appeal to those who have benefitted from this loan to honour their agreements so that others may benefit as well.

We shall accelerate the repossession of agricultural land that have been allocated to farmers, and who not using them, and we will redistribute them to farmers who are prepared to engage in serious production. Support for youths in the agricultural sector will continue, and will be adjusted as we progress. Government will also find a way of assisting young people who were promised assistance, but have not yet received this assistance under the 'la semence' programme, especially those of Au Cap district. Government will also consider a faster integration of youths on agricultural land wherever available, so that they don't lose interest in that sector.

Cooperation between the Ministry of Agriculture, the School of Agriculture and the agency, is a logical way of help young Seychellois to develop their abilities and move into this sector. I am thus asking the ministries responsible for education and agriculture to organize things so that the school facilities and activities are integrated with agricultural centres, like research centres. I also

propose that this centre offers courses for adults who are already in the agricultural sector, to develop their knowledge and abilities.

Government will continue to make provisions for the necessary materials needed by farmers, such as fertilizer and pesticides. We need this guarantee for the producers. At the same time, Government will also explore possibilities for the private sector to play a bigger role in this service, which will facilitate access to the materials that farmers need.

Along the same lines, we need to bring the private sector into activities traditionally led by government in agriculture. The Genetic Centre for pig farming is one of the activities that will be reviewed, and transferred to those farmers who show interest and have the capacity. Government will remain a facilitator in these arrangements, by making use of its international liaisons, and by giving technical support to those farmers who need it.

This pandemic has made us realise the necessity of being more self-reliant, and of the need to find ways of making our people become more resilient, by making use of what we have. In the immediate term, government will revise the way it gives permission to farmers to raise chickens. The Ministry of Agriculture will thus make the necessary revisions and see with farmers who want to increase their production, how they can improve on their site planning and other means of improving production.

During this year, Government will also create opportunities for individuals or private groups to create at least two farms as “parent stock”, so that we can produce eggs for hatching locally. This will help us to cut down on our importations of eggs for hatchery, and thus lower the cost baby chicks that currently cost more than SCR18.

At the same time, we must continue to encourage each household to do what they can to economize and thus cut down on our consumer imports. It is in this way that we will be able to put our country back on its feet, and the government is here to support every citizen in this endeavour.

8.3. The Fisheries Sector

Mr. Speaker, if there is a sector in our economy that is performing short of its full potential, it is the fisheries sector. During this period when we have been impacted by Covid-19, especially in our economic performance, many of those who had not appreciated the true importance of the fisheries industry have now understood that had we not had a second economic pillar, we would have been unable to make any progress in our development. And this pillar is fisheries!

President Ramkalawan and his team in government, has declared a long time ago that we must pay more attention to this sector. Even before the last fisheries agreement with the European Union was renewed last year, we were asking that Seychelles should get a better deal.

Yes, this government sincerely believes that we can earn more from our fisheries industry. It is for this reason that we shall soon make the announcement that Seychelles is open for investment in the following sectors:

- Construction of the new jetty to receive more long liners that are already fishing in our waters, but that do their transshipments either at sea or in another port in the Indian Ocean.
- Construction of a new jetty and the improvement of existing ones to facilitate seiner transactions.
- Construction of a dry dock for heavy work on industrial fishing vessels.
- Construction of the necessary facilities for electronic and electro-mechanic repairs on fishing vessels.
- Construction of a factory for making fish products, especially tuna, so that our country obtains better value from this important resource.
- The development of better net repair facilities.
- Developing and improving the facilities in the districts for artisanal fishermen.
- Construction of a facility at the airport handle fish for exportation.
- Build and develop a quality image for our fish exports and other ocean products at an international standard.

Mr. Speaker, we are launching an appeal to Seychellois investors to invest in the fisheries sector, to expand it and create more wealth for our country and our people. Our government will give priority to Seychellois over foreigners. Where we have insufficient funding or expertise, we will encourage joint ventures where Seychellois will have their part of the profit.

These investors will create more wealth without our having to fish more. Our Government's intention is to add value to our fish, without having to over-exploit our fish. We expect that in the next 5 years, we shall be able to create more than 1500 jobs in this sector and double the amount

The Government is also increasing its efforts to develop the Blue Economy sector. In fact, this year, a new project for industrial development in the marine biotechnology sector has materialized. Through a donation from the African Development Bank (ADB), we have begun establishing the necessary frameworks which will allow us to have concrete information on our potential for developing this industry, and to identify businesses and revenues that can be gained for our country in this respect. This project is also putting emphasis on learning, through the training of some 100 entrepreneurs who are interested to participate in it, and this includes women and youths.

When this industry takes off, its impact will be quite vast, and it will allow us to use marine resources to develop businesses in cosmetics, jewelry, medicine and other domains where our research shows us that there is a potential. This is aimed at developing our local industries, so that more high level employment opportunities are created, which will in the end, facilitate the development of our society as a whole.

With regards to the financial facilities at our disposal to support the development of value added products in the Blue Economy Sector, especially in the fisheries sector, Government is pleased to announce that we have just concluded renegotiations with the World Bank for more favourable

terms and conditions for investors who want to access these funds. The businesses that can benefit from these funds are;

- those offering scientific services for the fisheries sector, which include research in food products such as seafood;
- those that offer logistical services such as packaging, distribution, marketing and sales;
- those that do fish processing, giving added value to fish;
- and those in the fish processing business who want to develop technologies for new facilities or repair old ones to reinforce their business.

We are thus making an appeal to investors who qualify for this fund, to use the facility at their disposal.

8.4. The “Digital Economy” Sector

Mr Speaker, the world is already in a digital age and Seychelles should not be left behind. This revolution that the world has gone through the development of technology, it could bring a number of benefits for our country. Therefore, we need to put in place the policies and structure that will enable us to develop the digital economy.

In the coming months, the Cabinet of Ministers will consider the different policies that we need to put in place to develop that sector. This initiative will bring great benefits for the other sectors of the economy.

An “e-government” system which have been promised for a number of years will have the possibility to bring along a number of benefits to improve the way the Government deliver its service. We need to stop on manual procedures and introduce electronic processes. This will ensure that Government will be more efficient and effective. This will also ensure more transparency and reduce the possibility of corrupt practices.

Development in this sector will also create opportunities for businesses and employment for our people. Our education system will also need to include in their curriculum, more technological content to ensure that the next working generation have the proper tools to continue developing that sector.

8.5. The Education Sector

Education remains a priority for our new Government, and in spite of the economic difficulties we are facing, it is necessary to continue to raise the aspirations of our students, so that they may give their best in order to succeed in their studies and at all levels.

The Ministry of Education will work on a plan towards the new education system that this Government wishes to see in Seychelles.

The Ministry of Education recognizes the fact that in order to have a sustainable economy, it is necessary for everyone in the system, including students, and they will thus have to reduce wastage at all costs. Furthermore, there is a need for new approaches and new practices that will allow for more emphasis and resources being put in teaching and learning.

Another aspect of our efforts to economize, especially during this Covid-19 period, is that the Ministry of Education is encouraging students to choose the different options available for their study including online learning, especially now, since the option for travelling is not possible. In addition, for those who qualify, to choose a scholarship that we have received as a donation from different organizations and other foreign states. We are also calling on businesses to offer scholarships at a national level which will help in the development of our human capacity in the different sectors.

At the same time, we will work hard to equip and modernize other existing schools, so that they become in themselves, small centres of excellence at all levels and in all aspects. The Ministry of Education has a very ambitious plan aiming towards that objective.

8.6. The Financial Sector

The Financial Sector is one that has the potential for development. We have to ensure that Seychelles is in conformity with international laws.

The Ministry responsible for Finance will thus establish a committee, comprising of all the key people in this sector, to work on a national plan, to ensure that this sector is developed and is able to generate more foreign exchange.

Mr. Speaker, 2021 is the third and last year that we have to ensure that we improve our laws and bring them up to date with best practices within the Anti-Money Laundering framework, and to fight against terrorists financing (AML/CFT). This is in line with the 'Financial Action Task Force (FATF) standards.

We are bringing the following amendments in the following laws before the National Assembly;

1. Prevention of Terrorism act
2. Mutual Assistance in Criminal Matters act
3. Extradition act
4. Registration of Association act
5. Beneficial Ownership Act
6. Anti-Money Laundering and Counter Terrorism Financing Act (AML/CFT)
7. The law that governs the licensing framework.

Government will also propose a new law to create a new framework for the governance of Virtual Assets Service Providers.

Mr. Speaker, we expect to complete the work on this, and pass these amendments before July 2021.

Mr. Speaker, in December 2020, the National Assembly approved the amendment of the Business Tax Law, as per our obligations towards the European Union with regards to taxation.

As you are aware, the European Union had put Seychelles on its list of jurisdictions that were not in cooperating with its tax system.

Mr. Speaker, as I mentioned when I was presenting this bill to the National Assembly, we introduced a ‘**en De-Minimis” rule threshold**’ that would exclude entities that are not risky.

The European Union is presenting this case to their committee so that they can let us know if we can adopt this practice. We are waiting for their answer before we make any other amendments in our Schedule 11.

Mr. Speaker, the second component that will get Seychelles off the European Union list is that we have to introduce other amendments to address the concerns of Organization for Economic Cooperation and Development, especially with regards to the exchange of information among different tax authorities, whereby Seychelles was downgraded from “*Largely compliant*” in 2015 to “*partially compliant*” in April 2020.

Seychelles will have to ask for a ‘*supplementary review*’ to address these issues in information exchange. Mr. Speaker, we will put these laws in place so that we are in line with the OECD framework;

1. International Business Companies act
2. Foundations act
3. Limited Partnership act

We are also proposing a new ‘*Trust Act*’ to replace the existing law for International Trusts.

8.7. The Transport Sector

Our ports and international airport are the economic lungs of our country, and the Government is placing a lot of emphasis on improving the services and efficiency of these departments. This effort is being manifested through a big redevelopment project for the commercial port, for which we will invite local and foreign partners to give their ideas on the best ways of doing this redevelopment.

The same principle will be applied to the air transportation sector. While we are reflecting on a durable and long term solution for our national airline, Air Seychelles, we are also studying ways of becoming more efficient and earning more revenue in our domestic and ground handling segment of the business. The subject of Air Seychelles is one that has generated a lot of debate. Government’s decision will have to be based on this company’s financial sustainability, and not one based on emotion.

Mr Speaker, government has welcomed the debate that the National assembly has had with the different partners on the long term structure of Air Seychelles. During the debate the discussion has been mainly on how Air Seychelles’ international flights can become profitable. However, it seems that many have forgotten that Air Seychelles still has a debt of more than US\$152.8 million,

which comes to about SCR 3.361 billion. The question that we need to ask ourselves, who will be paying this huge debt?

It is clear that our government does not have the financial resources to absorb that kind of debt, even with the possibility of restructuring these debts. And don't forget that these debts are in foreign currency and it is the reserve at the Central Bank that will have to be used to pay for this.

Will we use the limited reserve to continue subsidising Air Seychelles operation, instead of giving the assurance to our population that our reserve is meant to assure our essential commodities only, and this means the procurement of fuel, food and medicine only? This is question I would like to ask all members this morning!

It is important to note that the Air Seychelles situation is not a new one, and it is also one that this Government has inherited. To have allowed this small airline to accumulate a debt of US\$152.8 million is really irresponsible. This is a level of debt that can have very severe repercussions for our small country.

8.8. The Energy and Climate Change Sector

Mr. Speaker, Seychelles is constantly recognized, and receives the support of other countries and international organizations for its programme of adaptation and to climate change and management of the challenges associated with it.

Severe erosion, waves crashing on the coastal roads and inundation during both annual seasons has shown us that our environment, our economic resources and even our social life, remain vulnerable, and that we need to seriously address these problems.

The World Bank, through the ministry responsible for climate change is actually conducting a study to assess how Seychelles can address the problems of erosion, inundation and climate associated risks along the coasts of Mahé, Praslin and La Digue.

This 11-month study will give a better perspective of the most appropriate methods that can be applied in areas most affected by erosion such as Beau Vallon, Au Cap, Cote d'Or and Anse Kerlan.

Government will work with this organization to find funding sources so that the results of the study can be ready by the third quarter of this year, after which we can quickly begin work to control these erosion problems.

In the meantime, in 2021, we have budgeted for several projects for coastl protection, for example the second phase of the Amitié project, and there are also funds under the 'Global Funds for Adaptation' and from the European Union to address the drainage and erosion projects which have already started on 'La Digue.

Government has also given its commitment to continue the work in 2021, to improve drainage systems in several communities like Anse Aux Pins, Quatre Bornes, Takamaka, La Misere and La Digue, to stop the inundations that affect these communities.

Seychelles is working on a series of national targets for energy and climate that is very ambitious, which will include ocean protection. This will be presented at the World Conference on Climate Change that will be held in November in Glasgow, Scotland.

As presented in our manifesto, we want Seychelles to go further in the production of renewable energy, and to reach this target before 2030, or even surpass it by 15%.

During this year, we will continue with our programme to install photovoltaic installations on public buildings through the support programme that Seychelles is receiving from India and Italy.

With the big programmes that we are launching this year, such as the installation of 1 megawatt on Romainville Island, 5 floating megawatts in the lagoon and a battery project, Seychelles will come close to a 5% utilization of renewable energy.

In January, Government has also signed a new agreement for 30 million Yuan with the Chinese Government, which will allow Curieuse Island to become 100% dependent on solar energy, and thus allow 41 schools to benefit from photovoltaic panels, as well as 800 street light lights.

To make real progress and surpass the target of 15% by 2030, we shall have to work closely with PUC, who will need to play its role as facilitator by continuously investing in the distribution network, and to have more energy storage through the use of batteries.

PUC will also have to review the tariffs it pays for electricity from renewable sources, and also the tariffs paid by consumers.

These reviews will also apply to water and waste disposal as we also need to consider these services and other large projects being undertaken by PUC in this domain, especially the La Gogue Dam and the La Digue Sewage System.

At the same time, PUC will have to become more efficient by reducing its operation costs and eliminating wastage.

8.9. The Environmental Sector

A clean Seychelles is also primordial to our health and social and economic well-being, thus, in spite of the fact that it is costly, we must continue to ensure that our country remains clean. Government will improve waste collection facilities by increasing standards and putting more bins at people's disposal. During the coming year, we will create the necessary facilities for separating rubbish, and this will include sorting bins on Praslin and La Digue.

Cabinet will soon consider the implementation of a new '*waste Master Plan*' for Seychelles. This plan's main aim is to keep on investing in this domain, increase public participation in recycling projects, and also to establish strategies and regulations to ensure that the private sector plays a more active role in this domain.

We believe that Seychelles should be very ambitious in this area. We must have in place, a system that creates the right conditions for people in the private sector who are interested in waste sorting and recycling, to function and make a profit. Currently, hotels and other businesses should be sorting and reducing the amount of waste they produce. We must reduce or even stop depositing

certain kinds of waste on the landfills. We have to seriously address the issue of environment contamination caused by waste. We must be very clear on where we want to be in future – that is a very ambitious target.

Through the Ministry of Environment, Government will work to ensure that we make a difference in the matter of cleanliness and waste disposal in the next 5 years.

9. Promote Opportunities

The Government of the day, Mr. Speaker, believes in creating opportunities for everyone. It will take seriously, its role as facilitator in the economy and not enter into competition with the private sector.

This Government believes in giving the Seychellois people a chance. What I am saying, Mr. Speaker, is that we will work with any of our citizen who brings forward a viable business initiative, to ensure that we give him/her a hand in the realization of his/her project.

For too long, we have heard of cases where a Seychellois has presented a project which has been rejected, but then you see a foreigner doing the same project. This kind of practice will stop, under this government. Every Seychellois will get the same opportunity to create their business, especially those businesses that will bring foreign exchange into the country.

In this era where we are talking about the transformation of our economy, we will consider every business opportunity that comes before us. We also desire that the Seychellois people will invest not only in small businesses where the chances of expanding are minimal, but also in those that will expand so that they may export their products abroad.

Mr. Speaker, there are all sorts of opportunities out there, and this Government will put the wind in the sails of our entrepreneurs.

As a matter of fact, the Government wants to establish some very ambitious targets so that Seychelles becomes a country that is less dependent on imports. It is for this reason that we are encouraging Seychellois to ‘Think Big’ when they want to go into business.

We have always had some traditional products that today, are in demand on the world markets, especially in the pharmaceutical sector, such as vanilla and cinnamon. But we can also develop new products. We want Seychellois to do business further than our frontiers.

We now have a ministry that will deal only with this – the Ministry of Investment, Entrepreneurship and Industry. It is this ministry that has the mandate to make our Seychellois businessmen ‘Think outside the Box’.

We have taken a decision that in the process of fixing our economy, we will also take the opportunity promote an innovative way of working that is family friendly. The Ministry of Family Affairs, in collaboration with other ministries, will make available to our families, different economic and social programmes. Various programmes and modern services that take into

consideration, the needs of families will be offered, so that their quality of life is improved, without their becoming dependent on the system.

9.1. Ease of Doing Business

The Ministry of Investment, Entrepreneurship and Industry will place emphasis on facilitating businesses in this country, and also work towards improving our placement at the World Bank. Priority will be given to the online registration of businesses.

Secondly, we will put a lot of effort into helping small and medium enterprises to expand. We shall encourage local production so as to reduce dependence on imports where possible.

This ministry will create a framework to support research and development, and the proper observance of intellectual property, with the aim of increasing our capacity for exporting in the region and internationally. This is important for expanding our economic and social development base.

The Industrial Estate Authority (IEA) will work more closely with the ministry to ensure that Government policies on the allocation of industrial land are implemented - that there is transparency, and that allocation are in accordance with those sectors that must be prioritized according to the needs of our economy.

IEA also has an outstanding debt of SCR10 million that has not yet been collected. Emphasis will be placed, this year, on ensuring that the register of tenants is established and those tenants who have outstanding debts with IEA make immediate payments.

9.2. Protect Certain Investment Just for Seychellois

Government has plans to review certain business categories in which only Seychellois are allowed to invest. Our plan is to protect Seychellois businessmen. At the same time, we will ensure that its implementation is well managed. We do not want to have this situation of '*de pwa de mezir*' anymore, Mr. Speaker, whereby the rules change for each person. Business categories that have been classified as Seychellois only, must remain for Seychellois only.

10. Conclusion

Mr. Speaker, to conclude, I want to say that this budget is one that will lay down the foundations for the construction of the transformation that our country needs. Before we reconstruct this country, we must ensure that its foundations are strong. This is the reason why Government is putting a lot of effort into ensuring that our budget returns to a sustainable path, and that our debts become sustainable as well. But to transform this country, there must also be a change in the way that we do things, and a change of mindset!

Mr. Speaker, we can only succeed together! This is the conclusion that I want to make today, and I will make an appeal to all Seychellois who have their country at heart, to join with us to implement the programme which I have presented today. Of course I don't expect that everybody will be in agreement with what I have proposed, but I ask for one thing only – let us push in the same direction! Let us, in this difficult moment, put our country first. Let us put our economy first, because it is only if we reconstruct a solid economy that we will be able to offer all the services and support that we want to give to our people.

Let us aim for a country where we need no longer speak about vulnerable people and poor people who need social assistance. Let us create a country that produces enough wealth so that its people can live in dignity and in comfort. A people that does not rely entirely on the state, but who has its economic freedom, and can stand on its own feet.

Mr. Speaker, to conclude, I wish to thank President Ramkalawan for his vision for this country, for his guidance during this budget project.

I wish to also thank my fellow Ministers for their contributions and support, and the Ministries, Departments and Agencies, in the preparation of this budget. My special thanks goes to the staff of the Ministry of Finance, Economic Planning and Trade for your competence and dedication to your jobs and for producing this budget, as well as the staff members from the Treasury and Accounts, who have remained in operation during this restriction period to ensure that this budget is executed.

I thank also, the staff of the National Assembly for their cooperation in this most important process, and the members of the National Assembly for their continued support.

With this, Mr. Speaker, I will thus recommend the approval of the National Assembly, a budget of SCR11,013,648,296.00 for the year 2021.



BIDZE 2021
GOVERNMAN SESEL

Delivre par:

NAADIR HASSAN

MINISTER FINANS, PLANIFIKASYON EKONOMIK EK KOMERS

Dan Lasanble Nasyonal Sesel

Ile Du Port, Victoria, Mahe, Seychelles

Mardi le 16 Fevriye, 2020

9.00 er bomaten

Msye Spiker,
Onorab Lider Lopozisyon,
Onorab Lider Pour Zafer Gouvernman,
Manm Onorab,
Ser e frer Pep Seselwa.

Bonzour.

1. Lentrodiksyon

Msye Spiker, ozordi mon pe delivre en premye ladres bidze anba sa nouvo ladministrasyon, an efet, sa i osi mon premye diskour bidze koman Minis pour Finans, Planifikasyon Ekonomik ek Komers.

I bon note ki sa nouvo gouvernman in pran ansarz sa pei dan enn son moman pli difisil dan son listwar. Me kanmenm sa, nou determinen e mon asire, ki nou pei pou sirviv tou sa bann defi. Me nou pa pou zis sirviv, me osi pozisyonn li dan en pli bon fason pou relanse e prospere.

Anlinny avek sa, Bidze 2021 pou donn bann premye plan gouvernman pour sa lannen e bann lannen ki vini. Premyerman, i pou donn detay bann aksyon ki in pran e ki i pou pran pou asire ki nou stabiliz sitiasyon finansyel pei e asir soutenabilite nou det. Sa bann mezir pou osi ede pou anmenn en pli bon zesyon resours nou pei, atraver bon gouvernans.

Dezyenmman, sa bidze pou met devan bann nouvo polisi sa gouvernman pou relans nou lekonomi kin ganny met lo son zenou avek kriz koze par pandemik covid-19. Nou lanbisyon se enn pou anmenn en transformasyon konpreansiv e solid pou kre larises pour nou pep e nou pei.

Msye Spiker, Prezidan dan son Ladres lo Leta nou Nasyon, dan en lapros fran e ferm, in fer nou realize ki defi ki nou pei i ladan avek sa pandemik covid-19, e pli enportan konvenk nou tou, ki la fason ki nou pei in ganny zere oparavan, i enn ki nou bezwen dis kontinyen enn fwa pour tou.

Nou depandans lo sekter tourizm, ki nou bezwen admet nou annan en gran lavantaz ladan, anvi labondans nou labote natirel, i ozordi lo son zenou. Nou bezwen alors re dinamiz nou zefor pou relev e re striktir nou fason fer keksoz. Nou bezwen met tou nou lentelizans e “think outside the box” parey angle I dir – smart thinking! Sa Pep I ranpli ek bann zonn e fanm profesyonnel e nou pe demann zot pou zwenn nou dan sa latas pou sov nou pei.

Sesel alors, pou bezwen pas dan en seri reform transformasyon makro-ekonomik, striktirel e gouvernans, ki pou permet re-kre larises, asir developman ekonomik e promouvwar e enstil dan nou pep lenportans pran responsabilite pour nou prop lekor.

I enportan pou realize, ki annan pandemi covid-19 oubyen non, sa pei pa ti pou kapab kontinyen al parey i ti pe ale. I nesese alor ki nou lev laspirasyon sa pep pour ki nou re ganny nou valer moral, prodiktiv, inovativ e responsabilite ki nou ti deza annan.

Msye Spiker, sa pandemik covid-19 in vin koman en ‘wake up call’ pour nou tou. Pandan lannen 2021, Minister Lasante pou kontinyen diriz sa batay difisil kont sa pandemi. I pou entansifye zefor pour donn vaksen tou nou popilasyon ki vin devan pour pran vaksen, afen ki nou pei i a kapab ariv lo sa nivo « iminite kolektiv » ki nou bezwen. Sa i lakle, **si** nou anvi retourn ver en lavi plizoumwenn normal pandan sa lannen.

Me sa ki pli enportan, se pou nou gard antet ki dan moman pli difisil, kot nou rezilyans koman en pei, ek en nasyon i ganny teste, se la osi moman pour nou dekouver nouvo loportinite. Msye Spiker, i annan en dikton ki dir ‘Dan tou moman difisil, i annan loportinite’. Nou devret annan sa fleksibilite pou sorti dan nou ‘comfort zone’, e gete kwa nouvo ki nou kapab fer.

Dan moman difisil, nou kapab dekouver nouvo skills, ki nou pann zanmen konnen nou ti annan, aköz nou ti dan en ‘zone konfor’. La, i le moman, pour nou re-envant nou lekor e nou pei. Se sa vizyon sa nouvo gouvènmant. Batir en nasyon ek en pei, ki annan rezilyans kont tou defi ki prezante devan li, ki ler i tonbe, i kapab leve pli for ankor, kot son pep i annan linisyativ e pran tou loportinite ki a zot dispozisyon. Kot nou lekonmi I ganny transformen e nou pa zanmen met tou nou dizef dan en sel panyen.

Sa gouvènmant i oule en pei, kot ler lemonn i eterye, menm si nou kapab santi sa sekous nou osi, nou’n pare, pou fer fas kont nerport ki evantyalite e pli enportan ki nou tou nou kapab sirviv.

2. Revi lo performans ekonomik global

Msye Spiker, kwasans global pou lannen 2020 i ekspekte kontrakte par 4 a 5%, dapre bann piblikasyon resan bann diferan lorganizasyon e lenstisyon ekonomik global, tel parey, Labank Mondyal e OECD.

Piblikasyon ‘World Economic Outlook’ an Oktob 2020, i dekrir lekonmi global koman enn ki ankor pe esey releve dan sa profonder ki in tonm ladan, koze par bann restriksyon mazer ki ti ganny mete komansman Avril 2020.

Fon Moneter Enternasyonal, i prevwar en kontraksyon global 3.5% pour lannen 2020. Sa i 0.9% pli o ki tin ganny estimen, anvi ki in annan pli gran mouvman dan aktivite ekonomik global, sirtou dan dezyenm parti lannen 2020. Par kont, se selman Lasinn kin vwar en kwasans pozitiv, a 2.3% pour lannen 2020.

Evalyasyon ekonomik Fon Moneter Enternasyonal, i dir ki pou lannen 2021, pou annan en amelyorasyon dan kwasans global, konpare avek 2020. Pour lannen 2021, Fon Moneter Enternasyonal i ekspekte lekonmi global i agrandi par 5.5%, e par 4.2% an 2022. Menm si i ankor annan bokou lensertitid, sa lekspektasyon i atribye avek bann kanpany vaksinasyon ki pe ganny fer e osi bann diferan polisi makro-fiskal e sosyal, ki bann pei pou bezwen met an plas. Sa pou fer, ki bann aktivite ekonomik pou kapab rebran dan milye lannen.

I bon note osi, ki malgre bann diferan vaksen ki pe ganny fer, ki donn lemonn lespwar ki nou kapab ranvers nou sitiasyon aktyel, bann nouvo varyan sa viris e bann ‘lockdown’ ki pe ganny enpoze dan plizyer pei, i touzour poz en konsern pour bann prediksyon kwasans.

3. Bilan Performans ekonomik e fiskal 2020 Sesel

Msye Spiker, lefe sa pandemik covid-19 lo lekonomi Sesel pour lannen 2020 in enn pli pir ki nou'n deza eksperyans. **Mon repete 'i enn pli pir ki nou'n deza eksperyans.'**

Avek Lamannman bidze 2020, nou ti pe ekspekte ki nou lekonomi i kontrakte par 10.8%. Par kont, kontraksyon nou lekonomi in deteryor plis ankor, pou ariv 13.5%.

Sa i akoz en rediksyon kontinyel ki nou'n eksperyans dan sekter tourizm anvi ki kantite touris kin vin isi apre re-ouvertir nou lafrontyer an Out 2020, pann ogmant par sa kantite ki nou ti'n prevwar.

Dernyen sif i montre ki larive touris, ti redwir par 70.1% konpare avek lannen 2019, pou sorti 384,204 viziter pou ariv zis 114,858 viziter.

Nou estimen ki sekter lakomodasyon ek manze, e osi sekter ladministrativ, in kontrakte par 65%.

Sekter transportasyon e stokaz, ki osi relye avek sekter tourizm, atraver bann vol e larive bann bato, i estimen pou kontrakte par 30%.

Avek en tel performans dan nou sekter tourizm, koleksyon reveni avek sa sekter in redwir par apepre 322 milyon dolar Ameriken. Sa i reprezant en bes 61.3% konpare avek sif provizyonnel pour lannen 2019.

Menm performans in osi ganny obzerve dan koleksyon lo taks valer azoute (VAT) lo kote domestik dan sekter tourizm, avek en bes 48.2%, ki ekivalan R416 milyon a lafen lannen 2020.

In annan osi en bes dan aktivite konstruksyon, ki fer ki pou annan en kontraksyon 1% dan sa sekter pour lannen 2020.

Dan sekter litilite delo ek elektrisite, nou'n osi obzerv en rediksyon 1% dan prodiksyon pandan lannen 2020.

In annan en rediksyon 15% dan kwasans dan sekter distribisyon e 'retail' e dan sekter lar, rekreasyon e lwazir, in annan en bes 35% dan kwasans.

De lot kote, malgre lefe advers dan sa bann sekter, nou'n vwar en kwasans pozitiv dan serten lezot sekter.

Dan sekter prodiksyon manze, nou'n obzerv en kwasans 17.55% e dan sekter lenformasyon ek telekominikasyon en kwasans 13.95%

Sekter finansyel ek lasirans in annan en kwasans 9.4%.

Sekter lapas in osi rikord en kwasans 2.20%, me in annan en kontraksyon minim dan sekter lagrikiltir, par 0.15%.

Msye Spiker, lo kote nou performans fiskal, in pli pir konpare avek sitiyaasyon ekonomik pei, avan ki nou ti menm anbank dan reform makro-ekonomik an 2008.

Pour lannen 2020, nou'n alor atenn en defisit fiskal primer preliminar 15% ouswa R3.231 bilyon, e en 'overall deficit' 18%, ki reprezant R3.871 bilyon.

Sa i vedir ki reveni ki gouvènmman ti bezwen pou finans depans ki tin ganny planifye, pa ti ase. Gouvènmman in bezwen finans sa ladiferans par pret larzan pou en lavalè R 3.871 bilyon.

Msye Spiker, sa i pa en sitiasyon ki soutenab. Alòrs gouvènmman pou bezwen pandan sa bann lannen ki vini revwar lafason ki i zer son depans pou asire ki nou pe vin pli rezilyan a bann defi ki nou pe eksperyanse an se moman.

Sa nivo depans kin ganny fer dan lannen 2020, in fer ki menm si lekonomi pa ti pe prodwir sitan aktivite ekonomik, nou'n kontinyen depans dan en fason artifisyel. Sa i enn bann rezon prensipal akòz nou to lesanz in depresye e kou lavi in ogmante.

En legzanp se, avèk lèntrodiksyon FA4JR ki pan ganny enplimante lo en baz merit e sa in ede pou anpese ki pei i aziste avèk son nouvo sitiasyon ekonomik.

4. Bidze 2021

Msye Spiker, Pour bidze 2020, en sonm R9.292 bilyon ti ganny aprouve par Lasanble Nasyonal an 2019 e avèk lanmannman bidze 2020, gouvènmman ti propoz en nouvo bidze pour en sonm R10.447 bilyon. Sa ti en logmantasyon R1.2 bilyon.

En sonm R1.139 bilyon ti osi apre ganny aprouve koman en bidze siplemante an Desann 2020 pour lannen 2020, ki fer total bidze aprouve pour 2020 ti R11.586 bilyon.

Pour lannen fiskal 2021, nou pe alòr propoz depans R11,013,648,296.00 selman. Nou pe prevwar kolekte R8.260 bilyon koman reveni ek bann don.

Sa i fer ki nou pou anann ankòr en defisit primer fiskal, pour en sonm R 2.642 bilyon ouwa ekivalan 11.8% nou GDP, e en total defisit 15.3% nou GDP. Sa i vedir ki gouvènmman pou bezwen pret R3.417 bilyon pou kapab finans bann depans.

Msye Spiker, mon rekonnèt ki depans gouvènmman i reste o pour lannen 2021, lèr nou konsider nou sitiyaasyon kritik ki nou ladan. Rezon prensipal se akòz depresiyasyon nou roupi par plis ki 30%, ki annan en lenpak direk lo nou bann depans ki nou fer an deviz etranzer, tel koman bann depans lo lenportasyon latizann, lekipeyman medikal, bann proze kapital e lezot byen e servis ki gouvènmman i fer.

Dezyennman, i osi annan bann proze lenfrastruktir ki nou anvizaze i ganny finans par bann don e bann lon. En lavalè R1.185 bilyon dan bann proze pou ganny finans par bann don e lavalè R316.5 milyon par bann diferan lon. I bon note ki nou bann depans lo proze kapital in ganny priyotize, pour permet selman bann proze kin fini komanse ek bann ki kritik pour pei, materialize.

Msye Spiker, nou plan mwayen term se pou redwir sa defisit pou vin 8% an 2022 e 2% an 2023. En tel rediksyon i a permet nou retourn lo en semen soutenab dan sa prosen 5 an.

Pou redwir sa defisit nou pou bezwen kontiyelman redwir bann depans 'recurrent' ki gouvènmman i fer e asire ki gouvènmman pe fonksyonn lo en baz pli efektiv e kot gaspiyaz, e diplikaasyon i redwir. Par kont, pour lannen 2021, gouvènmman, in redwir depans, par aret skim FA4JR apartir Avril sa lannen, ki koup R1.082

bilyon lo bidze, redwir depans lo welfare par R47.580 milyon e redwir URS par R24.689 milyon, konpare avek bidze 2020.

Sa legzersis redwir depans pou kontinyen e i pou reflekte dan 'mid year review' e osi bidze pour bann prosen lannen. I bon note ki sa plan pou redwir defisit i osi depandan lo en amelyorasyon dan sitiasyon covid-19 dan lemond, e a ki vites bann diferan lekonomi i rebran.

4.1. Det pei

Mnye Spiker, nesesite pou redwir nou defisit fiskal i enportan anvi ki det gouvènmant i nepli soutenab. Nou ava rapel, ki langazman ki tin ganny fer, sete pour atenn en target 50% det-a-GDP par lannen 2021.

Malerezman, ler mon ti aksepte lapel Prezidan Ramkalawan pou pran sarz Minister Finans, a lafen lannen 2020, nou det-a-GDP ti 99.4%. Bes dan nou prodiksyon domestik brit e bann diferan lon e garanti ki gouvènmant in pran an plis, in kontribye dan deteryorasyon nou det-a-GDP.

A la fen lannen 2020, nou total stok det ti R18.08 bilyon. Ladan, R9.06 bilyon i det eksteryer, ki ekivalan 50.1% total det, e R9.02 bilyon i det domestik.

Det eksteryer in ogmant par R3.5 bilyon konpare avek lafen 2019 e det domestik in osi ogmante, par R1.9 bilyon konpare avek lafen 2019.

Dan sa R18.08 bilyon ki gouvènmant Sesel i dwa, 94.6% i det direk gouvènmant e larestan i bann lon ki gouvènmant in garanti.

A lafen lannen 2021, nou ekspekte ki nou det-a-GDP i ariv 108.4%, e a lannen 2025, 87.2% si nou kontinyen lo menm larout avek en bidze ki pli soutenab. Sa diskisyon lo soutenabilite nou det pe ganny fer dan konteks nou negosiyasyon ek IMF pour en program reform.

4.2. Rezerv pei e sekter Moneter

Lo en baz 'gross,' rezerv ofisyel ki ti 580 milyon dolar alafen 2019 in desann pou ariv 559 milyon dolar alafen 2020, e in ariv 535 milyon dolar ziska le 12 Fevriye 2021.

Sa rediksyon i relye avek sonm kin ganny servi pour fer sir ki pei i onor son lobligasyon enternasyonal pour pey det pei e e osi pour asiste demann lo marse, prensipalman pour ed SEYPEC e STC, e osi demann sorti kot bann labank komersyal.

Sa ki konsern bann depozit rezidan an deviz etranzer kot nou bann labank domestik, sa in redwir sorti 565 milyon dolar an Desann 2019 pour ariv 546 milyon dolar an Desann 2020.

Nou to deviz etranzer in depresye kont tou lezot lesanz ki Sesel i fer transaksyon avek. Bes dan valer nou rounpi in sorti an mwayenn R14.03 sou, an 2019, pou ariv R17.62 sou, an 2020, oubyen par 26%. Pou Zanvye 2021, rounpi ti pe esanz pou R21.50 pou en dolar Ameriken.

Avek rediksyon dan aktivite ekonomik ek degre lensertitid ki i annan, 'demand and supply' pou kredi, in ganny severman afekte. Rezilta preliminar i montre ki in annan zis en lagrandisman 5.1% dan bann loan an rounpi ki ganny donnen avek sekter prive an 2020 konpare a 17.2% an 2019.

Lo kote to lentere, in annan en rediksyon kin ganny obzerve an 2020, kot an mwayenn 'lending rate' in desann sorti 12.36% an 2019 pou vin 10.94% an 2020. To lentere lo seving, in sorti 2.88% pou ariv 2.19%, dan sa menm peryod.

4.3. Konteks lekonomi pour 2021

Msye Spiker, pour lannen 2021, nou pe ekspekte en amelyorasyon modere dan nou lekonomi.

Nou pe prevwar en kwasans domestik brit 2.08%. Sa i fer ki nou prodiksyon domestik brit ki noun prevwar pour R22.3 bilyon, konpare avek R20.6 bilyon pour lannen 2020.

Dan sekter tourizm ki nou pilye lekonomi, aparti dezyenm kar lannen 2021, avek bann programm vaksinasyon ki pe ganny fer par bann diferan pei o tour lemond, espesyalman dan bann pei kot nou ganny plis touris, nou pe prevwar en pti amelyorasyon, par 0.95%, dan sa sekter.

Nou pe ekspekte pli gran kwasans dan sekter lenformasyon ek telekominikasyon par 5.23% e dan sekter prodiksyon manze par 4.95%.

Sa i akoz demann kontinyel parmi lapopilasyon li menm, e nou pe osi prevwar en ogmantasyon dan demann an mezir ki viziter i konmans retournen.

Dan sekter lagrikiltir ek lapas, nou ekspekte ki sa de sekter i vwar en amelyorasyon an 2021, par 2.32% e 1% respektivman, ankor anmezir ki nou lekonomi i rekipere gradyelman, restriksyon mouvman dan pei i ganny retire, e osi restriksyon ki annan dan nou bann marse kle pour tourizm.

Avek sa, dan mwayen term, nou ekspekte ki nou lekonomi i relanse gradyelman, avek en kwasans 3.5% pour lannen 2022 e 2023.

An zeneral, nou pe prozekte en to lenflasyon 3.78% anvi presyon lo demann pou deviz etranzer, ki menm si i pe stabilize, lefe i reste ki nou depann bokou lo lenportasyon e sa i enfluyans pri komodite.

4.4. Koleksyon taks

Msye Spiker, nou ekspekte kolekte R 6.17 bilyon an 2021 dan koleksyon taks, ekivalan 27.6% nou GDP. Prozeksyon nou 4 pli gro taks ki nou kolekte i konm swivan:

Nou ekspekte kolekte R1.1 bilyon dan taks lo biznes pour lannen 2021, anvi bann pert dan lannen 2020 ki pou ganny ranmennen dan lannen 2021.

Sa i en rediskyon R81 milyon oubyen 7.7%, konpare avek lannen 2020. Menm si nou ekspekte en amelyorasyon dan nou lekonomi, performans bann biznes pour lannen 2021 i petet enn ki pou pran letan

pou li relanse, e se selman evek larive tourizim ki nou pou vwar pli gran amelyorasyon dan sa laliny taks a mwayen term.

Dan koleksyon 'income tax', nou osi ekspekte en rediksyon anvi lazisteman ki bann biznes prive pou bezwen fer lo zot biznes, e anvi ki lo kote gouvènmman pou napa logmantasyon dan saler e lenplimantasyon nouvo skim.

Lo kote taks valer azoute (VAT), nou ekspekte kolekte R2.14 bilyon ki reprezant 35% dan tou taks ki nou kolekte. Sa i en logmanstasyon 2% ouswa R 48.9 milyon konpare avek koleksyon 2020. Sa prozeksyon i enn modere anvi nou ekspekte en amelyorasyon modere dan nou lekonomi pour 2021.

Dan mwayen term, taks lo valer azoute pou agrandir an liny avek lagrandisman dan nou kwasans domestik brit.

Nou pe fer en prozeksyon R1.28 bilyon dan koleksyon 'Excise' taks pour lannen 2021. Lenportasyon karbiran i pli gran kontribiter dan sa laliny taks anvi ki sanzman dan pri sa komodite, i zeneralman pa annan en gran lefe dan son demann.

Sa i reprezant en logmantasyon R21.6 milyon konpare avek lannen 2020, anvi lekspektasyon ki aktivite ekonomik i ekspekte rebran aparti milye sa lannen.

5. Konteks Bidze 2021

Alors Msye Spiker, pour sa bidze 2021, nou priyorite se pour:

(a) Premyèrman, anmenn bidze gouvènmman lo en baz pli soutenab par

Redwir defisit fiskal e fer en tranzisyon gradyelman ver en bidze ki fer en sirplis ki a ede anmenn det gouvènmman a en nivo soutenable. Pou fer sa nou pou bezwen:

- (i) Redwir bann depans gouvènmman.
- (ii) Retir labi ek koripsyon dan gouvènmman
- (iii) Retir depandans lo lasistans sosyal pour bann endividi ki kapab travay.

(b) Dezyenman nou pou met an plas bann polisi pou relans nou lekonomi dan:

- (i) Sekter Tourizim
- (ii) Sekter Lapes
- (iii) Sekter Lagrikiltir
- (iv) Sekter Finansyel
- (v) Sekter "Digital Economy"

5.1.1. Retir labi e aksyon koripsyon

Msye Spiker, i priyorite sa gouvènmman pou retir tou labi e aksyon koripsyon ki annan dan zesyon finans piblik sa pei, e met an plas bann program ki pou baze lo merit e ki pou kre lasires e anpes lapovrete.

Pour bokou lannen gouvernman pan'n pratik bonn governans dan son ladministrasyon. In soutir bann zesyon ki pa onnet anver larzan piblik e pan'n asire ki in annan rann kont dan fason ki bidze bann antite ki depan lo en bidze i ganny zere.

Nou bezwen asire ki larzan i asiste bann ki merite ouswa delivre bann program e proze ki la popilasyon i byen bezwen.

5.1.2. Redwir sa defisit fiskal ki noun eksperyanse an 2020 grayelman pandan sa 3 lannen ki vini.

Msye Spiker, nou defisit bidzeter, i bezwen ganny redwir gradyelman e dan en fason organize, ki a permet ki an mezir ki nou fer bann reform makro-ekonomik e redwir depans gouvernman e retir gaspiyaz e bann pratik koripsyon, sa defisit i a vin pli soutenab.

5.1.3. Retir depandans lo lasistans sosyal pour bann endividi ki kapab travay

Gouvernman pou met an plas bann striktir pou protez bann ki pli vilnerab, e fer bann stratezi pou diriz dimoun dan lanplwa avek bi pou redwir lakantite etranze ki ganny anploye dan pei. Sa i espesyalman dan bann pozisyon ki definitivman kapab ganny fer par en Seselwa.

Pour tro bokou letan in annan labi dan lasistans sosyal, kot in ariv en staz kot sa ki vreman bezwen en sipor pa pe gannyen, me bann ki pa bezwen, ki kapab leve e al travay, pe benefisyé.

Msye Spiker, sa kalite labi pou dezormen bezwen arete.

Tou dimoun ki kapab travay i devret pe travay. Pou napa okenn leksepsyon pour okenn dimoun. Nou tou nou devret pe travay pou sonny nou fanmiy e pa depan lo leta.

Nou devret annan en lafyerte pou travay, zis parey nou Prezidan ti fer resorti dan son Ladres lo Leta nou Nasyon, an Zanvyé.

Sa valer travay, e travay dir, ki nou bann granparan ti annan i devret rekonmans bourzonnen dan nou zenerasyon ozordi. A la fen dizour, nou tou nou devret pe kontribye dan nou pei.

5.2. Labaz depans gouvernman

5.3.1. Saler

Msye Spiker, en bidze R2.96 bilyon pe ganny propoze pour saler pour lannen 2021. Sa i konpare avek R2.67 bilyon kin ganny depanse an 2020. Sa i fer ki nou annan en 'ratio' 13.24% saler a nou GDP.

Nou depans lo saler i kontinyelman ogmante e sa i demontre ki manyer gouvernman in re-grosi konpare avek bi reform ekonomik an 2008, ki enn son bi sete zisteman, redwir groser gouvernmann.

Alor avek defi bidzeter, pour lannen 2021, gouvernman in selman finans rekritman bann pozisyon kle dan serten minister e lazans.

Pou osi napa logmantasyon saler bann travayer servis piblik, e logmantasyon dan alowens pour ‘long service’. Dan menm loptik, gouvènmman pa pou finans okenn nouvo scheme saler pour sa lannen prenan kont nou bann defi ekonomik.

En premye seri restriktirasyon in osi ganny anonse par Prezidan Ramkalawan.

Avek revni bidze milye lannen, nou pou’n kapab konsolid sa bann seri restriktirasyon ki pe ganny travay lo la, pou asire ki nou annan an plas en ladministrasyon piblik ki pli efikas par redwir lakantite diplikasyon ki annan e osi redwir lo bann pozisyon ki pa nesese ouswa pa pe performen.

Pour lenstan, ziska ler bann lamannman lalwa sa bann antite i ganny konplete, laplipar bann bidze ki pe ganny propoze i dan son totalite.

5.3.2. Byen e Servis

Msye Spiker, bidze byen e servis dan gouvènmman i osi enn ki tre gro, avek en provizyon R3.085 bilyon kin ganny fer.

Pour lannen 2021, i pou enn mon priyorite pour revwar nou ‘Public Procurement Act’. Anvi bann diferan konplent ki egziste lo sa size ‘Procurement’, gouvènmman pou revwar la fason ki nou fer prokirman, avek bi senplifye prosedir. Me an menm tan, tou bann Minister e Departman pou bezwen zwe zot rol pli byen, par pran en pli gran lentere pou asire ki zot swiv en prosedir prokirman ki transparan, me senplifye.

Dezyennman, pou osi annan bann mezir ki pou ganny pran avek bann kontrakter ki kontinyelman pa delivre lo travay gouvènmman a tan, e a en nivo ki akseptab. Sa bann kontrakter pou nepli ganny aksepte pou fer aplikasyon pour fer okenn proze gouvènmman, si zot performans pa enn a la oter.

Zesyon proze kapital pou osi bezwen ganny zere pli byen. In annan tro bokou labi kot bann pri ki ganny ‘tender’ in ganny mete tre ba par bann kontrakter, zis pour zot ganny en kontra e apre ki nou war, bann kontrakter i met bann demann pour bann peyman adisyonnèl ki ganny dir i bann ‘cost over-run’.

Gouvènmman pa pou toler okenn zofisye proze e prokirman dan gouvènmman, ki fer bann kolizyon ek kontrakter pour zot prop benefis. **Sa i en ‘warning’ tre kler ki mon pe donner ozordi.**

Pandan bann semenn ki vini nou pou osi komans en seri legzersis pou revwar nou bann depans ki ganny fer lo serten laliny bidzeter.

Nou vwar ki gouvènmman i depans tro bokou lo sekirite, lo lwe bann akomodasyon oubyen biro e servis netwayaz ki ariv en sonm total R808.9 milyon par lannen.

Nou pe met demann avek tou bann propriyeter bann landrwa ki gouvènmman pe lwe, pou apartir Fevriye 2021, ofer en rediksyon ziska 25% lo bann lwaye ki zot pe donn bann minister, departman e lazans.

Msye Spiker, avek rediksyon taks lo akomodasyon ki ti fer an Zanvyè 2020, gouvènmman pan vwar okenn benefis ganny pase avek li par bann diferan lokater.

Dezyenman, avek sitiyasyon ekonomik ki pei pe pas ladan, gouvènmman in met bokou skim pou asiste biznes e endividi. Me par kont, nou pan'n vwar bokou propriyeter kin aziste son bann pri pou li osi ed bann lokater kin eksperyans rediksyon dan zot saler e reveni.

Alor mon pe fer en lapel, pour ki nou tou, nou komans zwe nou rol dan sa peryod difisil, e pa ekspekte ki i selman rol gouvènmman pou donn lasistans dan bann sirkonstans koumsa, e ki zot, zot kontinyen anmas reveni parey avan.

Lo servis sekirite, nou pou osi revwar fason nou donn sa servis. Gouvènmman pou bouz plis lo servi bann lekipman sirveyans ki fer ki nou pa pou bezwen depans sa kantite lo bann pri egzorbitan pou donn sa servis.

Dan menm kad, nou pou revwar fason ki gouvènmman i 'outsource' servis netwayaz serten lofis, semen, lans e lariyer, kot gouvènmman pe depans R301.1 milyon par lannen.

Tender netwayaz in vin enn kin ganny tro politize dan lepase. Alor en revu pou ganny fer pou asire ki alokasyon bann landwa pou netwaye i ganny fer dan en fason ki anmenm valer pour larzan, dan plas kas bann kontra an pti morso e ki vin tro ser e ki aprezan nepli soutenab.

Mnye Spiker, gouvènmman in osi obzerv bokou pratik koripsyon dan prokirman bann byen e servis dan bann minister. I pa akseptab pou bann minister fer biznes ek zot prop staff ouswa staff i ganny alokasyon louvraz e servi zouti gouvènmman pou fer zot prop biznes avek. Prensip konfli lentere i bezwen vin en priyorite pour bann Sef bann lorganizasyon gouvènmman. I pa akseptab ki bann tel O Zofisye i permet sa bann pratik pou ganny fer dan zot prop lorganizasyon. Tou bann O zofisye pou bezwen pran responsabilite personel pou okenn pratik koronpi ki pase dan zot lorganizasyon.

Mnye Spiker, nou'n fini komans obzerv bann linisyativ pou redwir depans gouvènmman dan plizyer son bann departman. Par egzamp, Departman Zafer Etranzer in depi enpe letan konmans en demars pou restriktir sa departman avek bi redwir depans ki i fer, sirtou depans an deviz etranzer san ki i konpromiz son prezans e langazman avek bann partener enternasyonal.

Sa restriktirasyon i enkli fermtir trwa lanbasad aletranze, notaman Avana, Kolonmbo ek nou reprezantasyon Zenev. Sa i vedir ki ozordi la diplomasi Sesel i annan selman 9 lanbasad a letranze. Konzwentman avek divizyon ki pour responsab pou promosyon tourizm, bann lanbasad dan serten landrwa pou osi ganny servi koman biro tourizm Sesel. Sa legzersis i ankor pe kontinyen.

An plis ki sa, gouvènmman in osi deside ki serten bann lanbasad ki reste, pou ganny zere par selman enn olye ki de diplomat Seselwa parey in le ka dan lepase. Swa pou nou gard en 'Chargé D'Affaires' ouswa en Anbasader tousel dan sa bann lanbasad. Sa pou osi redwir depans ki nou fer, konpare avek ler nou annan de Seselwa pe travay dan en lanbasad.

Pou kapab kontinyen deservi ladiplomasi Sesel byen, lo en nivo profesyonnel e a la oter, nou pou siport nou bann lanbasad avek nou bann reprezantan Konsil Onorer ki trouve dan plis ki en 100 enn pei atraver lemonn.

En revè in fini konplete ki'n revwar lalis nou bann Konsil, e ranplas bann ki pa ti pe performen. Nouvo lapwentman in osi ganny fer kot i nesaser.

Gouvernman in demann tou son bann Konsil pou renouvle zot langazman dan sa demars. I byen note ki travay en Konsil Onorer i gratwit anver Larepublik Sesel.

Departman Zafer Etranzer pe osi envestir bokou plis dan bann miting vertyel ki fer ki Sesel i kontinyen reste angaze avek lemond, menm si nou pa kapab vwayaze. Sa in osi redwir depans san ki i afekte nou bann fonksyon prensipal.

Avek sa bann restriktirasyon, ozordi bidze Departman Zafer Etranzer in sorti 108 milyon 700 mil rounpi an 2020 pou ariv 93 milyon 464 mil rounpi an 2021.

Sa i en rediksyon 15 milyon 236 mil rounpi.

5.3.3. Program l'investisman kapital

Msyè Spiker, Programm guvernman pou l'investisman kapital pour lannen 2021 ziska 2023, i ariv en total SCR 4.7 bilyon. En total 40% sa l'investisman in ganny bidzete dan lannen 2021, ki reprezant en sonm SCR 1.9 bilyon. Total alokasyon bidze kapital pour lannen 2021 i reprezant en logmantasyon 58% konpare avek bidze l'investisman kapital ki ti ganny bidzete pour lannen 2020.

Sa logmantasyon i an rezilta serten nouvo gro proze kapital ki ekspekte ganny finans dan sa lannen, atraver bann don finansyel e bann det eksteryer, sirtou dan sekter lasante e ledikasyon.

Total bidze kapital ki pe ganny finans par bann don e det eksteryer, in ogmant an mwayenn par plis ki 100% konpare avek bidze 2020. Alokasyon bidze ki pe ganny finans atraver 'domestic financing' in redwir par 6 % konpare avek bidze 2020. Sa rediksyon i akòz guvernman pe finans zis bann proze ki deza an staz lenplimantasyon.

Serten bann proze mazer ki pe ganny finans dan bidze 2021 dapre zot diferan sours finansman i konm swivan:

1. Proze ki pe ganny finans par bidze lokal i:
 - Kontinyasyon konstrikasyon proze lakaz avek en alokasyon R 120 million
 - Kontinyasyon proze konstrikasyon nouvo blok lekòl Beloni segonder avek en alokasyon R 10 milyon
 - Kontinyasyon konstrikasyon lakres Anse Royale avek en alokasyon R 9.7 milyon
 - Konstrikasyon nouvo sant lapolis Ladig avek en alokasyon R 6.7 milyon
 - Kontinyasyon trwazyenn faz semen Pasquere lo Pralen avek en alokasyon R 5 milyon
 - Konstrikasyon nouvo 'vehicle testing station' lo Pralen avek en sonm R 2 milyon
 - En total R 21.3 milyon pou diferan proze dan sekter lagrikiltir enkli R 5.4 milyon pou kontinyasyon proze pou konstri fasilite resers Anse Boileau

- Serten proze ki target lenfrakstriktir Ekonomik ki enkli dezyenm porsyon proze endistriyel lo zone 20 e developman lo Zil Eve avek en alokasyon total R 36.8 million.
2. Proze ki pe ganny finanse par det eksteryer, sa I enkli:
- Re-konstriksyon lekòl La Rosiere avek en alokasyon R 38 milyon
 - Konstriksyon nouvo fasilite pou Lenstiti Lagrikiltir ek Ortikiltir avek en alokasyon R 25.9 milyon
 - Kontinyasyon proze 'Health Information System' avek en alokasyon R 76.6 milyon
 - Konstriksyon nouvo fasilite 'jetty' pou gard lakot avek en alokasyon R 21.2 milyon
 - Lakizisyon lekkipman pou diferan lekòl primer e lakres avek en alokasyon R22.9 milyon
 - En total R 83.9 milyon pou finans bann program ki deza pe ganny enplimante dan sekter lekonomi ble.
3. Proze ki pe ganny finanse par don eksteryer;
- Kontinyasyon batiman 'SBC house' avek en alokasyon R36.4 milyon, finanse par Gouvernman Lasin.
 - Konstriksyon nouvo 'Headquarters' lapolis avek en alokasyon R84.9 milyon pou ganny finanse par Gouvernman Lenn
 - Konstriksyon nouvo lopital La Digue avek en alokasyon R73.7 milyon eskpekte ganny finanse par gouvernman UAE
 - Konstriksyon nouvo batiman pou lofis 'Attorney General' avek en alokasyon R110.2 milyon Pou ganny finanse par Gouvernman Lenn
 - Konstriksyon nouvo klinik Baie Lazare avek en alokasyon R44.2 milyon
 - Konstriksyon nouvo sant izolasyon avek en alokasyon R39.8 milyon.
 - Lakizisyon en bato patrol pou lafors defans avek en alokasyon R340 milyon finanse par gouvernman Lenn.
 - Konstriksyon nouvo 'Drug Rehabilitation Center' avek en alokasyon R34.5 milyon ekspekte ganny finanse par gouvernman UAE.

Apart bann alokasyon lenvestisman kapital pour bann Minister, Departman e Lazans, gouvernman in osi fer provizyon pou donn bann don developman serten Lantrepriz piblik.

En total R 180.8 million in ganny bidzete pou bann don developman an 2021 ki konpri R 78 milyon pour SPTC, R 62.8 million pour PMC e R 40 milyon pour PUC.

SPTC i eksepkte aste an total, 55 nouvo bis, e sa pou ganny finanse par en lon avek gouvernman Lenn pou en sonm R 63.5m. Gouvernman pour osi asiste SPTC avek en sonm adisyonel R 14.5m ki pou al anver son bann proze kapital.

R62.8 milyon in ganny bidzete pour PMC, R52.8 milyon dan sa sonm pou al anver repeyman pret ki PMC ti pran avek nouvobank ek Fon Pansyon Sesel pou kontrikeyon bann proze lakaz e R10 milyon pou bann louvraz reparasyon lo bann flat ki gany zere par sa lazans.

Gouverman pe osi fer provizyon en sonm R 40 milyon roupi pou bann proze kapital ki pe ganny enplimante par PUC.

5.3.4. Benefis e Programm Lazans Proteksyon Sosyal (ASP)

Mnye Spiker, en sonm R1.425 bilyon pe ganny propoze dan bidze benefis ek programm pour Lazans Proteksyon Sosyal.

Sa sonm i pli mwens ki sa bidze R 1.658 bilyon ki ASP ti gannyen lannen pase.

Sa rediskyon i aköz serten depans swivan;

- Alowens pour bann etidyan pos segonder,
- Scheme aprantisaz,
- URS,
- Vulnerable home repair e
- Dedicated Fund

pou aprezan ganny zere par bann Minister respektiv, olye par ASP. Sa i a redwir bann prosedir e asire ki ASP i selman konsantre lo son bann prop skim.

5.3.5. Sibvansyon pour bann lantrepriz piblik

En bidze R220.8 milyon pe ganny propoze pou sibvansyon bann lantrepriz piblik pour lannen 2021. Pour lannen 2020 ti annan en sonm R413 milyon ki ti ganny bidzete.

Dan sa sonm, R133 milyon in ganny propoze pou 'Air Seychelles', dan ki R103.724 milyon pou kouvert lasistans saler, kin ganny 'cap' a R30 mil e pour 9 mwan selman.

En sonm R50 milyon pe ganny osi propoze pour SPTC pou asiste li avek konstrent reveni.

Gouverman pe osi asiste detruwa lantrepriz piblik avek zot peyman saler pour sa lannen, vi ki zot depan lo aktivite tourizm e osi bann kin eksperyans bes dan zot reveni.

Sa bann lantrepriz piblik i konm swivan;

- R14.8 milyon pour Lotorite Park Maren Sesel
- R15 milyon pour Servis Lapos Sesel
- R7.6 milyon pour Lenstiti Guy Morel

Mnye Spiker, nou pou osi bezwen travay tre pros avek bann lezot lantrepriz ki annan gran posibilite zot aktivite i kapab ganny afekte si sitiasyon pa amelyore, par egzamp Lotorite Laviasyon Sivil Sesel (SCAA).

5.3.6. Contingency

Pour lannen 2021, selman en sonm R50 milyon pe ganny propoze pour bidze contingency. Anvi defi finansyel, gouvènmman pa pou dan en pozisyon sa lannen pou pey dezyenm faz konpansasyon pour La Misere, ki fer alor ki sa bann peyman pou bezwen ganny anvoye pour pli tar.

6. Bann mezir fiskal

6.1. Reform taks

Mnye Spiker, enn mon lot priyorite se lo modernizasyon Komisyon Reveni Sesel (SRC), kot priyorite sa lannen se pou amelyor ‘compliance’ e dezyenmman- bouz lo servis elektronik.

Avek bi amelyor sistenm ASYCUDA, SRC pou fer serten ‘upgrade’ lo sa sistenm pour li pli kapab deservi son fonksyon.

Ladwann pou alor bouz lo servis ‘online’ e redwir bann tranzaksyon lo papye. Sa linisyativ a permet bann deklarasyon ladwann asyosye avek lenportasyon ek leksportasyon ganny fer elektronikman. Sa i ava ede redwir kou e letan ki pran pou desarz marsandiz lo por e erport, e sa i a osi redwir kou leksportasyon pour nou bann biznes lokal.

Sistenm “Cargo tracking” pou osi ganny met an plas, ki pou permet idantifye risk asyosye avek bann kargezon depi zot lorizin, ki ava ede pou fasilite desarz marsandiz dek ki i ariv Sesel.

Me sa ban mezir lo zot menm pa pou adres tou bann defi lo ‘clearance’ marsandiz lo por avek erport. Nou lenfrastriktir por ek erport pa konvenab pou lakantite aktivite ki pase dan sa 2 fasilite. Pour bokou lannen sa de lenfrastriktir kle dan nou lekonomi in ganny negliz e napa ase lenvestisman kin ganny fer. Sa pou vinn en priyorite kle sa nouvo gouvènmman.

An sa ki konsern bann lezot servis, pou annan travay ki pou ganny fer pou amelyor bann servis ‘online’ ki egziste an se moman. Nou pou agrandir bann servis ki kapab ganny fer ‘online’, tel koman anrezistre bann biznes, soumet bann ‘returns’ ek bann lezot form ki bann ‘International Business Companies (IBCs)’ i bezwen soumet.

Pou amelyor koleksyon e lobligasyon taks bann biznes, pou annan sanzman lo fason SRC i zer bann ‘tax returns’ pou amelyor ‘compliance’. Gouvènmman pou bouz lo en sistenm ‘default assessment’ dan plas zis depan lo ‘self assessment’. Sa i ava asire ki plis ‘tax payers’ i ganny kouver dan bann odit e ki i asire ki tou biznes pe fer son peyman taks parey i oblize fer.

SRC pe an se moman resevwar bann lenformasyon anba ‘Global Forum’s Automatic Exchange of Information’, kot bann lenstitisyon finansyel ki raport ek Sesel depi 2017. Malerezman nou napa okenn sistenm an plas ki ede zer sa bann lenformasyon.

Alors avek bi permet SRC kapab servi sa bann lenformasyon pou fer bann odit e idantifye bann biznes ki depoz zot larzan aletranze, me ki pa deklar sa bann larzan dan zot ‘taks return’ isi, SRC pe fer evalyasyon lo de propozisyon ki zot annan pou enstal en nouvo sistenm.

6.1.1. Reform lo taks lo biznes

Msye Spiker, an Desanm 2020, gouvènmman ti organiz en seri miting konsiltativ ek sekter prive avek bann diferan lasosyasyon biznes pou diskite en nouvo rezim taks lo biznes.

Akoz bann seri restriksyon sa lannen nou pan kapab konplet sa proze. Alor, nou annan plan termin sa seri diskisyon, partikilyerman avek sekter Lapes ek Lagrikiltir pou met an plas en nouvo rezim taks lo biznes sa lannen.

Polisi gouvènmman lo taks I tre kler. Tou biznes ek endividi, nerport ki sekter ki i ladan, i bezwen fer son par e kontribye baze lo son performans.

Prensip taks lo biznes i enn ki bezwen takse profi, e sa to taks i bezwen enn ki ekitab, inifye e aplik pour tou sekter e biznes. Tre byento, gouvènmman i annan plan pou redwir to taks lo biznes e fer li vin enn ki pli rezonnab.

To taks ki pou aplikab pour konm swivan:

- 15% lo profi ziska R 1 milyon,
- e apre sa 25% lo profi ki par lao R 1 milyon.

Gouvènmman pou mentenir opsyon taks ‘presumptive’ ki ganny sarze lo bann pti e mwayen lantreprenèr, ki zot reveni i par anba R 1 milyon par lannen.

Nou’n osi konmans travay pou asire ki nou pou annan an plas bann gidans e polisi apropriye ki pou asire ki nou pa annan reveni ki ganny erode ouswa perdi, par bann biznes ki fer ‘international profit shifting’. Sa i bann sirkonstans kot bann biznes i fer bann tranzaksyon pou bouz tou zot larzan dan zot bann ‘headquarters’ andeor Sesel, pour ki zot redwir zot lobligasyon taks isi.

An dizan sa, Msye Spiker, aparti le 1er Avril 2021, gouvènmman pou aboli taks CSR, ouswa Corporate Social Responsibility Tax. Sa taks, i enn pinitiv ki taks biznes lo son reveni e alor pa rekonnet zefor lantreprenarya.

Par abolir CSR taks, sa pou osi donn bann biznes serten soulazman dan sa peryod lensertitid, kot i a permet bann biznes pou retenir serten likidite pou kapab opere. Par kont Msye Spiker, i reste responsabilite tou biznes pou an retour investir dan zot kominote.

I pa akoz ki gouvènmman in aboli sa taks ki bann donasyon ki bann biznes ti pe fer avan pou bann koz saritab i devret ganny arete, me i zis ki i pa rol gouvènmman pou fors en biznes fer donasyon, e en biznes i ekspekte en keksoz an retour.

Nou bezwen komans re-pratik, donn ek nou leker!

An sa ki konsern taks lo valer azoute (VAT), pou annan plis travay ki pou ganny fer par Komisyon Reveni pour ki nou asire ki bann biznes ki kolekte VAT, me ki apre pa remet sa taks avek gouvènmman, i arete enn

fwa pour tou. Gouvernman pou donn tou son sipor neserer SRC pou fer sa louvraz. Sa bann ki pa pe comply avek lalwa VAT, mon pe anvoy en mesaz tre for pou zot regulariz zot sitiasyon taks akoz nou a pe entansifye nou 'compliance'.

Lo sa size koleksyon taks, mon fer en konklizyon ki senp e ki mon kwar tou dimoun pou dakor avek. Prensip sa gouvernman, parey mon'n dir pli boner, se pou rod tou mwayen pou redwir taks lo endividi e lantrepriz. Nou pou reisi dan sa latas selman si tou dimoun ki dwa taks i pran son responsabilite e pey son taks. Mon lans en lapel, pou tou dimoun pran son responsabilite, e osi fer kler ki bann ki kontinyen kasyet zot reveni e zot profi, nou pe vin rod zot e sanksyon pou sever.

6.1.2. Reform "Excise tax"

En lot landrwa ki nou anvizaze fer reform i nou sistenm taks "excise", ki pe ganny revize pou permet Ladwann pli byen anmas sa taks. Sa pou ede sirtou dan sekter prodiksyon lalkol kot gouvernman in idantifye ki i annan serten defayans.

Sa reform ki pou enkli lentrodiksyon en nouvo lalwa ki ekspekte donn plis lotorite divizyon Ladwann pou administre bann kontrol e osi donn plis gidans bann prodikter lo laplikasyon taks "excise". Sa i espekte ganny anmennen devan Konsey Minis dan premye kar 2021.

6.2. FA4JR

Msye Spiker, lo sa ki konsern FA4JR, gouvernman pe pey en total SR 125 milyon par mwan. Si nou kontinyen avek menm stratezi pou kontinyen donn lasistans tou biznes, Gouvernman pou bezwen SR 1.5 bilyon rounpi pou lannen 2021. **En sonm ki enposib pour bidze soutenir.**

Parey monn deza mansyonnen nou ti annan en total 12,690 etranze a lafen Zanvye 2021 ki pe travay dan pei. Departman Lanplwa ti resevwar en total 10,412 laplikasyon pour GOP pandan 2020 e ladan in aprouv 8,930 aplikasyon.

Alors Msye Speaker, sel konklizyon ki nou kapab tonm lo la se i annan ase travay pour tou Seselwa dan Sesel. Alors gouvernman in bezwen revwar son propozisyon FA4JR pour lannen 2021 konm swivan;

1. Pour Zanvye 2021, tou biznes in ganny peye parey Desanm 2020 eksepte si i annan okenn travayer kin kite lo payroll sa anplwayer.
2. Apartir Fevriye 2021, gouvernman in entrodwir en lalis ki pou kalifye pour lasistans.
3. Pour Fevriye e Mars 2021:
 - a. Bann biznes ki lo sa lalis li kalifye lo Form 1, pour resevwar 50 % lasistans. Bann biznes ki pa lo sa lalis pa pou resevwar lasistans.
 - b. Bann biznes ki lo sa lalis ki kalifye lo Form 2, pour resevwar R 5,804 e lezot ki pa lo sa lalis pa pou resevwar lasistans.

Gouvernman pe fer sir son programm vaksinasyon pe mars byen e sa i ava ede ler nou pei i reouver avek viziter o milye Mars 2021. Alors Mars 2021, pou dernyen mwan ki Gouvernman pou donn lasistans anba sa scheme FA4JR. Bann biznes pou bezwen restriktir zot lekor, prenon kont nouvo devlopman dan lekonomi.

6.3. Lasistans pour bann biznes avek difikilte likidite

Mnye Spiker, pou asiste biznes kin ganny enpakte avek covid-19, Labank Santral pou kontinyen enplimant 'private sector relief scheme'. Sa skim, ti ganny entrodwir pou siport bann kou loperasyon bann biznes. En sonm R 500 milyon i disponib pour bann pti e mwayen lantrepriz. Sa fasilite i pou bezwen ganny peye lo en baz 3 zan, me nou pe agrandi son repeyman pour ariv 5 an. To lentera lo sa scheme i 1.5 % avek en garanti 70% par gouvènmman.

Sa lot fasilite pour en sonm R750 milyon pour bann biznes ki pli gro avek en to lentera 4.5% pou osi kontinyen. Sa fasilite i annan an garanti 50% par Gouvènmman e i bezwen ganny peye lo en baz 3 zan. Nou pe osi agrandi son repeyman pour ariv 5 an.

Diskisyon i kontinyen ant Labank Santral, bann labank ek sekter prive pou regarde ki manyer bann defi dan lenplimantasyon sa 'scheme ' i kapab ganny adrese.

Skim 'Small Business Support Fund' anba Labank Developman Sesel (DBS) pou osi kontinyen pour lannen 2021. Sa fasilite i pa pou atir okenn lentera, i a dispozisyon bann pti lantrepriz avek en reveni anyel anba R 2 milyon.

7. Restriktirasyon dan servis piblik

Mnye Spiker, nou annan en ladministrasyon piblik ozordi ki gro e ranpli avek diplikasyon. Sa in fer ki ladministrasyon piblik i aprezan enn ki pa soutenab e ki avek sa kriz ekonomik ki nou ladan prezan in pli agrave. Nou pou alor kontinyen revwar striktir gouvènmman e met an plas en nouvo ladministrasyon ki pli efikas.

Parey in ganny anonse, STC pou nepli pey 'rent' apartir le 1er Zanvyè 2021. Apre en revyi lo manda e fonksyon Societe Seychelloise D'Investissement (SSI), gouvènmman in pran en desizyon pou ferm sa lakonpanyen.

SSI ti en lakonpanyen ki ti ganny kree an 2008 pou selman tenir bann 'shares' ki gouvènmman ti annan. Malerezman apre sa, in grosir lo son fonksyon e menm mont lo manda bann lezot lorganizasyon.

Avek sa reform, bann 'dividends' ki ti pe ganny peye avek SSI par bann lantrepriz piblik pou prezan ganny peye direktman dan kont gouvènmman. Sa i a permet annan pli bon zesyon lo nou finans piblik. Bann aktivite ki SSI ti pe fer, pou ganny transfer avek bann antite gouvènmman ki deza annan preske menm responsabilite. Gouvènmman par kont, pe donn son langazman ki bann travayer kin anploye dan SSI, pou ganny ofer bann lezot pos dan servis piblik.

Gouvènmman pou osi kontinyen son travay pou redwir diplikasyon dan bann diferan striktir ki egziste e redwir kou pou administre sa bann entite. Dan sa laniny pou osi anann en reform transformativ dan rol ki DPA I zwe.

Pou asire ki i annan plis efikasite dan Sekter Piblik, gouvènmman pou akseler plan pou met an plas en lankadreman ki baze lo rezilta e performans. Pou annan bon rezilta e bon performans i enportan ki i osi

annan bon planifikasyon. Gouvènmman pou bezwen fer sa premye pa, pou asire ki son striktir i enn ki efikas e ki osi permet sekter prive pou zwe son rol dan lekonomi.

Nou bezwen kapab planifye koman en pei, e tou bann Minister ek Departman i bezwen annan sa responsabilite pou met sa an mars. Nou bezwen adopte en lapros kot nou planifye avan nou depanse, e kot nou depans i ganny evalye pou asire ki i benefisyen nou pep e ki sak endividi i ganny rekonpanse lo son performans. Sa i a ava asire ki tou travayer sekter piblik e tou biro gouvènmman pou bezwen rann kont.

7.1. Ler travay fleksib

Msye Spiker, an rezilta sa pandemik e sitiyasyon ekonomik, nou osi bezwen revwar fason ki servis i ganny delivre. Dan sa nouvo normal i enportan pour nou vin inovativ e annan en serten degre fleksibilite. Set avek sa an tet ki gouvènmman pou akseler zefor pou adopte ler travay fleksib.

Sa i ava ede pour ki bann travayer ava kapab annan en pli bon ‘work life balance’ ki an retour a ede avek produktivite, responsabilite familyal parmi lezot. En ler travay fleksib i a osi kapab anmenn serten benefis finansyel sirtou lo kote ‘child care’.

Anplis, nou a kapab vwar en rezilta pozitiv lo nou zesyon trafik, vi ki tou dimoun pa pou bezwen pe bouz an menm tan pou komanse ou termin en lazournen travay.

Par kont, nou rekonnet ki i kapab annan serten defi, espesyalman lo kote enternet, bann lekipman nesese pou travay dan lakour, e osi performans endividyel.

Bann polisi pou alors ganny developpe pou adres sa bann defi e asire ki i annan en lankadremman pou evalye performans bann travayer dan sa nouvo normal. I pou enportan ki nou tou koman bann travayer nou pran nou responsabilite anver nou nivo produktivite.

7.2. Gouvènmman bann Lantrepriz Piblik

Aprè ki gouvènmman ti adopte ‘*Code Pour Bonn Gouvènmman*’ e bann polisi relye avek bann Lantrepriz Piblik, gouvènmman pe al met plis lanfaz lo gouvènmman sa bann lantrepriz. Public Enterprise Monitoring Commission (PEMC) pou vin le sel lotorite ki pou sirvey sa bann lantrepriz piblik.

Msye Spiker, an kolaborasyon avek bann minister konsènen e bann board sa bann lantrepriz, sa lotorite pou met bann target pour sa bann lantrepriz, pou fer sir ki zot anmenn en rannman pour gouvènmman e lepep Seselwa.

Sa lotorite pou osi fer sir ki sa bann target i ganny sirveye e rann kont ek gouvènmman. Bann desizyon ki sa bann lantrepriz pou pran pou bezwen an linny avek plan nasyonal. Lobzektif se ki sa bann lantrepriz i fonksyonn dan lentere lepep Seselwa e non pa an izolasyon.

Letan kot bann lantrepriz piblik ti dekonekte avek polisi gouvènmman e kre zot prop lanpir pou nepli ganny tolere. Tou bann lantrepriz piblik pou bezwen travay dan lentere nasyonal baze lo gidans polisi gouvènmman, e an retour bann Board i responsab pou enplimant vizyon gouvènmman.

Avek sa, PEMC pou ganny donner tou sipor e lotorite nesese pou asire ki manda gouvènmman i ganny enplimante.

7.3. Reform STC

Nou'n obzerve ki avek sitiasyon ekonomik kin fer nou rounpi in depresye, sa in ogmant pri marsandiz. Priyorite gouvènmman pou 2021 se pou met an plas bann polisi fiskal ki pou stabiliz to lesanz.

Nou antisipe ki ler nou konmans ouver nou lekonomi e sekter tourizim i rebran, plis deviz etranzer ava antre dan nou sistem finansyer. Sa i a ede pou nou rounpi konmans apresye e fer pri marsandiz desann.

Parey nou'n obzerve, pri sa 14 komodite esansyel pann monte depi 2012. Sa i menm si nou to lesanz in depresye, in annan ogmantasyon dan fre transportasyon e sanzman dan pri lo marse enternasyonal.

STC pe war li aktyelman dan difikilte pou mentenir sa pri ki tin ganny mete an 2012 pou sa bann prodwir, anvi ki pri pou aste sa bann prodwir in monte. Board STC in alor ganny manda pou li fer en analiz lo sa size e prezant zot propozisyon avek gouvènmman.

Gouvènmman pou fer li son priyorite pou reform STC pou asire ki son kou loperasyon i vinn pli ba. I pou osi regarde ki manyer STC i aste son marsandiz pou asire ki i pe aste a en pri pli ba.

Gouvènmman i reste angaze pou kontinyen rod fason pou fer desann pri lavi pour son pep e asir sekirite alimanter. Pour nou kapab kontinyen garanti sa, gouvènmman pe reviz striktir loperasyon sa lakonpanyen e son sistenm prokirman, pou asire ki nou retir okenn gaspiyaz, inefikasite e depans initil.

8. Bann sekter

Transformasyon ekonomik

Msyè Spiker, pandemik covid-19 in montre nou ki manyer nou vreman vilnerab koman en leta zil. Nou pei in parmi enn bann pti leta zil ki son lekonomi in pli ganny afekte. Sa i akoz sa pandemik in tous nou sours reveni, ki nou lendistri tourizim. A sa pwen i enportan note ki tourizim pou reste touzour pilye nou lekonomi. Alors nou bezwen asire ki nou 'recovery' i enn ki ede fer nou vin pli rezilyan fas a bann sitiasyon eksteryer.

Se pour sa rezon ki nou bezwen ansanm eksplor bann diferan opsyon pour nou transform nou lekonomi. Dan nou sekter tourizim nou bezwen entansifye nou zefor pou ofer plis ki zis nou labote natirel, nou bezwen kapab osi ofer en lekspersyans kiltirel ki a fer ki nou bann viziter ava annan en lekspersyans inikman Seselwa.

Dan lagrikiltir e lapès, nou bezwen kapab ankouraz plis developman bann prodwi valer azoute ki a kapab osi anmenn bann loportinitie eksportasyon pour nou bann entrepriz lokal. I pou osi enportan ki nou ankouraz en latitid entreprenarya parmi nou popilasyon, pou fasilite sa re-transformasyon ekonomik.

Msyè Spiker, marse lanplwa i kontinyen ganny afekte par lenpak covid-19, sirtou la ki nou ekspekte bann etidyan kin termin zot letid ki pe zwenn lemonn travay. A lafen Desanm 2020, Departman Lanplwa ti aprouv 2,763 ka 'redundancy' e dan sa sif, 36 pousan ouswa 1,004 ti travayer Seselwa. Ziska le 4 Zanvye 2021, ti annan 12,690 permi travay aktif pour bann travayer etranze.

An plis, nou kontinyelman vwar demann pour travayer etranze dan laplipar sekter lekonomi, enkli dan lagrikiltir e lapas. Sa bann sekter i annan lanplwa ki Seselwa i kapab fasilman pran avek bann formasyon nesese. E de plis i annan 1,732 laplikasyon an sa ki konsern bann travayer etranze kin pri deor pou zot retournen. Sa i demontre ki i annan ase travay pour Seselwa dan pei.

Msye Spiker, mon anvoy en mesaz for pour bann travayer e bann ki pe rod en lanplwa. Gouvernman i donn son langazman pou plas Seselwa premye dan lanplwa, bann travayer i bezwen pran zot lanplwa o serye. I zot responsabilite pou raport travay, vin produktiv e fer kontribisyon dan zot landrwa travay. Respekte bann lalwa e lareg zot lorganizasyon pou anpes zot perdi zot louvraz pour rezon ki pa valab e ki ti kapab ganny anpese.

Pour bann ki pe rod en lanplwa, se la letan pou aksepte louvraz ki pe ganny ofer, akoz plitar i pou riske pli difisil. Ler zot ganny refer pou en lanplwa, pran silvouple. Ler zot ganny refer pou ‘interview’ al fer zot ‘interview’. Aret swazir louvraz!

Prouv ou lekor e aksepte louvraz ki disponib me pa neserman swazir louvraz dapre ou preferans. Pli tar ler lekonomi i ava rebran, ou ava ganny loportinite pour pran en louvraz ki ou tya swete. Pour bann anplwayer, mon tya voudre demann zot pour anpoy nou Seselwa an premye avan konsider en travayer etranze e donn zot bann sipor nesese.

Gouvernman in anons en seri reform dan bann prosedir permi travay pour bann travayer etranze. Mon demann anplwayer pour korpere pour asire ki loportinite lanplwa i ganny pibliye byen avek lenformasyon nesese pour ki Seselwa i ava pli kapab fer laplikasyon pour sa bann pozisyon. An plis, zot devret fer li zot devwar pour ofer bann benefis ki osi atiran pour Seselwa, konpare avek sa ki zot ofer pour travayer etranze.

Bann lakonpanyen prive i annan en responsabilite pou montre sa zenn travayer ki pe komans son karyer en ‘clear career parthway’. Sa lotel ou sa labank i bezwen montre li ki si i performen, si i amelyor son ‘skills’, li osi i kapab vin en ‘General Manager’ dan en lotel ou en sef egzekitiv dan en labank. Sa bann post pa kapab zis pour etranze. Sa pou bezwen sanz e nou bezwen valoriz nou prop dimoun. Seselwa i annan talan e si i annan loportinite i pou delivre. Nou reform system GOP pou reflekte sa bann prensip.

Nou pou travay pou moderniz nou lalwa lanplwa, kot nou pou target serten sekter kle dan nou lekonomi, avek bi pou amelyor kondisyon travay pour biznes e osi travayer. Departman Lanplwa pe travay konzwentman ek sekter prive pour ki lenformasyon nesese i ganny donner avek bann travayer ki pe rod lanplwa. Sa i enkli bann loportinite travay lo nou bann zil elwanyen.

Msye Spiker, nou pe osi travay lo reform lo bann benefis ek program ki Lazans Proteksyon Sosyal i donner. Konman en gouvernman nou bezwen fer sir, nou bann benefis ek program i ganny donner avek bann ki pli vilnerab dan lasosyete.

Nou bezwen osi travay avek bann benefisyer sa bann lasistans ki zot pa vin depandan lo zis sa bann benefis e program. Bann Benefis ek Program kot Lazans Proteksyon Sosyal i pli gro sonm dan bidze 2021. Sa i reprezant 13 pousan bidze naysonal.

Parey noun anonse nou pou annan en seri reform avek led Labank Mondyal ki pour konm swivan;

- Fer sir ki i annan plis kordinasyon avek bann sekter kle dan pei. E sa nou pou etabli en “social registry”. Sa i ava ede pour ki dimoun pli vilnerab i kapab ganny sa lasistans nesese

avek tou sekter e koup lo birokrasi. I ava osi ede ki nou donn sipor nesese ki nou bann zanfan dan sa bann fanmiy pa ganny negliz e osi nou kapab ed sa bann zanfan pou servi tou loportinite ki devan zot.

- moderniz sistenm HomeCare pour fer sir i pli aksesib pour nou bann dimoun ki pli bezwen e redwir labi ki egziste
- revwar soutenablite sistenm benefis retret,
- re evalye benefis envalidite e dezabilite pou fer sir ki i tous dimoun avek bezwen fizik baze lo bann standar enternasyonal.
- revwar nou sistenm lasistans “social welfare” baze lo bann bezwen sosyo-ekonomik.

8.1. Sekter tourizm

Msye Spiker, sekter tourizm parey monn fer resorti, pou reste sa lendistri nimero enn nou lekonomi. Se pour sa rezon ki i pou enportan ki nou revwar nou stratezi pour ki nou kapab relev sa lendistri e fer li vin pli soutenab e rezilyan. Mon fyer pou dir ki noun fini komans fer sa premye pa, atraver nou program vaksinasyon.

Pour plizyer lannen noun depan lo nou labote natirel pou atir nou bann viziter. Menm si sa i reste, nou pou bezwen diversifye bann prodwi ki ganny ofer a nou bann viziter. Serten nouvo prodwi tel ki ‘cultural tourism’ i a ganny devlope kot nou bann viziter a kapab eksperyans nou leritaz, nou kiltir e nou lakwizin. Sa i ava ede anmenn plis devlopman dan bann kominote, ki pou anrasi leksperyans nou bann viziter e an retour zot ava depans plis dan pei.

Nou osi bezwen revwar bann latraksyon touristik pour ki zot vin pli enteresan pour bann viziter. Koman en leta zil nou bezwen servi nou losean pli byen e fer plis pou ofer bann aktivite sport lo delo e lezot aktivite lwazir.

A plizyer repriz noun tande ki nou bezwen ogmant partisipasyon lokal dan sa sekter. Pour ki sa i materyalize i pou nesese ki nou asire ki sa ‘supply chain’ i byen ganny etabli. Sa i a osi donn loportinite sa de lezot sekter kle, ki lapes e lagrikiltir, pou osi kontribye dan soulazman nou lendistri tourizm e sa nouvo fason fer.

Developman kapasite imen dan sekter tourizm i primordyal dan transformasyon sa sekter. Nou pou bezwen donn formasyon bann travayer ki deza dan sa sekter e bann ki anvi zwenn sa sekter, a fen ki nou ava annan en lafors travayer kalifye. Sa i a ede pou redwir depandans lo travayer etranze e osi asire ki nou bann Seselwa i progrese dan sa domenn.

Nou bann marse tradisyonel Lerop i parmi bann kin pli ganny afekte ek sa pandemi. Alors i pou osi enportan ki nou esey diversifye marse kot nou bann viziter i sorti.

8.2. Sekter lagrikiltir

Langzman gouvènmman pou sekter Lagrikiltir pou 2021, se pou donn sipor bann ferme, pou asire ki nou ariv lo nou target pou ogmant prodiksyon zannimo ek legim e ed bann ferme pou avanse dan developman zot biznes. Dan sa demars, gouvènmman pou siport prodiksyon lavyann pour ki i vin pli konpetitiv akote

lenportasyon, e kontribye anver sekirite alimanter pei. Target dan mwayen term se pou arive fer prodiksyon lokal depas omwen lanmwatye sa ki nou konsonmen.

Alor gouvènmman pou asiste lo kou:

- a. pou touy koson avek poul kot labatwar;
- b. Fre prodiksyon pork ek poul pou sak fermye;
- c. Fre adisyonel lo pti poul;
- d. Bann logmantasyon dan pri manze zannimo;
- e. E fre transportasyon manze zannimo ant Mae ek bann lezot zil.

Msye Spiker, labatwar Pralen pou ganny konplete sa lannen, avek sipor lekipman ek sipor teknik sorti kot Linyon Eropèen. Gouvènmman in deza idantifye nouvo landrwa pou labatwar lo Mae e nou ekspekte ki sa i ava demare tre byento.

Gouvènmman pou fer en alokasyon finansyel dan Labank Devlopman Sesel (DBS) pou fasilite akse avek finans pou bann ki dan prodiksyon. Skim 'Agriculture Development Fund' pou ganny revize e pou aprezan donn lon a en limit R5 milyon konpare avek selman R1 milyon, ki leka ozordi. Lentere ki pou aplike lo sa skim pou 2.5% pou bann lon ziska R3 milyon, e pou bann laplikasyon ki par lao R3 milyon, pou annan en to lentere 5% ki pou aplike. Sa pe ganny fer pou ankouraz bann fermye debourye e agrandi zot bann aktivite.

Msye Spiker, i enportan a sa moman ki mon fer li tre kler kin annan labi dan sa skim oparavan. Sa skim i montre ki bokou kin benefisyè pan fer sa zefor pou revey zot lon e i annan menm kin aret peye konpletman. Mon pou alor demann bann kin benefisyè avek sa bann lon pou onor zot lagreman e ede fer ki lezot i a kapab osi benefisyè.

Later lagrikiltir kin ganny donn avek fermye me ki pa pe ganny servi pou prodiksyon, pou ganny rebran lo en baz akselere e ganny donn avek bann ki pare pou fer en travay serye pou prodwir. Sipor pour bann zenn dan lagrikiltir pou kontinyen avek lazisteman dan resours anmezir ki keksoz i avanse. Gouvènmman pou rod en meyer metod pou asiste bann zenn ki ti ganny promet fasilite me ki pa ankor ganny asiste anba program 'la semence' espesyalman bann Au Cap e osi konsider lentegrasyon pli vit bann zenn lo bann later lagrikiltir kot i annan, pou ede ki sa bann zenn pa perdi lentere dan sa sekter.

Alor, mon demann Minister responsab pour Ledikasyon ek Lagrikiltir pou revwar ki mannyer fasilite lekol ek son bann aktivite I kapab ganny entegre avek bann sant pou lagrikiltir, parey sant resers. Nou Plan pour le fitir, se ki sa sant i ofer bann kour pour adilt ki deza dan lagrikiltir pour ki zot devlop plis zot konesans ek abilite.

Gouvènmman pou fer provizyon bann materyo nesese pou sa sekter parey langre ek pestisid, aköz nou bezwen sa garanti pou bann prodikter. An menm tan, gouvènmman pou osi eksplor loportinite pou sekter prive zwe en pli gran rol dan sa servis, ki ava fasilite akse avek materyo ki fermye i bezwen.

Dan memm laliny, nou bezwen anmenn sekter prive dan lezot aktivite ki tradisyonnelman se gouvènmman kin fer dan lagrikiltir. Sant Zenetik pour koson, i enn bann aktivite ki pou ganny revwar e transfer avek bann fermye ki montre lentere e annan kapasite. Dan sa bann laranzman, gouvènmman an servan son bann lyen enternasyonal, i ava reste koman fasilitater e donn sipor teknik bann fermye ki bezwen.

Sa pandemik in met devan nou sa nesesite pou depann plis lo nou lekor e rod bann fason pour ki koman en pep nou vinn pli rezilyan an servan sa ki nou annan. Imedyatman, gouvènmman pou reviz lafason ki i donn permisyon fermye ki fer elevaz poul. Minister Lagrikiltir pou fer en revizyon e analiz avek bann fermye ki anvi ogmant zot prodiksyon, baze lo zot soutenabilite e planifikasyon zot teren, e permet zot ogmant zot prodiksyon kot zot kapab.

Gouvènmman pou osi dan sa lannen, ouver posibilite pour bann endividi ou group prive komans omwen de laferm “parent stock”, pour ki pei a kapab prodwi dizef pou eklo lokalman. Sa i a ed nou koup lo koup lenportasyon dizef pou ‘hatchery’ e fer desann pri pti poul, ki aktyelman pe kout plis ki R18.

Nou bezwen kontinyen ankouraz sak lakour pou aste prodwir lokal e fer sa ki zot kapab pou ekomomize e koup lo lenportasyon sa ki nou konsonmen. Se dan sa fason ki nou pou kapab relev nou pei, e gouvènmman i la pou siport nou bann sitwayen dan sa demars.

8.3. Sekter Lapes

Msye Spiker, si i annan en sekter dan nou lekonomi ki ankor byen lwen ek son potansyel, se sekter Lapes. Dan sa letan kot kovid in tap nou pei e fer bokou ditor nou lekonomi, bokou dimoun ki pa ti pe war vre lenportans lapas, in aprezan konpran ki si nou napa en dezyenm pilye ekonomik pou soutenir nou pei, nou pa pou kapab progresse dan nou devlopman.

Prezidan Ramkalawan avek son lekip dan gouvènmman, depi lontan pe dir ki fodre nou port plis latansyon lo sa sekter. Menm avan ki dernyen lakor lapas ti ganny renouvle avek Linyon Eropeen lannen pase, nou ti pe demande ki Sesel i ganny en pli bon dil.

Wi, sa gouvènmman i krwar senserman ki nou kapab ganny plis avek nou lapas. Se pour sa rezon ki tre byento nou pe al anonse ki Sesel i ouver pour lenvestisman dan sa bann sekter swivan:

- Konstriksyon nouvo lasose pou resevwar plis bann bato ‘long line’ ki pe deza lapas dan nou delo me ki fer zot transbordman swa lo lanmer, swa dan en lot por dan Losean Endyen.
- Konstriksyon nouvo lasose e amelyorasyon bann ki deza ekziste pou fasilite tranzaksyon bann bato ‘sener’.
- Konstriksyon en ‘dry dock’ pou fer bann gro louvraz lo bann bato lapas endistriyel.
- Konstriksyon fasilite pou reparasyon elektronik e elektro-mekanik lo bann bato lapas.
- Konstriksyon lizin pou fer transformasyon pwason, sirtou ton, pour nou pei kapab ganny plis valer avek sa resours enportan.
- Devlopman meyer fasilite pou reparasyon lasenn.
- Devlop e amelyor bann fasilite dan bann distrik pour nou peser artisanal.
- Konstri en fasilite lo erport pour resevwar pwason ki pe ganny eksporte.
- Konstri e devlop en limaz kalite pou nou eksport nou pwason e tou nou prodwi lanmer lo nivo enternasyonal.

Msye Spiker, nou pe lans en lapel pou investiser Seselwa pou antre dan sa sekter lapas, agrandi li e anmenn larises pour nou pei e nou pep. Nou gouvènmman pou donn Seselwa priyorite lo etranze. Kot nou napa

larzan ouswa lekspertiz, nou pou ankouraz bann ‘joint ventures’ kot Seselwa pou annan son par dan tou profi.

Sa bann lenvestisman pou kree larises san ki nou bezwen lapes plis. Moto nou gouvènmman se pou azout valer avek nou pwason, san ki nou eksplwat sa resours tro bokou. Nou ekspekte ki dan sa prosen 5 an, nou pou kapab kree plis ki 1500 louvraz dan sa sekter e double lakantite pwason ki ganny transborde dan Port Victoria.

Gouvènmman pe osi kontinyen ranforsi son zefor pou devlop sekter lekonmi ble. Annefe sa lannen, en proze pou devlopman endistriyel dan sekter ‘marine biotechnology’ in komans materyalize. Atraver en don ki nou ti gannyen avek Labank Devlopman Afriken, nou’n komans fer bann miz an plas, pou ki nou kapab annan lenformasyon konkret lo nou potansyel pou devlop sa lendistri e osi pou idantifye bann biznes e rannman ki sa lendistri i kapab anmennen dan nou pei. Sa proze pe osi met lanfaz lo laprantisaz, antraver lantrennman en santenn antreprenè ki enterese pou antre dan sa sekter, e sa i enkli bann madanm e osi bann zenn.

Sa lendistri ler pou demare pou enn ki pou vast, e i pou permet nou pou servi bann resours maren pou devlop biznes dan domenn kosmetik, bizoutye, medikal, e lezot domenn, kot resers anba sa proze i montre nou i annan potansyel. Sa i avek bi anmenn devlopman osi dan nou ledistri lokal, ki i ofer loportinite lanplwa ki o nivo pou nou pep, e ki evantyelman, i fasilite devlopman nou lasosyete an zeneral.

An sa ki konsern sa fasilite finansyel ki a dispozisyon pei pou siport devlopman bann prodwir valer azoute dan sekter lekonmi ble, espesyalman dan sekter lapes, gouvènmman i annan plezir pou anonse ki in fek konkli en renegosyasyon avek Labank Mondyal lo bann term ek kondisyon ki pli favorab pou bann lenvestiser ki anvi ganny akse a sa fon. Bann biznes ki kapab benefisye anba sa fon se;

- bann ki ofer servis siyantifik pou sekter lapes, ki enkli resers dan domenn alimanter tel ki bann fridmer;
- bann ki ofer bann servis lozistik, tel parey ‘packaging’, distribisyon, ‘marketing’ e lavant;
- bann ki fer ‘fish processing’ ki pou anmenn plis valer azoute lo bann pwason ki ganny lapes,
- e bann ki dan sa biznes ‘fish processing’ ki oule devlop bann teknolozi e fer bann nouvo oubyen repar bann vye fasilite pou ranforsi zot biznes.

Alors, nou pe ankouraz e lans en lapel avek bann lenvestiser ki kalifye anba sa fon, pou servi sa fasilite ki anba zot dispozisyon.

8.4. Sekter “Digital Economy” (Lekonomi Enformatik)

Msyè Spiker, lemonn in fini antre dan ‘digital era’ e Sesel pa kapab ganny kit deryer. Sa revolisyon ki lemonn in pas ladan dan devlopman teknolozi i kapab anmenn bokou benefis pour nou pei. Nou alor bezwen met anplas bann polisi e striktir pour nou kapab devlop nou sekter ‘Digital Economy’.

Dan sa bann mwan ki pe vini, Konsey Minis pou konsider bann diferan polisi pou nou met an plas e develop sa sekter. Sa bann inisyativ pou kapab anmenn bokou benefis pour diferan sekter nou lekonomi.

En sistevm 'E-government' kin noun ganny promet pou plizyer lannen i annan posibilite anmenn bokou benefis pou amelyor la fason ki gouvènmman i delivre son servis. Nou bezwen arete ek bann prosedir manyel e entrodwir bann prosedir elektronik. Sa i a fer servis ki gouvènmman i donn piblik vin pli efikas e pli vit. I pou osi anmenn plis la transparans e redwir posibilite pou bann pratik koronpi.

Developman sa sekter i a osi kre loportinite biznes ek lanplwa pour nou pep. Nou sistenm ledikasyon pou bezwen enkli dan son 'curriculum', plis konteni enformatik pou asire ki sa prosen zenerasyon travayer i ava annan sa zouti pou kontinyen develop sa sekter.

8.5. Sekter Ledikasyon

Msye Speaker, Ledikasyon i kontinyen reste en priyorite pour sa nouvo gouvènmman e malgre tou sa difikilte ekonomik ki nou pei pe pas ladan, i pou nesese ki nou kontinyen lev aspirasyon bann etidyan pour ki zot fer zot mye pou reisir dan zot letid a tou nivo.

Minister Ledikasyon pou met an plas son plan ver sa nouvo sistenm ledikasyon ki nou pe swete war pour Sesel. Minister Ledikasyon i rekonnèt, ki pou kapab annan en lekonomi ki dirab, i pou nesese ki tou dimoun dan sistenm enkli bann etidyan, zot pou bezwen a tou pri redwir gaspiyaz. Anplis ki sa, i pou bezwen annan bann nouvo lapros anver lilitizasyon bann nouvo pratik ki ava permet plis lanfaz e resours ganny mete lo lansennyman e laprantisaz.

En dezyenm laspe pou fer plis lekonomi, sirtou sa lannen dan sa letan covid-19, Minister ledikasyon pe ankouraz bann etidyan pou swazir bann diferan opsyon pour fer zot letid parey letid 'online' espesyalman la ki i pa posib pou voyoze, e osi ankouraz bann etidyan ki kalifye pour en labours, pou zot , swazir bann labours ki pei i gannyen koman kado avek bann lorganizasyon e lezot pei etranze. Nou pe lans lapel pou bann la konpanyen pou osi ofer bann labours lo en nivo nasyonal ki a osi ede dan devlopman kapasite bann mendev dan diferan sekter.

Gouvènmman atraver Minister Ledikasyon i kwar ki zanfàn seselwa i devre aspire pour ganny sa pli meyer ledikasyon posib. Nou anvi antre an partenaya avek investiser prive ki enterese pour ki nou kapab kre en lekol par ekselans ki a vin en lekol modern e konpreansiv pour nou zanfàn. Deza i annan group e endividi ki pe eksprim lentere fer ankor lezot lekol prive. Pour tir presyon lo bann lekol dan lavil ki deza vreman plen, gouvènmman pe etidye posibilite servi ansyen Regina Mundi pour sa proze.

An menm tan, nou pou travay dir pour ekip e moderniz bann lezot lekol ki egziste pour ki dan zot menm zot vin bann pti sant ekselans dan tou nivo e laspe. Minister Ledikasyon i annan en nouvo plan tre anbisye ki viz ver sa lobzektif.

8.6. Sekter Finansyel

Msye Spiker, Sekter Finansyel i en sekter ki annan potansyel pour devlope. Me nou bezwen fer sir ki Sesel i an konformite avek lalwa enternasyonal.

Alors Minister responsab pour Finans pou etabli en Komite avek tou bann akter kle dan sa sekter pou travay lo en plan nasyonal pou fer sir ki nou develop sa sekter pou kree plis lanplwa e ganny plis deviz etranzer. Avek sa, pou osi annan en nouvo divizyon ki pou ganny kree dan departman Finans ki pou spesyaliz spesifikman avek sa sekter.

Msye Spiker, lannen 2021, i trwazyenm e dernyen lannen pour nou fer sir ki nou amelyor nou bann lalwa pou met li azour avek bann bon pratik anba lankadreman Anti-Blansisaz Larzan e pour Lit Kont Finansman Terorizm (AML/CFT), e sa i dapre standar ‘Financial Action Task Force (FATF).’

Nou pou anmenn devan Lasanble bann lamannman dan bann lalwa swivan;

1. Prevention of Terrorism Act
2. Mutual Assistance in Criminal Matters Act
3. Extradition Act
4. Registration of Association Act
5. Beneficial Ownership Act
6. Lalwa Anti-Blansisaz Larzan e pour Lit Kont Finansman Terorizm (AML/CFT)
7. Lalwa ki govern lankadreman Licensing

Gouvernman pou osi anmenn en nouvo lalwa pou met en lankadreman an plas ki pou govern bann “Virtual Assets Service Providers”. Nou ekspekte konplet sa bann travay e anmenn sa bann lamannman avan Zilyet 2021.

Msye Spiker, an Desanm 2020, Lasanble Nasyonal ti aprouv lamannman dan lalwa taks biznes, baze lo lobligasyon Linyon Eropeen kot i konsern taksasyon. Parey zot okouran, Linyon Eropeen ti met Sesel lo son lalis zirisdiksyon ki pa korpore avek zot dan son sistenm taks.

Msye Spiker, parey mon ti masyonnen ler mon ti pe prezant sa proze de lwa devan Lasanble Nasyonal, nou ti entrodwir ‘**en De-Minimis**’ **rule threshold**’ ki pou ekskli bann antite ki pa riske. Linyon Eropeen pe prezant sa ka devan zot komite avan ki zot kapab fer nou konnen si nou pou kapab adopte sa pratik. Nou pe esper zot larepons avan ki nou fer okenn lamannman adisyonnèl dan nou Schedule 11.(onz)

Dezyenmman, konponan ki pou kapab tir Sesel lo sa lalis Linyon Eropeen, se ki nou bezwen anmenn bann lezot lamannman pour adres konsern Lorganizasyon pour Korporasyon Ekonomik ek Developman (OECD), sirtou an sa ki konsern lesanz lenformasyon ant bann diferan lotorite taks, kot Sesel ti ganny ‘*downgrade*’ sorti “*Largely compliant*” an 2015 pour ariv “*partially compliant*” an Avril 2020.

Sesel pou bezwen demann en ‘*supplementary review*’ pou adres sa bann defayans dan lesanz lenformasyon. Msye Spiker nou pou anmenn sa bann lalwa swivan pour ki nou kapab azour avek lakadreman OECD;

1. International Business Companies Act
2. Foundations Act e
3. Limited Partnership Act

Nou osi pou propoz en nouvo ‘*Trust Act*’ ki pou ranplas sa lalwa ki egziste ozordi ki apel International Trusts. Priorite governman se pou develop en sekter finansyer modern e transparan ki pou an linny avek tou bann regiliasyon enternasyonal.

8.7. Sekter Transpor

Nou bann por e nou erport enternasyonal i fasilite pli enportan dan devlopman ekonomik nou pei e gouvènmman pe met bokou latansyon lo amelyor servis e lefikasite dan sa bann departman. Sa zefor pou ganny apiye par en gran proze redevlopman Por Komersyal kot nou pe envit bann partener lokal ensi ki etranze pou donn nou konsey lo ki manyer nou kapab fer sa redevlopman dan en meyer fason.

Menm prensip pou ganny aplike kot nou sekter transpor aeryen. O-menm moman ki nou pe reflesi lo en solisyon dirab e lonterm pour nou lakonpanyen aeryen nasyonal, Air Seychelles, nou pe osi etidye fason pou nou vin pli efikas e ganny plis reveni atraver nou sekter domestik e nou departman 'ground handling'. Size Air Seychelles i enn kin annan en kantite deba lo la. Desizyon gouvènmman pou bezwen enn ki baze lo soutenabilite finansyel sa lakonpanyen me pa enn ki baze lo lemosyon.

Msye Spiker, gouvènmman in apresye bokou sa dialog ki Lasanble Nasyonal in annan avek bann diferan partener lo lavenir nou laliny aeryen Air Seychelles. Me pandan ki diskisyon in konsantre lo ki manyer servis enternasyonal Air Seychelles i kapab vin profitab, nou'n obliye ki sa lakonpanyen i annan en det plis ki 152.8 milyon dolar Ameriken, ki anviron R 3.3 bilyon pou Air Seychelles. Kestyon ki nou devret pe demann nou lekor se, lekel li pou pey sa gro det?

I kler ki resours finansyel gouvènmman I limite pour li kapab absorb sa nivo det, menm avek en rediksyon baze lo bann negosyasyon ki pe ganny fer, de plis sa det i an deviz e se rezerv Labank Santral ki pou bezwen ganny servi pou pey sa.

Eski nou pou oze pran sa rezerv limite pou kontiyen sibvansyon loperasyon Air Seychelles olye asire ki lepep Seselwa i ganny lasirans lo bann komodite esansyel, tel parey karbiran, manze e latizann. Sa i kestyon ki mon demann tou bann manm prezan isi ozordi!

I bon note ki sa sitiasyon Air Seychelles i pa nouvo e i osi enn ki sa gouvènmman in erite. Pou les en pti airline akimil sa det 152.8 milyon dolar Ameriken i vremen iresposab. Sa i en nivo det ki kapab annan lefe tre sever lo nou pti pei.

8.8. Sekter lenerzi e sanzman klima

Msye Spiker, Sesel i ganny rekonnèt e resevwar soutyen bann pei e lorganizasyon enternasyonal pour son bann aksyon ki i pe pran dan adaptasyon e zesyon bann defi kree par sanzman klimatik.

Sanzman kliman i pli gro risk ki nou pti pei i fer fas avek. Lerozyon sever, laroul ki aprezan pe kraz lo bann semen lakot, e linondasyon pandan tou le de sezon dan lannen, in montre ki nou lanvironman, nou bann resours ekonomik e menm nou lavi sosyal i reste vilnerab e ki nou bezwen adres sa problem dan en fason serye.

Labank Mondyal atraver Minister responsab pour Sanzman Klima pe aktyelman fer en letid pou vvar ki manyer Sesel i kapab adres lerozyon, linondasyon e risk klimatik lo bann lakot Mae, Pralen e Ladig.

Sa letid 11 mwan pou donn nou en pli bon apersi lo sitiasyon e bann metod apropiye ki merit ganny aplike dan bann landrwa kot nou ganny plis problem lerozyon dan lepase parey Bovalon, O Kap, Kot Dor e Ans Kerlan.

Gouvernman pou travay avek sa lorganizasyon pou trouv bann sours finansman pour ki letan rezilta i pare dan trwazyem kar lannen nou kapab tre vit apre, lans dan bann travay pou kontrol sa bann problemm lerozyon.

Antretan, an 2021, plizyer travay proteksyon lakot, par egzanp dezyenm faz Amitye in ganny bidzete, e i osi annan en travay anba 'Fon Global pour Adaptasyon' e 'Linyon Eropéen' ki pou adres drenaz e lerozyon kin deza demare lo Ladig. Gouvernman in osi fer langazman pour ki i kontinyen travay an 2021 pou amelyor drenaz e anpes linondasyon dan plizyer kominote parey Ans O Pen, Quatre Bornes, Takamaka, La Misere e Ladig.

Sesel pe travay lo en seri target nasyonal pou lenerzi e klima ki pli anbisye e ki pou enkli proteksyon losean. Sa pou ganny prezante an Novanm kot konferans mondyal lo sanzman klima ki pou fer Glasgow, Lekos.

Parey inn ganny prezante dan nou manifesto, nou oule ki Sesel i al pli lwen lo prodiksyon lenerzi renouvlab, e ki avan 2030 nou arive zwenn, e menm depas sa target 15%. Dan sa lannen, nou pou kontinnyen avek program met fotovoltaiik lo bann batiman piblik atraver program sipor ki Sesel pe gannyen avek Lenn e Litali.

Avek bann gran proze ki pou lanse sa lannen, tel parey lenstalasyon 1 megawatt lo Zil romainville, 5 megawatt flotan dan lagon e en proze batri, Sesel alors pou apros 5% lilizasyon lenerzi renouvlab. An Zanvyè, gouvernman in osi sinny en nouvo lagreman 30 milyon Yuan avek Gouvernman Lasin ki pou permet zil Curieuse pou vinn 100% depandan lo soler, e permet 41 lekol pou benefisye avek pano fotovoltaiik e osi azout 800 lalimyer pour semen.

Pou vreman fer progre e depas target 15% par lannen 2030, nou pou bezwen travay pros avek PUC pou li zwe son rol fasilitater par kontinyelman investir dan rezo distribisyon, e annan plis stokaz lenerzi en servan batri. PUC pou osi bezwen revwar tarif ki i peye pou elektrisite prodwi atraver sours renouvlab e osi revwar tarif elektrisite ki konsomater i peye.

Sa bann rev i ava osi aplik pour delo ek desarz aköz nou osi bezwen konsider sa de lezot servis e bann gran proze ki PUC pe entreprann dan sa domenn, espesyalman proze danm Lagog e sistenm desarz lo La Dig. An menm tan, PUC pou bezwen vin pli efikas par redwir son kou loperasyon e eliminn gaspiyaz kot i annan.

8.9. Sekter Lanvironnman

Msyè Spiker, En Sesel prop i osi primordyal pour nou lasante e byennet sosyal e ekonomik. Alor i tre enportan, malgre ki i koute, ki nou kontinyen asire ki nou pei i reste prop. Gouvernman pou alor amelyor fasilite koleksyon salte par ogmant standar e met plis bin piblik a laporte lepep, e dan sa de lannen ki vini osi kre fasilite pou fer triaz salte ki enkli bann 'sorting bins' lo Pralen e Ladig.

Byento Konsey Minis pou konsider lenplimantasyon nouvo plan zestyon salte pou Sesel. Sa plan i annan bi pou kontinyen investir dan sa domenn, ogmant partisipasyon piblik dan bann programm resiklaz e osi pou met an plas bann stratezi e regilyasyon pou asire ki sekter prive i zwe en rol pli aktiv dan sa domenn.

Nou kwar ki Sesel i merit tre anbisye lo sa size. Nou bezwen annan nou en sistenm ki kre kondisyon pour bann dimoun dan sekter prive ki enterese pou fer triaz ek resiklaz pou fonksyonen e fer en profi. Ozordi bann lotel e lezot biznes i merit pe triy e redwir lakantite salte ki zot prodwi. Nou bezwen ralantir e menm aret anmenn serten kalite salte lo bann 'landfill' e nou bezwen adres dan en fason serye, size kontaminasyon

lanvironnman koze par salte e nou osi bezwen tre kler kote nou anvi ete dan le fitir e sa i en target vreman anbisyé.

Gouvernman pou travay atraver Minister Lanvironnman pou asire ki nou fer sa diferans kot i konsern lapropte e salte dan sa senk an devan nou.

9. Promouvwar Loportinite.

Msye Spiker, sa gouvernman ki opouvwar ozordi, i kwar dan promouvwar loportinite pour tou dimoun. I pou pran o serye son rol koman fasilite dan lekonomi e non pa antre dan konpetisyon avek sekter prive.

Sa gouvernman i kwar dan larg lanmen Seselwa. Ki mon pe dir Msye Spiker, se ki nou pou travay avek nenport ki nou sitwayen ki anmenn en linisyativ biznes ki viab devan, pou fer sir ki nou donn li sa koudmen pou realiz son proze.

Pour tro bokou letan, nou'n tande kot en Seselwa I prezant en proze, i ganny rezete, me apre ou war en etranze pe fer sa menm proze. Sa kalite pratik pou arete anba sa gouvernman. Tou Seselwa pou ganny menm sans pou realiz zot biznes, sirtou bann ki pou anmenn deviz etranzer dan pei.

Dan sa letan kot nou pe koz lo transformasyon nou lekonomi, tou loportinite biznes ki vin devan nou, nou pou konsidere. Nou oule ki Seselwa i investir non pa zis dan bann pti biznes kot sans pou agrandi i minim, me dan bann kot zot pou grandi e eksport zot prodwir aletranze.

Msye Spiker, i annan en kantite sa bann kalite loportinite la deor, e nou gouvernman pou met divan anba lezel nou bann antreprenner. Zisteman, gouvernman i oule met anplas bann target tre anbisyé pour ki Sesel i vin en pei ki depan mwens lo lenportasyon. I pour sa rezon ki nou pe ankouraz tou Seselwa pou "Think Big" ler zot anvi fer biznes.

Nou'n toultan annan bann prodwir tradisyonnèl ki ozordi lemond pe rode, sirtou dan sekter farmasetik, tel ki la vanille ek kannel. Me nou osi kapab devlop nouvo prodwir. Nou oule ki Seselwa i komans fer biznes o dela nou lafrontyer.

Nou aprezan annan en Minister ki pou zer sa – Minister Lenvestisman, Lantreprenarya e Lendistri. Se sa Minister ki annan sa manda pou fer nou biznesmen Seselwa "Think outside the Box".

Desizyon pou ganny pran pour ki letan nou pe aranz nou lekonomi, nou osi profite pou promouvwar en fason travay inovativ ki "family friendly". Minister Lafanmiy an kolaborasyon avek lezot minister, pou met an plas diferan program ekonomik ek sosyal a la porte bann fanmiy. I pou annan bann diferan program e servis modern ki pou ganny ofer, ki pou pran kont tou bezwen bann fanmiy pou amelyor zot kalite lavi, san ki zot vin depandan lo sistenm.

9.1. Ease of Doing Business

Lanfaz ki Minister Lenvestisman, Lantreprenarya e Lendistri pou pran, se pou fasilite lavi bann biznes dan pei e osi travay pour amelyor nou klasman avek Labank Mondyal. Priyorite se pour ki lanrezistremman bann biznes i kapab ganny fer "online".

Dezyenman, zefor pou ganny mete pour asiste bann pti e mwayen lantrepriz pou agrandir. Lankourazman pou ganny donnen dan prodiksyon lokal e redwir depandans lo lenportasyon, kot i posib.

Sa Minister pou etabli en lankadreman pour siport resers ek developman e propriyete lentelekstyel avek bi pou ogmant kapasite pour eksport dan la rezyon e osi enternasyonal, ki enportan pou fer agrandi nou baz developman ekonomik e sosyal.

Industrial Estate Authority (IEA) pou travay pli pros avek Minister pou asire ki bann polisi gouvènmman lo alokasyon later endistriyel i transparan e an akor avek bann sekter ki merit ganny priyorite ki nou lekonomi i bezwen.

IEA i osi annan R10 milyon det an aryeraz ki pankor ganny kolekte. Lanfaz pou ganny mete sa lannen pou asire ki rezis bann lokater i ganny etabli e bann biznes ki annan aryeraz avek IEA i pey son det imedyatman.

9.2. Protez serten lenvestisman zis pour Seselwa

Gouvènmman i annan plan pou revwar serten kategori biznes ki zis Seselwa ki pou annan dwa envestir ladan. Nou plan se pou protez biznesmen Seselwa. Anmenmtan nou pou asire ki son lenplimantasyon i ganny zere byen. Nou pa oule annan bann sitiasyon 'de pwa de mezir' ankor. Kategori biznes kin rikorde pour zis Seselwa, i bezwen reste zis pour Seselwa.

10. Konklizyon

Msye Speaker pou konklir, les mon dir ki sa bidze i enn ki met fondasyon pou sa transformasyon ki nou pei i bezwen. Avan ki nou re konstrir sa pei, nou bezwen fer sir ki son fondasyon i for. Sa i rezon ki gouvènmman pe met en kantite zefor pou asire ki bidze nou pei i retourn lo en semen soutenab e ki nou det i osi retourn soutenab. Me pou transform sa pei nou osi bezwen annan en sanzman dan fason ki nou fer keksoz; en sanzman mindset!

Msye Spiker, se selman ansanm ki nou pou reisi! Sa i konklizyon ki mon anvi fer avek zot ozordi e mon pou lans en lapel avek tou Seselwa ki annan son pei a-ker, pou vin avek nou pou nou enplimant sa program ki mon'n prezante ozordi. Byensir, mon pa ekspekte ki tou dimoun pou dakor avek sa ki mon pe propoze, me mon demann omwen en sel keksyo: annou pous dan menm direksyon! Annou met nou pei premye dan sa moman difisil; annou met nou lekonomi premye, akoz se selman si nou rekonstri en lekonomi solid ki nou pou kapab ofer tou sa bann servis e sa bann sipor ki nou anvi donn nou pep.

Annou viz nou lanbisyon ver en pei kot nou nepli koz lo dimoun vilnerab e ki bezwen lasistans sosyal. Annou kre en pei ki prodwir ase larises ki pou permet son son pep viv dan dignite e konfor. En pep ki pa depan antyerman lo leta, me en pep ki annan son mwayen ekonomik pou li debout lo li menm. Msye Spiker sa i pa en rev, me i kapab vin en realite pour nou pti pei Sesel.

Msye Spiker, pou terminen, mon oule remersye Prezidan Ramkalawan pou son vizyon pou sa pei e son gidans dan sa prose bidze.

Mon osi remersye mon bann koleg Minis pou zot kontribisyon e sipor, e osi bann Minister, Departman e Lazans dan preparasyon sa bidze.

Bann staff Minister Finans, Planifikasyon Ekonomik e Komers pou zot konpetans e dedikasyon dan zot louvraz e pou prodwir sa bidze, enkli bann staff Trezor e 'accounts' ki pandan sa bann peryod restriksyon i reste an loperasyon pou asire ki bidze i ganny egzekite.

Mon pa obliy bann staff Lasanble Nasyonal pou zot korperasyon dan sa prose e pli enportan, bann Manm Lasanble Nasyonal pou zot sipor kontinyel.

Avek sa Msye Spiker, mon alor rekonmann pour laprouvasyon Lasanble Nasyonal en bidze R11,013,648,296.00 pour lannen 2021.

SECTION 2

Budget Strategy & Outlook

Budget Strategy and Outlook 2021

Estimates of Revenue and Expenditure and Appropriation Bill January 2021

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Acronyms and Abbreviations

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
FA4JR	Financial Assistance For Job Retention
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
MDAs	Ministries, Departments, and Agencies
MFAB	Macroeconomic Forecasting & Analysis Branch
MFEP	Ministry of Finance, Economic Planning & Trade
NBS	National Bureau of Statistics
NTB	National Tender Board
NDEA	National Drug Enforcement Agency
ODC	Other Depository Corporations
OT	Other Tax
PAYG	Pay-As-You-Go
PEMC	Public Enterprise Monitoring Commission
PFM	Public Finance Management
PIM	Public Investment Management
PIT	Personal Income Tax
PPBB	Performance Program Based Budgeting
PSIP	Public Sector Investment Program
SEAS	Seychelles East-Africa Submarine cable
SIDS	Small Island Development States
SADC	Southern African Development Community
SSF	Social Security Fund
SRC	Seychelles Revenue Commission Trade Tax
TT	Trade Tax
TMT	Tourism Marketing Tax
VAT	Value Added Tax
WEO	World Economic Outlook

About the Document

This document sets out the economic and fiscal context for the 2021 Budget. It presents an overview of Seychelles economy, provides revenue and expenditure estimates for 2021 and the medium term. It briefly covers key measures and strategies influencing the Budget and gives a brief overview of the main measures undertaken by Government in light of the COVID-19 pandemic.

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

Overview

The global pandemic brought about by the COVID-19 virus has been devastating to economic activity and livelihood over the past year. This crisis has been particularly disastrous for the Seychelles economy, which has seen a double-digit contraction in 2020.

International Developments

Global growth is forecasted to range between -4 to -5 per cent for 2020 as per recent published estimates of major international financial institutions and economic organizations such as the IMF. The October 2020 World Economic Outlook describes the global economy as still climbing out from the depths to which it had plummeted during the major lockdowns of April 2020. With the COVID-19 pandemic continuing to spread, aggravated by the emergence of new variants, many countries have slowed reopening and some are reinstating partial lockdowns to protect susceptible populations. While recovery in China has been faster than expected, the global economy's long ascent back to pre-pandemic levels of activity remains prone to setbacks and key unknowns.

The 2020 and 2021 global GDP growth estimates from major economic and financial institutions are presented in Table 1 below. These estimates average out to -4.0 per cent for 2020 and a positive 4.9 percent for 2021.

Table 1: World Output forecasts from various financial organizations and bodies

	World GDP Growth (%)	
	2020	2021
WB*	-4.3	4.0
GPMN	-4.3	5.6
OECD	-4.2	4.2
Standard & Poor's	-4.0	5.0
Fitch Ratings	-3.7	5.3
IMF*	-3.5	5.5
Average:	-4.0	4.9
Seychelles:	-13.5	2.1

Source: IMF/Fitch Ratings/GPMN/OECD/S&P/WB¹

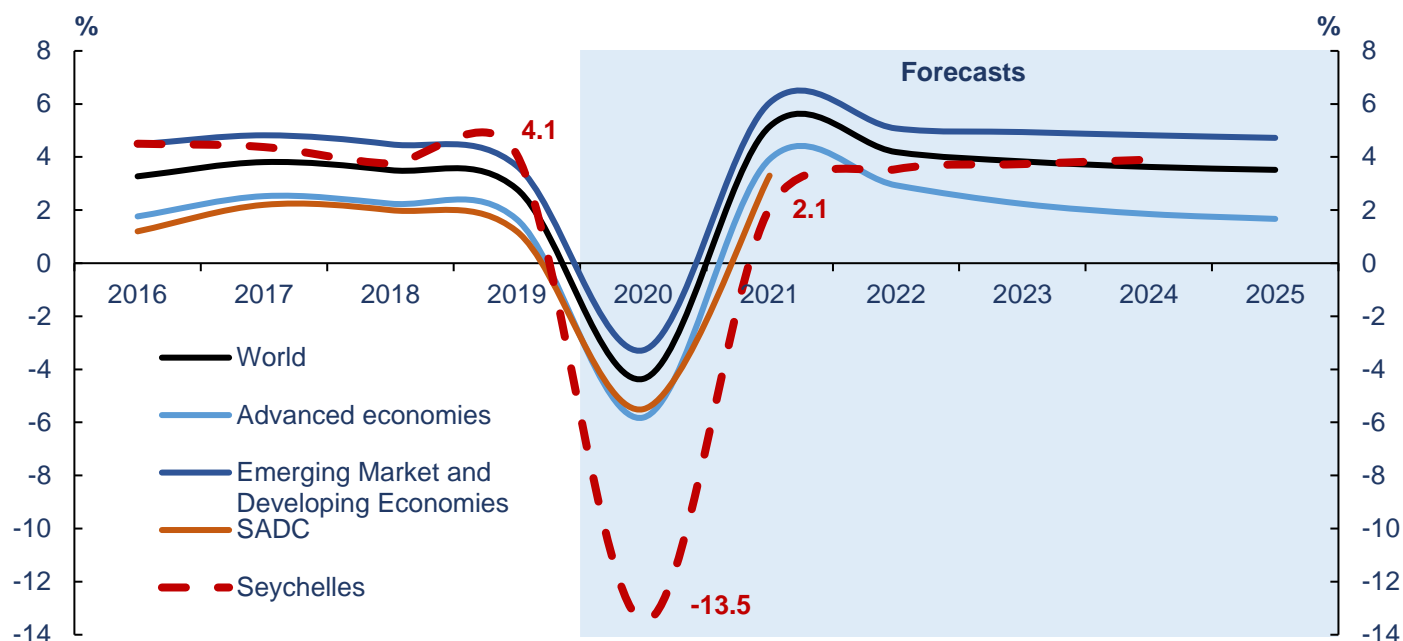
As per the IMF's World Economic Outlook, Global Growth is projected at -3.5 percent, 1.7 percentage points above their June 2020 forecast. This revision reflects better than anticipated second quarter GDP outturns mostly from advanced economies. For 2021, the IMF projects a 5.5 per cent growth, which also reflects the less severe downturn projected for 2020, as well as expectations of persistent social distancing measures and widespread vaccination programmes taking place in most advanced economies. The IMF expects Global GDP

¹ IMF World Economic Outlook Update* January 2021, Fitch Ratings Global Economic Outlook December 2020, GPMN Global Projections, Macroeconomic Forecasting & Analysis Branch (MoFEPT Seychelles), OECD Economic Outlook December 2020 Standard & Poors Global Economic Outlook December 2020 and World Bank Global Economic Prospects* January 2021.

* Forecast as at January 2021

to reach 2019 levels in 2021. However, other institutions such as the World Bank, expect that only advanced economies will reach this level by 2022.

Figure 1: Real GDP Growth Estimates (2016 – 2025)

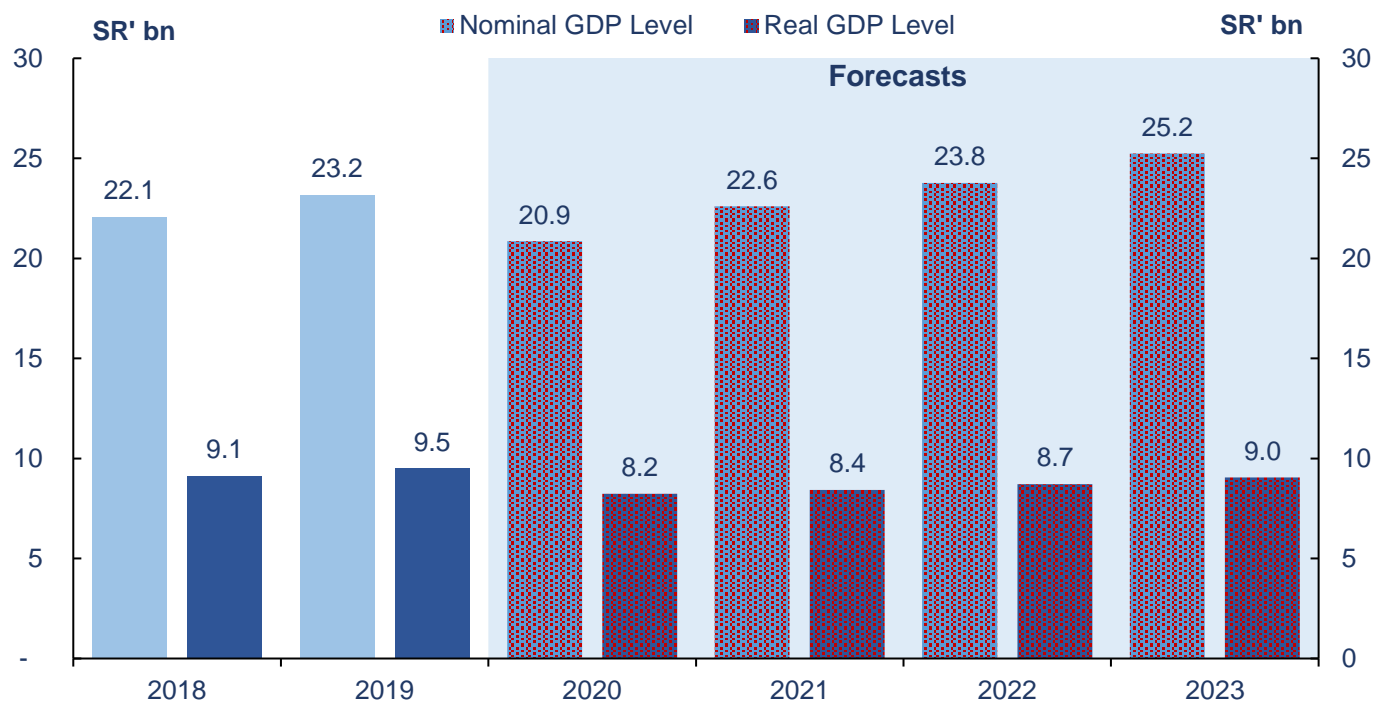


Source: IMF World Economic Outlook October 2020, NBS and Macroeconomic Forecasting & Analysis Branch estimates

2020 Context

In the context of Seychelles, the most recent 2020 real GDP growth estimate sits at -13.5 per cent. In comparison, growth was projected at 3.5 per cent in the initial 2020 Budget and was later revised downwards to -10.8 per cent in the 'Amended Budget' of March 2020. The downward revisions followed from the major economic downturn resulting from the worldwide COVID-19 pandemic. As Seychelles is highly vulnerable to external shocks, various sectors of the economy have been adversely affected by the consequences of lockdowns and travel restrictions around the world. In the '2020 mid-year Economic and Fiscal Outlook', real growth was further revised downwards by 2.8 percentage points to -13.5 per cent on account of sluggish output from key productive sectors. Despite the persistent weakening of the tourism sector, more optimistic estimates from the 'Information and Communications Technology' and the 'Financial and Insurance activities' sectors have maintained 2020 Real GDP growth estimates at -13.5 per cent for the end of year Budget.

As previously mentioned, the most greatly affected industries are tourism related sectors. Persistent low visitor's arrivals figures have resulted in major tourism sectors such as 'Accommodation and food', as well as 'Administrative and support' service activities are estimated to contract at about -65 per cent on average. Similar contractions are also being felt by several other indirectly related sectors, albeit less severe. On the other hand, some industries performed strongly despite the overall dismal economic climate. Manufacturing related industries have shown strong performance and potential with impressive levels of output. Additionally, the creation of solutions to new restrictions and social distancing measures has pushed the Information and Communications Technology sector to double digit growth whilst, increases in private sector credit continues to support the growth of the Financial and Insurance activities sector.

Figure 2: Seychelles Nominal GDP Level and Real GDP Level (2018 – 2023)


Source: IMF World Economic Outlook October 2020, NBS and Macroeconomic Forecasting & Analysis Branch estimates

2021 Projection and the Medium Term

For 2021, the Seychelles economy is expected to take a positive turn as real GDP growth is estimated at 2.08 per cent. This more positive outlook is based on an expected rebound in tourism sector activities given the emergence of numerous vaccines to combat the COVID-19 pandemic. With widespread vaccination programmes taking place in all major markets in Europe, it is assumed that tourism activities will pick up, alongside arrivals and international flights, in the second half of the year. On average, a moderate growth of about 1 per cent is expected for major tourism sectors such as ‘Accommodation and food’, ‘Administrative and support’, service activities, as well as the ‘Transportation and storage’ sector. Positive growth is also projected for all other sectors in 2021, as most sectors are also expected to respond positively to the uptake in tourism. Well performing activities in the ‘Manufacturing of Food’ and ‘Information and Communications’ sectors are expected to maintain momentum in 2021.

While 2021 economic projections are positive, this severe recession is projected to have a long-lasting impact on growth over the medium term with a return to 2019 levels projected only after about 5 years (as illustrated in figure 2 above). However, this will prove to be a long and difficult ascent, with uncertainty and fragility expected to be core mainstays. If all remains equal, output is expected to recover gradually with a projected growth of about 3.5 per cent over 2022 and 2023.

Real Sector

Tourism

The **Tourism sector**, hard hit by the on-going pandemic, is in crisis with a contraction of 44 per cent expected in 2020. The total number of visitors for 2020 stood at 114,858. A drop of -70.1 per cent when compared to 2019. This significant drop in arrivals was the result of the COVID-19 pandemic whereby a global lockdown was undertaken for some months to try and prevent the spread of the virus. As a result, 'Accommodation and food', as well as, 'Administrative and support', service activities are estimated to have contracted by about -65 per cent on average for 2020. The 'Transportation and storage' sector, also linked to tourism through flights and other vessels, is estimated at -30 per cent growth.

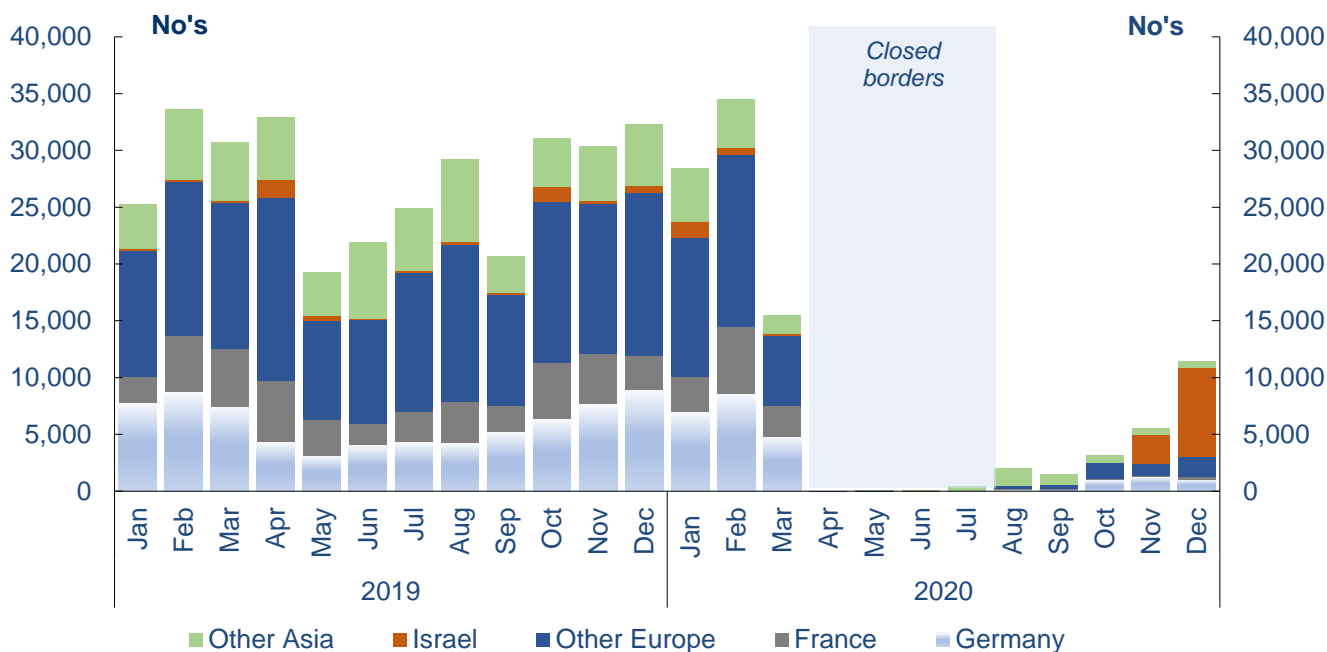
By March 2020, a drop in arrivals had already become apparent in the market. Compared to the previous year, this decline stood at -49 per cent. Despite this, Europe, remained the main tourism market, accounting for 65 per cent of total arrivals. Activities in the international tourism market resumed slightly in August 2020 with the re-opening of borders. Up to this point an increase in domestic tourism through popular 'staycation' packages had supported economic activity in this sector. Emirates and Ethiopian airlines were the first to fly the Seychelles route again, followed by others such as Qatar, Edelweiss and British Airways. Air Seychelles also resumed international flights in November 2020 with a successful route to Tel Aviv. This bumped up arrivals in the last two months of 2020 where, Israeli tourists accounted for 56 per cent of the total. Preliminary tourism earnings recorded for 2020 stands at USD 221m, which is a decline of 62.5 per cent when compared to the previous year. A more detailed analysis on Tourism and earnings is provided in Box 1. The table below shows the yearly comparison in visitor arrivals and the ensuing chart displays the monthly arrivals by the main markets.

Table 2: Yearly Comparison in Visitor Arrivals by market (2019-2020)

ORIGIN	2019	2020	%
EUROPE	265,025	74,802	-71.8
France	43,297	12,005	-72.3
Germany	72,509	24,070	-66.8
Italy	27,289	2,884	-89.4
UK & Eire	29,872	7,394	-75.2
Other Europe	92,058	28,449	-69.1
ASIA	67,021	27,742	-58.6
Israel	5,185	12,488	140.8
UAE	24,609	7,094	-71.2
India	14,338	2,898	-79.8
China	5,973	1,373	-77.0
Other Asia	16,916	3,889	-77.0
AFRICA	34,553	7,950	-77.0
OCEANIA	2,008	395	-80.3
AMERICA	15,597	3,969	-74.6
Total arrivals:	384,204	114,858	-70.1

Source: National Bureau of Statistics

Figure 3: Monthly arrivals main markets (2019-2020)



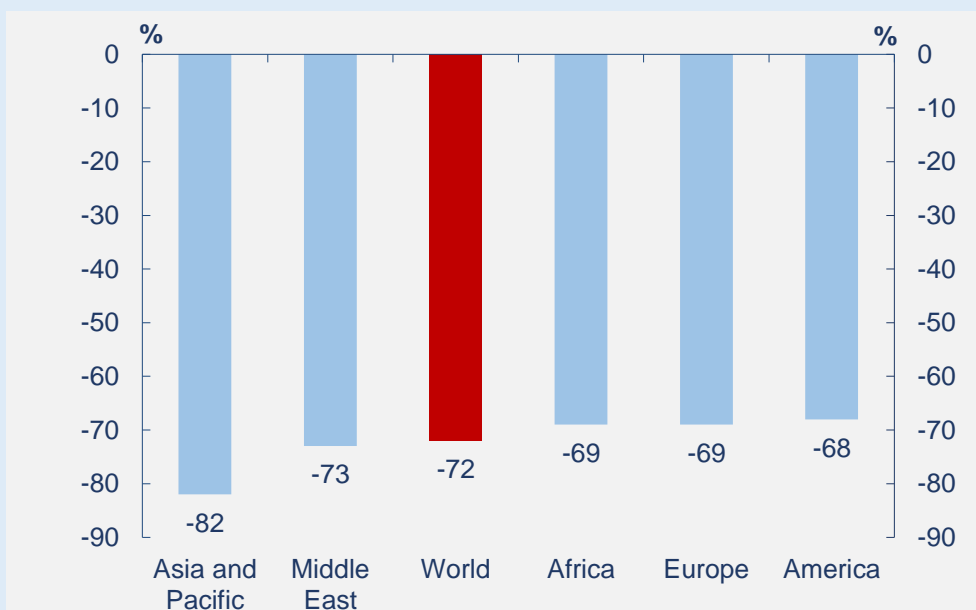
Source: National Bureau of Statistics

Box 1: Tourism in 2020

Global outlook

According to the World Tourism Organization, 2020 was the worst year on record in the history of tourism. From January to October 2020 international arrivals fell by 72 per cent when compared to 2019. This is solely attributed to the restrictions on travel due to the measures in place to contain COVID-19. This led to a loss of USD 935bn in export revenue from international tourism. This cost was seen to be more than ten times the 2009 loss under the impact of the global economic crisis. The graph below displays the drop in international tourist arrival per region for the period January to October 2020.

Figure 4: Growth in international arrivals per region (Jan-Oct 2020)



Source: World Tourism organization

The 2020 growth in international arrival is estimated to be about -70 per cent to -75 per cent. This decline in arrivals will bring about a loss of USD 1.1 trillion in international tourism receipts. Due to the significant impact on tourism caused by the pandemic, this could result in a loss of USD 2 trillion in world GDP.

Domestic outlook

The global COVID-19 pandemic effectively halted and shut down tourism in the Seychelles for much of 2020. Following a positive first quarter where a year on year growth of 2 per cent was recorded for tourism value added at current market prices. Tourism was shut down alongside the country where borders were closed and restrictions imposed on hospitality services.

As the pillar of the economy, over the past 7 years tourism has contributed to an average of 30 per cent of GDP. The immediate measure of real tourism activity is through visitor arrivals, which suffered a significant drop of 70.1 per cent in 2020. In the previous 5 years the average growth in arrivals stood at 11 per cent. A total of 70,845 visitors was recorded for the first two months of 2020 before the pandemic hit. This alone accounted for almost two thirds or precisely 62 per cent of total arrivals for the year. With the airport reopening in August 2020, Seychelles was welcoming on average 5,047 visitors per month until the end of the year – it must be noted that the pick-up in arrivals was slow in the first months following August, but then increased thereafter.

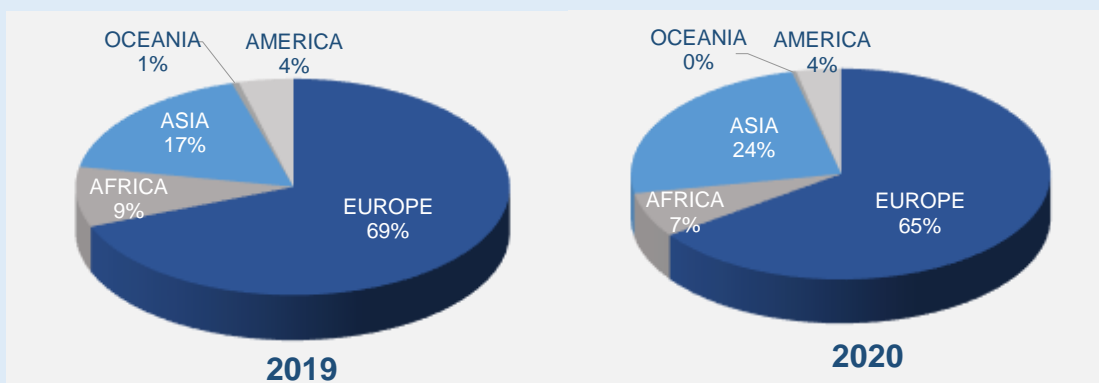
The substantial drop in arrivals is also reflective in the beds nights occupied, which, by the end of the third quarter of 2020 had decreased by 81 per cent when compared to 2019. This was inevitable as the COVID-19 pandemic became a major issue globally, especially in Europe which is the main tourism market for Seychelles. As a result of the drop in bookings and arrivals, several hotels had to close down temporarily. A survey conducted by the Seychelles Tourism Board (STB) revealed the sharp cancellations of forward bookings by many establishments. Some guest houses and self-caterings villas even transformed their businesses into long term rental properties in an attempt to still earn some revenue. The graph below displays the quarterly arrivals and tourism earnings (in millions of EUR) for the past four years and the one following shows the proportion of arrival per marker for 2020 and 2019. It can be observed that the proportion of tourists from Asia increased by 7 percentage point when compared to 2019. This is mainly because of the increase in the number of Israeli tourists from 5,185 in 2019 to 12,488 in 2020.

Figure 5: Quarterly Visitor arrivals and Tourism Earnings



Source: Central Bank of Seychelles and National Bureau of Statistics

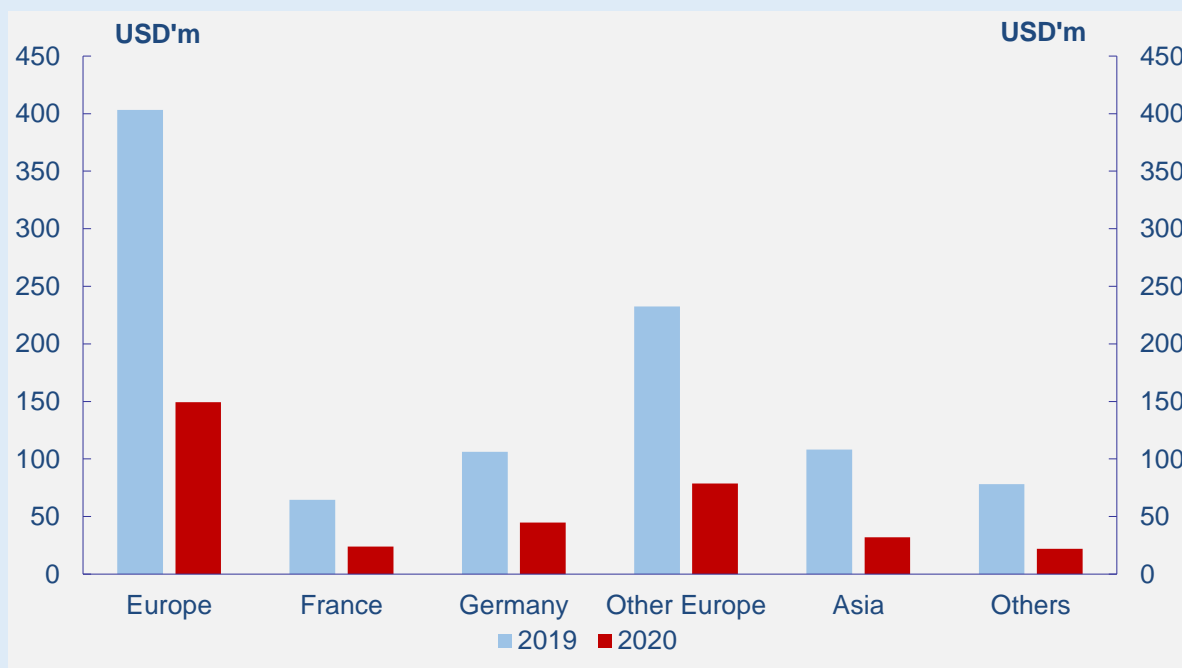
Figure 6: Visitor Arrivals by markets



Source: National Bureau of Statistics

Another measure of tourism performance in the market is through the tourism earnings (measured by the CBS). As can be observed in the graph overleaf tourism earnings and arrivals are highly correlated, this can especially be observed in 2020. Although there seems to be a bit more fluctuation in earnings as this depends on the type of visitors entering Seychelles. The graph below shows the level of tourism earnings per market for 2020 compared to 2019 level.

Figure 7: Earnings per market (USD' m)



Source: Central Bank of Seychelles

Table 3 shows the comparison between 2019 and 2020 in tourism earnings and VAT revenue from tourism. Within the context of a fall of 70 per cent in arrivals, in EUR terms, tourism earnings decreased by 61.3 per cent where as in local currency terms the reduction earnings was at a lower rate of -56.3 per cent given the sharp Rupee depreciation (of 29 per cent against the EUR). Total VAT receipts from tourism activities for 2020 stands at SR 447m, a contraction of 48.2 per cent when compared to 2019.

Table 3: Summary of Tourism Earnings and VAT Receipts

DESCRIPTION	2019	2020	% Diff
Tourism Arrivals (No.)	384,204	114,858	-70.1
Tourism Earnings (EUR' m)*	525	203	-61.3
Tourism Earnings (SR' m)*	8,275	3,617	-56.3
VAT Tourism Receipts (SR' m)	863	447	-48.2

*Note: 2020 figures are still provisional

Source: Central Bank of Seychelles and Seychelles Revenue Commission

Financial and Insurance

By the end of 2020, the Financial and Insurance sector is expected to have a positive growth of 9.4 per cent, attributed mainly to a 21 per cent increase in credit to private sector and a 15 per cent increase in the growth of M2. The former refers to significant increases in commercial bank's claims on private sector and the latter relates to substantial increases in notes and coins in circulation, as well savings and fixed term deposits. This sector is expected to grow at a moderate 2 per cent in 2021, with risks being on the downside.

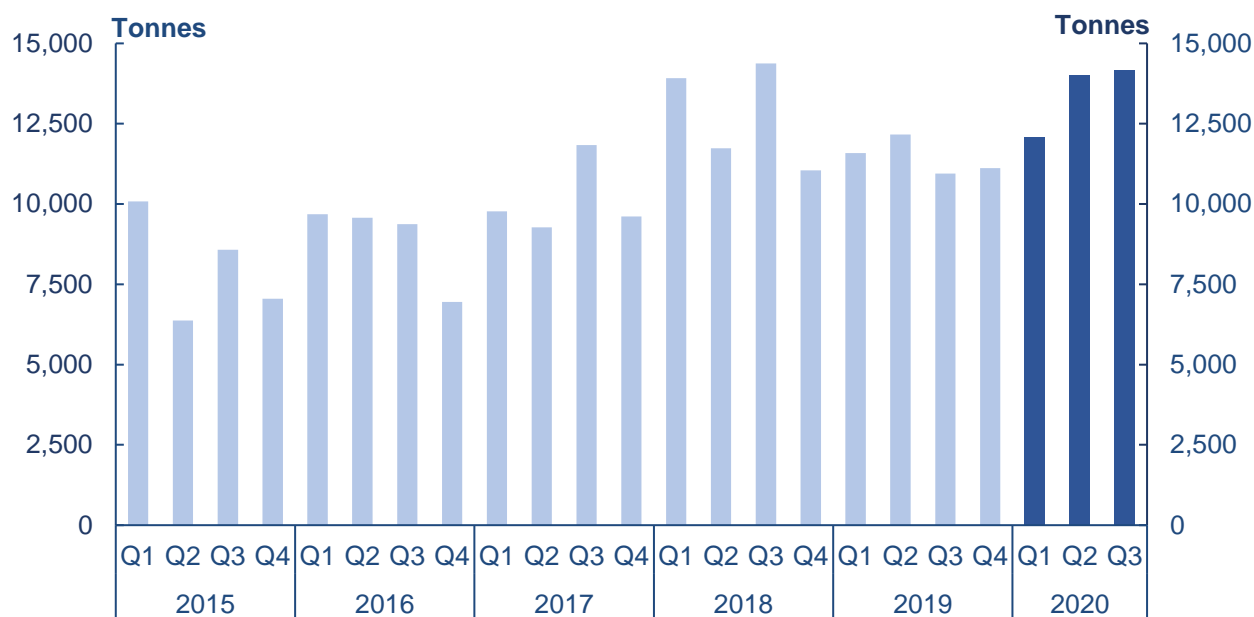
Information and Communication

Information and Communication is one of the few sectors that has a positive growth estimate for 2020, which is forecasted to be at 14 per cent. This strong performance is attributed to a year to date 29 per cent increase in data traffic and a 10 per cent increase in internet connections in 2020 as compared to 2019. This increase is further explained by greater demand for internet connectivity and data allowances as a result of 'social distancing' measures and remote work. Over the medium term, this sector is expected to remain a significant contributor to overall GDP growth, with a forecasted growth of 5.2 per cent in 2021, and 6 per cent for 2022 and 2023.

Manufacturing

The manufacturing sector consists of four components, Manufacturing of 'food'; 'beverages and tobacco'; 'concrete and rock products'; and 'other goods'.

Canned tuna production accounts for 94 per cent of the '**Manufacturing of food**' sub sector. In 2020, the Indian Ocean Tuna Company are expected to reach unprecedented levels of output if the year to date trend in output continues. The most recent estimates of canned tuna production reveal that the 'manufacturing of food' sector boasts double digit growth up to the third quarter. This momentum is expected to continue throughout 2021 with an overall estimated growth of 5 per cent for this sector.

Figure 8: Quarterly Canned Tuna Production (2015-2020)

Source: National Bureau of Statistics

The latest production statistics indicate that the **'manufacturing of beverage and tobacco'** fell by 17 per cent. This can be primarily explained by the lower demand from tourism. Given that the recovery of the tourism industry continues throughout 2021, the sector expects a slow growth of about 2 per cent.

The growth for the **'manufacturing of concrete and rock products'** is estimated to be around -12.7 per cent whilst production in **'manufacturing: other'** a drop of -8.4 per cent is anticipated. Following the path of the construction industry, this fall can be attributed to the postponement of major construction projects and other challenges faced by the industry. Given the current climate of the construction industry, no growth is expected from the **'manufacturing of concrete and rock products'** sector for 2021 whilst the **'manufacturing: other'** sector is expected to follow the growth of construction at 2.5 per cent.

Real estate, Owner-occupied dwellings

Given the overall economic climate, no growth was projected in 2020 for **real estate** and **owner-occupied dwellings** sectors. For 2021, it is expected that very few major investments are allocated to activities related to these sectors and a low growth of 1 per cent is anticipated.

Professional, scientific and technical activities

The **'professional, scientific and technical activities'** sector consist mostly of activities related to skilled labour. Despite slower growth, the sector is projected to maintain low growth throughout 2021.

Agriculture & Fishing

Agriculture sector growth has so far remained flat in 2020 at -0.1 per cent, as compared to 2019. Production figures for various agriculture-related products show varying trends, e.g. egg production dropped by 19 per cent in 2020 as at Q3, while the production of animal feed increased by 20 per cent. The forecast for 2021 is estimated to be about 2.3 per cent, spurred by projected pick up in tourist arrivals in the second half of the year which will bolster demand, and by Government schemes to increase agricultural output for food security purposes. Growth in the outer years will average 2.8 per cent.

The **Fishing** sector has seen a slight contraction in 2020 with an estimated growth of -1 per cent, following double digit reduction in fish catch on a year on year basis compared to 2019. In 2021, this sector is expected to rebound with a slight positive growth of 1 per cent.

Electricity and Water

Electricity, gas, steam and air conditioning supply is estimated to have a negative growth of 3.8 per cent in 2020, mainly attributed to decline in demand from tourism establishments. Similarly, **water** supply, sewerage, and waste management activities is estimated to decrease by 3.4 per cent. The forecast for 2021 indicates an uptick of 3.0 per cent for electricity and 3.5 per cent for water, largely due to the projected increase in tourist arrivals. The outlook for the outer years is optimistic for both electricity and water, at 4 per cent and 2 per cent growth respectively, for both 2022 and 2023.

Wholesale and retail

The **Wholesale and retail** sector performed negatively in 2020, mainly due to the decreased level of tourism which dampened demand significantly. Growth in this sector is estimated at -15 per cent. For 2021, this sector is expected to perform better with a pickup in growth to just over one per cent, provided an increase of tourism activity.

Construction

In 2020, the **Construction** sector suffered due to lower activity levels considering economic restraints, given repercussions of the pandemic through rising prices of materials, postponement of projects and other economic constraints in 2021 however, construction activity is expected to pick up by about 2.5 per cent in line with on-going major projects, as well as the resumption of projects that were paused in 2020.

Education and Health

The **Education** sector is expected to have a small growth of 2 per cent in 2021 given that teaching activities continued remotely during periods of restriction, and the fact that this sector was not subject to major budgetary cuts. The **Human health** and social work activities sector is estimated to continue with positive growth in 2021 of 5 per cent following continued activity to combat COVID-19.

Monetary Sector

The primary mandate of the Central Bank of Seychelles (CBS) is to promote domestic price stability. The Monetary Policy Rate (MPR) is the key rate used to signal monetary policy stance. It lies at the midpoint of the interest rate corridor, whereby the Standing Deposit Facility (SDF) and Standing Credit Facility (SCF), serve as the floor and ceiling, respectively.

The loosened monetary policy stance adopted in the fourth quarter of 2019 was maintained for the first quarter of 2020. In this regard, the MPR was kept unchanged at 5.0 per cent and interest rates on the SDF and SCF remained at 2.0 per cent and 8.0 per cent, correspondingly. This decision was on account of a modest inflation outlook in the short to medium term in line with weaker growth in global commodity prices and a relatively stable Seychelles rupee against the USD.

As a result of the onset of the COVID-19 pandemic which posed an alarming threat to the global economy, as of the second quarter of 2020, monetary policy was primarily aimed towards supporting the domestic economy. This was in addition to several other policy measures announced by the Central Bank to address the complex economic, financial and social challenges brought about by COVID-19, given the severe macroeconomic risks posed by the pandemic in the short to medium term, in relation to its implications on economic growth, financial stability and social coherence. Hence, the MPR was cut by 1.0 percentage point for the second quarter of 2020. In line with this revision, the interest rate on the SDF was reduced to 1.0 per cent, whereas that on the SCF was set at 7.0 per cent. The main purpose of the reduction in the MPR was to support a lower interest rate environment so as to alleviate future stress on borrowers.

In addition to the growing risks to macroeconomic stability, other challenges became more prominent as the year progressed and these included the fall in domestic economic activity, the direct loss of income from the services sector, private sector revenue constraints and labour market frictions. Therefore, to enhance support to the economy, the MPR was further reduced to 3.0 per cent for the third quarter of the year. The interest rate on the SDF was kept at 1.0 per cent, and that on the SCF was reduced to 6.0 per cent. These rates were maintained for the fourth quarter of 2020 in view that the broader set of policy measures implemented by the Central Bank to address the challenges of the pandemic were expected to assume a greater role in minimising economic loss. In line with the accommodative monetary policy stance, an overall reduction in interest rates was observed during the year. As at December 2020, and in comparison, to end-2019, the average yield on savings has fallen from 2.88 per cent to 2.19 per cent, signifying a drop of 69 basis points. As for the average rate on lending, it has also declined, from 12.36 per cent to 10.94 per cent over the same period. As regards to credit to the private sector, year-on-year growth of 20 per cent has been recorded as at December 2020. This was predominantly on account of the increase of 64 per cent in foreign currency loans (in rupee terms) although this rise was primarily attributed to conversion effects following the depreciation of the domestic currency. Notwithstanding this fact, a moderation has been observed in local currency loans, and its growth of 5.1 per cent relative to December 2019 was partly driven by the Private Sector Credit Relief Schemes provided by the Central Bank.

For the first quarter of 2021, the disruptive effects of the pandemic are expected to continue to be felt throughout the economy. Despite the slight pick-up in tourism at the end of 2020, domestic economic activity

remains weak. In addition, the resurgence of the COVID-19 outbreak in December 2020 and stricter restrictions being imposed by relevant authorities are expected to further hinder the economic recovery. Inflationary pressures are anticipated to be higher in the short to medium term on account of the depreciation of the domestic currency, a trend that is expected to persist if foreign exchange demand exceeds supply. Nonetheless, as was the case in 2020, monetary policy for the first quarter of the year is aimed towards maintaining support to the domestic economy. As such, the stance adopted in the last quarter has been maintained, with the MPR being unchanged at 3.0 per cent. Similarly, rates on the SDF and SCF remain at 1.0 per cent and 6.0 per cent, respectively.

Inflation

As compiled and published by the National Bureau of Statistics (NBS), the Consumer Price Index (CPI) reflected a year-on-year inflation rate of 3.8 per cent for 2020. The increase in average prices relative to 2019 was on account of the depreciation of the exchange rate observed as of the second quarter of 2020. The latter was attributed to developments in the foreign exchange market as a result of the onset of the pandemic and its repercussions on the tourism industry. As such, an increase in average price levels was observed since June 2020 with a notable uptick in December 2020. As for the annualised inflation rate for December 2020, this stood at 1.2 per cent.

Despite the expected revival of the tourism industry potentially in the latter half of 2021, foreign exchange inflows are projected to be relatively low as the performance of the industry is anticipated to remain below the levels observed prior to the pandemic. This outlook is highly sensitive to developments in key tourism source markets and individuals' propensity to travel. Given the expected developments in the foreign exchange market, the depreciating trend of the domestic currency is forecasted to persist although at a slower magnitude compared to 2020, in view of a gradual rebound in the tourism industry. In 2021 relative to 2020, higher food prices are projected on account of potential supply shortfalls whilst oil prices are expected to increase due to probable production cuts by certain oil producing countries. As such, inflation as at end-2021 is estimated to be higher than that observed in 2020. In line with its mandate of price stability, the Bank remains committed and stands ready to adjust its monetary policy stance, as deemed necessary.

Credit

For the month of December 2020, the total stock of outstanding domestic credit grew by 27 per cent in year-on-year terms. This was primarily attributed to an increase of 44 per cent (SR 1,465m) in credit disbursed to the Government sector. Added to that, credit allocated to both the private and parastatal sector increased by 20 per cent; with a growth of SR 1,658m in loans disbursed to the private sector and SR 148m to the parastatals. The large depreciation of the rupee was a major contributor in the increase in credit allocated. Analysis of the distribution of private sector credit indicated that the categories of 'Professional, Scientific & Technical Services', 'Health' and 'Telecommunications, Computer & Information' grew by 152 per cent (SR 34m), 122 per cent (SR 6.8m), and 77 per cent (SR 163m), respectively. In contrast, loans to the categories of 'Art & Entertainment' and 'Individuals & Households' fell by 37 per cent (SR 23m) and 13 per cent (SR 233m), correspondingly.

External Sector

Balance of Payments

The country's external position is expected to improve in 2021 compared to 2020. Preliminary projections indicate a narrowing of the current account deficit to 28.7 per cent of GDP in 2021² from 29.0 per cent of GDP in 2020.

Current Account

The trade deficit is projected to widen from USD 432m in 2020 to USD 454m in 2021. This is primarily as a result of an expected increase of USD 33m in imports of goods, whilst export of goods is anticipated to be higher by USD 12m, relative to 2020.

The projected growth in imports of goods for the year is mainly on account of higher fuel prices, in line with the anticipated increase in global oil prices. In addition, oil imports are projected to increase by 3.0 per cent in volume, as the domestic economic activity is anticipated to slowly pick up during the course of the year. On the contrary, FDI-related imports are anticipated to be lower in 2021 due to the postponement of several projects owing to the unprecedented impact of the pandemic on the economy.

In regards to services, the tourism industry is anticipated to pick up in the second half of the year, aided primarily by new measures undertaken by the authorities to revive the industry. In light of this, visitor arrivals are projected to increase by only 1.0 per cent in 2021 in comparison to the contraction of 70 per cent recorded in 2020. Revenue from the tourism sector is expected to fall by 6.6 per cent from USD 221m in 2020 to USD 207m in 2021.

Gross international reserves are forecasted to be below the level of 2020, at USD 450m. This is mainly on account of the reduced inflow of foreign exchange as a result of the loss of revenue in the tourism sector, whilst certain basic needs still need to be met.

Exchange Rates

The advent of the COVID-19 pandemic has resulted in increasing volatility and growing uncertainty in international currency markets and this is expected to filter through the external value of the rupee. Central banks around the world are reacting to support their economies with easing of monetary policy as well as adopting unconventional measures to help smoothen the shock resulting from the pandemic. On its part, the USD has been on a depreciating trend for the most part of the second half of 2020 on the back of a weakened economy. Looser monetary policy, with Federal Reserve interest rates hitting the zero mark, an ever growing federal Budget deficit and an election cycle all helped to contribute towards the weakening of the USD in 2020. This situation is not expected to improve in 2021 as analysts believe the USD will continue its downtrend given heightened hopes of a speedier world recovery resulting from the aggressive vaccine campaigns which may

² Forecast as at January 26, 2021

entice investors to step back from the relative safety of US assets and invest in higher-yielding currencies outside the US. By contrast, both the EUR and the GBP are slowly recovering and have gained ground against the USD. The strengthening of the EUR and the GBP reflects the increased confidence in a quicker rebound in economic activity given the rapid pace of the COVID-19 vaccination campaigns.

On the domestic front, the restriction of travel by countries across the globe and in particular the key tourism markets led to a sharp contraction in tourism activity in 2020 leaving the fisheries industry and other export-oriented sectors as the main avenues for foreign exchange inflow. However, the sectors combined were not sufficient to offset the loss in foreign exchange income by the tourism sector. The realities of such was greatly felt in the foreign exchange market in April when the Seychelles rupee experienced a supply shock that led to a sharp depreciation of the domestic currency. This was followed thereafter by a period of stability in late May 2020. However, this stability was short-lived as the local currency, given demand pressures and limited supply, depreciated further in the last quarter of the year, albeit at a slower magnitude as compared to April. For 2021, thus far, some form of stability in the external value of the domestic currency has been observed. This is primarily on account of an increase in the supply of foreign exchange coupled with a reduction in demand. As at January 21, the SR/USD stood at 21.66 which was a depreciation of SR 7.56 relative to the same period in 2020. The local currency also weakened by SR 10.61 cents against the EUR and by SR 10.92 cents vis-à-vis the GBP, respectively. Going forward, stability in the exchange rate is contingent on a rebound in tourism activity and further reduction in demand. The recent roll out of vaccination campaigns is anticipated to lead to a gradual recovery in tourism activity (potentially in the latter half of 2021) which would lead to an improvement in foreign exchange inflows. However, this is highly dependent on the recovery of key tourism markets as well as the resurgence in the confidence to travel. Although the performance of the industry is not expected to reach levels observed in pre-pandemic periods, a gradual rebound in tourism inflow would help offset the rate of depreciation of the domestic currency.

Box 2: Central Bank Reserves Management during the pandemic

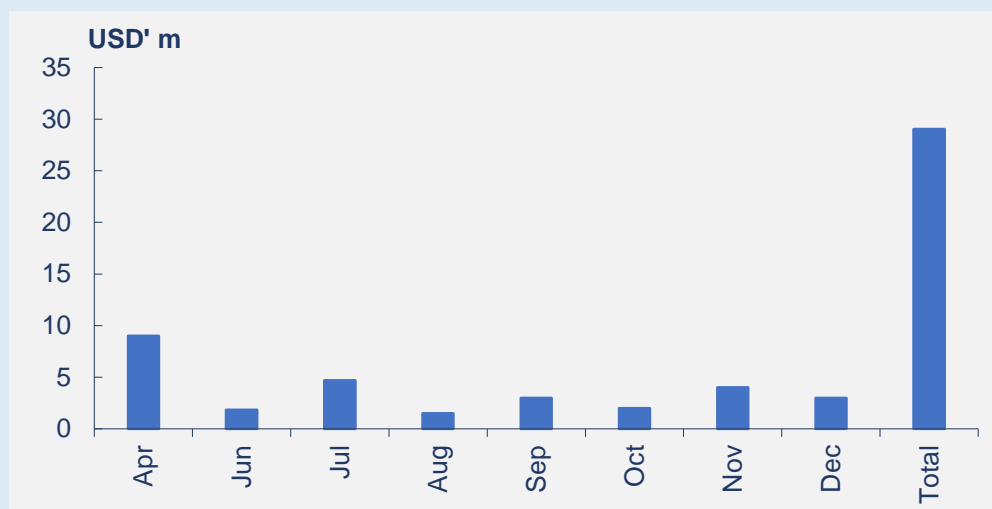
As stated under Part VI of the CBS Act 2004, as amended, the Central Bank of Seychelles (CBS) is mandated to hold and manage the international reserves of the country. Thereupon, the Bank has the responsibility to ensure that international reserves are held to meet various macroeconomic objectives, which includes the provision of foreign exchange for daily operational requirements, support of domestic monetary policy operations, the repayment of foreign currency denominated public debt and provide buffers against both external and domestic shocks.

As a small open island economy, Seychelles was not spared from the disruptive effects of the COVID-19 pandemic. Principally, the collapse in global tourism and travel trade, particularly in key source markets, severely impacted the performance of the services sector. This led to a drastic reduction in overall supply of foreign exchange as a result of sharp declines in both visitor arrivals and tourism earnings. Despite limited inflows, the demand for foreign exchange remained relatively strong. These developments in addition to growing uncertainties, necessitated the Bank to adopt a framework that would help support the economy through the supply of foreign exchange in the domestic market.

1. Central bank Foreign Exchange Assistance to the domestic market

In April 2020, the Central Bank Board of Directors granted approval for the institution to use foreign exchange from the country's international reserves to support the domestic market, when the need arises. The Bank assisted the market through the sales of reserves denominated in USD through the Foreign Exchange Auction (FEA) facility.³ For the year 2020, sales conducted through FEAs amounted to USD 29.03m, with the bulk of USD 9.0m in April.

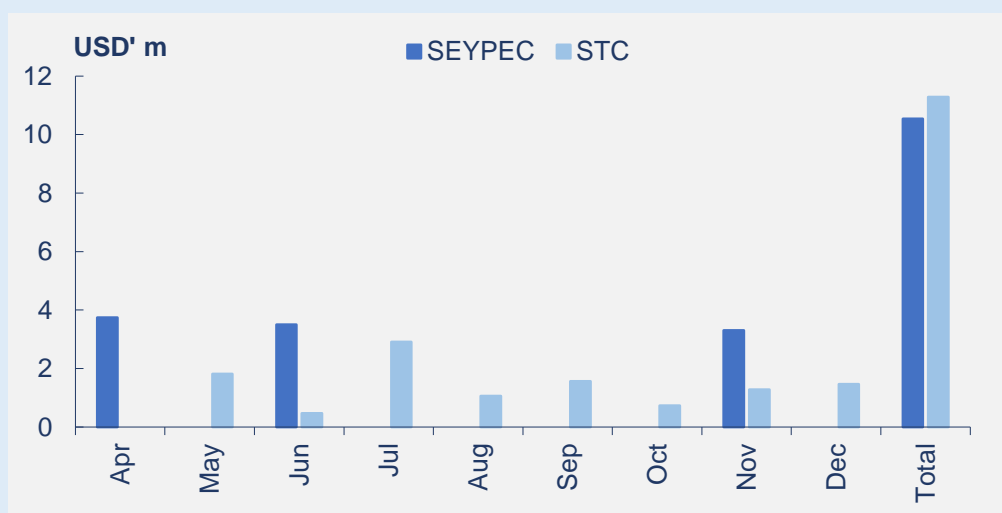
Figure 9: Foreign Exchange Auction (2020)



Source: Central Bank of Seychelles

The Bank also provided assistance to the market through direct sales of foreign exchange to specific entities for the purchase of essential goods and fuel. From April 2020 to January 2021, direct sales (in USD equivalent) to Seychelles Trading Company (STC) and SEYPEC amounted to USD 22.14m, of which USD 11.6m was sold to STC for the purchase of essential commodities. For the year 2020, total direct sales to these entities amounted to USD 21.83m.

Figure 10: Direct Foreign Exchange Assistance by Entity (2020)



Source: Central Bank of Seychelles

2. International Reserves Position

The preliminary Gross International Reserves (GIR) position closed at USD 559m at the end of 2020, representing a contraction of 3.6 per cent relative to the preceding year.⁴ This implied the import cover was 5.0 months of total goods and services. Net international reserves (NIR) totalled USD 400m which exceeded the fourth quarter's NIR target of USD 394m by a margin of USD 6.0m.

³ Introduced in November 2008, the FEA is one of the instruments used by CBS for foreign exchange and monetary operations conducted with eligible deposit-taking institutions. This auction-based facility allows for the purchase and sale of foreign currency by the Bank for the purpose of external reserves and liquidity management.

⁴ Preliminary position as at January 22, 2021

Public Finance Management Reforms

The Table below shows the reform targets under the current IMF Policy Coordination Instrument (PCI) as of January 2021.

Given the current situation, discussion for a new program is underway, and as a result, a new set of reform measures/benchmarks is not available.

Table 4: Seychelles Reform Targets under the PCI, 2019-2020

ACTIONS	TIMING	OBJECTIVE/STATUS
State-Owned Enterprises (SOEs)		
Submit the amendments on Public Enterprise Monitoring Committee (PEMC) Act to the Cabinet to strengthen enforcement power of PEMC.	End September 2019 (4 th review)	Delayed to end- April 2021.
Submit operational and governance assessments of Air Seychelles to the Cabinet.	End December 2019 (5 th review)	Delayed to end-March 2021.
Business environment		
Submit the policy paper on the draft amendments to the Companies Act and Insolvency Act to the Cabinet.	End September 2020 (6 th review)	Delayed to end-March 2021.
Financial Sector Stability		
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 (5 th review)	Met. Anti-Money Laundering Act promulgated in March 2020.
Submit draft legislation for crisis management, bank resolution, and safety nets to the Cabinet.	End-November 2020 (6 th review), reset from end-March 2020	Delayed to November 2021.
Submit a policy framework paper for an implementation of Basel II pillar 1 and Basel III capital definition to the Cabinet.	End-December 2019 (5 th review)	Delayed to end-June 2021.
Submit a policy framework paper on Financial Stability Act to the Cabinet to assign macro prudential power to relevant institutions.	End-September 2020 (6 th review)	Delayed to end-June 2021 due to other priorities related to COVID-19, which took precedence.
Submit amendments to the Cabinet to the legal framework to strengthen entity transparency (including on basic and beneficial ownership information on the domestic companies and international financial services companies and the establishment of a master registry of beneficial owners) in line with the FATF standard and the IMF's capacity development recommendations.	End-March 2020 (5 th review)	Met – Beneficial Ownership Act promulgated in March 2020.

Source: MoFEPT

Budget Outlook

2020 has proven to be a devastating year for Government finances, where exploding expenditure pressures and fast declining revenue collections has resulted in a complete move away from the path towards fiscal sustainability. This catastrophic and truly unprecedented outturn has been a direct impact of the pervasive global spread of the COVID-19 disease, which has exposed the prevailing external vulnerabilities of the Seychelles, a small island nation with an open economy and heavily reliant on tourism. With the economy facing a double-digit recession estimated at -13.5 per cent through falling economic activity, and with the Government having to intervene with timely relief and stimulus schemes for the private sector, the fiscal balance has severely deteriorated leading to rising debt levels.

The end of year 2020 revised Budget estimate for the Primary balance is at -19.2 per cent of GDP (Table 4 below), equivalent to SR 3.95bn –a decrease of over 700 per cent over the SR 610m surplus of 2019. While the total Budget envelope has contracted by about 14 per cent in comparison to 2019 to amount to SR 7.24bn, total primary expenditure has expanded by three times this amount to reach SR 11.19bn. This is equivalent to a 6 per cent of GDP reduction in revenue, and a 16 per cent of GDP increase in expenditure. It must be noted, however, that this end of year estimate is a marked improvement over the mid-year revised Budget for 2020, where a Primary balance of -23.2 per cent of GDP was presented. This is on account of a slightly more favourable tax revenue and expenditure outlook.

Table 5: Government Revenue and Expenditure Projections, SR'000s

DESCRIPTION	2019 Actual	2020 EOY	2021 Budget	2022	2023
Revenue & Grants	8,436,787	7,243,414	8,260,650	8,501,718	8,584,187
Primary Expenditure	7,826,165	11,198,929	10,903,135	10,387,206	9,062,153
Primary Balance:	610,622	-3,955,515	-2,642,486	-1,885,489	-477,966
% of GDP:	2.6	-19.2	-11.8	-8.0	-1.9

Source: MoFEPT

It is expected that economic recovery will begin in 2021 with a positive GDP growth outlook and an improved fiscal position. For the 2021 Budget, the Primary deficit target is set at -11.8 per cent of GDP. This slightly more positive fiscal balance is driven by an expected strong outturn in grants, as well as a projected fall in expenditure pressures with the stoppage of the Financial Assistance for Job Retention (FA4JR) scheme and the restructuring of Air Seychelles. The deficit target represents the required level of increased financing needed to meet expenditure priorities and to honour debt obligations. Recovery from this much worsened fiscal position will be very difficult and far from rapid. However, the Government is committed towards steering the Budget out of this fiscal impasse and return to the path towards fiscal better sustainability over the medium to long term. Given this over-arching fiscal objective, the key priorities of the Government will be to:

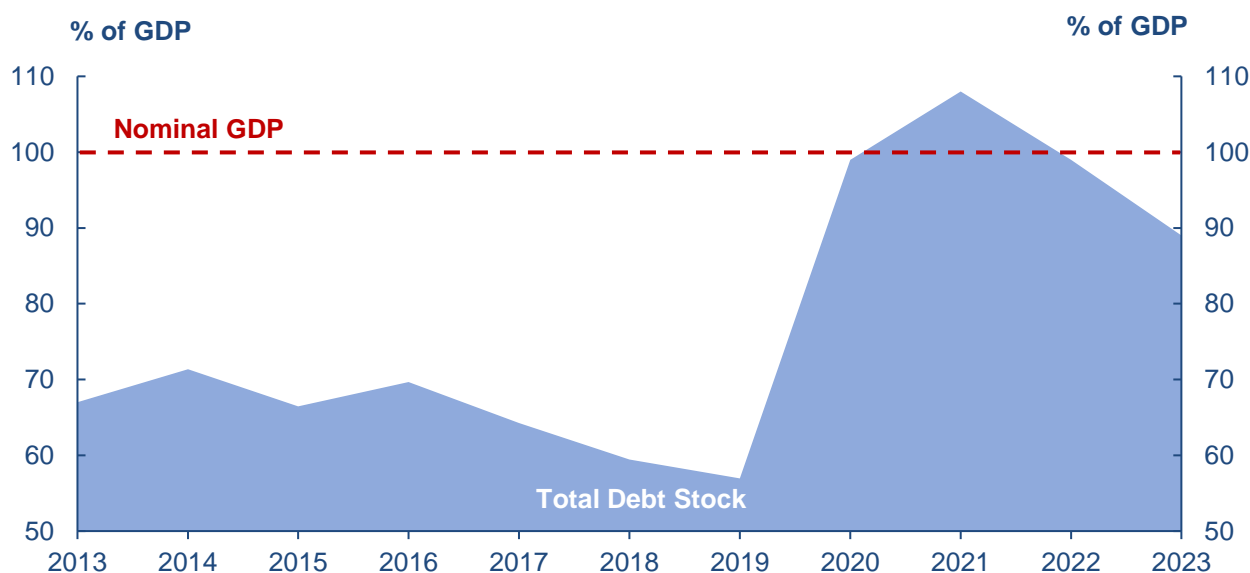
- Undertake transformative reforms to the Public sector
- Consolidate recurrent spending and social programmes;
- Invest in infrastructure to support economic growth;
- Invest in programs and projects that will improve the lives of all citizens; and,

- Contain the increasing social expenditure pressures on welfare.

This crisis has been a major setback for the country and has begun undoing the hard-fought economic prosperity achieved over the past decade. Planned economic targets have been derailed, with this more evident through the rapidly expanding levels of total public debt. Since 2009, the country has been on a debt reducing path with the target set at 50 per cent by 2021. This has had to be pushed forward into the long term with total debt estimated to reach 99 per cent of GDP by the end of 2020. This has been caused by the contracting of new debt for financing, as well as effect of the sharp deterioration of the exchange rate on rising the levels of external debt.

In 2021, debt levels are expected to worsen as the economy begins to adjust following the crisis of 2020. The total end of year debt stock for 2021 is estimated to reach 108 per cent of GDP – the first time to go past this threshold since 2009 at the height of the financial crisis. Over the medium-term fiscal balances are expected to improve following substantial reforms. This will put debt back on a declining path as from 2022.

Figure 11: Total Debt Stock as a percentage of GDP, 2013-2020



Source: MoFEPT, Debt Management Office

Over the medium term, fiscal consolidation efforts will continue with a projected primary deficit -1.9 per cent of GDP projected in 2023.

Revenue & Grants

Total tax and non-tax revenue collection, as well as grant receipts for 2020 is estimated at SR 7.2bn, equivalent to about 35.1 per cent of GDP. This estimate is consistent with the mid-year Budget revision, however, in comparison to the 2019 outturn, this represents a significant contraction of 1.1 per cent of GDP, or about SR 1.2bn. This worsening revenue position is driven almost entirely by the sharp fall in tax revenue throughout 2020 in line with the economic downturn brought about by COVID-19. Estimated collections from almost all tax lines is lower by about SR 851m ($\frac{3}{5}$ of which stems from VAT from tourism) when excluding the exceptional Stamp duty payment in 2019 which exceeded SR 200m.

Table 6: Breakdown of Medium-Term Revenue Projections, SR'000s

REVENUE & GRANTS	2019 Actual	2020 EOY	2021 Budget	2022	2023
Tax Revenue	7,420,155	6,322,377	6,172,747	6,489,635	6,825,391
Non-Tax Revenue	922,432	656,173	902,143	1,005,793	1,056,795
Grants	94,200	264,864	1,185,759	1,006,290	702,001
Total Revenue & Grants:	8,436,787	7,243,414	8,260,650	8,501,718	8,584,187
% of GDP:	36.2	35.1	36.9	36.0	34.2

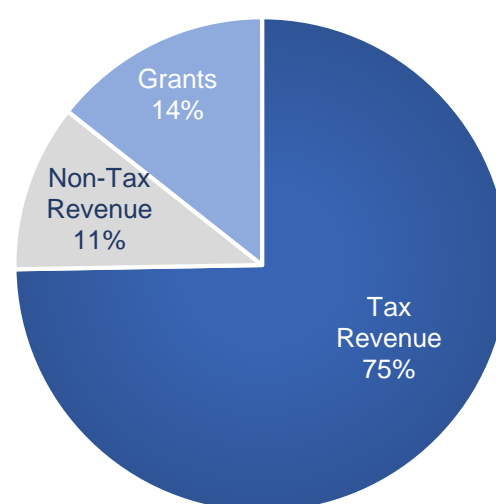
Source: MoFEPT

The Budget envelope for the 2021 fiscal year is set at SR 8.26bn, which corresponds to an increase of about SR 1bn or 14 per cent, accounting for almost 2 per cent of GDP. This is despite an estimated decline in tax receipts by SR 150m, primarily on account of the carry-over effect of 2020 losses, as well as the policy to abolish CSR. Tax revenue, which has accounted for 86 per cent on average of the total envelope over the past five years, is now expected to contribute about 75 per cent. Driving this is higher outlook is grant income, which is expected to quadruple in 2021 reaching an unprecedented SR 1.2bn. Non-tax revenue is also estimated to be higher in 2021 with an estimated increase of about SR 246m on the basis of higher fees and dividends.

Over the medium term, total revenue and grants is projected to stabilise at about 35 per cent of GDP or the SR 8.5bn mark.

Tax Revenue

In broad terms, tax revenue performed negatively in 2020 with a contraction of SR 1.1bn or 15 per cent vis a vis 2019 estimated for the end of year Budget. This accounts for about 5 per cent of GDP. Notwithstanding the over SR 200m one-off Stamp duty payment from 2019 which grosses up the difference, the fall in tax in 2020 is fully reflective of the economic recession that has beset the country as a result of the COVID-19 pandemic. With heightened restrictions in place on domestic activities, as well as the complete closure of borders for five months, tax collections fell as businesses struggled. Total tax revenue is estimated at SR 6.32bn for 2020, which, in comparison to the 'Amended Budget' presented in March 2020 at the beginning of the outbreak, represents an increase of SR 419m and SR 56m when compared to the mid-year Budget revision. As explained in the MYEFO 2020 report which accompanied the mid-year revised Budget for 2020, the amended Budget assumed a worst-case macroeconomic scenario whereby tax would severely decline on account of lower economic activity, as well as relief schemes introduced by the SRC to defer tax payments. Fortunately, this scenario did not materialise and tax collections were sustained through stronger than expected performances in VAT,

Figure 12: 2021 Budget envelope contributions

Source: MoFEPT

primarily from tourism activities, Income tax which was sustained to normal levels by FA4JR, and Business tax where collections were buoyed by strong 2019 returns.

2021 is set to be a more challenging year for tax revenue with a further expected contraction of SR 150m or 2.4 per cent over 2020. Total collections are estimated to amount to SR 6.17bn, which is equivalent to 27.6 per cent of GDP. Despite the positive impact of a higher GDP outlook, tax revenue will be more affected by other elements such as a significantly lower base, expected lower Business tax receipts given carry over of 2020 losses into 2021, as well as revenue losing policies. Property tax collections, which faced administrative issues in 2020, is expected to be fully collected in 2021.

Table 7: Medium term Tax revenue (SR'000s)

DESCRIPTION	2019 Actual	2020 EOY	2021 Budget	2022	2023
Income Tax	974,980	1,010,062	929,046	984,338	1,047,602
Social Security tax - Arrears	439	7,520	-	-	-
Custom Duties	313,123	254,307	254,764	298,641	279,274
Excise Tax	1,385,436	1,265,255	1,286,172	1,324,308	1,376,405
GST (Goods and Services)	2,923	1,700	-	-	-
Value Added Tax	2,585,824	2,092,455	2,141,392	2,260,990	2,407,268
Business tax	1,396,935	1,194,896	1,102,968	1,164,141	1,238,960
Corporate Social Responsibility Tax	108,746	100,976	16,989	-	-
Tourism Marketing Tax	71,453	61,078	57,416	60,600	64,495
Other Tax	580,297	333,328	344,001	356,616	371,387
Property tax	-	800	40,000	40,000	40,000
Total Tax Revenue:	7,420,155	6,322,377	6,172,747	6,489,635	6,825,391
% of GDP	31.8	30.7	27.6	27.5	27.2

Source: MoFEPT, Macroeconomic Forecasting & Analysis Branch estimates

Table 8: Cost of Tax revenue policies in 2021 (SR' 000s)

DESCRIPTION OF POLICIES	2021 Cost
Discontinuation of CSR tax	85,461
Total impact:	85,461
% of GDP	0.5

Source: MoFEPT, Macroeconomic Forecasting & Analysis Branch estimates

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 1st 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 1st 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.

2020 Context

Income tax has performed remarkably well in comparison to others in 2020 despite the economic downturn. The total outturn expected for 2020 is SR 1bn, equivalent to 4.9 per cent of GDP. This exactly matches the initial Budget estimate made in October 2019 and represents an increase of 3.6 per cent over 2019. Supporting Income tax collections has been the fact that national wages remained relatively stable in 2020 despite mounting pressures. Public sector wages were kept as per the initial Budget (although new recruitment was disallowed), while the FA4JR³ scheme all but guaranteed that for the private sector as well.

Table 9: Income Tax Projections 2021-2023, SR'000s

INCOME TAX	2019 Actual	2020 EOY	2021 Budget	2022	2023
Central Government	229,350	239,341	239,341	252,615	268,851
Other Public Sectors	112,188	111,332	112,532	118,773	126,407
Private Sector	618,219	659,389	577,173	612,950	652,344
Total Income Tax:	959,757	1,010,062	929,046	984,338	1,047,602
% of GDP:	4.1	4.9	4.2	4.2	4.2

Source: MoFEPT, Macroeconomic Forecasting & Analysis Branch estimates

Policy Changes

It was announced in SONA 2021 that the FA4JR salary scheme will be discontinued as from April 2021. Although this is not a direct Income tax policy change, this is estimated to have a negative impact on employment levels and salaries in private sector businesses still hard hit by the economic recession brought about by the global pandemic. **Income tax payments will therefore be impacted.**

2021 Projection and the Medium Term

2021 is set to be a worse year for Income tax compared to 2020 with an anticipated decrease in collections given the complete stoppage of FA4JR.⁵ As previously mentioned, the FA4JR scheme supported Income tax collections for much of 2020. Without this wage guarantee, tax collections from the 'Private sector' line is estimated to fall by about 12.5 per cent or SR 82m. As such Income tax has been estimated at SR 929m for the 2021 Budget. This represents decrease of about SR 81m over the 2020 outturn. With expenditure reducing measures to be introduced on the Government side, public sector recruitment will be minimal and upward scheme revisions postponed. The same would be the case for the 'Other Public sectors' line.

⁵ FA4JR provided capped wage assistance to all employees provided employers met the scheme requirements.

Over the medium-term Income tax is expected to rebound in line with the economy and return to the SR 1bn level as from 2023.

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.

2020 Context

By the end of the year 2020, Custom duties collection is estimated to amount to about SR 254m, equivalent to just over 1 per cent of GDP. In comparison to the mid-year Budget revision, this represents a decrease of SR 24m or 9 per cent. This is as a result of a significant year to date under-performance in 'Alcohol' duties amounting to SR 14.1m or 15 per cent, attributing mainly from lowered levels of consumption, given the decreased number of tourists and tourism activities. A further significant under-performance can be observed under 'Levy' amounting to SR 10.2m or 17 per cent, primarily caused by the imposed ban on the importation of Motor Vehicles as of April 2020, in order to dampen the effects of the COVID-19 pandemic on the foreign exchange rate.

These under-performances were marginally offset by the over-performances in 'Tobacco', 'Documentary Charges' and 'Custom Duties Exemptions'.

Table 10: Custom Duties Projections 2019-2024, SR'000s

CUSTOM DUTIES	2019 Actual	2020 EOY	2021 Budget	2022	2023
Custom Duties Direct Imports	317,603	255,809	259,764	303,641	284,274
Alcohol	109,990	80,214	81,881	99,725	87,946
Textiles and textile articles	7,179	6,095	6,496	7,044	7,297
Tobacco	2,319	3,045	3,108	2,451	3,338
Prepared Food	12,636	10,875	11,181	11,964	12,570
Others	88,858	78,543	80,142	92,560	90,536
Levy	71,255	48,377	47,287	59,777	51,194
Documentary Charges	3,457	3,097	3,239	2,756	3,639
Livestock Trust Fund	21,910	25,560	26,428	27,364	27,753
Custom Duties Exemptions	-4,481	-1,500	-5,000	-5,000	-5,000
Total Custom Duties:	313,122	254,307	254,764	298,641	279,274
% of GDP:	1.3	1.2	1.1	1.3	1.1

Source: MoFEPT, Macroeconomic Forecasting & Analysis Branch estimates

Policy Changes

No direct policy change has been proposed for Customs duties for 2021.

2021 Projection and the Medium Term

The forecast for Customs duties revenue for 2021 stands at about SR 254.7m. This signifies a mere SR 0.4m increase from the end-of-year 2020 estimate, with most tax lines estimated to have positive growth in line with GDP. Constraining growth amongst the lines are downward base adjustments to account for a strong first quarter performance. This was before the onset of the pandemic and therefore not expected for 2021. The most significant increases are expected in 'Alcohol' by SR 1.9m and 'Others' by SR 1.6m, whereas customs 'Exemptions' are expected to increase by SR 3.5m.

In the medium-term, Custom duties collections is expected to increase gradually, but will not reach the pre-pandemic level by the end of 2023.

Excise Tax*Background*

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 Excise tax, amounting to almost half 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.

2020 Context

For the end of year Budget for 2020, Excise tax has been revised downwards by SR 25.2m or 2 per cent, compared to mid-year revised estimate, to amount to SR 1.27bn. This is mostly due to significant under-performances in 'Petroleum' and 'Motor Vehicle' lines by about SR 29m and SR 9m respectively. The shortfalls in 'Petroleum' have been as a result of the reduced sales following the closure of borders until August 2020, as well as the fall in demand given the recession, whilst that for 'Motor vehicles' is as a result of the worsening impact of the ban on imports as from April 2020 on total collections.

Additional under-performances were recorded under 'LMG alcohol' and 'Imported Tobacco', amounting to SR 5.7m and SR 1m respectively. These reductions were marginally offset by the over-performance in 'LMG tobacco' amounting to SR 12.2m or 7 per cent.

Policy Changes

In December 2020, it was announced that the ban on motor vehicles will be lifted. However, for the year 2021, there is an expected **25 per cent increase in Excise tax on motor vehicles across the board**. MFAB has conducted an analysis on this new policy measure and expects additional revenue of about SR 8.9m for this line in 2021, when weighing up demand responses to the price increase amidst the sharp depreciation of the currency.

2021 Projection and the Medium Term

Table 11 below shows Excise tax projections for 2021 and the medium term. The total collections for 2021 are estimated to amount to SR 1.29bn, equivalent to 5.8 per cent of GDP. This represents an increase of about 1.7 per cent or SR 21.6m over 2020. Excise on imports is expected to increase by about SR 12m given the increase in rate for motor vehicles, as well as a pick-up in petroleum sales given the upturn in tourism activities. Excise from locally manufactured goods is also estimated to increase by about SR 6m, driven by 'LMG Tobacco'.

In the medium-term, Excise tax is expected to perform better in line with the higher GDP outlook.

Table 11: Excise Tax Projections 2019-2023, SR'000s

EXCISE TAX	2019 Actual	2020 EOY	2021 Budget	2022	2023
Excise Tax - Imports	1,012,291	856,530	869,020	892,388	928,352
Alcohol (Beverages Spirits and Vinegar)	230,521	199,604	197,772	204,774	212,422
Petroleum (Mineral Products)	628,397	552,219	562,839	582,765	604,532
Motor Vehicles (Vehicles, Aircrafts, vessels)	148,371	98,037	101,600	97,799	104,085
Tobacco Imported	5,002	6,671	6,809	7,050	7,314
Excise Tax - Locally Manufactured Goods	347,694	364,869	370,006	383,105	397,414
Alcohol	188,487	174,458	175,637	181,855	188,648
Tobacco	159,207	190,411	194,369	201,250	208,767
Sugar Tax	25,451	43,855	47,146	48,815	50,638
Imported Beverages	21,842	23,209	23,454	24,285	25,192
LMG - Beverages	3,609	20,646	23,692	24,530	25,447
Total Excise Tax:	1,385,436	1,265,255	1,286,172	1,324,308	1,376,405
% of GDP:	5.9	6.2	5.8	5.6	5.5

Source: MoFEPT, Macroeconomic Forecasting & Analysis Branch estimates

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.

2020 Context

A total of SR 1.7m has been collected in GST arrears for 2020. A -41 per cent drop in arrears collection when compared to 2019 and shows the declining trend in arrears from this tax line.

Table 12: GST Arrears 2020, SR'000s

GOODS & SERVICES TAX	2019 Actual	2020 EOY
Arrears	2,923	1,738
Total GST:	2,932	1,738
% of GDP:	0.01	0.01

Source: MoFEPT, Macroeconomic Forecasting & Analysis Branch estimate

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.

2020 Context

The end of year estimate for VAT is SR 2.09bn. This amounts to a slight upward revision of SR 6.9m over the mid-year revised Budget estimate. Despite this slight upward revision, VAT is about 715m or -25 per cent lower when compared to the initial Budget forecast which is indicative of the severe impact of the COVID-19 pandemic. The most significant drop has been observed in domestic VAT from the Tourism sector, which has seen a 49 per cent contraction (amounting to SR 459m) given the substantial fall in visitor arrivals and tourism activities which peaked during the closure of borders. Receipts from VAT on imports has fallen by 17 per cent or SR 186m when compared to initial Budget as a result of fall in imports given imposed restrictions and the lower availability of foreign currency. Generally, most of the VAT lines were revised downwards as performance was lower than anticipated due to the pandemic.

Compared to the mid-year forecast, the increase is mainly due to a SR 35.5m addition in the tourism line to account for better than anticipated performance in this line given the uptake in arrivals in November and December 2020. However, this was mostly offset by a decrease of SR 32.8m in the VAT on imports line. When compared to 2019 figures, where a total of SR 2.6bn was collected in tax revenue for VAT, the anticipated end-of-year collection for 2020 represents a significant decline of SR 493m or -19 per cent. This is due to the fall in economic activities especially in tourism observed throughout the year.

Table 13: VAT Projections 2019-2023, SR'000s

VALUE ADDED TAX	2019 Actual	2020 EOY	2021 Budget	2022	2023
VAT- Domestic	1,586,547	1,191,964	1,206,407	1,273,317	1,355,153
LMG- Alcohol	79,254	83,286	83,264	87,882	93,530
LMG- Tobacco	30,550	35,385	35,980	37,976	40,416
Construction	93,972	82,519	85,988	90,757	96,590
Services - Tourism	862,675	482,515	478,649	505,196	537,665
Services - Financial and Insurance activities	43,713	68,679	73,299	77,364	82,336
Services - ICT and Telecommunication	115,675	114,024	116,052	122,488	130,360
Real Estate	59,090	44,230	42,567	44,928	47,815
Wholesale Retail - Others	156,017	143,689	149,219	157,495	167,617
Others	145,600	137,638	141,389	149,231	158,822
VAT- Imported Goods	1,002,880	902,991	949,985	1,002,673	1,067,115
VAT- Exemptions	-3,603	-2,500	-15,000	-15,000	-15,000
Total VAT:	2,585,824	2,092,455	2,141,392	2,260,990	2,407,268
% of GDP:	11.0	10.1	9.6	9.6	9.5

Source: MoFEPT, Macroeconomic Forecasting & Analysis Branch estimates

Policy Changes

No direct policy for VAT will be introduced in 2021.

2021 Projection and the Medium Term

The table above summarizes the VAT Budget forecast for 2021 and outer years. The total VAT revenue collections for 2021 are estimated to be about SR 2.14bn, accounting for about 35 per cent of the total forecasted tax revenue for 2021. This also represents an increase of SR 48.9m or 2 per cent when compared to the forecasted end of year 2020 figure. This is taking into account a modest pickup in tourism (as discussed in the tourism sector outlook on page 5), fuelled by the global vaccination plans already underway. In the medium term, VAT is expected to grow in line with nominal GDP at an average of 6 per cent.

Business Tax*Background*

The Business tax revenue consists of a provisional payment (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.

2020 Context

Business tax in 2020 is estimated at SR 1.14bn, about SR 202m less or 14.5 per cent lower than in 2019 and 16.3 per cent lower in comparison to the 2020 initial Budget estimates. This is largely due to the negative impact of the COVID-19 pandemic on economic activity, particularly on the tourism sector. The tourism sector accounts about for 12 per cent of Business tax collections, accounting for an estimated loss of about SR 125m.

When compared to the mid-year revised Budget estimates, Business tax over-performed in 2020 by about SR 54.7m, equivalent to 4.8 percent. Despite the impact of the slowdown in the tourism sector, Government relief measures and the temporary suspension of debt recovery plans by the SRC, collections lowered by less than expected. The ‘Companies’ and ‘Withholding tax’ lines over-performed by a combined SR 64.6m when compared to the revised estimates, the majority of which can be attributed to good 2019 business performance-payable in 2020, as well as the collection of tax arrears. The remaining lines underperformed by a collective SR 9.8m.

Table 14: Business Tax Projections 2019-2024, SR'000s

BUSINESS TAX	2019 Actual	2020 EOY	2021 Budget	2022	2023
Companies	1,162,513	1,020,522	924,759	976,048	1,038,778
Sole traders	45,333	38,629	37,759	39,853	42,414
Partnerships	20,528	15,525	15,175	16,017	17,046
Trusts	13	11	11	12	13
Withholding Tax	103,680	98,770	102,922	108,631	115,612
Others	9	8	9	9	10
Residential Dwelling	64,859	21,432	22,333	23,572	25,086
Total Business Tax:	1,396,935	1,194,896	1,102,968	1,164,141	1,238,960
% of GDP:	6.0	5.8	4.9	4.9	4.9

Source: MoFEPT, Macroeconomic Forecasting & Analysis Branch estimates

Policy Changes

While no new policy changes are directly being implemented into the 2021 Budget, the Government is investigating several options for reforming Business tax schedules with aims to simplify the corporate income tax regime, reduce tax planning, and improve tax compliance. Some policies under consideration include the prevention of erosion of the corporate tax base through international profit shifting and introducing a unified business tax rate schedule across sectors that taxes profits below a certain threshold.

2021 Projection and the Medium Term

In 2021, Business tax is projected to fall to SR1.1bn, about 7.7 per cent lower than in 2020. Given the lagged nature of payments in this tax line, 2021 receipts will be more constrained and less buoyant. As 2020 losses are carried forward into 2021, GDP growth assumptions have been adjusted downwards to reflect poor performances from businesses in 2020. In addition, the discontinuation of the FAJR salary scheme as from April 2021 is expected to significantly impact business activity and further lower business performance. Collectively, companies, sole traders and partnerships tax lines in particular are expected to fall by SR 97m.

Over the medium term, as the tourism industry recovers and economic activity regains momentum, Business tax is projected to grow by an average 6 per cent year-on-year, in line with nominal GDP growth. Business tax as a percentage of GDP fell from 6 per cent in 2019, to 5.8 per cent in 2020 and is expected to fall further to 4.9 per cent in 2021. This is also projected over the medium term where Business tax not expected to reach 2019 levels before 2024.

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.

2020 Context

CSR tax in 2020 is estimated at SR 101m, about SR 8m less or 7 per cent lower than in 2019. Due to the COVID-19 pandemic, CSR was revised downwards in March 2020 for the Amended 2020 Budget to SR 80.9m, representing a 35 per cent decrease from initial Budget. The lower forecast took into account the worse economic situation, as well as a scheme introduced by SRC to defer CSR payments by six months in a bid to assist businesses struggling with cash flow issues in the wake of the pandemic. However, the scheme was not implemented and CSR collection continued. In view of this, the forecast for the mid-year revised Budget was later revised upwards to SR 102m. The end of year estimate closely matches the higher mid-year revision, but represents a 19 per cent contraction from the initial pre-pandemic Budget.

Table 15: Corporate Social Responsibility Tax Projections 2019-2024, SR'000s

CORPORATE SOCIAL RESPONSIBILITY TAX	2019 Actual	2020 EOY	2021 Budget	2022	2023
Corporate Social Responsibility Tax	108,746	100,976	16,989	0	0
Total CSRT:	108,746	100,976	16,989	0	0
% of GDP:	0.5	0.5	0.1	0	0

Source: MoFEPT, Macroeconomic Forecasting & Analysis Branch estimates

Policy Changes

CSR tax will be abolished after the first quarter of 2021, as was recommended by OECD for the Business Tax reform. The COVID-19 pandemic has made this change more pertinent, and is intended to reduce pressure on business cash flows.

2021 Projection and the Medium Term

CSR tax revenue for the year 2021 is forecasted to decrease dramatically to SR 17m due to the discontinuation of CSR tax after the first quarter.

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.

Table 16: Tourism Marketing Tax Projections 2019-2024, SR'000s

TOURISM MARKETING TAX	2019 Actual	2020 EOY	2021 Budget	2022	2023
Tourism Marketing Tax	71,453	61,078	57,416	60,600	64,495
Total TMT:	71,453	61,078	57,416	60,600	64,495
% of GDP:	0.3	0.3	0.3	0.3	0.3

Source: MoFEPT, Macroeconomic Forecasting & Analysis Branch estimates

2020 Context

Tourism marketing tax in 2020 is estimated at SR 61m, about SR 10m less or 15 per cent lower than in 2019. TMT was revised downwards for the Amended 2020 Budget to SR 38.7m from an initial budgeted figure of SR 77m. However, the tax line proved resilient, adjusted upwards for the mid-year Budget revision. This better than expected performance could be attributed to deferment of payment schemes not being implemented, strong domestic demand for tourism services after strict restrictions were lifted. Positive performance by some of the businesses subject to the TMT, such as telecommunication companies and banks, also contributed to this.

Policy Changes

There will be no policy change made to TMT for the 2021 Budget. However, it is envisaged that this tax is phased out over the medium term in line with the on-going Business Tax reforms.

2021 Projection and the Medium Term

The continuing COVID-19 pandemic will depress expectations for TMT in 2021, which is forecasted to decline to SR 57.4m, representing a decrease of 6 per cent when compared to 2020 end of year figure. The tax line is expected to recover slightly in 2022, with an expected growth of 5.4 per cent.

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', and 'Stamp Duty'. These three components account for over 90 per cent of Other tax Revenues. The regulation and collection of these tax lines involves a range of authorities including SLA, SFA and FSA.

Table 17: Other Tax Projections 2019-2024, SR'000s

OTHER TAX	2019 Actual	2020 EOY	2021 Budget	2022	2023
OT- Ministry of Finance					
Trade/Ind Licences	10,312	9,441	9,637	9,978	10,351
Licences and Other Licence Registration	5,595	3,380	3,450	3,572	3,706
Road Tax and Other Licences	120,246	117,840	120,290	124,548	129,200
Telecommunications Licences	63,947	63,090	63,090	63,090	63,090
Hotel Licences	209	92	94	98	101
Liquor and Toddy Licences	348	300	306	317	329
Radio Broadcasting Licences	2,051	1,751	1,751	9,978	1,751
SUB TOTAL	202,709	195,894	198,618	203,354	208,527
OT- Ministry of Environment, Energy and Climate Change					
Environment Trust Fund	4,900	5,206	5,703	6,012	6,392
OT- Department of Legal Affairs					
Stamp Duty	364,008	123,562	130,835	138,091	146,966
OT-Department of Transport					
Vehicle Testing	8,681	8,666	8,846	9,159	9,501
Total Other Tax:	580,297	333,328	344,001	356,616	371,387
% of GDP:	2.5	1.6	1.6	1.5	1.5

Source: MoFEPT, Macroeconomic Forecasting & Analysis Branch estimates

2020 Context

Other tax is estimated to end the year with collections amounting to SR 333m, equivalent to 1.6 per cent of GDP. This represents a SR 246m drop over 2019 which recorded a one off substantial 'Stamp duty' payment. This estimate is however, SR 20m higher than the mid-year revised estimate, and is driven primarily by 'Stamp duty' related windfalls.

Policy Changes

The proposed telecom fee reduction policy announced in the 2020 SONA will not go through in 2021.

2021 projections and medium term

For the year 2021, Other Tax revenue is estimated at SR 344.8m, representing 3 per cent increase from 2020 end-of-year estimate, mainly driven by Stamp Duty and Road Tax. In the medium term, Other Tax is expected to grow by an average rate of 4 per cent and remain at 1.5 per cent of GDP.

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 2021 and the medium term.

For Non-tax revenues the 2021 Budget reflects a 37 per cent increase from the 2020 end of year estimates or SR 246m in nominal terms. Fees and Charges is the main contributor towards this category for the year 2021 and dividend income picks up 2022 and 2023 to return as the main contributor towards this category.

Table 18: Non-Tax revenue and grants, SR'000s

NON-TAX & GRANTS	2019 Actual	2020 EOY	2021 Budget	2022	2023
Non-Tax	922,432	656,173	902,143	1,005,793	1,056,795
Fees and Charges	340,087	270,005	383,699	366,133	399,861
Dividends Income	477,410	275,375	375,275	493,475	503,475
Other Non-Tax	50,019	51,829	55,119	54,696	58,366
Proceeds from Sale of Assets	54,917	58,964	88,051	91,488	95,093
Grants	94,200	264,864	1,185,759	1,006,290	702,001
Total Non-Tax & Grants:	1,016,632	921,037	2,087,903	2,012,083	1,758,796
% of GDP:	4.4	4.5	9.3	8.5	7.0

Source: MoFEPT, Financial Planning and Control Division estimates

Fees and Charges

Government has forecast to collect SR 383.7m under Fees and Charges. This is an increase of SR 113.7m or 42 per cent over the 2020 end of year estimates primarily due to two main factors; the introduction of new fees in 2021 and revisions in some fees.

The main increases under this category are as follows:

- * The Department of Civil Aviation, Ports and Marine is expected to collect an additional SR 100m compared to the 2020 end of year figures, this is following the new decision to open Seychelles border fully from April 2021. The increase is mainly under two lines, an increase of SR 18.3m under Disembarkation fee is expected. In April 2020 Government introduced a new levy of USD 15 on all arriving passengers of which Government collects USD 10 per passenger and SCAA collects USD 5. In addition, a Health Travel Authorisation Fee was introduced in 2020 for all incoming passengers into Seychelles as part of the COVID-19 management effort. For the year 2021 the Government is expected to collect SR 76m from this revenue line reflected under the line Travel Advisory fee.
- * There is a reduction of SR 20m under the Department of Immigration which is mostly in line to the expected decrease in new GOP applications and expected reduction in the renewal of GOPs.
- * It is expected that the Control and Protection Dog Act will come in force in 2021 and National Biosecurity is expected to collect SR 2m through the different fines as stipulated in the act.

Dividend Income

The dividends income for 2021 is budgeted at SR 375.3m representing 5 per cent of the total estimated revenue and grants for the year and an increase of 36 per cent over the 2020 end of year estimates. Government is not expecting any dividend from the banking institutions in which it holds shares for 2021 as was the case in 2020. From 2021 Government will be collecting all its dividend directly from remaining SOEs, due to the closure of Société Seychellois D'investissement Limited in 2021. The expected dividend for 2021 is shown in the table below.

Table 19: Dividend income, SR'000s

DESCRIPTION	2019 Actual	2020 EOY	2021 Budget	2022	2023
SIMBC Nouvobanq	110,483	-	-	100,000	100,000
Seychelles Petroleum Company	194,000	150,000	250,000	250,000	250,000
Land Marine Ltd	-	-	9,400	9,400	9,400
Seychelles Ports Authority	-	-	-	-	-
Indian Ocean Tuna Limited	-	-	25,200	25,200	25,200
Seychelles Civil Aviation Authority	111,250	-	-	15,000	25,000
Afrexim Bank	-	375	375	375	375
Seychelles Trading Company (STC)	-	-	-	-	-
Island Development Company (IDC)	-	-	-	-	-
Seychelles Commercial Bank	-	-	-	3,200	3,200
Development Bank of Seychelles	1,306	-	-	-	-
African Insurance Corporation	-	-	-	-	-
Financial Services Authority	35,372	50,000	50,000	50,000	50,000
Société Seychellois D'investissement (SSI)	-	25,000	-	-	-
Seychelles Fishing Authority	25,000	50,000	30,000	30,000	30,000
Ile Du Port Handling Services	-	-	10,300	10,300	10,300
Total Dividend:	477,410	275,375	375,275	493,475	503,475
% of GDP:	2.1	1.3	1.7	2.1	2.0

Source: MoFEPT, Financial Planning and Control Division

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 6 per cent.

Proceeds from sale of Asset

The 2021 proceeds from sale of asset projection is at approximately SR 88m, this represents an additional SR 29m or 49 per cent compared to 2020 end of year estimates. The increase is under MLUH which relates to increase under long term lease of land and building, increase under sale of state lands and land banks plots.

Grants

For the medium term 2021 -2023 a total amount of SR 2.9bn worth of projects and programmes is expected to be funded through grants from various external bilateral and multilateral donors.

A total amount of SR 1.2m is expected to be received as external grants in the year 2021, out of which SR 394m as cash grant and SR 791m in kind. SR 601m is expected for programs of recurrent nature. The total expected grant receipt for 2021 represents 5.3 per cent of GDP.

The grant receipts of SR 1.2m in 2021 will fund various projects in various sectors as per below:

- **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 45.4m.
- 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 USD 0.33m is expected to be spent in 2021.

- **Environment, Energy and climate change sector**

Various on-going environment protection and climate change projects:

- Ecosystem based adaptation to climate change, SR 20.1m (GEF)
- Ridge to Reef- Integrated Management of Marine, Coastal & Terrestrial Ecosystems, SR 15.2m (UNDP)
- Restoring Marine Ecosystem, SR 9m (UNDP)
- Expansion and strengthening of the protected area subsystem, SR 2m (UNDP)
- Mainstreaming Biodiversity Project, SR 6.2m (UNEP)

Under the Energy portfolio there is the following projects:

- Solar Home System, SR 7.5m (Government of India)

- New project for the Low Carbon Pilot for addressing climate change project, SR 94.7m (Government of China)
- **Law and Order**
 - 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 USD 15m and SR 84.9m has been forecasted in 2021.
 - The Government of India will be financing the construction of a new building for the Attorney General Chamber at Ile Du Port and SR 110m has been forecasted in 2021.
 - The Government of Japan will be financing the construction of the new Marine Police and Anti-Narcotic Facilities. The total project cost is estimated to cost JPY 800m and SR 14.1m has been forecasted in 2021.
 - The new magistrate court completed in 2020 and the sum of SR 5.2m has been forecasted in 2021 for the retention payment.
 - The Department of Defence will be receiving a new Fast Patrol Vessel in 2021 which cost has been estimated at USD 15m.
- **Seychelles Broadcasting Corporation**
 - The construction of the Seychelles Broadcasting house is being funded by the Government of China. The project is expected to be completed in 2021. This is a benefit in kind, the Chinese Government has already disbursed 90 per cent of the project and the sum of SR 36.4m in 2021 is to cater for the 10 per cent to be paid upon project completion.
- **Trade Facilitation**
 - Programme in support of Seychelles of the Economic Partnering Agreement (EPA) with the European Union under the 11th European Development Fund, SR 126.3m, of which SR 674m will be through benefit in kind.
 - The project for enhancing trade facilitation, sanitary measures, technical barriers and trade defence measures under the SADC Trade facility, SR 2m.
- **Health Sector**
 - The Government of UAE will be financing the construction of the La Digue Hospital. The project is estimated to cost USD 5m and SR 73.7m has been forecasted in 2021.
 - The sum of SR 44.2m and SR 39.8m has been forecasted for the year 2021 for the construction of the Baie Lazare Health Centre and the Isolation Centre respectively.
 - The Government of Japan will be financing the purchase of medical equipment and supplies for the total sum of JPY 100m.

Other grants forecasted under 2021 are as follows:

- SR 2m has been allocated for the COMESA Climate Smart Agriculture project under the Department of Agriculture.
- The Government of India under the Small Community Development Project is expecting to finance projects worth SR 5.7m under the Department of Infrastructure; SR 15.2m under the Ministry of Local Government and Community Affairs; SR 6m for renovation of Government Schools; SR 2.8m for the extension of Anse Royale Home for the Elderly and SR 4m under SLTA for coastal management project.
- The African Development Bank will be financing a new Aids Management Information under the Department of Finance which is expected to cost SR 5.8m.
- Construction of new Drug Rehabilitation Village to be funded by the United Arab Emirates – SR 34.5m
- Construction of new Youth Hope Centre to be funded by the United Arab Emirates- SR 44.6m.

DESCRIPTION	2019 Actual	2020 EOY	2021 Budget	2022	2023
Expenditure and net lending	8,384,729	11,895,102	11,678,421	10,985,373	9,719,934
Current expenditure	7,508,345	10,292,471	8,992,813	8,625,168	8,424,760
Primary Current Expenditure	6,949,782	9,596,297	8,217,526	8,027,001	7,766,979
Wages and salaries	2,505,349	2,953,012	2,964,513	2,999,488	2,991,513
Goods and services	2,793,222	3,013,132	3,085,882	2,979,731	2,955,826
Capital expenditure	540,546	1,012,083	1,992,849	1,638,153	1,059,303
Social program of Government	162,184	1,522,685	485,868	250,606	250,162
Transfers to Public Enterprises	92,121	413,612	220,788	327,062	91,344
Benefits and approved programmes of SSF	1,357,639	1,658,921	1,425,540	1,435,177	1,443,198
Others	39,267	34,936	34,936	34,936	34,936
Interest due	558,564	696,174	775,286	598,167	657,781
External	236,817	281,684	358,374	286,369	246,603
Domestic	321,746	414,490	416,912	311,798	411,178
Development Grant	136,907	165,877	180,841	307,382	177,574
Net lending	148,942	238,216	461,918	364,670	8,297
Contingency	49,989	186,456	50,000	50,000	50,000
Primary Balance:	610,622	(3,955,515)	(2,642,486)	(1,885,489)	(477,966)
% of GDP:	2.6	-19.2	-11.8	-8.0	-1.9

Expenditure

Table 20: Summary of Expenditure, SR'000s

Source: MoFEPT, Financial Planning and Control Division estimates

For the fiscal year 2021 Government has budgeted an overall expenditure and net lending totalling to SR 11.68bn. Primary Current expenditure has decreased by 14 per cent compared to 2020 end of year. This

allows for primary balance deficit of 11.8 per cent of GDP. This is an improvement compared to 2020 projected deficit at 19.2 per cent.

Government has put in place several expenditure measures in order to keep the expenditure sustainable and to cover only core and essential expenditure. There is an ongoing exercise being carried out across Government to further identify areas for additional cuts which is expected to be factored in during the year. Table 20 shows the main expenditure allocations.

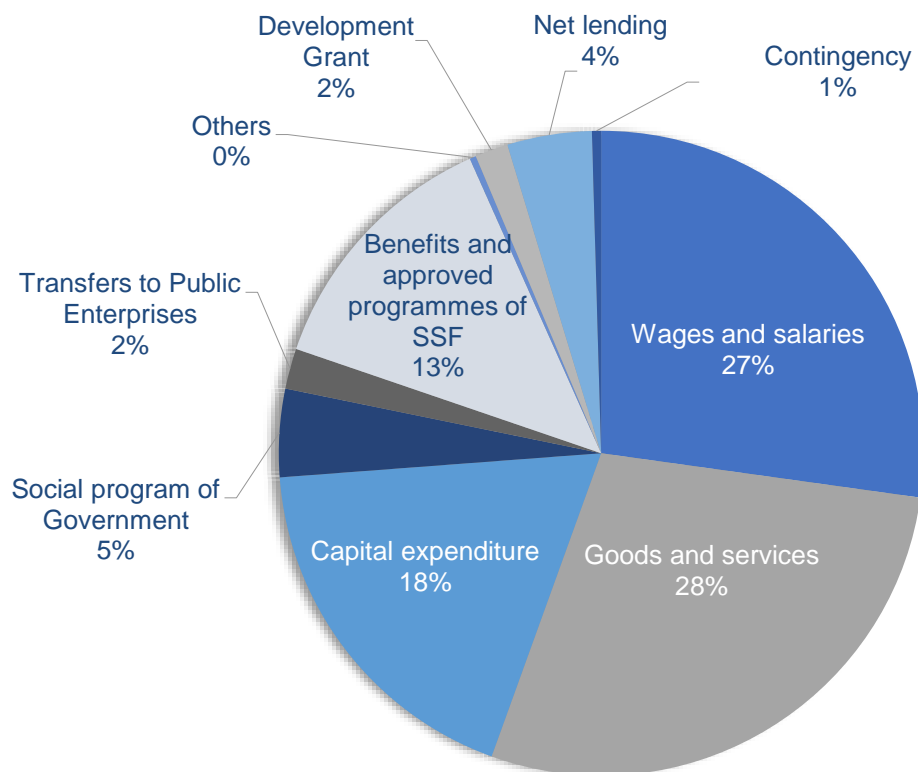
Overall expenditure and net lending decreases by 2 per cent compared to the 2020 end of year estimates. Below are the variances for each of the main categories of expenditure in 2020 when compared to the 2020 revised estimates:

- Wages and Salaries increases by 0.4 per cent
- Goods and Services increases by 2 per cent
- Capital expenditure increases by 97 per cent
- The Social Programme of Government decreases by 68 per cent
- Transfers to Public Enterprises decreases by 47 per cent
- Benefits and Approved Programmes of the Agency for Social Protection decreases by 14 per cent.
- Other expenditures remain constant
- Development Grants increases by 9 per cent
- Net lending increases by 94 per cent, and,
- Contingency decreases by 73 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. For 2021 Goods and Services is being allocated with 28 per cent of the overall allocation, followed by Wages and Salaries with the 27 per cent share. Both Capital expenditure and Net Lending is being allocated with an increased share compared to the 2020 share, this is an increase of 6 and 2 per cent respectively.

Figure 13: 2021 Budget Allocation



Source: MoFEPT, Financial Planning and Control Division

Current Expenditure

Wages and Salaries

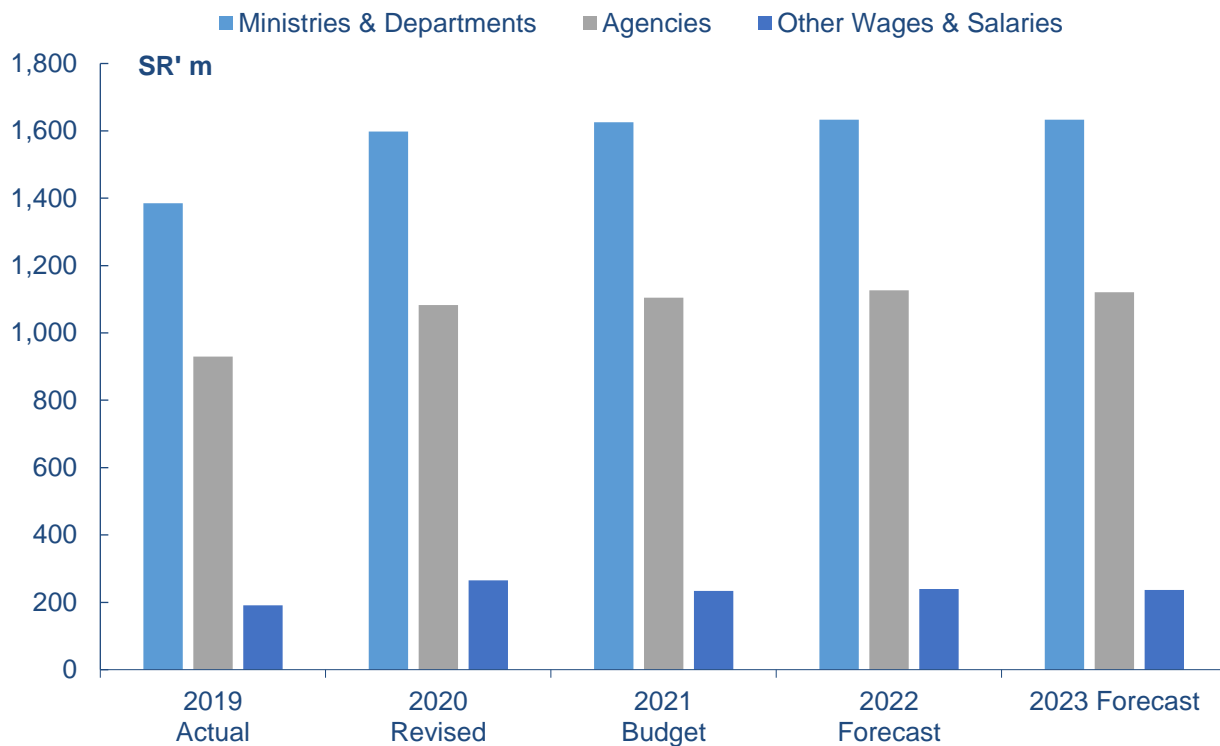
A total sum of SR 2.96bn is being proposed for wages and salaries. This represents an increase of SR 11.5m or 0.4 per cent compared to the 2020 end of year estimates. Compensation of employees remains a significant part of Government's Budget. Wages and Salaries in 2021 represents 13.3 per cent of GDP. 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.

Wages and Salaries remains fairly constant in the medium term. Over the years Government workforce have increased through creation of new mandates and structures. The Government will be undertaking some structural reviews in the coming months to ensure that the sustainability of its workforce.

On average 57 per cent of the total monthly salaries of Government employees is the basic pay whilst 43 per cent is total allowances. The provision of 13th month salary is not funded in the medium term.

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

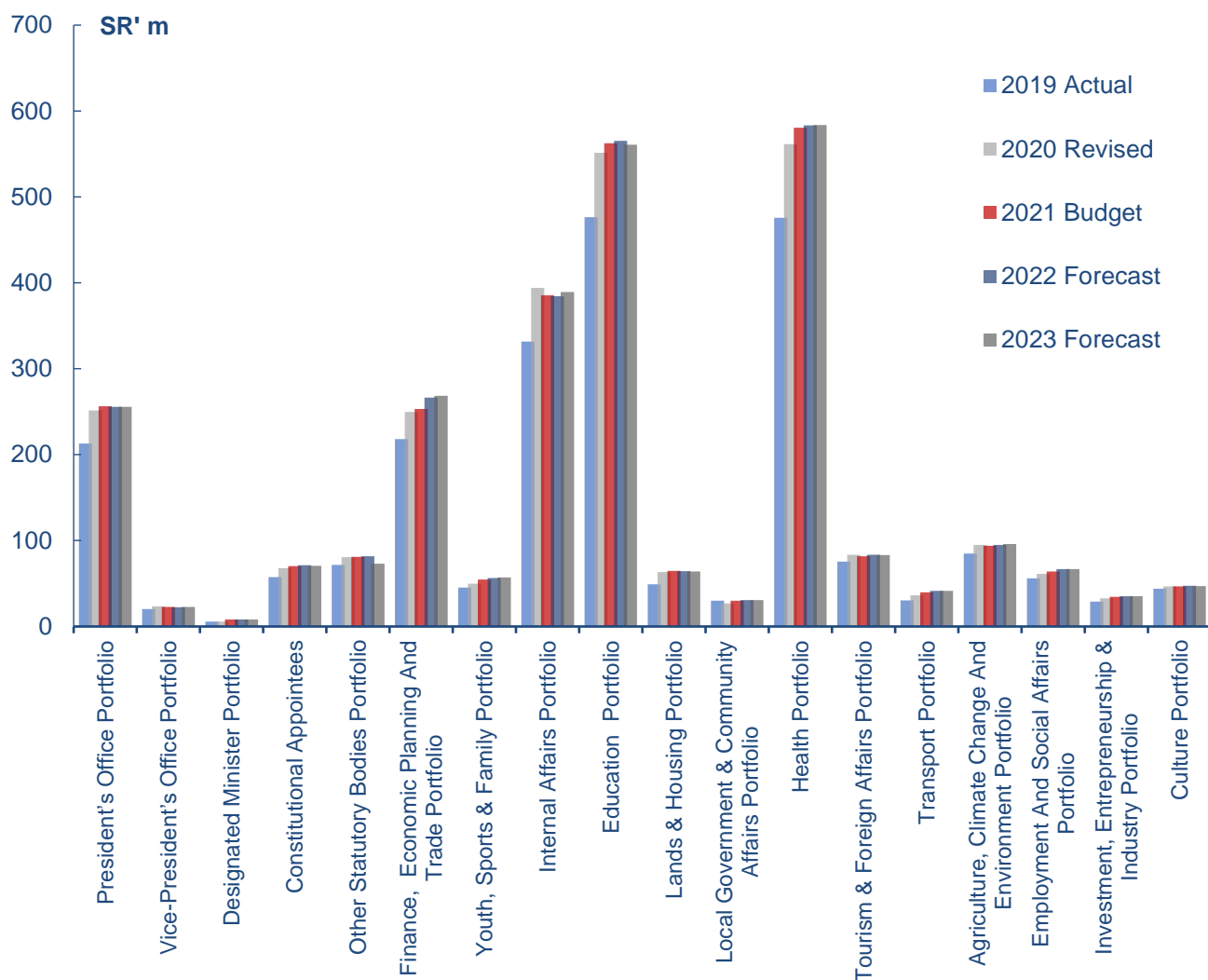
Figure 14: 2019-2023 Wage Budget Allocation



Source: MoFEPT, Financial Planning and Control Division estimates

The below graph demonstrates the wages allocations by portfolios for the period 2019 to 2023. The allocation to the Education, Health, Internal Affairs, Finance and President’s Office portfolios amounts to SR 2bn. This represents 75 per cent of the total MDAs wages and salaries allocation for 2021.

Figure 15: Evolution of Portfolio shares actual and budgeted Wages & Salaries (2019-2023)



Source: MoFEPT, Financial Planning and Control Division estimates

Schemes of Service

The Government will not be financing any new schemes of service in the medium term due to the current Budget challenges.

Recruitment

A sum of SR 55.16m is being allocated in 2021 for the creation and unfreezing of posts. Recruitment in 2021 has been limited to filling positions in key MDAs. However, for some MDAs, some of the 2020 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.

Other Factors

Below is a brief summary of other allocations in regards to wages & salaries:

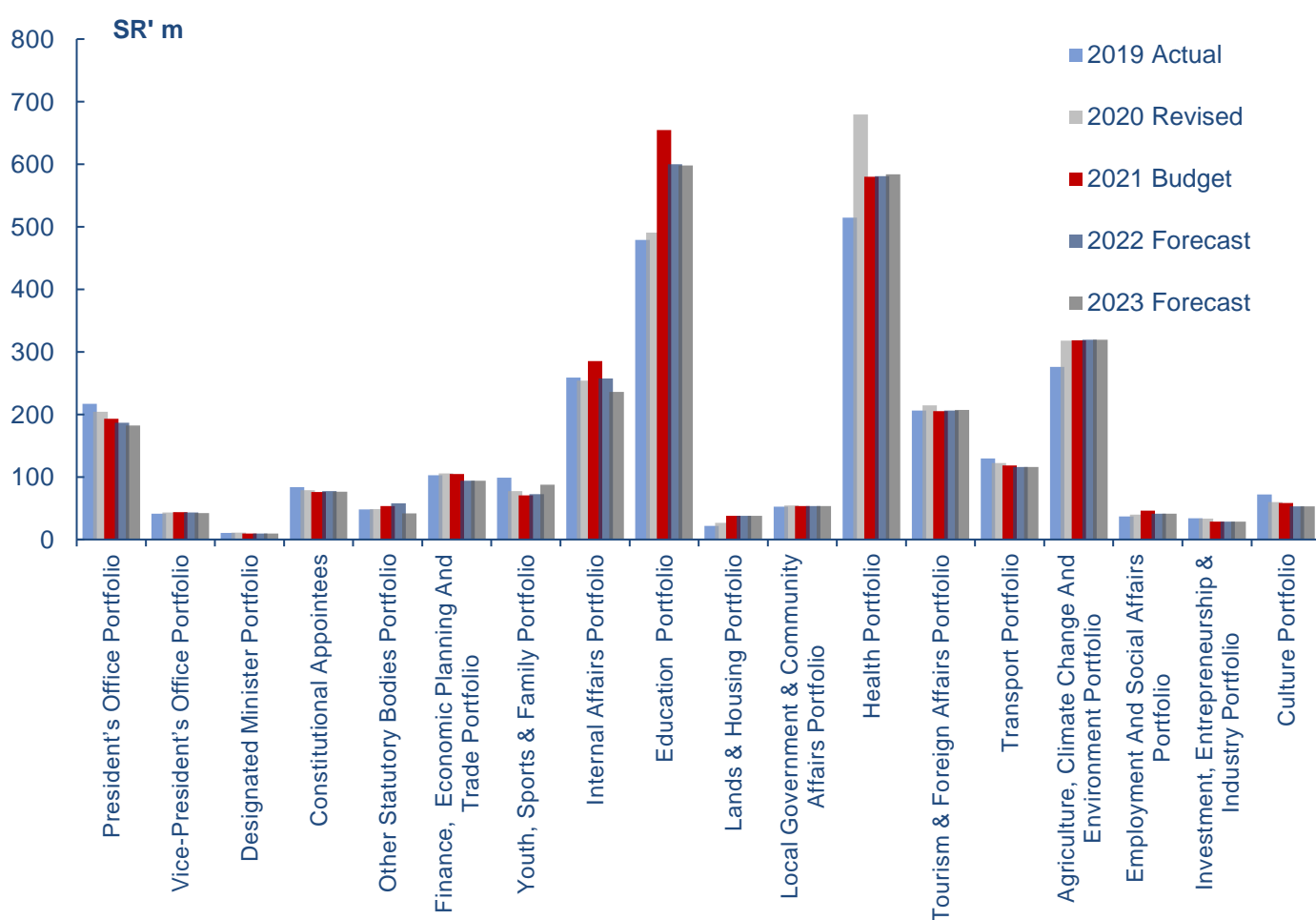
- SR 18.5m for full implementation of some schemes introduced in 2020
- SR 33.3m to cater for salaries of returning graduates from various MDA's
- SR 28m is being allocated for promotions, upgrading and salary enhancements, relating mainly to the year 2020

- SR 206m is being catered for gratuity and compensation dues under the respective MDA's Budget and under the central gratuity and compensation vote for all Government employees.
- For 2021 all Government employees on PSC contracts will not be paid the annual gratuity of 5 per cent.

Goods and Services

A sum of SR 3.09bn has been allocated towards Goods and Services in 2021. This represents 26.4 per cent of the total expenditure and net lending, and 13.8 per cent of GDP. The Goods and Services expenditure has increased by SR 72.75m in comparison to the 2020 end of year estimates. Ministries and Departments' Goods and Services has increased by 5 per cent, whilst Agencies has decreased by 2 per cent. 'Other Goods and Services' category has remained fairly constant, however there is a reduction of SR 21.8m under Execution for Elections and an increase of SR 19m under Professional and Consultancy to cater for the devaluation of the Seychelles rupee.

Figure 16: Evolution of Portfolio shares actual and budgeted Goods and Services (2019-2023)



Source: MoFEPT, Financial Planning and Control Division estimates

Office of the President

The Office of the President will see an increase of SR 3.7m under its Goods and Services in 2021 when compared to the 2020 end of year estimates. The increase is mainly attributed to the creation of an office for the Ex-President for which SR 5m has been allocated. Furthermore, SR 1.4m additional provision under security and enforcement vote has been allocated to cater for security for the Ex-President and Ex-Vice President.

Ministry of Education

For the year 2021, the Ministry of Education will see an increase of SR 59.6m or 22 per cent over its 2020 end of year estimates. The increase is mainly linked to transfer of all benefits and approved schemes related to the education portfolio which has moved from the ASP benefits budget in 2021 and budgeted under the Ministry's budget. This includes the Dedicated Fund SR 4.2m; Post-Secondary Student Bursary Allowances SR 17.1m, SPTC Travel Concession for students SR 32.1m, Students Inter Island Transport Scheme SR 1.2m and the Apprenticeship Scheme SR 6.9m.

Ministry of Lands and Housing

For the year 2021, the Ministry of Lands and Housing's goods and services budget has increased by SR 11m or 52 per cent in comparison with the 2020 end of year estimates. The increase is mainly attributed to the transfer of the Vulnerable Home Repair Scheme budget from the ASP benefits allocation and factored in under the Ministry's budget.

National Bureau of Statistics

The National Bureau of Statistic's goods and services budget has increased by 145 per cent in 2021 compared the 2020 end of year estimates. The 2021 estimates make provision for the agency to conduct the Population & Housing Census, which is due in 2020 and due to COVID-19 this has been postponed to 2021.

Agency for National Human Resources Development (ANHRD)

In 2021, the ANHRD's budget has increased by SR 104m in comparison the 2020 end of year estimates. In 2021 the Agency will be sending two cohorts for overseas training. In 2020 the Agency due to COVID-19 situation, did not enrolled any new students on any overseas training programs.

Seychelles Fire & Rescue Services Agency

The Seychelles Fire & Rescue Services Agency's goods and services budget has increased from SR 18.9m to SR 41.5m. This represents a 119 per cent in comparison to the 2020 end of year estimates. The increase relates to the operationalisation of the new fire station at Anse Royale. The Agency will be purchasing two new fire tenders which will be allocated to the Anse Royale Fire Station, in addition the agency has been allocated with funds to procure two new fire tenders as part of its replacement plan.

Transfers

Total Government transfers for 2021 represent 9.5 per cent of GDP or SR 2.1bn. This is a decrease of 7.9 per cent of GDP compared to 2020 end of year figure, mainly attributed to the wage grant assistance to private sector which will end in March 2021.

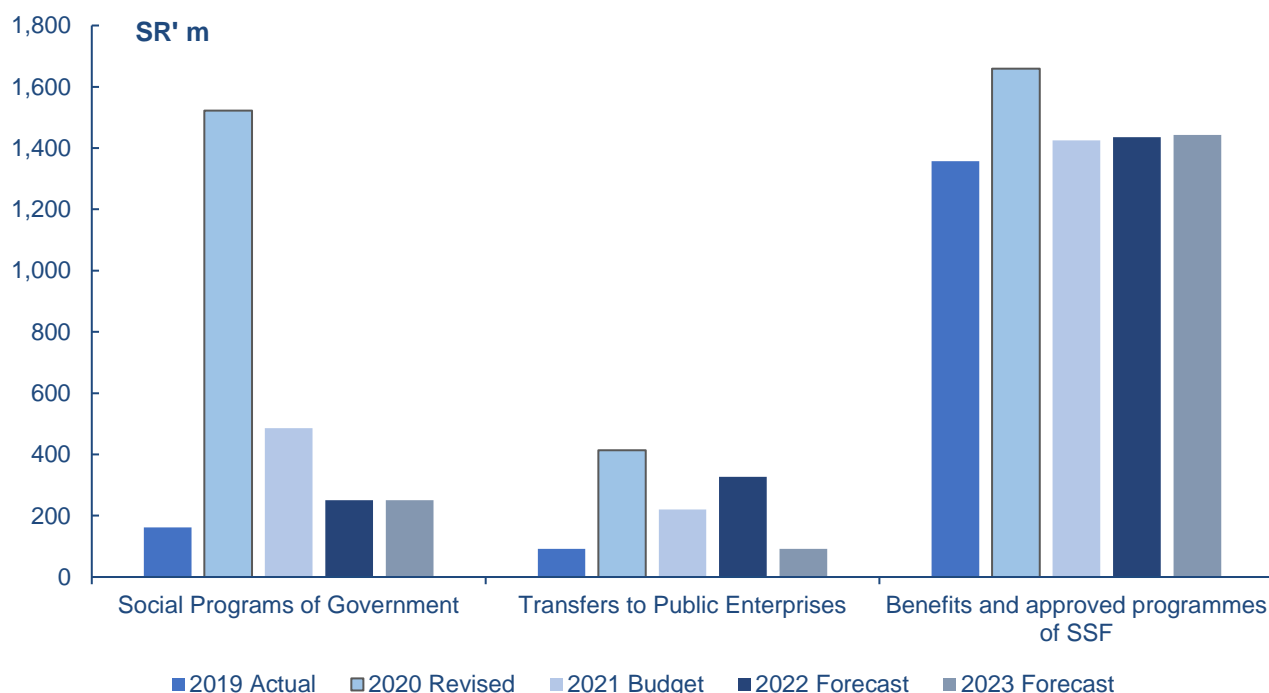
Table 21: Summary of Total Transfers by Different Categories, SR' m

TRANSFER TYPE	2019 Actual	2020 EOY	2021 Budget	2022	2023
---------------	----------------	-------------	----------------	------	------

Social Programmes of Government	162,184	1,522,685	485,868	250,606	250,162
Transfers to Public Enterprises	92,121	413,612	220,788	327,062	91,344
Benefits and approved Programmes of SSF	1,357,639	1,658,921	1,425,540	1,435,177	1,443,198
Total Transfers:	1,611,944	3,595,218	2,132,196	2,012,845	1,784,704
% of GDP:	6.9	17.4	9.5	8.5	7.1

Source: MoFEPT, Financial Planning and Control Division estimates

Figure 17: Transfers of Social Government



Source: MoFEPT, Financial Planning and Control Division estimates

Transfers to Social Programs of Government

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 values to society. There is a downward revision of 68 per cent or SR 1.04bn in 2021 compared to the 2020 revised Budget which is mainly attributed to the changes related to the payment of wage grant assistance to private sector in 2021. Provisions under the Social Programmes include the following:

- **Wage Grant Assistance (FA4JR)**

In 2020 the salary financial assistance to private sector was forecasted under this group which amounted to SR 1.3bn for the period April to December. In 2021, the assistance will be for a three month period and the criteria for February and March will change and this has resulted in a significant reduction under this group. In 2021 the FA4JR scheme is expected to cost Government only SR 0.192m compared to SR 1.3bn in 2020.

- **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 depends on the applicant's income and loan amount received. A provision of SR 10m has been made in the 2021 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.

- **Contribution to Agricultural Development Fund**

The purpose of the Fund is to provide financing for the development of small-and medium-sized agricultural and horticultural projects. In 2021 Government will not disburse new fund to DBS due to accumulated fund with DBS not yet disbursed which will be used in 2021. The SR 3m has been forecasted in 2022 and 2023 for new disbursement.

- **Small and Medium Enterprise Scheme**

Government's contribution to the Small and Medium Enterprise Scheme has increased to SR 40m for 2021. In 2019 and 2020 the estimated actual expenditure under the scheme is SR 45.4m and SR 41.4m respectively. Since 2014 to July 2020 a total of 2,519 loans have been approved under the Scheme for a total of SR 2.27bn.

- **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 2021 is allocated for small programmes not registered under NGOs such as the Renaissance Programme. The sum of SR 9m has been allocated for the financial support to other NGO's through the National Grants Committee

- **Seychelles Employee Transition Scheme (SETS)**

Government will be contributing SR 14.9m in 2021 as its support towards the SETS programs in 2021 for January and February 2021. SETS will phase out in March 2021.

- **PMC and HFC Housing Loan Repayment Scheme**

Since September 2020 citizens of Seychelles with loan facility with HFC and PMC has been benefiting from a 25 per cent of their monthly repayment. This has costed Government approximately SR 14m for the four months in 2020. For 2021 Government has reviewed the scheme and the assistance will be means tested and the sum of SR 15m has been allocated for 2021.

- **Unemployment Relief Scheme**

The Unemployment Relief Scheme is to facilitate employment for the most vulnerable groups of society, with the aim of improving their quality of life in assisting them in securing a permanent employment. The scheme was previously budgeted under the Benefits and Approved Programmes of ASP, in 2020 the estimated actual expenditure under this line increased by 331 per cent compared to the 2019 actual. In 2021, the budget has reduced SR 35m and a forecast of SR 5m in 2022 and 2023 respectively. Government will be putting in place new criteria for the URS program in 2021 which will reduce the 2021 budget significantly compared to the 2020 estimated actual.

- **Laptop Scheme**

The sum of SR 3m has been forecasted for the Laptop Scheme from 2021 on an annual basis. The Scheme will be applicable to only upper secondary and tertiary level students from 2021 onwards.

- **Subvention to Public Enterprises**

The Government is assisting the following State-Owned Enterprises (SOEs) with a total sum of SR 220.8m in 2021, this represent a decrease of SR 192.8m or 47 per cent compared to the 2020 revised figure.

- i. **Air Seychelles:** The amount of SR 133m has been allocated for Air Seychelles which includes SR 104m to cater for the salaries of staff capped at SR 30,000 maximum for a period of nine months and SR 29m for the repayment of its loan with Nouvobanq.
- ii. **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 2021.
- iii. **Seychelles National Parks Authority:** The amount of SR 14.8m has been allocated for SNPA which will go towards the payment of salary for the year 2021.
- iv. **Seychelles Postal Services Company:** The Government has catered for a sum of SR 15m to support the Seychelles Postal Services for 2021 with the payment of salaries for its employees.

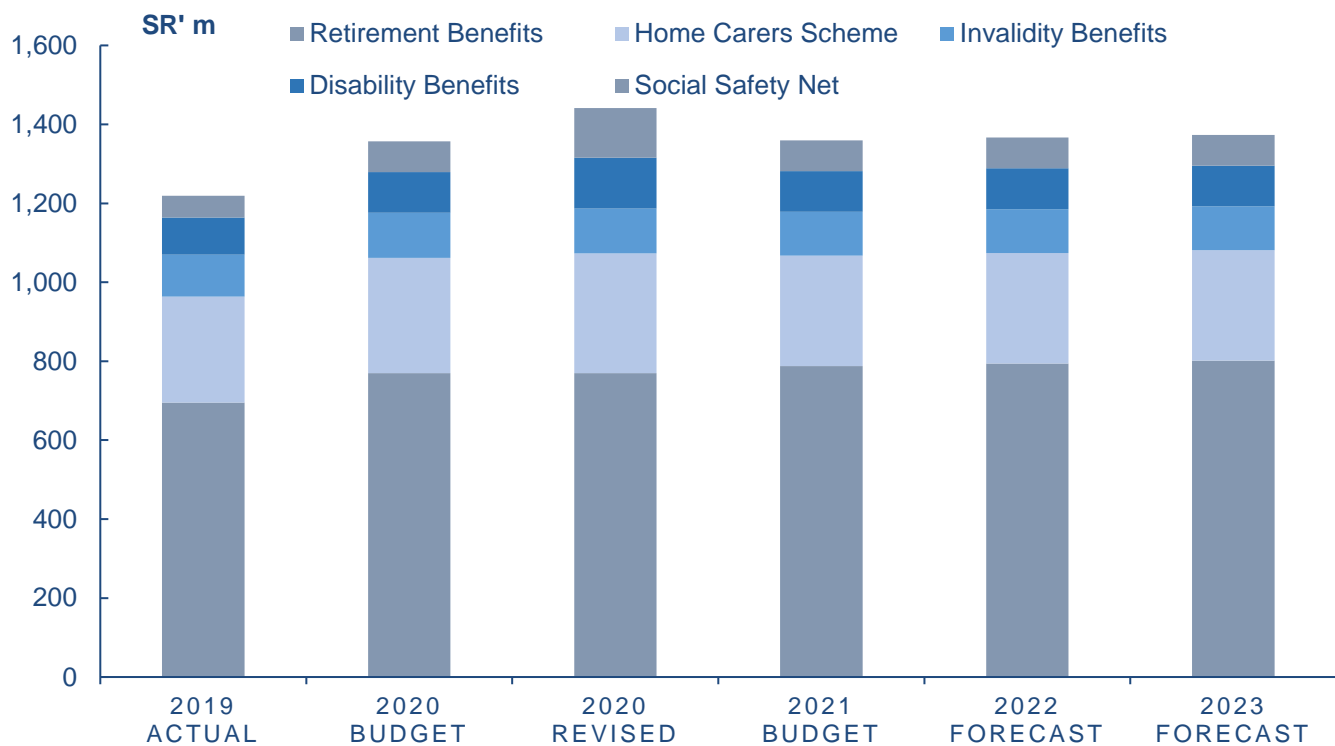
- v. **The Guy Morel Institute:** The amount of SR 7.6m has been allocated for TGMI which will go towards the payment of salary for the year 2021.

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 2021 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 6.4 per cent of GDP for 2021.

A sum of SR 1.43bn is being catered to finance the payment under the Approved Programmes of ASP. This represents a decrease of SR 233.4m or 14 per cent compared to the 2020 revised estimates. In 2021 a total of seven approved scheme programs costed SR 120m in 2020 has moved from ASP and budgeted under the responsible Ministry, this include for example; the employment re-skilling moved under Department of Employment, Vulnerable Home Repair Scheme moved under Department of Infrastructure and the Dedicated Fund moved under Ministry responsible for Education. For benefits which has remained under the Agency, the 2021 budget shows a reduction of 7 per cent reflecting the Government's commitment to review various programmes to make them more targeted and financially sustainable.

Figure 18 : Main Benefits and Scheme under ASP



Source: MoFEPT, Financial Planning and Control Division estimates

Retirement Benefits and Home Carers Scheme

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. The two benefits accounts for 75 per cent of the total Benefits and Approved Programmes of ASP or 4.8 of GDP.

Retirement Benefits for the year 2021 is forecasted to be about SR 787.6m representing a 2 per cent increase over the 2020 end of year estimates. The number of beneficiaries under the retirement benefits has increased on average by 1 per cent on a monthly basis.

The Home Carers Scheme 2020 projection stands at SR 279.7m representing an 8 per cent decrease, the reduction is in line with review exercise which will be undertaken by the Agency of Social Protection in 2021 which will the whole scheme. As at November 2020 there was a total of 3,924 carers on ASP payroll and on average per month there has been an increase of 30 new carers or 1 per cent which is a similar trend to the increase in retirement beneficiaries.

Invalidity and Disability Benefits

Government has allocated SR 110.9m and SR 103.5m for Invalidation Benefits and Disability Benefits respectively for 2021 which represents a downward revision compared to the 2020 end of year estimates.

Social Safety Net

Social Safety Net is the only discretionary assistance programme. In 2019 SR 54.9m was spent for welfare assistance, compared to SR 125.4m which is the 2020 end of year estimates. The 2021 budget has decreased by SR 47.6m or 38 per cent to return to its 2020 budget level.

Public Sector Investment Programme

The Central Government Investment Program for the period of 2021 to 2023 is budgeted to amount to SR 4.7bn. A total of SR 1.99bn worth of projects is to be financed from the 2021 Budget, representing 42.5 per cent per cent of this medium-term investment plan.

In addition to the PSIP allocations, the Government provides funding through Net lending and Development grants to some Public Enterprises for their development projects. Public Enterprises receiving development funding from the Central Government in the year 2021 are the PUC for which a total of SR 40m has been budgeted, SPTC for which a total of SR 78m has been budgeted and the PMC for which a total of SR 62.8m has been budgeted. The table below shows the total PSIP allocations made across the medium term.

Table 22: Public Sector Investment 2021-2023, SR'000s

DESCRIPTION	2019 Actual	2020 EOY	2021 Budget	2022	2023
Central Government Projects	540,546	1,012,083	1,992,849	1,638,153	1,059,303
Net Lending	148,942	238,216	461,918	364,670	8,297
Development Grants	136,907	165,877	180,841	307,382	177,574
Total Allocation:	826,395	1,416,176	2,635,609	2,266,756	1,210,308
% of GDP:	3.6	6.9	11.8	9.6	4.8

Source: MoFEPT, Financial Planning and Control Division estimates

2020 Overview

A total budget of SR 1.2bn was allocated towards the Central Government capital projects in the amended Budget for the year 2020. The actual expenditure recorded against this budget stands at SR 651.6m. The larger contribution to this low level of expenditure is seen in non-materialization of projects being financed from foreign grants such as the project for the construction of the new admin block for the office of the Attorney General as well as the project for the construction of the new Police HQ. Delays were also seen in expenditure for certain projects financed by foreign loans including the Health Information System project and the reconstruction of the La Rosiere School amongst others.

A number of large projects were in various stages of implementation in 2020, such as the construction of the New Magistrate's court, the construction of the new block of the Belonie Secondary School, the construction of a new creche at Anse Royale, as well as various housing and land bank projects forming part of the '24 in 24' program in various districts.

2021 Outlook

The total budget allocated towards Central Government investment projects for the year 2021 sums SR 1.9bn. This represents an increase of 63 per cent compared to the amended PSIP budget of 2020 which stood at SR 1.2bn. This increase however is largely to cater for several large projects expected to be financed through foreign grants during the year particularly from the Health sector. Foreign grant allocation alone accounts for an increase of up to 119 per cent as compared to the amended budget allocation for 2020. Local and foreign loan financing for the year has for the larger portion been allocated to cater for ongoing projects that are carrying over in 2021.

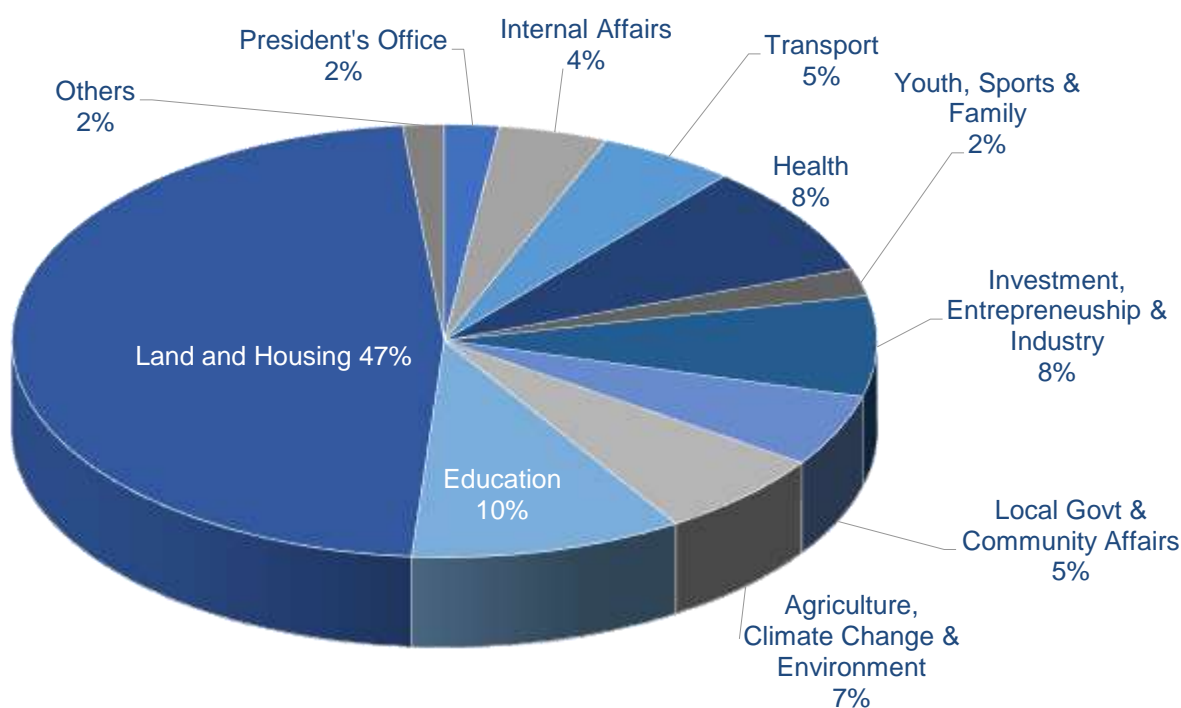
Below lists some of the main ongoing projects that form part of the PSIP budget for 2021:

- Construction of housing units under the ‘24 in 24’ program with an allocation of SR 120m
- Construction of new classroom block at Belonie Secondary School at total cost of SR 24m with an allocation of SR 10m
- Construction of new Anse Royale Creche at total cost of SR 15m with an allocation of SR 9.7m
- Renovation of Male and Female medical ward at total cost of SR 7.46m with an allocation of SR 2m
- Renovation of CSSD at the Seychelles hospital with an allocation of SR 3.3m

Domestic Financing

Total allocation in the 2021 Budget under local financing amounts to SR 490.6m. The Housing, Infrastructure and Land Transport Portfolio makes up the largest portion (47 per cent) of the total local financing of SR 447m. This is followed by the Ministry of Education with 10 per cent and the Industrial Estate Authority with 8 per cent. The below graph shows the domestic financing allocation across the portfolios:

Figure 19 : Domestic Financing allocations



Source: MoFEPT, Financial Planning and Control Division estimates

Projects being financed from local financing in the year 2021 are spread across various sectors and caters largely for ongoing projects. These include the completion of various housing projects from the department of infrastructure forming part of the ‘24 in 24’ programme, Construction of the third phase of the Pasquere road project on Praslin from the Transport Sector, the completion of the Anse Royale Creche from the Education sector, continuation of the CSSD project from the health sector among others. The budget also makes allocation for certain new projects including the construction of the new police station on La Digue and the road surfacing project for the Department of Defence among others.

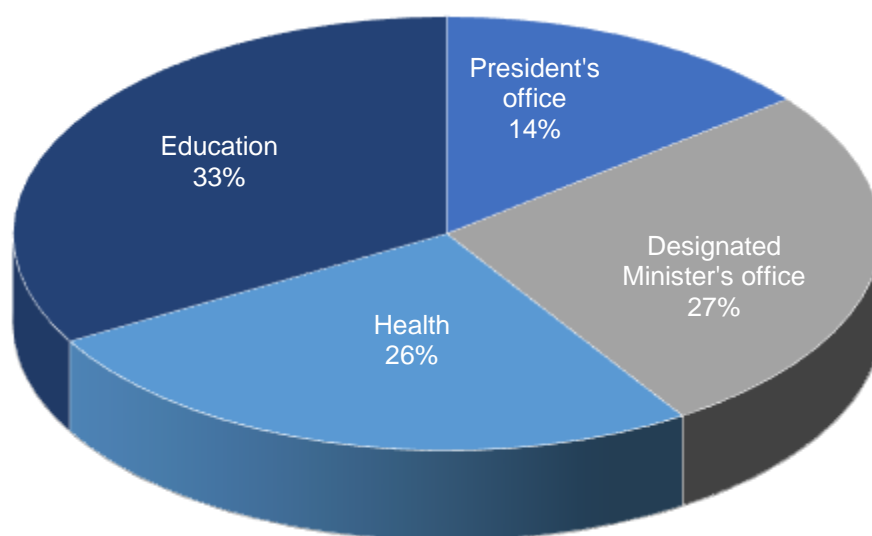
Loan Financing

A total of SR 316.5m worth of capital projects for 2021 is expected to be financed through foreign loans. The spread of the allocation is different compared to Domestic Financing. The largest allocation is for the portfolio

of the Ministry of Education accounting for up to 33 per cent of the total allocation. This is then followed by the office of the Designated Minister with a share of 27 per cent which is in turn closely followed by the Health sector with 26 per cent and lastly the portfolio of the office of the President.

Some of the key projects being financed from the loan financing includes the ongoing Swiofish project being financed by the World 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 20: Foreign Loan by Portfolio



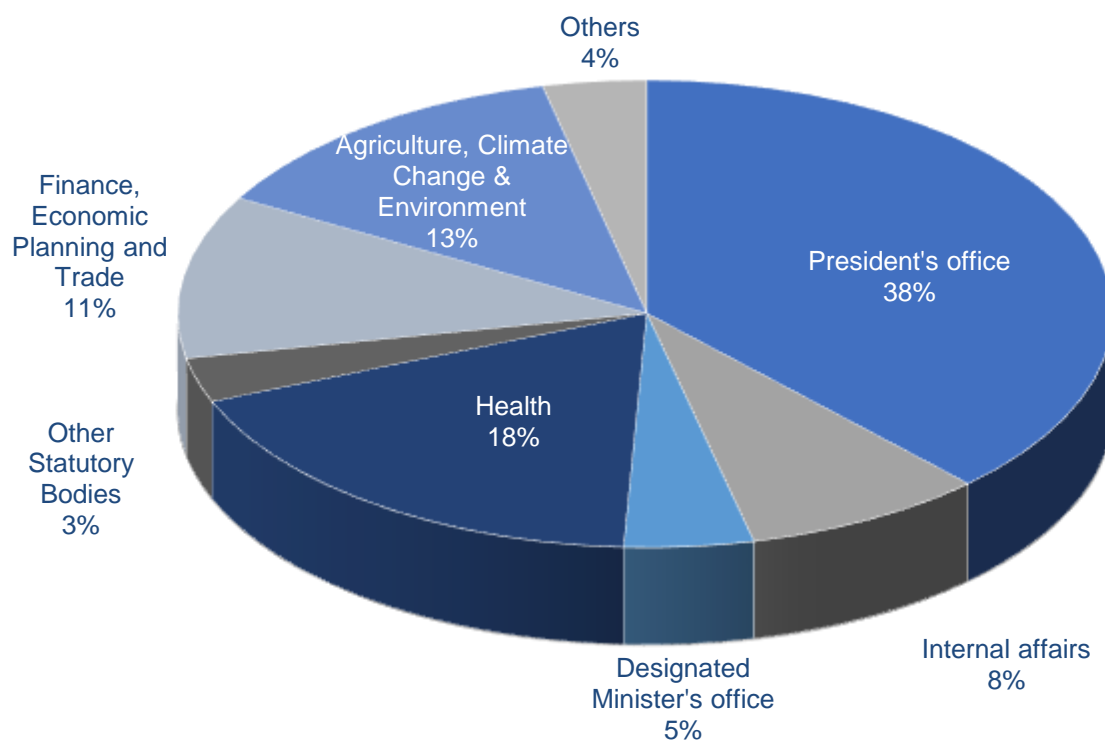
Source: MoFEPT, Financial Planning and Control Division estimates

Grants financing

Grant financing accounts for the highest proportion of financing of the Government’s public sector investment program for the year 2021. The portfolio of the office of the President has the largest proportion of projects expected to be financed through foreign grants followed by portfolio for Health.

Main projects expected to be financed through foreign grant for the year includes the construction of the La Digue hospital, the Isolation centre and the Baie Lazare health centre all from the health sector. There are also projects such as the construction of the new police HQ and the project for the new office block for the Office of the Attorney General. The graph overleaf shows the distribution of the grant finance to the respective MDAs.

Figure 21 : Grant Financing by Portfolio



Source: MoFEPT, Financial Planning and Control Division estimates

Cash Grant financing

Cash grants accounts for up to 33 per cent of total grants being received by Government in 2021. Projects being financed from cash grants are found largely in Health and Environment sector. These cater for projects in the field of Climate Change management being financed from GEF and COMESA. The Health sector on the other hand is being assisted with the financing of a number of large infrastructure projects including the construction of the new La Digue hospital, the Isolation Centre and the Baie Lazare Health Centre.

Benefits in Kind

The balance of grants financing is in the form of benefits in kind and makes up the larger portion of total grant fund allocations. The larger portions of the allocations have been provided to the department of Defence for the acquisition of a new patrol vessel, the Seychelles Energy Commission for projects again related to the field of climate change as well as the department of trade for continuation of the 11th EDF project.

Planned Investment by Sector

The below table shows the total the allocation of the capital expenditure budget across the different sectors. The largest allocation for the 2021 Budget is seen to be in the Defence sector, largely due to the new projects for the acquisition of the fast patrol vessels to be financed from foreign grant, combined with the project for the construction of the new jetty to be financed from foreign loan. The second largest sector allocation is seen to be from the health sector to cater for the list of new projects from this sector expected to be financed from foreign grant.

Table 23: Financing allocation for 2021-2023, SR' m

SECTORS	2020 EOY	2021 Budget	2022	2023
Defence	10,313	390,681	38,232	
Housing	289,066	237,519	590,290	555,596
Land Transport	57,834	29,030	62,282	34,000
Economic	92,067	311,956	178,378	162,211
Fisheries & Agriculture	59,678	188,315	76,021	69,015
Health	125,889	337,034	109,076	19,289
Education	83,063	161,259	189,757	26,771
Community amenities	65,962	41,513	36,250	36,450
Public Order and Safety	42,521	242,617	311,259	120,056
Youth Sports & Culture	8,278	12,984	1,500	1,500
Culture	15,749	1,363	45,107	34,415
General Public Services	161,665	38,579		
Total:	1,012,083	1,992,849	1,638,153	1,059,303

Source: MoFEPT, Financial Planning and Control Division estimates

Development Grants to Public Enterprises

A total sum of SR 180.8m 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 78m. Of this, SR 14.5m relates to Government's contribution towards the implementation of its capital projects. The SR 63.5m within foreign financing relates to the procurement of buses. This is to be financed through the Indian Line of Credit.
- Property Management Corporation (PMC) is to be allocated a budget of SR 62.8m in 2021 out of which SR 52.8m is for the repayment of its loans with Nouvobanq and Seychelles Pension Fund and SR 10m for its ongoing renovation works on housing estates.

The Government's contribution towards the Public Utilities Corporation (PUC) for 2021 has reduced to SR 40m. The allocation is Government support towards infrastructure projects.

Net Lending

A total of SR 461.9m is being budgeted towards the Net Lending in 2021. This amount relates to funding provided by loans from financial institutions and which are then on-lent to PUC. It relates to financing from three loans: (1) SR 203m from the loan with EIB/ ADB for the financing of its infrastructure master plan; (2) SR 146m for the financing of its 33KV project. This is financed by BADEA; and (3) SR 143m to fund the La Gogue dam raising project. This is also financed by BADEA. The increase in the budget is mostly linked to the devaluation of Seychelles rupee and also that the projects will be in advanced completion stage in 2021.

DBS is being allocated with SR 60m to support its cashflow towards the honouring its bond repayments.

Contingency

A provision of SR 50m is being allocated under the contingency fund for 2021. The 2021 Contingency does not make provision for any COVID-19 related expenses, this will be catered for under HCA's budget and the COVID-19 Special Relief Fund. Government has put a hold on all compensation payments particularly in relation to the La Misere water, and Asphalt plant pollution as well as any fungus claims.

Debt Outlook

The adverse effect on the economy brought about by the pandemic, resulted into a Budget deficit and Government had to resort into additional borrowings both externally and domestically. At the end of October 2020, the total Government and Government guaranteed debt amounted to SR 18,085m, representing about 89 per cent of GDP. The debt stock is forecasted to reach 96 per cent of GDP by the end of 2020.

In comparison to 2019, domestic debt has increased SR 2.0bn, or 29 per cent, and external debt increased by SR 3.5bn, or 62 per cent. The total debt stock is showing almost a fifty-fifty per cent weighting between the external and domestic debt. As illustrated in Table 24 below, the total stock of domestic debt amounted to SR 9,021m whilst the external debt stock amounted to about SR 9,064m.

Table 24: Total debt by residency of creditors

Description	2020 (SR' m)	%
Domestic	9,021	49.9
o.w. Government	8,241	45.6
o.w. Guarantees	780	4.3
External	9,064	50.1
o.w. Government	8,865	49.0
o.w. Guarantees	199	1.1
Total Debt:	18,085	100.0

Source: MoFEPT Debt Management Office

The nature of the public debt is provided in Table 25 below. The Central Government debt accounts for about 95 per cent of the total debt whilst the Government guaranteed debt has reduced from 8 per cent in 2019 to 5.4 per cent in 2020. The 3 per cent rise in the central Government Debt reflects mainly the borrowings through Budget support loans taken to assist the Government to cope with the adverse budgetary impact of the COVID-19 pandemic.

Table 25: Total debt by Guarantee status

Description	2020 (SR' m)	%
Government	17,106	94.6
Guarantees	979	5.4
Total Debt:	18,085	100.0

Source: MoFEPT Debt Management Office

2020 External Debt Stock

At the end of October 2020, the total stock of external debt amounted to about SR 9.0bn, equivalent to 44.8 per cent of GDP, or 50.1 per cent of total debt stock. As shown in Table 26, debt owe to multilateral creditors accounts for the largest share of the total external debt stock at 50 per cent of the total external debt. Private and Bilateral debts accounts for 23 per cent and 22 per cent of the total external debt stock respectively. Debt owes to commercial banks accounts for the smallest share at only 4 per cent.

Table 26: Total debt by Creditor Category

Creditor Category	External Debt Stock	%
Multilateral	4,522	49.9
Bilateral, (of which);	2,041	22.5
Paris Club	1,066	11.8
Others	975	10.8
Commercial	378	4.2
Private	2,123	23.4
Total Debt:	9,064	100

Source: MoFEPT Debt Management Office

The table below shows a comparison in the external Debt stock as at June 2020 compared to October 2020. As can be seen, the main increase was for Multilateral loans, which increased by SR 822m, or 22 per cent. This mainly reflects the three large Budget support loans from the IMF, World Bank and ADB equivalent to USD 31.2m, USD 15m and USD 10m respectively. The slight increase observed in the other categories is mainly attributed to the significant depreciation of Seychelles Rupees which has led to an increase in the cost of foreign exchange debt.

Table 27: Comparison in External Debt Stock (Jun 2020 vs Oct 2020 (SR' m))

DESCRIPTION	Jun-20	Oct-20	Diff (%)
Multilateral	3,700	4,522	22.2
Bilateral of which;	1,867	2,041	9.3
Paris Club	951	1,066	12.1
Non Paris Club	917	975	6.3
Commercial Banks	347	378	8.9
Private	2,100	2,123	1.1
Total External Debt:	8,014	9,064	13.1

Source: MoFEPT Debt Management Office

External debt repayments

The table below shows the external debt repayment forecasts for 2021 to 2023. The total repayment forecast will be around SR 1.1bn yearly based on the current debt portfolio. The forecasted repayment has increased compared to what was initially forecasted for the mid-year revision. This is attributed to the interest repayments on the new loans as well as the depreciation in exchange rate.

Table 28: External Debt Service Forecast, SR' m

DEBT SERVICING	2021	2022	2023
Interest	823	816	1,018
Principal	358	286	247
Total External Debt:	1,181	1,102	1,265

Source: MoFEPT Debt Management Office

2020 Domestic Debt Stock

As at October 2020, the total domestic debt amounted to SR 9.0bn representing 44.6 per cent of GDP and 49.9 per cent of the total debt portfolio. Government Securities is the main components of the domestic debt, accounting for about 83.5 per cent. This includes mainly the T-bills and also T-Bonds. As previously stated, in 2020 the Government issued three Solidarity Treasury Bonds valued at SR 500m each as part of its strategy to raise financing during the COVID-19 pandemic. Loans accounts for about 16 per cent of the domestic debt stock whilst Other Liabilities accounts for 0.5 per cent of the total domestic debt.

Table 29: Domestic debt by instrument type

DESCRIPTION	2020 (SR 'm)	%
Loans	1,439	16.0
Securities of which;	7,535	83.5
Treasury Bills	5,281	58.5
Treasury Bonds	2,000	22.2
DBS Bonds	150	1.7
Deposits	46	0.5
Notes	58	0.6
Other Debt Liabilities	47	0.5
Total Domestic Debt:	9,021	100.0

Source: MoFEPT Debt Management Office

In comparison to the reported figures in June 2020 for the mid-year revision, domestic debt decreased by SR 121m, or 1.3 per cent in October. This is solely attributed to a decrease in Loans and other Debt Liabilities as repayments were made.

Table 30: Comparison in Domestic Debt Stock (Jun 2020 vs Oct 2020) (SR' m)

DOMESTIC DEBT	Debt Stock (SR' m) Jun-20	Debt Stock (SR' m) Oct-20
Government Securities	7,364	7,281
Other Securities	345	254
Loans	1,379	1,439
Other Debt Liabilities	54	47
Total Domestic Debt:	9,142	9,021

Source: MoFEPT Debt Management Office

Selected Economic Indicators

	2018	2019	2020	2021	2022	2023
National income and prices						
Nominal GDP (millions of Seychelles rupees)	22,019	23,203	20,627	22,361	23,601	25,118
Real GDP growth	4.10	3.39	-13.48	2.08	3.54	3.74
GDP deflator growth	3.10	1.27	2.56	6.20	1.94	2.60
CPI (annual average)	3.70	1.81	1.20	5.94	3.00	3.00
Government Budget (% GDP)						
Total revenue, including grants	38.5	36.4	35.1	36.9	36.0	34.2
Total revenue, excluding grants	37.3	36.0	33.8	31.6	31.8	31.4
Grants	1.3	0.4	1.3	5.3	4.3	2.8
Expenditure and net lending	38.5	36.1	57.7	54.3	46.6	38.7
Current expenditure	33.2	32.4	49.9	42.3	36.6	33.6
<i>Of which: interest payments</i>	2.5	2.4	3.4	5.5	2.5	2.6
Capital expenditure	3.7	2.3	4.9	8.9	6.9	4.2
Net Lending	0.5	0.6	1.2	2.1	1.5	0.0
Primary balance (accrual basis), including grants	2.6	2.6	-19.2	-11.8	-8.0	-1.9
Overall balance (cash basis), including grants	0.0	0.2	-22.6	-15.3	-10.5	-4.5
External sector (% GDP, unless otherwise indicated)						
Current account balance including official transfers	-17.9	-16.7	-29.7	-36.9	-34.9	-29.1
<i>Imports of goods</i>	1,188	1,126	853	829	931	1030
<i>Imports of services</i>	670	671	492	471	535	601
<i>Exports of goods</i>	573	483	419	462	508	567
<i>Exports of services</i>	1,107	1,136	670	566	710	837
Foreign Direct Investment	-150	-228	-116	-132	-164	-204
Primary Income, net	-105	-80	-60	-70	-98	-105
Secondary Income, net	0.7	-6.4	-8.4	9.3	11.8	4.7
Gross official reserves (USD' m)	548	580	443	344	276	231
In months of imports, c.i.f.	3.6	5.5	4.0	2.8	2.0	1.5
Total external debt outstanding (% of GDP, unless otherwise indicated)						
Total debt outstanding (SR' m)	13,432	14,257	18,035			
Total debt outstanding	60.9	59.1	99.4	108.4	99.0	88.6
Domestic	32.3	32.1	44.6			
External	28.5	27.0	44.8			

Source: MFWG, IMF tables

SECTION 3

Debt Management Strategy 2021-2023



GOVERNMENT OF SEYCHELLES

Debt Management Strategy

2021 - 2023



Ministry of Finance, Economic Planning and Trade
Republic of Seychelles
January 2021

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Introduction

The Government of Seychelles' 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 2021-2023 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 2021, 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 2021 to 2023, 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 2008-2019 are as at calendar year end, whilst the 2020 figures are as at 30th October 2020.

1.4. Legal and Institutional Framework

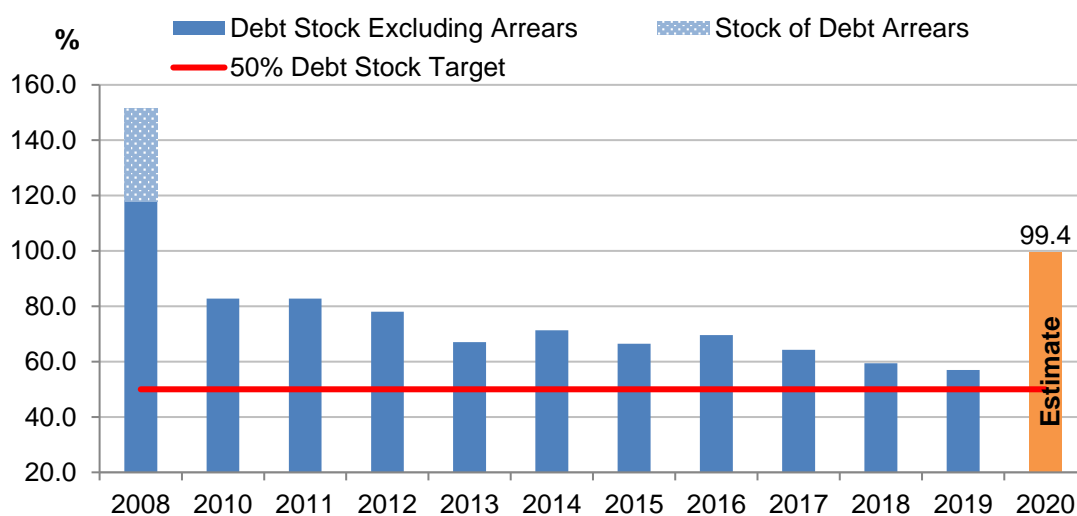
The primary responsibility of debt management lies with the Debt Management office of the Ministry of Finance, Economic Planning & Trade. The Division is responsible for managing Government and Government guaranteed debt as well as monitoring all non-guaranteed public enterprise debt. Public debt management 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. As a means of ensuring that the Debt remains on a sustainable path, the Government targeted to achieve a Debt to GDP ratio of 50% by the end of 2021. However, the COVID-19 pandemic has caused significant disruptions in economic activities, which has affected the Government's fiscal position. Faced with an unforeseen budget deficit, the Government had to resort into Budget support loans which resulted into a sharp rise in the debt-to-GDP in 2020. As at November 2020, the debt stood at 94.3% of GDP and is estimated to reach around 99.4% by the end of 2020. This will be elaborated further in the next section.

Figure 1: Debt to GDP ratio for selected years



Source: Ministry of Finance, Economic Planning & Trade

Part II

Recent Developments

The adverse effect on the economy brought about by the pandemic, resulted into a budget deficit and Government had to resort into additional borrowings both externally and domestically. On the domestic front, Government issued three Solidarity Bonds, worth SCR 1.5bn. The Bond issuance forms part of the debt management strategy to lengthen the maturity of the domestic debt portfolio. Like the Government, the Parastatals were also affected by the pandemic. In order to meet its financial obligations, Government guaranteed DBS a Euro loan with Nouvobanq of Euro 4.9m, equivalent to approximately SCR 100m.

On the external side, following the first wave of the pandemic, the Government accessed the Catastrophe Deferred Drawdown Option (CATDDO) fund worth USD 7.0m in May 2020. The CATDDO, provided by World Bank through IBRD, is a contingent financing line that provides immediate liquidity to IBRD-eligible countries to address shocks related to natural disasters and/or health-related events. Through negotiations with key multilateral creditors, Government managed to secure other Budget Support Loans.

The table below summarizes all the new borrowings and guarantees for 2020.

Table 1: New External Borrowings as at the end of 2020

Description	Creditor	Amount (USD' m)	% of GDP
CATDDO	IBRD	7.0	0.7
IMF Budget Support	IMF	31.2	3.1
COVID-19 Crisis Response Emergency (Budget Support)	IBRD	15.0	1.5
COVID-19 Emergency Response Budget Support Programme	ADB	10.0	1.0
Total		63.2	6.3

Source: Ministry of Finance, Economic Planning & Trade

Table 2: New Domestic Borrowings as at the end of 2020

Description	Amount (SCR' m)	% of GDP
7% 3 year bond	500.0	2.4
10% 5 year bond	500.0	2.4
12% 7 year bond	500.0	2.4
Total	1,500.0	7.3

Source: Ministry of Finance, Economic Planning & Trade

Table 3: New Government Guarantees as at the end of 2020

Debtor	Currency	Amount (Millions)	% of GDP
Development Bank of Seychelles	EUR	4.9	0.6
Property Management Corporation	SCR	12.4	0.1
Total			0.7

Source: Ministry of Finance, Economic Planning & Trade

Overview of Existing Debt

At the end of October 2020, the total Government and Government guaranteed debt amounted to SCR 18,085m, representing about 89% of GDP. The total debt stock is showing almost a fifty-fifty percent weighting between the external and domestic debt. As illustrated in Table 4 below, the total stock of domestic debt amounted to SCR 9,021m whilst the external debt stock amounted to about SCR 9,064m. In comparison to the 2019, where domestic debt was SCR 7,037m and external debt was SCR 5,557m, both the domestic and the external debt has increased substantially during 2020 following the adverse budgetary impact brought about by the COVID-19 pandemic. Faced with a budget deficit of SCR 3.96bn, or 19%, Government had to resort into additional borrowings. On the external side, Government was assisted through several Budget support loans from multilaterals partners. On the domestic market, in addition Treasury Bills, three Treasury Bonds were issued as previously stated.

Table 4: Total debt by residency of creditors

Description	2020 (SCR' m)	%
Domestic	9,021	49.9
o.w. Government	8,241	45.6
o.w. Guarantees	780	4.3
External	9,064	50.1
o.w. Government	8,865	49.0
o.w. Guarantees	199	1.1
Total Debt	18,085	100.0

Source: Ministry of Finance, Economic Planning & Trade

The nature of the public debt is provided in Table 5 below. The Central Government debt accounts for about 95% of the total debt whilst the Government guaranteed debt has reduced from 8% in 2019 to 5.4% in 2020. The 3% rise in the central Government Debt reflects mainly the borrowings through Budget Support loans taken to assist the Government to cope with the adverse budgetary impact of the COVID 19 pandemic.

Table 5: Total debt by Guarantee Status

Description	2020 (SCR' m)	%
Government	17,106	94.6
Guarantees	979	5.4
Total Debt	18,085	100

Source: Ministry of Finance, Economic Planning & Trade

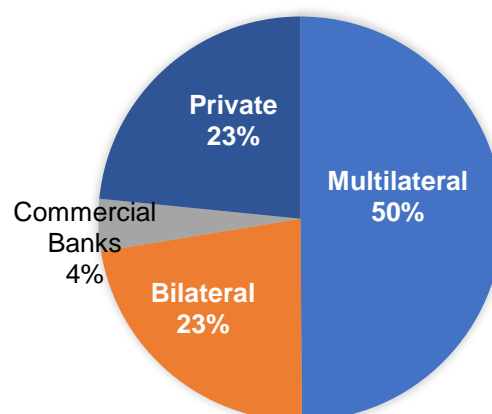
2.1. External Debt Profile

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 October 2020, the total stock of external debt amounted to SCR 9,064m, which is an increase of SCR 3,507m compared to last year's external debt stock. External debt was equivalent of 45% of GDP. As shown in the table below, outstanding debts to multilateral creditors accounts for the largest share of the total external debt stock, 49.9% of the total external debt. Private and Bilateral debts make up for 23.4% and 22.5% of the total external debt stock respectively. Debts owed to commercial banks accounts for the smallest share of the total external debt at only 4.2%.

Table 6: Total debt by Creditor Category

Description	2019 External Debt Stock (SCR' m)	%
Multilateral	4,522	49.9
Bilateral of which;	2,041	22.5
<i>Paris Club</i>	1,066	11.8
<i>Non-Paris Club</i>	975	10.8
Commercial Banks	378	4.2
Private	2,123	23.4
Total	9,064	100.0

Figure 2: Percentage distribution by Creditor Category

Source: Ministry of Finance, Economic Planning & Trade

The table below shows the external debt by Instrument type. The majority of the external debt is in the form of loans. This shows an increase compared to 2019 whereby only 67% of the external debt portfolio was in the form of loans.

Table 7: External Debt by Instrument Type

	2020 (SCR' m)	%
Loans	6,850	75.6
Securities	2,214	24.4
Total Debt	9,064	100.0

Source: Ministry of Finance, Economic Planning & Trade

2.2. Domestic Debt Profile

The stock of domestic debt comprises of all debt liabilities owed to residents of the Seychelles economy. As of October 2020, the total domestic debt amounted to SCR 9,021m which is a SCR 1,984m increase compared to last year's domestic debt stock. Loans and Securities are the main components of the domestic debt, with loans accounting for about 16.0% and securities 83.5% of the domestic debt stock. The securities category was mostly made up of treasury bills, which accounted for 58.5% of the total domestic debt.

Table 8: Domestic Debt by Instrument Type

	2020 (SCR' m)	%
Loans	1,439	16.0
Securities of which;	7,535	83.5
<i>Treasury Bills</i>	5,281	58.5
<i>Treasury Bonds</i>	2,000	22.2
<i>DBS Bonds</i>	150	1.7
<i>Deposits</i>	46	0.5
<i>Notes</i>	58	0.6
Other Debt Liabilities	47	0.5
Total Debt	9,021	100.0

Source: Ministry of Finance, Economic Planning & Trade

The heavy reliance on T-Bills remains a major source of risk for Government due to its short-term maturities and the high likelihood of roll-over risk.

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. The Average Time to Maturity (ATM), the debt redemption profile of the outstanding debt stock and the percentage of debt maturing within one year, are important measures of the exposure to refinancing risk. These are analysed below.

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 as at the end of 2020 is almost 5 years, indicating moderate risks in the portfolio. When compared to 2019, there has been 0.7 years, or 11% increase in the ATM in the external debt portfolio. This increase is directly associated to the new loans that were taken as part of Budget support following the COVID-19 pandemic. On the other hand, the ATM on the domestic debt portfolio has decreased by 0.6 years, or 19%. This implies an increase in the exposure of the debt portfolio to refinancing risk compared to last year. Despite the issuances of the solidarity Bond, which is a long-term instrument, the effect was cancelled out by the continuous issuance of Treasury Bills. As previously stated, by the end of October, Treasury Bills issuance was about SCR 600m higher compared to 2019. However, this was cushioned by the increase in ATM on the external debt.

Table 9: Average Time to Maturity (2019 vs 2020)

ATM (Years)	2019	2020	Difference (%)
External Debt	6.1	6.8	11.5
Domestic Debt	3.1	2.5	-19.4
Total Debt	4.8	4.9	2.1

Source: Ministry of Finance, Trade, Investment & Economic Planning

3.1.2. Share of Debt Maturing within one year

Table 10 shows the share of debt maturing in one year. As can be seen, despite the increase in short term maturities, compared to 2019 there has been an improvement in this refinancing risks indicator. The share of total debt maturing within one year has reduced from about 31% in 2019 to about 29% in 2020, indicating moderate risks. This improvement is mainly attributed

to the new external loans taken and also the issuance of the Solidarity Bonds, which has reduced the share of debt maturing in one year by almost 16% and 5% on the external and domestic debt respectively.

Table 10: Debt Maturing within 1year (2019 vs 2020)

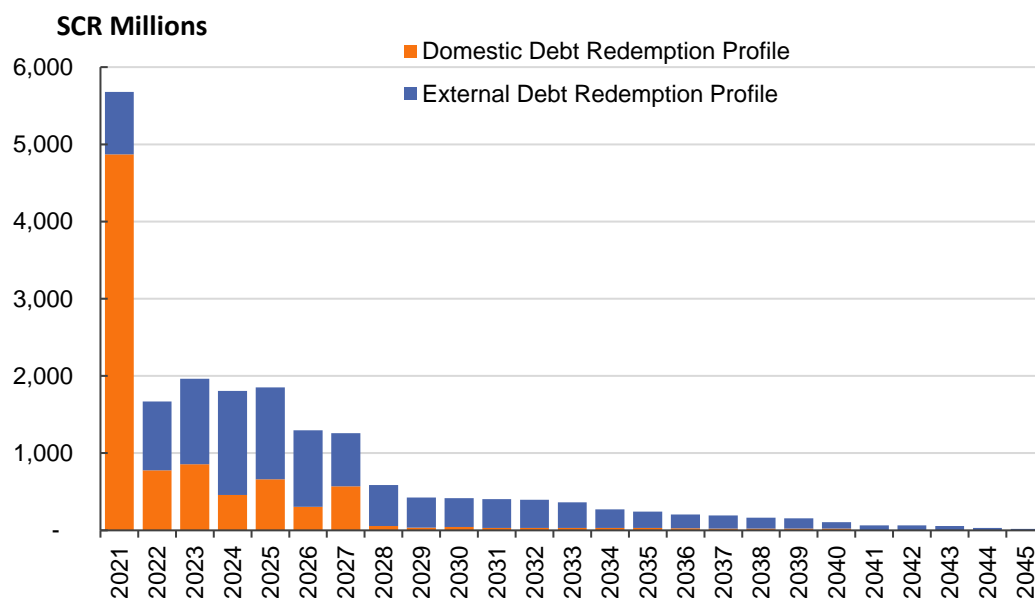
Debt maturing in 1yr (% of total)	2019	2020	Difference (%)
External Debt	8.8	7.4	-15.9
Domestic Debt	57.5	54.7	-4.9
Total Debt	30.9	29.8	-3.6

Source: Ministry of Finance, Trade, Investment & Economic Planning

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 in the figure below, about SCR 5.7bn of debts is estimated to due in 2021¹. This is attributed to the high share of short-term instruments, namely treasury bills, within the debt portfolio. As a result, the redemption profile for the total debt from 2022 to 2040 closely mirrors that of the external debt profile, which comprises of longer-term instruments.

Figure 3: Total debt redemption profile

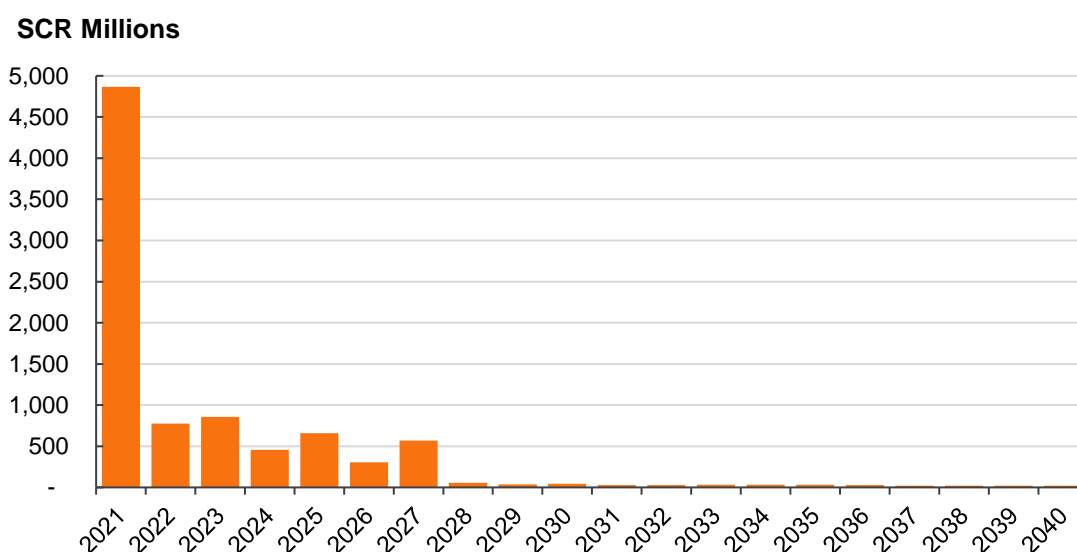


Source: Ministry of Finance, Trade, Investment & Economic Planning

¹ Note that this is based on information as at end of October 2020. The figures will vary with issuance of new Loans and Securities.

The figure below analyses the domestic debt profile more closely. As can be seen, most of the domestic debt will mature in 2021. This is representative of almost 55% of the total current domestic debt stock. As previously stated, this is attributed to the high shares of Treasury Bills with short term maturities and indicates a relatively high roll-over/refinancing risk. With the current uncertainty in the economic environment following the COVID-19 Pandemic, it is highly likely that most of those debts will be rolled-over. As part of its strategy, the Government remains committed in its efforts to lengthen the maturity of the domestic debt portfolio so that it limits exposures to refinancing risks. This will be further elaborated under the 2021 Borrowing plan section.

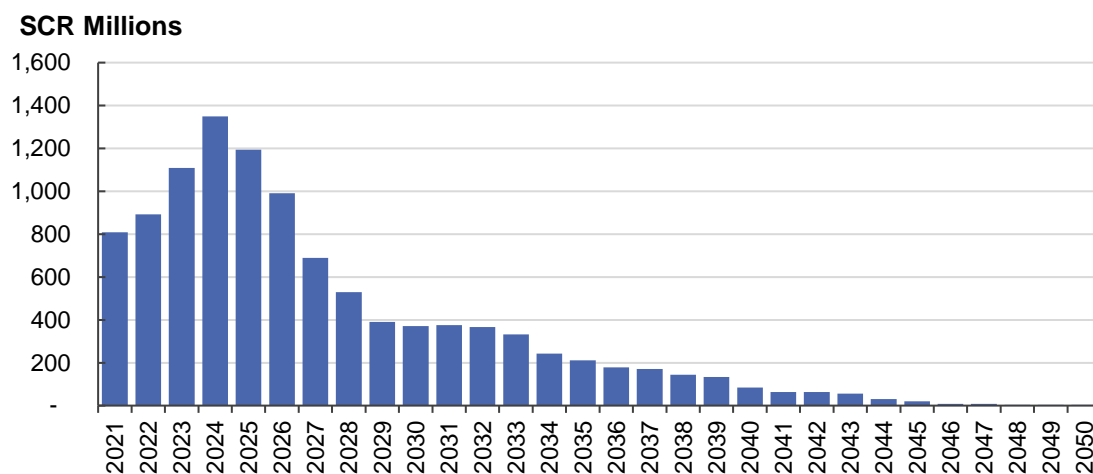
Figure 4: Domestic debt redemption profile



Source: Ministry of Finance, Trade, Investment & Economic Planning

On the other hand, the external debt profile indicates low exposure to refinancing risks despite being highly volatile to fluctuations in exchange rate. As can be seen in the figure overleaf, less than 10% of the total external debt is expected to mature by the end of 2021. The total principal repayments are expected to gradually increase from 2022 to reach a peak in 2024, reflecting the profile of the restructured Paris Club debts. As the Government continues to service its debts, the total repayments are expected to gradually decline from 2025 throughout the life of the portfolio.

Figure 5: External Debt Redemption profile



Source: Ministry of Finance, Economic Planning & Trade

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 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.

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. As can be seen from the table below, the ATR has increased for both external and domestic debt. The ATR on the total debt portfolio increased by 0.4 years, or 14%, in 2020 compared to 2019. The main increase is on the external debt, which increased by 0.8 years, or approximately 22%, whilst the Domestic debt increased slightly by 0.1 year, or 6%. The ATR provides an indication of a moderate risks for the external and total debt. However, the risks on the domestic debt portfolio remains relatively high given the size of the domestic debt portfolio.

Table 11: Average Time to Re-Fixing (2019 vs 2020)

Average Time to Re-fixing (ATR) (years)	2019	2020	Difference (%)
External Debt	3.7	4.5	21.6
Domestic Debt	1.8	1.9	5.6
Total Debt	2.8	3.2	14.3

Source: Ministry of Finance, Economic Planning & Trade

3.2.2. Percentage of Debt Re-Fixing within one year

The percentage of debt that needs to be rolled-over within one year out of the total debt is another indicator of interest rate risks. Debt is roll-over either because they are maturing or they are debt with variable rate. Table 12 below summarizes the change in percentage of Debt Re-Fixing within one year in 2019 compared to 2020.

Table 12: Percentage of Debt Re-Fixing within one year (2019 vs 2020)

Debt re-fixing in 1yr (% of total)	2019	2020	Difference (%)
External Debt	39.3	41.6	5.9
Domestic Debt	74.1	65.2	-12.0
Total Debt	55.1	52.8	-4.2

Source: Ministry of Finance, Economic Planning & Trade

About 42% of the external debt, 65% of the domestic debt and 53% of the total debt will be subject to a new interest rate within one year. As compared to 2019, the indicators are still indicating moderate risks to the external and total debt portfolio. The indicator shows that there has been a small improvement of 4 percent on the total debt that will need re-fixing within a year. This is entirely in the domestic debt portfolio with a 12% reduction in 2020 compared to 2019 reflecting the issuance of the solidarity Bond which have longer maturity and also bears fix interest rate. Although the percentage of domestic debt that needs to be re-fix within 1 year has decline, the risk remains high. This is due to the fact that most of the Government funding is through Treasury bills or short- term securities which results in the domestic debt portfolio to remains more vulnerable to changes in interest rates.

3.2.3. Fixed Rate Debt as a Share of the Total Debt

The share of fixed rate debt within the portfolio is another 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 65% of the external debt portfolio, 88% of the domestic debt portfolio and 76% of the total debt portfolio.

Table 13: Fixed Rate Debt as a Share of the Total Debt (2019 vs 2020)

Fixed Rate Debt (% of total)	2019	2020	Difference (%)
External Debt	67.6	64.1	-5.2
Domestic Debt	82.4	88.2	7.0
Total Debt	74.3	75.5	1.6

Source: Ministry of Finance, Economic Planning & Trade

Overall, the percentage shares of fixed rate debt in 2020 have remain more or less around the same level as 2019 with small variations within the portfolios. The overall percentage indicates low risks to each of these portfolios especially on the domestic side. On the external side the decrease in fixed rate is associated with the new Budget support loans which are subjected to variable interest rates.

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. These are summarized in the table overleaf.

Table 14: Foreign Exchange rate risks indicators (2019 vs 2020)

Risk Indicators	2019	2020	Difference (%)
FX debt (% of total debt)	46.0	52.7	14.6
ST FX debt (% of reserves)	6.4	6.7	4.7

Source: Ministry of Finance, Economic Planning & Trade

As at the end of 2020, the percentage of foreign exchange Debt represented almost 53% of total debt compared to 46% in 2019. This reflects an increase of almost 15% attributed to increase in the foreign exchange debt acquired through the Budget support loans. Furthermore, the depreciation in the exchange rate which has affected both the external loan and the domestic loans which are in foreign exchange, has also contributed significantly to the increase. Domestic loans in FX represents around 4% of the total domestic loan stock and about 1.2% of the total debt portfolio. This risk indicator figure indicates a high exchange rate risks especially if there is no stability in the market. Analysis shows that without the deprecation, and keeping other variables constant, by the end of 2020 the percentage of foreign exchange debt would have only been 45% of GDP.

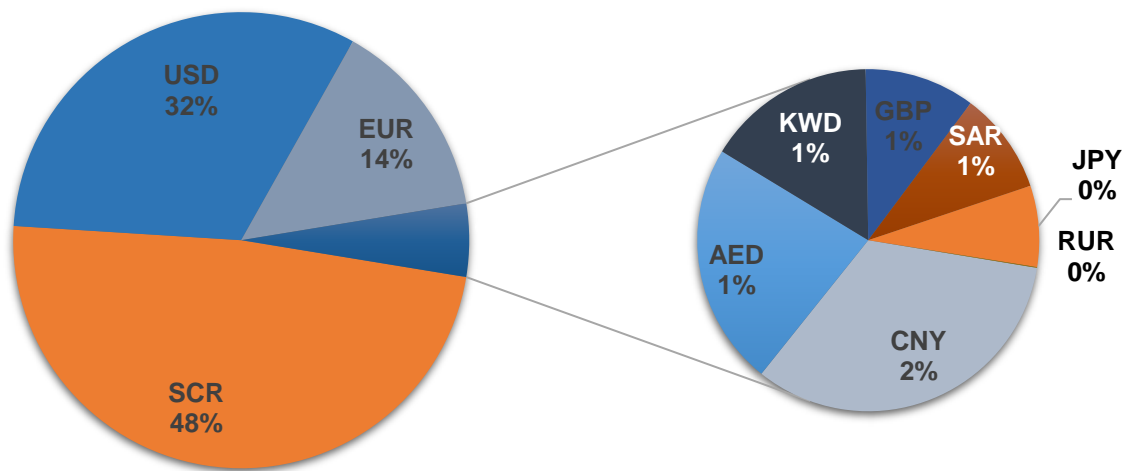
The share of external debt that will fall due within one-year accounts for 6.7% of the country's reserves. This figure has increased by 5% compared to 2019 and indicates high risks.

3.3.1. The Currency Composition

The currency composition provides an overall indication of the exposure to exchange rate risks to the portfolios. As shown in figure 6, the total debt stock is mostly made up of three main currencies, which are the Seychelles Rupee (SCR), United States Dollars (USD) and Euros (EUR). In 2019, about 54% of the total debt stock was denominated in the local currency, indicating moderate risks. However, the end of October 2020 estimates shows that there is a reduction in the SCR loan composition to around 48% of the total debt stock. The total foreign exchange debt estimates increased from 46% to almost 52% indicating an increase in risks. Ministry of Finance, Economic Planning & Trade

The United States Dollars and the Euros which respectively accounted for 29% and 11% of the total debt stock in 2019, is estimated to have increased to 32% and 14% in 2020, respectively. As previously stated, the increase is due to the depreciation in the exchange rate which affected the USD and Euro Loans. Additionally, the new loans taken during the year which were mainly denominated in USD also contributed to the increment in foreign currency composition. Seven other currencies forms part of the total debt portfolio composition. These includes the British Pound (GBP), Chinese Renminbi (CNY), Kuwaiti Dinar (KWD), UAE Dirham (AED), Japanese Yen (JPY), Russian Ruble (RUR) and Saudi Riyal (SAR), which together accounts for about 5% of the total debt stock.

Figure 6: Currency Composition as at End October 2020



Source: Ministry of Finance, Economic Planning & Trade

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 the 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. Additional IT personnel will also help minimize long delays whenever there are issues with the debt management system which prevents the department to perform efficiently and in a timely manner.

In line with IT risks, there is the risk of failure of the database used to administer the loan. The software is managed by the commonwealth secretariat and the necessary back up is ensured on their end.

3.4.2. Paper Based Documentations

Most of the debt management documentations 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 documentations include the risks of physical deterioration, risk of total destruction in the event of a fire or natural disaster. To mitigate these risks and to lower the volume of paper used various longer-term solutions such as digitalization are being considered and adopted.

3.4.3. Risk of Fraud

The Debt Management office ensures it settles all debt repayment with the creditors in a timely manner. The creditors always provide their invoice for the office makes the necessary payment. There is the risk that false invoices are provided by hackers and repayments are made in their account instead. However, this is mitigated by ensuring and cross checking the accounts are for the respective creditors. The majority of creditors have long-time established relationship with the Seychelles and proper historical details of their accounts are kept.

3.4.4. Foreign exchange risk

The primary source of foreign exchange in the country is from tourism receipts. Any significant impact on the market will decrease the country's foreign exchange earnings and may constraint the office in settling its debt obligations. This is mitigated by the Central Bank ensuring that the country has adequate reserves to meet all its primary foreign expenditure, which includes debt repayments.

3.5. Cost of Debt

The weighted average implied interest rate gives an indication of the cost of debt on the portfolio. As shown in the table below, the cost of total debt more than double in 2020 compared to 2019. This is mostly associated to the substantial increase in the implied interest rate on the domestic debt. The issuance of the three Solidarity Bonds in June, with interest rate of 7%, 10% and 12% is the primary reason for this spike in the domestic portfolio. The average interest rate on the external debt increased by about 41%, which is associated with the significant depreciation in the rupee over 2020. By the end of 2020, the average SCR/USD rate had depreciated by almost 26% thus increasing the cost of the external debt.

Table 15: Cost of debt as at end (2019 vs 2020)

Weighted Average IR (%)	2019	2020	Difference (%)
External Debt	3.2	4.5	40.6
Domestic Debt	1.6	5.8	262.5
Total Debt	2.5	5.1	104.0

Source: Ministry of Finance, Economic Planning & Trade

The Environment for Debt Management

5.1. The Fiscal Sector

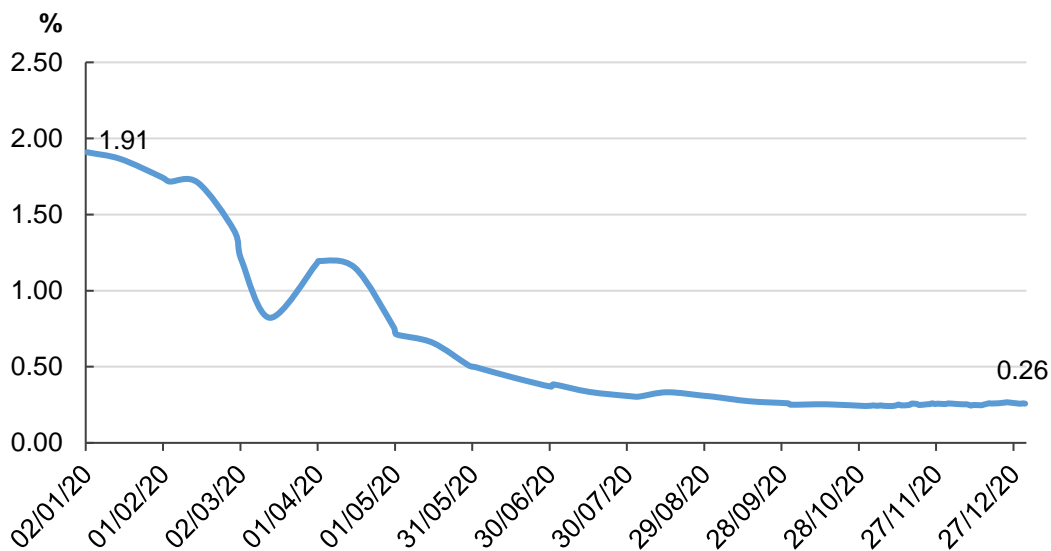
With a 2.5% primary budget surplus yearly until 2021, the Government was on stable path towards achieving a 50% debt to GDP ratio target by 2021. However, the COVID-19 pandemic severely affected economic activities, reducing Government's revenue and faced with increase in expenditure, the Government faced an estimated budget deficit of around 19.2%. With the dynamic economic environment, in order to finance the continuous budgetary pressure Government had to resort in additional borrowings. This adversely affected Government's target to reduce the Debt to 50%. For now, Government's number one objective is to ensure that the Debt remains on a sustainable path and that it is able to service its current debt obligations.

5.2. The Monetary Sector

Interest Rate

Since the beginning of 2020, the interest rate on the USD Libor 6 months has been on a general decline despite some slight volatility in the second quarter. As shown by **Figure 7** below, the rates fell from nearly 1.9% at the beginning of January 2019 to reach 0.26% at the end of December 2020. The decline in the USD Libor rate is expected to lead to reduction in the cost of servicing debt subject to this rate.

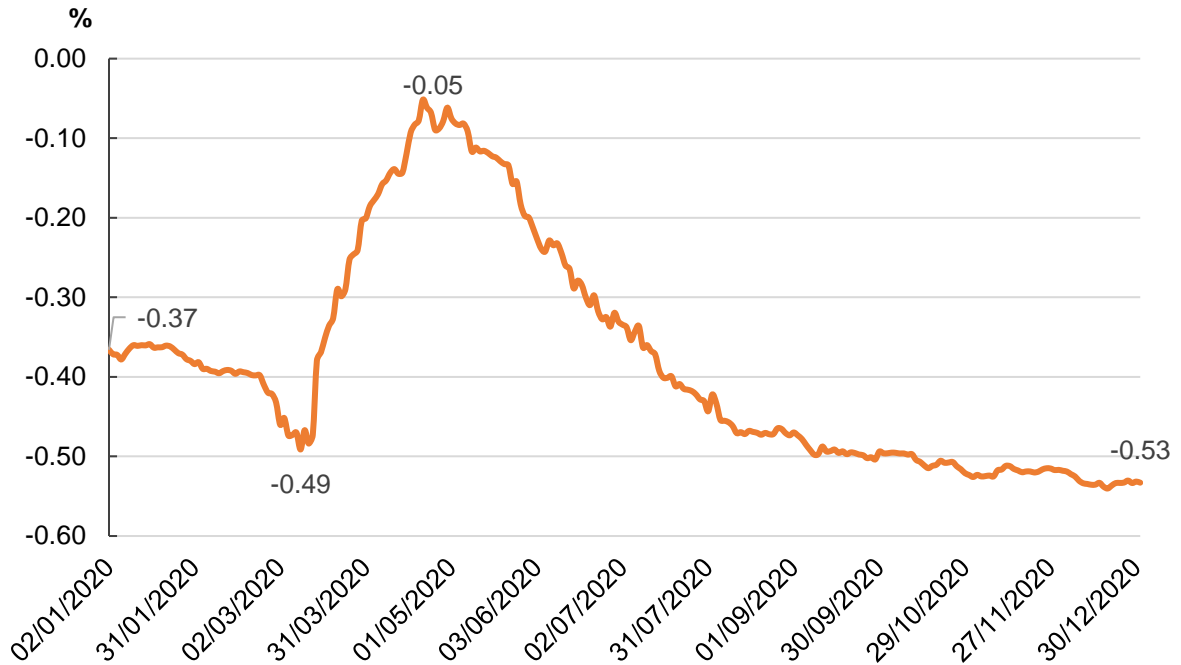
Figure 7: USD Libor Interest Rate



Source: Intercontinental Exchange (ICE)

As indicated by Figure 8, the Euro Libor rate has been quite stable during the first two months of 2020. In March the rate was more volatile, dropping to as low as -0.49% and sharply picking up after to reach about -0.05% towards the end of April. The Euro Libor rate has then decrease steadily. By the end of 2020, the rate stood at -0.53%.

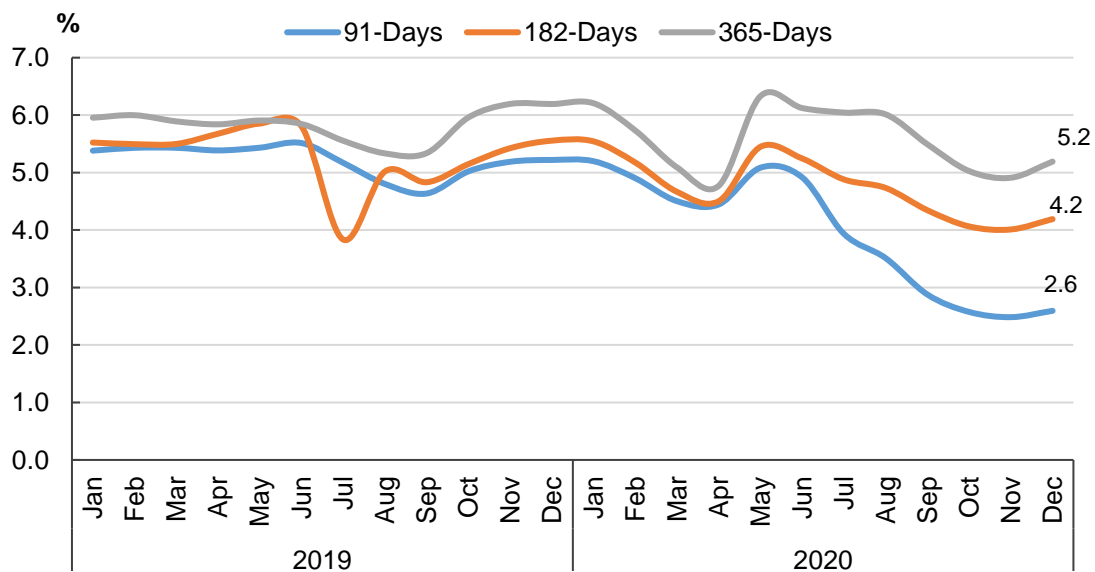
Figure 8: Euro Libor Interest Rate



Source: Intercontinental Exchange (ICE)

The figure below shows the interest rate of T-Bills in 2019 and throughout 2020.

Figure 9: Interest Rate on Treasury Bills



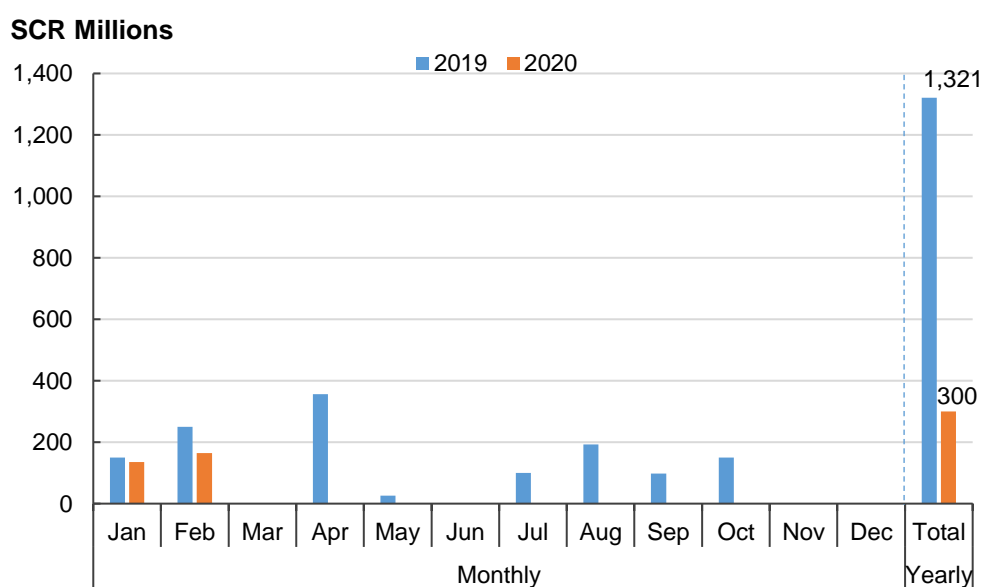
Source: Central Bank of Seychelles

In terms of the domestic market, the spread across the interest rate on Treasury bills, as at the end of 2020, has widen compared to 2019. As can be seen in **Figure 9** above, as at the end of 2020, the difference in interest rate between the 182 Days and 91 Days bill was 1.6% whilst between the 365 Days and 182 Days, the spread was 1%. In 2020, there has been a slight fall in the weighted average on Treasury bills. However, the interest rate on Treasury bills still have a great impact the cost of domestic financing.

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 help the Government reduce its debt level has contributed to the gradual reduction in the issuance of debt for monetary policy purpose from the 2018 levels. At the end of December 2020, debt for monetary purpose accounted for about 6.4% of GDP. **Figure 10** below shows the total issuance for 2019 and 2020. For 2020, the only issuance was in January and February with no other issuances until the end of the year.

Figure 10: Debt for Monetary Policy

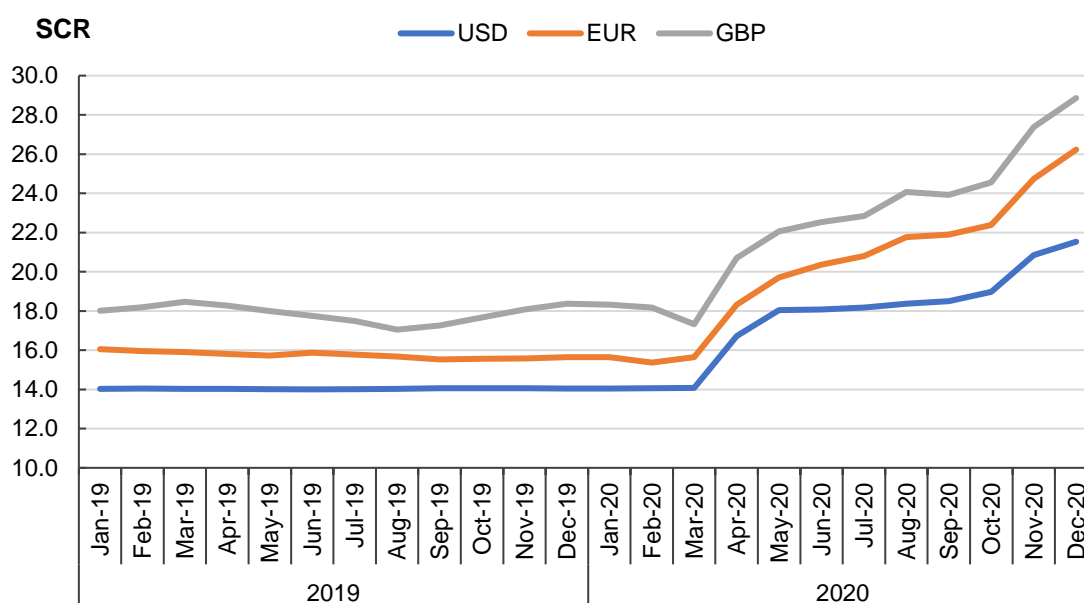


Source: Ministry of Finance, Economic Planning & Trade and Central Bank of Seychelles

5.3. The External Sector

As can be seen from the figure below, during 2019, the Seychelles Rupee has been relatively stable in comparison to three main currencies. The rupee was trading at an average of around SCR 14 to a USD. The euro had been trading at average of SCR 16 to a Euro with some slight depreciation of the Euro towards the end of the year. This stability continued in the first quarter. However, with the lockdown imposed in April following the outbreak of the COVID-19 pandemic, the SCR depreciated significantly against all major currencies in just a matter of weeks. The depreciation continued throughout 2020 and by the end of the year, the USD, EURO and GBP were trading at an average of SCR 21.53, SCR 26.23 and SCR 28.86 respectively. This sharp depreciation in the foreign exchange rate and relative instability of the Seychelles rupees, implied a higher cost in servicing the debt denominated in those currencies during 2020.

Figure 11: Foreign Exchange Rate



Source: Central Bank of Seychelles

5.4. The Real Sector

The key measure of a country's debt is the Debt to GDP ratio. Increase in the GDP signifies more economic activities hence improves the ability of a country to honour its debt obligations, other things being constant. However, in 2020 with the pandemic, economic activities decreased and Seychelles' nominal GDP is estimated to have contracted by almost 12%. Furthermore, with the increase in the debt level, by the end of 2020, the debt to GDP ratio is estimated at almost 96%.

For 2021, economic activities are expected to pick up but at a slow pace. Face with a continuous budget deficit, Government will need new borrowings for the coming year. The debt to GDP ratio is expected to increase further in 2021 and starts declining in 2022 and over the medium term as economic activities increases.

The Debt Management Strategy Framework

6.1. Debt Management Strategy 2021-2023

This section looks at different strategies to help the Government make an informed decision in terms of Debt Management in the medium term. Government needs to ensure that the Debt remains sustainable thus needs to adopt a strategy that is both cost effective and less risky. The Debt Management Strategies for the Seychelles debt portfolio has been guided by the following choices;

- Concessional / semi-concessional / commercial
- External versus domestic financing
- Currency composition
- Short- and long-term maturities
- Variable and fixed rate debt

6.1.1. Alternative Strategies

Strategy 1

This strategy considers an extreme scenario whereby borrowing is restricted primarily to external Multilateral sources with a smaller amount contracted from Bilateral sources. It assumes that the former will finance 50% of the financing needs and the latter 40%. The remaining 10% are assumed to be financed by Commercial and Private external finances, based on the assumption that the cost of borrowings will be too high. Domestic borrowing is excluded under this strategy based on the assumptions of limited market demand and high cost of borrowing.

Strategy 2

Strategy 2 looks at an alternative extreme scenario. This strategy constraint borrowing only to domestic sources based on the assumption of a lack of external finance resulting from a fall in the country's credit rating. The strategy also assumes that the borrowing is done only in the local currency with a higher share of fixed rate debt with more financing in long-term maturities instruments, such as Treasury Bonds.

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.

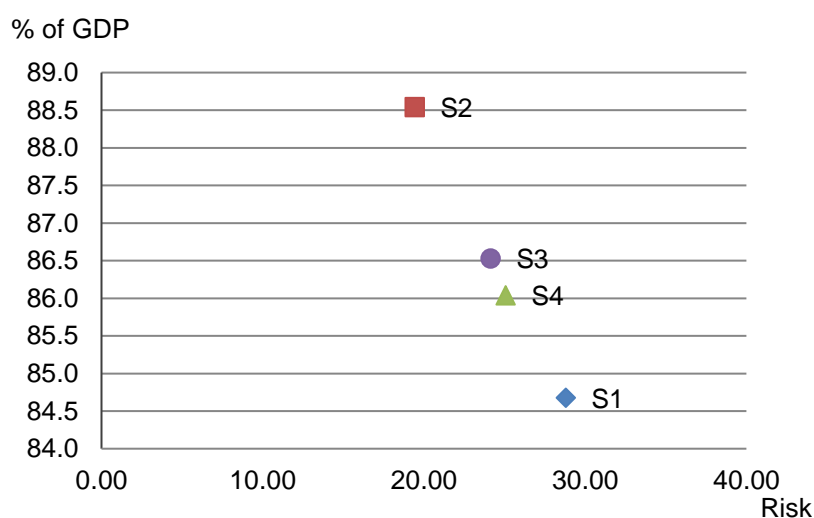
Strategy 4

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. In this strategy, short-term domestic debt, i.e. T-bills, are replaced with T-Bonds which has longer maturities. It also assumes a higher amount of external borrowing of 60%, coming principally from multilateral creditors at concessional rates, and a minor amount from bilateral sources only. Another assumption is that most of the external borrowing will be in the form of fixed-rate debt- 60% of external borrowing.

6.1.2. Analysis of The Alternative Strategies

The graph below plots the effect on Debt as at the end of 2023 based on the proposed strategies. As can be seen, concentrating more on external borrowings with multilateral partners at concessional rates (Strategy 1), will be less costly to the Government. The Debt to GDP will decrease to around 85% as at the end of 2023 based on a medium-term sustainability scenario. However, of all strategies, this approach is the riskiest because of the volatility in the exchange rate. Strategy 4, is less risky than Strategy 1, however it cost slightly more because of the current higher interest rate from Domestic borrowing. Strategy 2 is the less attractive as it will cost the Government more given the current cost of borrowing on the domestic market is higher compared to external borrowings.

Figure 12: Cost Risk Analysis of Strategies as at end of 2023



Source: Ministry of Finance, Economic Planning & Trade

2021 Borrowing Plan

7.1. Overall Financing Plan

For the year 2021, the Government is expected run an overall budget deficit amounting to SCR 3,417.8m on a cash basis, an equivalent to about USD 151m.

In net terms, the Government expects to borrow in foreign debt a total of SCR 292m whilst increasing the domestic debt by about SR 3,051m in net terms to finance its operations.

Table 16: Overall Financing

	USD' m	SCR' m
Total Financing (overall budget deficit)	150.7	3,417.8
Foreign financing, net	12.9	291.5
Domestic financing, net	134.5	3,051.3
Privatisation	3.3	75.0

Source: Ministry of Finance, Economic Planning & Trade

7.2. External Debt

Requirements

In net terms, Government is expected to increase its foreign debt by SCR 292m (i.e., USD 12.9m) for the year 2021. This stems from the gross borrowing of SCR 1,115m (USD 49m) and SCR 823m (USD 36m) from the amortization of foreign debt. The new debts that will be incurred in fulfilling the borrowing requirements will be used to finance existing projects and also for budget support due to the COVID 19 pandemic.

Sources

The external borrowing needs will primarily be financed from the multilateral and bilateral sources given in Table 17. The multilateral sources include the; 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).

Table 17: Foreign Financing

	USD' m	SCR' m
Net Foreign Financing	12.9	291.5
Total Borrowings	49.1	1,114.6
Indian reschedule Loan of US \$ 4 million: Health Information system	3.4	76.6
Rehabilitation of Schools (Kuwait Fund)	3.8	86.8
Indian Line of Credit	5.9	132.7
*Blue Bond – DBS	2.0	45.4
*Blue Bond – SEYCCAT	0.5	11.3
Swiofish3 (IBRD)	1.2	27.2
PUC:33KV South Mahe	0.0	1.0
Program/Budget Support	32.3	733.6
Total Amortization	-36.3	-823.1

Source: Ministry of Finance, Economic Planning & Trade

**Note: The blue economy will be financed from the proceeds of the blue bond through DBS & SEYCCAT*

7.3. Domestic Debt

Requirements

The total net domestic requirement for 2021 is forecasted at about SR 3,051m. This results from a gross domestic issuance of about SCR 7,660m and a gross domestic debt retirement of about SCR 4,609m,

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 2021.

Table 18: Domestic Net Financing

	SCR' m
Gross Issuance	7,660.1
Gross Retirements	(4,608.8)
<i>*T-Bills Stock</i>	(4,476.8)
91 day bills	(676.3)
182 day bills	(1,425.9)
365 day bills	(2,374.6)
<i>Loans from Commercial Banks</i>	(132.0)
Net Domestic Issuance	3,051.3

Source: Ministry of Finance, Economic Planning & Trade

**Outstanding stocks are as at the end of December 2020*

7.4. Debt to GDP forecast 2021-2023

The table below shows the estimated forecast for the debt to GDP ratio for 2021-2023. Note that the forecast is based on the best information available at the time of publication. The estimates are based on a range of economic and other parameters.

As can be seen, the debt to GDP ratio is expected to rise in 2021 to 108%. This is reflective of additional borrowings that will be needed to finance the estimated 2021 budget deficit of SR 2.6Bn, or, 12%. The forecast also takes into consideration the depreciation in the currency which will increase the cost of borrowing externally as well as the current foreign exchange debt repayments. As detailed above, a mixture of external and domestic borrowings is considered for the forecast. With anticipated favorable exchange rate and improvement in the primary budget balance as indicated in the table below, the debt is forecasted to slowly decline, reaching about 89% of GDP by 2023.

Table 19: Debt to GDP Forecast 2021-2023

Indicator	2020 Est.	2021	2022	2023
Primary Balance (SCR' m)	-3,956	-2,642	-1,885	-448
Primary Balance (% of GDP)	-19.2	-11.8	-8.0	-1.9
Debt to GDP (%)	99.4	108.4	99.0	88.6

Source: Ministry of Finance, Economic Planning & Trade

SECTION 4

Public Enterprises Budget Report for the Fiscal Year 2021

Public Enterprises

Budget for 2021

January 2021



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Introduction

There are currently twenty-five Public Enterprises (PEs) and their subsidiaries reporting to the Public Enterprise Monitoring Commission (the Commission) as per Schedule one of the Public Enterprise Monitoring Commission Act 2013 (the Act) and they operate in the following sectors:

- Services and development
- Energy
- Transport
- Financial services

Details of the Government of Seychelles' (GoS) shareholding per PEs 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. Also, Section 11 (j) of the Act, 2013 empowers the Commission to identify issues relating to operational and financial risks of Public Enterprises that may have a material impact on the Public Enterprise sector and the economy.

This report aims to inform stakeholders on the PEs' projected performance, flows to the budget (tax and dividend) and flows from the budget (subsidies).

The Commission issued a circular (PEMC circular No. 5 2020) on August 31, 2020 requesting that all PEs submit their estimates and projections for 2021 by September 21, 2020. As at the reporting date (December 9, 2020), twenty-two PEs had submitted their 2021 budget to the Commission. PEs that have not provided their budget are the Seychelles International Mercantile Banking Corporation Ltd (Nouvobanq), Financial Services Authority (FSA), and the Seychelles Fishing Authority (SFA).

1. Financial overview

This section presents the forecasted financial performance (excluding subvention request) of the twenty-two PEs that had submitted their budget for 2021. Forecasted income and expenditure statements per PE are provided in Appendix 2.

Table 1. Summary of revised 2020 budget (COVID-19) and 2021 budget of the PEs

Public Enterprises	Revised 2020 Budget (COVID-19)				2021 Budget				
	Surplus for the period after tax & dividends	Surplus for the period before tax	Taxes Payable	Dividend	Surplus for the period after tax & dividends	Surplus for the period before tax	Taxes Payable	Dividend	Subvention Requested
	mSCR	mSCR	mSCR	mSCR	mSCR	mSCR	mSCR	mSCR	mSCR
Transport sector	(676.70)	(643.69)	(11.99)	45.00	(454.41)	(443.30)	(13.89)	25.00	195.60
Air Seychelles Ltd	(501.75)	(501.75)	0.00	0.00	(273.00)	(273.00)	0.00	0.00	108.00
Seychelles Public Transport Corporation	(89.38)	(89.38)	0.00	0.00	(104.10)	(104.10)	0.00	0.00	87.60
Seychelles Ports Authority	14.74	62.24	22.50	25.00	(20.37)	15.21	10.58	25.00	0.00
Seychelles Civil Aviation Authority	(100.31)	(114.80)	(34.49)	20.00	(56.94)	(81.41)	(24.47)	0.00	0.00
Services and development sector	(149.01)	22.93	1.94	170.00	25.55	18.19	(10.36)	3.00	26.71
Islands Development Company Ltd	(12.36)	(12.36)	0.00	0.00	61.49	77.63	13.14	3.00	5.98
National Information Services Agency	(4.17)	(4.17)	0.00	0.00	(1.06)	(1.06)	0.00	0.00	0.00
Seychelles Trading Company Ltd	(6.32)	(8.02)	(1.71)	0.00	(66.02)	(93.28)	(27.26)	0.00	0.00
Seychelles Postal Services Ltd	(11.56)	(11.38)	0.18	0.00	(7.73)	(7.66)	0.06	0.00	7.73
Property Management Corporation	9.83	9.83	0.00	0.00	7.20	7.20	0.00	0.00	0.00
L'Union Estate Ltd	(8.27)	(8.27)	0.00	0.00	(2.93)	(2.93)	0.00	0.00	0.00
Bois De Rose Investment Ltd	4.59	6.48	1.90	0.00	5.22	7.38	2.16	0.00	0.00
2020 Development (Seychelles) Ltd	20.38	21.41	1.03	0.00	4.79	5.75	0.96	0.00	0.00
Paradis Des Enfants Entertainment Ltd	(2.58)	(2.58)	0.00	0.00	(2.86)	(2.86)	0.00	0.00	0.00
Société Seychelloise D'Investissement Ltd ¹	(106.35)	4.19	0.55	110.00	39.05	39.62	0.56	0.00	0.00
Seychelles Fishing Authority	(18.88)	41.12	0.00	60.00	Not submitted				
Seychelles National Parks Authority	(13.32)	(13.32)	0.00	0.00	(11.59)	(11.59)	0.00	0.00	13.00
Financial sector	89.53	159.98	12.46	58.00	52.58	63.39	10.81	0.00	0.00
Development Bank of Seychelles	7.81	7.81	0.00	0.00	11.17	11.17	0.00	0.00	0.00
Housing Finance Company Ltd	6.84	12.84	6.00	0.00	7.90	13.90	6.00	0.00	0.00
Seychelles Commercial Bank Ltd	13.35	19.80	6.46	0.00	10.01	14.82	4.81	0.00	0.00
Nouvobanq	Not submitted				Not submitted				
Seychelles Pension Fund	39.00	39.00	0.00	0.00	23.50 ²	23.50	0.00	0.00	0.00
Financial Services Authority	22.53	80.53	0.00	58.00	Not submitted				
Energy sector	(161.02)	222.56	123.58	260.00	(64.74)	312.42	127.15	250.00	0.00
Public Utilities Corporation	(85.53)	(85.53)	0.00	0.00	(8.94)	(8.94)	0.00	0.00	0.00
Seychelles Petroleum Company Ltd	(71.15)	312.43	123.58	260.00	(52.81)	324.34	127.15	250.00	0.00
Petro Seychelles Ltd	(4.34)	(4.34)	0.00	0.00	(2.99)	(2.99)	0.00	0.00	0.00
Total	(897.21)	(238.22)	125.99	533.00	(441.01)	(49.30)	113.71	278.00	222.31

¹ The dividends to be received by SSI from its subsidiaries (PEs) and the proportion to be transferred to GoS have been deducted to avoid double-counting.

² Provisional

The 2021 projected result of the twenty-two PEs is an aggregate deficit before tax and dividend of **mSCR441**. Amongst the twenty-two PEs, eleven have forecasted a deficit before tax and dividend (ref. Table 1). The PE with the greatest projected deficit is Air Seychelles (mSCR273), followed by the Seychelles Public Transport Corporation (SPTC) (mSCR104.1). The Seychelles Civil Aviation Authority (SCAA) and the Seychelles Trading Company Ltd (STC) are also anticipating significant losses amounting to mSCR81 and mSCR93 respectively.

The Seychelles Petroleum Company Ltd (SEYPEC) is forecasting the largest surplus before tax among the PEs, amounting to mSCR324.3, followed by the Islands Development Company Ltd (IDC) with a surplus of mSCR77.6.

The PE with the greatest increase in its forecasted net result compared to the revised 2020 budget was Air Seychelles, with a 46% improvement (mSCR228.8) (ref. 2.1 Air Seychelles) followed by the Société Seychelloise d'Investissement Ltd (SSI) with a 137% increase (mSCR145.4). In 2021, SSI has not projected to pay dividends to the Government from its other revenue sources, aside from subsidiaries' dividends, contrary to its revised 2020 budget. The SSI revised 2020 budget contained a mSCR110 dividend projection to the Government, in addition to the mSCR250 dividend from its subsidiaries, to be financed from its other income sources, such as dividends from minority interests (ref. 1.4 Dividends).

Other PEs with a remarkable increase in their predicted result before tax are PUC (ref. 2.3 PUC) and SCAA (ref. 2.2 SCAA).

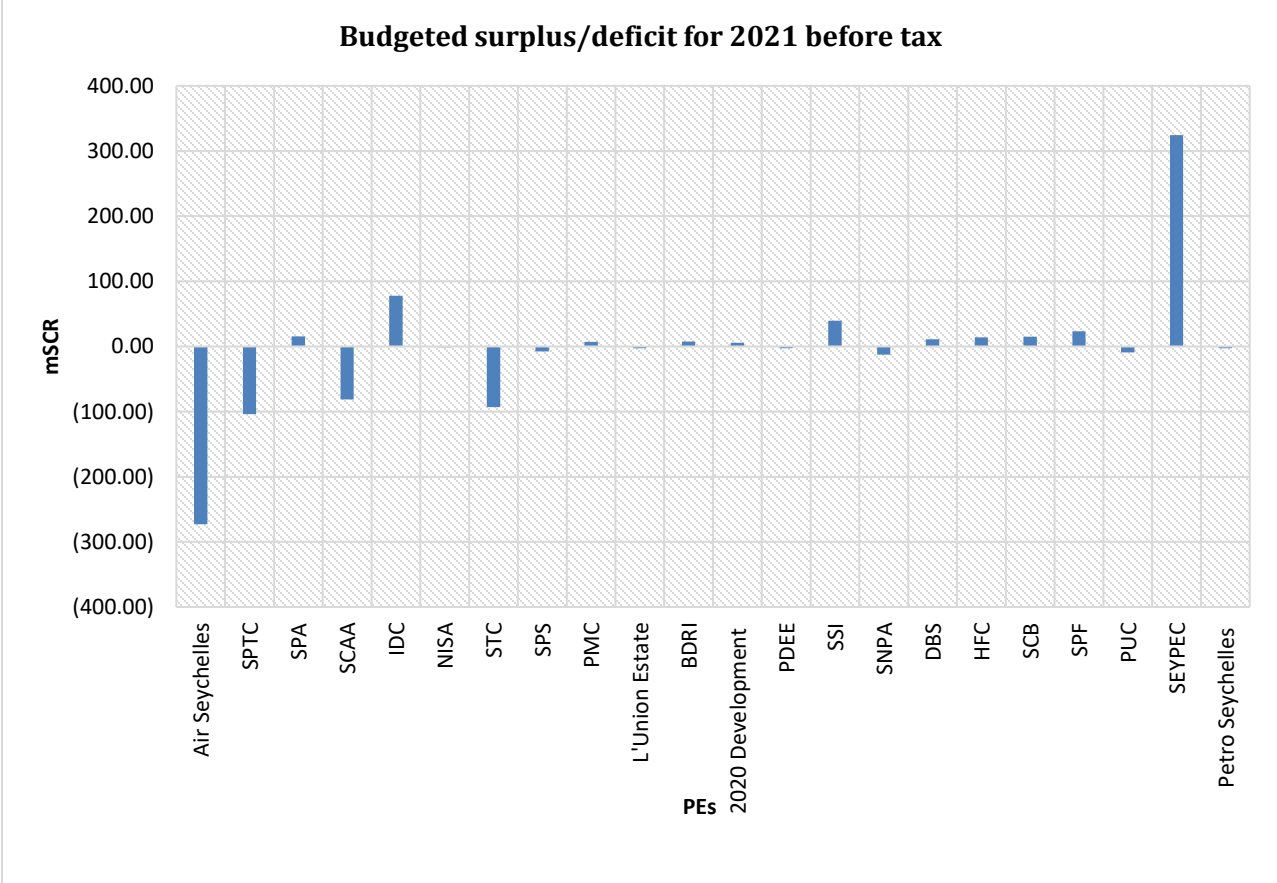


Figure 1. Revised forecasted surplus/(deficit) before tax of the Public Enterprises for 2021

The Energy sector expects the highest projected surplus before tax and dividend for 2021 (mSCR312.4) followed by the Financial sector (mSCR63.4) (ref. Table 1). The Transport sector is expecting the lowest performance with a projected deficit of mSCR443.3 before tax and dividend.

1.1 Revenue

The twenty-two PEs have forecasted bnSCR10.6 total revenue for 2021, with “sales of goods” constituting 57% of total income, followed by “rendering of services” representing 35% of total revenue (ref. Figure 2).

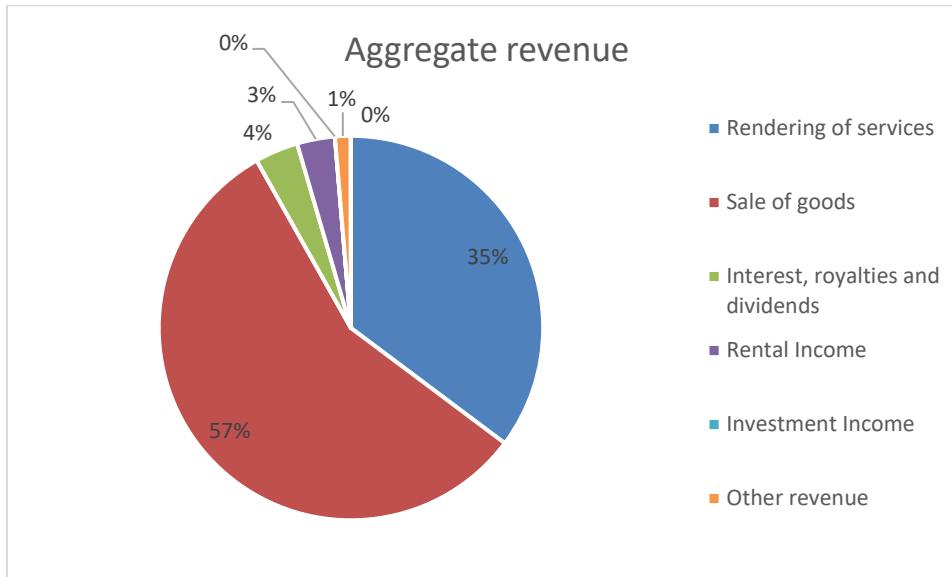


Figure 2. Aggregate revenue by category

IDC is expecting the largest revenue growth in 2021, with an increase of mSCR348.6 (113%) (ref. 2.6 IDC), followed by SEYPEC with an increase of mSCR347.8 (7%), and Air Seychelles with an increase of mSCR 194.1 (28%).

The projected increase in Air Seychelles' revenue is associated with the 65% growth (mSCR 255.6 or mUSD³ 14.2) in passenger revenue as the airline is expecting to resume scheduled flights in Q2 2021, as well as a reduction in interest expense (ref. 2.1 Air Seychelles).

Eight PEs have forecasted a decline in their total revenue for 2021, compared to the revised 2020 budget (ref. Table 2), with PUC projecting the largest decline amounting to mSCR100.2 (6%).

³ The functional currency of Air Seychelles is the U.S. dollar. Exchange rate: SCR/USD=18.

Table 2. Revised 2020 and 2021 total revenue budget of the PEs

Public Enterprises	Revised 2020 revenue	% of total revenue	2021 revenue	% of total revenue	Variance	
	mSCR	%	mSCR	%	mSCR	%
Air Seychelles Ltd	699.12	6.9%	893.25	8.5%	194.13	28%
Seychelles Public Transport Corporation	105.74	1.0%	103.70	1.0%	(2.04)	-2%
Seychelles Ports Authority	176.62	1.7%	168.54	1.6%	(8.08)	-5%
Seychelles Civil Aviation Authority	213.72	2.1%	257.08	2.4%	43.36	20%
Islands Development Company Ltd	308.54	3.0%	657.18	6.2%	348.64	113%
National Information Services Agency	20.65	0.2%	20.40	0.2%	(0.25)	-1%
Seychelles Trading Company Ltd	1010.74	9.9%	979.59	9.3%	(31.15)	-3%
Seychelles Postal Services Ltd	30.79	0.3%	21.48	0.2%	(9.31)	-30%
Property Management Corporation	77.52	0.8%	81.89	0.8%	4.37	6%
L'Union Estate Ltd	10.55	0.1%	14.81	0.1%	4.26	40%
Bois De Rose Investment Ltd	29.26	0.3%	32.11	0.3%	2.84	10%
2020 Development (Seychelles) Ltd	81.99	0.8%	83.92	0.8%	1.93	2%
Paradis Des Enfants Entertainment Ltd	0.99	0.0%	1.96	0.0%	0.97	98%
Société Seychelloise D'Investissement Ltd	49.28	0.5%	63.22	0.6%	13.94	28%
Seychelles Fishing Authority	239.85	2.4%	Not submitted			
Seychelles National Park Authority	6.58	0.1%	13.66	0.1%	7.08	108%
Development Bank of Seychelles	87.78	0.9%	89.14	0.8%	1.36	2%
Housing Finance Company Ltd	53.25	0.5%	46.32	0.4%	(6.93)	-13%
Seychelles Commercial Bank Ltd	141.06	1.4%	145.60	1.4%	4.54	3%
Nouvobanq	Not submitted		Not submitted			
Seychelles Pension Fund	175.00	1.7%	170.00	1.6%	(5.00)	-3%
Financial Services Authority	182.35	1.8%	Not submitted			
Public Utilities Corporation	1780.46	17.5%	1680.29	15.9%	(100.17)	-6%
Seychelles Petroleum Company Ltd	4678.08	46.0%	5025.85	47.6%	347.77	7%
Petro Seychelles Ltd	3.74	0.0%	5.64	0.1%	1.90	51%

1.2 Expenditure

The twenty-two PEs have budgeted an aggregate expenditure of bnSCR10.6 for 2021 of which “supplies and consumables” expense constitutes 74% and “wages, salaries and employee benefit” expense represents 13% (ref. Figure 3).

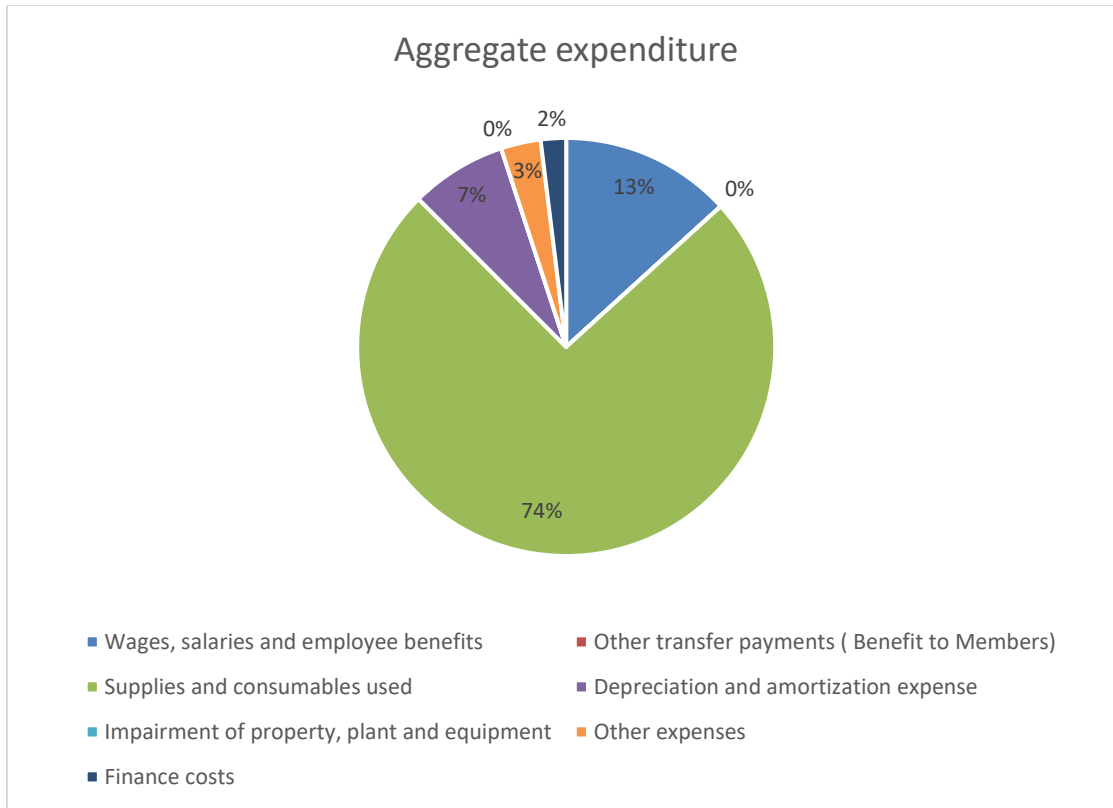


Figure 3. Aggregate expenditure by category

SEYPEC reported the greatest increase in budgeted total expenditure (ref. Table 3), amounting to 8% (mSCR335.9), followed by IDC with an 81% (mSCR258.6) growth, and STC with a 5% increase (mSCR54.1).

Conversely, eight PEs anticipate a decline in their total costs with PUC budgeting for the largest decrease, amounting to mSCR176.8 (9%) (ref. 2.3 PUC). Air Seychelles has budgeted a 3% reduction in total costs (mSCR34.6). This is associated with a 78% decrease (mSCR84.6 or mUSD4.7) in "crew layover costs", 52% decrease (mSCR64.8 or mUSD3.6) in interest expense, 18% decrease (mSCR36 or mUSD2) in aircraft costs. The airline's expectation of lower interest expense is **based on the assumption that its unsecured financing (bonds) will be written-off.**

Table 3. 2021 and revised 2020 budgeted expenditure of the PEs

Public Enterprises	Revised 2020 total expenditure	% of total expenditure	2021 total expenditure	% of total expenditure	Variance	
	mSCR	%	mSCR	%	mSCR	%
Air Seychelles Ltd	1200.87	11.6%	1166.25	11.0%	(34.62)	-3%
Seychelles Public Transport Corporation	195.12	1.9%	207.80	2.0%	12.68	6%
Seychelles Ports Authority	114.38	1.1%	153.33	1.4%	38.95	34%
Seychelles Civil Aviation Authority	328.52	3.2%	338.49	3.2%	9.97	3%
Islands Development Company Ltd	320.91	3.1%	579.55	5.5%	258.64	81%
National Information Services Agency	24.82	0.2%	21.46	0.2%	(3.36)	-14%
Seychelles Trading Company Ltd	1018.76	9.8%	1072.87	10.1%	54.10	5%
Seychelles Postal Services Ltd	31.97	0.3%	29.14	0.3%	(2.82)	-9%
Property Management Corporation	67.69	0.7%	74.68	0.7%	6.99	10%
L'Union Estate Ltd	18.81	0.2%	17.74	0.2%	(1.07)	-6%
Bois De Rose Investment Ltd	22.78	0.2%	24.73	0.2%	1.95	9%
2020 Development (Seychelles) Ltd	60.59	0.6%	78.17	0.7%	17.58	29%
Paradis Des Enfants Entertainment Ltd	3.57	0.0%	4.82	0.0%	1.26	35%
Société Seychelloise D'Investissement Ltd	45.09	0.4%	23.61	0.2%	(21.48)	-48%
Seychelles Fishing Authority	198.73	1.9%	Not submitted			
Seychelles National Park Authority	19.90	0.2%	25.25	0.2%	5.35	27%
Development Bank of Seychelles	79.97	0.8%	77.97	0.7%	(2.00)	-2%
Housing Finance Company Ltd	40.41	0.4%	32.41	0.3%	(8.00)	-20%
Seychelles Commercial Bank Ltd	121.26	1.2%	130.79	1.2%	9.53	8%
Nouvobanq	Not submitted		0.0%			
Seychelles Pension Fund	136.00	1.3%	146.50	1.4%	10.50	8%
Financial Services Authority	101.82	1.0%	Not submitted			
Public Utilities Corporation	1865.99	18.0%	1689.23	15.9%	(176.76)	-9%
Seychelles Petroleum Company Ltd	4365.64	42.0%	4701.51	44.3%	335.86	8%
Petro Seychelles Ltd	8.08	0.1%	8.63	0.1%	0.55	7%

1.3 Taxes

Taxes refers to the budgeted Business Tax expense of each PE based on the projected surplus before tax for 2021.

Ten PEs not liable to pay Business Tax (ref. Table 4) either due to explicit exemptions in the Business Tax Act or due to the nature of their activity. **A total of mSCR113.7 is being projected as Business Tax to Government from the remaining PEs.** SEYPEC remained the PE with the highest tax forecast for 2021, with a sum of mSCR 127.2, representing 112%⁴ of total budgeted tax.

SCAA and STC have forecasted a business tax credit for 2021 (ref. Table 4).

⁴ Inclusive of tax credit of mSCR24.5 of SCAA and mSCR 27.3 of STC.

Table 4. 2021 and revised 2020 budgeted taxes of the PEs

Public Enterprises	Revised 2020 taxes	% of total taxes	2021 taxes	% of total taxes	Variance	
	mSCR	%	mSCR	%	mSCR	%
Air Seychelles Ltd	N/A					
Seychelles Public Transport Corporation	N/A					
Seychelles Ports Authority	22.50	18%	10.58	9%	(11.92)	-53%
Seychelles Civil Aviation Authority	(34.49)	-27%	(24.47)	-22%	10.02	-29%
Islands Development Company Ltd	0.00	0%	13.14	12%	13.14	-
National Information Services Agency	0.00	0%	0.00	0%	0.00	-
Seychelles Trading Company Ltd	(1.71)	-1%	(27.26)	-24%	(25.55)	1497%
Seychelles Postal Services Ltd	0.00	0%	0.06	0%	0.06	-
Property Management Corporation	N/A					
L'Union Estate Ltd	0.00	0%	0.00	0%	0.00	-
Bois De Rose Investment Ltd	1.90	2%	2.16	2%	0.27	14%
2020 Development (Seychelles) Ltd	1.03	1%	0.96	1%	(0.06)	-6%
Paradis Des Enfants Entertainment Ltd	0.00	0%	0.00	0%	0.00	-
Société Seychelloise D'Investissement Ltd	0.55	0%	0.56	0%	0.02	4%
Seychelles Fishing Authority	N/A					
Seychelles National Parks Authority	N/A					
Development Bank of Seychelles	N/A					
Housing Finance Company Ltd	6.00	5%	6.00	5%	0.00	0%
Seychelles Commercial Bank Ltd	6.46	5%	4.81	4%	(1.65)	-25%
Nouvobanq						
Seychelles Pension Fund	N/A					
Financial Services Authority	N/A					
Public Utilities Corporation	N/A					
Seychelles Petroleum Company Ltd	123.58	98%	127.15	112%	3.57	3%
Petro Seychelles Ltd	N/A					
Total	125.81	100%	113.71	100%		

1.4 Dividends

Table 5. 2021 and revised 2020 budgeted dividends of the twenty-two⁵ PEs

Public Enterprises	2020 revised budget	2021 budget	Variance	
	mSCR	mSCR	mSCR	%
Seychelles Ports Authority	25	25	0	0%
Seychelles Civil Aviation Authority	20	0	(20)	-100%
Islands Development Company Ltd	0	3	3	-
Seychelles Petroleum Company Ltd	260	250	(10)	-4%
Société Seychelloise d'Investissement Ltd	110	0	(110)	-100%
Total	415	278	(137)	-33%

Three PEs have budgeted to pay a dividend to Government amounting to a total of mSCR278 for 2021. SEYPEC and SPA are forecasting a deficit after the payment of tax and dividends in their 2021 budget. Thus, they will be financing the 2021 dividend either partly or entirely from their reserves. SEYPEC has budgeted a dividend payment of mSCR250 for 2021, which will result in a deficit of mSCR52.8 after tax and dividend. SPA has forecasted a dividend payment of mSCR25, which will result in a deficit of mSCR20.4 after tax and dividend.

In April 2020, the Central Bank of Seychelles (CBS) issued a circular prohibiting all banks from declaring dividends for the financial years ending December 31, 2019 and December 31, 2020, to mitigate the adverse effects of COVID-19 on the financial sector and the economy. Consequently, the Government will not be receiving dividends from Nouvobanq (mSCR225 paid for the financial year ended December 31, 2018) and Seychelles Commercial Bank Ltd (SCB) (mSCR3.6 paid to GoS for the financial year ended December 31, 2018).

SCAA, a PE that regularly pays dividends and which paid mSCR115 dividend in 2019, is not expecting to pay a dividend for 2021-2023 to have a minimum cash reserve of mSCR50 and mitigate the impact of COVID-19 restrictions on its operations (ref. 2.2 SCAA).

It is to be noted that the actual amount of dividend to be paid for 2021 will depend on the PEs' performance.

⁵ The dividend projection of SSI to be paid to GoS from its subsidiaries has not been included in Table 1 to avoid double-counting. Instead, the dividends from the individual PEs (subsidiaries) have been shown and dividends from SSI retained funds. Dividends received by SSI from its minority shareholdings have not been projected to be paid to GoS during 2021.

1.5 Government support

Five PEs have indicated that they will require financial support from the Government for the financial year 2021 totalling **mSCR222.31** (ref. Table 1) at reporting date.

Air Seychelles is the PE seeking the largest financial support with a requested subvention of mSCR108 (or mUSD6). **The airline's expected Government support will vary depending on the exchange rate, as its request is in USD, and on the status of its unsecured financing (bonds).** The airline's 2021 budget is based on the assumption that all of its unsecured financing will be written-off.

In addition to the subvention requirements indicated by the PEs in Table 1, other PEs, namely DBS and PUC, may require financial support from the Government in the form of advances and grants.

PUC receives an annual Government grant for infrastructure development, which amounted to mSCR60 in the 2020 Amendment budget. For 2021, PUC's capital expenditure budget amounts to mSCR300, and it will have a **funding shortfall of 20% (mSCR60), for which Government support may be required.** For reporting purposes, PEMC has used a standard exchange rate⁶ for the PEs. If PUC's capital expenditure budget is considered with its exchange rates⁷, its total 2021 capital expenditure forecast would be mSCR323, with a **funding deficit of mSCR85.**

DBS has a total budgeted loan repayment (principal and interest) of mSCR161.1 in 2021, comprising mSCR107.5 domestic loan repayment and mSCR53.6 foreign loan repayment. The Bank also has a bond repayment of mSCR50 maturing in May 2021 with interest of mSCR10.

The Bank will require funding to meet its 2021 borrowing commitments and loan disbursements for ongoing projects. **DBS required at least mSCR156 before the end of 2020 and will require mSCR135 during 2021. The Bank expects that the new borrowings will be from Government advancement, bonds issuance or local borrowings from the commercial banks. DBS has indicated that a funding request has been submitted to the Ministry of Finance and was awaiting feedback by reporting date.**

Additionally, STC indicated that it had started discussions with the Government on funding for losses that it may incur due to anchoring of Category 1 products' prices; however, an agreement had not been reached by reporting date. The Company received mSCR20 from the Government in 2020, to fund losses from the sale of Category 1 products at anchored prices.

⁶ PEMC exchange rate: SCR/USD=18, SCR/EUR=20.3

⁷ PUC exchange rate: SCR/USD=21.6 and SCR/EUR=25.7

1.6 Capital expenditure

Thirteen PEs out of the twenty-two PEs which submitted their 2021 budget had also provided their capital expenditure forecast. Several PEs indicated a challenge to prepare a forecast for 2022 and 2023 at this stage due to economic uncertainty associated with the Covid-19 pandemic. The total 2021 forecasted capital expenditure of the thirteen PEs is bnSCR1.1. The PE with the largest budgeted capital expenditure is PUC with a total of mSCR300, followed by the Seychelles Pension Fund (SPF) with a total of mSCR257 and IDC with a total of mSCR120.7.

Table 6. Capital expenditure of PEs for the period 2021-2023

Public Enterprises	2021 CAPEX	% of total CAPEX	2022 CAPEX	2023 CAPEX
	mSCR	%	mSCR	mSCR
Air Seychelles Ltd	58.36	5%	55.43	42.66
Seychelles Public Transport Corporation	46.14	4%	83.53	112.71
Seychelles Ports Authority	103.53	10%	41.00	38.00
Seychelles Civil Aviation Authority	31.99	3%	53.27	126.40
Islands Development Company Ltd	120.70	11%	90.00	50.00
National Information Services Agency	0.00	0%	0.00	0.00
Seychelles Trading Company Ltd	108.87	10%	Not submitted	
Seychelles Postal Services Ltd	0.34	0%	Not submitted	
Property Management Corporation	0.00	0%	Not submitted	
L'Union Estate Ltd	0.00	0%	Not submitted	
Bois De Rose Investment Ltd	0.50	0%	12.62	0.00
2020 Development (Seychelles) Ltd	0.00	0%	Not submitted	
Paradis Des Enfants Entertainment Ltd	1.00	0%	1.00	1.00
Société Seychelloise D'Investissement Ltd	46.30	4%	81.37	63.90
Seychelles Fishing Authority	Not submitted			
Seychelles National Parks Authority	1.50	0%	Not submitted	
Development Bank of Seychelles	6.55	1%	3.45	17.75
Housing Finance Company Ltd	6.93	1%	Not submitted	
Seychelles Commercial Bank Ltd	0.00	0%	Not submitted	
Nouvobanq	Not submitted			
Seychelles Pension Fund	257.00	24%	310.00	183.00
Financial Services Authority	0.00	0%	Not submitted	
Public Utilities Corporation	298.50	27%	436.29	400.48
Seychelles Petroleum Company Ltd			Not submitted	
Petro Seychelles Ltd	0.70	0%	Not submitted	
Total	1088.90	100%	1167.96	1035.90

2. Individual PEs

2.1 Air Seychelles Ltd

For 2021 Air Seychelles has forecasted a net loss of **mSCR273⁸ (mUSD15.2) and a net margin of negative 31%, compared to** a net loss of mSCR501.7⁹ in its revised 2020 budget and a net margin of negative 72%. The 2021 budget is based on the following assumptions:

- **The airline will receive a Government grant of mUSD6 split in quarters.** The Government committed this annual grant in 2019 for five years. Air Seychelles received the first mUSD6 tranche in 2019. The airline's Board requested Government funding of mUSD10 during 2020, to support its operations and mitigate the impact of COVID-19 restrictions.
- **Scheduled flying operations will begin in Q2 2021 as the airline expects that most borders will re-open in 2021.** The airline will also continue to operate a few chartered flights in Q1 2021.
- **Air Seychelles will continue to repay its shareholder loan from Etihad Airways in 2014 to finance two twin otters.** The balance outstanding as at September 30, 2020 was mUSD7.9 principal and mUSD0.3 accrued interest. The final maturity date of the loan is October 30, 2026.
- **Unsecured financing will be written-off, namely the mUSD21.5 bond and the mUSD50 bond for which the Government is negotiating an agreement.**

The forecasted total revenue of the airline for 2021 amounts to mUSD49.6 representing a 28% increase when compared with the 2020 revised budget associated with the 65% growth (mUSD14.2) in passenger revenue as the airline is expecting to resume scheduled flights in Q2 2021.

The forecasted total expenditure for 2021 amounts to mUSD64.8, a 3% decrease compared to the 2020 revised budget. This was associated with the 78% decline (mUSD4.7) in "crew layover costs", 52% decrease (mUSD3.6) in interest expense, 18% decrease (mUSD2) in aircraft costs. The reduction in interest is based on the assumption that the unsecured financing (bonds) will be written-off.

However, the airline is also projecting a 51% increase (mUSD 4.3) in basic salaries and benefits and a 44% increase (mUSD3) in fuel costs. In the revised 2020 budget, the salaries and benefits expense includes the salary support from Government and salary cuts for employees. The airline has not built-in salary support for 2021 as the Government's COVID relief salary assistance scheme was expected to end in December 2020.

2.2 Seychelles Civil Aviation Authority (SCAA)

For 2021 SCAA has forecasted a net loss of **mSCR56.9** with a closing cash balance of mSCR38.5. Total forecasted revenue amounts to mSCR257.1; the main income lines and their percentage of total revenue are as follows:

- Passenger Service Fees (PSF) (29%)
- Air Navigation Charges (ANC) (49%)
- Landing Fees (5%)
- Rent of Airport Buildings (5%)

⁸ Excludes mUSD6 GoS support commitment, as the airline is uncertain about the timing of the funding.

⁹ Excludes mUSD5 out of the mUSD6 GoS support committed, as the airline was uncertain about the timing of the mUSD5 at the time of preparing its revised projections for 2020.

It is to be noted that the international flight restrictions imposed locally and internationally to contain COVID-19 have affected SCAA's performance. Revenue projections were lowered in 2020 due to lower traffic movement in the Seychelles Flight Information Region (FIR) and at the Seychelles International Airport. In addition to the drop in revenue from reduced traffic movement, SCAA provided a support relief package to airlines and airport operators, such as waiving all landing fees and parking fees, following an appeal from the International Air Transport Association (IATA). This support had further reduced SCAA's revenue in the short-term.

SCAA has followed the IATA projection that global passenger traffic will not return to pre-COVID-19 levels until 2024. Revenue growth is expected to be at 31% and 38% in 2022 and 2023 respectively. Before COVID-19, fourteen airlines were operating in Seychelles. It is expected that by the end of 2020, eight to nine airlines will be operating in Seychelles on reduced frequencies. For 2021, the Authority projects an average of fifteen landings per week, with two flights per day.

The total forecasted expenditure for 2021 is mSCR338.5. The main categories of expenditure and their percentage of total revenue are as follows:

- Staff Costs (81%)
- Maintenance of Buildings, Plant, and Equipment (15%)
- Other operating costs (19%)
- Depreciation (17%)

SCAA's strategy for 2021 will be to sustain fixed costs, sustainably manage its reserves whilst ensuring the smooth running of its operations, given the decrease in revenue since the COVID-19 pandemic. The Authority will be capping the operational expenditure at mSCR295 (exclusive of depreciation), which will be attained by freezing recruitment, allowances, overseas training and streamlining certain operations.

With the forecasted losses SCAA is not expecting to pay a dividend for 2021-2023 to maintain a minimum cash reserve of mSCR50.

Additionally, SCAA has forecasted a closing cash balance of mSCR38.5 for 2021, representing a 64% decline from the 2020 revised budget. In 2021, the Authority will continue with critical capital projects of 2020 which overlap in 2021. All the 2021 projects will be put on hold, given the financial constraints and additional cash flow burden. The forecasted net cash outflow from investing activities amounts to mSCR31.9 for 2021 and corresponds to critical projects and major equipment.

2.3 Public Utilities Corporation (PUC)¹⁰

PUC anticipates a loss of mSCR8.9 for 2021, a 90% (mSCR76.6) improvement from the revised 2020 projection of mSCR85.5 loss. This corresponds to a net margin of negative 1% for 2021 and negative 5% for 2020. Despite a fall in total income in 2021 compared to 2020, costs are budgeted to fall at a higher rate. PUC is forecasting an operating profit before depreciation and interest of mSCR210.7; however, after the deduction of depreciation charges amounting to mSCR193, profit will decline to mSCR13.8.

The Corporation's 2021 capital expenditure budget is mSCR300, of which PUC's resources will fund 80% (mSCR238), leaving a funding deficit for the remaining 20% (mSCR61) (ref. 1.5 Government support).

¹⁰ PUC has five divisions: Water, Electricity, Sewerage, Corporate and Transport and maintenance. The main revenue-generating divisions are the Electricity, Water and Sewerage Divisions, of which the Electricity Division generates the largest revenue.

PUC receives an annual Government grant for infrastructure development for utility service provision, which amounted to mSCR60 in the 2020 Amendment budget. PUC has a comprehensive capital expenditure plan for 2021. The largest components relate to works on the 33kV electricity transmission network to South Mahe and Project Neptune relating to water and sewerage.

Total income in 2021 is forecasted at bnSCR1.7, indicating a fall of 5% (mSCR91) from the 2020 revised budget. The leading cause of the decline in revenue is from the supply of electricity falling by 7% (mSCR106.4). All other income is also estimated to decline except for revenue from the supply of water, which anticipates a 4% (mSCR8.9) growth.

Total expenditure is anticipated to decline by 9% (mSCR176) in 2021 amounting to bnSCR1.7 in contrast to the 2020 forecast. It is to note that the total expenditure figure includes bad debt provision. The expected decline is principally associated with a 12% (mSCR125.3) fall in total direct costs, due to a 14% (mSCR114.9) drop in generation fuel expense. Generation fuel expense is the main cost of PUC, which represents 43% of total revenue. Additionally, personnel expenses accounting for 17% of total income, are estimated to decline by 12% (mSCR38.2). Furthermore, PUC is anticipating a drop in basic salary expense by 7% (mSCR11.7).

On the other hand, repair and maintenance expense is budgeted to increase, related to a 22% (mSCR30.2) rise in repairs and maintenance of plant and machinery. Repairs and maintenance expense represents 11% of total revenue. The division incurring the most repairs and maintenance expense is the Electricity Division which accounts for 83% of the total repairs and maintenance expense incurred by the Corporation.

The 2021 closing cash balance is projected at mSCR303.8 which is 30% (mSCR70.6) higher than the 2020 forecast. This projection is inclusive of mSCR105.5 loan repayments and does not include Government support for capital projects.

2.4 Seychelles Trading Company Ltd (STC)

STC is projecting a loss of mSCR66 for 2021, which is 945% (mSCR59.7) higher than the loss of mSCR6.3 anticipated for 2020. The significant variance is due to an expected fall in revenue by 3% associated with the reduction in Government grant, while expenditure is forecasted to rise by 3%. The Company received mSCR20 Government grant in 2020, and has not included Government support in its projections for 2021. Additionally, **STC had indicated that it had started discussions with the Government on funding for losses that it may incur in 2021 due to anchoring Category 1 products prices, however, an agreement had not been reached by reporting date.**

STC's gross profit margin is expected to decline from 20.9% for 2020 to 15% for 2021. The net profit margin will also reduce from -1% for 2020 to -7% for 2021.

Total income is projected at SCR979.6 for 2021, a 3% (mSCR31.1) reduction in contrast to 2020. All income lines are expected to decline in 2021 aside from rental income which remains unchanged. The total income reduction is linked to a 75% (mSCR20) fall in other income from mSCR26.5 in 2020 to mSCR6.5 in 2021. Other income for 2020 comprises of the mSCR20 Government grant. **Revenue from the sale of products which accounts for 99% of total income is expected to fall by 1% (mSCR9.5) mainly from the assumption that sales of non-category 1 products will be restricted due to the difficulty of sourcing foreign exchange.**

Total expense is forecasted to rise by 5% (mSCR53.2) to bnSCR1 in 2021, indicating that the total income of mSCR979.6 generated during the period will not be sufficient to cover costs. The growth is due to a budgeted 6% (mSCR49.5) increase in cost of sales, which is the principal cost incurred by STC and represents 84% of total revenue. **STC is exposed to higher import costs due to the depreciation of the Seychelles Rupee.** Administrative expense, representing 23% of total income, is also expected to rise due to a 15% (mSCR4.9) increase in rent expense. The rent at the duty-free premises in the Seychelles International Airport is based on sales, and the Company is forecasting a growth as operations improve.

In an effort to contain costs and mitigate the impact of COVID-19, STC will not be increasing salaries and man count in 2021. Additionally, there will be no bonus for all employees. Also, STC aims to reduce its inventory holding for wholesale, especially at the Duty-Free and Bonded warehouse and Building Materials. The Company also aims to obtain maximum credit period from suppliers without procurement costs being affected. STC anticipates reducing inventory level from an average of 3.8 months to 2.5 months.

The Company has a 2021 capital expenditure budget of mSCR109, of which the main components are as follows:

- New Enterprise Resource Planning (ERP) system along with upgraded IT/IS system mSCR27.5
- Building of new facility for Meat Unit mSCR50.0
- Re-roofing and modification of dry goods warehouse mSCR11.0
- Extension of building material yard mSCR5.0

STC plans to borrow mSCR100 from EXIM bank to fund the capital expenditure, on the following terms:

- Maximum lending mUSD10
- Tenure of the loan 20 years
- Interest rate 1.75% per annum
- Moratorium period of 5 years
- The credit would be granted only for infrastructure development purpose.

Additionally, two short-term borrowings of mSCR30 each are budgeted for the third quarter and fourth quarter 2021, to maintain a cash balance of mSCR40. Both borrowings would be taken on a necessity basis and would be import loans through existing facilities with two local non-PE banks. Cash at Bank, inclusive of the borrowings, is projected at mSCR55.2 at December 31, 2021.

2.5 Seychelles National Parks Authority (SNPA)¹¹

SNPA is forecasting a loss of mSCR13 for 2021, compared to mSCR1.4 for 2020. The decline is predominantly due to the assumption that no salary support will be received in 2021 compared to 2020, where an amount of mSCR11.3 was budgeted. During 2020, SNPA received salary support from the

¹¹ The Seychelles National Parks Authority (SNPA) was listed as a Public Enterprise under Schedule one to the PEMC Act in December 2019. The Authority previously operated within the Ministry of Environment, Energy and Climate Change. SNPA is in the process of making the required structural changes to support its status as a PE, such as migration to accrual-based accounting. The 2020 and 2021 forecast reviewed in this document were therefore prepared on a cash-basis.

Government from April, at an average of mSCR1.2 monthly. **The Authority is requesting Government funding of mSCR13 to support its operations and fund acquisition of assets worth mSCR1.2.**

The Authority's revenue is highly dependent on the tourism industry and tourism-related activities. The principal source of income is the sale of marine park tickets, comprising 80% of total revenue from January 2017 to October 2019.

SNPA will self-fund its capital projects worth mSCR0.3, corresponding to the installation of Mooring facilities in Marine Parks and the construction of a wooden structure jetty to facilitate mooring of SNPA boats. In its revised 2020 capital expenditure budget, SNPA had planned for five projects totalling mSCR7.4. The capital expenditure for 2020 was funded by GoS and external donors, namely the Environment Trust Fund (ETF), IRD La Reunion and PA Finance.

2.6 Islands Development Company Ltd (IDC)

In 2021 IDC's profit is forecasted at mSCR67.7, and its net profit margin is expected to rise from 5% for 2020 (inclusive of Government support) to a net profit margin of 14%. **The Company has received salary assistance for its Seychellois employees from the Government, at an average of mSCR3.7 monthly since April 2020.** As at November 30, 2020, IDC had received a total of mSCR29 salary support. **IDC is requesting a total of mSCR6 Government support to meet its salary expense for January and February 2021. The Company has indicated it will refund the support over 36 months starting from April 2021.**

IDC's income derives mostly from construction activities of resorts and villas, as well as revenue from transportation to the outlying islands. The Company also earns revenue from utility supply (electricity, water and sewerage) to hotels on the outer islands. Given their connection to tourism, IDC's operations were impacted by the COVID-19 restrictions, hence its request for salary support.

The anticipated rise in profit is associated with a substantial increase in income from project activities. Project activities are expected to be the primary income source for 2021, accounting for 63% total forecasted revenue. Aircraft revenue is expected to generate approximately 15% of total revenue in 2021. IDC anticipates entering a contract to construct a five-star resort on Platte Island worth more than mUSD50 in 2021. The project is expected to start in January 2021. IDC has already obtained the contract to construct staff quarters on the island worth mUSD2.8.

For 2021, IDC is budgeting capital investment of mSCR120.7, of which the largest components are the construction of a new warehouse (mSCR20), and a new Beechcraft (mSCR55), both to be financed by bank loans. Another significant project is the acquisition of a new barge costing mUSD1.5, which will be funded by the Company.

The gearing ratio of IDC is expected to increase in 2021, with new projected borrowings of mSCR55 and mSCR20. The gearing ratio of IDC, only considering financial liabilities, amounted to 0.35 at November 30, 2020.

2.7 Development Bank of Seychelles (DBS)

DBS forecasts mSCR11.2 profit for 2021, representing a 43% (mSCR3.4) growth compared to the revised 2020 budget (mSCR7.8). This is due to a reduction in interest expense. The gross profit ratio, relating to

net interest income¹², is expected to increase from 53.97 to 64.07, whereas the net margin is projected to rise from 9.61 to 13.60.

Income growth of 2% (mSCR1.4) is projected for 2021, due to interest on loans. DBS' interest expense is expected to decrease by 21% (mSCR7.9) during 2021, principally due to 40% (mSCR6.6) lower interest expense on bonds, as some of its bonds matured during 2020. DBS has a bond commitment of mSCR50 (7.5% interest) in May 2021 compared to the mSCR150 commitment with 6% interest that matured in August 2020. The total budgeted bond commitment at the end of 2021 is budgeted at mSCR101.7 compared to mSCR151.7 in the revised 2020 budget.

Total expenses forecasted (excluding mSCR6.55 capital expenditure) for 2021 amounts to mSCR78 of which financial expenses represents 33% (mSCR29.5) of total forecasted income, staff expense represents 28% (mSCR25), administrative expense represents 11% (mSCR10.1), provisions represent 8% (mSCR7) and other costs represent 7% (mSCR6.3).

Total staff expenses budget for 2021 amounts to mSCR25 and is 5% (mSCR1.2) higher than the revised 2020 budget, given that the Bank will be appointing a consultant to work on its salary scheme for 2021. Aside from staff costs, the Bank expects its depreciation expense to grow by 91% (mSCR3) compared to the 2020 revised budget, due to the upgrade of new software and asset acquisition. Also, DBS will revalue its building, which will contribute to the higher depreciation expense for 2021.

Total administrative expenses are budgeted 20% (mSCR1.7) higher than in 2020 due to increased computer software maintenance costs. This follows DBS' ransomware attack in September 2020, which resulted in a failure of its core banking system. Efforts to recover data have failed which has left the Bank to re-post all transactions from January 2020. Also, rent expense is forecasted to reduce by 30% (mSCR0.3) as DBS has reduced the number of rental offices by moving its staff to its building, from the Unity House premises.

Most of the Bank's 2021 projected cash inflows are from lines of credit, totalling mSCR135 of which mSCR60 is expected in February and mSCR75 in December. DBS is also budgeting loan repayments of mSCR86.1 from clients for 2021.

In 2021, the Bank will undertake the following measures during the current health crisis to ensure its operations run smoothly:

a. Lending/disbursement:

DBS secured a mEUR10 credit line in 2019 from the European Investment Bank (EIB) to finance new projects, and the loan is yet to be disbursed.

The Bank will freeze lending activities for new projects for at least the first half of 2021 in some specific sectors. The Bank will only make disbursement for justified cost overrun of existing projects, loans under the CBS relief scheme and Government relief scheme (Small Business Support Fund)¹³, and projects that meet the EIB criteria (such as school facilities, health services, renewable energy projects).

¹² Net interest income is defined as the difference between interest revenues and interest expenses.

¹³ The Central Bank of Seychelles (CBS) Relief Scheme was introduced during the COVID-19 pandemic to assist Micro, Small and Medium Enterprises to meet their critical expenditures such as rental expenses, salaries, etc. for 6 months. The Scheme is financed by the CBS and is administered by commercial banks, DBS and the Seychelles Credit Union. The Government also launched a Small Business Support Fund in September 2020 aimed at ensuring that small businesses get the finance they need quickly to help them survive the economic crisis. For the relief scheme, the

All approved loans not yet disbursed or projects not yet started will be put on hold for at least the first half of 2021 unless new funds are received.

Table 7 shows the forecasted disbursement of loans to clients for 2021, which amounts to mSCR108.

Table 7. Disbursement forecast

Disbursement forecast to clients for 2021	Loan commitment	Disbursement
	mSCR	mSCR
EIB	60.0	49.0
Loan commitment in disbursement stage	53.7	46.0
Disbursement for cost overrun	10.0	8.0
Relief Scheme	5.0	5.0
Total	129.0	108.0

The Bank has indicated uncertainty on the use of the CBS relief scheme by clients and only mSCR5 is being considered to be approved for 2021. DBS has seen very few clients requesting the CBS scheme; this arises as clients have opted for the Government relief scheme at 0% interest rate.

b. Funding/borrowing commitments:

DBS has a total budgeted loan repayment (capital and interest) of mSCR161.1 of which local loan repayments account for mSCR107.5, and foreign loan repayment accounts for mSCR53.6 for 2021. Also, DBS has a bond repayment of mSCR50 maturing in May 2021 with interest of mSCR10.

The Bank will request new funding to meet borrowing commitments that fall due in 2021 and loan disbursements for ongoing projects. **DBS required at least mSCR156 before the end of 2020 and mSCR135 during 2021.** The Bank expects that the new borrowings will be from Government advancement, bonds issuance or local borrowings from the commercial banks. DBS has indicated that negotiations and request for funding has been submitted to the Ministry for Finance and it was awaiting feedback at reporting date.

c. Interest rate:

The Bank will aim to maintain its cost of funds below 9% to maintain its lending rates. The interest rates on other funds managed by DBS will remain as per respective agreement.

d. Extension of building:

DBS had postponed the extension of its building until its liquidity improves.

e. Capital expenditure:

DBS has budgeted total capital expenditure of mSCR6.6 for 2021. The restrictions imposed on capital expenditure as a strategic response to COVID-19 remain; however, due to the ransomware attack, the Bank has planned to upgrade its existing core banking system. Total expenditure for software is budgeted for mSCR4.7 and mSCR0.4 for IT equipment.

Bank will charge interest at 1.5% as per agreement signed by CBS and DBS. Clients will be given a moratorium of 12 months with 0% interest.

Table 8. Capital Expenditure for 2021-2023

Capital Expenditure	2021	2022	2023
	mSCR	mSCR	mSCR
Office Building + Air Condition	1.0	1.0	15
Office Equipment/Computers	0.4	0.4	0.2
Furniture & Fittings	0.4	0.5	1
Motor Vehicles	0.0	0.5	0.5
Others	0.05	0.05	0.05
Software	4.7	1	1
Total	6.55	3.45	17.75

2.8 Seychelles Postal Services Ltd (SPS)

SPS provided two scenarios for its 2021 budget as follows;

2.8.1 Scenario 1

a. Forecasted total income (excluding forecasted subsidy) amounts to mSCR22.4

- Lower revenue is forecasted from terminal dues¹⁴ caused by the reduced volume of mail from overseas.
- Local mail volumes to reduce by 50%, therefore, there is lower forecasted sales of stamps, franking machine fee and postal stamp fees.
- A lower number of tourists will reduce the sale of stamps, as the volume of postcards mailed will decrease. Additionally, a lower number of tourists will reduce the sales from the philatelic shop.
- Introduction of new services as well as small packet fees with the increase in handling charges for parcels. The principal components of the new services are as follows¹⁵:
 - o E-meals: Joint Venture with Maven through the release of a mobile app whilst SPS will be the logistic Company for meal pickup and delivery. SPS also aims to have contracts with corporate clients to provide daily meals to their staff. The target is to serve 100 takeaway meals per day.
 - o Website e-commerce: SPS is introducing a new website that will offer an e-commerce platform for vendors (individuals or registered companies) to feature their products for sale. Buyers will be able to purchase online using an SPS payment gateway. SPS will benefit on commission on sales and delivery charges.
 - o Parcel Management System (PMS) licensing: All third parties (Seychelles Revenue Commission and Anti-Narcotics Bureau) requiring daily access to SPS' new Parcel Management System will be required to have a user license per year. PMS will also have dedicated functionalities for these respective users.
 - o PMS system sales: SPS will be looking to sell the system to other small postal services, and the target is to obtain at least two buyers.

¹⁴ Terminal dues are the Universal Postal Union's (UPU) remuneration system for letters and small packets, which ensures that the designated operator of the destination country is compensated for the costs associated with the handling, transporting and delivering of the postal items it receives from the sending designated operator.

¹⁵ Source: SPS 2021 budget document

- E-basket: Delivery charges for shopping basket from supermarkets such as SPAR, STC and a few others. Clients will have a selection available through SPS' new website. Target is for a minimum of 50 delivery per month.

Total projected revenue from the new services for 2021 is mSCR1.8 under scenario 1.

- b. Budgeted total expenditure amounts to mSCR30 with the budget prepared based on the current level of 120 staff.
 - The Board of directors' fees has increased to the same amount as in early 2020.
 - Rental of offices will be maintained at Anse Royale, Baie Ste Anne, Grand Anse Praslin and La Digue.
- c. **Anticipated net loss (including provisions for depreciation, tax and staff benefits) of mSCR10 for 2021 without Government subvention.** The net margin under scenario 1 is negative 45%, compared to an anticipated margin of negative 55% for 2020, both margins exclude government subsidy.
- d. **Forecasted requested subvention from the Government amounts to mSCR10,** which equates the forecasted net loss for 2021 under scenario 1.

2.8.2 Scenario 2

- a. Forecasted total income (excluding forecasted subsidy) amounts to mSCR21.5. SPS has halved the projected revenue for new services compared to scenario 1, as these are first-time services.
- b. Forecasted total expenditure amounts to mSCR26.9 with no new recruitment but redundancy of eight staff with one postal controller.
 - Four posts will be frozen. These posts were fully funded in 2020. SPS has forecasted 108 staff for the year 2021.
 - Rental expenses to decrease due to closure of Grand Anse Praslin post office.
 - Procurement of assets to reduce by 50%
 - Additional savings of 5% expected on most expenditure lines.
 - No payments of terminal dues for the debt of 2016 and 2018.
- c. **Projected net loss (including provisions for depreciation, tax and staff benefits) of mSCR7.7 for 2021 without Government subvention.** The net margin under scenario 2 is negative 36%, excluding Government subsidy.
- d. **Forecasted requested subvention from the Government** amounts to mSCR7.7, which equates the predicted net loss of mSCR7.7 for 2021.

SPS has indicated that it is in favour of the scenario 2 budget.

Additionally, SPS has advised that it would require an additional sum of mSCR0.48 for 2021, should the Government wish to keep the Grand Anse Praslin post office operational.

Appendix 1. Public Enterprises as per PEMC Act 2013, schedule one (S.I. 73 of 2019)

Public Enterprise	GoS shareholding
FINANCIAL SECTOR	
Seychelles International Mercantile Banking Corporation Ltd (SIMBC/Nouvobanq)	78%
Seychelles Commercial Bank Limited (SCB)	60%
Development Bank of Seychelles (DBS)	60.5%
Housing Finance Company Limited (HFC)	100%
Financial Services Authority (FSA)	100%
Seychelles Pension Fund (SPF) ¹⁶	-
ENERGY SECTOR	
Seychelles Petroleum Company Limited (SEYPEC)	100%
Public Utilities Corporation (PUC)	100%
Petro Seychelles Limited	100%
TRANSPORT SECTOR	
Seychelles Ports Authority (SPA)	100%
Air Seychelles Limited	60%
Seychelles Civil Aviation Authority (SCAA)	100%
Seychelles Public Transport Corporation (SPTC)	100%
SERVICES AND DEVELOPMENT SECTOR	
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%
Seychelles Fishing Authority (SFA)	100%
Seychelles National Parks Authority (SNPA)	100%

¹⁶ SPF is owned by its members.

Appendix 2

PUBLIC ENTERPRISES' REVISED BUDGET 2021													
INCOME AND EXPENDITURE STATEMENT													
	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 31-12-2021	Year ended 31-12-2021	Year ended 31-12-2021	Year ended 31-12-2021	Year ended 31-12-2021	Year ended 31-12-2021	Year ended 31-12-2021	Year ended 31-12-2021	Year ended 31-12-2021	Year ended 31-12-2021	Year ended 31-12-2021	Year ended 31-12-2021	Year ended 31-12-2021
	SCR	SCR	SCR	SCR	SCR	SCR	SCR	SCR	SCR	SCR	SCR	SCR	SCR
Income Statement 2021													
Revenue from exchange transactions													
Rendering of services		-	635,308,974	16,800,000	1,796,400	1,668,727,791	893,246,706		-	-	101,000,000	-	
Sale of goods		-	8,134,000	-	18,499,496					4,925,299,452		970,300,668	
Interest, royalties and dividends	82,141,000	45,414,145	-	128,803,400	44,800	8,566,766			52,000,000			471,924	
Rental Income			13,738,680	-					112,000,000	65,250,000	750,000	2,279,294	
Investment Income													
Other revenue	7,000,000	901,697			55,000	3,000,000	-		6,000,000	35,300,438	1,950,000	6,540,692	
Extraordinary items													
Total revenue	89,141,000	46,315,842	657,181,654	145,603,400	20,395,696	1,680,294,557	893,246,706	-	170,000,000	5,025,849,890	103,700,000	979,592,578	
Expenses													
Wages, salaries and employee benefits	25,038,000	12,449,311	73,993,000	39,249,100	8,424,584	281,778,433	255,689,501		39,300,000	77,407,550	114,600,000	122,009,597	
Other transfer payments													
Supplies and consumables used	10,112,000	6,887,555	469,199,522	41,496,149	10,834,727	1,179,251,270	477,818,056		35,600,000	4,391,410,357	76,400,000	933,109,484	
Depreciation and amortization expense	5,500,000	798,000	24,000,000	5,700,000	1,560,000	192,972,816	228,723,298		5,500,000	223,365,105	16,500,000	8,485,833	
Impairment of property, plant and equipment													
Other expenses	7,800,000	628,000	1,007,000	2,157,100		3,906,067	144,255,643		66,100,000	2,781,504		5,402,196	
Finance costs	29,517,000	11,651,358	11,351,400	42,183,500	639,137	31,324,054	59,760,000			6,541,964	300,000	3,861,479	
Total expenses	77,967,000	32,414,224	579,550,922	130,785,849	21,458,448	1,689,232,640	1,166,246,499	-	146,500,000	4,701,506,480	207,800,000	1,072,868,589	
Surplus/deficit before tax	11,174,000	13,901,618	77,630,732	14,817,551	(1,062,752)	(8,938,083)	(272,999,793)	-	23,500,000	324,343,410	(104,100,000)	(93,276,011)	
Taxes		6,000,000	13,138,918	4,809,792		-	-			127,154,408		(27,255,078)	
Dividend paid			3,000,000	-		-	-			250,000,000			
Surplus/(deficit) for the period after tax and dividend	11,174,000	7,901,618	61,491,814	10,007,759	(1,062,752)	(8,938,083)	(272,999,793)	-	23,500,000	(52,810,998)	(104,100,000)	(66,020,933)	
Subvention request for 2021			5,979,616				108,000,000					87,600,000	
Capital expenditure	6,550,000	6,925,842	120,700,000			310,252,625	58,360,842		257,000,000		46,136,416	108,870,000	
SSI dividend from subsidiaries													
Revenue as % of total revenue	1%	0%	6%	1%	0%	16%	8%		2%	48%	1%	9%	
Expenditure as % of total expenditure	1%	0%	5%	1%	0%	16%	11%		1%	44%	2%	10%	
Net margin	13%	17%	9%	7%	-5%	-1%	-31%		14%	-1%	-100%	-7%	

	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	Societe Seychelloise D'Investissement Ltd	Seychelles Fishing Authority
	Year ended 31-12-2021	Year ended 31-12-2021	Year ended 31-12-2021	Year ended 31-12-2021	Year ended 31-12-2021	Year ended 31-12-2021	Year ended 31-12-2021	Year ended 31-12-2021	Year ended 31-12-2021	Year ended 31-12-2021	Year ended 31-12-2021	Year ended 31-12-2021
	SCR	SCR	SCR	SCR	SCR	SCR	SCR	SCR	SCR	SCR	SCR	SCR
Income Statement 2021												
Revenue from exchange transactions												
Rendering of services		20,537,500	-	1,746,500	145,976,230	1,603,821	221,249,087	-	-	399,600	-	
Sale of goods		926,000	-			11,944,276		-	38,500,000	-	-	
Interest, royalties and dividends		15,000	2,979,111	249,770			2,024,075	-	-	-	61,029,582	
Rental income			71,735,663	3,622,010	12,086,990	960,000	23,060,972	27,664,948		1,553,663	512,320	
Investment income									1,000,000	-		
Other revenue			7,171,000	25,000	10,478,760	298,800	10,745,974	4,443,664	42,540,000	5,326	1,680,000	
Extraordinary items									1,883,269			
Total revenue	-	21,478,500	81,885,774	5,643,280	168,541,980	14,806,897	257,080,108	32,108,612	83,923,269	1,958,589	63,221,902	-
Expenses												
Wages, salaries and employee benefits		17,310,700	13,114,165	5,168,024	74,709,650	10,431,300	207,273,984	561,770	1,040,896	1,271,722	7,714,278	
Other transfer payments									480,000	-		
Supplies and consumables used		9,687,807	52,066,797	2,825,330	53,647,410	5,009,254	87,677,914	10,617,983	1,740,000	3,154,301	8,062,146	
Depreciation and amortization expense		1,282,880	-	151,770	20,055,500	1,848,000	43,485,340	9,291,106	-	301,119		
Impairment of property, plant and equipment									-	-		
Other expenses		861,980	9,502,389	485,409	2,523,980	453,000	-	203,554	74,908,740	95,600	3,639,070	
Finance costs					2,395,080		55,000	4,052,312	-		4,190,823	
Total expenses	-	29,143,367	74,683,352	8,630,532	153,331,620	17,741,554	338,492,238	24,726,725	78,169,637	4,822,742	23,606,317	-
Surplus/deficit before tax	-	(7,664,867)	7,202,422	(2,987,252)	15,210,360	(2,934,657)	(81,412,130)	7,381,887	5,753,632	(2,864,153)	39,615,585	-
Taxes		60,955			10,579,760		(24,473,639)	2,164,566	962,500	-	564,625	-
Dividend paid					25,000,000				-	-	-	
Surplus/(deficit) for the period after tax and dividend	-	(7,725,822)	7,202,422	(2,987,252)	(20,369,400)	(2,934,657)	(56,938,491)	5,217,321	4,791,132	(2,864,153)	39,050,960	-
Subvention request for 2021		7,725,822										
Capital expenditure		337,820		699,400	103,525,800		31,992,000	500,000		1,000,000	46,304,600	
SSI dividend from subsidiaries											260,000,000	
Revenue as % of total revenue		0%	1%	0%	2%	0%	2%	0%	1%	0%	1%	
Expenditure as % of total expenditure		0%	1%	0%	1%	0%	3%	0%	1%	0%	0%	
Net margin		-36%	9%	-53%	-12%	-20%	-22%	16%	6%	-146%	62%	

	Seychelles National Parks Authority	Aggregate
	Year ended 31-12- 2021	Year ended 31-12- 2021
	SCR	SCR
Income Statement 2021		
Revenue from exchange transactions		
Rendering of services	10,111,560	3,718,504,169
Sale of goods	2,810,228	5,976,414,120
Interest, royalties and dividends		383,739,573
Rental Income	584,000	335,798,540
Investment Income		1,000,000
Other revenue	150,000	138,286,351
Extraordinary items		1,883,269
Total revenue	13,655,788	10,555,626,021
Expenses		
Wages, salaries and employee benefits	16,374,084	1,404,909,650
Other transfer payments		480,000
Supplies and consumables used	8,873,195	7,875,481,257
Depreciation and amortization expense		789,520,767
Impairment of property, plant and equipment		-
Other expenses		326,711,233
Finance costs		207,823,107
Total expenses	25,247,279	10,604,926,013
Surplus/deficit before tax	(11,591,491)	(49,299,992)
Taxes		113,706,807
Dividend paid		278,000,000
Surplus/(deficit) for the period after tax and dividend	(11,591,491)	(441,006,799)
Subvention request for 2021	13,000,000	222,305,438
Capital expenditure	1,497,000	1,100,652,345
SSI dividend from subsidiaries		
Revenue as % of total revenue	0%	100%
Expenditure as % of total expenditure	0%	100%
Net margin	-85%	-4%

SECTION 5

Fiscal Risk Statement



Fiscal Risk Statement 2021

January 2021

This document provides an overview of the major fiscal risks facing the Budget for 2021. 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, Economic Planning & Trade, with input from the Public Enterprise Monitoring Commission.

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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
MoFEPT	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

The Seychelles economy has not been spared by the global COVID-19 pandemic and this has been devastating to domestic economic activities. As a result, the main focus of the Government is inevitably a significant recovery over the medium-term. This document is aimed at identifying the main fiscal risks, facing the 2021 Budget. These can broadly be listed as risks relating to the macroeconomic environment, Budget execution risks, as well risks from Public Enterprises (PEs)¹.

Macroeconomic risks, largely emanating from external COVID-19 driven shocks, have been identified as the main source of risk in 2021 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 additional 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, limit its scope; undertake additional financing and so increasing the debt stock; or not honour its debt obligations, resulting in crisis. It must be noted that prior to 2020's crisis, the Government was on a debt reducing path, with a target of 50 per cent of GDP by 2021. However, with the current pandemic, the key objective now is to return the debt level back on a sustainable path.

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, PE operations, and potential mitigation strategies.

Table 1. Budget Fiscal Risk Framework

Risk Category	Major issues considered
Macroeconomic risks	Shock scenario analysis to evaluate impact of macroeconomic variables on GDP growth, Budget aggregates and Debt target
Budget execution risks	Additional and unforeseen spending pressures as a result of capital project cost overruns, Impact of natural disasters on contingency reserves
Public Enterprise risks	Identified risk parameters affecting all Public enterprises
Risk Mitigation	Key measures that can be taken to offset the impact of such fiscal risks

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

¹ Note that this document does not look at 'Financial Stability' risks. This is covered by the CBS in a specific report.

performance of PEs). For example, an increase in fuel price will affect both Government excise tax revenue, assuming a partial negative demand effect, and non-tax revenue in the form of dividend from PEs heavily reliant on fuel (given the higher operating costs). This will impact overall revenue and provide a constraint towards planned public spending, resulting in increased pressure on the primary surplus and debt targets.

2. Macroeconomic Risks

Seychelles faces numerous external vulnerabilities – large swings in international commodity prices, changes to the global economic landscape, and more recently, high uncertainty regarding international tourism. 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 and is consequently a major source of fiscal risk. Such variables include; Real GDP growth, oil prices, interest rates, exchange rates and commodity prices. In this section, we will consider four 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, shocks on Tourism, which directly affects real GDP, and finally shocks on external debts, which impacts upon the debt target.

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 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 2021-2024

	<i>Actuals</i>				<i>Estimate</i>		<i>Projections</i>			
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Nominal GDP (SR' m)	18,340	19,002	20,806	22,052	23,244	20,627	22,361	23,601	25,118	26,775
Real GDP growth	4.9	4.5	4.4	3.8	4.1	-13.4	2.1	3.5	3.7	3.9
GDP deflator growth	2.1	-0.9	4.9	2.2	1.3	2.6	6.2	1.9	2.6	2.6
CPI (annual average)	4.0	-1.0	2.9	3.7	1.8	1.2	5.9	3.0	3.0	3.0
SR/€ (average)	14.76	14.76	15.77	16.47	15.76	20.23	26.91	23.57	23.57	23.57
SR/US\$ (average)	13.32	13.32	13.65	13.91	14.03	17.61	22.68	20.15	20.15	20.15

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, debt 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 in a country's economy in a given time period evaluated at current market prices. In contrast, real GDP accounts for changes in prices due to inflation; a general rise in the price level. Inflation itself is influenced by several factors mainly changes in oil and commodity prices, and any change in inflation rate will predictably impact real GDP estimates. For tax revenue growth, the main proxy considered is nominal GDP.

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 inevitably affect Government's revenue.

Given the sensitivity of revenue to nominal GDP (a buoyancy of about '1.0' for the majority of taxes), it is estimated that:

A 1 percentage point increase in inflation rate would translate into a SR 182m, or 0.8 per cent increase in nominal GDP. The direct impact on tax revenue is an estimated increment of SR 18.2m, or 0.3 per cent. This is equivalent to 28 per cent of GDP.

The positive 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 general prices increasing globally, there will be an international pass through of prices onto the domestic market. Even with an increase in revenue, Government will have to monitor expenditure and find ways to finance its spending, as the increased inflation will inevitably translate into high expenditure. A rise in the inflation rate for example, would have an impact on the domestic interest rate, leading to a possible surge in interest expense as a result. Furthermore, if there is additional rise in fuel prices or any small fluctuations in the price, this will have significant budgetary impact.

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 are 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 impacts Government's tax revenue growth. Another direct impact in terms of revenue is on external grants, which are mainly from

international donors and comes in the form of foreign currency. In view of the current pandemic, a further depreciation of the Seychelles rupees against US dollars and the Euro seem plausible to explore.

Given the sensitivity of exchange rate to nominal GDP, it is estimated that:

A 1 per cent *depreciation* in the SR/USD rate would result in an SR 89m, or 0.39 per cent decrease in nominal GDP. Assuming no other effects, this would translate into a potential SR 8.9m or 0.2 per cent decrease in tax revenue. In addition, net foreign currency denominated expenditure would augment by SR 27.4m or 1 per cent.

Given that most of the country's earnings is in Euro, it is estimated that:

A 1 per cent *depreciation* in the SR/EUR rate, would increase nominal GDP by 98m, or 0.44 per cent. Assuming no other effects, this would translate into a potential SR 9.8m or 0.2 per cent increment in tax revenue.

It should be highlighted that the difference in the results emanate from the currency in consideration. Given that majority of the country's expenses are USD denominated, it is reasonable that a depreciation of the rupee against the dollar would imply that nominal GDP and revenue would decrease whereas FX denominated expenditure would increase as a result. On the other hand, given that most of the country's earnings are in Euro, a depreciation in the SR/EUR rate would predictably translate into higher revenue.

Fluctuations in exchange rate will also affect external debt repayments (explained in next section) as well as the expenditure side especially on the foreign exchange receipts and other Government spending.

Shocks on Debt

For the purpose of this exercise, only external debt is considered. External debt is denominated in foreign currency and so is entirely dependent on exchange rate. Any fluctuation in exchange rates, as explored above, will affect external debt repayments in local currency terms, and dependent on the nature of the change, will impact the debt target either positively or negatively – a depreciation of the rupee will mean a higher rupee cost to service debt denominated in foreign currency.

Sensitivity Analysis

With the current pandemic, the Seychelles Rupees have depreciated significantly and is expected to depreciate further during at least the first half of 2021.

Given the sensitivity of exchange rates to external debt, it is estimated that:

A 1 per cent *depreciation* in the SR/USD rate would result in SR 99m, or 1 per cent increase in external debt stock for the year 2020.

Shocks on Tourism arrivals

Tourism remains the main economic activity in the Seychelles economy, directly contributing to about 30 per cent of GDP. Any change in visitor arrivals, the main proxy for tourism growth, as well as average lengths of stay and earnings, will have a direct impact on the tourism contribution to real GDP growth. The effect on revenue will be lower when compared to that of nominal GDP growth, as only a few tax lines have growths closely linked to real GDP – excises related to specific imports such as alcohol and petroleum.

Sensitivity Analysis

Given the sensitivity of visitor arrivals to real GDP, it is estimated that:

A 1 per cent fall in tourist arrivals would result in a decline of 0.2 percentage points on the 2020 real GDP estimate. Assuming that everything else is unchanged, the subsequent follow through drop in tax revenue would amount to SR 3.3m or -0.1 per cent.

Given that tourism is the pillar of the economy, a drop in arrivals will result in a direct negative impact on the tourism related sectors as well as an indirect negative impact on all other sectors of the economy. A decline in arrivals will have a significant direct impact on VAT collected from tourism activities (which accounts for over half of total receipts), as well other taxes collected from this sector such as business tax. This would also affect tourism earnings/inflows into the economy.

For the year 2021, a negative shock on arrivals is a plausible scenario given the high uncertainty surrounding the on-going global pandemic. For the 'worst case scenario' in tourism arrivals within the macroeconomic framework for 2021, a decline of about -30 per cent is estimated. In over 20 years, the most significant fall in arrivals was recorded in 2020 at -70.1 per cent. An even further drop to the -1 per cent considered for this scenario is a realistic possibility. Recent flight cancellations on top of already lower frequencies per airline has further constrained supply, whilst demand in this first quarter is visibly lower given heightened restrictions in major tourism markets as a result of the onslaught of new variant, which is potentially spreading faster than vaccine roll outs. If the situation is not contained, then the negative growth in arrivals will materialise.

Further to this, given the heavy reliance on imports, a significant drop in arrivals will inevitably result in a drop in foreign exchange earnings. If demand pressures remain high and the supply of foreign exchange is low, this will cause a further depreciation in the currency, which will lead to other adverse impacts as discussed previously.

Table 3. Summary of Macroeconomic shocks

Variables	Shock	Impact (SR' m)			Impact (percentage)		
		Nominal GDP	Revenue	Debt	Nominal GDP	Revenue	Debt
Inflation	1% Rise	172 to 182	17.1 to 18.2		0.8	0.3	
Exchange Rate –SR/USD	1% Depreciation	-85 to -89	-8.9 to -9.1	99	-0.4	-0.2	1.0
Exchange Rate –SR/EUR	1% Depreciation	92 to 92	9.7 to 9.8		0.4	0.2	
Tourism Arrivals	1% Fall	-48 to -51	-3.2 to -3.3		-0.2	-0.1	

Source: Macroeconomic Forecasting & Analysis Branch Estimates, MoFEPT
 Note: Impact range is based on two scenarios – Baseline and worst case

The following fan charts presented below depict the three scenarios of macroeconomic developments: baseline, upside and downside when different shocks were applied.

Box 1: Macroeconomic shocks: Fan charts

Figure 1: Real GDP deviations from Base line

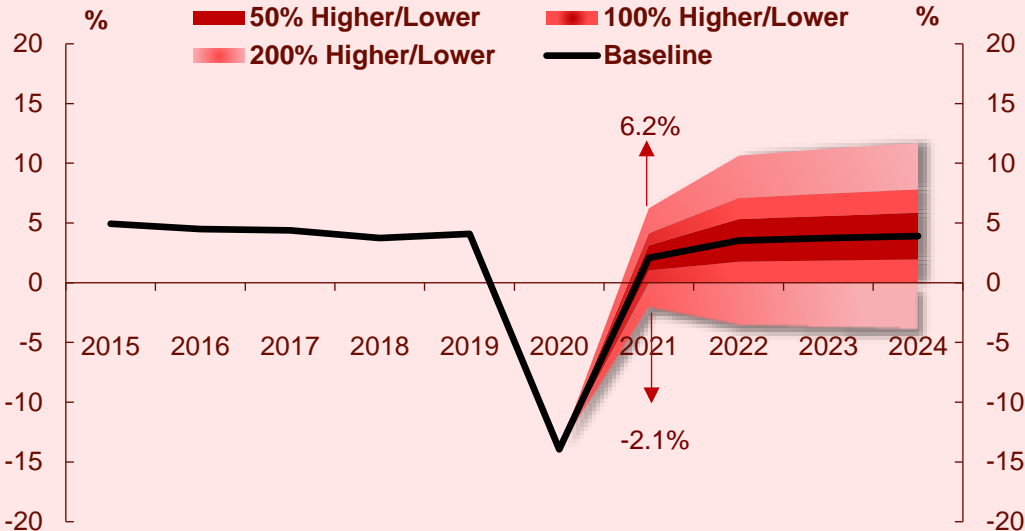
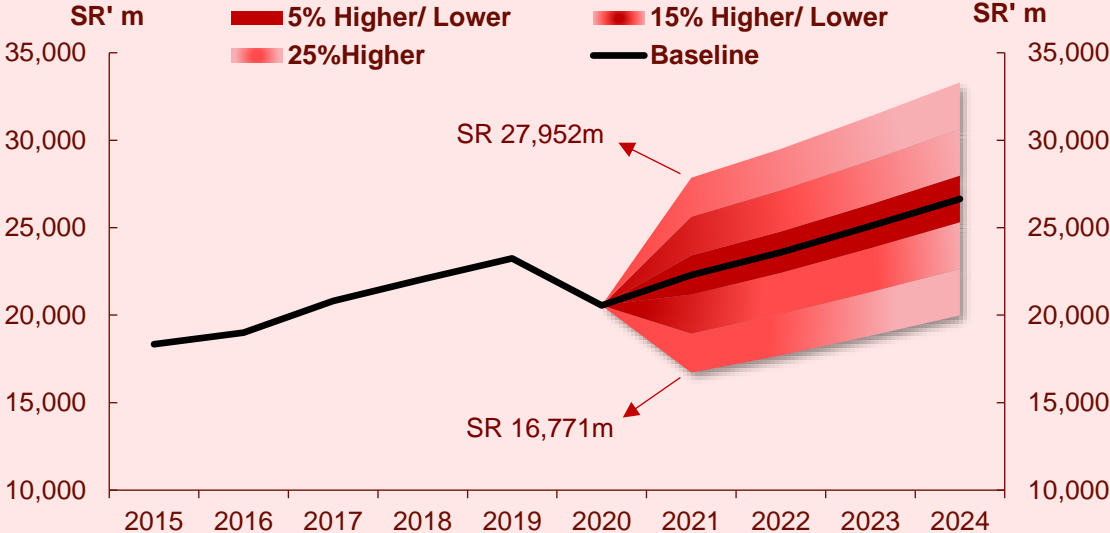


Figure 2: Nominal GDP Level deviations from Base line



Source: Macroeconomic Forecasting and Analysis Branch Estimates, MoFEPT

Figure 3: Tax Revenue deviations from Base line

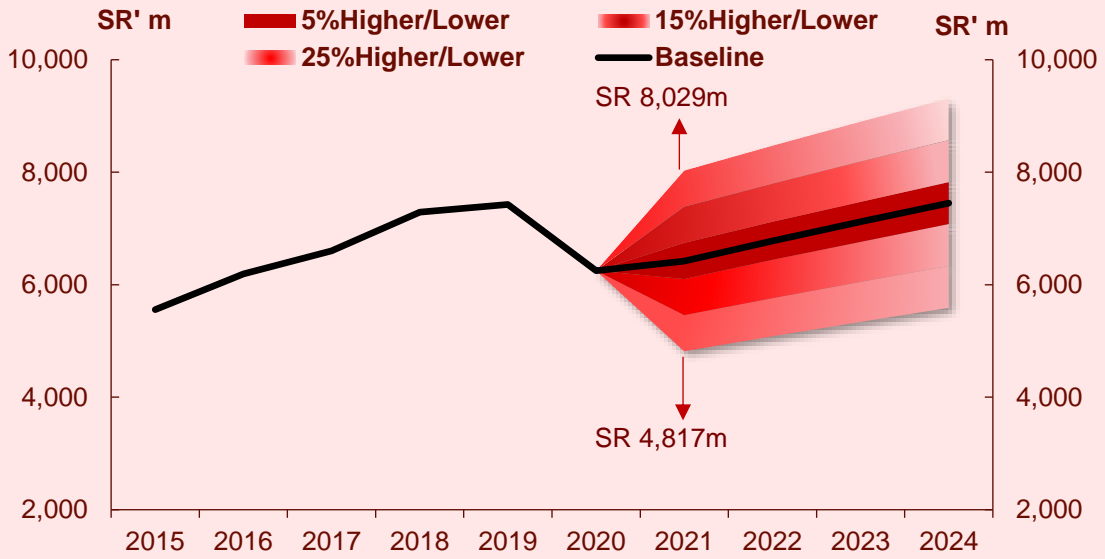
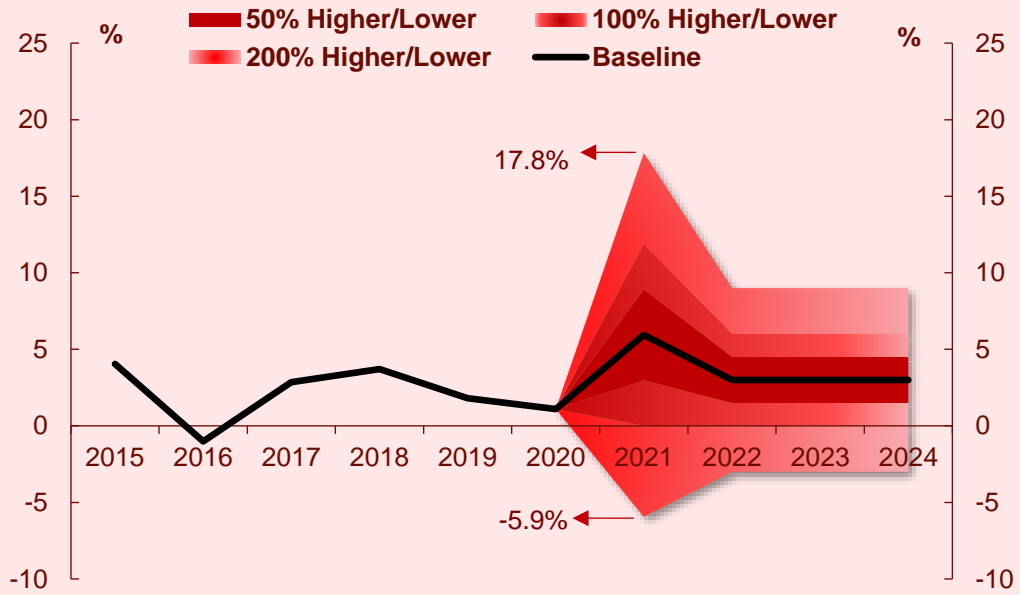


Figure 4: Inflation deviations from Base line



Source: Macroeconomic Forecasting and Analysis Branch Estimates, MoFEPT

Figure 5: SR/EUR deviations from Base line

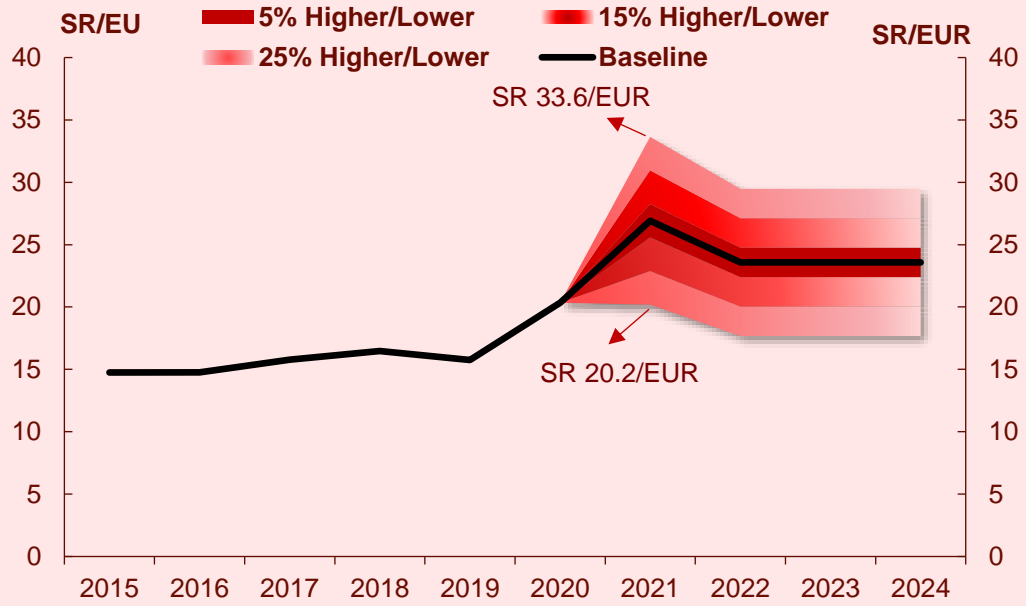
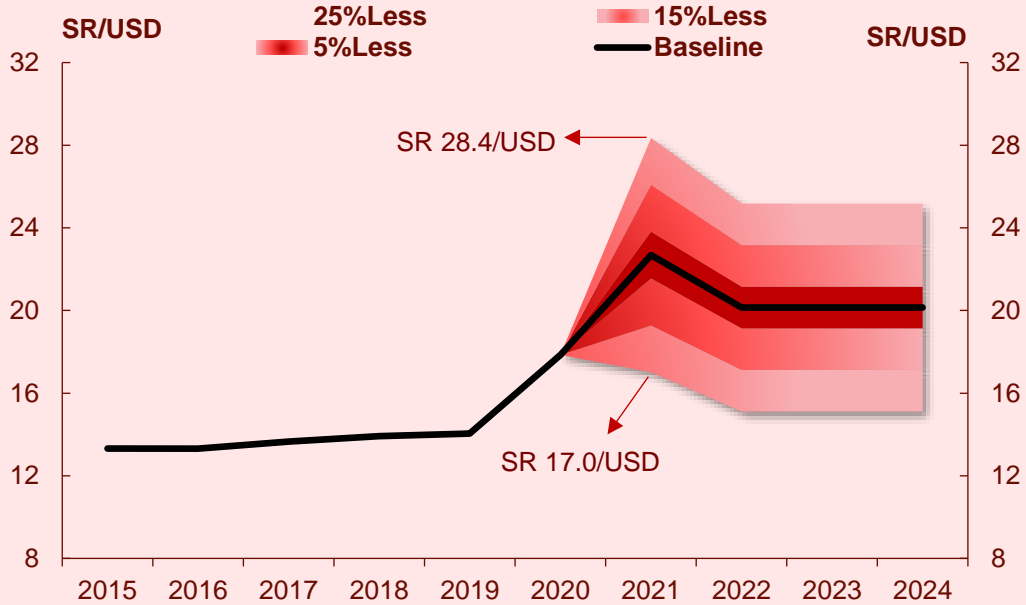
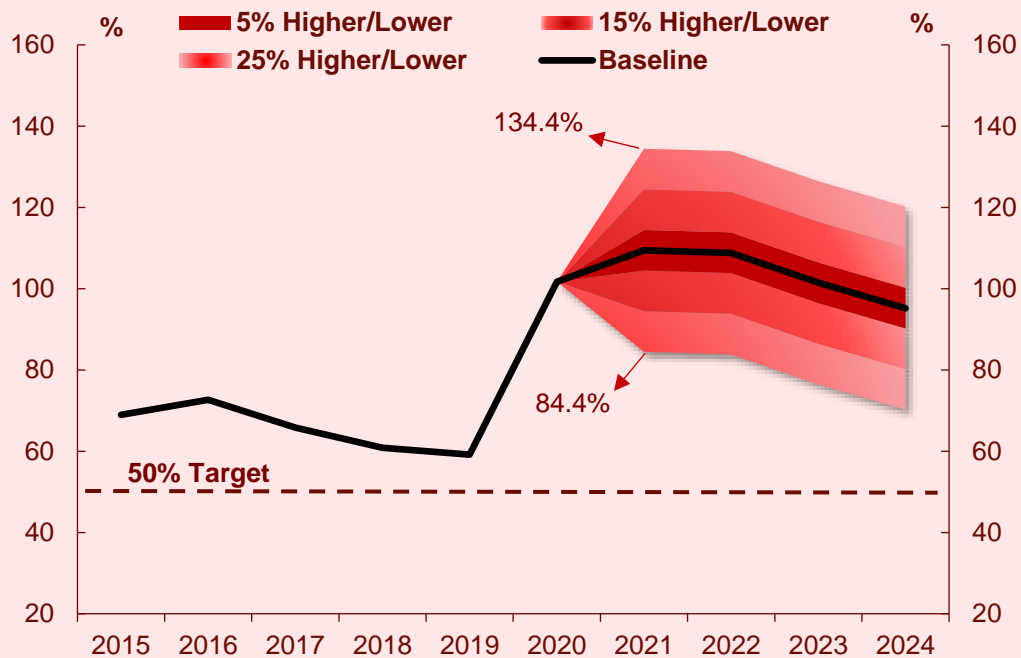


Figure 6: SR/USD deviations from Base line



Source: Macroeconomic Forecasting and Analysis Branch Estimates, MoFEPT

Figure 7: Debt deviations from Base line



Source: Macroeconomic Forecasting and Analysis Branch Estimates, MoFEPT

2.3 COVID-19 Fiscal Stress Test Tool

Given the current economic environment defined by high levels of uncertainty, exacerbated by the mutating nature of COVID-19, effective policy making and planning has become increasingly challenging. The IMF, in conjunction with the Regional Technical Assistance Centre for Southern Africa (AFRITAC), have shared a ‘**Fiscal Stress Test COVID-19 tool**’ (FST tool) to assist macro-fiscal units in Sub-Saharan Africa in preparing well-informed macro-fiscal scenarios surrounding COVID-19 lockdowns.

The FST tool uses historical national accounts GDP data and fiscal data, as well as other macroeconomic parameters, to model forecasts of baseline macro-fiscal scenarios over the short and medium-term. Two main shock variables, *lockdown duration* and *lockdown stringency*, are then implemented to model COVID-19 lockdown scenarios. In the interest of public health, different countries implement ‘lockdown measures’ to counter the spread and impact of COVID-19.

The **lockdown stringency** variable is an index value which refers to the strictness and number of measures being set by authorities, ranging from restrictions on international travel to stricter measure like the restrictions on the sizes of gatherings and closing of work places.

The **lockdown duration** variable simply refers to how long these measures and restrictions are applied, ranging for 3 months to 1 year. Additionally, the reactions of the shocks on different national accounts sectors are customised accordingly to increase accuracy of the tool for different types of economies.

COVID-19 Scenarios

Two main scenarios were run:

- i. 3-month lockdown with 'high level' stringency**
Result: 36.4 per cent drop in Real GDP growth 2020

Scenario (i) simulates a situation featuring a 3-month lockdown in 2020 with measures of high level stringency. This scenario closely follows that of the Seychelles own lockdown in April 2020. According to the 'Oxford COVID-19 Government Response tracker'², this was a period of high level of stringency (Index score of 93). Furthermore, despite the scaling back of restrictions on movement after one month, international borders remained closed for four months. Given that Seychelles is a small island developing state heavily reliant on tourism, which accounts for about 30 per cent of the GDP, the closure of borders is seen as a highly stringent measure on this important sector, leading to a major decline in economic output.

The results generated from this shock scenario estimates 2020 real GDP growth at -36.4 per cent. Figure 8 overleaf illustrates the real GDP growth estimates for this scenario generated by the FST tool, compared to MFAB's projections, and IMF world GDP growth projections. As observed in Figure 8, the tool's real GDP growth projections for 2021 and the medium term are considerably higher than MFAB's projections, except in 2023 where the convergence of all three estimates are observed. The assumption is that following the shock in 2020, 2021 growth returns to the long run trend of the production function, hence the higher growth rate. However, looking at Figure 9, despite this estimated high rebound in growth, in level terms MFAB estimates are more optimistic than the tool. Over the medium term the two estimates seem to converge. The tool outputs both a higher contraction in growth in the year of the shock, and a higher potential rebound in percentage terms after the shock, however in level terms, GDP remains far below the trend.

²Hale, Webster, Petherick, Phillips, and Kira (2020). Oxford COVID-19 Government Response Tracker, Blavatnik School of Government, University of Oxford. Available at: <https://ourworldindata.org/grapher/covid-stringency-index?tab=chart&stackMode=absolute&time=2020-01-22..latest&country=~SYC®ion=World>

Figure 8: Real GDP Growth (3-months lockdown)

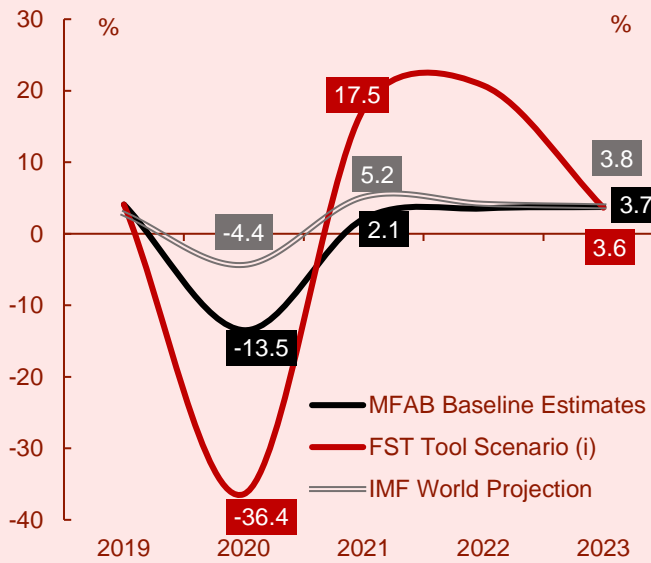
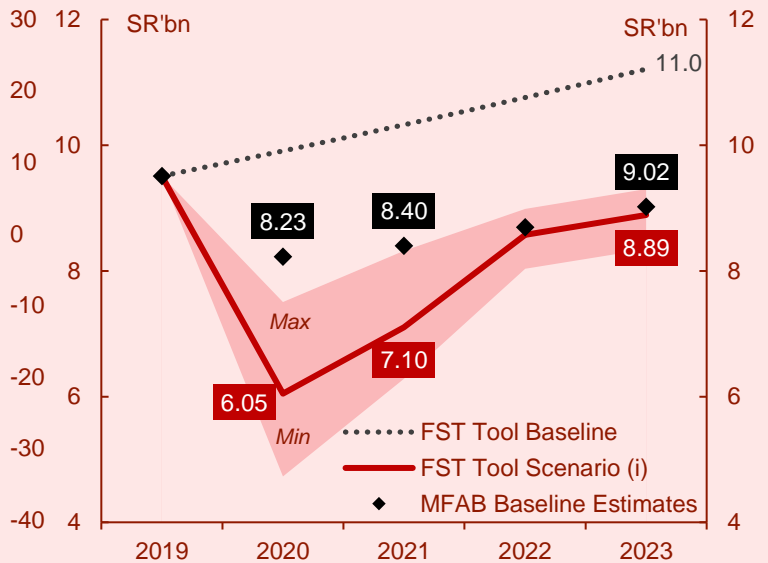


Figure 9: Real GDP level (3-months lockdown)



Source: MFAB projections, IMF FAD Fiscal Stress Test Tool projections
 Note, shaded areas refer to range of possible results

ii. 6-month lockdown with 'high level' stringency

Result: 40 per cent drop in Real GDP

Scenario (ii) estimates a worst-case scenario where 2020 lockdown duration is prolonged to six months and stringency is kept at a high level. As to be expected from this shock, real GDP is estimated to contract by 40 per cent in 2020 according to the FST tool, while a substantial rebound of 22 per cent is projected for 2021. In the medium term, real GDP is projected to grow at an average of 12 per cent, albeit at a decreasing rate. Figure 10 and 11 below illustrates the tool's growth and level projections compared to MFAB's estimate and the IMF world projection. As previously mentioned, the differences in the growth path estimates stem from the setup of the tool which is geared towards a quick return to trend growth, and so an immediate 2021 recovery of similar magnitude to the 2020 contraction in percentage terms, while MFAB's moderate projections are based on assumptions of the gradual recovery of the tourism sector. In all scenarios, GDP does not return to the baseline in level terms.

Figure 10: Real GDP Growth (6-month lockdown)

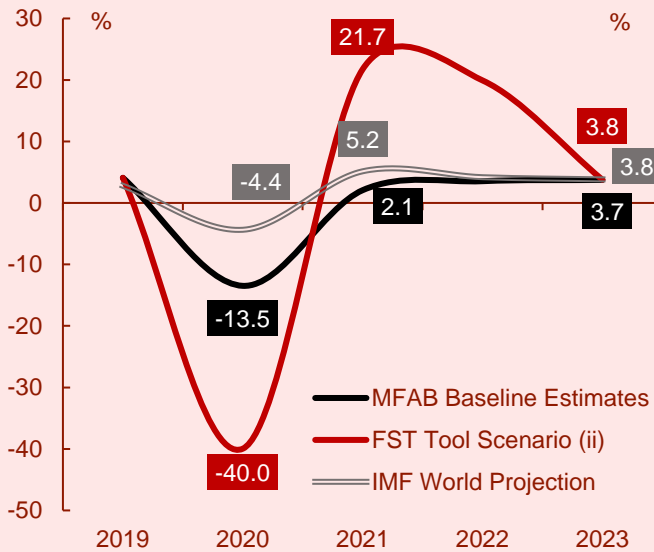
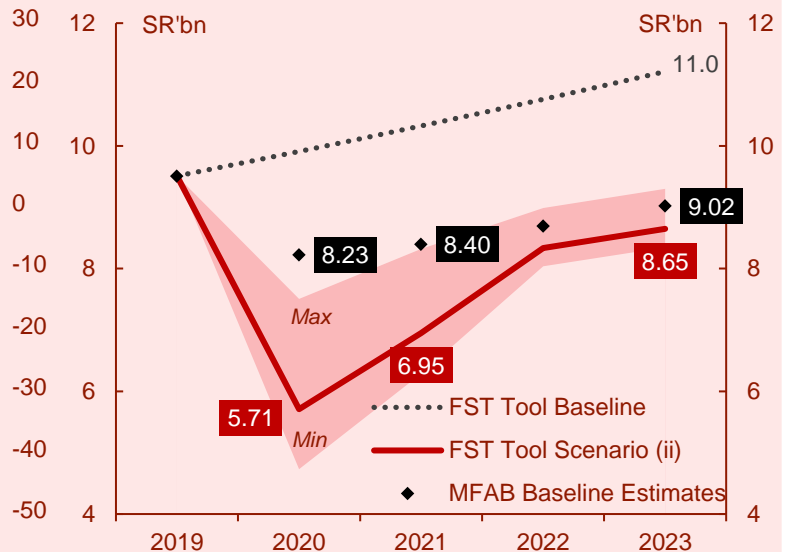


Figure 11: Real GDP level (6-months lockdown)



Source: MFAB projections, IMF FAD Fiscal Stress Test Tool projections
 Note, shaded areas refer to range of possible results

It should be noted that further customisation and manipulation of the tool is required to yield more plausible detailed estimates. The results presented here are for illustrative purposes and provide a general overview of the impact of various lockdown lengths and stringency on economic output.

2.4 GDP Rebasing

Given the importance of having up-to-date data, rebasing the CPI and 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 has recently completed an exercise towards rebasing the GDP, and it is now set at 2014 prices. Although the annual national accounts data is yet to be released by mid-2021 and the entire back casted GDP series by mid-2022, this represents a potential upside 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 this could aid the country's debt reducing path 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 2021 is SR 1.9bn, equivalent to about 9 per cent of GDP. A 10 per cent increase in this outlay, through of poor execution and cost overruns, would result in a 1.6 per cent of GDP increase in overall expenditure, and will lower the primary balance in GDP terms from -11.8 to 12.7 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 5.3 per cent of GDP for the 2021 Budget and is assumed to reduce gradually over the medium term. Given the on-going pandemic, the donor countries may have experienced significant contraction in their revenues and this may inevitably impact 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. This was seen in 2020, where the budgeted amount deemed far less than the actual pandemic impact. The current Contingency fund for the year 2021 is estimated at SR 50m, which is about SR 136m less than 2020 end-of-year estimate. This fund will cater for unforeseen expenditures such as compensation claims on government or any additional 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.

This section, is summarised from the 'Public Enterprises Fiscal Risk Report 2019' which analyses risks faced by PEs for the 2019 fiscal year only. As such, there is no disclosure on risks faced by or resulting from PEs in 2021. This would include Air Seychelles risks to Budget. This section does provide, however, a thorough look at the state of fiscal risks emanating from and affecting PEs as per the most current financial statements.

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 4: Risk Matrix illustrating the Macroeconomic Risks of PEs

PE	Risk Parameters						
	Oil price	Exchange rate	Interest rate	Credit availability	Tourism	Housing prices	Inflation
AS	x	x	x	x	x		x
BDRI			x	x			x
DBS		x	x	x	x	x	x
FSA		x	x	x			x
GICC	x	x	x	x	x	x	x
GOIC			x	x		x	x
GTIC	x		x	x		x	x
HFC		x	x	x	x	x	x
IDC	x	x	x	x	x	x	x
I'UE	x	x			x	x	x
NISA	x	x	x	x			x
PS	x	x					x
PDEE							x
PMC			x	x		x	x
PUC	x	x	x	x	x	x	x
SCB		x	x	x	x	x	x
SCAA	x	x	x	x	x		x
SEYPEC	x	x		x	x		x
SIMBC		x	x	x	x	x	x
SPA	x	x	x	x	x		x
SPF		x	x			x	x
SPTC	x	x	x				x
SPS	x	x					x
SSI	x	x	x	x	x	x	x
STC	x	x	x	x	x		
2020 DC	x	x	x	x		x	x

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, a rise in oil prices will directly affect SEYPEC as its principal activity involves 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 prices during 2019 would have resulted in a rise in fuel and oil expense of approximately SR 1bn. Assuming all variables remain constant, the net profit of SR 237.2m generated in 2019 would have resulted in a loss in the range of SR 8-9m. As a result, a decline in SEYPEC'S profitability will have a direct impact on the amount of revenue received by the Government from lower tax and dividends. For the year 2019, SEYPEC's business tax expense amounted to SR 37.8m while its dividend paid was SR 200m.

PUC would also be directly impacted by an increase in oil prices as generation fuel and lubricant represents the bulk of its operating expense. In 2019, generation fuel and lubricant represented 47 per cent of PUC's total revenue. If all variables remain constant, a 32 per cent rise in oil prices for 2019 would have resulted in an increase in fuel and oil expenses in the range of SR 260m to SR 275m. In turn, this would have resulted in a net loss in the range of SR 155m to SR 160m.

PEs, whose part of operation and transactions are performed in foreign currencies, are directly exposed to the volatility of the exchange rates. Additionally, PEs having debt denominated in foreign currency are also exposed to the risk of exchange rate losses in the event of an important depreciation of the Seychelles rupee. At December 31, 2019 approximately 65 per cent (SR 2.5bn) of PE debt was denominated in foreign currency, of which 71 per cent (SR 1.8bn) in U.S. dollar³, and 29 per cent (SR 0.7bn) in Euro⁴. Therefore, a depreciation of the Seychelles rupee would lead to higher import costs and debt costs within the PE sector.

PEs which have a large number of borrowings, especially those which are long term and at a floating rate are exposed to interest rate volatility. A rise in interest rate will have an impact on the financial performance and cash flow of a PE. For example, DBS' exposure to interest rate risk arises from the interest rate charged on loans taken from various banks, such as Nouvobanq and Absa Seychelles, for on-lending to its customers. If the interest rate on DBS' borrowings would have fluctuated by 1 per cent with all other variables held constant, the net profit of 2019 amounting to SR 5.1m would have fluctuated by approximately SR3.5-3.7m.

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 5 overleaf.

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 changes in Government policies and regulations. The matrix also indicates that all PEs are vulnerable to at least one type of expenditure or revenue risk.

³ Exchange rate: SCR/USD=14.0335

⁴ Exchange rate: SCR/EUR=15.7539

Table 5: 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	Cost overruns investment projects	New or increased QFAs	Unexpected maintenance, new investment	Natural disaster	Government policies and regulations	Lower sales	Lower dividends received	QFAs	Lower loan repayment	Inflation
AS			X		X	X	X		X		X
BDRI		X		X	X	X	X				X
DBS					X	X	X		X		X
FSA					X	X	X				X
GICC		X			X	X	X				X
GOIC					X	X	X				X
GTIC		X			X	X	X				X
HFC					X	X	X		X		X
IDC		X			X	X	X				X
I'UE			X	X	X	X	X	X	X		X
NISA					X	X	X				X
PS	X				X	X	X				X
PDEE	X				X	X	X				X
PMC		X	X	X	X	X	X		X		X
PUC		X	X	X	X	X	X		X	X	X
SCB					X	X	X				X
SCAA		X	X	X	X	X	X		X		X
SEYPEC			X	X	X	X	X		X		X
SIMBC					X	X	X			X	X
SPA		X	X	X	X	X	X		X		X
SPF					X	X	X	X			X
SPTC	X	X	X	X	X	X	X		X		X
SPS	X		X	X	X	X	X		X		X
SSI					X	X	X	X			X
STC			X	X	X	X	X		X		X
2020 DC					X	X	X				X
OICL					X	X	X				X

Source: PEMC

The recent developments surrounding Air Seychelles poses major risks to the 2021 Budget. The company's required assistance from Government represents a significant portion of the Budget deficit. The closure of the international segment will have further adverse impact on the Budget, as this will dampen the PE's revenue and consequently widen the Budget deficit.

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 materialise, there is a high risk that Government will be liable to provide fiscal support to PEs.

The risk matrix below and 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 two of the potential explicit contingent liabilities for the Government of Seychelles at the end of 2019.

Table 6: Risk Matrix of PEs substantially affected by Explicit Contingent Liabilities Risks

PE	Loans granted by government to PEs	Other government guarantees granted to PEs
AS	x	x
BDRI		
DBS	x	x
FSA		
HFC		x
IDC		
L'UE		
NISA		x
PS		
PDEE		
PMC		x
PUC		x
SCAA		
SCB		
SEYPEC		
SIMBC		
SPA		x
SPF		
SPS		
SPTC		
SSI		x
STC	x	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 7 below.

Table 7: 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	Bailouts of PEs
AS			X
BDRI	X		
DBS	X	X	
FSA			
HFC	X	X	
IDC	X		
L'UE			
NISA	X		
PS	X		
PDEE	X		
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 7.

Table 8: Details of loans between PEs

Lending institution/PE	Beneficiary	Currency	Legal end date	Maximum exposure 2019 (SR' m)
SSI	BDR1	SCR	2028	54.4
	BDR1	SCR	Deferred ⁵	56.2
	PS	SCR	To be determined by the lender	5.0
	PDEE	SCR	Not finalized	4.4
SCB	GITC	SCR	2020	22.5
	HFC	SCR	2024	95
Nouvobanq ⁶	NISA	SCR	2024	11.7
	DBS	SCR	2020	12.7
		SCR	2023	25.8
	GTIC	SCR	2020	22.5
		SCR	2025	89.9
	IDC	USD	2019	0.4
		USD	2023	1.8
		USD	2023	2.0
		SCR	2019	0.17
	GICC	SCR	2019 ⁷	3.6
PMC	USD	2019	4.2	
PMC	SCR	2029	184.9	
PUC	SCR	2027	75.0	
SPF	PMC	SCR	2026	124.0

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 as at December 31, 2019.

⁵ The loan from SSI to BDR1 was restructured in August 2018 as follows:

- Inter-company loan of mSCR60 and accrued loan interest of mSCR14.6

- Shareholder loan of SCR56. The repayment of the shareholder loan (mSCR56) has been deferred, and it bears interest at 0%.

⁶ Data received from debtor PEs, Nouvobanq declined to provide confirmation on the data.

⁷ Extended to 2020

Table 9: Risk Matrix of PEs substantially affected by Arrears Risks

PE	Risk Parameter		
	Government in arrears to PE	PE in arrears to Government	Arrears to or from other PE(s)
AS	x		
PUC	x		
STC	x		

Source: PEMC

Arrears from Government to PEs

Table 10: Showing Arrears from Government to PEs (SR' m)

PE	SR' m
AS	15.9
PUC	23.0
STC	1.6
Total	40.5

Source: PEMC

The Government arrears towards Air Seychelles amounted to SR 15.9m relating to non-payment of invoices despite reminders. Government's arrears towards PUC corresponded to outstanding utility invoices from Ministries, Departments and Agencies and amounted to SR 23m and the payment was due for longer than ninety days. The arrears of STC from Government amounted to SR 1.6m due to non-payment of invoices despite reminders and has been due for longer than one year.

Arrears from PEs to Government

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 were no identified arrears from PEs to Government at December 31, 2019 based on data received from PEs.

Arrears between PEs

Similarly, arrears between PEs reciprocally affects their profitability and may lead to cash flow problems if not managed accordingly.

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 while they continue to invest or accumulate their dues. The monitoring of arrears by PEs and the Government is consequently critical.

As at December, 31, the Commission was unable to report on arrears between PEs due to inconsistencies in the data received from the latter.

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.

Lack of Compliance (PEMC Act/Companies Act)

There is an overall non-compliance to the prescribed reporting obligations of PEs under Sections 35 to 36 within Part V of the Act. In general, the PEs have failed to comply to the legislated requirements of the Act during 2019, i.e., the contents of the SCI (Section 35), and monthly financial statements (MFS) (Section 36) 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 11: Risk Matrix of PEs substantially affected by Risks stemming from Lack of Compliance

PE	Risk Parameter				
	Delayed submission of Annual Financial Statements 2019	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	Expired	x	Not Submitted	Not Submitted
BDRI	x	N/A	x	Not Submitted	IFRS for SMEs
SPF	x		x	x	
SPTC	x	Expired	x	x	
SSI	x	Expired	x	Not Submitted	
SPA	x		x	Not Submitted	
SEYPEC	x		x	x	
PMC	x	Expired	x	x	
PUC	x	Expired	x	Not Submitted	
SPS	x	Expired	x	Not Submitted	
Nouvobanq	x		x	Not Submitted	
NISA	x		x	Not Submitted	
SCB	x	Expired	x	Not Submitted	
FSA	Not Submitted		x	Not Submitted	Not Submitted
2020 DC	x	Expired	x	Not Submitted	
I'UE	x		x	Not Submitted	
IDC	x	Expired		Not Submitted	IFRS for SMEs
PS	x			Not Submitted	
STC	x	Expired	x	Not Submitted	
SCB	x		x	Not Submitted	
DBS	x	Expired	x	x	
GICC	x		x	Not Submitted	IFRS for SMEs
GTIC	x		x	Not Submitted	IFRS for SMEs
HFC	x		x	Not Submitted	
NISA	x	Expired	x	Not Submitted	IFRS for SMEs
SCAA	x		x	x	
OICL	Not Submitted		x	Not Submitted	Not Submitted
PDEE	Not Submitted	N/A	x	Not Submitted	Not Submitted

Source: PEMC

5. Risk Assessment Matrix 2021

Given the fiscal risks presented in this document, a fiscal Risk Assessment Matrix (RAM) was developed (Table 12). The main risks were assessed based on analysis and judgement. These were 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 was also assigned a value using the same scale.

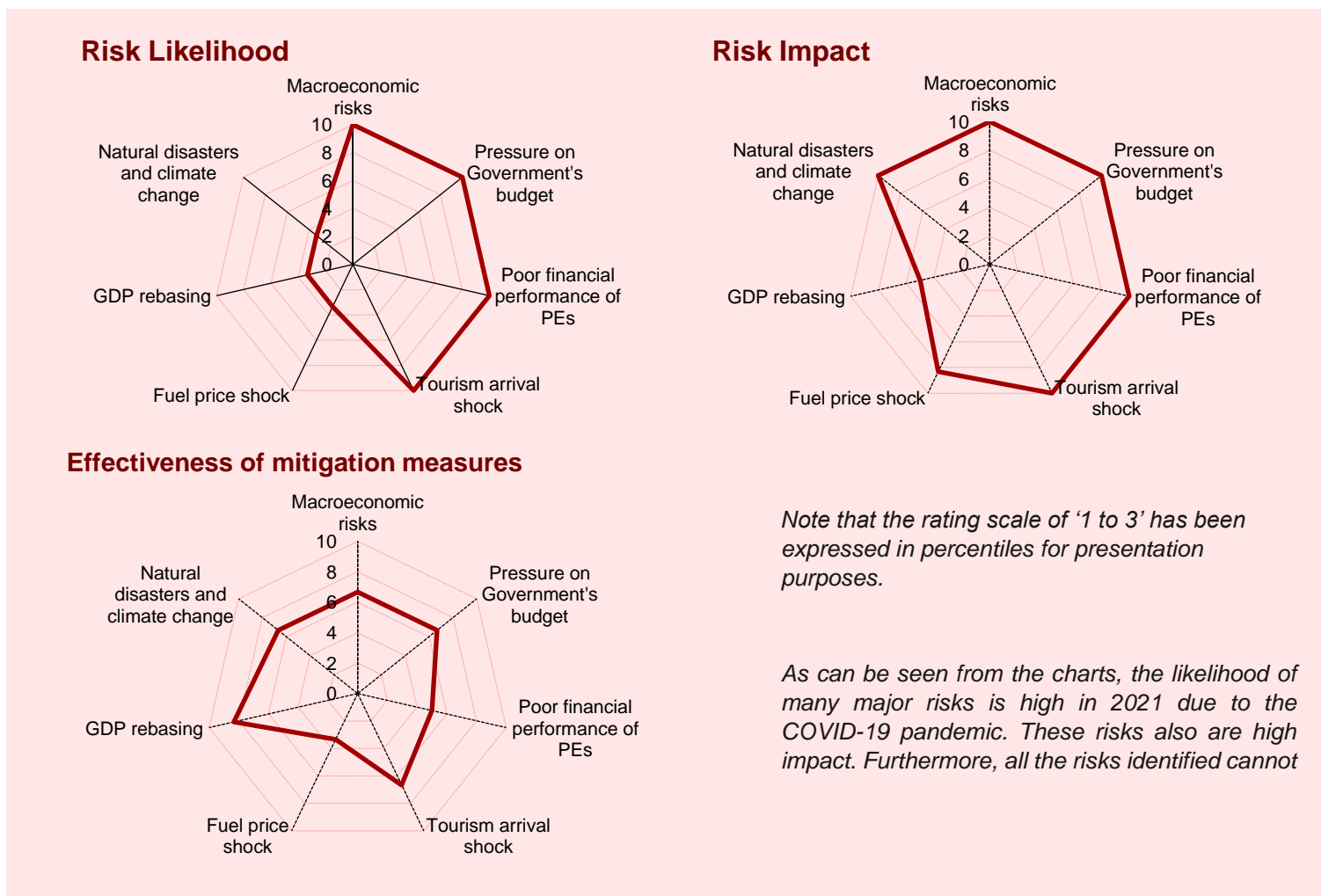
Table 12: Risk Assessment Matrix 2021

Risks Identified	Likelihood	Impact	Transmission	Mitigating Measure	Effectiveness of mitigating measures
Macroeconomic Risks					
Exchange rate shocks	High	High	Fall in tourism earnings due to the on-going pandemic, will put pressure on the exchange rate. This in turn, will drive inflation, and affect the Budget and impact Seychelles' ability to service its debt.	<ul style="list-style-type: none"> Ensuring that herd immunity is reached by March, as per vaccination schedule. Identifying new sources of foreign exchange e.g., renegotiating fishing licence fees. Continuing the campaign to curb import related consumption. 	Medium
Inflationary shocks	High	High	Continued depreciation will drive inflation in 2021. Inflation will affect Government Budget, capital projects, cost of living, business confidence and general financial stability.	<ul style="list-style-type: none"> Proactive Monetary policy intervention. Measures to curb depreciation. 	Medium
Fiscal Risks					
Pressure on Government's Budget	High	High	Fiscal stimulus to assist businesses and individuals during the pandemic increasing pressure on Budget.	<ul style="list-style-type: none"> Review of FA4JR and other schemes. 	Medium
PE risks					
Poor financial performance of PEs	High	High	PEs request for Government support which will put additional pressure on the government's Budget.	<ul style="list-style-type: none"> Establishing contingency reserves. Negotiating financing terms. 	Med-Low
External Risks					
Tourism arrivals shock	High	High	Tourism expected to underperform due to COVID-19 pandemic: emergence of new variants and extended restrictions on travel.	<ul style="list-style-type: none"> Ensuring that herd immunity is reached by March, per vaccination schedule. Innovative marketing strategies. 	Medium
Fuel price shock	Low	Med-High	An increase in international fuel prices will exacerbate the depreciation, since Seychelles will need additional foreign exchange to purchase fuel.	<ul style="list-style-type: none"> Monitor developments in the international oil market. 	Low
Other Risks					
GDP rebasing	Med-Low	Med-Low	Given current debt level, the positive effect of GDP rebasing will be minor in terms of debt servicing.	<ul style="list-style-type: none"> Continuous consultation with the NBS. 	Med-High
Natural disasters and climate change	Low	High	The effects of climate change remain a long-term threat with high impact, however a single disastrous event is unlikely.	<ul style="list-style-type: none"> Ensure that the contingency fund is available at all times in the eventuality of disasters. Access to grants for sustainable, environmental climate change projects. 	Medium

Source: Macroeconomic Forecasting and Analysis Branch Estimates, MoFEPT

The following radar charts presented below depict the RAM estimates for 2021 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 12: RAM 2021 charts



Source: Macroeconomic Forecasting and Analysis Branch Estimates, MoFEPT

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 materialise. 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 fiscal risks**.
- **Transferring risks through hedging and insurance instruments**. The mentioned would help in mitigating the macroeconomic risks associated to the PEs in particular.
- **Impose caps and limits on the liabilities public entities** can accumulate.
- **Improve upon reporting requirements of PEs**. This is currently being undertaken by PEMC.
- **Make specific Budget provisions to cater for PE risk**. This involves appropriate subsidisation to PEs in case the institutional risks were to materialise into the fiscal risks. and for the proper planning for the cost associated to QFAs.
- **Implementing a coordinated reporting framework** between MoFEPT, 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, debt and tourism arrivals, to illustrate the potential impact of these variables when in a downside and upside situation. The shocks

presented effects 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, the effects on external debt due to changes in exchange rates were presented. In addition to this, given the high dependence on tourism, shocks on visitor arrivals were explored and are expected to have a significant impact on real GDP. A fiscal stress test was also simulated to analyse potential economic effects of COVID-19 restrictions on 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 and inflation affects significantly PEs such as Air Seychelles, PUC, SEYPEC and STC.

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.

Risks deriving from deficiencies in Government's institutional framework could also take a toll on Seychelles' fiscal aggregates. Such discrepancies produce uncertainty and inadequate guidance undermining compliance transparency and accountability.

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.