

**2016 Budget Speech Presented by Jean-Paul Adam, Minister for Finance, Trade and the Blue Economy,
National Assembly, Wednesday 23rd December 2016**

Mr Speaker,

Leader of Government Business in the National Assembly, Leader of the Opposition, Honourable Members, my fellow Seychellois,

1.0 Introduction of the theme- ‘Creating opportunities and building resilience for every Seychellois’

During this last month the people of Seychelles have dedicated themselves to the electoral process which ended on the 18th December.

After having exercised their rights in peace, it is important that we continue to provide each and every Seychellois the opportunity to dedicate themselves to the future of our country.

It is with this principle in mind that I present the National budget to this Assembly today.

The National Budget for 2016 is being presented under the theme: ‘creating opportunities and building resilience for every Seychellois’.

During 2015, we have done our utmost to create opportunities for the public to participate in the budget planning process. I have sincerely appreciated the engagement of the different sectors and groups of people I have met during these consultations. I am very pleased with the discussions I have had with everyone.

I trust that in the future we may continue to use such platforms to allow continuous discussions and interactions on the budget.

It is important that we do not perceive the budget process as only something that is presented at the end of each year- but that it is viewed as an interactive process where we exchange ideas with the aim of creating better opportunities for each and every one of us.

Naturally, because of limitations in available resources, not every suggestion could be considered. However, the debate, and this continuous exchange of views, will facilitate the engagement of every person in the budget process.

Mr Speaker,

I would also like to thank all Members of the National Assembly, and the people of Seychelles for allowing the presentation of the budget at this moment- outside of the electoral calendar.

Christmas-the time for families to unite and celebrate together is upon us. But it is also a time for reflections. It is also evident that we must re-double our efforts to work for the benefit of our people during this festive season.

It is a time where we should reflect on our journey as a country so far. It is also the time to reflect on where we are heading. It is a time when we should reinforce our unity through our hard work.

When we are united, it does not mean that we agree on everything. Rather- when we unite it means that we are ready to work together to improve- that we all want to work together to find solutions for difficulties and struggles that we face.

And I believe that through this budget, we are doing exactly this- continuing this conversation to find solutions together.

2.0 Economic Outlook

Mr. Speaker,

As 2015 comes to an end, the Seychelles economy has achieved considerable growth despite difficult global conditions.

IMF forecasts Global growth for 2015 at 3.1%. Relative to 2014, activities in advanced economies, such as USA, have picked up slightly. However, despite a few exceptions, countries in the Euro zone continue to face difficulties.

Additionally emerging market and developing countries continues to suffer negative effects as a result of declining commodity prices, reduced capital flows to emerging markets and pressures on their currencies, as well as increasing market volatility.

Real GDP Growth is forecast at 4.3% for 2015.

The upward revision, compared to mid-year, is associated mainly with more favourable outlook in the 'Wholesale and Retail' sector, following the weakening in commodity and oil prices and also continuous credit growth. By the end of september, credit growth to private sector increased by 14%. Credit growth is forecasted at 10.4% in 2016. Credit availability to small medium enterprise remains a concern for the Government. Several measures will be taken to address this issue as will be pointed out later on in the speech.

A positive outlook in the Tourism sector has also contributed towards the positive economic growth. The growth in this sector is 8%. By the end of October visitor arrivals was up by 19% and this is attributed to a targeted marketing strategy by STB, code sharing agreements by Air Seychelles as well as better flight connections which include direct flights to Paris, more cruise ships and special chartered flights.

Growth is also supported by positive performance in the 'Manufacturing of Alcohol and Beverages'. By the end of the third quarter, beer production was up by 21% while spirits was up by 35% compared to the same period last year.

Increase in data usage and internet services has also contributed towards positive economic growth.

The fall in oil prices has had a significant positive impact on our economy. This has reduced the price of imports and has resulted in increased competitiveness in the local business environment.

Mr. Speaker, all these positive considerations can contribute towards the implementation of strategies that will ensure more opportunities and increased resilience for all the people of Seychelles. At the same time, we must be realistic with regards to challenges before us. We are still not retaining enough value in the country. Many jobs and opportunities are being created- but we need more value to be retained from these opportunities.

Through several immediate measures that are being put in place in the 2016 budget , and also others for the medium term, the Government aims to increase opportunities and expects more value added by the different sectors- with emphasis on providing more opportunities to the small medium enterprise to invest in the future. At the same time, we will review our strategy to ensure that businesses, and the population in general, are being offered assistance and support to deal with the challenges that they may face.

It is evident that while many opportunities are being created, we must ensure these opportunities touch everyone.

And we must also ensure that those who are most vulnerable have access to the support they need to be able to contribute positively.

3.0 2015 Budget Performance

Mr. Speaker,

By the end of the fiscal year 2015, the Government is expected to achieve a primary surplus of 3.8 per cent of GDP, equivalent to SR 735m. When compared to the initial target of SR 720m, this represents a slight increase of 0.1 per cent of GDP. The primary fiscal target for Government remains the reduction of public debt to 50 per cent by 2018. At the end of 2015, total revenue excluding grants, is 1% above what was budgeted, from 6.18 billion to 6.23 billion.

The revised primary expenditure and net lending for 2015 is forecasted at SR 5.8 billion compared to an original budget of SR 5.9 billion.

Mr. Speaker, as you will recall, Government also came before the National Assembly during October to request for an additional budget estimate of SR 146 million.

4.0 2016 Economic outlook and Medium term outlook

Mr. Speaker,

Despite a positive performance for 2015, it remains important to remain conservative and realistic in order to keep to our targets.

It is estimated that the economy will grow by 3.3% in 2016.

Modest growth is estimated in the tourism sector after the high 2015 base with similar pattern expected in the 'Information and Communication' and 'Financial and Insurance services'. ICT is estimated to grow by 5.5% while Financial and insurance services are estimated to grow around 3%.

Growth will be driven by the Fisheries sector and 'Manufacture of Food'- primarily in the canned tuna production- based on the continuous emphasis on the Blue Economy concept. These sectors are estimated to grow by 5% and 4.5% respectively.

4.1 Monetary

Mr. Speaker,

In relation to the monetary situation, the Central bank of Seychelles will continue to take all necessary measures to ensure monetary stability in the country.

CBS maintained a tight monetary policy stance for the first three quarters of 2015, with a cautious loosening implemented in the fourth quarter. Subject to external developments and domestic inflationary pressures, the Bank is expected to maintain an unchanged stance for 2016.

The country's external position is projected to improve in 2015 relative to the preceding year. A narrowing of the current account deficit is forecasted from 22% of GDP in 2014 to 18.4% of GDP in 2015, with further improvement expected in the medium term. This reflects a reduction in commodity prices that we import and at the same time leaving more foreign exchange in our system.

Foreign Direct Investment (FDI) is forecasted to decline from USD227 million in 2014 to USD184 million in 2015. This is consistent with the Government approach towards improving local investment and creating opportunities for all Seychellois businesses.

4.2 Exchange Rate

Mr, Speaker,

In 2015, the dollar has remained more or less stable with the year-to-date SCR/USD annual average standing at 13.34. On the other hand the Euro depreciated against the dollar causing the rupee to appreciate against the Euro. This has been a challenge to the tourism sector since most of their prices are based in Euro.

However the strategies being adopted will continue to build resilience and this will ensure stability hence improve confidence for long term investments by Seychellois.

4.3 Reserves

In order to build further resilience against external shocks, CBS will continue to pursue its reserves accumulation strategy. Reserves are expected to reach USD 538 million by the end of December. When the opportunity arises, CBS will purchase foreign exchange from the market to build reserves without influencing the exchange rate.

4.4 Inflation

Government and Central Bank will maintain its measures to ensure that inflation remains on a level that ensures stability in the economy.

The rebasing of the Consumer Price Index (CPI) in January 2015 by the National Bureau of Statistics, which provides a more accurate measure of development in price fundamentals, contributed towards an initial spike in inflation data which later abated. Seasonal inflationary pressures continued to impact on prices over the course of the year whilst the stable exchange rate and low energy prices globally contributed towards lower domestic prices. The annual forecasts is estimated to 4.3 per cent.

4.5 External Debt

Mr. Speaker,

Seychelles is on track to achieving debt sustainability in the medium term and attaining our debt target of 50% of GDP by 2018. In fact we expect our Debt to fall from 63% year end 2015 to 49.6% by 2018 based on our current scenario.

This debt reduction will be financed by an annual primary surplus of 3.8 per cent of GDP between 2015 and 2018. This is equivalent to an average surplus of SR 796m for the period.

It is important to note that without maintaining such fiscal discipline, we would not be able to meet our overall target. We should also be careful not to see this target as simply a figure to be achieved. This target represents the means that will allow us to invest even more meaningfully in infrastructure, and accelerate our development on a sustainable basis.

5) 2016 budget

Mr. Speaker, during the mid year review, as well as through the Medium Term Fiscal Framework, I presented to the Assembly several measures I intend to implement in the medium term that will ensure that we continue to facilitate the creation of wealth. Our budget is a key element of this strategy.

5.1 Main Objectives of the 2016 Budget

Our theme for the creation of opportunities and at the same time creating resilience reflects the necessity for us to facilitate local investment in our economy and also ensure that we have the means and structures in place to enable all Seychellois to grasp this opportunity. This is a reality for any country

that operates a market economy, to allow for competition. Competition is necessary to enable innovation and also resilience. However we also need to create space to cater for the different sizes of businesses, with different financial and human resources capabilities. We also need to ensure that while we are operating in a competitive environment; our workers can invest in a pathway that brings more value added to our economy. It is important that our work helps to generate a better quality of life.

To maintain confidence in our economy, government remains committed towards achieving its fiscal balance of 3.8% of GDP. In 2016, this will represent R767 million. This target will allow us to meet our debt reduction target and enable us to accelerate investment in infrastructure in the long term. This will also ensure that Seychellois owned businesses can guarantee that they can continue to invest in a stable environment in the long run

5.2 Revenues

Mr. Speaker,

For the 2016 budget, we expect R5.9 billion as tax revenues, equivalent to 29% of GDP. This represents an 8% increase compared to the 2015 budget and it is based on the positive outcome of the projected VAT next year.

5.3 Expenditure

Mr. Speaker,

The Total projected expenditure for 2016 is R7.3 billion. R6.56 billion is being presented to this assembly for appropriation in the budget whereas R1.2 billion or 18.4 % of this appropriation is for capital projects.

It must be noted that the Education sector and the Health sector remain priority. The health sector in general is to receive R661 million or 10.1% of the budget. In regards to education, a sum of R556.5 million, equivalent to 8.5% of the budget is being proposed.

Total wages are expected to be R1.25 billion, representing 6.2% of GDP.

One of our main objectives for the 2016 budget is to avoid significant increase on spending in goods and services. Only R1.093 billion has been catered for 2016, compared to R1.037 in 2015, representing only a 5.4% increase.

Except for exceptional circumstances, funds for goods and services are being maintained at the 2015 level. We are also proposing for ministries to reduce spending on stationary, hospitality and consumables, and any other unnecessary spending in 2016. We are imposing targets to reduce waste and unnecessary spending.

5.4 Education sector

Mr. Speaker,

The education sector remains one of our main pillars that allow us to create more opportunities for our people and at the same time reinforce our resilience.

The 2016 budget will also allow us to carry out major investment in new infrastructure to support development.

Fundamentally, it will also allow us to improve our ability to deliver quality education programmes. This means that we shall be continuing to use the budget process to bring the results we want to see on the ground in schools and in this sector as a whole.

One of our main priorities is to improve the general environment in schools. This will be carried out through the different programmes aimed to address the needs of school children with social issues and reduce the negative impact of social ills such as drugs.

We are also aiming to improve the capabilities of teachers through improved teacher trainings and ensure that all vacant posts are filled.

We may recall that this ministry is already implementing the Programme Performance Based Budgeting (PPBB) and throughout 2016 it will be easier to account for the outcome of this piloting exercise.

Through the various consultations we have had with the different stakeholders in this sector, it is clear that it is the improvement in the quality of education and school environment that will bring about a difference in this sector.

I therefore take this opportunity to thank all educators that have been devoted in this field and have contributed meaningfully to the budget process.

5.5 Health Sector

Mr. Speaker,

In 2016 we will place more emphasis on the quality of service that is being delivered relative to the amount of investment that is being made.

We will aim to improve our operations in comparison to the investment we are making in this sector. On top of continuous investment in new infrastructure, we are also aiming to finalise in 2016 the redevelopment plan for the Seychelles Hospital. The redevelopment is expected to be in line with certain standards that we expect to put in place based on our needs and the expectation of the general public.

In the 2016 budget, we are also aiming to reinforce the role of the private sector in this area. We recognize that already significant primary health care services are being provided by the private sector and it is with this in mind that we will be allowing patients that are being referred to the government clinics for tests or specialized treatment, to receive these services free of charge.

5.6 Housing sector

Mr. Speaker,

The provision of decent and comfortable housing remains one of the policy priorities of this government so that we can ensure that the resilience of our people are being safe guarded.

Over many years, the Government has invested significantly in this sector, based on its fundamental principle that housing is key to support the development of our people.

The challenge we face is tied to availability of land and also a secondary market for housing that is still evolving, and for the time being too often does not represent an affordable option for the majority of our population.

Through the 2016 budget, Government will continue to invest in the construction of houses. In 2016, we are aiming to build 166 units through the capital budget.

This comprises of 40 units on Perseverance, including 36 units in Ex Dominic Savio, as well as other regional projects that will be implemented at Les Mamelles, Anse Dejeuner, Ex Kashugy estate, Marie Jeanne Estate and Mont Plaisir.

In addition, there are 66 units that are being financed under the 'self financing' scheme that will be constructed next year.

However, Mr. Speaker, as I have explained previously, the fact that access to affordable housing in the private sector remains a challenge, it is clear that government needs to pursue certain innovative projects to accelerate the implementation of our vision that each young Seychellois can gradually own his or her own home.

Already our "Home Savings Scheme" (HSS) is proving to be a success and is the basis for future solutions. Anyone contributing towards this scheme is investing towards their future since it is through this scheme that government will then be able to deliver on the houses that are needed. We also need to ensure that we have the means to meet the needs of those searching for accommodation – whether it be the person on minimum wage, or the person who although might be receiving a reasonable salary, might not be able afford a house or an accommodation in the private sector.

Government will therefore be venturing into Public Private Partnerships (PPP) to ensure that anyone that contributes towards HSS is assisted in a reasonable time frame.

In relation to graduates and young professionals, government will continue with its condominium projects on Perseverance Island in 2016 through a pilot PPP project, with the first phase to be completed during the first quarter of 2017. A total of 150 units will be constructed. Government will also start its second phase of the Chateau Vallon condominium project with 48 units through PPP as well. Under this model, a private investor will develop the project while Government will provide the framework that will determine the repayment mechanism for the beneficiaries.

Mr. Speaker,

Our intention to build on the resilience of our nation also includes provisions to assess the housing estates that government has built in the past and where necessary redevelop these estates with the support of the residents to ensure that their housing needs are being met.

It is therefore important to ensure that as we invest in new projects we also re-invest where necessary and provide a framework so that the residents can also re-invest in their homes for their benefits and that of their children.

5.7 Tourism sector

Mr. Speaker,

Our 2016 budget also reflects that tourism remains a fundamental pillar of our economy.

The Tourism Board has been focusing on marketing that has addressed our main primary markets that have brought in concrete results. At the same time it has invested to ensure as much as possible a quality experience in this sector. They have also worked to re-launch Seychelles as a cruise destination.

Government has also worked to ensure a strong relationship between the tourism sector and other related partners in the economy through the regular meetings it has held with government and the private sector.

We have also seen that the Carnival as well as the Creole Festival have played an important role to attract tourists and offer a new experience for them.

To ensure continued increase in performance, we will increase the allocation in the tourism marketing fund from R80 million in 2015 to R85 million in 2016.

An important project that will continue in 2016 is the absorption capacity study of new tourism investment. The first phase of the study was carried out for the North of Mahe, and will proceed for the other regions. We will recall that the moratorium on big developments still remains in force until the study is completed.

However, we shall recall that any development reserved for Seychellois will be allowed to continue?

A major objective that we will strive for through the 2016 budget, is the value added that Seychellois businesses can earn in this sector.

With the World Bank support, during the first quarter of 2016 we will identify factors that can make our businesses become more competitive in this sector and also identify investment that can allow Seychellois to create more wealth in this sector. We will use the result of this study as well as other studies that have already been carried out to put in place strategies to ensure maximum participation of Seychellois entrepreneurs in this sector on Praslin and La Digue.

5.8 Financial Sector Development

Mr. Speaker,

The International Financial Sector remains a pillar of our economy. We have the opportunity to further develop the value-addition to this sector through better capacity building, through development of new products, through better regulation based on world best practices and while recognizing our role as a centre for international finance.

It is essential that when we consider this sector in the future, that we do not simply regard it in the context of local and offshore businesses. It is important that we create opportunities to generate more wealth in our economy based on our interactions with the global economy.

It is not enough to only have businesses registered in Seychelles. What we want is that Seychellois businesses, driven by Seychellois, can offer services that are in demand globally.

We are well placed for this transition, but we must address this challenge quickly. If we do not address these challenges, our entire financial sector will be at risk.

Following the efforts we have done to carry out reforms in our system of information exchange internationally, Seychelles has been accepted by the OECD as a country that is 'largely compliant' with the standards of the Global Forum on exchange of information.

We are also working with the World Bank to conduct a "National Risk Assessment" to ascertain the risk of money laundering. It is very important that we are vigilant in this exercise.

In order for us to move ahead with the reforms necessary to ensure that the financial sector continues to offer opportunities for all Seychellois, it is imperative that we also modernise our current legislation. We are in the process of finalising a new act on "International Business Companies" which adopts certain basic principles to prevent the risk of money laundering, while at the same time allowing for a structure of continuity for the sector.

We are also finalising a new act on "Trusts" and on "Global Business Companies" which will allow us to better adapt with global regulations and at the same time, create opportunities.

It is imperative that we further invest in capacity building, and marketing of our jurisdiction, which are two main elements which we shall be putting emphasis on in 2016 in line with the new strategy that we

are currently discussing with the private sector. I wish to thank all the representatives of the private sector who have been actively engaged in this process.

Mr. Speaker,

We shall also, in 2016, be presenting numerous reforms in the banking sector. We are working with the Central Bank to ensure that the banks answer to the needs of the people.

We shall be working with them to encourage investment in capacity building and to develop Business Advisory Services.

The Central Bank will lead the reforms necessary on information on credit, in order to allow it to become more relevant so that individuals and businesses that are taking loans have all the information and support necessary.

In the medium term, we shall work on having a more comprehensive system on the regulation of credit.

The Central Bank will also establish a Committee on Financial Stability with the support of the Ministry of Finance, Trade and the Blue Economy. The Central Bank will also reinforce its mandate to protect the rights of the consumer in the financial sector, and support the sensitisation of the population regarding regulations in the financial sector.

5.9 Blue Economy

Mr. Speaker,

We foresee that a number of Seychellois investors that have started or are finalizing their projects to bring added value to their fisheries products will contribute a significant portion to our national growth in 2016.

I wish to congratulate the various investors who are taking the opportunity to maximize sustainable fishing and brand their products as such, which adds added value to their products.

One such example is that of the 'Seychelles Hook and Line Fishermen' by the Fishermen and Boat Owners Association.

There are many others who are also investing in creating unique products that promotes the potential of our blue economy.

To this end, the Government will support fishermen's associations and companies to market their products internationally in specialised trade fairs. It is clear that we must market our Blue Economy, as we do our Tourism industry. We are confident that that this can create many new opportunities for the sector.

In terms of investment, the Government will continue to reinforce infrastructure for fishermen, in particular infrastructure on Ile Du Port and basic services such as ice plants.

5.10 Agriculture

Mr Speaker,

For the Agricultural Sector, the Government has recently finalized an Agriculture master plan for the period 2016-2020. We have also identified projects worth SR 867.3 million which can be implemented through Public Private Partnership.

Two important projects which will start in 2016 are the new abattoir as well as the establishment of a hatchery and new parent stock.

Other projects to be implemented in 2016 includes a livestock improvement and veterinary laboratory costing SR 8 million and the renovation of the Victoria market for a sum of SR 4.7 million. Both projects will be funded through the Livestock Trust Fund.

5.11 Energy, Water and Sanitation

Mr Speaker,

The energy sector remains a major sector in terms of investment in the year 2016 and also for the medium term. Key investments in the above sector in 2016 include three new generators for Mahe, Praslin and La Digue for a total of SR 210 million which will start operations early next year.

There will also be investment in a 33kV transmission network to the South of Mahé which will cost USD 36 million funded by a loan through the Saudi Fund for Development and BADEA. Another USD 10 million will be spent for the extension of the above network to Beau-Vallon.

Renewable energy is important for the sustainable development of our country. As such it is important for us to put more emphasis in the development of basic infrastructure that will allow us to reap the benefits from renewable energy technology.

Government has launched its first initiative to allow more access to renewable energy for the more vulnerable households where 450 photovoltaic systems will be installed on those residences. This will cost SR 57.5 million and is being financed by a grant from the Government of India.

In order to sustain economic development, the Public Utilities Corporation (PUC) will start work to raise the La Gogue Dam so as to increase storage capacity. The project is being financed by the African Development Bank (ADB) through a loan and the project will cost USD 26 million.

The above project will complement PUC's effort in 2016 to reduce on water loss through its distribution system through leaks as well as the project of transferring water from Mare aux Cochons to Le Niole and also the renovation project of the Hermitage and Cascade treatment plants.

Implementation of the sanitation master plan will also start in 2016 with the preparatory work on the new sewerage system for La Digue. The Beau-vallon sewerage system will also be extended as part of the Government's effort to improve its national sanitation and sewerage system.

5.12 Transport Sector

Mr Speaker,

In 2016 the Seychelles Civil Aviation Authority (SCAA) will be implementing various key projects.

Projects expected to be implemented between 2016 and 2020 include :

- Upgrading and extension of the international and domestic terminals for a total of SR103 million
- Runway rehabilitation through an investment of SR110.9 million
- Other key projects and investments in essential equipment at an estimated cost of SR 44.6 million
- New air traffic control tower costing SR 15.5 million

The total investment is at an estimated cost of SR 606 million and will be partly financed by a loan from Agence Francaise de Developpment.

Regarding land transport , the Government will invest a total of SR 70.7 million in 2016 which includes:

- SR 7.6 million for the bridge between Perseverance and Anse- Etoile
- SR 24.9 million for the Ile du Port bridge
- SR 18.5 million on primary and secondary roads
- SR 8 million on drainage and road improvements
- SR 18.1 million on asphaltting works and road maintenance

The plan for the re-development of the Victoria Commercial port will be finalized in 2016 and a feasibility study will be conducted. In addition, a value chain analysis of the Port will be done to identify business opportunities for seychellois in various activities of the port and potential areas for Public Private Partnership.

Discussions on the financing of the project with the European Investment Bank (EIB) is in progress .

6.0 Improvement of Public Service, Governance and budget management

Mr Speaker,

In his inauguration speech on the 20th December, President James Michel gave the commitment of the Government for improved public service delivery as his priority for the first 100 days of his last mandate.

To this end an audit will be conducted on public service so as to improve on delivery.

In terms of measures that will be implemented through the budget, there will be the establishment of a monitoring framework on Public Service efficiency which will be based in the office of the Vice-President to ensure that Government Departments meet their targets.

In 2016 there will also be a Public Expenditure and Financial Accountability Framework assessment (PEFA) to assess the country's public finance management.

6.1 Performance Programme Based Budgeting (PPBB)

The Government will continue to expand its process of performance based budgeting in 2016 with the aim of improving efficiency in Government. The Ministry of Education and the Ministry of Fisheries and Agriculture are already implementing this process. For the 2016 budget three more ministries, namely Ministry of Land Use and Habitat, Ministry of Home Affairs and the Ministry of Finance, Trade and Blue Economy will be presenting their budgets on PPBB.

6.2 Development Committee for capital projects

Mr Speaker, the 2016 budget preparation has seen the involvement of a development committee which has worked with Government agencies to evaluate projects submitted to MFTBE for financing. This has ensured that projects being funded are in line with the country's priorities hence contributing to the efficient allocation of resources. This approach is consistent with best practices being followed in various countries.

6.3 Public Private Partnership

In 2016 the government will involve the private sector more in the provision of public goods and services through Public Private Partnerships. This will be under the new PPP framework being developed by the Government with technical assistance from the African Development Bank.

In the first quarter of 2016, we will be presenting various projects/ programmes to the private sector and discuss the different possibilities for private sector participation in line with the national development plan.

6.4 Public Enterprises

Mr. Speaker, we continue to intensify our efforts to strengthen the overall corporate governance which have ensured maximum disclosure of information to the public in general.

We are proud to say that The Public Enterprise Monitoring Commission (PEMC) recently received the approved OECD Code of Governance. OECD is the organisation which ensures the financial regulation amongst advanced economies.

To facilitate Board nomination process on public enterprise boards, the Commission shall initiate the creation of an Institute of Directors as well as providing training for Board appointees

Regarding the performance of some key Public Enterprises we note the notable improvement in SEYPEC's performance.

SEYPEC is actually declaring dividends of SR 66 million for the year 2015. This performance is due to very good performance by the tankers and also on the re-exportation and bunkering operations which have increased by 16%.

SEYPEC will continue to invest in infrastructure such as the pipeline to zone 14 fishing area and is in the process of finalising the plans for Victoria North Petrol Station

6.5 Creation of Anti-Corruption Commission

Mr. Speaker,

Seychelles has already put in place various procedures to combat corruption, and our monitoring of public services is the strongest it has ever been.

However, it remains a fact that no country in the world can claim to have no corruption.

In the Seychelles context, we need to put in place measures that will address the true risk of corruption- and not just in the context of rhetoric delivered ahead of an impending election.

In 2016, we shall enact a law that will establish an independent 'Anti-Corruption Commission' that will have the authority to conduct investigation and take cases to court. The commission will be part of the domestication process of the UN international Convention on Corruption, which Seychelles is already a member of.

Through this Commission, Seychellois will be able to sound the alarm on any issue or matter they feel may have an element of malpractice or corruption.

Mr. Speaker,

The Commission will assist in reinforcing a number of other reform measures that we have put in place, such as the Public enterprise Monitoring Commission in 2013, the Public Officers Ethics Commission in 2008 and the 'Public Procurement' Act of 2008 and the 'Public Finance Management' Act of 2012.

Mr. Speaker,

It is important that we make use of institutions such as these to reinforce our governance. It is through such credible and strong institutions that we can reinforce the trust and confidence for our citizens to invest in our future.

7.0 Trade Policies and Facilitation procedures for imports and Exports

Mr Speaker,

For a country which depends on trade for economic development, it is important that we use accession to the World Trade Organisation (WTO) to implement modern and efficient systems.

The Government has recently set up a National Trade Facilitation Committee, in view that we recognize that the amount of time taken for release and clearance of goods at the port or for exportation, is a challenge which needs to be addressed to ensure facilitation of the ease of doing business in Seychelles.

One project we are implementing to facilitate the release and clearance of goods at the port is the installation of a new scanner which when combined with cargo targeting software will speed up the flow of trade at the seaport and lessen the need for Customs to physically unpack a large number of consignments. The Revenue Commission will also intensify its effort in providing training to the clearing agents to support the better flow of trade by reducing the volume of erroneous Bills of Entry.

In 2016, we will also work closely with yacht sector operators to ensure we facilitate growth in that sector, increase transparency and reduce poor compliance in relation to taxation.

8.0 New Tax Policies for 2016

8.1 Implementation of a Progressive Income Tax System

Mr Speaker,

As we have already announced, during 2016, we will work with the assistance of the IMF towards a progressive income tax system. We are aiming to implement this as of July if all preparations go smoothly.

It is important for us to be reminded that at the start of the economic reform in 2008, we continued to implement the same rate of 15% under income tax as we had done previously under social security. We maintained this basic system because it is a simple system to administer.

But it is evident today, that as our country evolves, we need to implement a tax system which is more equitable and based on the principle of sharing and solidarity enshrined in our Constitution.

To implement a new income tax system, we will need technical support from the IMF, to ensure we are able to implement such a system efficiently.

A key direction of the consultation we are having with the IMF is that we ensure that we improve the income of vulnerable groups. It should be a tool to put more money in their pockets. In addition, through the reform we are doing we will identify more measures to better compensate Seychellois for their work.

This reform will see a direct increase in the salary of workers which need it most.

It will be important during this exercise that Government maintains its current revenue collection to the actual level. It will also be important during this reform process that we create a framework that will build resilience.

8.2 Reduction in Business tax rates

To facilitate development in the private sector, as we have already announced in our Medium Term Fiscal Framework, Government is aiming to reduce business tax rates. We feel that despite the reduction in business tax rates, we will be able to collect more revenue if our economy continues to perform to the level we expect.

With the reduction, we will also create more opportunity for businesses to re-invest in our local economy. This reduction will be considered from the 2017 if the economic conditions remain favourable.

8.3 Inclusion of Construction (Class 1) and Casino Companies in Tourism Marketing Tax

Mr Speaker,

We have continued to see positive results in our economic strategy based largely on the focus and result of our tourism marketing. But this industry evolves very fast and we need to ensure that we continue to bring innovation to ensure we are well positioned.

Thus it is important that we widen the base for the the tourism marketing tax. It is for this reason that in 2016 that we will include the construction class 1 and casino companies. As it has been the case with all the other companies according to the prescribed list, they will be eligible to pay the tourism marketing tax if their turnover is above SR 1 million.

8.4 Removal of Levy on electric and hybrid special motor vehicle

Mr Speaker,

In line with the President's commitment in June this year to remove the levy on all electric vehicles and reduce duty on hybrid vehicles to 5%, this will also be extended to specialised electric and hybrid motor vehicles (e.g. forklifts, refrigerated vehicles).

8.5 Removal of Trade tax on bicycles

Mr Speaker, to promote mobility and to encourage transportation which has less impact on the environment, we will remove all duty on bicycles that are being imported into the country as part of Budget 2016. This means the duty on bicycles will be reduced from 15% to reach 0%. The only tax that will be applicable on the importation of bicycles will be VAT.

8.6 Removal of VAT on certain products that help to protect the environment

Mr Speaker,

The VAT act currently makes provision to exempt VAT on certain products that play an important role in the protection of our environment. In that context, we are ensuring that all biodegradable take-away boxes are exempt from VAT. These similar products will need to be submitted for certification by the Ministry responsible for Environment to enable the companies to benefit under this exemption.

I thank the different organisations that contributed this suggestion during our budget consultation process.

9.0 Other Measures that have a revenue impact

9.1 Increase in fees and charges by Judiciary and Seychelles Bureau of Standards

Mr Speaker,

To further ensure that we have enough investment in quality service, the fees that are being charged by the Judiciary will be increased by 20% in 2016.

In the same manner, to better position Seychelles Bureau of Standards in guaranteeing quality in the economy, the fees charged by the bureau will be increased by 25%.

9.2 CSR tax for community projects/programs

Mr Speaker,

In 2016, we anticipate a total collection of SR 85 million compared to SR 80.4 million in 2015 under CSR Tax.

All the revenue collected under the CSR tax are deposited under the consolidated funds and are re-distributed through the budget for the Government programs/projects in the community.

I take this opportunity to highlight some of the projects and programs that will benefit from the CSR revenue in 2016 based on the approved CSR guidelines:

- Contribution to Paradis Des Enfants SR 4.5 million
- Youth Entrepreneurship scheme (Loan): SR 1 million
- Empowerment and Social Protection Programme: SR 4.6 million
- Special scheme/funds for Heritage, arts, Culture, sports and disable: SR 2.1 million
- Youth Development Programs: SR 1.2 million

- High Level Sports: SR 1.8 million
- Allocation to Federations: SR 3.3 million
- Allocation to Sport Teams: SR 2.3 million
- Different Social Protection programs: SR 2.7 million
- Different youth programs: SR 2.3 million
- Rehabilitation and Integration Programme under prison services: SR 7.4 Million
- Early Childhood Care and Education: SR 2 million
- Construction of Day Care Centres: SR 2 million
- Community Projects: SR 30 million
- Beach Soccer Stadium: SR 5 million
- Roads/Drainage/Pavements: SR 18.5 million

10.0 New policies in the 2016 Budget that will create more opportunity and build resilience

Mr Speaker,

With the 2016 budget, we are introducing various specific policies which will help in creating more opportunities and also build resilience of our people. Most of these new policies have already been explained when we were developing 2016 budget or when we presented the Medium Term Fiscal Framework. These policies are grounded in President Michel's commitments in the Parti Lepep Manifesto and which we will be implemented through the Government budget. These commitments are based on the principle of solidarity to support those that need it most- and also the need to foster innovation and new opportunities for our people.

10.1 Thirteenth month salary

The first measure which aims at building more resilience, is to implement the policy for a thirteenth month salary. Government has consistently made the effort to ensure there is a salary progression for the population.

In January, all public sector employees who are on continuous employment will benefit from the thirteenth month salary. In addition the non-core services on contract will be receiving the thirteenth month salary. These include:

- Community Development Field technicians
- NSC Maintenance staff

- Cleaners corporative
- Home Carers
- Security VVIP services
- Other Maintenance staff

The thirteenth month salary will be applicable to the post of inspector and second Lieutenant at the Department of Police and SPDF respectively.

In addition, Government has made provisions that the thirteenth month salary will also be applicable to public enterprises' employees which include Air Seychelles, STC, SPTC and PUC. Provision has also been made for all IOT Seychelles employees to benefit from this incentive.

All the other Government employees who are on contract , including the other ranks in the police and defence forces will benefit from the thirteenth month salary in the second phase which will be implemented in 2017.

This policy is not applicable to all constitutional posts.

This policy recognises the necessity to increase the resilience of our people by reinforcing their capacity for wealth creation. It is for the reason that we will work with the private sector to implement such a policy in 2016 and 2017.

Based on the latest publications by the National Bureau of Statistics of the 2013 poverty and inequality estimate, we will assess in 2016 how we can best support the income of the more vulnerable families in line with their needs.

It is important we address the issue in a systematic manner, to ensure we take into account all the support we can provide to them. There will be different policies that will enable us to create more revenue for the vulnerable groups, such as the progressive income tax reform which i have mentioned earlier, implementation of a thirteenth month salary and also if necessary, a review of the national minimum wage.

10.2 Increase in statutory pension

Mr. Speaker,

Support for our elderly is a fundamental principle that this Government has always defended. Earlier this month, we have already implemented the increase of SR 500 in social security pension that everyone over the age of 63 receives. Their pension now stands at SR 3,600. Their pension will also increase gradually every year depending on indications from the Consumer Price index to reach SR 5,000 by 2020 at the latest.

This is projected to cost SR 53.4 million in 2016, 73.2 million in 2017, 72.5 million in 2018, 79.5 million in 2019 and 68.4 million in 2010. This is a realistic set of increases based on what we can afford at this time.

We should recall that many elderly persons already benefit from more than this as income as they are also receiving their 'contributed' pension through the Seychelles Pension Fund.

In line with the President's commitment to improve delivery of public services, we will use the budget framework to also ensure that our elderly citizens receive all the support that they require through the various structures that the Government has in place- and not solely based on the amount of money they receive.

In addition, as has already been announced, persons that are already benefitting under the Government's 'special pension' will also receive the SR 500 increase as of December 2015, representing an allocation of SR 10.05 million in the budget.

10.3 Increase in Social Security benefits for Special Category

Mr Speaker,

In the 2016 budget, we will increase the orphan, injury, survivor, sickness and maternity benefits by SR 50. This will represent an increase in the budget by SR 2 million.

In addition we are committed to ensure that the invalidity benefits will increase equivalent to the minimum wage.

10.4 Revision in Government Gratuity scheme

Government will implement a revision in the gratuity scheme from January 2016. An employee with 5 years of service will receive a revised gratuity from SR 6,666 to SR 7,500.

10.5 'Ex-gratia' Financial Support for the Ex- 'Royal Fleet Auxiliary' (RFA)

Mr Speaker, as has already been announced, we are providing SR 4.04 million which will be paid for all registered ex-Royal Fleet Auxiliary members who worked at that time for the British Government. This payment on an ex-gratia basis will not prevent them from pursuing their rights for compensation with the British Government, but it is a reflection of appreciation of their contribution from the people of Seychelles.

It is also important to note that the beneficiaries of this ex-gratia are the registered members of the Association for Retired Seychellois Seaman.

10.6 Gratuity and compensation payment for the military personnel who left the army prior 2007

Mr Speaker,

In December 2015 we have already made provision to pay a gratuity payment of SR 8,000 for 808 ex-military personnel who left the army prior 2007 and 150 who are still currently in the force. A total of SR 7.66 million is expected to be paid in December 2015. In regards to the compensation payment for the ex-military personnel, negotiation with their representatives is still ongoing. But we expect the total compensation to be around SR 16.75 million based on the current information provided by SPDF.

10.7 Increase in the 'graduate housing allowance'

Mr Speaker,

We recognise that housing costs remain a fundamental concern for young professionals. It is for this reason that from January 2016, the graduate housing allowance will increase from SR 3,000 to SR 4,000. This allowance will also be extended from 3 to 5 years. Previously, all in-service employees that have worked more than 3 years in the public service prior to going for further studies were not eligible to earn a housing allowance. As from January 2016, all in-service employees who have graduated from 2012 will be eligible to receive the monthly graduate allowance of SR 4,000. We will also ensure that all graduates from the University of Seychelles at a degree level also benefit from the allowance.

10.8 New Scheme of Service

Mr Speaker,

With the aim of promoting specialised careers in Government, every year, Government takes the opportunity to review certain schemes of service which are in place to ensure we retain the competent staff and at the same time offer them more options to develop their capacity.

In the 2016 budget a total of SR 20.5 million has been provided in the budget for the following schemes to be implemented:

- Inspectorate cadre (Ministry of Environment, Energy & Climate Change)
- Administration Common Cadre
- Human Resources Common Cadre
- Senior Driver Common Cadre
- Department of Public Administration
- Revision of inducement allowance (Department of Defence)
- NIHSS Lecturer (Ministry of Health)

- Division of Risk & Disaster Management
- Procurement Oversight Unit
- Allied Services (Health Care Agency)
- Seychelles Tourism Board
- Agency for National Human Resources Development
- Seychelles Agricultural Agency (technical officers cadre and veterinary)
- Seychelles Fishing Authority (Fisheries scientist)

I will also like to mention that various schemes were already implemented from July 2015 and their full costs implication in 2016 will be SR 45 million.

10.9 Laptop scheme extended to S4 students

Mr Speaker,

The 2016 budget also makes provision for the laptop scheme which at present benefit students at S5 level and those in post secondary institutions, to also benefit S4 students to facilitate access to information technology for their development while studying. This will cost around SR 2.25 million of additional financing under social programs of central Government.

10.10 Reinforce access to services for those most vulnerable

Mr Speaker,

In the 2016 budget, Government will continue to re-inforce its commitment for the contribution towards the policies which are aimed at the most vulnerable. These include:

- SR 65 million for the Social Safety Net by the Agency for Social Protection
- SR 40 million for subvention to SPTC
- SR 24 million for the housing finance subsidy scheme
- SR 3.5 million for dedicated funds for schools

10.11 Students at Private schools higher institutions to have the same access of allowances received by students in state schools

Mr Speaker,

In the 2016 budget, we have also made provision for the students in private schools which are in post secondary 'A Level', to benefit from the same allowance received by students in state schools.

This will cost SR 1.35 million under social programs of central Government.

10.12 Setting up of special funds to promote culture, the arts, sports and rights of the disabled

Mr Speaker,

In the 2016 budget, we will also establish special dedicated funds for the promotion and development of arts and culture, sports and the rights of the disabled.

We will also invite the private sector to actively participate in those funds. An allocation of SR 400,000 has been allocated in promoting each fund.

10.13 Civil Society small grant program

Mr Speaker,

In the 2016 budget, Government has made provision for a total of SR 1.4 million which will be available for applications to assist small scale projects by civil society which will compliment the efforts that Government is making to re-inforce the resilience of our population. This program will be similar to programmes implemented with success in the past and which will further build the partnership between civil society with Government.

10.14 Improve access to financing for housing

Mr. Speaker,

We acknowledge that the demand for more affordable housing is a priority for most families.

Our subsidy programme for housing loans since 2014 has already provided assistance and support for many families. To date 343 families have benefitted from this initiative at a value of SR 39.7 Million.

However, we note that while this support is also available through Commercial Banks, the majority of housing projects have been financed through HFC alone. In fact, 97% of Housing loans have been through HFC. Although, this shows the success of HFC, it also illustrates the challenges still in place to ensure that every Seychellois can easily have access to financial assistance when necessary to either construct their homes, or to obtain a loan to purchase a house either privately or through the Government.

We are very much aware that we therefore need to extend the support HFC provides as Commercial Banks are not doing enough.

Therefore, as of January 2016 the following improvements are going to be implemented through HFC schemes ;

- The Maximum loan will increase from SR 750,000 to SR 850,000

- The maximum salary which will be considered for a HIL (Home Improvement Loan) will increase from SR 8,000 to SR15,000.
- The maximum salary to receive a Housing loan will increase from SR 25,000 to SR 30,000.

While HFC will be putting in place these new programmes that allows for more flexibility to assist a wider group of people, the Government will also work with the Central Bank to ensure that Commercial Banks play a more active role in facilitating housing loans. It is unacceptable that the responsibility falls solely on the Government.

In 2016, the Government is making provision for SR 24 million to continue with its subvention programme. As at December 2015, a total of 1,550 new loans have been approved- 395 Housing loans and 1,014 HIL. This represents a disbursement of more than SR 139 Million for the year 2015.

Through the launching of the Government programme for construction of houses through Public Private Partnerships and with the support of HFC and Commercial banks, 2016 is set to be a year where we make great strides in addressing access to housing for a large part of our population.

The Government also recognises that our elderly who are pensioners also encounter difficulties to carry out renovation works on their homes. In January 2016, we will be putting in place a special loan for pensioners. This will come through a special loan of up to SR 50,000 that will allow them to carry out renovation works on their homes and a loan up to SR 100,000 for re-roofing. These loans will be interest free as long as the pensioner remains in the house in question. The interest on the loans will be covered by the Government through a subvention through its social programme.

10.15 Support to Small and Medium Enterprises

Mr Speaker,

In regards to the creation of new opportunities, we are invested immensely to ensure that Seychellois businesses are able to tap into existing opportunities. We are also putting in place programs that will facilitate innovation and assist in the creation of new opportunities.

This is an essential strategy at this point in time as local investment has become a priority for the economy.

Our program for SME loans whereby Government guarantees part of the loan has already created many opportunities for our entrepreneurs. At the start of November 2015 a total of 487 loans under the SME scheme has been approved for a total of SR 430 million. 71.7% of these loans have been from the Development Bank of Seychelles for a total sum of SR 309.1 million.

We will continue to emphasize that the commercial banks will need to put more effort to contribute more in that sector since it is the SME sector which is creating more growth in Seychelles' economy.

As at November 2015, MCB has approved 72 loans for a total of SR 45.6 million, Nouvobanq has approved 27 loans for a total of SR 33.4 million and Barclays with 21 loans for a total of SR 31 million.

We also have to note that despite the fact that 78% of the applications have been approved, we will need to work hard to support the 22% that has not been assisted. It is evident at present that the services to advise small and medium enterprises and help them to develop their projects for financing have not been developed sufficiently.

We will work with the commercial banks to enhance this service in 2016 and ensure that everybody that comes forward with good ideas are able to receive start up capital.

We will also work with the Central Bank to ensure that the commercial banks invest more in that sector which is very important for our economy.

We need to focus on how we can make things happen, and also create knock on opportunities for other small businesses.

Let us work together to create the opportunities and ensure we do not have further obstacles along the way.

During 2016, we will also finalise the legislation for the small and medium enterprises which will properly define the assistance and benefits which these type of businesses will receive. It will also address other concerns such as simplification of their interaction with licencing authority, planning authority and others.

It is also very clear that access to appropriate properties for small and medium enterprises development are still a concern and Government will accelerate investment in 2016 to construct additional properties. Provision has already been made in partnership with the Seychelles Pension Fund to construct specialised SME buildings at Anse Boileau and Ile Du Port.

10.16 My first job scheme

Mr Speaker,

As we have already announced, Government will put in place a new scheme in 2016 where Government will subsidise 40% salary to a maximum SR 7,000 for a one year duration for the post secondary students from the Professional centres upon completion of their studies.

The aim of the scheme is to provide temporary wage subsidies to employers who recruit and provide work experience and skills enhancement of candidates who have completed post-secondary education.

This scheme is also a support to the small and medium enterprises, especially during the start up phase. It is important to note the scheme will also apply to young entrepreneurs who would like to start their own business.

Government is providing a total of SR 25 million for the scheme in the 2016 budget.

This scheme is part of the overall strategy which we anticipate will create a positive impact on the quality of jobs that are offered to the young graduates that are looking for jobs for the first time.

11.0 Conclusion

Mr Speaker,

In conclusion, I would like to submit this budget for your consideration as the vehicle that will allow us to support our people to seize opportunities that are within their reach, and also ensure that we build resilience to ensure that they are not left behind, that they can count on the support that they need- when they need it.

The budget presented today is a result of various consultations my ministry has had with the community. It is also a reflection of the commitments made to the people of Seychelles by President James Michel and Vice President Faure to bring our country forward together, as one nation.

Unfortunately, as with every budget, we cannot include everything, since our resources are not infinite. But we present this budget as the platform that will allow us to build the future that we want -together.

I take this opportunity to thank first and foremost everyone who has in one way or another contributed to put this budget together. Members of the public, the private sector, civii society, students, teachers, workers, activists, the young and the elderly- thank you for your commitment in bringing this process closer to the people and helping the public better understand the national budget process.

My sincerest gratitude and thanks goes to all the employees of the Ministry of Finance, Trade and the Blue Economy- your dedication and professionalism has been exemplary.

I also wish to extend my thanks to the Speaker and all the Members of the National Assembly who are gathered today to for the presentation of the budget and the discussions that will follow, and also through your contributions throughout the budget process.

My appreciation also goes to President James Michel, Vice President Danny Faure and all my colleague Ministers who have ensured that the Government is today ready to implement this budget efficiently.

And thank you to the people of Seychelles- It is through your hard work, that we can together in unity, deliver these opportunities, and build the resilience, that will continuously move our country towards greater heights.

I wish all Seychellois a Merry Christmas and a Happy New Year 2016. May God continue to bless our country and our people.

Mr Speaker, I recommend that the Assembly approves this appropriation Bill for the 2016 budget.

Thank you.