



REPUBLIC OF SEYCHELLES

2022 BUDGET

ASSUMPTIONS AND OBJECTIVES OF THE 2022

BUDGET PART 1

Ministry of Finance, Economic Planning and Trade

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SECTION 1

Budget Speech



BIDZE 2022
GOVERNMAN SESEL

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MINISTER FINANS, PLANIFIKASYON EKONOMIK EK KOMERS

Dan Lasanble Nasyonal Sesel

Ile Du Port, Victoria, Mahe, Seychelles

Vandredi le 12 Novanm, 2021

9.00 er bomaten

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

Bonzour.

1. Lentrodiksyon

Msye Spiker lannen 2021 in reste enn bann peryod pli difisil dan listwar nou pei. Pandemik Covid 19 pe kontinyen ravaz lemond e Sesel pann ganny eparnye. Son reperkisyon lo nou lekonomi pe kontinyen. Parey mon ti eksplike dan Diskour Bidze 2021, e a plizyer repriz dan Lasanble, priyorite gouvernman an 2021 sete pou stabiliz nou sitiasyon finansyel ek lekonomi. Mon ti'n dekrir nou sitiasyon konman grav e kritik. E alors ti pou pran en travay difisil pou stabiliz nou sitiasyon e anpes nou pei koule.

Pandan sa plizyer mwan kin swiv, bann travayer Minister Finans ek Labank Santral in travay vreman dir pou ede kapab vin avek en plan pou sov nou pei. Tar an Zilyet, Sesel ti reisir agree en program ek Fon Moneter Enternasyonal (IMF) pour en program reform ki ti osi enkli finansman pou ed nou dan sa moman difisil. Sa program reform pe met nou lo en bon semen.

Msye Spiker, me, avan mon al lo Bidze 2022, mon oule fer en kontrandi sitiasyon finansyel nou pei, depi ki mon ti prezant Bidze 2021, ziska la. Pou fasilite konprezon e pour ki napa okenn konfizyon, Msye Spiker mon pou liste nou sitiasyon finansyel, kot nou ti ete, e progre kin annan ziska la, dan en fason pli senp posib.

Premyerman, zot ava rapel ki ti le 16 Fevriye 2021 ki mon ti delivre mon premye diskour bidze. Alor pandan sa letan, sitiasyon finansyel nou pei konmansman lannen ti konm swivan.

- Pandan sa premye 3 mwan lannen, ti annan zis 6,785 touris ki ti antre Sesel
- Pandan sa menm peryod, deviz ki ti pas atraver nou sistenm banker ek biro lesanz ti zis 118 milyon dolar.
- Pandan sa premye 3 mwan, an mwayenn en dolar ti pe kout R21.50
- Pandan sa premye 3 mwan, Gouvernman, atraver Komisyon Reveni (SRC) ti kolekte zis R1.4 bilyon an term taks.
- Nou balans defisit primer fiskal pour lannen tin prevwar pou 11.8 pousan nou Prodwi Domestik Brit (GDP)
- Kont gouvernman avek Labank Santral le 14 Zanvyè 2021 ti dan defisit R 152.7 milyon.

- Nou kwasans ekonomik tin ganny prevwar ti pou agrandi par zis 2.08 pousan

Sa sitiasyon ki sa ladministrasyon tin erite Msye Spiker, ti enn tre, tre trakasan. Depans ek reveni ki nou ti pe anmase pa ti balanse. Nou depans ti pou bokou plis ki nou reveni. E mon menm kapab al pli lwen pou dir ki sitiasyon finansyel nou pei ti dan Swen Entansiv. Sa, i pa en egzazerasyon, me sete la realite.

Alor, Msye Spiker, se dan sa konteks, ki sa ladministrasyon ti bezwen etabli son priyorite pour sa premye lannen bidzeter.

Aksyon ti bezwen ganny pran. Bann aksyon ki pa ti fasil pou pran, me ti neserer, si nou ti pou konmans konble sa trou ki nou ti'n anfans ladan.

2. Obzektif Gouvernman Pour Lannen 2021

Ki ti obzektif priyoriter sa ladministrasyon pandan sa en an? SA TI POU STABILIZ NOU LEKONOMI E FER NOU DET VIN PLI SOUTENAB. Sete sa, nou target pandan 2021, parey mon ti fer resorti dan mon diskour Bidze. Alor eski nou pe atenn sa lobzektif?

La ankor mon pou liste bann sif ofisyel, pli resan, pou montre sa progresyon kin annan.

- Alafen mwan Oktob, ti annan en total 133,966 touris ki ti'n antre Sesel – en ogmantasyon remarkab e nou prozeksyon pou lafen 2021, i 162,391 viziter.
- Pandan zis peryod Avril ziska Oktob, deviz ki ti pas atraver nou sistenm banker ek biro lesanz ti'n mont lo en nivo sibstansyel pou ariv USD 366 milyon.
- An mwayenn, en dolar in desann pou ariv R15
- Alafen Septanm 2021, Gouvernman, atraver SRC tin kolekte R4.8 bilyon, an term taks.
- Nou defisit primer fiskal pour lannen in aprezan prevwar pou 6.6 pousan nou GDP e
- Nou kwasans ekonomik in aprezan ganny prevwar pou agrandi par 6.1 pousan.

Ozordi mon kapab deklare ki sa parkour pli difisil i deryer nou e nou lekonomi e sitiasyon finansyel in stabilize e noun komans lo sa long larout pou re konstrir nou pei. Msye Spiker, nou sorti vreman lwen.

E zisteman, apre son premye revu anba sa program EFF, kin terminen Lendi le 8 Novanm, Sef Misyon Fon Moneter Enternasyonal (IMF) in dir ki i tre enpresyonnen lo performans lekonomi pei ziska prezan.

Me parey monn dir, kanmenm noun amelyor en kantite, nou lekonomi pa ankor rekipere 100 pousan e keksoz pa ankor retourn normal. I reste bokou pou fer.

Mon apresye ki bokou Seselwa in ekout mon lapel pou linite nasyonal e travay ansanm pour benefis nou pei. I sa rezon ki noun kapab sirviv sa moman difisil. E la, ankor, mon pou lans en nouvo lapel, pour nou kontinyen ini ansanm pou rekonstrir nou pei. An menm tan, annou pa bliye ki okenn enstabilite politik ek sosyal i kapab annan reperkisyon serye lo nou lekonomi.

Mon lans en lapel pour tou antite politik, linyon travayer ek lezot, pou gard stabilite dan pei. Akoz si i annan enstabilite dan nou pei, se Sesel ek Seselwa ki pou soufer. Annou pa fer sa fot.

3. Devlopman lo nivo mondyal e son lenplikasyon lokalman

Msye Spiker, ozordi sitiasyon lekonomi mondyal i ankor annan bokou lensertitid ek defi. Dan bokou parti lemond pandemik Covid 19 pa ankor ganny met anba kontrol e bokou pei pa ankor kapab atenn zot lobzektif vaksinasyon. Anmezir ki aktivite ekonomik lo nivo mondyal i rebran, nivo lenflasyon pe osi ogmante. An se moman, pri komodite i pli o ki i ti ete an 2020 e i ekspekte reste o an 2022.

Statistik i montre ki abilite pou zwenn nivo demann pour bann komodite i en faktor kle ki pe kontribye pou ogmant nivo pri. Logmantasyon dan nivo demann an rezilta aktivite ekonomik ki'n rebran bokou pli vit ki ti'n antisipe, in fer ki in annan en dekalaz ant nivo demann pour bann prodwi e lakantite ki kapab ganny fourni dan kour term.

Letan pandemi COVID-19 ti konmans afekte lemond, bokou biznes ti koup lakantite prodwi e servis. Sa in fer ki serten biznes pa ti'n prepare pour logmantasyon dan nivo demann letan aktivite ekonomik ti konmans rebran an 2021. Anplis ki sa, distribisyon bann *container* ki servi pour transportasyon maritim in osi ganny afekte atraver lemond, akoz bann *container* vid ki ti'n pri dan bann diferan por.

Sesel in osi ganny enpakte par retar ki'n annan dan transportasyon maritim swivan sanzman dan lafason ki komers i ganny fer atraver lemond e abilite bann lakonpanyen bato pou zer lakantite kargo ki annan pour transporte, kot in annan en mank serten komodite lokalman. Laplipar analis i kwar ki bann tel sitiasyon pou persiste pou ankor enpe letan.

Lo size pri karbiran, an 2020, pri an mwayenn ti 42 dolar Ameriken par barik, konpare avek Novanm 2021, ki 82 dolar Ameriken par barik, en sif ki 95 pousan pli o ki an 2020. Sepandan, pri karbiran i ekspekte redwir an 2022, pou kout an mwayenn 72 dolar Ameriken en barik, anvi logmantasyon ki'n prevwar lo nivo prodiksyon.

Logmantasyon ki'n annan dan pri komodite e kou transportasyon in fer ki pri in ogmante lokalman an 2021. Me, avek bann faktor kin stabilize, nou ekspekte ki to lenflasyon an 2022 i stabilize, a en to apepre 3 pousan, malgre ki pri i reste eleve.

Avek sitiasyon ki endike, ki pou annan presyon lo pri, Gouvernman pe al komans en legzerzis pou revwar bann alokasyon 'weights' pour lasistans sosyal pou bann ki lo pli ba saler. An menm tan, STC pou kontinyen rod plis lefikasite dan son loperasyon e son sistenm prokirman pou asire ki napa okenn logmantasyon lo bann marsandiz debaz. Msye Spiker, pli tar dan ladres bidze, nou pou donn enpe plis detay lo travay ki STC pe fer ziska prezan.

4. Revi lo Performans Ekonomik e Konteks Lekonomi pour 2022

Msye Spiker, lannen 2020 ti en lannen ranpli ek defi pour Sesel. Avek pandemik COVID-19, bann defayans sosyo ekonomik dan nou pei ti entansifye, e an menm tan komers mondyal ti ganny enpakte avek bann nouvo defi. Annefe, sa kontraksyon ekonomik 9.9% an 2020, i pli gro

kin deza rikorde. Pou azoute, an rezilta bann polisi ki ti ganny enplimante, det gouvèrnman ti sorti 58 pousan pou ariv 92.2 pousan GDP.

An 2021, pandemik COVID-19 ek son lefe i ankor la. I en lannen, kot nou napa bokou swa, me pou anmenn lekonomi lo en semen pli soutenab e anplis, aplik bann lesan le pase pou en lavenir pli meyer pou Sesel.

Alors, avek sa nouvo realite e bann defi devan nou, nou pa kapab inyore sa lefe ki nivo det pou annan lo nou fitir zenerasyon. Se pou sa rezon ki i nesese pou enplimant bann polisi ki pa zis anmenn en lekonomi pli diversifye, me osi en lekonomi rezilyan e soutenab. Pou realiz sa transformasyon, nou bezwen en servis piblik pli modern e pli efikas.

Pou met li dan en langaz pli senp, nou bezwen fer plis ek mwens, e sa bann desizyon difisil devan nou, pou enpakte nou pou plizyè zenerasyon. Sa i nou nouvo realite, e sa, i defi ki nou bezwen fer fas avek e sirmonte koman en pei.

Msye Spiker, pou lannen 2022, nou lekonomi pou kontinyen eksperyans kwasans pozitiv. Avek en lekonomi ki ti kontrakte par 9.9 pousan an 2020, nou pe prozekte en kwasans pozitiv an 2021, pou vinn 6.1%. Pour lannen 2022, kwasans lekonomi i ekspekte ariv 7.2 pousan.

Nou'n war en gran amelyorasyon dan sekter tourizim pou lannen 2021, konpare avek 2020. Dan trazyenm kar 2021, nou rikord en larive 4,285 touris en mwayenn par semenn, konpare avek en mwayenn 443 touris par semenn dan premye kar 2020. A la fen Oktob 2021, kantite viziter kin antre Sesel i 133,966, ki montre en logmantasyon par 39 pousan konpare avek menm peryod an 2020. Bann marse ki pe kontribye se Larisi, Izrael, e UAE.

Alors, nou pe estimen ki sekter lakomodasyon ek manze, e osi sekter ladministrativ, pou annan en kwasans 46 pousan e 36 pousan respektivman an 2022. Sekter transportasyon e stokaz, ki osi relye avek sekter tourizim, atraver bann vol e larive bann bato, i estimen pou ogmante par 24 pousan.

Nou pe ekspekte en kwasans dan sekter lenformasyon ek telekominikasyon par 7 pousan. Sekter lagrikiltir ek sekter lapas pe ekspektegrandir par 3 pousan an 2022. Sa i apre bann nouvo polisi ki gouvèrnman pe met an plas pou annan plis prodiksyon lokal.

Nou pe ekspekte plis aktivite konstriksyon an 2022, alors nou pe prozekte en kwasans 6 pousan. Dan sekter litilite delo ek elektrisite, nou pe prozekte en kwasans 2 pousan e 3 pousan respektivman an 2022. Sekter distribisyon e 'retail' pe ekspekte en kwasans 3 pousan. Sekter finansyel ek lasirans pou annan en kwasans 5 pousan parey an 2021.

5. Bilan Performans Fiskal 2021

Msye Spiker, kot i konsern nou performans bidzeter ki nou pe prozekte pou lafen 2021, gouvèrnman i ekspekte en defisit primer 6.6 pousan GDP. Sa i ekivalan en defisit primer R 1.6 bilyon konpare avek en defisit primer R 2.6 bilyon, dan bidze orizinal pou lannen 2021.

A lafen 2021, nou reveni total, ekskli don, i 6.4 pousan ouswa R 453 milyon pli o ki dan nou bidze ki nou ti prevwar pou 2021, pou ariv R 7.5 bilyon konpare avek R 7.1 bilyon .

Nou revizyon an se ki konsern depans total pour 2021, i R 10.4 bilyon konpare avek R 11.7 bilyon ki ti'n prevwar dan bidze 2021 lo komansman lannen.

E Msye Spiker, zot ava rapel ki an Septanm nou'n vin dan Lasanble Nasyonal pou demann en bidze siplemanter R 303.9 milyon. Me, osi nou ti prezant en rediksyon dan bidze pour en total R 1.4 bilyon.

6. Bidze 2022 e Performans Fiskal Mwayen Term

Msye Spiker, pour lannen 2021, Lasanble ti aprouv depans pour lavalè R11,013,648,296. E osi pandan revè bidze 2021 ti annan en rediksyon SR1,125,511,765. Alors selman en total R 9,888,136,525 ki pou ganny depans pandan lannen 2021.

Pour lannen fiskal 2022, nou pe propoz en depans **R 10,091,651,146**. Nou pe osi prozèkte pou kolekte R 9.7 bilyon reveni ek bann don.

Msye Spiker, menm si nou depans in ogmante par R 203.5 milyon rounpi ouswa 2.1 pousan, letan ou konpar revè bidze 2021 avek bidze ki pe ganny propoze pour lannen 2022, nou pe prevwar en balans defisit fiskal primer R 222.1 milyon ouswa 0.8 pousan GDP pour lannen 2022 konpare avek en balans defisit fiskal primer R 1.6 bilyon ouswa 6.7 pousan kwasans Domestik Brit pour revè bidze 2021.

A lafen lannen 2020, nou stok det tin ariv 92.2 pousan Prodwi Domestik Brit. Nou ekspekte pou fini lannen 2021 avek en stok det lavalè 81 pousan Prodwi Domestik Brit.

Msye Spiker, avek sa defisit bidzeter kin redwir pour lannen 2022, nou ekspekte nou stok det redwir pou ariv 76 pousan GDP a lafen 2022. Nou osi pe prozèkte ki nou pou konmans annan en sirplis bidzeter konmansman lannen 2023. Avek sa sirplis bidzeter konmansman 2023, nou pe prevwar ki nou stok det i ariv anba 70 pousan GDP par lafen 2023.

7. Koleksyon Reveni pour Lannen 2022

Msye Spiker, pour lannen 2022 nou pe ekspekte kolekte en total R 7.86 bilyon reveni taks konpare avek R 6.69 bilyon dan bidze revize pour 2021. Sa ogmantasyon i prensipalman asosye avek kwasans dan sekter tourizm konpare avek 2021.

Koleksyon lezot reveni ki pa taks pour lannen 2022, pe ganny bidzete pour en total R 1.07 bilyon konpare avek R 822.1 milyon an 2021. Pli gro ogmantasyon i koleksyon reveni dan 'dividend' sorti kot nou bann lantrepriz piblik kin ogmante sorti R 375.3 milyon pou ariv R 590.3 milyon.

Koleksyon reveni an term don ki nou resevwar avek nou bann partener a letranze pou ogmante sorti R 605.9 milyon an 2021 pou ariv R 782.1 milyon an 2022. Rezon prensipal, i bann prozèkte ki pa ti materialize an 2021 akòz pandemik Covid 19.

8. Konteks Bidze 2022

Alors Msye Spiker, pou sa bidze 2022, lobzektif prensipal se pou nou kontinyen met det Gouvènmman a en nivo pli soutenab. Nou priyorite, se pou konsolid depans Gouvènmman e anmenn plis lefikasite dan servis piblik. Nou osi pou kontinyen travay avek Komisyon Reveni pou moderniz sistenm ki zot servi pour nou vwar plis lefikasite dan koleksyon reveni. Msye Spiker, SRC in ganny en alokasyon R 231.6 milyon an 2022, konpare avek R 137.2 milyon dan bidze revize an 2021. Apard bann nouvo sistenm ki pou moderniz SRC, nou pe travay avek bann partener enternasyonal pour nou ganny bann eksper dan ladwann ek dan taks odit pou asiste SRC e donn formasyon bann travayer.

An liny avek deklarasyon dan bidze 2021, Gouvènmman pou kontinyen travay avek sa senk sekter pou fer sir ki nou anmenn plis kwasans dan sa bann sekter pandan mwayen term; Sa i:

- i. Sekter Tourizm
- ii. Sekter Lagrikiltir
- iii. Sekter Lapes e Lekonomi Ble
- iv. Sekter “Digital Economy” e
- v. Sekter Finansyel

9.1. Labaz Depans Gouvènmman

9.1.1. Reminerasyon e Saler

Msye Spiker, bidze pour saler an 2022 i reprezant en total R 3.10 bilyon ouswa 11.2 pousan Prodwi Domestik Brit ki'n ganny prevwar. Sa sif i en amelyorasyon letan ou konpar li avek bidze 2021, kot saler ti reprezant 12.5 pousanGDP. Stratezi, se pou asire ki bidze saler i reste soutenab mwayen term ki devret la valer 11 pousan GDP

Aparti Oktob 2021, ti annan 10,849 travayer dan sekter piblik. Dan prozeksyon bidze 2022, nou osi pe limit rekritman. Sepandan i annan 426 pos pou ranplas travayer kin kite dan gouvènmman, 223 pos ki dan bidze 2021 ki bann antite pankor fer rekritman e 84 nouvo pos pour lannen 2022. Alors en total 733 pos ki bann Minister, Departman e Lazans i kapab fer rekritman, pour en total R 215.8 milyon.

Pour lannen 2022, parey 2021, pou napa ogmantasyon dan saler pour bann travayer servis piblik, e osi pou napa logmantasyon dan alowens pour ‘long service’. Bann travayer ki lo kontra pou napa ogmantasyon ler zot konplet zot kontra. Msye Spiker, mon konnen i annan bokou ekspektasyon ek sekter piblik e tou travayer pe ekspekte en logmantasyon saler avek to lenflasyon kin ogmante. Me, bann risk advers i ankor la dan lekonomi, alors mon demann travayer dan sekter piblik pou annan enpe pasyans. I priyorite Gouvènmman pou anmenn nou bidze lo en semen ki donn nou en sirplis, e sa, i a osi donn nou kapasite pou donn en logmantasyon lo saler, sirtou pour bann ki lo saler pli ba.

Gouvènmman pe travay lo en nouvo striktir saler pour sekter piblik e nou ekspekte servi sa nouvo lankadremman pour bidze 2023. Premye travay ki nou pou fer, se nou pou konsolid bann alawens

fiks, dan saler de baz. An se moman, lakantite skim servis piblik ek alowens ki egziste i kree bokou dezord. Sa linisyativ pou enkorpor tou alowens dan saler a osi ed travayer akse lon pli fasilman, anvi ki labank pa pran kont alowens ler zot pe konsider aplikasyon lon.

Msye Spiker, pli tar dan mon diskour mon pou mansyonn en nouvo lankadreman ki baze lo rezilta e performans dan servis piblik. Ozordi i annan bokou skim ki ganny donnen parey gratite, peyman letan en travayer i fini kontra, e dan lepase en trezyenm mwansaler. Sa bann skim i kout environ R 242 milyon par lannen. Msye Spiker, nou pe travay lo en lankadreman ki travayer i kapab ganny peye lo son performans a lafen lannen, dapre son target ki in agree lo la, dan sa nouvo striktir saler dan gouvènmman. Nou ekspekte konplet sa travay an 2022 e osi fer konsiltasyon ek travayer dan sa peryod.

9.1.2. Byen e Servis

Msye Spiker, en alokasyon bidze R 3.03 bilyon ouswa 10.9 pousan GDPin ganny prevwar pour lannen 2022 pour byen ek servis. Sa sonm i konparab avek lannen 2021 ki ti 12.3 pousan Prodwi Domestik Brit. Nou bezwen travay avek bann sekter pou kapab annan plis lefikasite dan depans byen e servis. Sa i ava ed nou met plis bidze dan programm lenvestisman kapital. Nou bezwen travay plis ek mwens.

Pour lannen 2022, nou pou travay ek sekter ledikasyon ek sekter lasante pou fer en revè lo zot bann depans pou vwar si nou pa kapab ganny plis lefikasite dan sa de sekter. Sa de sekter i reprezant en total R 967.5 milyon ouswa 32 pousan bidze total byen e servis.

Minister Lasante pe kontinyen resevwar en pousantaz enportan dan bidze nasyonal. Lannen 2022, sekter lasante pe resevwar R 579.9 milyon anba byen e servis, ouswa 19 pousan total bidze byen e servis.

Gouvènmman i rekonnet ki lenvestisman dan lasante nou nasyon i osi en lenvestisman enportan dan devlopman sa nasyon e dan lavenir lepep, akòz en pep ki an bonn sante i en pep ki kapab prodwir travayer fiyab pou fer marse lekonomi e permet nasyon epanouir lo son maksimòm potansyel.

Pandemic COVID-19 in montre nou ki letan nou koz lo lasante, nou bezwen dabor koz lo prevansyon e devlopman kapasite imen. Prevansyon i touzour meyer ki gerizon.

Atraver en nouvo “package swen lasante primer” ki Minister Lasante in striktire e pe met an plas, plis lanfaz pe aprezan mete lo prevansyon dan tou son dimansyon e devlopman kapasite imen, pour fer ki alafen dizour i annan bokou mwens dimoun ki annan bann faktor-de-risk pour bann maladi non-transmisib, mwens dimoun ki abiz sibstans, tel ki drog, lalkol ek sigaret e bokou plis dimoun ki fizikman aktiv e ki konsonm manze ki bon pour lasante. Sa i labaz e sa baz i bezwen bokou pli solid ki i ete la konmela.

Bann programm prevansyon Minister Lasante pou bezwen entansifye dan lekòl, dan lafanmir e dan lakominote pour fer ki avek letan i annan mwens dimoun ki ganny dyabet, tansyon,

konplikasyon maladi ronnyon, maladi kardiovaskiler ek kanser. Se zisteman sa group maladi ki elev bidze lasante touzour pli o.

Ozordi, Msye Spiker, programm dyaliz pe kout par lao 10% bidze total Minister Lasante. Minister Lasante pou bezwen adres sa size, non selman atraver prevansyon, me osi atraver lezot mezir efikasite ki i pou bezwen pran. Sa kontra ki ladministrasyon avan ti sinyen avek en lakonpanyen prive i ankor pe kout gouvènmman tro bokou larzan.

Alor, dan travay pou evalye performans sa bann depans dan Lazans Swen Lasante nou pou bezwen regard sa bann depans swivan;

- i. Medicine - R 35.2 milyon
- ii. Supplies Laboratwar - R 31.1 milyon
- iii. Haemodialysis - R 55.9 milyon
- iv. Supplies Medikal - R 65 milyon
- v. Supplies Manze pour bann pasyan - R 27.4 milyon
- vi. Tretman Medikal spesyalize - R 70 milyon

Msye Spiker, nou pou entansifye nou zefor lo reform e lefikasite dan lankadreman 'public procurement'. Parey mon ti anonse dan ladres bidze 2021, nou pe revwar lalwa 'Public Procurement'. Sa legzersis pe pran enpe plis letan e nou ekspekte konplet sa travay an 2022.

Sepandan, nou pou bezwen vin avek serten lamannman ki ava ede pou senplifye prosedir e osi ganny plis valer pour depans gouvènmman. Msye Spiker, ozordi lalwa pa permet gouvènmman negosye lo pri avek sa antite kin ganny swazir pou donn sa byen ou servis. Sa prosedir negosyasyon i ekziste ozordi dan sekter prive me dan sekter piblik nou bezwen fer li dan en fason transparan. Nou bezwen war fason ki mannyer nou kapab fer plis seving, me prenankont nou bezwen fer sir nou mentenir bann prensip latransparans dan prokirman.

Par lafen 2021, nou ekspekte en rapor konpreansif ki pe fer par en konsiltan endepandan lo servis sekirite. Baze lo sa rapor, gouvènmman pou travay lo prosedir prokirman pou servis sekirite. Gouvènmman in osi konmans revwar prosedir lo bann 'tender' netwayaz e nou ekspekte konplet sa travay dan premye kar 2022.

Msye Spiker, dan bidze 2022, nou'n fer en alokasyon R 69.9 milyon pou 'Cleaners Corporative' pou donn servis netwayaz pou bann lofis gouvènmman. Minister Finans pe fer en evalyasyon lo sa sistenm ki egziste ozordi e revwar ki mannyer nou kapab ganny plis efikasite avek sa servis netwayaz. En desizyon i bezwen ganny pran si nou pou kit striktir 'Cleaners Corporative' parey i ete ozordi, ouswa transfer sa bann travayer dan bann Minister, Departman ou Lazans. Sa legzersis i ekspekte konplete par lafen 2021.

9.1.3. Programm Lenvestisman Kapital

Msye Spiker en total bidze R 1.53 bilyon pe ganny prozekte pour lannen 2022 ki reprezentant 5.5 pousan Prodwi Domestik Brit, pour nou programm lenvestisman kapital. Sa i en logmantasyon letan ou konpar avek bidze 2021, ki ti selman 5.0 pousan Prodwi Domestik Brit.

Parey gouvrenman in anonse oparavan, nou rekonnet defi ki egziste ek lenplimantasyon proze lenvestisman kapital ozordi. Alors i pou sa rezon ki gouvrenman in kre sa nouvo Lazans Lenfrastruktir pou anmenn plis kordinasyon e sipervizyon dan lenplimantasyon bann proze. E osi, i pou ede dan etabli bann standar e lefikasite dan planifikasyon bann proze gouvrenman. Alors nou ekspekte en gran amelyorasyon pour lannen 2022. Sa lazans osi pou met an plas en sistenn elektronik pou annan plis sipervizyon dan performans son bann travayer e i pou travay lo en kalandriye lenplimantasyon proze ki pou an liny avek bidze 2022.

Msye Spiker, pour lannen 2022 bidze pe siport lenplimantasyon konstruksyon 51 lakaz kin konmanse an 2021 e osi lenfrakstruktir pour 116 kare later 'land bank'. Bidze 2022 pe fer provizyon pou konstruksyon 37 nouvo lakaz e 88 nouvo kare later.

Minister Later ek Lakaz pou eksplor loportinite lo kalite e standar lakaz, e kou pou konstrir lakaz. Sa i ava ede pou revwar afordabilite lakaz. Gouvrenman pou responsab pou konstrir 'low cost housing'. Noun diskite e agree avek GICC pou konstruksyon bann 'condominium' pour bann profesyonnel e Nouvobanq in dakor pou ofer bann lon a en to lenter 5.5 pousan avek en peryod repeyman ziska 30 an. Sa i a fer li pli abordab pour bann profesyonnel. Gouvrenman pe osi fer lapel avek bann lezot labank komersyal e sekter prive, pour zot osi ofer finansman ek konstruksyon bann proze akomodasyon a en pri abordab.

Msye Spiker, en total R 3.3 milyon pe ganny bidzete e R 11.6 milyon an 2022 anba bidze Lapolis pou renovasyon stasyon lapolis santral e en nouvo stasyon lapolis Ladig respektivman.

Gouvrenman in fer en alokasyon dan bidze 2022 pour sekter Lasante konm swivan ;

- i. Konstruksyon nouvo lopital Ladig - R 53 milyon
- ii. Konstruksyon sant reabilitasyon - R 34.5 milyon

Msye Spiker noun osi fer en alokasyon R 11 milyon pour renovasyon bann diferan lenfrastruktir sportiv konm swivan ;

- i. R 2 milyon - pour renovasyon Stad Linite
- ii. R 2 milyon - pour renovasyon 'Palais Des Sports'
- iii. R 3.75 milyon - pour renovasyon Anse Royale 'Sports Complex'
- iv. R 1.75 milyon - pour renovasyon La Digue 'Sports Complex' e
- v. en alokasyon R 1.5 milyon pour renovasyon bann lezot fasilite lenfrastruktir sportiv.

En alokasyon bidzeter pour en total R 42 milyon i dan bidze 2022 pour Lotorite Endistriyel (IEA). Apard ki lenfrastruktir lo zone 6 e 20, e osi zil Eve, en proze Park Maren endistriyel pou

konmanse an 2022. Sa proze pou ede avek bann ‘workshops’ e landrwa apropiye pour bann enzenyer marin e osi ‘Auto’ mekanik.

Minister Gouvernman Lokal e Zafer Kominoter pe ganny en alokasyon R 20 milyon pou bann pti proze kominoter konpare avek R 10.5 milyon dan bidze revize an 2021.

Msyé Spiker, parey zot okouran, Gouvernman pe depans an mwayenn R 179.3 milyon par lannen dan bann lokasyon ki gouvernman i lwe. Nou pou bezwen vin avek bann nide inovatif pour nou kapab redwir sa sonm dan bidze. Nou pe travay avek GICC pou konstriksyon en nouvo batiman pour Komisyon Reveni e nou ekspekte sa batiman ava konplete ver milye 2023. An se moman SRC pe depans R 19.2 milyon dan lwe lofis. GICC pou pran en lon pou fer konstriksyon en batiman pour SRC e nou pou servi sa bidze pou pey GICC pou fer sa repeyman sa lon. E dan long term sa batiman pou vin pour gouvernman. En alokasyon bidzeter R 5 milyon in ganny mete pou konmans pey lentere lo sa lon.

Msyé Spiker, nou osi pe travay konzwentman avek GICC lo renovasyon Sant Kiltirel Nasyonal (Libreri Nasyonal) e nou ekspekte sa proze pou konplete ver lafen 2022. Sa proze in tro tarde e i pa akseptab konman en pei ki nou Libreri Nasyonal pa ouver pour nou popilasyon. Plan, se pour devlop sa batiman e transform li koman en ‘learning centre’ pour nou popilasyon. En alokasyon R 3.5 milyon in ganny mete pou konmans pey lentere lo sa lon.

Msyé Spiker nou osi ekspekte ki proze rehabilitasyon ek agrandisman por Viktorya i demare lannen 2022. Premye faz sa proze i ekspekte kout 29.7 milyon ero e pe ganny finanse par Labank Lenvestisman Eropeen (EIB) e par Lazans Devlopman Franse (AFD).

Lotorite Por i osi ekspekte konplet nouvo lasose pasaze kot Zil Eve an 2022. Sa Lotorite pou osi fer travay konstriksyon pou aliny ‘Quay Wall’ e pou konmans ‘dredging’ lo sa baz Ladig. SMSA osi pe travay pou moderniz son sistenm lenformasyon teknolozi.

Msyé Spiker, ozordi nou erport pa reflekte nou limaz koman en destinasyon senk zetwal. Nou bezwen en erport pli modern. Gouvernman pe travay konzwentman avek Lotorite Aviasyon Sivil (SCAA) lo bann diferan opsyon lo proze devlopman erport. SCAA pe osi fer en evalyasyon lo kondisyon ‘runway’.

Msyé Spiker, Bidze pou lannen 2022 ki Lotorite Lapes Sesel in fer pou sekter artizanal i konm swivan;

- i. Bazar Cascade - R 4.3 milyon,
- ii. Bazar Anse Aux Pins - R 9.1 milyon,
- iii. Glacis -bazar i dan staz ‘tender’ e stor pou lekipman lapes i dan staz ‘planning’,
- iv. Grand Anse Pralen; lenstalasyon masin ‘ice’ in konmanse, konstriksyon stor pou lekipman lapes e renovasyon bazar i dan staz planning) e

- v. Baie St. Anne Pralen - R 11.4 milyon pour en fasilite bazar, 'gear store' ek panton. Travay in fini konmanse depi Septanm.

Tou sa bann proze pou terminen pli tar Novanm 2022.

Nouvo proze dan distrik pour lannen 2022 i enkli:

Proze Anse La Mouche pou ganny fer an de staz. Premye staz i konpri ouver lapas pou peser debark zot pwason e pran 'ice'. Sa proze in ganny bidzete a R 2 milyon. Dezyenm faz ki pou konmanse lannen 2022 e termin 2023 i konpri bann fasilite debaz pour bazar e stor pou gard zot lekipman travay. Sa proze pou kout anviron R 3 milyon.

Proze La Riviere Anglaise i dan prosesis diskisyon avek bann parti konsernen. Sa proze i sipoze enkli reklamasyon, bazar, stor lekipman e lenstalasyon panton. SFA pe get dan posibilite konstri en pti bazar Bovalon. Avek konsiltasyon, SFA pou konstri en bazar pou deservi peser e tou dimoun ki travers sa distrk.

Aprè konsiltasyon ek peser ek zabitan la Digue, SFA pou enstal en panton obor bazar ek masin 'ice' La Passe pou fasilite aktivite lapes e anpes por La Passe vin ankonbre.

9.1.4. Benefis e Programm Lazans Proteksyon Sosyal (ASP)

Dan bidze 2022, pli gro sonm i en total R 1.44 bilyon pou bann benefis ek programm anba Lazans Proteksyon Sosyal (ASP), e alokasyon I konm swivan;

- R 820.6 milyon - pour benefis retret
- R 109.4 milyon - pour benefis envalidite
- R 141.8 milyon - pour benefis dezabilite
- R 299.4 milyon - pour skim Home Carer
- R 40.7 milyon - pour 'Safety Net'

Msyspiker, parey noun konmanse dan bidze 2021, pour 2022, noun retir administrasyon enpe skim anba Lazans Proteksyon Sosyal e met li kot bann lezot antite. E sa i konm swivan;

- R 27.95 milyon skim 'Daycare' - avek Lenstiti pour Devlopman Pti Anfans (IECD)
- R 9.2 milyon skim avek SPTC pour bann retrete ek dimoun ki otreman kapab
- R 1.2 milyon Skim transpor bann zil pros pour referans medikal pou al kot Minister Lasante e
- R 2.4 milyon skim lasistans lakaz pou bann endividi dan sikonstans 'emergency' kan i annan en dife ouswa dezas pou al kot Minister responsab pour Gouvernman Lokal.

9.1.5. Depans Enprevi (Contingency)

Msyspiker, pour lannen 2021, nou pe met en alokasyon R 50 milyon pour bann depans enprevi, oubyen 'Contingency'. Anvi defi finansyel, gouvernman pa pou ankor dan en pozisyon sa lannen pou pey dezyenm faz konpansasyon pour bann ka polisyon delo La Mizer. Nou pou anvoy li dan bidze mwayen term.

10. Bann Mezir Fiskal

10.1. Reform Taks

10.1.1. Reform Taks lo Biznes

Msye Spiker, parey mon ti anonse dan bidze 2021, gouvèrnman in travay lo en reform dan rezim taks lo biznes ki pou konmans ganny enplimante konmansman Zanvyé 2022.

Atraver sa reform nou ti oule armoniz bann diferan to taks ki egziste dan lalwa taks lo biznes e entrodwir en sel rezim.

Ozordi sa to taks I - 25% lo profi ziska R 1 milyon e 30% lo okenn profi par lao R 1 milyon

A parti le premye Zanvyé 2022, nouvo to taks lo profi biznes pou konm swivan;

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

Msye Spiker sa nouvo to taks pou osi aplikab pour bann sekter ki ti annan en to preferansyel oparavan tel ki ; tourizm, lapes, casino, bann International Corporate Service Providers, bann biznes ki ganny liste lo Seychelles Securities Exchange, ek bann biznes enplike dan servis medikal. Prenan kont lobzektif gouvèrnman pou devlop e agrandir nou sekter lagrikiltir, sa sekter pou ganny en gras lo peyman taks pour trwa zan, konmansman 2021. Apre sa trwa zan, en revè pou ganny fer.

I bon note ki bann peser (endividi ki dan sekter lapes) zot pou kontinyen ganny sa egzansyon ki egziste ozordi.

Parkont, to taks pli o lo biznes pour bann sekter ki dan servis telekominikasyon, labank, lasirans, prodiksyon lalkol e sigaret pou reste 33% lo zot profi par lao R 1 milyon.

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

Dezyenmman, nou pou redwir sa to depresyasyon akselere lo lenvestisman kapital, apard ki batiman, ki ariv ziska 145% dan 5 an, pour bann biznes ki annan pour fer avek tourizm, lagrikiltir ek lapes, konpare ek lezot sekter pou ariv 100%.

Trwazyenmman, bann depans ki relye avek saler ki ganny peye a bann travayer ki sorti dan bann sant profesyonnel, zot dediksyon lo zot taks ‘return’ pou vin 125%. Oparavan i ti 200%. En poursantaz pou osi aplikab lo saler ki ganny peye ek bann etidyan sorti dan bann sant profesyonnel e ki ganny anploye ‘part time’. I pou sorti 150% pou vin 125%.

Msye Spiker, nou pe osi travay konzwentman avek Lorganizasyon pour Korporasyon Ekonomik ek Devlopman (OECD), lo taksasyon lo bann reveni ki ganny kolekte par bann antite miltinasyon (Multinational) atraver zot bann lopeyasyon ki pran plas prensipalman ‘online’. Prenan kont, kompleksite koleksyon reveni lo sa bann tranzaksyon, nou pou konmans en seri konsiltasyon dan lannen 2022 avek lentansyon ki sa rezim i vin an plas 2023.

Nou osi pe travay konzwentman avek Labank Mondyal pou propoz bann lezot lamannman dan taks biznes lo sa ki konsern ‘transfer pricing’.

10.1.2. Kondisyon Laysenns pour sekter retail

Msye Spiker, nou rekonnèt defayans ki ekziste ozordi dan koleksyon reveni apwopriye dan sekter ‘retail’. Alòrs, gouvènman pe met sa bann kondisyon adisyonnèl pou laysens konm swivan pou sekter retail ;

- i. Tou antite pou bezwen annan en cash register
- ii. Tou antite pou bezwen annan en masin ‘point of sale’ pou donn opsyon son kliyan pou pey ek son kart labank.

Dezyenm faz ki nou pou travay lo la, se fer sa ‘cash register’ konekte direk avek sistenm Komisyon Reveni. Gouvènman i an diskisyon pou en don pou finans sa sistenm.

Nou pou osi met menm kondisyon pour bann lezot sekter alavenir.

Avek lasistans IMF nou pe fer en revè lo lenplimantasyon VAT pou minimiz labi dan sistenm koleksyon VAT.

10.1.3. Revizyon Lo Lankadreman taks ki ganny sarze letan en lasosyasyon saritab i ganny en donasyon

Msye Spiker, souvannfwa, bann lasosyasyon saritab i bezwen pey taks kot Ladwann lo donasyon ki zot resevwar. Nou pou travay lo en lankadreman pou fer sir ki i annan plis laklerte e lazistis lo sa prosedir.

10.1.4. Reform Taks lo Saler

Msye Spiker, nou pou revwar dezyenm ‘schedule’ dan lalwa taks “Income and Non-Monetary Benefits” pou anmenn enpe plis laklerte lo bann saler ki pa ganny takse.

Ozordi, letan en travayer i resevwar en “back pay” i kapab pey taks pli o pour sa mwan ki in ganny peye, konpare avek son to taks ki i peye tou le mwan. Sa nou war li konman enzis. Rezon prensipal, se akòz ozordi sa ‘exempt threshold” R 8,555.50 i pour en mwan. Alòrs pou adres sa, nou pou revwar sa sistenm taks lo saler pou anmenn plis lazistis.

Dan mwayen term nou pou travay lo en sistenm taks lo saler ki nou pou anmenn bann dediksyon dan depans ki travayer i fer. Nou pou kapab realiz sa, ler noun konplet enplimantasyon sistenm taks Komisyon Reveni.

10.1.5. Retir ‘Excise’ Taks Tanporer lo bann transpor lo later pasaze

Msye Spiker, an Zanvye sa lannen, an vi ki nou ti dan en kriz ekonomik e nivo deviz etranzer dan sistenm ti ba, nou ti entrodwir en taks adisyonnèl tanporer lo bann transpor lo later ki ganny

servi pou anmenn pasaze. Nou ti anonse ki sa mezir pou reste an fors ziska ler nou war en sanzman pozitiv dan nou rezerv deviz etranzer e ki to lesanz i stabilize.

Msye Spiker, parey zot remarke, nou bann mezir fiskal e moneter in ede pou stabiliz to deviz etranzer e nou bann polisi inn ede ki nou rezerv deviz etranzer i lo en nivo akseptab, e se pour sa ki Gouvernman inn anonse an Septanm ki sa taks ‘Excise’ tanporer 25 pousan adisyonnèl ki ti entrodwir le premye Zanvye sa lannen, pou ganny retire le premye Zanvye 2022. Nou’n donn bann lakonpanyen lokal sa trwa mwan notis, pou asire ki zot ganny ase letan pou fer zot plan biznes e prepar zot pou sa sanzman.

10.2. Soutenabilite Fon Pansyon Sesel e Reform lo Benefis Retret

Msye Spiker, dapre dernyen evalyasyon “actuarial” ki ti ganny fer lo Fon Pansyon an 2018, Seselwa pe viv pli lontan, e depi 2019, kontribisyon ki Fon Pansyon i kolekte avek son bann manm pa ase pou pey son bann benefis ki pe kontinyelman ogmante. Bann rekomandasyon ti ganny fer avek ladministrasyon avan lo bann mezir ki bezwen ganny pran pou asir soutenabilite Fon Pansyon. Me nanryen pann ganny fer. E si sa i kontinyen, son rezerv pou redwir e sa Fon pou ‘collapse’.

Enn bann premye mezir ki Fon Pansyon in rekonmande se pou ogmant laz retreat pou sorti 63 an pou vinn 65 an aparti 2023. An menm tan Fon Pansyon in met bann opsyon pou pran retreat a laz 60 an, me avek en pansyon redwir.

Fon Pansyon pou osi komans en seri konsiltasyon avek piblik ek sekter prive pou diskite sa sitiyasyon ki i vwar li ladan e bann opsyon pou asir son soutenabilite. Alafen premye kar lannen prosenn, ler sa legzersis i konplete, Fon Pansyon a prezant son rekomandasyon ek gouvernman pou enplimantasyon.

10.3. Restriktirasyon dan servis piblik

Msye Spiker, Depi 2013, Gouvernman pe enplimant en lankadremman ki baze lo rezilta e performans, an diferan faz. Sa lankadremman i koni konman Result Based Management oubyen RBM. RBM i en lapros entegre ki mezir performans e i ganny fer an linny avek bann prosedir planifikasyon e bidzeter. Sa lapros i ganny servi par bokou gouvernman dan bann lezot pei. An Out sa lannen, Konsey Minis ti aprouve ki RBM i ganny enplimante dan son totalite atraver gouvernman. Sa, i montre nou langazman pou obtenir meyer rezilta atraver servis piblik.

Nou rekonnet ki ozordi i annan bokou defayans dan performans sekter piblik. Avek sa lapros RBM ki ava enkilke bann prensip efikasite, latransparans e rankont, e an plis i met lanfaz lo performans endividi e lorganizasyon. I enportan pou note ki pour sistenm RBM marse, i bezwen en planifikasyon stratezik ki kalib, en bidze ki ankouraz o performans, swivan en evalyasyon korek e osi bann sistenm apropiye pou mezir performans. Avek sa bann kondisyon an plas, sa i ekspekte anmenn bokou amelyorasyon dan servis sekter piblik. Me, i egalman enportan pou note ki RBM pa zis en sistenm, me osi en nouvo prensip mannyer keksoz i ganny fer dan sekter

piblik. Annefe, en faktor enportan e neser pour sikse a lavenir, se en sanzman 'mindset' dan travayer sekter piblik kot zot bezwen pran plis responsabilite dan sa azanda reform.

Alors, RBM pou amelyor lefikasite dan loperasyon e alokasyon resours dan sekter piblik, e kree plis lespas fiskal pou provizyon bann servis piblik ki esansyel. Pour bann sitwayen Seselwa sa pou vadir:

- Plis servis pou adres bann defayans dan lasante, ledikasyon, zesyon bann resours natirel, delo e sanitasyon, lenerzi, lenfrastruktir, e bann lezot servis de baz. Sa, pou ganny fer par evalyasyon efektiv bann lenpak fiskal e sosyal. Alors, sa pour anmenn: bann servis pli meyer pou amelyor kalite lavi pour tou bann diferan kous popilasyon.

An azoutan, lenplimantasyon total RBM pou baze lo en lapros planifikasyon par portfolyo. Sa i vadir ki sak portfolyo pou gid son bann departman e lazans dan sa prosedir atraver planifikasyon stratezik, bidzeter, swivi e evalyasyon e sistenm pou mezir performans. Sa pou asire ki rannkont i al anver bann minis, bann lezot o zofisy e bann bidze enstitisyonnell.

An plis, sak portfolyo pou kapab prodwi en plan stratezik ki konpreansiv e bann bon kalite plan performans anyel. An fezan sa, i pou garanti ki tou bann antite gouvrenman pe vremen planifye pou delivre rezilta e sa pou fer ki mantalite travayer gouvrenman i sanze e tou endividi i fer sir i travay lo en performans tre o, baze lo plan stratezik son antite. Tousala pou baze lo amelyorasyon kontinyel, pli bon fason delivre servis e akonplisman nou bann lobzektif nasyonal.

Msye Spiker, nou rekonnet ki sa transformasyon dan sekter piblik pou bezwen annan formasyon neser pour nou travayer. Alors, gouvrenman pe fer en alokasyon R 2.5 milyon dan bidze 2022 pou travay konzwentman avek Lenstiti Guy Morel pou donn sa bann formasyon. Sa lenstiti pou zwe sa rol konman sa 'Public Service College' pou gouvrenman.

Msye Spiker, avek sa nouvo fason fer, nou pou osi revwar rol, manda e striktir Departman Ladministrasyon Piblik. Departman Ladministrasyon Piblik pou met bann lankadreman e standar an plas e bann desizyon ki konsern resours imen pou ganny pran par bann Minister, Departman e Lazans. En model ki pli desantralize pou donn plis lotonomi bann Minister, Departman e Lazans me zot pou bezwen swiv en lankadreman kin ganny agree. Nou pou osi kre en Komisyon Sekter Piblik pou fer lapwentman bann ekzekitiv sinyor dan sekter piblik pou asire ki annan plis la transparans e meritokrasidan lapwentman. Sa i ava ede retir okenn politik dan lapwentman bann ekzekitiv sinyor dan sekter piblik.

Msye Spiker, nou pou osi revwar sa fonksyon seksyon kontabilite dan sekter piblik ki ti ganny santralize avek Minister responsab pour Finans. An Zanvye 2022, tou bann travayer dan seksyon kontabilite pou ganny transfer dan bann Minister, Departman e Lazans. Sepandan, Minister responsab pour Finans pou kontinyen travay avek sa bann travayer pou fer sir ki nou met bann prosedir e standar an plas pou anpes okenn labi dan depans gouvrenman ki kapab arive. Nou pou osi kontinyen met an plas bann formasyon neser pour bann travayer kapab deservi zot fonksyon parey lalwa lo Zesyon Finans Piblik i demande.

12. Lenportans finansman ki abordab pour siport rekipasyon lekonomi

Msye Spiker, parey i leka dan bokou pei, Labank Santral i rekonnet lenportans bann fasilite finansman ki abordab. Se anliny avek sa, ki i ti met an plas de laliny kredi an 2020 pou siport bann biznes ki'n ganny afekte avek COVID-19. Atraver partisipasyon bann lenstitisyon finansyel ki pe administre sa de skim, bann mikro, pti e mwayen lantrepriz pe ganny akse avek kredi a en To Lentere 1.5 pousan e pour bann gro biznes To Lentere i 4.5 pousan. Sa, i pour ed zot mentenir zot loperasyon e soulaz difikilte ekonomik ki zot pe eksperyanse.

Labank Santral in osi redwir son To Lentere Polisi Moneter par trwa pousan depi dezyenn kar 2020, pou ede siport lekonomi pei.

An Zen sa lannen, Bord Labank Santral ti egalman aprouv en azisteman dan striktir To Lentere ki ekspekte anmenn en rediksyon zeneral dan To Lentere lo lón ki bann lenstitisyon finansyel i donn zot kliyan. Labank Santral in kominik sa lekspektasyon avek marse an zeneral, atraver lentervansyon ki Gouverner in fer lo medya e osi avek bann lenstitisyon finansyel pandan bann rankont endividyel ki'n fer boner an Oktob. Baze lo bann To Lentere endikatif ki bann lenstitisyon finansyel in soumet avek Labank Santral, To Lentere pour bann lón biznes e osi lón lakaz in desann.

Dapre lenformasyon, konsernan To Lentere ki bann labank ek Seychelles Credit Union i sarze ki zot soumet avek Labank Santral, an mwayenn To Lentere lo lón lakaz in desann par 0.84%, sorti 7.55% lafen Septanm pou vin 6.71%. Pour lón biznes ki bezwen sekirite in annan en rediksyon 0.72% an mwayenn dan To Lentere. A lafen Septanm, an mwayenn To Lentere lo sa kalite lón ti 11.28%, e la aprezan i 10.56%. Tand i lón biznes ki pa demann sekirite, in annan en rediksyon 1.28% an mwayenn, sorti 16.57% pou vin 15.29%.

Msye Spiker, la mon oule fer kler, ki sa bann rediksyon ki mon'n fek mansyonnen i endikatif, ki vedir i kapab annan diferans dan To Lentere ki sak labank komersyal ek SCU pe sarz zot kliyan.

Rediksyon dan To Lentere i ekspekte siport ogmantasyon aktivite dan sekter prive e an retour siport zefor pou relans lekonomi. Msye Spiker, bann labank i bezwen kontinyen fer zefor pou redwir to lentere e amelyor akse kredi pour biznes. Minister Finans ek Labank Santral pe travay lo bann mezir, pou asir plis konpetisyon dan sekter banker. I ancor tro ser e difisil pou kliyan bouz zot fasilite ant diferan labank. Enn bann mezir se ; pou target bann kou asosye avek rezistrasyon e transfer bann sekirite. I annan plizyer lezot mezir ki pou ganny anonse par Minister Finans ek Labank Santral alafen sa legzersis par milye lannen 2022.

13. Transformasyon Lekonomi

Msye Spiker, parey nou ti anonse dan bidze 2021, nou Lazanda Transformasyon Ekonomik i konm Swivan "*En Stratezi Ekonomik Soutenab e Enklisif, Pour en Sanzman Transformasyonnel*".

Sa stratezi i bezwen ganny enplimante avek plis langazman e konsiltasyon ek sekter prive, ogmant reveni dan sekter tourizm, batir en lekonomi pour ki i a pli kapab soutenir bann sok

ekonomik, ogmant lefikasite dan sekte servis piblik, promouvwar leksplwatasyon soutenab nou resours maritim e osi entegre teknolozi dan nou lapros pou nonm ennde konponan.

An gro, Sa Stratezi i kouven 5 Sekte;

13.1. Sekte tourizm : En Sekte pli Rezilyan e Entegre dan Lekonomi

Mnye Spiker, sekte tourizm i reste sa sekte ki anmen plis reveni dan lekonomi. Me nou'n osi konstata lenpak pandemik Covid 19 in anmenen lo sa sekte. Alors nou stratezi pour sa sekte se pou fer sir ki i **En Sekte pli Rezilyan e Entegre dan Lekonomi** e nou bezwen travay ankor plis avek sa sekte pour nou;

- i. Ogmant reveni tourizm par met plis lanfaz pou annan plis servis ek prodwir ki ava ankouraz bann viziter pou depans plis dan lekonomi
- ii. Batir en sekte pli rezilyan e pli entegre dan lekonomi par amelyor nou prodwi ki nou ofer, promouvwar polisi diversifikasyon e pli byen enkilke nou lidantite Kreol dan sa ki nou ofer.
- iii. Annan plis sinerzi avek sekte lagrikiltir ek lapes pour ki plis prodwir lokal i ganny servi dan letablisman tourizm.

13.2. Sekte Lagrikiltir: Ogmant Sekirite Alimanter, Redwi Lenportasyon e Kreasyon Bann Sistenn ki ankouraz plis konsomasyon prodwi lokal dan Lekonomi

Mnye Spiker, stratezi dan sekte lagrikiltir se pour en **“Transformasyon dan sistenn manze pou batir en sistenn pli konpetitiv e prodiktiv”**. Sa stratezi, i vedir ki nou bezwen planifikasyon ki al pli lwen ki 5 an pour nou tou benefisye avek sanzman sosyo-ekonomik ki i anmenen.

Pou realiz sa stratezi nou bezwen elev prodiksyon lavyann poul ek pork pou ariv par lao 80 pousan ‘market share’; elev prodiksyon bann fri ek legim ki kapab ganny kiltive Sesel, pou ariv plis ki 90 pousan. Nou pou bezwen ogmant kapasite nou bann fermye pou fer fas avek sanzman klima e redwir bann maladi ki annan pour fer avek manze ek nitrisyon.

Pour nou arive delivre sa bann bi, nou pou bezwen enplimant bann proze ek program sarze e anbisye si nou pou sorti dan sa sitiasyon aktyel kot nou depan preski antyerman lo enportasyon pou nouru nou pep.

Sa ki konsern prodiksyon lavyann poul, Departman Lagrikiltir inn vwar ki inn kontinyen ogmante depi 2013, sorti 216 MT (Metric Ton) pou ariv pres 1000 MT pour lanen 2020, e sa premye 6 mwan 2021, i montre ki malgre pandemik Covid-19 prodiksyon pou klerman depas sa nivo. Sa Departman i konfidan ki byento, avek bann mezir parey akse avek finans, e tir restriksyon, nou pou kapab depas sa rikord 1,560 MT ki ti anrezistre an 2006.

Egalman, prodiksyon dizef in kontinyen ogmante pou ariv pres 39 milyon dizef ver lafen 2020, ki reprezant 100 pousan prodiksyon lokal. An sa ki konsern prodiksyon pork, a la fen 2020, Departman Lagrikiltir in rikord en prodiksyon lokal 587 MT. Sa i fer ki i annan 41 pousan prodiksyon lokal.

Nou pou bezwen ranforsi sistenm ‘supply’ ek ‘value chain’ pou fer ki nou vin pli prodiktiv e osi konpetitiv. Parey monn dir, sanzman klima i en priorite. Alor, nou pou bezwen investir dan plis resers pou protez resours zenetik lokal, investir dan bann lenfrastriktir pou redwir risk inondasyon, ogmant kapasite irigasyon, entansifye lenvestiman dan kiltivasyon anba kouvertir e osi kapasite pei pou fer fas avek pest e maladi. Sa ki konseren lenvestisman nou pou bezwen pli aktiv pou mobiliz e diversifye bann sours finansyel pour bann ki dan prodiksyon. Egalman nou pou osi amelyor bann proze formasyon pou devlop plis resours pou sekter lagrikiltir.

Msyé Spiker, pou siport sa bann polisi nou pe fer en alokasyon R 123.4 milyon dan bidze 2022 pour sa sekter. Sa alokasyon i enkli R 13.6 milyon pou konstrir nouvo labatwar lo Mae e Pralen.

13.3. Sekter Lapes e Lekonomi Ble: *Promosyon Valer Azoute e Moderniz Lenfrastriktir*

Myse Spiker, nou stratezi dan sekter Lapes ek Lekonomi Ble se pou **“Promouvwar Valer Azoute e Moderniz Lenfrastriktir”**. Sekter lapés i en sekter kle ki annan bokou potansyel. Nou konsomasyon pwason par kapita i parmi bann ki pli o dan lemonn e sa i montre ki pwason i zwe en rol enportan dan nitrisyon nou popilasyon. Sours prensipal nou konsomasyon pwason i sorti kot bann peser artizanal e pou demontre zot lenportans nou zwenn avek Lasanble Zeneral Nasyon Zini pou selebre lannen 2022, koman lannen enternasyonal pour lapés artizanal ek akwakiltir. I pou en lannen enportan pou sekter lapés, an vi ki i pou rekonnet kontribisyon bann peser artizanal, ek travayer dan domenn lapés ek akwakiltir.

Msyé Spiker, dan bidze 2022 en alokasyon R 108.1 milyon in ganny fer pou sekter lapés e lekonomi ble.

Lanfaz dan sekter lapés i lo valer azoute. Lenplimantasyon proze lenfrastriktir mazer lo Zone 14 pou sekter lapés endistriyel, in ariv a en staz avanse. Nou ti fer en lapel pou envit bann lenvestiser potansyel pou devlop bann fasilite valer azoute dan sekter lapés lo en bout later 70,000 met kare. Noun fer alokasyon avek lenvestiser e nou pe travay avek zot pou finaliz zot lagreman.

Devlopman i kontinyen lo Ile du Port. SFA i anvizaze kontinyen met resours pou asiste bann lendistri valer azoute dan sekter lapés, pli spesifikman bann lizin transformasyon pwason. Bidze pou ganny mete pou fer semen entern ki al kot sa bann lizin, pou fer drenaz e osi pou fer le neserer pou met elektrisite. Antou, SFA in met en bidze R 27.5 milyon ki pou fer par staz, anba en ‘consultancy management process’.

Ankor lo Ile du Port, lo kote kot i repar bann lasenn, SFA pou resirfas sa landrwa, swa avek koltar ou beton, e fer drenaz apropiye. Plitar, SFA i anvizaze konstrir bann fasilite neserer ki pou deservi bann operater reparasyon lasenn, ki a osi enkli en langar pou resiklaz lasenn, en proze ki fek pe komanse. En bidze R 4.5 milyon in ganny mete pour sa proze.

Nou stratezi dan sekter lekonomi ble i enn ki ankouraz ‘**Developman Soutenab nou Losean e devlop bann nouvo sekter dan Lekonomi**. Gouvernman in investir bokou dan devlopman Akwakiltir e la le moman in arive pou komersyaliz sa sekter. Sa lannen, noun vwar lansman sa sekter e nou profit sa lokazyon pou lans en lapel avek investiser lokal e etranze pou vinn investir e kontribriye dan sa sekter. Sa, i ava evantyeleman kontribye anver sekirite alimanter e kree larises pour nou pei.

Dezyenm faz proze konstriksyon pou Akwakiltir, pou konmanse lannen prosen. An 2022, SFA pou konmans konstriksyon lofis ek laboratwar Providence kot bann zofisyse Akwakiltir pou sitie.

Tou proze developman lenfrastruktir ki benefisyse sekter lapes direkteman pou ganny finanse anba Lagreman Partener Lapes Soutenab ant Sesel ek Linyon Eropeen.

13.4. Sekter “Digital Economy” (Lekonomi Enformatik)

Msyé Spiker, stratezi Lekonomi Enformatik i tre enportan dan sa Lazanda Transformasyon Ekonomik. Pli boner sa lannen, Kabinet in aprouv bann rekonmandasyon pou sa sekter e komite kin ganny apwente, in travay lo en plan daksyon pou lenplimantasyon. Sa plan daksyon i annan bi pou “**Amelyor lentegrasyon Teknolozi dan Pei e dan sekter Finansyel**”. E sa pou dan senk pilye, ki

- i. Amelyor lenfrastruktir teknolozi dan Pei
- ii. Amelyor “digital skills” pour asir lenklizyon popilasyon e akse egal a loportinite ki teknolozi i raporte
- iii. Promouvwar e enplimant plis “platform nimerik” dan servis piblik.
- iv. Amelyor lenklizyon finansyel par “digitalizing” bann sistenm peyman.
- v. Devlop bann striktir ki ankouraz en kiltir antreprenarya pour ede diversifye lekonomi.

Departman Teknolozi Lenformasyon ek Kominikasyon (DICT) pe travay lo de linisyativ avek bi prensipal pou redwir kou enternet dan pei. Premye linisyativ, i en kolaborasyon avek Labank Santral pou fer en letid lo afordabilite servis ‘broadband internet’ e son bann faktè ki determin son kou. Sa lot linisyativ i en kolaborasyon avek Komisyon Komers Zis (FTC) pou angaze avek lakonpanyen ki pe donn servis ‘Submarine Cable System’ pou adopte en liniformite dan pri pour bann kliyan, menm si zot pa en aksyoner sa lakonpanyen e loportinite pou redwir pri lo ‘bandwidth’ enternasyonal.

Msyé Spiker, prozedlwa ‘Cybercrime’ i deza Lasanble. Gouvernman pe osi travay lo en prozedlwa ‘Data Protection’ ki pou ganny prezante an 2022. Sa lalwa i enportan espesyalman avek devlopman dan sekter finansyel.

Gouvernman pe osi kontinyen met an plas bann striktir nesese, pou asire ki en lanvironman konpetisyon i egziste dan domenn telekominikasyon. Nouvo prozedlwa kominikasyon ki pou devan Lasanble Nasyonal boner 2022, i annan bi adres amelyor konpetisyon.

Gouvernman pe osi fer le nesese pou met an plas bann provizyon legal pou fasilite konsomater bouz avek zot nimero telefonn si zot deside sanz operater.

Msye Spiker, DICT in fer bokou travay dan son lenplimantasyon sistenm ‘electronic-ID’ ki nou ekspekte pou operasyonnel dan premye kar 2022. Sa proze pou ede fasilite tou lezot inisyativ nimerik.

Gouvernman in osi angaze pou kontinyen dan son lenplimantasyon son bann proze pou fer ki son bann servis i aksesib ‘online’, par egzanp sa bann servis swivan pou konmans aksesib online an 2022 :

- i. Rezistrasyon bann biznes e Lasosyasyon
- ii. Aplikasyon ou renouvelman en Laysenns
- iii. Deklarasyon taks e soumision taks return

Proze ‘Collateral Register’ in konplete an 2021 e dimoun pe aktyelman servi sa servis ‘online’.

Dan bidze 2022, gouvernman in osi fer alokasyon pou konplet serten sistenm e osi pou konmans enplimant lezot sistenm an 2022, ki konpri:

- i. ‘Health Information System’ (HIS) kin kout Gouvernman en total R 113.2 pou vin operasyonnel an 2022
- ii. En nouvo Sistenm Lenformasyon entegre pou Zesyon Fon Piblik (Integrated Financial Management Information System) pou konmanse an 2022 e nou ekspekte sa sistenm pou vin an operasyonnel an 2024. En alokasyon R 9 milyon in ganny mete dan bidze pou konmans sa proze.
- iii. En modern Taks ‘Management’ sistenm. En alokasyon 1.8 milyon ero in ganny mete dan bidze pou konmans sa proze.

13.5. Sekter Finansyel

Msye Spiker, Sekter Finansyel i en lot sekter ki nou war sa transformasyon pou arive e pou annan plis kwasans dan mwayen term. Nou lobzektif prensipal pou devlop sekter finansyel i konm swivan;

i. Met an plas bann lalwa nesese pou fer nou an konformite ek standar enternasyonal

Sa lannen, Lasanble Nasyonal in aprouv 13 lalwa pour fer sir ki Sesel i an konformite avek standar enternasyonal e nou’n war rezilta sa travay. An Oktob sa lannen, Sesel in sorti lo ‘Annex I’ lalis Linyon Elopeen pour bann ziridiksiyon ki pa korpore lo taks e ganny mete lo ‘Annex II’. Sesel pou sorti lo sa ‘annex II’, ler Lorganizasyon pour Korporasyon Ekonomik ek Devlopman (OECD), i fer en vizit an 2022 pour evalye lefikasite lankadremans sanz lenformasyon taks.

Msye Spiker, lannen 2021, noun amelyor nou bann lalwa pou met zot azour avek bann bon pratik anba lankadremans Anti-Blansisaz Larzan e pou Lit Kont Finansman Terorizm (AML/CFT), e sa i dapre standar ‘Financial Action Task Force (FATF).’ E nou’n amelyor 9 ‘ratings’ dan sa ven defayans ki nou ti annan. Nou ekspekte pou anmenn bann lezot lalwa par la fen 2021 e an 2022, pou fer sir ki Sesel i an konformite dan sa 11 lezot defayans. Msye Spiker mon osi anvi remersi Lasanble pou sipor ki zot in donner pou pas sa bann lalwa pou tir Sesel lo sa “blacklist”. Sa, i montre ler nou travay ansanm avek en sel bi, nou kapab anmenn sikse pour nou pei.

Msye Spiker, travay ki nou bezwen met lanfaz an 2022 se lo lefikasite e kordinasyon avek bann lazans gouvènmman.

Labank Santral pe anvizaze met anplas nouvo lalwa ki pou gouvèrn loperasyon bann ‘*non-bank credit-granting institutions*’. Swivan ladopsyon stratezi ‘*Fintech*’, Labank Santral pou osi met anplas lankadreman nesese, sa ki nou apel en *sandbox*, pou teste bann nide inovativ an sa ki konsèrn bann prodwi peyman.

Avek lanfaz ki bann dirizan lemond pe mete lo nesese pou asire ki bann mezir e polisi ki pe ganny met anplas pou ed bann lekonomi rekipere swivan pandemi COVID-19 i soutenab, Labank Santral ansanm avek gouvènmman i osi angaje pou pran sa menm lapros lo kote Sesel. Travay in deza konmansè lo en plan dakasyon pour lenplimantasyon bann fasilite finansman pour bann proze ki soutenab ouswa sa ki nou apel ‘*green finance*’.

I osi annan en nouvo lalwa ki pe ganny propoze pou protez konsomater servis finansyel ki ekspekte ganny prezante avek Lasanble Nasyonal boner 2022. Sa lalwa i ekspekte donn Labank Santral ek Lotorite Servis Finansyel plis pouvwar pou protez lenterè konsomater bann servis finansyel.

ii. Devlop bann ‘skills’ nesese pou fer ki nou annan plis Seselwa kalifye dan sa sèkter

Msye Spiker, bann skills nesese ki nou bezwen dan sèkter finansyel in vin en priorite, espesyalman avek devlopman ki pe arive. Bann nouvo lalwa ki gouvènmman in met an plas, noun war sa presyon pou bann antite dan sèkter prive ki pe fer zot obligasyon pou rod nouvo travayer. Nou rekonnèt ki i pa sitan fasil. Labank Santral pe kontinyen finans de labours tou le zan. Lotorite Servis Finansyel (FSA) pe osi lans son program labours o nivo ‘degree’ e ‘master’. FSA in osi ofer labours pour ven endividi pou fer formasyon dan “International Compliance Association (“ICA”) Certificate in Compliance”. Gouvènmman osi pe travay pou met bann lezot mwayen nesese pour ki nou devlop plis travayer dan sa sèkter.

Msye Spiker, gouvènmman pou osi bezwen travay konzwentman avek Liniversite Sesel e Lazans Pour Devlopman Resours Imen pou osi fer sir ki nou met bann labours dan sèkter legal, kontabilite e oditer. Nou pou bezwen plis Seselwa kalifye dan sa bann domenn pou fer sir nou kapab donn bann lezot servis sèkter finansyel.

iii. Litilizasyon teknolozi (*Fintech*) ek modernizasyon sistenn peyman e lezot Inovasyon

Msye Spiker, swivan negosyasyon ki Labank Santral in fer avek lakonpanyen ‘VISA’, kou ki asosye avek serten tranzaksyon ki ganny fer an servan bann kart labank pou osi redwir aparti Fevriye 2022. Pou konmansè, sa rediksyon pou aplikab lo peyman pour sa bann komodite e servis swivan: karbiran, ledikasyon, servis telekomunikasyon, bann marsan ki vann an detay, bann restoran e bann servis litilite piblik, tel ki delo ek elektrisite. Efektivman, sa demars pou fer ki sa kou ki an se moman aplikab lo bann marsan letan en kliyan i servi son kart pou fer peyman pou redwir e sa benefis pou kapab an retour ganny pase avek kliyan.

I annan enpe letan ki Labank Santral pe diriz bann reform e modernizasyon lenfrastruktir bann sistenn peyman, avek bi ki sèkter prive ava evantyelman zwe en rol pli aktiv pou diriz zefor pou

anmenn sa transformasyon ki pei i anvii vwar an sa ki konsern teknolozi. Anliny avek sa, Labank Santral pe annan langazman avek son bann partener enkli gouvènmman pou etabli en antite ki ava permet ki bann labank e osi bann lezot lenstitisyon ki donn akse avek fasilite kredi me ki pa en labank - sa ki nou apel bann *non-bank credit-granting institutions* - ava kapab kolabore pou zer bann sistenn peyman dan pei.

An sa ki konsern marse pour bann lenstriman finansyel ki ganny ofer ouswa garanti par gouvènmman, Minister Finans, Labank Santral avek lezot partener pe deza diskit fason pour devlop sa marse. Lobsektif se pou fasilite mobilizasyon resours finansyel e ogmant likidite pou ofer plis loportinite lenvestisman dan nou marse lokal. Sa pou ede sipòrt bann lezot mezir ki pe ganny pran pou fer ki marse finansyel i vin pli modern. Sa pou enkli ofer loportinite pou sekter prive “raise funding” lo marse finansyel domestik pou sipòrt lagrandisman zot biznes.

14. Lenvestisman, Lantreprenarya, Lendistri e Fasilitasyon dan Komers

Msye Spiker, i ankor tro difisil pou fer biznes Sesel. I enportan ki annan en sanzman dan fason fer par bann antite gouvènmman ki donn bann laprouvasyon pou konmans en biznes. Zot bezwen zwa sa rol fasilitater me pa senpleman dir non. I pou bezwen annan bann lendikater ki pou gid bann dele letan ki bann aprouvasyon i donnen.

Rol ki sekter prive i zwa, i enportan dan sa Lazanda Transformasyon Ekonomik. Nou bezwen annan sa partenaya avek sekter prive pou ogmant larises nou lekonomi e amelyor kondisyon ki sipòrt rol sekter prive koman lantite responsab pou agrandi lekonomi. Nou lobzektiv prensipal i pou;

- Moderniz “kad lenvestisman” pour Sesel
- Fasilite diversifikasyon soutenab pour bann prodwi e servis.
- Etabli bann striktir legal, regilatwar e bann polisi ki sipòrt lagrandisman lasyans, teknolozi e linovasyon dan biznes e ki alinyen avek Lazanda Transformasyon Ekonomik

Msye Spiker, gouvènmman in fer en alokasyon R 50 milyon pou sibvansyonnn to lentera lo bann lón ‘SME’ ziska SR 3 milyon. Konmansman 2022, nou pou entrodwir bann nouvo paramet pou sa skim, pou fer sir ki i anliny avek vizyon gouvènmman e met lanfaz dan bann sekter kle ki pou ede dan sa transformasyon ekonomik. Nou pou fer en prosesis konsiltasyon ek sekter prive avan nou finaliz sa bann nouvo paramet.

Gouvènmman pou osi garanti en bond lavalè R 150 milyon dan premye kar 2022 pou asiste Labank Devlopman (DBS) pou donn lón sa bann sekter kle pou ede dan sa transformasyon ekonomik.

Nou pe travay avek biro Prokirer Zeneral pou fer lamannman dan lezislasyon ki ankadre prosedir laysenssing. Premyerman ; nou pou entrodwir en sistenn ‘hybrid’ ki pou desantraliz sistenn donn laysens. Dezyennman ; nou pou entrodwir en lankadreman pou donn laysens provizyonnel ki pou kouvert laprouvasyon bann biznes inovativ ouswa bann ki mank sa lankadreman legal.

Nou pou osi konmans en seri konsiltasyon avek sekter prive pour nou diskit e finaliz en reform pli konpreansiv lo modernizasyon lotorite laysenssing. Sa legzersis pou ede ;

1. Amelyor servis Lotorite Laysens dan son totalite,
2. Pour li pli byen kapab deservi bann biznes espesyalman bann mikro, pti e mwayenn antrepriz
3. Me pli enportan ganny korperasyon bann biznes kot i konsern vin rod zot laysens e swiv e respekte kondisyon zot laysens.

Msye Spiker, Propriete Entelektyel i en lot sekter priorite ki nou bezwen met lanfaz lo la pou war plis kwasans. Nou pe kontinyen nou prosesis sansibilizasyon pou fer sekter prive annan plis konesans dan sa sekter. An 2022, nou pou anmenn bann lamannman nesese dan lalwa relye avek propriete entelektyel ki pou reflekte bann developman lo baz enternasyonal e dan nou lekonomi ozordi.

Nou pou kontinyen travay avek Biro Standar Sesel (SBS) pou donn zot resours nesese pou aste nouvo lekipman pou ede dan sertifikasyon bann prodwi e sa ava ede dan eksportasyon bann prodwi Sesel.

Lannen 2022 nou ekspekte travay pou amelyor sistenm Ladwann (ASYCUDA World). Modernizasyon ek sa sistenm pou ede enplimant servis peyman elektronik, entegrasyon “risk management module”, prosedir anvoy e retir komodite lo erport ek por pou ganny fer entyerman elektronikman, entegrasyon en ‘module’ pou fer evalyasyon e osi en ‘module 1’ pou kourier. Nou vizyon se pour nou devlop en “single window system” pou fasilite komers e sa a ganny servi par tou bann antite ki enplike dan proteksyon nou lafrontyer.

Msye Spiker, noun tann bokou konplent lo prosedir pou retir parsel ki vinn par kourier. Sa problem i pli prominan ler bann parsel i par lao sa “taks free allowance”, vi ki bann kliyan i bezwen al fer bann prosedir zot menm kot lofis ladwann kot erport. Mon tinn kree en komite pou redres sa bann problem e zot inn vinn avek bann solisyon konkret. Apartir premye kar lannen prosenn nou anvizaze bouz lo en sistenm “on-line” pou prosedir kourier. Sa, pou atraver lasistans ki gouvènmàn pe benefisyè anba led Devlopman Ewopeen. Nou pou osi aplik lalwa ki regulariz bann kourier pou mandaté ki se zot ki fer tou prosedir pou zot kliyan, parey i ete partou dan lemonn. E sa i vèdir ki sa bann kourier a perform servis ‘door to door’ ki zot kliyan in peye.

Pandan lannen 2022 nou ekspekte met en program pou “Authorised Economic Operators”. Sa program i pou fasilite bann enportater e eksportater ki swiv byen zot prosedir pou ganny en servis pli vit. Nou pou bezwen fer lamannman dan bann regilasyon nesese e osi donn formasyon bann zofisye Ladwann pou kapab enplimant sa program.

Msye Spiker, an si kosern bann lezot travay ki gouvènmàn pe fer lo ‘Ease of Doing Business’ – mon kapab anons sa bann linisyativ swivan:

1. En komite ‘High Level Domestic Regulations’ (HLDR) ki group reprezantan sekter piblik e osi Manm Lasanble Nasyonal ti ganny formen. Sa komite i regard bann fason amelyor bann prosedir administrativ laysensing, sirtou konsernan bann biznes ki enplik investiser etranze. Alor travay sa komite, se pou adres bann prosedir biznes ki bann

etranze i angaz zot ladan pou asire ki tou i kler e bann lorganizasyon parey SIB, SLA e lezot, i kapab tret en laplikasyon avek plis transparans e lefikasite.

2. Gouvernman pe travay pou redwir lakantite letan ki Biro Lenvestiman (SIB) i pran pou donn feedback e pou senplifye bokou zot bann prosedir fasilite
3. SIB in enplimant en sistenm nimerik (Customer Relations Management) sa i en sistenm ki anrezistre e fer swivi lo laplikasyon ki vin kot SIB pour ki zot kapab donn en pli bon servis lenvestiser
4. Gouvernman pe travay lo en sistenm nimerik ki pou entegre tou fonskyonnman bann lazans ki i ava annan en sel 'portal' ki resevwar tou laplikasyon biznes 'online'
5. Gouvernman pe osi fer diskisyon avek bann partener konsernen, pou devlop en fason laysensing ki kapab annan en lankadremman bann biznes ki napa en striktir fizik ouswa en ladres permanan, sa ki fer biznes 'online'
6. Gouvernman pe osi evalye bann diferan prosedir e standar bann antite pou retir bann diplikasyon e senplifye prosedir ouver en biznes san konpromiz lizyenn e sekirite imen, propriete e lanvironman.

Msye Spiker, nou rekonnèt travay ki nou pe fer pou ogmant kwasans dan lekonomi me i bezwen osi ganny konplimante avek travay dan lezot sektè. Se pour sa rezon ki nou pe travay avek Zidisyer pou nou annan en lakour spesifik ki kapab donn sa latansyon lo bann ka ki annan pou fer ek komers. Dan bokou lezot pei zot apel li en "Commercial Court". Nou bezwen konmans sa diskisyon e war pli bon fason pou adres sa bann defayans.

15. Sektè Lanvironman, Lenerzi e Sanzman Klima

Msye Spiker, dan bann lannen ki vini, Gouvernman pou enplimant en plan nou bann kontribisyon nasyonal, ki en plan stratezik anbisyè ki ti ganny finalize an Zilyet sa lannen. Sa plan i annan bann target spesifik ki nou bezwen antrepann pou anmenn progredan adaptasyon kont sanzman klima dan bann sektè kle parey transport, lenerzi, lenfrastruktir ek lagrikiltir. I osi enportan pour nou met bann mezir pou konbat bann faktè ki afekte nou lanvironman, tel parey polisyon e osi bann lespes anvaisan. Laspe ledikasyon, laspe legal ensi ki laspe ranforsman lalwa, i osi ganny konsidere konman en priyorite pou asire ki nou kontinyen protez e osi respekte nou lanvironman.

Pou asire ki nou kontinyen apresye nou lanvironman, i enportan ki Gouvernman i kontinyen dan son lalit dan zesyon salte pou asire ki Sesel i vin pli prop. Sa i tonm byen dan sa plan lon term pou zesyon salte. Serten aksyon tel parey ki revizyon bann diferan kontra netwayaz in konmans, pou asire ki sa bann kontra i vin pli efikas e finansyerman soutenab.

Partisipasyon Sesel dan 'cop-26' in annan plizyer diskisyon avek bann partener lo ki fason Sesel i kapab akse finansman pou enplimant son stratezi lo adaptasyon sanzman klimatik.

16. Sektè Transpor

Msye Spiker, sektè transpor pou lannen 2022 pou kontinyen met lanfaz dan amelyorasyon dan lenfrastruktir e osi anmenn plis kontribisyon pou kre plis loportinite lanplwa dan lekonomi e osi anmenn plis reveni dan Sesel.

Sa sekter in ganny en alokasyon R 179.0 milyon dan bidze 2022. Sa alokasyon pou kontinyen ed sa sekter dan son plan devlopman pou amelyor semen dan plizyer distrik e osi son plan pou resirfas bann semen. Bann proze e programm prensipal i konm swivan;

- i. Amelyor ron pwen (Roundabout) Plaisance - R 4.8 milyon
- ii. Elarzi semen Bois De Rose - R 4 milyon
- iii. Konstriksyon en nouvo ron pwen (Roundabout) pres kot laboutik Wheeling pou amelyor sirkilasyon trafik - R 1.5 milyon
- iv. Premye faz pou en trwazyenm lane Point Larue - R 5 milyon
- v. En Bidze R 2.7 milyon pou kontinny semen Pasquere
- vi. R 8 milyon pou en stasyon pou teste bann veikil lo Pralen
- vii. R 9.4 milyon pou met nouvo lalimyer lo bann semen e R 8.7 milyon pou amelyor bann lalimyer ki egziste ozordi e pey elektrisite asosye avek
- viii. R 38.3 milyon pou met koltar e resirfas bann semen
- ix. R 11.2 milyon pou repar semen tel ki bann drenaz e lezot lenfratriktir semen kin adomaze.
- x. R18.0 milyon pou prokir koltar.

17. Sekter Ledikasyon

Msye Spiker, Minister Ledikasyon i reste angaze avek son nouvo direksyon stratezik anba tenm: *Lev laspirasyon e fer ki rezilta laprantisaz i vo lapenn.*

Gouvernman i rekonnet Ledikasyon koman enn son bann domenn priyoriter e resours pe ganny mete pour ki sa minister i akonplir son bann gran plan. En total R 1.03 bilyon pe ganny mete pou lannen 2022.

Sa minister pou zwe en rol stratezik dan devlopman lekonomi nimerik. An kolaborasyon avek Minister Lenvestisman, Lantreprenarya e Lendistri, sa minister pou komans entrodwirbann etidyan avek sa konesans finansyel, biznes e nimerik dan en fason pli striktire. Lobzektif prensipal se promouvwar en programm skoler ki azour e relevan dan tou sans. Dan menm lalinny, gouvernman pou siport plan ledikasyon an seki konsern, modernizasyon e transformasyon. Minister Ledikasyon pou revwar son ‘curriculum’ e i pou enkli lenformasyon teknolozi konman en size. E sa Miniser pou osi revwar fason lansennyman a traver bann platform nimerik e nouvo teknolozi

Gouvernman pe travay ek sekter prive pou ofer servis WIFI dan lekol. Sa servis pou osi aksesib pour bann zanfan ek ensennyman kot lakour pou zot akse bann platform edikasyonnel.

An linny avek annan en sistenm ledikasyon pli enklisiv, Minister Ledikasyon ek son bann partener pou vwar posibilite modifye fasilite dan omwen enn ou de lekol ki a kapab komans resevwar bann etidyan otreman kapab. Minister Ledikasyon in deza enkorpor lekol pour bann dimoun ki annan problemn tande, dan son portfolyo e demars pe ganny fer pou enkli lekol pour bann zanfan Otizm.

Msye Spiker, gouvernman, pe fer en alokasyon bidze pou en total R 202 milyon pour bann labours. Me nou rekonnèt nou ganny osi bann labours avek nou bann partener. Alors i enportan ki nou bann etidyan i servi sa bann loportinite. Dan bidze 2022, nou pou travay avek bann labank komersyal pou nou met en striktir an plas pou donn en sibvansyon lo to lentere ki ganny sarze lo bann lon ki ganny donnèn pour letid. Sa bann to lentere ki pou ganny sibvansyonnen pou bezwen dan bann domenn prioriter. En total R 8 milyon pou sibvansyonn to lentere lo bann lón etidyan in ganny mete dan bidze 2022.

Gouvernman in osi fer en alokasyon R 5 milyon anver Liniversite Sesel pou renovasyon son batiman e osi pou devlopman son bann program ek bann liniversite enternasyonal.

18. Sekter Lanplwa

Msye Spiker, Gouvernman i touzour reste angaze pou ed nou bann frer ek ser ki pe rod en lanplwa. Sa ki bon note, se ki malgre apepre 1,400 Seselwa ti perdi zot lanplwa atraver ‘redundancy’ ant Zanvyè 2020 e Septanm 2021, nou war ki ti annan 4,527 ‘vacancies’ zis pou Zanvyè ziska Septanm 2021 lo marse lanplwa. Sa kwasans dan lekonomi ki nou pe eksperyansè in kree loportinite lanplwa, pour Seselwa ki anvi en travay.

Dan Bidze 2022, provizyon inn ganny fer pour R 5 milyon pour program ‘Skills Development’ e ‘My First Job’.

Alors Msye Spiker, i enportan ki Gouvernman i kontinyen met an plas bann mezir e adopte bann stratezi pou amelyor bann ‘skills’ ki lekonomi i bezwen.

Enn sa bann premye mezir ki Gouvernman inn pran se pour ki Minister Lanplwa e Zafer Sosyal ek Minister Ledikasyon i angaze dan en konversasyon pou propoz ek Gouvernman en nouvo polisi lo Developman Resours Imen dan pei, sirtou an sa ki konsèrn bann ‘skills’ ki an gran demann lo marse lanplwa. Sa konversasyon i an progre e byento nou pou anons bann mezir ki pou ganny pran. Sa travay pou bezwen ganny fer konzwentman avek Departman Planifikasyon Ekonomik pou asire ki i en linny avek nou plan devlopman nasyonal. Nou pe ekspekte sa travay i konplete dan 2022.

Msye Spiker, dan serten sekter e serten biznes i ankor tro difisil pou bann Seselwa profesyonel ganny loportinite dan bann pozisyon ekzekitiv. Nou annan Seselwa ki kapab, kalifye e devoue ki merite sa bann pozisyon ekzekitiv.

Pou asire ki tou antite i donn Seselwa en sans pou ganny sa bann pozisyon, Gouvernman pou met anplas en lankadreman GOP pou asire ki bann lorganizasyon i ganny ankouraze pou donn formasyon pou donn sa sans ek loportinite sa bann Seselwa. Bann konsiltasyon e evaliasyon sa lankadreman pe kontinyen e i ekspekte ki ver le 1er Avril, sa nouvo lankadreman GOP pou vin an fors.

19. Gouvernans bann Lantrepiz Piblik

Msye Spiker, nou bann lantrepiz piblik i bezwen annan plis lefikasite dan zot performans e minimiz okenn risk ki zot kapab anmennen lo bidze. Pour lannen 2022, gouvernman in fer en alokasyon konm swivan;

- i. R 149 milyon anba sibvansyon pour bann lantrepiz piblik konpare avek R 248.2 milyon an 2021. Dan sa sonm:
 - a. Servis Lapos pou ganny en alokasyon R 8 milyon
 - b. SPTC - en alokasyon R 28.2 milyon
 - c. Lotorite Park e Zarden - en alokasyon R 7.3 milyon e
 - d. Gouvernman pe osi fer en alokasyon R 95.5 milyon avek Air Seychelles pou pey det ki sa lakonpanyen ti annan avek Etihad

- ii. I osi annan R 169.1 milyon anba bann don devlopman pour bann lantrepiz piblik e ladan :
 - a. SPTC pou ganny en alokasyon R 46.3 milyon
 - b. PUC pou ganny en alokasyon R 60 milyon e
 - PMC pou ganny en alokasyon R 62.8 milyon

- iii. Anba ‘Net Lending’, PUC pou ganny R 264.6 milyon

Msye Spiker, gouvernman in aprouv proze de lwa lantrepiz piblik e nou ekspekte ki sa i ganny prezante devan Lasanble Nasyonal boner 2022. Sa nouvo lalwa pou fer sir ki i annan bann nouvo obligasyon ki bann lantrepiz piblik pou bezwen swiv e ava ed Komisyon ki Siperviz bann Lantrepiz Piblik (PEMC) fer son sipervizyon dan en fason pli efektiv..

An sa ki konsern STC, mon kapab dir nou’n war en performans remarkab dan sa lakonpanyen apre wit mwan ki sa nouvo bord ti ganny apwente. STC pe ekspekte fer en seving R 40 milyon pour lannen 2021.

Kanpany RRP STC in redwir pri par 7 pousan dan bann komodite dan kategori 1. STC osi in konstata ki son bann pri i 33 pousan pli bon marse konpare avek bann lezot laboutik. Zis pou donn enn de legzanp ;

- i. Premium Diri Basmati i kout R 29 par kilo konpare an mwayenn R 38 dan bann lezot laboutik
- ii. STC delwil ‘Sunflower’ i kout R 23.75 konpare an mwayenn R 41 dan bann lezot laboutik
- iii. STC ‘Powdered Milk’ i kout R 32 konpare an mwayenn R 44 dan bann lezot laboutik

Avek logmantasyon ki pe arive dan kou transportasyon marsandiz, STC pe zwe son rol pou fer sir ki napa ogmantasyon dan pri komodite dan kategori 1. Me nou rekonnèt i annan plis ki nou bezwen fer e STC pou kontinyen met plis zefor pou negosye bann pli bon pri avek son bann founniser e pour li kapab pas sa benefis avek popilasyon.

20. Konklizyon

Msye Spiker, ozordi mon'n dir bokou keksoz, me konman en pep nou bezwen kontinyen ede dan devlopman sa pei. Nou bezwen war ki mannyer koman sak endividi nou kapab fer nou bout pour anmenn plis larises pou Sesel e osi pour nou fanmiy. Avek sa nouvo lapros, lobzektif gouvènmàn i pou asire ki nou bann bi ekonomik a lon term pa zis ganny atenn, me enn ki larises i ganny partaze atraver en sistenm ekitab e soutenab. Koman en gouvènmàn responsab, nou bezwen asire ki bann zenerasyon a lavenir i benefisye avek bann sakrifis e sanzman nesese ki pe ganny fer ozordi. Sa pandemik in montre nou koman en pei nou bezwen aprann e aplik sa bann leson dir, me nesese, akòz nou pli gro defi a lon term, sanzman klima, i enn ki nou bezwen pare pour fer fas avek si nou anvì sirviv koman en nasyon.

Seselwa i bezwen konstate ki sa pandemik Covid 19, pankor kit nou. Alors nou bezwen reste pli vizilan. Me, toudmenm, mon oule remersye tou Seselwa, kin ekoute e konpran sa lapel pou sov nou pei. Zot sakrifis ki zot pe fer i pa pou anven. Sesel i ankò bezwen tou son zanfan dan sa moman difisil. Pour ou kin al debourye, pour ou kin kontinyen travay, pour ou kin kontinyen gard ou biznes an operasyon e pour ou kin vin inovativ pandan sa moman difisil, mon dir zot tou mersi pour zot patriotizm ki zot in montre anver nou pei.

Msye Spiker, mon oule remersye Prezidan Ramkalawan pou sa premye lannen travay dir e son vizyon pou batir sa fondasyon pou konmans sa transformasyon ki nou bezwen dan Sesel.

Mon ti a kontan osi remersye mon bann koleg Minis e zot lekip dan bann Minister, Departman e Lazans pour zot sipor pandan lannen 2021 e osi dan preparasyon bidze 2022.

Mon remersye mon staff dan Minister Finans, Planifikasyon Ekonomik e Komers e tou bann lazans ki tonm anba mon portfolyo pour zot travay lekip, zot profesyonelizm ek zot motivasyon pou anmenn lekonomi Sesel o pli o nivo.

Mersi osi, tou manm Lasanble Naysyonal, e ou osi, Msye Spiker.

Ankò ennfwa, mon ti a kontan remersye pep Seselwa, sekter prive ek sosyete sivil pour zot konfyans dan direksyon ekonomik ki nou pei in pran

Avek Sa, Msye Spiker, mon rekomande ki sa, “ Appropriation Bill 2022” pou en bidze R 10,091,651,146, pou otoriz depans dan ‘Consolidated Fund’ pour lannen 2022, i ganny aprouve.

Mersi Msye Spiker.



BUDGET 2022
GOVERNMENT OF SEYCHELLES

Delivered by:

NAADIR HASSAN

MINISTER FOR FINANCE, ECONOMIC PLANNING AND TRADE

At the Seychelles National Assembly

Ile Du Port, Victoria, Mahé, Seychelles

Friday 12th November, 2021

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, the year 2021 has remained one of the most difficult periods in our country's history. The Covid-19 pandemic has continued to scourge the world, and our small Seychelles has not been excluded. Its repercussions on our economy still persists. As I explained in the 2021 budget address, and repeatedly in the National Assembly, the government's priority in 2021 was to stabilize the country's financial and economic situation. I explained that our situation was critical, even critical. As such, it would require very hard work to stabilize the situation and prevent our country from going under.

During these past months, the staff of the Finance ministry and Central Bank have worked very really hard to ensure that we come up with a plan to save our country. In late July, Seychelles came to an agreement with the IMF with regards to a financial reform programme which also included financial assistance for us during this difficult period. This reform programme will put us back on track.

Mr. Speaker, before I move on to the 2022 budget, I would like to give an overview of our current financial situation since I presented the 2021 budget, up to now. To better facilitate comprehension, Mr. Speaker, I will list our financial situation in terms of where we were before, and the progress that has been made up to now.

In the first place, you will remember that I delivered my first Budget Address on 16th February, 2021. During that time, the financial situation of the country at the start of 2021 were as follows:

- In the first three months of the year 2021, there were only 6,785 tourist arrivals in Seychelles;
- In that same period, the foreign currency that went through our banking system and Foreign Exchange Office amounted to only \$118 million;
- During these first three months, one dollar had an average cost of R21.50;
- During these first three months, the government, through the Seychelles Revenue commission (SRC), collected only R 1.4 billion in taxes.
- Our primary fiscal deficit for the year had been predicted at 11.8per cent of our GDP;

- Our economic growth had been predicted at 2.08per cent only.
- The government bank account with the Central Bank on the 14th January 2021 was in overdraft by R 152.7 million.

The situation I have just presented, Mr. Speaker, was one, which was very disquieting for our Administration. There was serious imbalances in our expenses and revenue. Our expenses surpassed our revenue by a large margin. Basically, we were in the red. I could even go further to say that the financial situation of our country was in ICU. This is not an exaggeration, but rather, the reality.

So, Mr. Speaker, it was in this context that our Administration had to set its priorities for its first financial year.

We had to take action. Actions that were not easy ones to take, but which were nevertheless, necessary, if we were to start filling in the holes into which we were sinking.

2. Government Objectives For the Year 2021

What were the government's objective during this first year? It was to stabilise our economy and make our debts become more sustainable. This was our target for 2021, as I pointed out in my 2021 Budget Address. So, are we reaching this target?

Here again, I will list the recent official statistics, to show what progress has been made.

- At the end of October, tourist arrivals had reached a total of 133,966 – which was a remarkable increase and we are forecasting a total of 162,391 visitors for the year 2021;
- From April to September, the foreign exchange that went through our banking system and foreign currency bureau had experienced a substantial increase, arriving at USD 366 million.
- In this same period, the average rate of one dollar had gone down to R 15
- At the end of September 2021, Government had collected R 4.8 billion in taxes through SRC.
- Our primary fiscal deficit for the year is now predicted at 6.6 per cent of our GDP
- Our economic growth is now predicted at 6.1per cent.

Today, I can declare that the most difficult period is behind us. Our economy and financial situation have stabilized and we have begun the long process of rebuilding our country. Mr. Speaker, we have come very far. Moreover, after the first review under the Extended Fund Facility (EFF) program, which has just completed on Monday the 8th of November, the IMF Chief of Mission, stated that the economy have made impressive progress until now.

However, as I have mentioned, even though we have made significant improvements, our economy has not 100 per cent recovered and things are not yet back to normal. We still have a lot to do.

I have really appreciated the fact that many Seychellois have listened to my call for national unity and have worked together for the greater good of our country. This is the main reason why we have survived this difficult period. Today I will once again appeal for continued solidarity towards the reconstruction of our country. At the same time, let us be reminded that any political and social instability will have serious repercussions on our economy. I would like to appeal to all political entities, workers' unions and others, to maintain the stability of our country. If the country is unstable, it will be the Seychellois people who will suffer. Let us not make this mistake. Let us not try to win power at all costs. Some costs will be too high.

3. Development on a global scale and its local implications

Mr. Speaker, currently, there is still a lot of challenges and uncertainty in the global economic environment. In many parts of the world, the Covid-19 pandemic is yet to be put under control, and many countries have not reached their vaccination targets. As economic activities start to pick up globally, inflation rates are also rising. At this point in time, the price of commodities is higher than it was in 2020, and it is expected to remain high in 2022.

Statistics have shown that the inability to meet the demand for commodities is a key factor in the price hike. The rise in demand as a result of economic activities that have increased much faster than was expected in certain countries, interruptions in food production and difficulties to link up maritime transportation has resulted in a gap between the demand for commodities and the volume that can be produced in the short term.

When the COVID-19 started to impact the world, many businesses cut down on their output, so when economic activities resumed in 2021 and there was a rise in demand, certain businesses were not ready to cope with this demand. Furthermore, the distribution of containers used for transportation has also been affected as a result of the number of empty containers that got stuck in different ports when the COVID-19 transmission was at its highest peak.

Seychelles has also been affected by the disruption in maritime transportation as a result of changes in commercial systems across the world, and the ability of shipping companies worldwide to manage the amount of cargo that needs transportation. This has resulted in a lack of certain commodities locally. Most financial analysts believe that this situation will persist for a while.

On the subject of the price of fuel, on average the price was \$42 a barrel in 2020, compared to \$82 a barrel in November 2021. This is 95 per cent higher than the price of 2020. However, the price of fuel is expected to go down in 2022 to an average \$72 a barrel in view of the expected increase in production.

The increase in the price of commodities and the cost of transportation has caused a rise in the cost of living locally, in 2021, and it is expected that this will have an impact on inflation in 2022. However, the general price rate is expected to go down in 2022, compared to 2021, the main reason being that the price of fuel is expected to go down as the rate of production goes up.

Nevertheless, if the challenges associated with trade persists, the inflation rate at domestic level could be higher than had been predicted.

With all the indications that there might be more pressure on prices, Government is going to initiate an exercise to review the allocation of weights for social assistance, for those on lower incomes. At the same time, STC will continue to improve on the efficiency of its operations and its procurement system to ensure that the price of basic commodities does not increase.

4. Review of economic performance and the economic context for 2022

Mr. Speaker, 2020 was an exceptional year for Seychelles. With the COVID-19 pandemic, the social-economic challenges in our country brought to a head. In addition, global trade was faced with new challenges. In fact, the economic contraction of 9.9 per cent that was recorded in 2020 is the highest that has been recorded. In addition, as a result of the policies implemented, Government debt increased from 58 per cent to 92.2 per cent of our GDP.

In 2021, in spite of the fact that the COVID-19 pandemic was not yet over, we had no choice but to put our economy on a more sustainable path. In addition, we had to apply lessons learnt in the past for a better future for Seychelles.

So, in the face of the new reality and even bigger challenges ahead of us, we cannot ignore the effect that our debt levels will have on the future generations. It is for this reason that it is necessary to implement policies that not only bring about a more diversified economy but also take into consideration the need to be more sustainable in everything that we do. To bring about this transformation, we need a more modern and more efficient public service.

In simpler language, we have to do more with less, and the difficult decisions ahead of us will impact on us for several generations. This is our new reality, and these are the challenges that we have to face and surmount, as a country.

Mr. Speaker, for the year 2022, GDP growth is projected at 7.2 per cent which is higher than the previous estimates and in line with a stronger 2021 recovery. In 2021, real GDP growth is estimated at 6.1 per cent reflecting a marked improvement over the 9.9 per cent contraction in the pandemic year 2020.

Mr. Speaker, following the severe downturn in the tourism industry in 2020 as a result of the COVID-19 global pandemic, 2021 has seen a remarkable recovery. In the third quarter of 2021, average weekly arrivals stood at 4,285 visitors compared to 443 visitors in quarter one of 2021. As at October 2021, total arrivals stands at 133,966 reflecting an increase of 39 per cent compared to the same period last year. The main markets contributing to this strong year to date performance are originating mostly from Russia, Israel and UAE.

As a result of this faster than expected recovery in tourism arrivals, higher growth is expected in 2022 for the main tourism related activities, namely 'Accommodation and food' by 46 per cent, 'Administrative and support' by 36 per cent, and 'Transportation and storage' by 24 per cent.

Growth is expected to remain strong at 7 per cent in the Information and Communication Technology sector. For 2022, Agriculture growth as well as Fisheries growth is estimated at 3 per cent. Both sectors are expected to fare relatively well, given continued policy support for food security reasons.

We are expecting more construction activities in 2022, thus we are forecasting a strong growth of 6 per cent. In 2022, higher growth is expected for electricity at 3 per cent and water at 2 per cent, mainly due to continued buoyant tourist arrivals forecast. We are assuming a conservative growth of about 3 per cent for the wholesale and retail sector. The Financial and Insurance sector is expected to maintain a growth of 5 per cent similar to 2021.

5. Overview of Fiscal Performance in 2021

Mr. Speaker, with regards to our fiscal performance for 2021, Government has projected a primary deficit of 6.6per cent of our GDP by the end of the year. This is equivalent to a primary deficit of R 1.6 billion compared to SR 2.6 billion which was originally projected in the 2021 budget.

At the end of 2021, our total income, excluding donations, is 6.4per cent, or R 453 million higher than we had predicted for 2021. Thus, our revenue is SR 7.5 billion whilst we had predicted R 7.1 billion .

Our revision with regards to total expenses for 2021 is R 10.4 billion instead of R 11.7 billion as had been predicted at the beginning of the year.

And, Mr. Speaker, you will remember that we came before the National Assembly to ask for a supplementary budget of R 303.9 million. However, we also presented a budget reduction of R 1.4 billion.

6. 2022 Budget and Fiscal Performance in the Medium Term

Mr. Speaker, the National Assembly approved a total sum of R11,013,648,296 for expenses in 2021. There was also a reduction of R1, 125,511,765 during the 2021 mid-year budget review exercise. Thus, total expenditure for 2021 amounts to R 9,888,136,525 only.

For the 2022 fiscal year, we are proposing a total expense of **R 10,091,651,146**. We are also expecting to collect a total of SR 9.7 billion in revenues and donations.

Mr. Speaker, even if our expenses have gone up by R 203.5 million or 2.1 per cent, when you compare to the revised 2021 budget with the proposed budget for 2022, we are projecting a primary deficit of R 222.1 million or 0.8 per cent of our GDP for the 2022 fiscal year, compared to a primary deficit of R 1.6 billion or 6.7 per cent of our GDP for our revised budget for the 2021 fiscal year.

At the end of 2020, our stock of debts had reached 92.2 per cent of our GDP. We expect to end 2021 with a debt stock of 81.2 per cent of our GDP.

Mr. Speaker, with the budgetary deficit, which has been reduced for the 2022 fiscal year, we expect that our debt stock will be reduced to 76.0 per cent of our GDP by the end of 2022. We are also expecting to have a budgetary surplus by the start of 2023. With this surplus, we are expecting that our debt stock will be below 70 per cent of our GDP by the end of 2023.

7. Revenue Collection for 2022

Mr. Speaker, for the year 2022, we are expecting to collect a total of R 7.86 billion in tax revenue, compared to R 6.69 billion in the 2021 revised budget. This increase is principally associated with growth in the tourism sector compared to 2021.

Non-tax revenue collection for 2022 is being budgeted at a total of R 1.07 billion compared to R 822.1 million in 2021. The highest increase in revenue collection is in the dividends from public enterprises – from R 375.3 million to R 590.3 million.

Revenue collection from donations from our partners abroad has also increased from R 605.9 million in 2021 to R 782.1 million in 2022. The principal reason for this are the projects that could not materialize in 2021 because of the Covid-19 pandemic.

8. The Context of the 2022 Budget

So, Mr. Speaker, the principal objective of the 2022 budget is to continue to make Government debt become more sustainable. Our priority is to consolidate Government expenditure and to make the public service more efficient. We will also continue to work with the Seychelles Revenue Commission to modernize the system they are using and make revenue collection become more efficient. Mr. Speaker, SRC has been allocated a sum of R 231.6 million in 2022, compared to R 137.2 million in the revised 2021 budget. Apart from a new system to modernize SRC, we are also working with international partners to recruit customs and tax auditing experts to assist SRC and train its employees.

In line, with the declaration in the 2021 budget, Government will keep on working with these five sectors to ensure that there is more growth in these sectors in the medium term:

- i. The Tourism Sector
- ii. The Agricultural Sector
- iii. The Fisheries and Blue Economy Sector
- iv. The Digital Economy Sector
- v. The Financial Sector

9.1. Government Expenditure

9.1.1. Wages and Salaries

Mr. Speaker, the budget for wages and salaries projected in 2022 represents a total of R 3.10 billion or 11.2 per cent of our GDP. This sum is an improvement on the 2021 budget in which wages and salaries represented 12.5 per cent of our GDP. The strategy is to ensure that the budget for wages and salaries remains sustainable in the medium term, which should normally represent 11 per cent of our GDP.

As at October 2021, there were 10,849 employees in the public service. In the budget projected for 2022, we are also limiting new recruitments. However, there are 426 posts for replacement of personnels that have left the public sector, 223 posts that are budgeted in 2021 for recruitment and 84 new posts for recruitment in 2022. Therefore, there are a total of 733 posts amounting to a total of SR 215.8 million, for which ministries and departments can recruit.

Mr. Speaker, for the year 2022, as in 2021, there will be no increase in the salaries of public service employees, and there will be no increase for long service allowance. There will be no increases in the salaries of employees on contract, at the end of their contracts. Mr. Speaker, I am aware that there is a lot of expectation in the public service, with regards to salary increase due to a rise in inflation. However, we are still facing a lot of risks in our economy, so I will ask public service employees to be patient. It is Government's priority to bring about a surplus in our budget, which will allow us to increase salaries, especially for those in the lower income brackets.

Government is working on a new salary framework for the public service, and we expect to apply this new structure in the 2023 budget. Currently, many allowances are incorporated in the total salary package of public employees. The first exercise to be carried out, will be to consolidate the fixed allowances into basic salaries. This initiative to include fixed allowances as part of the basic salary, will help the public employees when accessing loans, since the commercial banks are not taking into account these allowances while considering the loan application.

Mr. Speaker, I will later on speak about the results based management framework in the public service. Currently, there are many schemes for public servants such as gratuity, end of contract payments, and in the past, there was also a thirteenth month salary. These schemes cost about SR 242 million per year. Mr. Speaker, we are working on a framework which will allow employees to be paid on the basis of their performance at the end of the year, according to targets which have been set. We expect to complete work on this new structure in 2022, and we also intend to consult employees during this process.

9.1.2. Goods and Services

Mr. Speaker, a budget allocation of SR 3.03 billion or 10.9 per cent of our GDP has been assigned to Goods and Services for the 2022 fiscal year. This sum is comparable to the 2021 fiscal year, which was 12.3 per cent of our GDP. We have to work with the different sectors to become more efficient in expenses for Goods and Services. This will allow us to invest more in Capital Projects. This means that we need to do more with less.

For 2022, we will work closely with the Education Sector and the Health Sector to review their expenditure and see how we can become more efficient in these sectors. These two sectors alone represent a total of SR 967.5 million or 32 per cent of the total budget in Goods and Services.

The Ministry of Health will continue to receive an important percentage of our national budget. In 2022, the health sector is receiving R 579.9 million for Goods and Services, or 19 per cent of the total budget for Goods and Services.

Government recognizes the fact investing in our nation's health is also an important investment in this nation's development, and in our people's future, because a people who is in good health is a people who can produce a reliable workforce to support the economy, and make it possible for the nation to develop to its full potential.

The COVID-19 pandemic has shown us that when we talk about health, we have to first talk about prevention and human capacity development. Prevention is always better than cure.

The Ministry of Health is putting more emphasis on prevention and human capacity development in all its dimensions, through a new 'primary health care package', so that at the end of the day, there are less people who stand the risk of contracting non-transmissible diseases, less people abusing substances such as drugs, alcohol and cigarettes, and much more people who are physically active and who consume food that is good for health. This is the basis, and it needs to be much more solid than it is currently.

The Ministry of Health's prevention programme will intensify in schools, in families and in communities, so that with time, there will be less people with diabetes, high blood pressure, kidney complications, cardiovascular diseases and cancer. It is precisely these diseases that cause the health budget to remain high. Currently, the dialysis programme costs more than 10 per cent of the Ministry of Health's total budget. The ministry will have to address this problem, not only through prevention but also by taking other measures for better efficiency.

Mr. Speaker, in the performance evaluation process of the Health Care Agency, we will have to look closely into the following expenses:

- i. Medicine - R 35.2 million
- ii. Laboratory Supplies - R 31.1 million
- iii. Haemodialysis - R 55.9 million
- iv. Medical Supplies - R 65 million
- v. Food Supplies for patients - R 27.4 million
- vi. Specialized Medical Treatment - R 70 million

Mr. Speaker, we will intensify our efforts to push through reforms for better efficiency in the public procurement framework. As announced in the 2021 budget address, we are reviewing the Public Procurement act. This exercise is taking a bit longer than had been anticipated, but we expect to complete it in 2022.

However, Mr. Speaker, we have to come up with certain amendments to help simplify procurement procedures in Government, and also to get more value for money. Mr. Speaker, the existing law does not allow for Government to negotiate prices with the entities that are chosen to supply goods or services. The procedures to negotiate exist in the private sector, but in the public sector, we have to make the process more transparent. Mr. Speaker, we have to find ways of making more savings, whilst ensuring that we maintain the principles of procurement.

By the end of 2021, we expect to have a comprehensive report on the security services. Government will work on procurement procedures for security services based on this report. Government has also reviewed the tendering procedures for cleaning services and we expect to complete this work in the first quarter of 2022.

Mr. Speaker, we have made an allocation of R 69.9 million for the cleaners corporative in the 2022 budget, for cleaning services for Government offices. The Finance Ministry is evaluating the existing system to see how we can get a more efficient cleaning service from this organization. A decision must be made on whether we are going to maintain the structure of the cleaners corporative as it is currently, or transfer its workers to the ministries, departments and agencies. This exercise is expected to be completed by the end of 2021.

9.1.3. Capital Investment Programme

Mr. Speaker, a total budget of R 1.53 billion is being projected for the 2022 fiscal year, representing 5.5 per cent of our GDP. This is a considerable increase when compared to the 2021 budget, which was only 5.0 per cent of our GDP.

Mr. Speaker, as Government has announced before, we recognize the fact that there are many challenges to implementing capital investment projects currently. It is for this reason that Government has created the new Agency for Infrastructure, to bring about better coordination and supervision of project implementation. It will also help to establish better standards and better efficiency in the planning of Government projects. We thus expect a great improvement in this area in 2022. This agency will also put in place an electronic system for better supervision of employee performance, and it will work on a project implementation calendar that corresponds the 2022 budget.

Mr. Speaker, the 2022 budget will facilitate the implementation for the construction of 51 houses, which already started in 2021, and the infrastructure needed for 116 land parcels as part of the land bank project. The 2022 budget also provides for the construction of 37 new houses and 88 new parcels of land.

Mr. Speaker, the Ministry for Land and Housing will explore other opportunities with regards to the quality and standards, as well as costs for the construction of houses. This will help in the review of affordable houses. We have discussed and come to an agreement with GICC regarding the construction of condominiums for professionals, and Nouvobanq has agreed to offer loans at an interest rate of 5.5 per cent and a repayment plan of up to 30 years. Government is also

appealing to other commercial banks and the private sector regarding the financing and construction of accommodation projects at an affordable price.

Mr. Speaker, a budget of R 3.3 million and R 11.6 million is being allocated in the 2022 budget for the Police Force for the renovation of the Central Police Station and a new police station for La Digue respectively.

Government has allocated a budget in 2022 for the Health Sector, as follows:

- i. Construction of the new La Digue hospital - SR 53 million
- ii. Construction of a rehabilitation centre - SR 34.5 million

Mr. Speaker, we have also allocated SR 11 million for the renovation of different sports infrastructure as follows;

- i. R 2 million for renovation of Unity Stadium
- ii. R 2 million for renovation of Palais Des Sports
- iii. R 3.75 million for renovation of Anse Royale Sports Complex
- iv. R 1.75 million for renovation of La Digue Sports Complex
- v. R 1.5 million has been allocated for the renovation of other sports infrastructures.

There is an allocation of R 42 million in the 2022 budget for the Industrial Authority (IEA). Apart from the infrastructure on zones 6 and 20, and Eve Island, a project for an industrial marine park will start in 2022. This project will be of use for workshops and appropriate venues for marine engineers and auto-mechanics.

The Ministry of Local Government and Community Affairs will receive an allocation of R 20 million for small community projects. This is a considerable increase compared to R 10.5 million in the revised 2021 budget.

Mr. Speaker, as you are aware, Government is spending an average of R 179.3 million per annum on rent. We need to come up with innovative ideas on how to reduce this sum in the budget. We are working with GICC on the construction of a new building for the SRC, and we expect that this project will be completed by mid-2023. Currently, SRC is spending R 19.220 million in office rental. Through a PPP, GICC will undertake the construction of a building for SRC, and Government will pay GICC through the budget. In the long term, this building will be transferred to Government. An allocation of R 5 million has been made in the budget to start paying the interest on this loan.

Mr. Speaker, we are also working jointly with GICC on the renovation of the National Cultural Centre (National Library), and we expect that this project will be completed by the end of 2022. This project has been delayed for too long, and it is not acceptable as a country, that our National Library is not open to the public. The plan is to develop this building so that it becomes a learning centre for our population. An allocation of R 3.5 million has been provided to pay the interest for that loan.

Mr. Speaker, we also expect that the rehabilitation and expansion project of Port Victoria will begin in 2022. The first phase of the project will cost Euro 29.7 million and is being financed by European Investment Bank (EIB) and Agence Francaise de Development (AFD).

The Ports Authority also expects to complete the new passenger terminal on Eve Island in 2022. This authority will also engage in construction work to align the quay wall and begin dredging on its base on La Digue. SMSA is also working on the modernization of its information technology system.

Mr. Speaker, today our airport does not reflect our image as a five star destination. We need a more modernized airport. Government is working closely with SCAA on the different options for developing the airport. SCAA is also evaluating the condition of the runway.

Mr. Speaker, the budget proposed for 2022 by SFA for the artisanal fishing sector is as follows:

- i. The market at Cascade; R4.3 million,
- ii. The market at Anse Aux Pins ; R 9.1 million,
- iii. Glacis: The market is being tendered and the storage space for fishing equipment is in the planning stage.
- iv. Grand Anse Praslin: The installation of an ice machine has begun. The construction of a storage space for fishing equipment and the renovation of the market are in the planning stages, and
- v. Baie St. Anne Praslin; R 11.4 million to build a market facility, gear store and pontoon. Work started on these facilities in September.

All of these projects will be completed by November 2022 at the latest.

New projects at district level for the 2022 fiscal year includes:

- i. The Anse La Mouche project which will be implemented in two phases. The first phase comprises of opening the pass where fishermen will offload their fish and take ice. This project has been budgeted at R 2 million. The second phase which will start at the beginning of 2022 and end in 2023, comprises of basic facilities for the market, and storage facilities to keep equipment. This project has been estimated to cost around R 3 million.
- ii. The English River project is being discussed with the stakeholders. This project is supposed to include the land reclamation, the construction of the market, the equipment store and the pontoon.
- iii. We are looking into the possibility of building a small market at Beau Vallon. With the necessary consultation and permission, SFA will build a market that will benefit the community.

- iv. Following consultations with La Digue fishermen and community, SFA is going to install a pontoon and an ice-maker at La Passe to facilitate fishing activities and avoid crowding at the La Passe jetty.

9.1.4. Benefits and Programmes for the Agency for Social Protection

In the 2022 budget, the largest envelop is a sum of R 1.44 billion social benefits and programmes under the Agency for social Protection as follows:

- R 820.6 million for retirement benefits
- R 109.4 million invalidity benefits
- R 141.8 million disability benefits
- R 299.4 million for the Home Carer Scheme
- R 40.7 million as a ‘Safety Net’

Mr. Speaker, as already initiated in the 2021 budget, we have removed the management of certain schemes from the Agency for Social Protection and transferred them to other entities as follows:

- R 27.95 million for the Day-care scheme to the Institute of Early Childhood Development (IECD)
- R 9.2 million for the travel concessions of the pensioners and people with disabilities to SPTC
- R 1.2 million for inner islands transport scheme for medical references, to the Ministry of Health,
- R 2.4 million for assisting individuals in emergency circumstances such as fire or natural disasters, to the ministry responsible for Local Government.

9.1.5. Contingency

Mr. Speaker, for the 2021 fiscal year, we have budgeted R 50 million under contingency. In view of our financial challenges, Government is not yet able to pay the second phase of the compensation for the La Misere water pollution cases. We will postpone this to the medium term budget.

10. Fiscal Measures

10.1. Tax Reform

10.1.1. Business Tax Reform

Mr. Speaker, as announced in the 2021 budget, Government is working on a reform in the business tax regime, which will be implemented by the beginning of January 2022.

Through this reform, we wish to place emphasis on the harmonization of various existing taxes in the business tax act and introduce a single regime.

Currently, the tax rate is 25per cent on profits of up to R 1 million and 30 per cent on any profit above R 1 million.

The new tax rate on business profits will be as follows:

- 15 per cent on profits of up to R 1 million,
- and after that, 25 per cent on profits of above R 1 million.

Mr. Speaker, this new tax proposal will also be applicable to sectors which previously had a preferential rate such as tourism, fisheries, casinos, International Corporate Service Providers, businesses listed on Seychelles Securities Exchange, and businesses linked to medical services. Bearing in mind the Government's objective of developing and expanding our agricultural sector, this sector will obtain a grace period on tax payment for three consecutive years, starting 2021. After this period, there will be a review on the tax modalities that will be implemented.

Mr. Speaker, it must be noted that fishermen and other individuals in the fisheries sector will continue to benefit from the current exemption.

Mr. Speaker, nevertheless, taxes on businesses in the telecommunication services, banking, insurance, alcohol and cigarette production will remain at 33 per cent on profits of above R 1 million.

Government will maintain the presumptive tax rate option that is charged to small and medium enterprises, with revenues of under R 1 million per annum.

Secondly, we will reduce the accelerated depreciation rate on capital investment that reach up to 145 per cent in 5 years, apart from buildings. The rate will reduce to 100 per cent and the incentives was being applied to businesses linked to tourism, agriculture and fisheries compared to other sectors.

Thirdly, tax deductions on salaries of employees graduated from professional centres will be 125 per cent. Previously, it was 200 per cent. This percentage will also apply to the salaries of students from professional centres who are on part-time employment. Their rates will be reduced from 150 per cent to 125 per cent.

Mr. Speaker, we are also working closely with the OECD on the taxation of revenues collected by multinational entities, through principally online operations. Bearing in mind the complexity of tax collection on such transactions, we shall begin a series of consultations in 2022, with the aim of putting in place this regime by 2023.

We are also working jointly with the World Bank to propose other amendments in business tax act with regards to transfer pricing.

10.1.2. Licensing conditions for the Retail Sector

Mr. Speaker, we are fully aware of the existing challenges to appropriate revenue collection in the retail sector. Government is thus putting down the following additional licensing conditions for this sector:

- Every entity will have to have a cash register
- Every entity will have to have a point of sale machine to give their clients the option of paying with their bank cards.

We will be working on a second phase to connect cash registers directly to the Seychelles Revenue Commission system. Government is in discussion with a bilateral partner to finance this system.

We shall also impose the same conditions on other sectors in the future.

With the assistance of the IMF, we will undergo a review of the VAT implementation to minimise any abuse in the collection of tax revenue.

10.1.3. Revisions on the framework of taxes charged to charitable organizations when they receive donations

Mr. Speaker, every so often, charitable organizations have to pay taxes to Customs on donations received from the private sector. We shall work on a framework to ensure that there is better transparency and justice in this procedure.

10.1.4. Income Tax Reform

Mr. Speaker, we will be reviewing the second schedule in the Income and Non-Monetary Benefits tax act, to bring more transparency to those salaries that are not taxed.

Mr. Speaker, currently, when an employee receives a back pay, he/she pays a higher tax on it than the regular monthly tax deducted on his/her salary. We find this to be an unfair. The reason for this is that currently the ‘exempt threshold’ of R 8,555.50 is for a month only. In order to address this issue, we shall review the tax system on salaries so that it becomes fairer.

In the medium term, we will review the income tax system to allow deductions of employees’ expenses. We shall be able to implement this once we have completed the implementation of the SRC’s tax system.

10.1.5 Remove the temporary Excise Tax on Passenger Vehicle

Mr. Speaker, in January this year, because of the economic crisis and the decreasing level of foreign exchange in our system, we introduced a temporary additional tax on passenger vehicles. We announced this measure would remain in place until there was a positive change in our foreign exchange reserve and the exchange rate stabilized.

Mr. Speaker, as you have noticed, our fiscal and monetary measures have helped to stabilize the foreign exchange rate, and our policies have helped to bring our foreign exchange reserve to an acceptable level, and it is for this reason that Government announced in September that the temporary Excise tax will be removed on 1st January 2022. The three-month notice is to ensure that local companies have enough time to make their business plans and prepare for this change.

10.2. Sustainability of Seychelles Pension Fund and Retirement Benefits

Mr. Speaker, according to the last actuarial evaluation, which was carried out on the Pension Fund in 2018, the Seychellois citizens are living longer. Since 2019, the contributions collected by the Pension Fund from its members are not enough to pay all its benefits, which continue to increase. The recommendations were made to the previous administration on the measures needed to be taken to ensure sustainability of the Pension Fund. However, no decision was taken. If this continue, the SPF reserve will diminish and the fund will collapse.

One of the first recommended measures is to increase the age of retirement from 63 to 65 as of 2023. In addition, the Pension Fund will put forward options for retiring at 60 subject to receiving a reduce pension.

Pension Fund will start a series of consultations with the public and private sector for the discussion of the current situation of the fund and options to be considered to ensure sustainability of the pension fund. At the end of the first quarter of 2022, when SPF complete the consultations exercise, they will present their recommendations to government for implementation.

10.3. Public Service Restructuring

Mr. Speaker, since 2013, Government has been implementing a framework based on results and performance, in different phases. This framework is known as the Results Based Management or RBM. RBM is an integrated approach which measures performance, in line with budgetary and planning procedures. This approach is used by many other governments. In August this year, Cabinet approved for RBM to be implemented across the board in Government. This shows our commitment towards obtaining the best results in the public service.

The RBM approach inculcates the principles of efficiency, transparency and accountability. Furthermore, it focuses on individual and organizational performance. It is important to note that for the RBM system to work, there must be an effective planning strategy and a budget that encourages high performance, following an evaluation that is correct, with the appropriate performance evaluation systems in place. With these systems in place, it is expected that public service delivery will be much improved. It is equally important to note that RBM is not only a system, but also the new principle and work ethos of the public service. In fact, an important factor for success in future is the changing of mind-sets among public service employees, where they take more responsibility in this reform agenda.

So, RBM will improve efficiency in the operations and resource allocation in the public sector, and create more fiscal space for the provision of public services that are more essential. For Seychellois citizens, this will mean:

- More services addressing the weaknesses in health services, education, natural resources management, water and sanitation, energy, infrastructure and other basic services. This

will be done through effective evaluation of social and financial impacts. Through this, we will achieve:

- Better services to improve the quality of life at different levels of our population.

Just to add, the full implementation of RBM will be planned according to each portfolio. This means that each portfolio will guide its departments and agencies in this procedure through strategic and budgetary planning, follow-up measures and performance evaluation. This will ensure the accountability of ministers and other high ranking officials, as well as institutional budgets. Additionally, each portfolio will be able to produce a comprehensive strategic plan and good annual performance plans. This will ensure that all government entities really plan for service delivery and results, effectively changing the mind-sets of government employees, encouraging them to give their highest performance according to their organization's strategic plan. This will be based on continuous improvement, which is the best way for service delivery and accomplishing our national objectives.

Mr. Speaker, we recognize the fact that this transformation in the public sector will require the necessary training for our employees. Thus, Government is making an allocation of R 2.5 million in the 2022 for a collaborative programme with the Guy Morel Institute, with regards to these trainings. The institute will play an important role as the 'Public Service College' for Government.

Mr. Speaker, in this new way of operating, we will also review the role, mandate and structure of the Department of Public Administration (DPA). DPA will establish the frameworks and standards, and decisions concerning human resources will be made by the ministries, departments and agencies. This will be a more decentralized model to give ministries, departments and agencies more autonomy. However, they will have to follow the agreed framework. We will also create a Public Sector Commission to appoint senior executives in the public sector to ensure there is better transparency in the appointments and no mediocrity. This will remove any political agenda in the appointment of senior executives in the public sector.

Mr. Speaker, we will also review the function of the accounts section in the public sector, which was centralized at the Ministry responsible for Finance. In January 2022, all the employees in the accounts section will be transferred to the respective ministries, departments and agencies. However, the Ministry responsible for Finance responsible will continue to work with these employees to ensure that all procedures and standards are in place and to prevent any abuse in Government expenses. We shall also continue to provide the necessary training to ensure that employees are able to operate according to the Public Finance Management framework.

11. Efforts of government and Regulators to promote competition

Effective competition in the Financial Services Sector is a goal that the Government and regulators must continue to strive to achieve. In a fully competitive landscape, benefits such as greater innovation, efficient service delivery, affordable prices, and the ability for customers to easily switch between Financial Services Providers (FSPs) may be reaped.

The Cabinet of Ministers has recently approved the plan for the modernisation of the National Payments System, as well as the Fintech Strategy, and with these initiatives being undertaken, the importance of having a market that is fully competitive has risen to prominence. Moreover, the Financial Consumer Protection Bill, a piece of legislation that will give the Central Bank and Financial Services Authority more power to protect the interests of financial consumers, will soon be presented to the National Assembly.

It is expected that this will be complemented by work being done out to enhance competition such as reducing or eliminating costs for switching providers, eliminating abusive practices aimed at keeping customers tied to one particular service provider, and educating the public on their rights.

12. The importance of affordable financing to support economic recovery

Mr. Speaker, as is the case in several jurisdictions, CBS is cognisant of the importance of affordable finance and has since 2020 put in place two credit relief schemes to provide financing support to businesses impacted by the COVID-19 pandemic. Hence, through participating financial institutions, impacted businesses have access to credit at a rate of 1.50 per cent in the case of Micro, small and medium enterprises (MSMEs) and an interest rate of 4.50 per cent for larger businesses in order to sustain their operations and alleviate their economic distress. To provide further support to the economy, the Central Bank has reduced its policy rate by 3.0 per cent since the second quarter of 2020.

In addition, the Board of CBS also approved a structural shift in the interest rate corridor in June 2021, which is expected to transmit through a notable reduction in interest rates on loans provided by financial institutions. Through the Governor, the Central Bank has provided such forward guidance to the market as well as directly to each financial institution in bilateral meetings held early October 2021. Based on indicative interest rates submitted to CBS, interest rates on loans to businesses and for the financing of private dwelling houses have been reduced.

According to the information on the interest rate that the commercial banks and Seychelles Credit Union (SCU) have submitted to Central Bank, the interest rates on housing loans have gone down by an average of 0.84 per cent, from 7.55 per cent at the end of September to 6.71 per cent currently. With regards to secure business loans, an average reduction of 0.72 per cent in interest rates. At the end of September, the average rate on this type of loan was 11.28%, and now its 10.56%. As for unsecure loans, the average reduction is by 1.28%, from 16.57 per cent to 15.29 percent.

Mr. Speaker, I want to stress, the reductions that I have just mentioned are just indicative, which means that the interest rate for each commercial bank and SCU that charge their customers could be different.

The lower interest rate environment is expected to provide an important boost to private sector activity and therefore support economic recovery. Mr. Speaker, the banks need to continue

putting more efforts in reducing interest rate and improving access to credit for businesses. Ministry of Finance and Central Bank are working on new measures to ensure that there are more competition in the financial sector. It is too expensive and too difficult for clients to transfer their activities among different banks. One of the proposed measures that will be announced by the Finance Ministry and the Central Bank at the end of this exercise is to target the costs associated with the registration and transfer of securities. There are several other measures that will be announced by the Finance Ministry and the Central Bank by mid-2022.

13. Economic Transformation

Mr. Speaker, as announced in the 2021 budget, the following is our economic transformation strategy: *“An Inclusive and Sustainable Economic Strategy to Deliver Transformational Change”*.

This strategy has to be implemented with more commitment and consultation from the private sector, increasing yields in the tourism sector, building an economy that can better withstand economic shocks, increasing efficiency in the public service, promoting sustainable exploitation of our maritime resources and integrating technology in our general approach, to name a few.

Overall, this strategy covers five sectors:

13.1. The Tourism Sector: A more resilient sector which is better integrated in the economy

Mr. Speaker, the tourism sector remains the highest contributor to the economy in terms of revenue. The revenue from this sector by the end of October 2021 is estimated at US\$ 228 million compared to the period between January and October in 2020, when it brought only US\$ 189 million. Mr. Speaker, the revenue estimated for the end of October 2021 has already surpassed the total revenue collected for 2020, which was a total of US\$ 221 million. Nevertheless, we are also very much aware of the impact of the Covid-19 pandemic on this sector. Thus, our strategy for this sector is to ensure that it is **a more resilient Sector which is better integrated in the economy**, and we must work alongside this sector to:

- i. Increase tourism revenue by putting more emphasis on expenditure choices in the economy;
- ii. Build a more resilient sector that is more integrated into the economy by improving the products we have on offer, promoting policy diversification and to better inculcate our Creole identity in what we offer.

13.2. The Agricultural Sector: Improved Food Security and Economically Sustainable Import Substitution, and the Creation of Avenues to Encourage more Consumption of Local Products in our Economy

Mr. Speaker, the strategy in the Agricultural Sector is **“The Transformation in the food production system to build a more competitive and productive system”**. This strategy means that we have to plan much further ahead than 5 years, so that we all benefit from the social and economic changes that it will bring. But it is necessary that we make sacrifices today.

In order to realize this strategy, we must raise the production level of poultry and pork to above 80 per cent of the market share; we must increase the production of fruit and vegetables that can be produced locally to above 90 per cent. We have to increase the capacity of our farmers to deal with the effect of climate change and reduce diseases associated with food production.

With regards to poultry production, the Agriculture Department has seen a continued increase since 2013, from 216 MT (Metric Ton) to almost 1000 MT in 2020 and the first 6 months of 2021. This shows that in spite of the Covid-19 pandemic, production can clearly exceed this level. The department is confident that with measures such as access to financing and the removal of restrictions, we will be able to exceed the record of 1,560 MT that was registered in 2006.

Egg production has also continued to increase reaching almost 39 million eggs towards the end of 2020, which represents 100 per cent of local production. As for pork production, by the end of 2020, the Agriculture Department saw a local production of 587 MT. This means that we have reached 41 per cent local production.

We have to reinforce the supply and value chain that we can be more productive and competitive. As I have stated before, climate change is a priority. We thus have to invest more in research to protect our local genetic resources, invest in the necessary infrastructure to reduce the risk of inundation, increase irrigation capacities, and intensify investment in cultivation under shading. We also need to increase the capacity of our country to address the challenges of pests and diseases. With regards to investment, we will have to be more proactive in mobilizing financial resources for those who are engaged in food production. We equally need to improve our training programmes to nurture more talents in the agricultural sector.

Mr. Speaker, we are making an allocation of R 123.4 million in the 2022 budget for this sector. This allocation includes R 13.6 million for the construction of new abattoirs on Mahe and on Praslin.

13.3. The Fisheries and Blue Economy Sector: *The Promotion of Value Addition and the Modernization of Infrastructure*

Mr. Speaker, our strategy for the Fisheries and Blue Economy sector is to “**Promote Added Value and the Modernization of Infra-structure**”. The Fisheries sector is a key sector with much potential. Our fish consumption per capita is one of the highest in the world, and this shows that fish plays a very important role in the nutrition of our population. The principal source of our consumption is artisanal fishermen. To show their importance, we are joining with the United Nations General Assembly to celebrate 2022 as the international year of artisanal fishing and aquaculture. It will be a very important year for the fisheries sector since the contributions of artisanal fishermen and people working in aquaculture will be recognized.

Mr. Speaker, in the 2022 budget, an allocation of R 108.1 million has been made for the fisheries and blue economy sector.

The emphasis in the fisheries industry will be on value addition. The implementation of a major infrastructure project on zone 14 for the industrial fishing sector has reached an advanced stage. We launched an appeal to potential investors to develop facilities for value added for the fishing industry on a 70,000m² land parcel. We have allocated parcels to the investors and we are working with them to finalize their lease agreements.

The development on Ile du Port is ongoing. SFA intends to continue putting more resources into assisting fish processing projects in the fisheries sector. A budget will be provided for infrastructure development including roads, drainage, and utilities. SFA has provided a budget of R 27.5 million which will be released in stages, through a consultancy management process.

Still on Ile du Port, on the other side where net repairs are done, SFA will resurface the area, and put an appropriate drainage system. SFA intends to build the necessary facilities for the benefit of the net repair operators, which will include a shed for net recycling. This is a project that has just started and a budget of R 4.5 million has been allocated.

Our strategy in the blue economy sector is one that encourages **the sustainable development of our ocean and develops new sectors in the economy**. Government has invested a lot in the development of aquaculture, and the time has come to commercialize this sector. We have seen the launch of this sector this year, and we take this opportunity to appeal to local and international investors to contribute to this sector and invest in it. This will eventually contribute towards food security and create wealth for our people.

The second phase of the project for the construction of an aquaculture facility will start next year. In 2022, SFA will begin the construction of offices and laboratories at Providence, where the aquaculture officers will be situated. This project will cost about R 1 million.

All infrastructure development projects that benefit the fisheries sector directly will be financed under the Agreement for Sustainable Fishing Partnership between Seychelles and the European Union.

13.4. The Digital Economy Sector

Mr. Speaker, the digital economy is very important in the agenda for economic transformation. Earlier this year, Cabinet approved the recommendations for the implementation of an action plan for this sector and appointed committee to work on the action plan. This action plan is to **“Improve the integration of technology in the country and in the financial sector”**. This will be done through five pillars:

- i. Improving the technological infra-structure in the country
- ii. Improving our digital skills to ensure the inclusion of the population and equal access to the opportunities offered by technology
- iii. Promoting and implementing more digital platforms in the public service
- iv. Improving financial inclusion through the digitalization of payment systems

- v. Developing structures that encourage a culture of entrepreneurship to help diversify our economy.

The Department of Information and Communication Technology (DICT) is working on two initiatives with the principal aim of reducing the cost of internet services in the country. The first initiative is a collaboration with the Central Bank to conduct a study on the affordability of broadband internet services and the factors that determine its costs. The other initiative is a collaboration with the Fair Trading Commission (FTC) to engage with the companies offering Submarine Cable Systems services, to adopt a more uniform approach in the prices offered to clients and possibilities for reducing the cost of international bandwidths, even if they are not stakeholders of these companies.

Mr. Speaker, the bill on Cybercrime is before the National Assembly. Government is also working on a bill for Data Protection which will be discussed in 2022. These laws are important, especially with regards to developments in the financial sector.

Government will also continue to establish the necessary structures to ensure that there is a competitive environment in the telecommunication sector. The new bill that will be presented to the National Assembly early in 2022 will address the ways in which anti-competition is effected.

Government will also do the necessary to establish the legal provisions to enable the number portability, to facilitate consumers who wish to switch operators. At the moment, this is not possible.

Mr. Speaker, DICT has done a lot of work towards the implementation of the ‘electronic-ID’ system, which we expect will be operational in the first quarter of 2022. This project will help in the facilitation of other digital initiatives.

Government is also committed to the implementation of its projects to make its services more accessible online. For example, the following services will be accessible online in 2022:

- i. Registration of businesses and associations
- ii. License applications or renewals
- iii. Tax declaration and submission of returns

The Collateral Register project was completed in 2021 and the public are already making use of it online.

Government has also made provisions in the 2022 budget for the completion of certain systems and the implementation of other systems as follows:

- i. Health Information System (HIS) which has cost Government a total of R 113.2 million, will become operational in 2022
- ii. The project for new integrated information system for the management of public funds (Integrated Financial Management Information System) will begin in 2022 and we expect that this system will become operational in 2024. To start the project, an allocation of R 9 million has been allocated in the budget for 2022.
- iii. A modern tax management system. An allocation of Euro 1.8 million has been budgeted in 2022.

13.5. The Financial Sector

Mr. Speaker, the Financial Sector is another area in which we are expecting this transformation to take place, bringing more growth in the medium term. Our principal objectives for the development of the financial sector are as follows:

i. To establish the necessary laws so that we are in conformity with international standards

This year, the National Assembly has approved 13 laws to ensure that Seychelles is in conformity with international standards, and we have seen the results of this. In October this year, Seychelles was removed from the European Union's Annex I list, of non-cooperative jurisdictions for tax purposes, and we have been put on Annex II. Seychelles will be removed from Annex II when the Organisation for Economic Cooperation and Development (OECD) visits us in 2022 to assess the effectiveness of the framework for exchange of information on taxes.

Mr. Speaker, in 2021, we have improved our laws to align them with best practices in the anti-money laundering framework, and the fight against financing terrorism (AML/CFT). This is in accordance with the standards of the Financial Action Task Force (FATF). We have since improved on 9 ratings in the 20 recommendations that have deficiencies. We expect to push forward more laws towards the end of 2021 and in 2022 to ensure that Seychelles is in conformity with the remaining 11 recommendations. Mr. Speaker, I also wish to thank the Assembly for the support they have given towards these laws, to help remove Seychelles from the blacklist. This shows that when we work together towards the same goal, we can achieve success for our country.

Mr. Speaker, what we have to emphasize on in 2022 is the effectiveness and coordination amongst government agencies in the AML/CFT matters.

The Central Bank also expects to establish new laws that will govern the operation of non-bank credit-granting institutions. Following the adoption of the Fintech strategy, the Central Bank will also install the necessary frameworks, what we call a *sandbox*, to test new, innovative ideas with regards to payment products.

With the emphasis that world leaders are putting on the necessity of ensuring that recovery measures and policies being put in place after the COVID-19 pandemic are sustainable, the Central Bank together with Government are also committed to taking the same approach. Work has already begun on an action plan for the implementation of financial facilities for projects that are sustainable, or what we call *green finance*.

There is also a new legislation that will give the Central Bank and Financial Services Authority more power to protect the interests of financial consumer, and this will be presented to the National Assembly in 2022.

ii. Develop the necessary skills so that we have more qualified Seychellois in this sector

Mr. Speaker, the skills that we need in the financial sector have become a priority, especially with the new developments that are taking place in this sector. With new laws that government

has enacted, we have seen the pressure on businesses to recruit additional resources to ensure that they abide with the new legal requirement. However, we recognize the fact this is not easy. The Central Bank finances two scholarships annually. The Financial Services Authority will also launched its scholarship programme at degree and masters level. FSA also offers annual scholarships for twenty individuals to be trained in International Compliance Association (ICA) Certificate in Compliance. Government is also providing other means of development for employees in this sector.

Mr. Speaker, Government will also have to work jointly with the University of Seychelles and the Agency for Human Resource Development to ensure that we offer scholarships in the legal, accounts and audit sectors. We will need more qualified Seychellois in these domains to ensure that we are able to offer other services in the financial sector.

iii. Use of Technology (*Fintech* and modernization of payment system) and other innovations

Mr. Speaker, following negotiations made by the Central Bank with the VISA company, the costs associated with bank card transactions will also go down from February 2022. To start with, this reduction will be applicable only in the payment of the following commodities and services: fuel, education, telecommunication services, small retail merchants, small restaurants and public utilities services such as water and electricity. This will effectively reduce the cost that is applicable to merchants currently, when clients use their cards to make payments, and the benefits of this can in return be passed on to the clients.

The Central Bank has been leading reforms and modernisation of the payment system infrastructures, with the intent that the private sector eventually assumes a more active role in leading the digital transformation. In that regard, the Central Bank is engaging with all stakeholders, including the government, to establish an entity such that both banks and non-banks can collaborate to manage payment system platforms in Seychelles.

With regards to financial instruments being offered or guaranteed by Government, the Finance Ministry, the Central Bank and other partners are already discussing ways of developing this market. The aim is to facilitate the mobilization of financial resources and increase liquidity so as to offer more opportunities for investment in our local markets. This will support other measures that are taken to modernize the financial market. This will include opportunities for private sector to raise funding through the domestic market to support their business expansion.

14. Investment, Entrepreneurship, Industry and Trade Facilitation

Mr. Speaker, it is still too difficult to do business in Seychelles. It is important that there is a change in the way of doing things on the part of Government entities that give approval for a new business to start. They must play the role of facilitator and not simply say no. There must be indicators that guide the timeframe for approvals to be given.

The role of the private sector is very important in the Economic Transformation Agenda. We need to have this partnership with the private sector in order to increase the wealth of our nation and improve the conditions that support the private sector as the entity that is responsible for economic growth. Our principal objectives are to:

- Modernize Seychelles' Investment framework
- Facilitate sustainable diversification of products and services
- Establish legal and regulatory structures, and policies that support the development of science, technology and innovation in business, and which are aligned with the Economic Transformation Agenda

Mr. Speaker, Government has made an allocation of R 50 million to subsidise the interest rate on SME loans of up to R 3 million. At the beginning of 2022, we will introduce new parameters for this scheme to ensure that it is in line with Government's vision, and put more emphasis on the key sectors that will play a major role in the economic transformation. We will go through a consultation process with the private sector before we finalize these new parameters.

Mr. Speaker, Government will also guarantee a R 150 million bond in the first half of 2022 to assist the Development Bank (DBS) to provide loans for key sectors in this economic transformation.

We are working with the Attorney General's office to amend licensing framework. Firstly, we shall introduce a hybrid system that will decentralize the issuing of licenses. Secondly, we shall introduce a framework to issue provisional licenses to cover the approval of innovative businesses or businesses that do not have a legal framework.

We shall also begin a series of consultations with the private sector to discuss and finalize more comprehensive reforms to modernize the Licensing Authority. This exercise will help to:

1. Improve the services of the Licensing Authority in its totality
2. Better assist businesses, especially micro, small and medium enterprises
3. Ensure the cooperation of businesses with regards to seeking a license, and following and respecting the conditions of their licenses.

Mr. Speaker, Intellectual Property (IP) is another sector that we need to develop further. We shall continue our sensitization process to ensure that the private sector becomes more knowledgeable in this area. In 2022, we shall make the necessary amendments in the Intellectual Property related legislations to reflect the development internationally and to make them more relevant to current economic trends.

We shall continue to work with the Seychelles Bureau of Standards, to give them the necessary resources for the procurement of new equipment for the certification of products. This will help in the exportation of products from Seychelles.

In 2022, we expect to work on upgrading of the Customs Management System (ASYCUDA World). This is expected to substantially improve the services provided by the Customs Division through enhancement of the existing platform that would eventually allow for services such as, electronic payment, integration of the risk management module, automated inward and outward processing, an excise module, integrated valuation module, a courier module, and eventually building a single window system for the clearance of goods to be utilised by all border agencies.

Mr. Speaker, we have heard many complaints regarding the procedures to collect parcels that come by courier. This problem is more evident when the goods in question are above the tax free allowance since the clients have to personally go through the customs procedures at the airport. The key factors that cause delays in the release of goods are lack of space, manual customs procedures, and individuals collecting personal goods instead of courier companies. A committee was created to address these problems and they have come up with concrete solutions, based on international procedures. As from the first quarter of 2022, we shall move towards an online system for courier procedures. This will come from the assistance that Government is getting from the European Development. We shall also apply courier regulatory laws to give them the mandate to go through all the procedures on behalf of their clients, as is done in other countries. The courier service providers need to provide a door to door service

Mr. Speaker, in 2022, we are in the process of building up a program for Authorised Economic Operators (AEO), which is a facility provided to compliant importers and exporters that will help expedite their clearance of goods. We shall have to amend the necessary regulations and train customs officials so that they are equipped to implement this programme.

Mr. Speaker, with regards to other actions by Government for Ease of Doing Business, I can announce the following initiatives –

1. A High Level Domestic Regulations (HLDR) committee representing the public sector and Members of the National Assembly has been formed. This committee will discuss ways of improving licensing administrative procedures, especially with regards to businesses with foreign investors. Thus, the role of this committee will be to deal with business procedures that foreigners engage in to ensure that everything is above board, and that organizations such as SIB, SLA and other such bodies treat applications with transparency and efficiency.
2. Government is working towards reducing the amount of time it takes SIB to provide feedback within 10 days, and simplifying their facilitation procedures.
3. SIB has implemented a digital system (Customer Relations Management) which is registered and which follows up on applications that are submitted to SIB, and thus give a better service to the investors.
4. Government is working on a digital system to integrate all functions of agencies, so that there is one single portal to receive all online business applications.
5. Government is also discussing with the partners concerned on ways of developing licensing procedures within a framework which takes into consideration business without a physical structure or permanent address.

6. Government is also evaluating the different procedures and standards of entities, to remove any duplications and simplify the procedures to start a business without compromising hygiene, the security of human beings, property and the environment.

Mr. Speaker, we recognize the work being done to increase growth in the economy, but this must be complemented by contributions from other sectors. It is for this reason that we are working with the judiciary to introduce a separate court that will deal specifically with commercial cases. In many other countries, this is called the Commercial Court. We have to start this discussion and seek the best ways to address these issues.

15. The Environment, Energy and Climate Change Sectors

Mr. Speaker, in the coming years, Government will implement a plan for our national contribution, which is an ambitious strategic plan that was finalized in July this year. This plan has specific targets aimed at moving forward climate change adaptation programmes in key sectors such as transportation, energy, infrastructure and agriculture. It is also important to put in place, measures to combat scourges that affect our environment such as pollution, and also invasive species. The aspects of education, legal frameworks and law enforcement are also considered priorities to ensure that we continue to protect and respect our environment.

To ensure that we continue to appreciate our environment, it is important that Government continues its campaign with regards to waste management, to ensure that Seychelles becomes cleaner. This fits in very well with our long term plans for waste management. We have begun with certain actions such as the revision of different cleaning contracts to ensure that these contracts become more efficient and financially sustainable.

The participation of Seychelles in Cop-26 has resulted in several discussions with partners on how Seychelles can get access to funds for the implementation of its climate change adaptation strategy.

16. The Transportation Sector

Mr. Speaker, in 2022, the transportation sector will continue to put emphasis on the improvement of its infrastructure, and also to contribute more towards the creation of employment opportunities in our economy, and thus bringing in more revenue for our country.

This sector has received an allocation of R 179.0 million in the 2022 budget. This budget allocation will help this sector to continue its development plan to improve roads in several districts and also to resurface some roads. The principal projects and programmes are as follows:

- i. Improving the Plaisance Roundabout - R 4.8 million
- ii. Enlarging the Bois De Rose road - R 4 million
- iii. Building a new roundabout near the Wheeling shop to improve traffic circulation - R 1.5 million
- iv. Starting the first phase of a third lane at Point Larue - R 5 million

- v. Continuing the Pasquere road - R 2.7 million
- vi. Building a vehicle testing station on Praslin - R 8 million
- vii. R 9.4 million for new street lights and R 8.7 million to improve existing lights, and paying the electricity cost associated with it
- viii. R 38.3 million for road resurfacing
- ix. R 11.2 million for road repairs such as damaged drainage systems and other damaged road infra-structure
- x. R18.0 million for the procurement of bitumen.

17. The Education Sector

Mr. Speaker, the Ministry of Education remains committed to its new strategic direction under the theme: *Raise aspirations and make the results of learning worthwhile.*

Government recognizes the fact that education is one of its priority sectors, and resources are being made available at its disposition to help it accomplish its objectives. A total of R 1.03 billion has been allocated for 2022.

This ministry will play a strategic role in the development of the digital economy., In collaboration with the Ministry of Investment, Entrepreneurship and Industry students will be introduced to subjects of finance, business, and entrepreneurship. The principal aim is to promote a studies programme that is up to date and relevant to today's environment. Along the same line, Government will support the education plan in the context of modernization and transformation. The ministry will review its curriculum and will include information technology as a key component. In addition, the Ministry will also review the way that teaching is delivered through digital platforms and new technologies.

Government is also working with the private sector to offer WiFi services in schools. This service will also be accessible to students and teachers at home through an educational platforms.

In line with its policy of inclusive education, the Ministry of Education and its partners is looking into the possibility of modifying a number of schools to make them more conducive for pupils with disabilities. The Ministry of Education has already incorporated schools for children with hearing disabilities within its portfolio, and this is being extended to schools for children with autism.

Mr. Speaker, Government is allocating a sum of R 202 million for bursaries. We recognize the fact however, that we also receive bursaries from our stakeholders. . It is thus important that our students make good use of these opportunities. In the 2022 budget, we shall work with commercial banks to put in place a structure to subsidise the interest rates charged for student loans. The areas that qualify for these subsidy must be in the priority sectors. A total of SR 8 million has been allocated in the 2022 budget for the subsidy of student loans.

Government has allocated R 5 million for University of Seychelles to renovate their facility and for programme development with other universities.

18. The Employment Sector

Mr. Speaker, Government remains committed to assisting our brothers and sisters who are looking for employment. It is worth noting that in spite of the fact that about 1,400 Seychellois lost their jobs as a result to redundancy from January 2020 to September 2021, there were 4,527 vacancies in the job market from January to September 2021. The economic growth that is happening is creating opportunities in the job market.

In the 2022 budget a provision of R 5 million has been made for the Employment Department for the ‘Skills Development Programme’ and ‘My First Job Programme’.

So, Mr. Speaker, it is important that Government continues to put in place measures and adopt strategies to improve the skills needed by the economy.

One of the measures taken by Government is for the Ministry of Employment and Social Affairs and the Ministry of Education to be engaged in a discussion to propose a new policy on Human Resource Development for the country, especially with regards to skills that are in high demand. This discussion is progressing and we will soon announce the measures that will be put in place. Mr. Speaker, this work will have to be done jointly with the Department of Economic Planning to ensure that it is in line with our national development plan. We expect that this work will be completed in 2022.

Mr. Speaker, in certain sectors and businesses it is still too difficult for our professionals to assume executive positions. We have capable, qualified and dedicated Seychellois who deserve these positions.

To ensure that these opportunities are made available to all Seychellois, Government will put in place a GOP framework to encourage organizations to provide the necessary training and opportunities. The consultation is ongoing and it is expected that by the 1st of April, the new GOP framework will be put in place.

19. Governance of Public Enterprises

Mr. Speaker, our public enterprises must be more efficient in their performance and minimize pressure on the budget. For the 2022 fiscal year, Government has made an allocation for this sector as follows:

- i. R 149 million under the subventions for public enterprises, compared to R 248.2 million in 2021
 - a. Postal Services – an allocation of R 8 million
 - b. SPTC – an allocation of R 28.2 million
 - c. The Parks and Gardens Authority – an allocation of R 7.3 million
 - d. Government is also allocating R 95.5 million to pay the Etihad liabilities owed by Air Seychelles

- ii. R 169.1 million as development donations for public enterprises
 - a. SPTC – an allocation of R 46.3 million
 - b. PUC - an allocation of R 60 million
 - c. PMC – an allocation of R 62.8 million
- iii. SR 264.6 million for PUC under ‘Net Lending’

Mr. Speaker, Government has approved the bill for the oversight of the public enterprises and we expect it to be presented to the National Assembly early in 2022. This new legislation will establish new obligations for public enterprises and will assist the Commission (PEMC) to be more efficient and rigorous in its supervisory function.

We have seen a remarkable performance in STC eight months after the appointment of its new Board, with an expected savings of R 40 million for the 2021 fiscal year. The Recommended Retail Price (RRP) STC campaign has reduced prices by 7 per cent in Category 1 commodities. STC has also noted that its prices are 33 per cent cheaper than that of other shops. The following are a few examples:

- i. Premium Bastmati rice costs R 29 per kilo compared to an average of R 38 in other shops;
- ii. STC Sunflower oil costs R 23.75 compared to an average of R 41 in other shops;
- iii. STC Powdered Milk costs R 32 compared to an average of R 44 in other shops.

With the ongoing increase in the transportation cost, STC is playing an important role to ensure that the price of commodities in Category 1 remain stable. However, we recognize the fact that more can be done, and STC will continue with its efforts to negotiate better prices with suppliers and pass on these benefits to the people.

20. Conclusion

Mr. Speaker, today I have said a lot of things, but as a nation, we have to assist the development of this country. We have to see how each one of us, can contribute towards creating more wealth for Seychelles and for our families. With this new approach, Government’s aim is to ensure that our long term economic objectives are not only realized, but that wealth is shared in a sustainable way. As a responsible Government, we have to ensure that our future generations benefit from the sacrifices and necessary changes that are being made today. This pandemic has shown us that as a country, we must learn and apply some very hard and necessary lessons. Our biggest challenge in the long term is climate change, and we must be ready to face it if we are to survive as a nation.

The people of Seychelles must take into consideration, the fact that the Covid-19 pandemic is not over yet. We must remain vigilant and continue to make sacrifices. I would like to take this opportunity to thank the people of Seychelles who have carefully listened and understood. Your sacrifices are not in vain. In these challenges times, Seychelles needs all its children. For those of you who have persevere to sustain your businesses and livelihood, for

those of you who have been innovative, I thank you for your patriotism and love for your country.

Mr. Speaker, I wish to thank President Ramkalawan for this first year of hard work and for his vision to build the foundation for the transformation that we need in Seychelles.

I would like to thank my colleague ministers and their teams in their respective ministries, and agencies. Thank you for your support during 2021 and also in the preparation of the 2022 budget.

I wish to thank my staff in the Ministry of Finance, Economic Planning and Trade, and all agencies in my portfolio for their hard work, their professionalism and motivation towards raising the economy of Seychelles to a higher level.

Thank you to members of the National Assembly, and to yourself, Mr. Speaker.

Finally, I would like to thank the people of Seychelles, the private sector and civil society for their faith in the economic direction of our country.

Without further ado, Mr. Speaker, I would like to recommend that this bill, entitled “The Appropriation Bill 2022”, for a budget of SR 10,091,651,146, to authorize expenses in the Consolidated Fund for the 2022 fiscal year, is approved.

Thank you Mr. Speaker.

SECTION 2

Budget Strategy & Outlook

Budget Strategy And Outlook 2022

Estimates of Revenue and Expenditure and Appropriation Bill November 2022

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Acronyms and Abbreviations

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

About this document

This document sets out the economic and fiscal context for the 2022 Budget. It presents an overview of Seychelles economy, provides revenue and expenditure estimates for 2022 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 considering the impact 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 contraction in economic growth of Seychelles in 2020 by 9.9 per cent (previously estimated at negative 12.7 per cent but since revised following the rebasing of GDP – Box 1) was a direct result of the COVID-19 pandemic, and the ensuing health restrictions and lockdowns which halted all economic activity driven by the complete collapse of tourism which recorded an unparalleled contraction of 70 per cent. In a complete turnaround, 2021 economic outlook is more positive as the economy is projected to grow by 6.1 per cent marking the first phase of economic recovery.

International developments

Making reference to published data from major international financial institutions and economic organizations, the forecasted global growth averages at 5.5 per cent for the year 2021. Compared to 2020, there are more positive expectations as countries recover with some easing their restrictions such as lockdowns. The global supply chain is undergoing reparation and policies are being put in place to make way for adaptation to the changes caused by the pandemic. When monitoring the progress in economic recovery from the pandemic in the region, the growth in the Sub-Saharan Africa (SSA) region has gradually resumed following the 2.4 per cent contraction in GDP growth in 2020 as a result of the COVID-19 pandemic. The projections for growth in 2021 and 2022 are 2.8 per cent and 3.3 per cent respectively.

The 2021 and 2022 global GDP growth estimates from major economic and financial institutions are presented in Table 1 below. The average for 2021 is 5.5 per cent and 4.6 per cent for 2022.

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

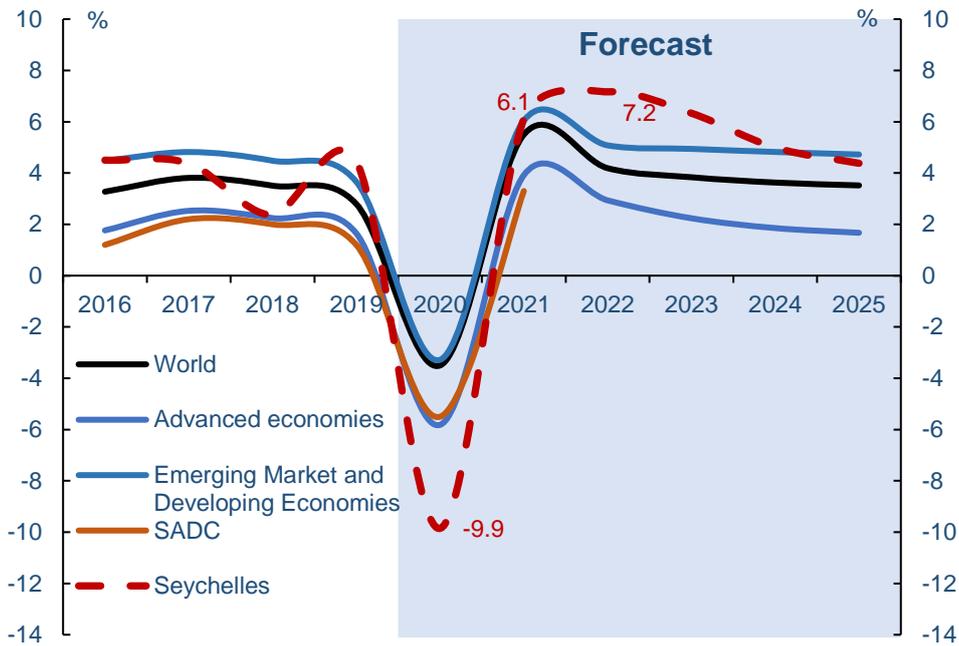
	World GDP Growth (%)	
	2021	2022
WB*	5.6	4.3
GPMN	5.9	4.3
OECD	5.7	4.5
Standard & Poor's	5.8	4.4
Fitch Ratings	3.9	5.3
IMF	5.9	4.9
Average:	5.5	4.6
Seychelles:	6.1	7.2

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

As per the IMF's World Economic Outlook of October 2021, the global growth is projected at 5.9 per cent which is 0.1 percentage points lower than their July 2021 forecast and this is due to supply disruptions and the increasing uncertainty which affects investor's confidence as the emerging threat of new variants raises the anticipation of the pandemic worsening and being prolonged further. In 2022, IMF projects a 4.6 per cent growth highlighting the continuing recovery in national economies through the efforts to implement vaccination programmes and supportive preventive measures to regain livelihoods. Other institutions such as

the World Bank remain more conservative as evidenced by the slightly lower growth rate projections compared to the IMF over 2021 and 2022.

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

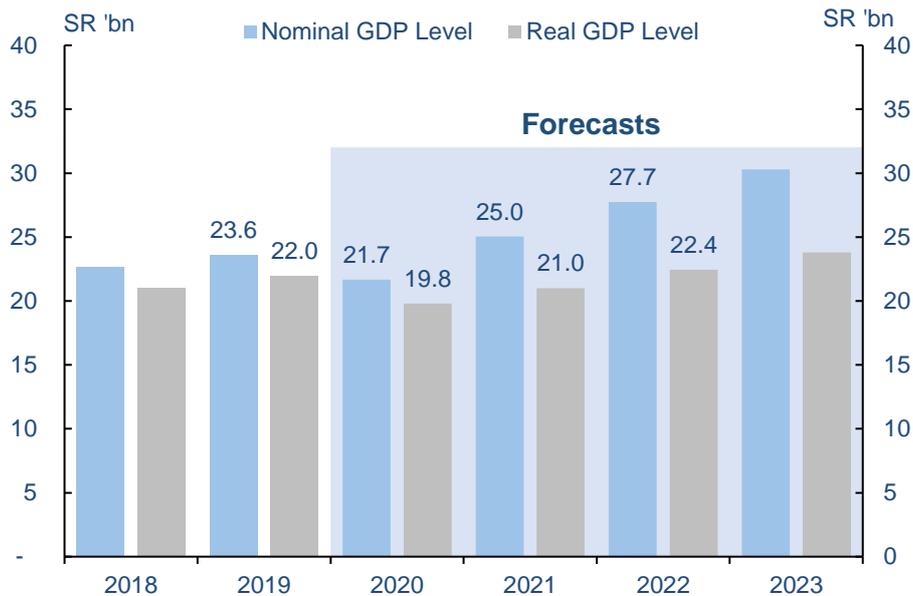


Source: IMF World Economic Outlook October 2021, NBS and Macroeconomic Forecasting & Analysis Branch estimates

2021 context

The remarkable double digit increase in arrivals in 2021 following the reopening of borders and the easing of restrictions, supported by the proliferation of domestic and global vaccination campaigns, the pickup in economic activity has been at a faster pace than anticipated following the slump. In the 2021, real GDP growth is estimated at 6.1 per cent reflecting a marked improvement over the 9.9 contraction in pandemic year 2020. Higher overall growth expectations for the main tourism related industries are ‘Accommodation and food service activities’ at 40 per cent, ‘Administrative and support service activities’ at 30 per cent, and ‘Transportation and storage’ at 24 per cent. Stronger tourism has had a positive impact on overall economic activity across all productive sectors.

Activities in ‘Information and communication’ has been buoyant and is estimated to reach increase by 18 per cent in 2021, while steady growth of 5 per cent is expected in the ‘Financial and insurance’ activities sector. Despite some resurgence in manufacturing activities, namely in beverages, the production of fisheries products is estimated to contract by 7 per cent following continued challenges, as is the case for other manufacturing activities such as of concrete and rock products.

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


Source: IMF World Economic Outlook October 2021, NBS and Macroeconomic Forecasting & Analysis Branch estimates

2022 projection and the medium term

For 2022, GDP growth is projected at 7.2 per cent which is higher than the previous estimates and in line with a stronger 2021 recovery. Economic activity is expected to increase again spearheaded by the tourism bounce back as more countries are expected to remove their restrictions. The main activities under tourism such as ‘Accommodation and food service’ and ‘Administrative and support services’ are expected to increase in 2022 compared to 2021, with their real growth estimated to be 46 per cent and 36 per cent respectively. Growth in 2022 will also be supported by continued strong performance in ‘ICT’ by 7 per cent, the resurgence of ‘Construction’ activities by 6 per cent, and the pick-up in manufacturing activities by about 2 per cent average growth particularly that of fisheries products.

Over the medium term, Seychelles is expected to continue along its recovery path with a projected average real GDP growth of about 5 per cent.

Box 1: Revised National Accounts

The National Bureau of Statistics commenced the process of rebasing and revision of the National Accounts Statistics in 2017. For the first time the development of a Supply and Use Table (SUT) as an essential part of rebasing the National Accounts Statistics was undertaken. In addition, the rebasing implemented the recommendations contained in the 2008 System of National Accounts (2008 SNA), changed the base year from 2006 to 2014 and revised the data sources and methods for the annual and quarterly national accounts estimates for the period from 2006 to 2019.

Generally, the revision process used a wider range of information obtained from recent surveys and administrative records, through a coherent and consistent manner to attain the ultimate goal of improving the National Accounts Statistics.

The SUT framework ensures all measures of GDP are balanced. In essence, it shows how the demand for each product (or group of products) – their use – is matched by the supply. At the same time, it gives detailed information on the output and costs of production of each industry, in other words the links between products and industries. The SUT was used as the framework for rebasing the national accounts for the year 2014.

“Supply” includes the products that are produced by domestic industries or imported. Every product available for use must have been supplied either by domestic production or by imports.

“Use” includes products that are either used by industries to produce other products (i.e. intermediate consumption) or purchased as fixed assets (capital formation) or purchased by final consumers or non-residents (exports).

The supply of products in an economy in an accounting period must be equal to the demand for products. The SUT is the framework that ensures this is the case. In practice, however, the available data are not perfectly accurate or exhaustive and detailed adjustments are made to achieve balance.

Rebasing the Seychelles National Accounts

Rebasing of National Accounts series is replacing the old base year used for compiling the constant price estimates to a new and more recent base year. It ensures that the economic growth provides more reliable estimates over the medium term following the base year. It is advisable to rebase periodically, to update the production structure, as structural changes occur in relative prices, input, and output of various products due to developments and innovations. In addition, changes on the demand side like consumption patterns and the utilization of capital goods are all also updated in the process. Rebasing is used to take account of these changes, so as to give a more current picture of the economy.

The UN Statistical Commission (UNSC) recommends that countries rebase every 5 years. This is dependent on the availability of comprehensive and up-to-date data without which the regular estimates become gradually less reliable. Rebasing ensures that changes in the patterns of economic activities are accounted for, as well as updating the price structures to a more recent year. This is the second time that Seychelles has revised the National Accounts Statistics. The first official estimates of domestic production were prepared in 1976. The first rebase was with a base year of 2006 after a number of surveys were conducted to fill data gaps and the incorporation of the 1993 SNA. The second and current rebase has a base year of 2014.

The choice of base year is an essential component of rebasing the National Accounts since it provides the reference point to which future values of the GDP are compared. When picking a base year, it is essential that such a year is one for which data are readily available and with relative economic stability. The choice of the current base year was made because it would enable the incorporation of the Household Budget Survey of 2013 (HBS 2013) and the Housing and Population Census of 2010. In addition and most critically, business tax return (BTR) and value added tax (VAT) data in electronic format became available in 2014 and have been incorporated into the compilation of the National Accounts.

Benchmarking

Benchmarking of national accounts estimates is the process intended to improve the quality of the short-term National Accounts. This is done by linking the high frequency information such as quarterly data with the low frequency data such as annual data into a consistent time series. Revising the National Accounts also enables the incorporation of data that are infrequently collected to update the corresponding benchmark, e.g., household Budget survey data and population and housing censuses.

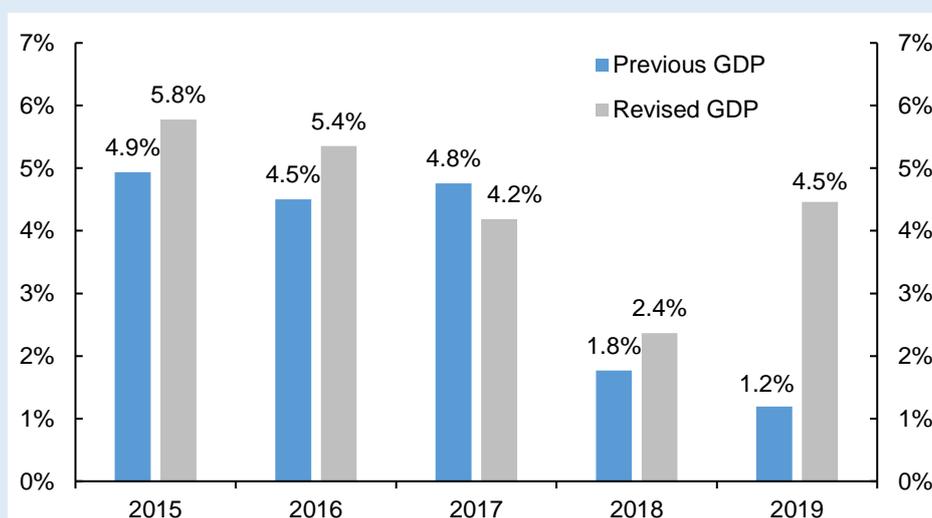
The GDP levels between the old and new estimates from 2014 to 2019 increased after the rebasing exercise. Table 1 below shows the GDP levels in current prices in both Seychelles rupees and US dollars. In the base year, 2014, the GDP increased by 3.32 per cent compared to previously published estimates. Most significant revisions were observed in 2019 with an increase of 6.26 per cent in levels.

Table 2: Comparison between the Old and New GDP Series at current prices (SR'm)

	2014	2015	2016	2017	2018	2019
GDP (Old) SR' m	17,119	18,340	19,002	20,858	21,540	22,213
GDP (New) SR' m	17,688	18,961	19,932	21,617	22,670	23,603
% change in level	3.32	3.39	4.89	3.64	5.24	6.26
Exchange rate (Avg. SR/US\$)	12.75	13.31	13.32	13.65	13.91	14.03
GDP (Old) US\$' m	1,343	1,377	1,427	1,528	1,548	1,583
GDP (New) US\$' m	1,388	1,424	1,496	1,584	1,630	1,682

Source: National Bureau of Statistics

Figure 3: Comparison in Real GDP growth (%)

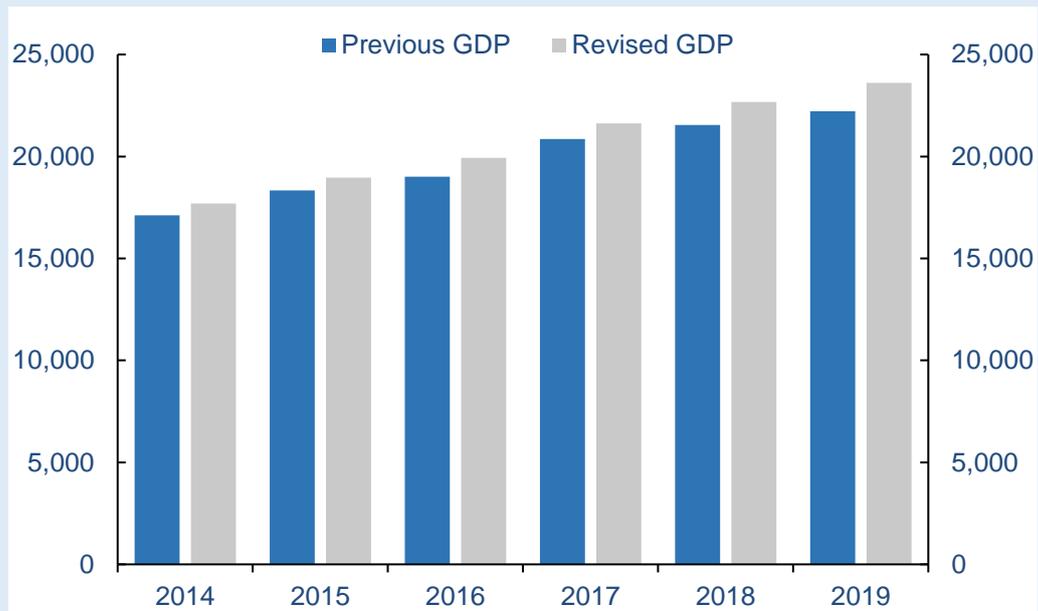


Source: National Bureau of Statistics

Figure 3 above shows the comparisons between real GDP growth from the previous and the revised GDP. After revision, the real GDP growth changed slightly from 2015 to 2018 however in 2019 the growth was significant. The only year that we have observed a lower growth rate was in 2017, which was previously 4.8 per cent now 4.2 per cent. The removal of the price effect, results to real GDP growth which presents a better assessment of the economic growth. The real GDP estimates are basically volume indices, which measure changes in the volume of economic activity whilst retaining relative prices constant. Over time, the changes in the prices of goods and services following the old base year 2006 became less representative as a result of out-dated base-year price weights. The rebased GDP with new base year 2014, therefore presents a better measure of the economy.

Figure 4 below illustrates the revised nominal GDP estimates. It reflects the changes in total value of goods and services produced in the Seychelles economy. These changes arise from price changes and changes in the volume of economic activity.

Figure 4: Revised GDP estimates at current prices (SR'm)



Source: National Bureau of Statistics

The rebasing exercise helps to show the current picture of the economy. Under normal circumstances, as the economy expands, the share of some traditional economic activities may reduce. As the structure of the economy changes, other economic activities also emerge. The rebasing exercise therefore brings on board the emerging economic activities which affects the shares of the previously known economic activities.

Real Sector

Tourism

Following the severe downturn in the tourism industry in 2020 as a result of the COVID-19 global pandemic, 2021 has seen a remarkable recovery. Although lower than pre-pandemic levels, the increase in visitor arrivals following the reopening of borders at the end of March 2021 has been quite significant. To highlight this, compared to February 2021, arrivals in March 2021 increased by 602 per cent, while average weekly arrivals in Q3 stood at 4,285 compared to 443 in Q1. As at October, total arrivals stands at 133,966 reflecting an increase of 39 per cent compared to the same period last year. Parity with 2020 was reached by week 41 of 2021 where 114,717 visitors was recorded. The main markets contributing to this strong year to date performance are Europe and Asia with arrivals originating mostly from Russia, Israel and UAE.

As a result of this faster than expected recovery in tourism arrivals, higher growth is expected in the main tourism related activities in the National Accounts, namely 'Accommodation and food' by 40 per cent, 'Administrative and support' by 30 per cent, and 'Transportation and storage' by 24 per cent. The latter is also supported by the increase in airlines flying to Seychelles, as well as the increase in flight frequencies and total seats compared to 2020. As at October 2021 tourism earnings stands at USD 227.73m, which is 20.7 per cent higher than what was recorded during the same period last year.

Table 3: Comparison of Annual Visitor Arrivals by market as at October 2020-2021

ORIGIN	2020	2021	%
<i>Arrivals up to October 2021</i>			
EUROPE	69,317	85,418	23.2
France	11,774	11,520	-2.2
Germany	21,713	12,192	-43.8
Italy	2,811	1,331	-52.7
UK & Eire	6,143	1,226	-80.0
Russia	5,057	24,212	378.8
Other Europe	21,819	34,937	60.1
ASIA	16,250	38,980	139.9
Israel	2,182	9,675	343.4
UAE	6,147	18,288	197.5
India	2,864	257	-91.0
China	1,367	87	-93.6
Other Asia	3,690	10,673	-189.2
AFRICA	6,707	4,721	-29.6
OCEANIA	362	170	-53.0
AMERICA	3,904	4,677	-19.8
Total arrivals:	96,540	133,966	38.8

Source: National Bureau of Statistics

Box 2: Tourism

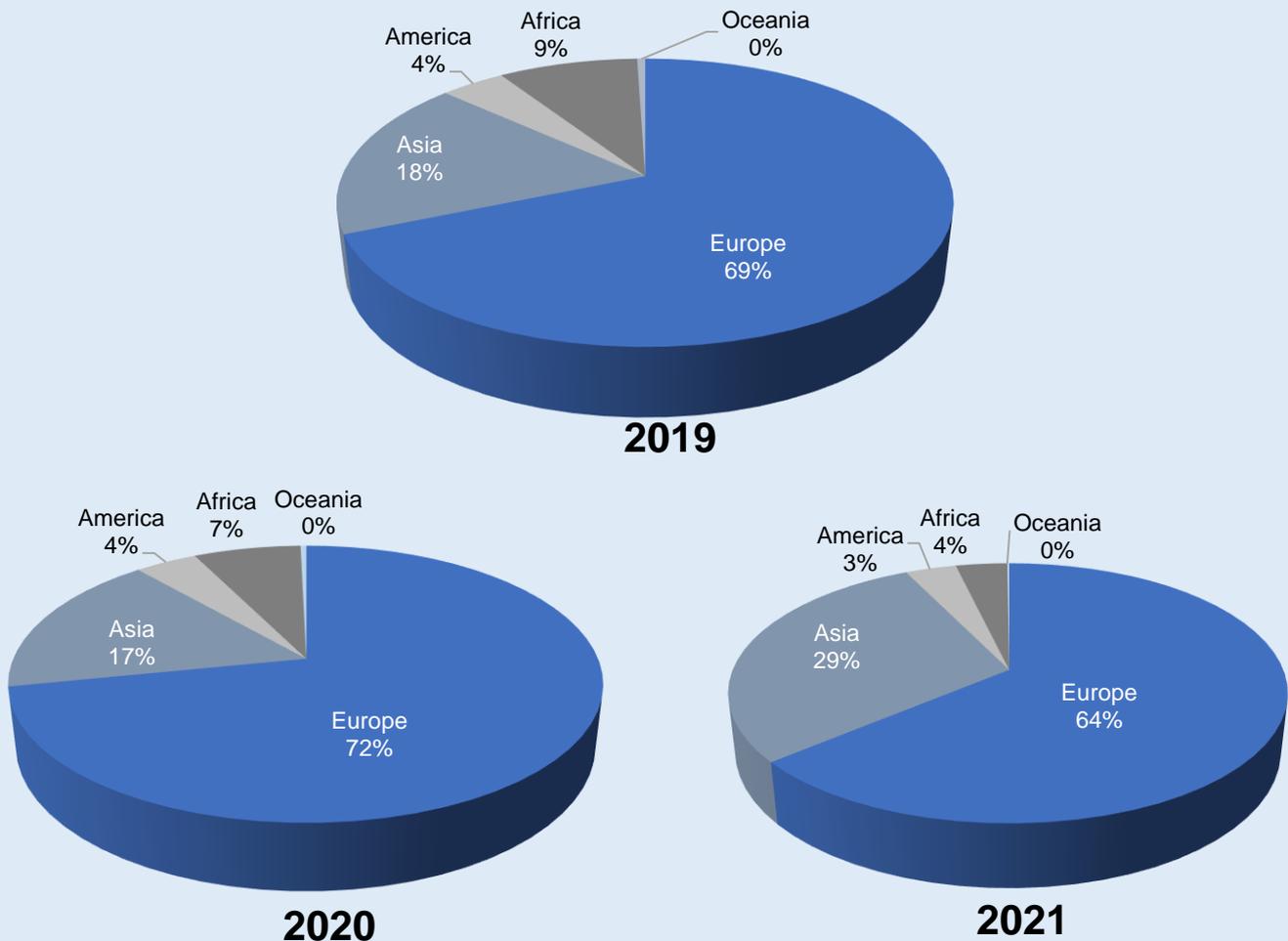
Seychelles Tourism Performance

As the driving sector of the Seychelles economy, the severe downturn in the tourism sector following the pandemic led to severe consequences for the economy as a whole. The estimated real GDP growth for 2020 stands at about -9.9 per cent. This negative growth stems mostly from the 70 per cent drop in arrivals in 2020 when compared to 2019. After the re-opening of the Seychelles market in March 2021 a remarkable increase in arrivals was observed. The month on month growth in March stood at 602 per cent. As at October 2021, the total year to date arrival stands at 133,966 which represents an increase of 39 per cent.

Markets

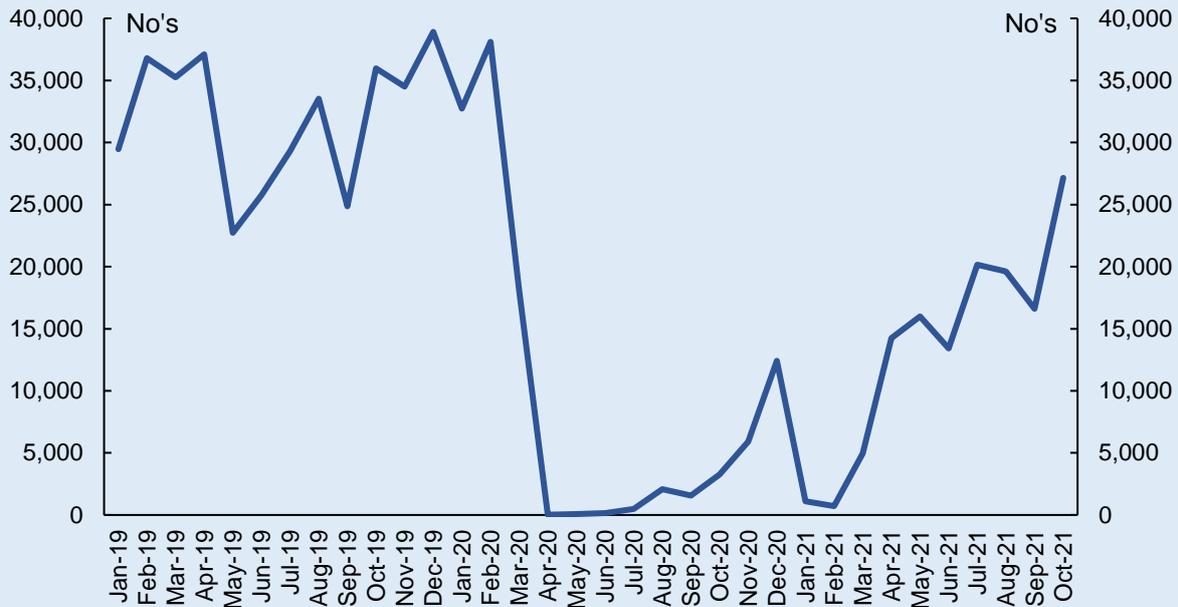
Figure 5 below shows the share of arrival per region up to October for the years 2019, 2020 and 2021. As can be observed, Europe remains the main market however with a lower share of 64 per cent compared to 72 per cent in 2020. This is because the Asian market's share has increased from 17 to 29 per cent driven mostly by arrivals from Israel and UAE. In the first half of the year Europe held a share of 55 per cent of arrival where as in Quarter 3 alone the European share of arrival increased to 64 per cent.

Figure 5: Visitor Arrivals per region



Source: National Bureau of Statistics

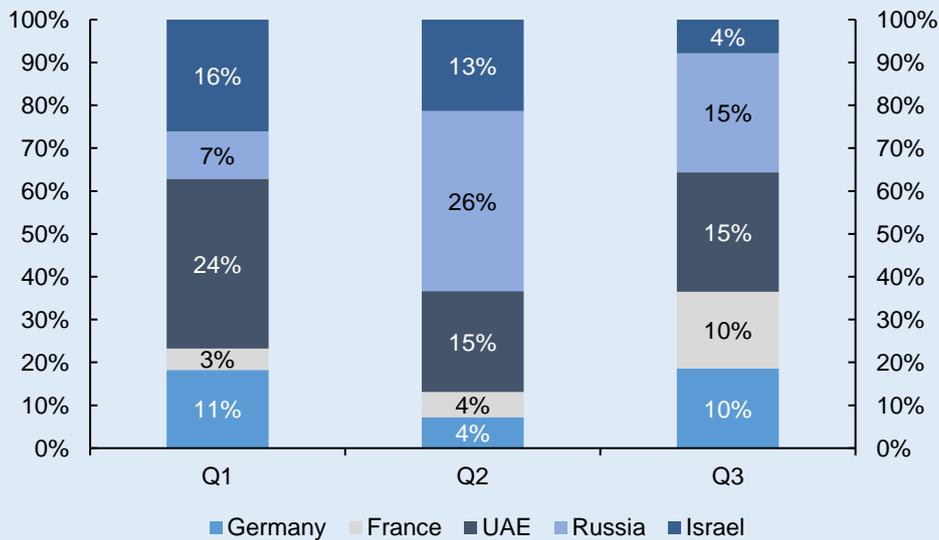
Figure 6: Monthly Arrivals (2019-2021)



Source: National Bureau of Statistics

Looking at the individual markets, most of the year to date arrivals (up to October) originates from Russia with a share of 18 per cent of total year to date arrivals. Arrivals from Russia has been on the increase with the direct flight from the Aeroflot airline. Whilst arrivals from the UAE holds a 14 per cent share of total arrival. The graph below shows the changes in market share of the current main markets of Seychelles for the year 2021. As can be observed, at the start of the year arrivals originated mostly from the Asian market, namely Israel and UAE. With travel restriction easing and direct flights to our traditional European market, the pickup is observed in Q2 and Q3, especially in the Russian market.

Figure 7: Comparison of main market arrival in 2021



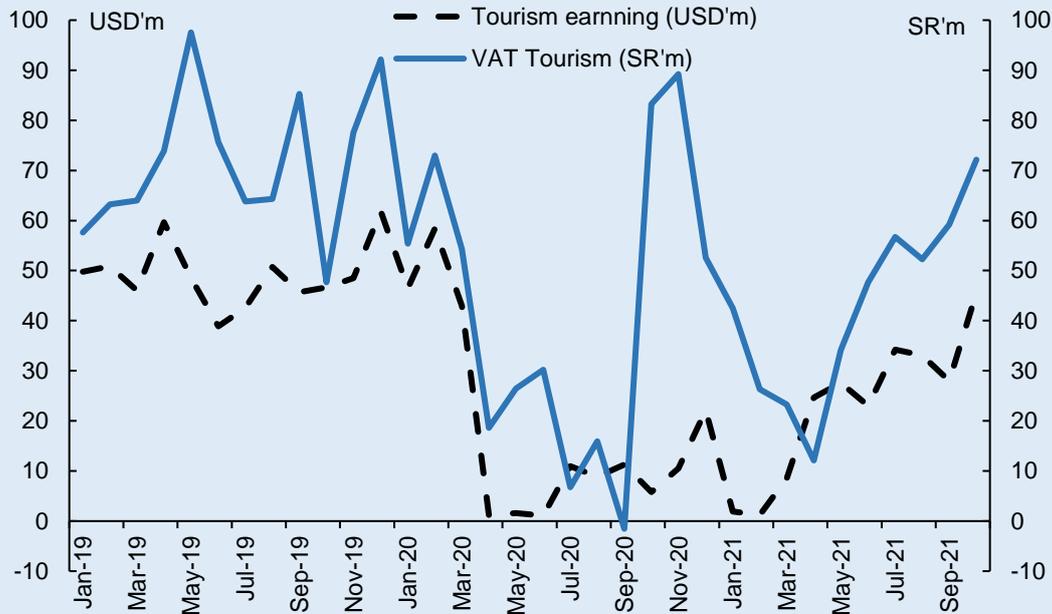
Source: National Bureau of Statistics

In terms of the travel restrictions in place, when compared to other competing markets such as Mauritius and Maldives, Seychelles regulations are more or less in line with those countries with PCR tests being a common prerequisite for entry. As time goes by and the situation ameliorates less restrictions may be imposed on travellers and the tourism world may go back to a somewhat pre-COVID era.

Tourism Earnings

The pick-up in visitor arrivals has also translated into an increase in tourism earnings recorded. As at October 2021, total estimated tourism earning stands at USD 227.7m. This represents a 20.7 per cent increase compared to the same period last year. The majority of the recorded earning comes from Hotels and Guest houses. In terms of VAT receipts, as of October 2021, the provisional year to date VAT tourism receipts stands at SR 426.4m. This is an increase of 18 per cent in comparison to the same period last year.

Figure 8: Tourism Earnings and VAT Tourism (2019-Oct 2021)



Source: Central Bank of Seychelles and Seychelles Revenue Commission

Table 4: Summary of Tourism Earnings and VAT Receipts

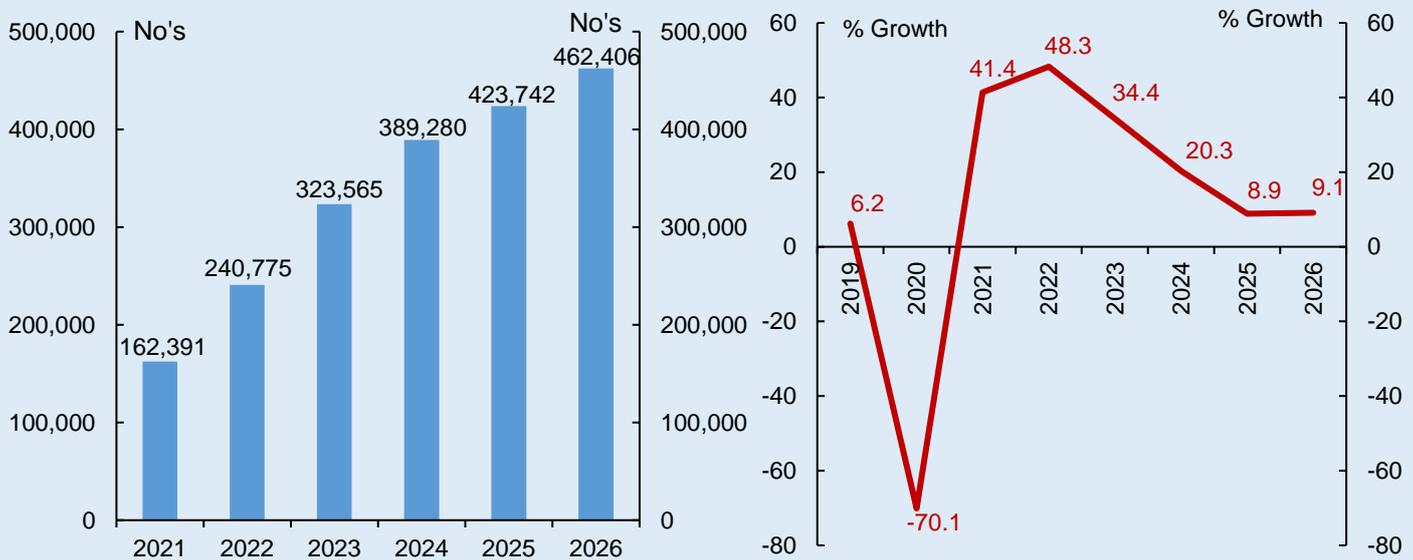
DESCRIPTION	2020	2021	% Diff
	As at October		
Tourism Arrivals (No.)	96,540	133,966	39%
Tourism Earnings (USD' m)	188.7	227.7	21%
Average SR/USD rate	19.0	14.7	-23%
Tourism Earnings (SR' m)	2,799	3,509	25%
VAT Tourism Receipt (SR' m)	362	426	18%

*Note: Tourism earnings and VAT figures for 2021 are still provisional
 Source: Central Bank of Seychelles and Seychelles Revenue Commission

Medium term outlook

In comparison to Q1 2021, the average arrivals per day in Q3 increased by 581 per cent. This shows a sizeable pickup in arrivals which is expected to continue going into 2022 where growth is estimated at 48 per cent. Initial projections suggest a return to 2019 levels of arrivals by 2024. Over the medium term the pace of growth is expected to stabilise at 9 per cent per year. The graphs below display the estimated arrival and growth forecasted for the above mentioned time period.

Figure 9: Medium term Tourism arrivals estimates 2021-2026



Source: MFAB Estimates

Manufacturing

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

Canned tuna production accounts for over 90 per cent of the '**Manufacturing of fishery products**' sub sector. Despite the economic challenges of 2020, tuna canning activities managed to produce impressive levels of output. However, during 2021, the industry has felt lasting effects of the pandemic through rising conversion costs and COVID related labour disruptions. The most recent estimates of canned tuna production reveal low output levels, suggesting a contraction of about 7 per cent for this sector in 2021. In 2022 projections portray a positive growth of 2 per cent as canned tuna production steadily recovers to previous levels. Over the medium term, production is projected to steadily average 3.2 per cent.

The '**Manufacturing of beverage and tobacco**' sector is projected to firmly rebound from the lows of 2020 (contraction of 11.8 per cent) to reach an estimated 6 per cent. The latest production statistics following the first half of 2021 indicate strong growth in manufacturing of beverages, particularly beer and stout by about 7 per cent year-to-date. This strong performance is mainly attributed to the recovery of tourism over 2021. In 2022, projections for the sector indicate 3 per cent growth in line with growing tourism arrivals. This trend is expected to continue over the medium term as tourism is restored to pre-2019 levels, with sector growth projections averaging 3.5 per cent.

The **'Manufacturing: other'** sector which consists mainly of the production of concrete, rock products, and paints is projected to contract by about 8.5 per cent during 2021. Despite the gradual pickup of major construction projects, Q1 and Q2 production statistics indicate that concrete production is about 26 per cent slower when compared to 2020. The sector is forecasted to grow firmly at 2 per cent in 2022 as major projects progress and construction picks up over the medium term, prompting greater demand for concrete and rock products.

Construction

While the pickup in **construction** activities and the commencement of construction projects are considered, growth projections for the sector have been kept flat in light of slow manufacturing of concrete products. Strong growth of 6 per cent for 2022 in the construction industry is expected as major projects advance further.

Financial and Insurance

By the end of 2021, the **Financial and Insurance** sector is expected to have a positive growth of 5 per cent. Despite a slowdown in economic activities during the first quarter of the year, coupled with a year-to-date decline in total credit by about 2.4 per cent, activity in this sector remains resilient. The positive growth recorded in this sector is attributed to improved performance, and positive growths recorded, in profit and turnover of some key businesses in the sector, coupled with an increase in the demand of financial assistance, in particular the 'private sector relief scheme'.

This sector is expected to maintain a growth of 5 per cent in 2022, in line with the continued recovery in the economy, and consistent with the projected performance of key players in this sector¹. Over the medium term, the sector is expected to grow at 4 per cent on average.

Wholesale and retail

The **Wholesale and retail** sector performed better in 2021 compared to 2020 with an estimated growth of 5 per cent. Generally, both domestic sales and the re-export of petroleum has been on a declining trend since the beginning of the year, however, recovery is expected during these remaining months as economic activities surges with the continuous uptake in tourism arrivals and tourism-related activities for the year.

For 2022, this sector is expected to perform relatively better with an estimated growth of about 5 per cent, provided the exponential growth in tourism activities continues. Thereafter, a conservative growth of about 3 per cent is assumed for the sector.

¹ Ministry officials conduct a Business liaison program with businesses in each sector to gather qualitative expectations and outlooks.

Agriculture and Fisheries

For **Agriculture**, the growth is estimated at about 3 per cent for 2021. The latest production statistics show a growth of 4.5 per cent in egg production in the second quarter compared to the same period last year. In terms of meat production (cattle, pigs and chicken), growth averaged 28 per cent for quarter one, and 41 per cent for quarter two. The large increase of 37.4 per cent in animal feed production recorded in quarter two corroborates the strong momentum in the sector. Furthermore, with tourist arrivals expected to increase further in the final months of the year, demand for agricultural produce will be further bolstered.

In terms of **fisheries**, growth has been kept at 2.5 per cent. After a poor start to the year, fish catch has recovered in the second quarter. However, this recovery is modest when taking into account the much lower base for the same period last year, which was due to health restrictions resulting in very low fisheries activities. However, despite the first six months being under expectation, forecast for fisheries remains positive owing to high tourism arrivals estimates, which will lead to strong demand for seafood products.

For 2022, Agriculture growth as well as Fisheries growth is estimated at 3 per cent. Both sectors are expected to fare relatively well, given continued policy support for food security reasons, as well as the realisation of certain projects, such as agricultural expansion on the outer islands.

Information and Communication Technology

Production statistics show that demand in the ICT sector remains robust, with new internet connections increasing by an average of 10.1 per cent in the first half of the year, compared to 2020. As for data traffic, this has increased significantly by 30.4 per cent during the same time period. Only minor categories have experienced slight declines such as new mobile accounts and new telephone exchange lines (fixed lines).

ICT is therefore expected to end the year with a revised growth of 18 per cent. This growth is further supported by expectations of high tourism arrivals, and a semi-permanent shift in working culture i.e. many workplaces are maintaining work from home arrangements.

As for 2022, growth is expected to remain strong at 7 per cent, given the planned expansion of products and services by some key businesses, and expectations of continued economic recovery and tourism arrivals.

Utilities

Electricity growth has been maintained at 1 per cent, in line with a cautious recovery of 0.8 per cent in Q2, as well as higher tourist arrivals expectations for the latter half of the year (higher demand for utilities).

However, growth for water utility has been kept constant, due to a low performance in the first half of the year for both production and consumption, as well as persistent dry spells during the third quarter, which resulted in restrictions.

In 2022, higher growth is expected for electricity at 3 per cent, and water at 2 per cent, mainly due to continued buoyant tourist arrivals forecast.

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 monetary policy stance has remained accommodative since the second quarter of 2020 in an effort to help the economy surmount the challenges caused by the COVID-19 pandemic. A lower interest rate environment serves to alleviate future stress on borrowers, improve short run liquidity conditions and thus, sustain economic activity. The MPR, which stood at 5.0 per cent in the first quarter of 2020, finished the year at 3.0 per cent, following two further reductions of 100 basis points for the second and third quarter, consecutively. This position was maintained up to the second quarter of 2021, in line with the need to provide continued support to the weakened economy. Consistent with the reduced MPR, the interest rates on the SDF and SCF were also adjusted over this period, with the former falling from 2.0 per cent to 1.0 per cent and the latter from 8.0 per cent to 6.0 per cent.

To ensure that market interest rates are aligned with prevailing macroeconomic fundamentals, a structural shift in the interest rate corridor was implemented in June 2021. As a result of this adjustment, in the third quarter of 2021, the MPR was set at 2.0 per cent with the interest rates on the SDF and SCF lowered to 0.5 per cent and 3.5 per cent, respectively, implying a simultaneous narrowing of the interest rate corridor. The accommodative stance has been maintained for the fourth quarter of 2021. This took into consideration that although some improvement has been observed in the domestic economy owing to a pick-up in tourism activity and increase in production, the economy has not yet fully recovered from the effects of the pandemic.

The aforementioned realignment led to the overall expectation of a reduction in interest rates in the domestic market as of the third quarter of the year. Whilst there has been some decline in market interest rates, limited transmission of monetary policy through the interest rate channel has been observed. As at September 2021, the effective savings rate stood at 1.76 per cent, declining by 55 basis points, from a rate of 2.31 per cent in December 2020. As for the average lending rate, it has fallen by a much lower extent of 10 basis points over the same period to stand at 9.24 per cent. In line with the anticipation of lower interest rates in the economy following the downward shift in the interest rate corridor, there are indications of a further decline in interest rates in the banking sector as of October 2021.

The yields on Treasury bills have been on a declining trend, in line with government's debt reduction and sustainability objectives. Such was also consistent with the accommodative monetary policy stance and higher level of liquidity in the system which resulted from the increased volume of Treasury bills maturing compared to the reduction in issuances, coupled with a lower Minimum Reserve Requirement². In September 2021, the

² The Minimum Reserve Requirement (MRR) is a monetary policy instrument used by the Central Bank to directly influence liquidity conditions within the banking system. In July 2021, the MRR ratio applicable on rupee deposits was revised downwards from 13% to 10%. This was to ensure sufficient liquidity in the system so as to enhance banks' participation in the Liability Management Operation of government, as part of debt restructuring measures, on July 14, 2021.

return stood at 1.03 per cent on the 91-day bills, 1.59 per cent on the 182-day bills and 2.08 per cent on the 365-day bills. In relation to the outcome for end-2020, this was a decline in yield by 1.89 percentage points, 2.93 percentage points and 3.48 percentage points, correspondingly.

With regards to growth in credit to the private sector, as at September 2021, and in comparison to December 2020, a fall of 13 per cent was recorded. This was predominantly on account of the decline of 33 per cent in foreign currency loans (in rupee terms) with such outcome primarily attributed to conversion effects following an appreciation of the domestic currency, especially since the second quarter of the year, as tourism activity picked-up. As for local currency loans, it fell by 2.9 per cent over the same period. Notwithstanding this fact, the Private Sector Relief Credit Line Facility (PSRCLF) provided by the Central Bank recorded a sum of SR 252m being disbursed from January to September 2021, of which SR 200m was extended to Large Enterprises and SR 52m towards Micro, Small and Medium Enterprises (MSMEs).

Going forward, continued support to the economy remains crucial, whilst being mindful of short-term domestic inflationary pressures arising from external factors, such as higher international commodity prices and shipping costs. Monetary policy is expected to remain accommodative to support a further lowering of interest rates in the economy. The aim is to ensure interest rates are consistent with the prevailing, relatively weak macroeconomic environment and to encourage greater economic activity, thereby setting the required conditions for a full economic recovery. Nonetheless, in line with its objectives, the Central Bank stands ready to adjust its policies if necessary.

Inflation

According to the Consumer Price Index (CPI), compiled and published by the National Bureau of Statistics (NBS), the end-of-period inflation rate for 2020 was 3.8 per cent. In January 2021, NBS published an updated CPI basket which incorporated the findings from the latest Household Budget Survey (HBS) conducted in 2018/2019. This updated series include revised weights and reflected improved coverage of prices.

Compared to the preceding year, average prices of goods and services on the domestic market increased in 2021 consistent with the depreciated domestic currency observed in 2020. Additionally, demand for goods and services has risen as countries across the world eased health and travel restrictions thus supporting a rebound in global economic activity. However, supply chain bottlenecks were apparent on account of excess demand for shipping containers, which resulted in higher freight costs. These developments, led to a rise in prices of international commodities which subsequently trickled into the domestic economy. Given the aforementioned, a notable uptick in inflationary pressures was observed for the most part of 2021. As such, as at September 2021, year-on-year and annualised inflation rate stood at 9.8 per cent and 8.2 per cent, respectively.

The positive performance of the tourism industry in 2021 is expected to improve further in the year ahead leading to a projected increase in foreign exchange inflows. A growth in demand for foreign exchange is forecasted as economic activity is concurrently anticipated to pick up pace. As such, a relatively weaker domestic currency is forecasted throughout 2022, relative to the latter half of 2021. Externally, food prices

are anticipated to stabilise at elevated levels in 2022, subsequent to the rising trend observed in 2021. With reference to fuel prices, this is expected to fall marginally in view of higher anticipated production by OPEC+ and non-OPEC countries. Nonetheless, as the repercussions of the pandemic may negatively affect economic activity across regions, international commodity prices remain subject to possible supply side constraints. Thus, a moderation in inflationary pressures is forecasted for December 2022, although it is not expected to be as pronounced when compared to end-2021. However, if transportation challenges of 2021 persevere in the upcoming year, there is a likelihood that domestic prices of goods and services could be higher than forecasted.

Credit

Throughout 2020, financial institutions' appetite to extend credit was negatively impacted by the weakened economic environment and high level of uncertainty. The economic downturn as a result of the COVID-19 pandemic, brought about constraints on demand and supply of goods, labour and services both locally and globally. Given that the latest observed outstanding credit stock contracted in 2021 relative to 2020, it can be concluded that the risk-averse behaviour of financial institutions persists despite the more positive economic outlook generated by improvements in both tourist arrivals and tourism earnings. Furthermore, this behaviour does not align with the more positive outlook in domestic production as a result of strong vaccination roll-out and unwinding of domestic health restrictions related to foreign labour. The fall in credit is counterintuitive to the accommodative monetary condition applicable to the period. The relaxation of monetary policy is expected to translate to a rise in money supply and increase in the supply of credit. However, given the short to medium term uncertainty in the pace of global and local economic recovery, domestic financial institutions' appetite to extend credit could take longer than expected.

In September 2021, the total stock of gross outstanding domestic credit grew by 3.1 per cent in year-on-year terms. This was primarily attributed to an increase of 29 per cent (SR 1,289m) in credit disbursed to the government sector. Such increase was partly due to three Treasury bonds issued at the start of 2021 by the government. Conversely, loans disbursed to public entities and the private sector fell by 13 per cent (SR 108m) and 7.9 per cent (SR 734m), respectively. Foreign currency denominated loans in rupee terms fell by 22 per cent (SR 727m) mainly owing to exchange rate differentials. This outcome was due to the gross supply of foreign exchange largely exceeding total demand, as reflected in the significant appreciation of the Rupee.

Analysis of the distribution of private sector credit compared to 2020 indicated that the categories of 'Real Estate', 'Telecommunications, Computer & Information', 'Tourism' and 'Individuals & Households' fell by 23 per cent (SR 192m), 32 per cent (SR 91m), 17 per cent (SR 324m) and 24 per cent (SR 399m), correspondingly. In contrast, loans to the categories of 'Building & Construction' grew by 51 per cent (SR 376m).

Notwithstanding the overall decline in loans to the private sector, supply of credit increased under the PSRCLF. These facilities fall under the scope of the policy package implemented by the Central Bank through participating institutions to offer financial support to businesses impacted by the COVID-19 pandemic. In September 2021, credit extended to MSMEs and Large Enterprises amounted to SR 107m and SR 277m,

respectively, translating to a year-on-year increase of SR 63m to MSMEs and SR 234m to Large Enterprises. In addition, the Central Bank of Seychelles Act, 2004 as amended, was revised to allow for a maximum repayment period of eight years for both facilities. Of note, no new disbursement from these facilities is expected to be issued beyond 2021.

Box 3: Private Sector Relief Credit Line Facility (PSRCLF)

The Central Bank of Seychelles (CBS) introduced two Private Sector Relief Credit Line facilities (PSRCLF) in 2020 to help local businesses facing cash flow constraints brought about by the COVID-19 pandemic. CBS launched the first facility dedicated to Micro, Small, and Medium Enterprises (MSMEs) in May 2020, for businesses with sales turnover not exceeding SR 25m, at an interest rate of 1.5 per cent.

Later in July 2020, CBS launched a second facility dedicated to Large Enterprises targeting businesses with sales turnover above SR 25m at a rate of 4.5 per cent per year. Both schemes were designed to be administered by commercial banks and non-bank credit institutions to meet the needs of local businesses. Under the two schemes, the participating institutions could extend credit for a maximum of 8 years, inclusive of a moratorium of 18 months. Additionally, as part of the package, government guaranteed 70 per cent and 50 per cent of the loans disbursed to MSMEs and Large Enterprises, respectively.

As of the end of October 2021, CBS had approved and disbursed a total of SR 402m through both schemes. The Large Enterprise disbursements accounted for 69 per cent of total credit, while MSMEs accounted for 31 per cent (**Error! Reference source not found.**). The total disbursement value under the two schemes increased by 97 per cent in 2021 compared to 2020, primarily driven by credit to Large Enterprises.

Figure 10: Cumulative Disbursement (SR m)

The CBS approved a total disbursement of SR 402m as of the end of October 2021.

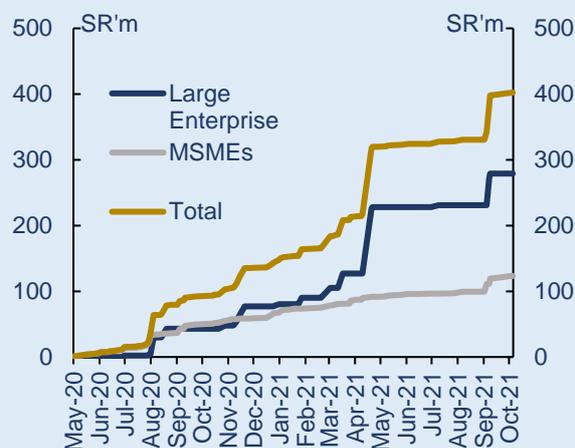


Figure 11: Number of Applications

MSMEs accounted for 83 per cent of total applications submitted to the CBS from participating institutions.



MSMEs

MSMEs accounted for 83 per cent of all applications submitted to CBS from participating institutions¹- reflecting their greater susceptibility to both demand and supply shocks from the COVID-19 pandemic (**Error! Reference source not found.**). As of the end of October 2021, SR 123m was approved and disbursed from CBS to commercial banks for MSMEs. The Tourism sector represented 32 per cent of total disbursement while the Trade and Transport sector were in second and third position with 21 and 11 per cent respectively (**Error! Reference source not found.**). The highest monthly issuance was in August 2021, amounting to SR 21m (**Error! Reference source not found.**).

¹ Applications for MSMEs were serviced by commercial banks and non-bank credit institutions

Figure 12: Monthly Disbursement (MSMEs) (SR'm)

The highest value of disbursement was in August 2020, amounting to SR 21m.

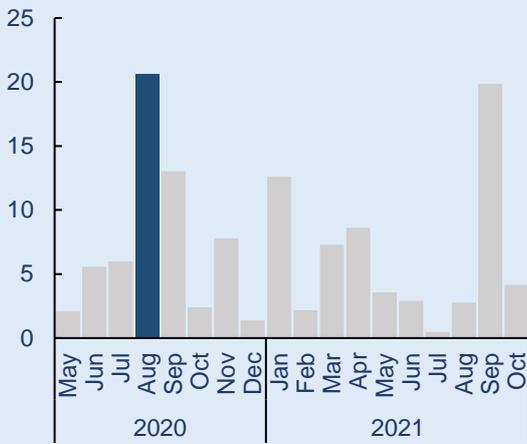
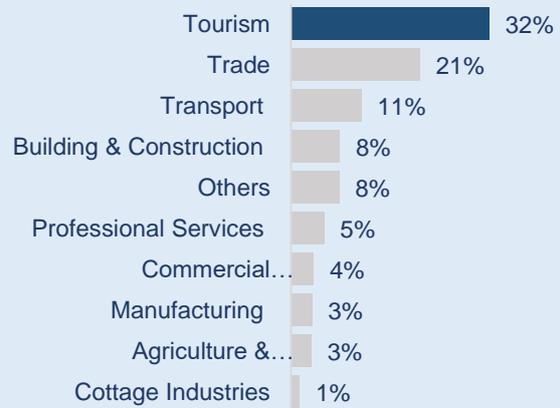


Figure 13: Distribution by Sector (MSMEs)

The tourism sector received the highest proportion of credit



Large Enterprises

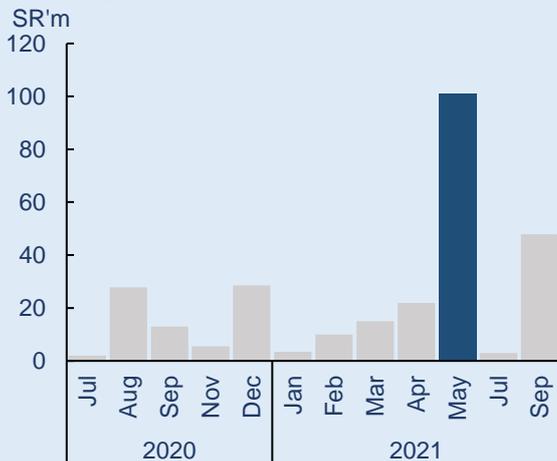
Large Enterprises only accounted for 17 per cent of total applications submitted to CBS from commercial banks². As at the end of October 2021, CBS had disbursed SR 279m to large enterprises. The commercial banks administered most credit to the Tourism sector, representing 79 per cent of total disbursement, followed by the Trade as well as the Building and Construction sector with 11 and 6.2 per cent respectively (*Error! Reference source not found.*). The highest issuance was in May 2021 amounting to SR 101m (*Error! Reference source not found.*).

Figure 14: Monthly Disbursement (Large Enterprises)

Figure 15: Distribution by Sector (Large Enterprise)

The highest value of disbursement was in May 2021, amounting to SR 101m.

The tourism sector received the highest proportion of credit



CBS remains vigilant in monitoring and assessing the PSRCLF and other policies under its auspices relative to the country's economic condition. The COVID-19 pandemic continues to be the most significant uncertainty moving forward. While the deployment of vaccines worldwide point to global economic recovery, the emergence of new transmissible and deadlier strains poses a critical risk to economic recovery. Furthermore, the divergence of economic prospects across countries is also key to the performance of the Seychelles economy for tourism, trade, and ultimately local businesses. As usual, CBS remains attentive to adjust its policies to reflect the prevailing realities of the time.

²Applications for Large Enterprise were only serviced by commercial banks

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 16 per cent of GDP in 2021 from 27 per cent of GDP in 2020.

Current Account

The trade deficit is projected to narrow from USD 432m in 2020 to USD 425m in 2021, although both the import and export components are expected to be higher than in 2020.

The projected growth in the value of imported goods for 2021 is mainly on account of higher commodity prices on the international market. In terms of the increase in exports, this was mainly driven by a surge in international demand for canned tuna leading to a higher volume of exports.

Export of services is expected to be more than in 2020 as result of higher tourism revenue. The easing of travel restrictions as of March 25, 2021 has led to a pickup in tourist arrivals and a similar trend is expected for the rest of the year. In light of these developments, revenue from tourism is projected to increase by 25 per cent, from US\$ 221m in 2020 to US\$ 276m in 2021. Import of services is also expected to grow due to higher freight charges and outward travel by local residents.

Gross international reserves are forecasted to be above the level of 2020, at US\$ 695m. This is mainly on account of the disbursement of US\$ 34m under the Extended Fund Facility (EFF) in July, followed by the general allocation of Special Drawing Rights (SDR) US\$ 22m in August, both from the IMF.

Exchange Rates

2021 signified a positive step towards economic recovery as most countries eased restrictions on movement and the world adapted to new realities brought about by the COVID-19 pandemic. Whilst the pace of economic recovery remains uneven across the world with advanced economies portraying a faster pace than the emerging and developing economies, the global outlook for the remainder of the year remains positive relative to 2020. However, the growth momentum has weakened in the last few months of the third quarter of 2021 as a result of new, more transmissible variants of the virus that have led to a surge in infections. Such developments have therefore led to increased uncertainty as to how quickly the pandemic can be overcome.

In terms of developments in the international currency markets, the high volatility and uncertainty observed in 2020 was subdued in 2021 as global monetary response to the pandemic narrowed interest rate gaps more notably between the major economies. This convergence in accommodative monetary policies as well as the

introduction of unconventional measures created very limited scope for currencies to diverge leading to low trading volumes.

Additionally, recent concerns over the rapid surge in commodity prices and debate over whether inflationary pressures are transitory, have created a suspense amongst investors as they await clearer signals on the inflation trajectory and the response of central banks. With inflation creeping to new heights as economies gain further momentum, major central banks such as in the United States, United Kingdom and Eurozone, are considering winding down of stimulus packages and possible tightening of monetary policies, which may lead to some volatility in currency markets.

In terms of the major movements in the international foreign exchange market, the US dollar gained significant ground against its counterparts in 2021 as the US economy observed a faster pace of recovery relative to the other developed economies. Such recovery was supported by successful vaccination campaign, strong fiscal support as well as easing of monetary policy and stimulus packages instigated by the Federal Reserve Bank (The Fed). The US dollar is expected to strengthen further towards the end of 2021 as rising inflationary pressures raises the expectation of a possible tightening of monetary conditions by the Fed, coupled with the winding down of its asset purchases programme by the end of the year.

The British pound remained strong in 2021 supported by aggressive vaccination roll-outs and stimulus packages from the Bank of England. In addition to the fiscal support, the clear exit strategy of the government towards easing of restrictions, helped boost confidence and led to positive expectations for faster economic recovery. Although the phased approach was completed by the end of June 2021, a sudden rise in the number of infections in the second half of the year, may bring about uncertainty for the value of the pound.

By contrast, the Euro remained relatively weak compared to the other traded currencies. The Euro area lagged behind in terms of its vaccination progress against COVID-19 and this situation worsened as the countries in the bloc experienced a third wave of the pandemic in the second quarter of the year. Such conditions weighed down on hopes of a rapid recovery in the Euro area hence impacting on the Euro in international currency markets. The European Central Bank's announcement that it will continue with its asset purchases programme until rate hikes are necessary, may reduce the possibility of any gains in the currency in 2021.

On the domestic front, the easing of travel restrictions in key tourism markets led to an increase in the supply of foreign exchange in the country, as observed since the beginning of the year. This was exemplified in March when the local authorities relaxed the existed requirements for visitor entry in Seychelles. The increase in supply relative to demand led to a slow appreciating trend of the rupee. Nonetheless, despite signs of an appreciation, the exchange rate was not adjusting to fully reflect the conditions of lower demand and over-supply in the market as expected under the current flexible exchange rate regime. These developments were also partly driven by speculative behaviour, both on the buying and selling sides. In a bid to remove some of the excess supply of foreign exchange and address the speculative behaviours as well as to providing some market guidance, the Bank conducted two Foreign Exchange Auctions (FEAs), one on April 12 and the other on April 22, both at a fixed price. Following the FEAs, some adjustments were observed in the exchange rate and the market started to function in an orderly manner. Hence, in April 2021, the SR traded at an average

of 16.9590 against the USD and at 20.1984 vis-à-vis the EUR. This was a strengthening of 21 per cent against both currencies, or SR 4.45 cents and SR 5.35 cents, against the USD and EUR, respectively, in month-on-month terms.

However, in May 2021, there were reports of delays in meeting demand for foreign currency whilst the exchange rate was not adjusting to the prevailing market conditions. Accordingly, on May 13, the Bank sold USD 4.0m to commercial banks through an auction process after which the market started to function in an orderly manner.

Following such interventions, the domestic foreign exchange market functioned in an orderly manner. The rupee remained generally stable relative to its main counterparts and appreciated compared to the previous year supported by overall net inflow of foreign exchange as activity in the tourism sector gained momentum. As at October 21, the SR /USD stood at 14.71 which was an appreciation of SR 4.53 cents relative to the same period in 2020. The local currency also strengthened by SR 5.72 cents against the Euro and by SR 4.83 cents vis-à-vis the GBP, respectively. Whilst an increase in economic activity is expected to result in a rise in demand for foreign exchange, a forecasted uptick in tourism activity in the fourth quarter of 2021 is anticipated to help maintain stability in the exchange rate for the remainder of the year.

Going forward, tourism outlook is forecasted to be optimistic in 2022 and lead to an increase in the supply of foreign exchange relative to the previous year. However, a further normalisation in economic activity in 2022 is projected to result in higher demand for foreign exchange, at a level that would cause a weakening of the domestic currency against its major trading partners compared to the second half of 2021. However, the economic outlook is subject to uncertainty given the threat of new and more transmissible variants which can lead to re-imposition of health and travel restrictions.

Public Finance Management Reforms

The Country is making significant progress in recovering from the impact of the COVID-19 pandemic which have severely hit the economy.

In order to strengthen this recovery path and restore the country's macroeconomic stability, the Government is embarking on a number of public finance management reforms with the support of an IMF program and other multilateral partners such as the World Bank and the African Development Bank (AFDB).

Improving Tax Revenue Collection

Reforms in tax administration in 2022 will focus on digitalization initiatives, stronger compliance monitoring, and improving the country's performance in terms of international obligations. The planned reforms as are per below.

Enhance the ASYCUDA system at customs, with the aim to moving to online service and reduce paper transactions. There will be new developments in terms of creation of data warehouses, creation of a platform for Single Window and the system will be upgraded to accommodate new modules, such as Excise, Government Warehouse, Bonded Warehouse and Courier Services. Furthermore, ASYCUDA will be integrated with an online payment gateway. The project is expected to be completed by June 2023,

Increase the number of services offered online such as business registration, e-payment and the submission of returns and other forms required for registered businesses, including International Business Companies (IBCs). The project is expected to be completed by June 2023.

Review and implement structural reform of the Tax Division with the aim of improving tax collection and ensuring that businesses meet their obligations. Voluntary compliance through self- assessment will be encouraged by making it easier for taxpayers to file and pay on- time.

Utilize information received from reporting jurisdictions that exchange tax information with Seychelles, under the 'Global Forum's Automatic Exchange of Information', enhance sourcing and utilization of third-party information to identify risk of non-compliance; including use of information received from reporting jurisdictions under the 'Global Forum's Automatic Exchange of Information', since 2017. The Seychelles Revenue Commission has acquired a system for Automatic Exchange of Information which will allow SRC to be more efficient in exchanging information and in meeting OECD standards.

A new taxation management system being financed by the EU is being developed to be completed in 2023. The aim is to develop a modern Tax Management System that will result in increased revenue collection, increased use of digital services to lower compliance costs for taxpayers and subsequently improve voluntary compliance, increase the taxpayer registration and offer additional opportunities for taxpayer education. The project is expected to be completed by June 2023, however the different modules will be deployed for use as and when they are ready.

SRC will strengthen capacity for managing international taxation risk and has received technical assistance from OECD Tax Inspectors Without Borders (TIWB) to build its tax audit capacity in Transfer Pricing. Over

the next 12 months, the Government of India will be providing a tax expert to assist the SRC to build capacity in handling transfer pricing cases in the tourism and financial services sectors.

Legislation will be adopted to reform the business tax effective January 1, 2022 with the view to unify the tax rate for different productive sectors at 25% (currently tourism, fishery and agriculture benefit of a lower 15% profit tax rate), reduce the accelerated depreciation provisions for tourism, agriculture and fishery, and revise the taxation of security dealers. Taking into account the objective to develop the agricultural sector over the medium term, this sector will have a grace period of 3 years and during the period an assessment will be done on the best modalities for a tax structure for this sector. There is also plan for other legislative amendments to streamline VAT exemptions.

Improving the Medium-Term Fiscal Framework

The Government is taking steps to improve its Medium-Term Fiscal/ Budget Framework through improved medium term strategic planning and aligning budget allocation with MDAs strategies and national priorities. The Ministry of Finance will work closely with MDAs to improve the Public Sector Investment Programme (PSIP) planning over the medium term to be consistent with the budget framework. The Government is also working on the result based management to ensure there is synergy between Government strategies with budget planning.

Increase Efficiency of Public Spending

In the effort to continue to improve the efficiency of government spending, a comprehensive review of the structural, legal, and operational framework of the country's procurement system is being undertaken and is expected to be completed by end 2022.

A Public Investment Management Assessment (PIMA) will take place in the first half of 2023 to help identify opportunities to increase the efficiency of public investment, including the scope for the procurement system to support PPPs.

Public Expenditure Review (PER) is being conducted in the education and health sectors which holds the biggest share of the Government's budget. The PER is being done with the technical assistance of the World Bank and is expected to be completed in June 2022.

Government is also reviewing some of the services currently being outsourced namely provision of security, cleaning of offices, roads, marshes, rivers, beaches. The aim of the review is to establish the most efficient mode for provision of these services to the Public Sector.

Digitalization of Public Financial Management Systems and Processes

As part of the ongoing effort to strengthen the country's public finance management framework the Government is working towards the digitalization of its financial management systems and processes. This will include the development of an Integrated Financial Management Information System (IFMIS) to be completed by January 2024 with the technical assistance of Afritac South.

The reform will help in improving the efficiency in processing of payments by Government, improved maintenance of accounting records, timely preparation of Annual Financial Statements and ensuring proper accountability of public funds through a re-engineered PFM processes and integrated system.

Results-Based Management Framework

The government is committed to pursue a result- based management approach to public spending. The aim is to strengthen the results-focus across government to enhance public sector efficiency, effectiveness, transparency, and accountability with the ultimate objectives to enhance growth, economic diversification, and social inclusion across sectors. As we journey towards economic recovery, RBM thus plays a critical role in ensuring that our limited resources are sufficient to not only sustaining the financial needs of the country, but also in achieving the much-needed transformational change for our country.

The Government will have a whole rollout of RBM, with preparatory work beginning immediately and ready for the 2023 budget process. An integrated RBM calendar will be issued by end 2021 to kick start the process.

Social Protection System reform

With the support of the World Bank the Government is working on some reforms in the social protection system .The aim is to reform the social protection system to ensure its sustainability, as well as promoting the insertion in the labour force of current working-age beneficiaries. The Program covers the five largest cash transfer programs managed by the Agency for Social Protection: Retirement Pension, Homecare Program, Invalidity Benefit, Disability Benefit and Social Welfare Assistance.

The Program development objectives are to improve the efficiency and effectiveness of social protection programs in the Seychelles, while remaining above the floor on social expenditure established under the IMF supported program.

Structural Benchmarks under the IMF Extended Fund Facility Programme

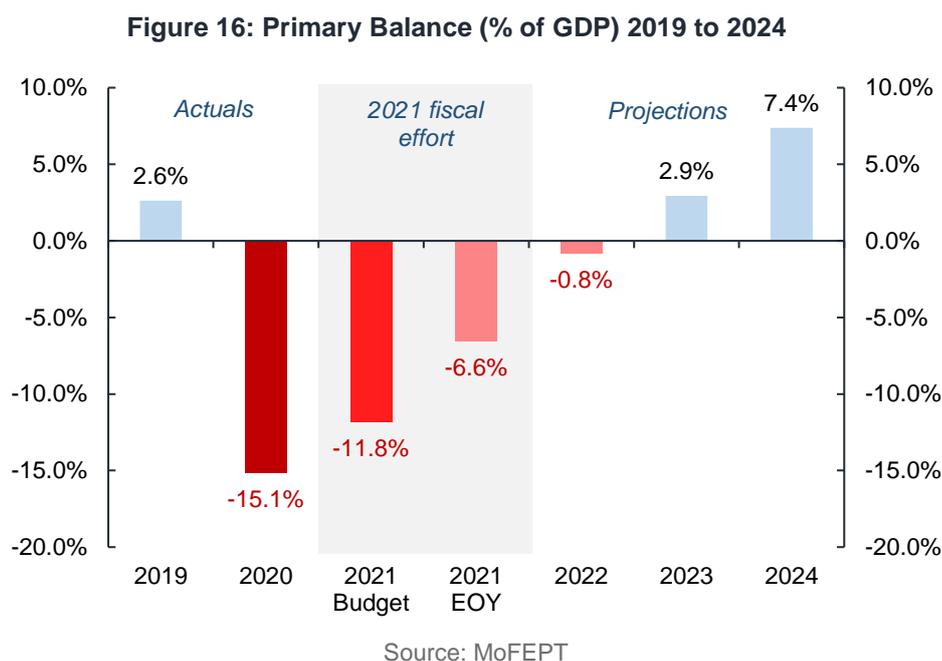
Table 5: Seychelles Structural Benchmarks under the EFF, 2021–2023

ACTIONS	TIMING	OBJECTIVE/STATUS
Fiscal and Public Financial Management Policy		
Cabinet approval of all the necessary legislation to ensure Seychelles is fully compliant to be removed from the EU list of non-corporative jurisdictions.	End-September 2021	Ensure Seychelles is fully compliant with EU and OECD international tax framework. Completed.
Ministerial Approval of Circular to reduce the deviation between the forecast and the outcome in the monthly cashflow plan consistent with the 2022 Budget, in consultation with IMF staff.	End-June 2022	Strengthen Treasury cash management.
Cabinet approval of legislative amendments to streamline VAT exemptions, in consultation with IMF staff.	End-September 2022	Strengthen revenue mobilization.
Cabinet approval of revisions to business tax laws to streamline exemptions, in consultation with IMF staff.	End-November 2021	Strengthen revenue mobilization. Completed.
Completing the customs automation project, in consultation with IMF staff.	End-September 2023	Strengthen revenue mobilization.
Debt Management		
Publish a new domestic debt management strategy document.	End-March 2022	Mitigate foreign currency and rollover risks, optimize issuance decisions, and strengthen benchmark pricing through extension of the yield curve. The debt management strategy will guide future borrowing decisions based on cost-risk trade-offs related to the debt portfolio.
Publish an Annual Borrowing Plan along with an auction calendar to help market participants plan their liquidity management and reduce uncertainty.	End-March 2022	Implement the debt management strategy.
The Ministry of Finance will publish quarterly reports on debt management operations and outstanding debt position as published in the debt bulletin on its website.	End-September 2021 and quarterly thereafter	Enhance debt management and transparency. Completed.
State-Owned Enterprises (SOEs)		
Cabinet approval of (1) least cost structure for Air Seychelles, as part of the 2022 Budget process; and (2) long-term strategy that lays out long-term options for Air Seychelles, in consultation with IMF/WB staff.	End-September 2021	Minimize the fiscal impact on the 2022 Budget. Completed.
Cabinet approval of Amendments on the Public Enterprise Monitoring Committee (PEMC) Act to strengthen the enforcement power of the PEMC, in consultation with IMF staff.	End-November 2021	Reduce contingent fiscal risks. Completed.

Source: IMF MEFP 2021

Budget Outlook

Following the severe recession brought about by COVID-19 in 2020, and the significant negative shock to public finances as evidenced through the severe contraction in Budget balances from previous positive levels, stability has resumed in 2021. The faster than expected increase in tourism arrivals, and resultant positive impact on economic activity across different sectors, has set the economy on a ‘V – shaped’ GDP growth trajectory, and has helped buoy tax collections to more positive levels. Coupled with the commencement of tighter fiscal controls across various spending areas, such as the stoppage of FA4JR, the Primary deficit is expected to improve by 8.5 per cent of GDP over 2020 to reach 6.6 per cent in 2021 (Figure 16).



To support economic recovery and a return towards fiscal sustainability, through the improvement in Budget balances and the reduction of public debt, the Government has embarked on an expansive fiscal consolidation plan supported by an IMF Extended Fund Facility programme as of August 2021. The main priorities of this plan are as follows:

- **Enhance the prospects for sustainable and inclusive medium-term growth,**
 - Diversification of tourism services;
 - Transformation of the agricultural sector to increase food security and reduce imports
 - Improve the integration of technology in the country and in the financial sector
 - Increasing output from the fisheries sector; and,
 - To accelerate the drive for energy transition.
- **Undertake fiscal policies, and fiscal structural reforms towards the attainment of sustainable fiscal surpluses over the medium term with the aim to reduce public debt sustainability risks.**
 - Undertake transformative reforms to the Public sector;
 - Consolidate recurrent spending and social programmes;
 - Introduce revenue measures to expand the tax base;

- 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.

As can be seen in Table 6 below, the Primary balance for 2022 is an estimated deficit of 0.2 per cent of GDP, equivalent to SR 232m – a reduction of 86 per cent or SR 1.4bn over 2021. This remarkable improvement in the fiscal position will be driven by an increase in total revenues and grants by about 20 per cent to reach SR 9.7bn, 88 per cent of which stems from tax collection efforts. Additionally, primary expenditures are set to increase marginally by only 2 per cent, driven by sizeable double digit reductions in transfers to public enterprises, and in social program spending. Over the medium term, and as new fiscal measures kick in – more favourable tax revenues, and constrained expenditures, the Primary balance is projected to return to positive levels (as was the case before the outbreak of COVID-19) starting with a surplus of 2.9 per cent of GDP in 2023.

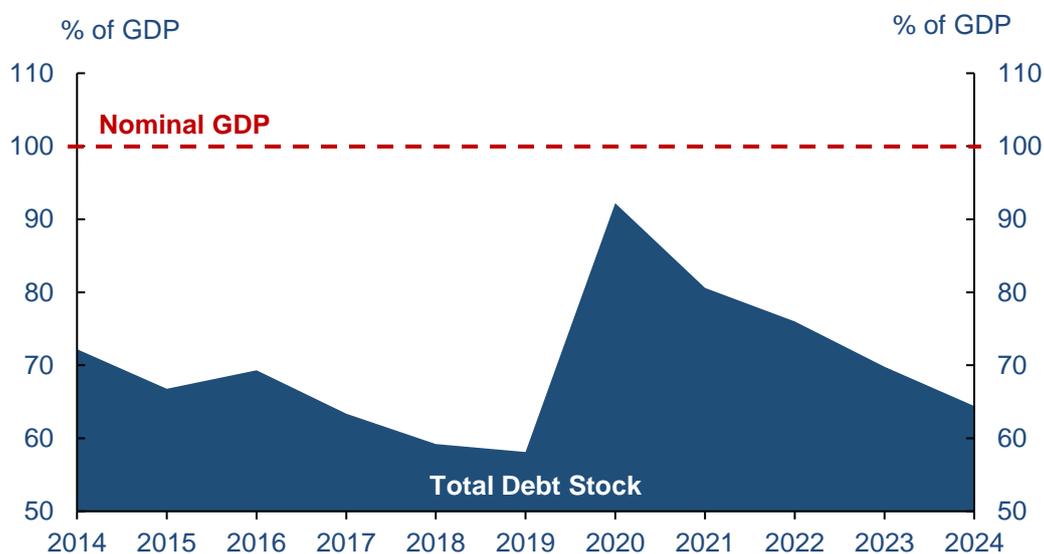
Table 6: Government Revenue and Expenditure Projections, SR'000s

DESCRIPTION	2020 Actual	2021 EOY	2022 Budget	2023	2024
Revenue & Grants	7,592,506	8,092,320	9,705,264	10,591,621	11,971,895
Primary Expenditure	10,869,280	9,733,801	9,937,410	9,698,200	9,543,450
Primary Balance:	-3,276,774	-1,641,480	-232,146	893,421	2,428,445
% of GDP:	-15.1	-6.6	-0.8	2.9	7.4

Source: MoFEPT

The Government commitment towards steering the Budget out of this fiscal impasse, and return to the path towards fiscal better sustainability over the medium to long term, will result in increased efforts to reduce public debt. As can be seen by Figure 17 below, the 2021 debt level is estimated to reach 80.7 per cent of GDP, equivalent to SR 20.2bn. The medium term strategy for debt management is expected to yield a 27.8 per cent reduction in total debt to GDP over 2021 to 2024.

Figure 17: Total Debt Stock as a percentage of GDP, 2011-2020



Source: MoFEPT, Debt Management Office

Revenue & Grants

Total tax and non-tax revenue collection, as well as grant receipts for 2021 is estimated at SR 8.1bn, equivalent to about 36.2 per cent of GDP. This estimate is consistent with the mid-year Budget revision, however, in comparison to the 2020 outturn, this represents a significant increase of 1.8 per cent of GDP, or about SR 498m. The improved revenue position is driven almost entirely by the increase in tax revenue throughout 2021 in line with the initiation of economic recovery from the impacts of the COVID-19 pandemic.

Table 7: Breakdown of Medium-Term Revenue Projections, SR'000s

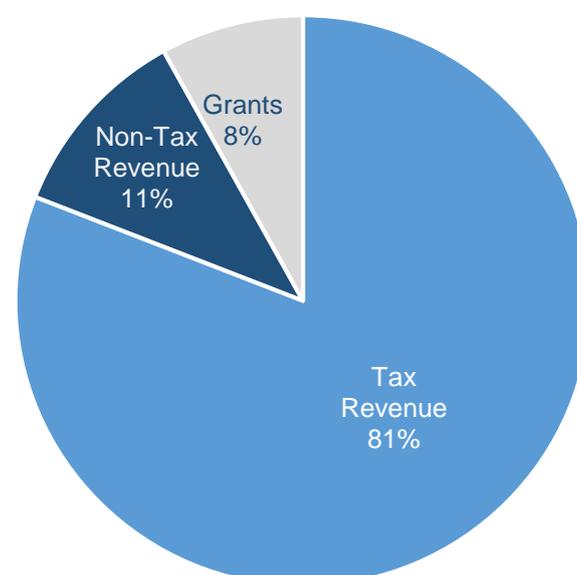
REVENUE & GRANTS	2020 Actual	2021 EOY	2022 Budget	2023	2024
Tax Revenue	6,368,664	6,692,012	7,863,234	8,907,465	10,330,420
Non-Tax Revenue	786,991	835,975	1,070,609	1,131,970	1,030,198
Grants	437,737	563,345	782,126	562,325	805,646
Total Revenue & Grants:	7,593,392	8,091,332	9,715,968	10,601,760	12,166,263
% of GDP:	34.4	36.2	41.5	42.3	43.9

Source: MoFEPT

The Budget envelope for the 2022 fiscal year is set at SR 9.7bn, which corresponds to an increase of about SR 1.62bn or 7 per cent, accounting for 41.5 per cent of GDP. 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 81 per cent. Driving this is higher outlook is grant income, which is expected to be almost 40 per cent higher than 2021, reaching an unprecedented SR 782m. Non-tax revenue is also estimated to be higher in 2022 with an estimated increase of about SR 234m, increasing the line's contribution to 11 per cent of total revenue and grants.

Over the medium term, tax revenue increases at an average of 11 per cent per annum, reaching 30.4 per cent of GDP by 2024.

Figure 18 : 2022 Budget envelope contributions



Source: MoFEPT

Tax Revenue

Overall tax revenue performance has been positive in 2021 with an increase of SR 322m or 5 per cent when compared to 2020 actuals. However, total tax revenue as a percentage of GDP fell by 2.7 percentage points as a result of the changing dynamics between economic growth and tax collections caused by the steep contraction of GDP levels in 2020. Business tax, VAT and Property tax were collectively SR 470m higher than in 2020. 2021 Business tax is estimated at SR 1.43bn, about SR 230m greater than in 2020 and 19.8 per cent higher in comparison to the 2021 mid-year estimate, which was largely due to collection of tax arrears resulting from SRC efforts. 2021 VAT revenue is estimated to be SR 201.5m greater than 2020, despite being revised downwards by 3 per cent from the mid-year estimate as a result of lower import receipts. Remaining tax lines were about SR 147m lower - almost a third of which is a direct impact of the abolition of Corporate Social Responsibility tax. Moreover, global supply chain challenges such as the worldwide shortage of shipping containers paired with higher Excise tax rates on motor vehicles have resulted in a declining trend in imports, and thus reduced import tax revenue. Collectively, 2021 Excise tax and Customs Duties are SR 68.6m or 4 per cent lower than that of 2020.

2022 tax revenue projections present a promising path to recovery as total tax revenue collections reach 2019 nominal levels, projected at SR 7.86bn, which is equivalent to 28.3 per cent of GDP. Total tax revenue projections sit at SR 1.17bn or 17.5 per cent above 2021 collection estimates. Despite the impact of revenue losing policies such as Business tax reforms, higher GDP outlook and positive wage level assumptions drives the recovery of income tax collections while the continued recovery of tourism pushes the growth of consumption based VAT as well as, Custom duties and Excise tax; while positive wage level assumptions

Table 8: Medium term Tax revenue (SR'000s)

DESCRIPTION	2020 Actual	2021 EOY	2022 Budget	2023	2024
Income Tax	1,023,230	996,383	1,161,867	1,291,877	1,402,441
Social Security tax - Arrears	-26	0	0	0	0
Custom Duties	259,549	233,310	289,070	351,497	383,095
Excise Tax	1,268,093	1,225,725	1,553,436	1,671,277	1,859,237
GST (Goods and Services)	1,738	2,732	0	0	0
Value Added Tax	2,115,347	2,316,874	2,951,040	3,242,057	3,619,953
Business tax	1,203,899	1,433,424	1,436,933	1,845,534	2,505,720
Corporate Social Responsibility Tax	101,871	58,190	0	0	0
Tourism Marketing Tax	61,511	61,702	68,142	74,395	100,625
Other Tax	333,452	323,672	352,747	380,827	409,348
Property tax	793	40,000	50,000	50,000	50,000
Total Tax Revenue:	6,369,457	6,692,012	7,863,234	8,907,465	10,330,420
% of GDP	29.4	26.7	28.3	29.4	30.4

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.

2021 Context

The end of year estimate for Income tax in 2021 is SR 996m, equivalent to 4 per cent of GDP. This remains consistent with the mid-year revised Budget published in September 2021, and represents a slight reduction over 2020 by about 2.6 per cent. While Income tax remained strong in 2020 despite the pandemic, supported by the FA4JR scheme³, 2021 growth has remained flat given the stoppage of Government assistance, and reflective of stagnant national wage levels. While collections from the 'Central Government' line remains positive, that from the 'Private sector' and 'Other Public sectors' especially has seen a reduction.

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

INCOME TAX	2020 Actual	2021 EOY	2022 Budget	2023	2024
Central Government	242,263	252,653	290,870	323,418	346,801
Other Public Sectors	111,721	83,982	110,555	122,925	131,899
Private Sector	669,249	659,748	760,442	845,534	907,629
Total Income Tax:	1,023,233	996,383	1,161,867	1,291,877	1,386,329
% of GDP:	4.7	4.0	4.2	4.3	4.3

Source: MoFEPT, Macroeconomic Forecasting & Analysis Branch estimates

Policy Changes

No new policies are planned for this tax for 2022.

In the medium term, we will work on a tax system on salaries that will include deductions of employees' expenses. We shall be able to implement this once we have completed the implementation of the Revenue Commission's tax system.

2022 Projection and the Medium Term

Following the flat outturn envisaged for 2021, 2022 is estimated to see a marked improvement in Income tax collections in line with the fast pace of economic recovery and positive assumptions on wages levels. The Budget estimate is set at SR 1.16bn, equivalent to 4.2 per cent of GDP indicating a return to 2019 levels. This more buoyant forecast is driven by the 'Private sector' and a pick-up in 'Other Public sectors' following recent shortfalls.

³ FA4JR scheme – Financial Assistance for Job Retention
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Over the medium-term Income tax is expected to perform in line with economic growth and remain at a constant 4.3 per cent of GDP.

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 line 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.

2021 Context

By the end of the year 2021, Custom duties collection is estimated to amount to about SR 234m, equivalent to about 1 per cent of GDP. In comparison to the mid-year Budget revision, this represents a decrease of SR 11.5m or 5 per cent. This is as a result of a significant year-to-date under-performance in 'Levy' amounting to about SR 7.7m following a decline in demand for imported motor vehicles after the excise tax rate on such was revised upwards at the beginning of the year. Furthermore, the demand for foreign goods and services have been on a declining trend year-to-date, however, some recovery is expected in line with tourism activities.

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

	2020 Actuals	2021 EOY	2022 Budget	2023	2024
Custom Duties Direct Imports	260,961	235,310	294,070	356,497	387,606
Alcohol	79,358	72,921	92,768	125,216	122,263
Textiles and textile articles	7,071	8,172	9,054	9,885	11,940
Tobacco	3,106	3,295	3,520	3,734	4,641
Prepared Food	13,662	12,722	14,096	15,390	18,588
Others	84,955	84,934	94,110	102,747	124,099
Levy	44,245	24,812	49,995	67,020	65,82
Documentary Charges	2,917	3,371	3,735	4,078	4,926
Livestock Trust Fund	25,646	25,084	26,791	28,427	35,328
Custom Duties Exemptions	(1,412)	(2,000)	(5,000)	(5,000)	(5,000)
Total Custom Duties:	259,549	233,310	289,070	351,497	382,606
% of GDP:	1.2	0.9	1.0	1.2	1.2

Source: MoFEPT, Macroeconomic Forecasting & Analysis Branch estimates

Policy Changes

No direct policy change has been proposed for Customs duties for 2022.

2022 Projection and the Medium Term

Although Custom Duties have been on a declining trend since 2020, the estimated revenue collection for this import tax for 2022 stands at about SR 282.9m or 1 per cent of GDP. This represents a SR 56m increase from the 2021 end-of-year estimate, with all tax lines estimated to have positive growth in line with GDP coupled with some recovery assumptions in some lines such as 'Levy' and 'Alcohol'. The most significant increases are expected in 'Levy' and 'Alcohol' by SR 25m and 'SR 20m respectively. 'Exemptions' are expected to increase by SR 3m.

Over the medium-term, Custom duties collections is expected to increase gradually by 11 per cent on average, and will reach the pre-pandemic level by 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.

2021 Context

For the end of year Budget for 2021, Excise tax has been revised downwards by SR 51m or 4 per cent, compared to mid-year revised estimate, to amount to SR 1.23bn. This is mostly due to significant under-performances in 'Motor Vehicle' lines by about SR 35m. The shortfall in excise on 'Motor vehicles' is as mentioned in Custom duties, where excise tax rate on motor vehicle was increased by 25 per cent earlier this year resulting in far lower demand than initially expected. Additional under-performances were recorded under locally manufactured alcohol and tobacco of about SR 9m and SR 7.6m respectively.

These reductions were partially offset by an expected recovery in excise tax collected on imported alcohol line by about SR 8.5m in view of the continuous uptake in tourism arrivals and tourism-related activities.

Table 11: Excise Tax Projections 2020-2024, SR'000s

EXCISE TAX	2020 Actual	2021 EOY	2022 Budget	2023	2024
Excise Tax - Imports	853,880	804,223	1,019,241	1,096,559	1,206,995
Alcohol (Beverages Spirits and Vinegar)	198,207	190,358	241,252	259,553	285,693
Petroleum (Mineral Products)	551,598	575,873	729,838	785,203	864,282
Motor Vehicles (Vehicles, Aircrafts, vessels)	97,608	33,371	42,293	45,501	50,083
Tobacco Imported	6,467	4,622	5,858	6,302	6,937
Excise Tax - Locally Manufactured Goods	369,982	377,793	478,800	515,121	566,999
Alcohol	174,000	169,831	215,237	231,565	254,886
Tobacco	195,982	207,962	263,562	283,556	312,113
Sugar Tax	44,232	43,709	55,395	59,597	65,599
Imported Beverages	21,390	20,444	25,909	27,875	30,682
LMG - Beverages	22,842	23,265	29,486	31,722	34,917
Total Excise Tax:	1,268,094	1,225,725	1,553,436	1,671,277	1,839,594
% of GDP:	5.9	4.9	5.6	5.5	5.6

Source: MoFEPT, Macroeconomic Forecasting & Analysis Branch estimates

Policy Changes

For the year 2022, it was announced that the 25 per cent increase in Excise tax rate on motor vehicle which took effect early in 2021 is to end December 2021. This policy had an adverse impact on demand for motor vehicles and as a result very minimal was collected in regards to excise and levy on motor vehicle during 2021.

2022 Projection and the Medium Term

Table 11 shows Excise tax projections for 2021 and the medium term. The total collections for 2022 are estimated to amount to SR 1.6bn, equivalent to 5.6 per cent of GDP. This represents an increase of about 27 per cent or SR 328m over 2021. Excise on imports is expected to increase by about SR 215m given the accelerated recovery in tourism activities which impacts petroleum sales as well as the reduction in excise rate for motor vehicles. Excise from locally manufactured goods is also estimated to increase by about SR 101m, driven by 'LMG Tobacco'.

Goods and Services Tax

Background

The Goods and Services Tax (GST) was applied to select 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.

2021 Context

A total of SR 2.2m has been collected in GST arrears year to date for 2021. Compared to last year this shows an increase of 24 per cent.

Table 12: GST Arrears 2021, SR'000s

GOODS & SERVICES TAX	2020 Actual	2021 EOY
Arrears	1,738	2,732
Total GST:	1,738	2,732
% of GDP:	0.01	0.01

Source: MoFEPT, Macroeconomic Forecasting & Analysis Branch estimates.

Value Added Tax*Background*

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

2021 Context

The revised end of year estimate for VAT stands at about SR 2.3bn. This represents a reduction of SR 74.5m or 3 per cent when compared to the mid-year revises estimate. The most significant downward revision has been observed in the 'VAT - Imports' line by SR 93.6m or 9 per cent. This is largely due the year to date under-performance of about SR 51m. Import data shows a declining trend in value of imports for the year 2021 which has led to less taxes being collected. The global supply chain issue has been identified as one of the major factors affecting global trade.

In regards to the Tourism sector, VAT collections are estimated to reach SR 576m in 2021 reflecting a growth of about 14 per cent and consistent with the remarkable double digit pickup in arrivals after the reopening of the Seychelles' borders. While year to date collections have so far not matched the pace of arrivals growth, a strong last quarter performance is expected for this line.

Total domestic VAT was revised upwards by SR 19m, with the highest increase being in the 'Others' line by SR 13m or 9 per cent. Construction line was also revised upwards by SR 6m. Whilst in 'Wholesale and retail' about SR 169m is anticipated to be collected in 2021. This represents a growth of 21 per cent compared to what was collected under this line in 2020. Similarly a positive growth of 10 per cent is estimated for total VAT receipts from ICT.

Table 13: VAT Projections 2020-2024, SR'000s

VALUE ADDED TAX	2020 Actual	2021 EOY	2022 Budget	2023	2024
VAT- Domestic	1,205,661	1,392,773	1,791,187	1,940,361	2,147,954
LMG- Alcohol	78,881	88,174	107,021	116,842	129,004
LMG- Tobacco	35,759	41,322	49,741	54,306	59,838
Construction	79,221	98,979	109,062	119,070	131,325
Services - Tourism	504,119	576,236	815,167	896,875	993,265
Services - Financial and Insurance activities	68,950	79,676	95,910	100,311	110,299
Services - ICT and Telecommunication	113,463	125,289	164,602	179,707	201,891
Real Estate	44,287	53,090	63,906	69,771	77,269
Wholesale Retail - Others	139,134	168,820	191,751	200,549	221,109
Others	141,849	161,187	194,028	202,930	223,953
VAT- Imported Goods	910,091	929,101	1,164,853	1,306,696	1,445,122
VAT- Exemptions	(50)	(5,000)	(5,000)	(5,000)	(5,000)
Total VAT:	2,115,702	2,316,874	2,951,040	3,242,057	3,588,076
% of GDP:	10.5	9.9	10.6	10.7	11.0

Source: MoFEPT, Macroeconomic Forecasting & Analysis Branch estimates

Policy Changes

No direct policy for VAT will be introduced in 2022. However, in the medium term, with the assistance of the IMF, a review of the VAT implementation will be undertaken to minimise any abuse in the collection of tax revenue. Government will also assess on options for the lowering of the VAT threshold.

2022 Projection and the Medium Term

The above table presents the Budget forecast for 2022 and the outer years. An estimate of about SR 2.9bn is forecasted for the year 2022 accounting for about 38 per cent of total forecasted tax revenue and 10.6 per cent as a ratio to GDP. In comparison to the end of year review 2021 estimate, this represents a growth of 27 per cent. This is taking into account a faster pickup in tourism as well as a recovery in the VAT imports line. In addition to this, as the economy recovers and an increase in economic activity is observed this will also increase the overall consumption in the economy.

In the medium term, VAT is expected to grow in line with nominal GDP at an average of 9 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.

2021 Context

Business tax in 2021 is estimated at SR 1.43bn, about SR 230m more or 19.1 per cent greater than in 2020, and 30 per cent higher in comparison to the 2021 initial Budget estimates. When compared to the mid-year revised Budget estimates, Business tax overshoot forecasts by about SR 236.7m in 2021, equivalent to 19.8 per cent. This is over-performance stems almost entirely from ‘Companies’ which accounts for SR 208.5m or about 85 per cent of total upward revisions, while other lines were relatively in line with revised estimates netting only a collective minor under-performance of SR 2.3m. These over-performances are largely attributed to the collection of an estimated SR 107m in Business tax arrears and interest, collected as a result of SRC’s tax amnesty program (See Box 4). Furthermore, improved growth estimates and revised optimistic tourism recovery assumptions also increased projections by about SR 39m.

Table 14: Business Tax Projections 2020-2024, SR’000s

BUSINESS TAX	2020 Actual	2021 EOY	2022 Budget	2023	2024
Companies	1,017,019	1,238,070	1,244,149	1,616,501	1,994,691
Sole traders	43,603	51,783	59,839	79,088	84,849
Partnerships	18,692	23,351	26,984	32,532	34,909
Trusts	19	6	7	13	14
Withholding Tax	102,844	99,890	82,467	91,377	98,155
Others	86	10	11	13	14
Residential Dwelling	21,635	20,314	23,475	26,011	27,941
Total Business Tax:	1,203,898	1,433,424	1,436,933	1,845,534	2,240,573
% of GDP:	5.6	6.1	5.2	6.1	6.8

Source: MoFEPT, Macroeconomic Forecasting & Analysis Branch estimates

Policy Changes

A range of Business tax related policy changes are scheduled to be implemented over the medium term. As of 2022, per recent OECD recommendations, a reformed unified business tax schedule is to be implemented. For 2023, other policy reforms include plans to increase Presumptive tax from 1.5 per cent to 3 per cent; the capturing and increase of Business tax rates applicable to securities dealers from 1.5 per cent to 3 per cent; and the introduction of 'digital economy taxation'. Further into the medium term, the introduction of taxation on superyacht services, as well as the implementation of transfer pricing tax reforms are under consideration. Table 15 below summarises the absolute revenue changes from baseline projections.

Table 15: Impact of Business tax Policies 2022-2026, SR'm

Policy Change	2022	2023
General Business tax reform	-63.4	-68.5
Presumptive Tax reform		13.9
Securities Dealers tax reform		218.4
Digital economy taxation		39.3
Total	-63.4	203.0

Source: MoFEPT, Macroeconomic Forecasting & Analysis Branch estimates

2022 Projection and the Medium Term

In 2022, Business tax is projected at SR1.4bn, which is only SR 3.5m or about 0.3 per cent greater than in 2021. While 2021 economic growth estimations are promising, the reformed business tax rate schedule and lower expected arrear collections reduces the 2022 business tax projections. As further reforms are applied to securities dealers and presumptive tax payers in 2023, business tax collections are projected to step up by SR 409m, reaching the 2019 levels in terms of percentage of GDP – 6.1 per cent.

Over the medium term, business tax is projected to grow by an average 9 per cent year-on-year, in line with nominal GDP growth, passing the SR 2bn level by 2024.

Box 4: Tax Amnesty Program

Due to the economic crisis brought on by the COVID-19 pandemic, the Ministry of Finance in conjunction with SRC has introduced an amnesty program to allow Government to collect additional revenue at a quicker pace and reduce the amount of tax debts on SRC's records. The 2021 amnesty program is being carried out over a 6 month period which commenced on 1st July 2021 and will continue until 31st December 2021.

The amnesty may be applied to under-declared taxable income; outstanding debts; and unfurnished business tax returns, presumptive tax returns and VAT returns. SRC waives 100 per cent of accumulated penalties on taxes that are remitted during the tax amnesty period; while the percentage of interest waived depends on when the taxes due are remitted to SRC based on different timelines.

Outstanding Debt and Unfurnished Tax Returns

For Business tax, the tax amnesty will apply for debts and returns outstanding for 2019 and prior tax years.

For VAT, IMNBT and other taxes, the tax will apply for debts and returns outstanding for 2020 and prior tax years.

Under-declared taxable and assessable income

Amnesty in the form of a partial reprieve from additional taxes, in addition to penalties and interest waivers. This is applicable for all taxes where notice of self-assessment was issued as from 01 October 2017.

Table 16: Waiver of Penalties and Interest

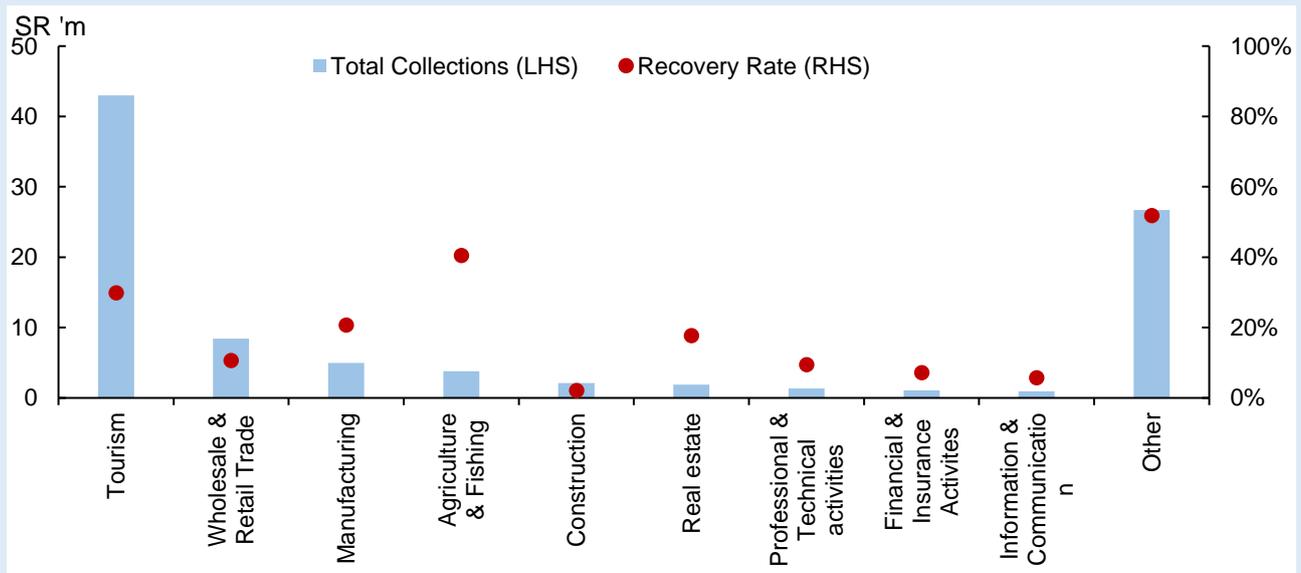
Payment of outstanding taxes by:	Penalties Waived	Interest Waived
31st August 2021	100%	75%
31st October 2021	100%	50%
31st December 2021	100%	25%

Source: SRC & Macroeconomic Forecasting and Analysis Branch

Tax Amnesty Program Performance

After the first phase of the amnesty program, concluding on 31st August 2021, out of the SR460.4m tax related debt owed to SRC, a total of SR 94.2m in arrears and interest was collected.

Figure 19: Amnesty program collections by sector



Source: SRC & Macroeconomic Forecasting and Analysis Branch

As portrayed in the above figure, the *tourism*, *construction* and *wholesale & retail trade* sectors accumulated the largest amount of tax related debt. On the other hand, the amnesty program was most successful amongst the *agriculture & fishing* and *tourism* sectors, recovering 40.5 per cent and 29.9 per cent respective debts owed.

Corporate Social Responsibility Tax

Background

Corporate Social Responsibility tax (CSR) was introduced in January 2013, and has recently been abolished in April 2021. It was applicable to all businesses with a turnover of SR 1m and over, and was levied on monthly company turnover at a 0.5 per cent rate. Half of this tax could be offset against any donations or sponsorships a company chose to make. CSR was established to encourage compliance with ethical and regulatory standards, as well as promote accountability for businesses' actions.

CSR has been abolished as of April 2021.

2021 Context

CSR tax in 2021 is estimated at SR 58.1m, about SR 42.7m less or 42 per cent lower than in 2020, but about SR 14m or 34 per cent higher than the 2021 mid-year revised estimate. Given the issues faced by the tourism sector due to the ongoing pandemic, no tax arrears were expected following the abolition of the tax line April 2021, however large flows from businesses settling arrears did appear, resulting in consistent over-performances recorded up to September 2021.

Table 17: Corporate Social Responsibility Tax Projections 2020-2025, SR'000s

Corporate Social Responsibility Tax	2020 Actual	2021 EOY	2022 Budget	2023	2024
Corporate Social Responsibility Tax (CSR)	101,871	58,190	0	0	0
TOTAL: CSR	101,871	58,190	0	0	0
% of GDP:	0.5	0.2	0.0	0.0	0.0

Source: Ministry of Finance and Macroeconomic Forecasting & Analysis Branch estimates.

Policy Changes

CSR tax was abolished after the first quarter of 2021, as was recommended by OECD for the Business Tax reform.

2022 Projection and the Medium Term

CSR tax revenue for the year 2022 is forecasted to be zero, as arrears dry up.

Tourism Marketing Tax

Background

Tourism Marketing tax (TMT) was introduced in 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.

2021 Context

Tourism marketing tax (TMT) in 2021 is estimated at SR 61.7m, about 0.3 per cent higher than the mid-year revised estimate, and 7 per cent more than the initial Budget figure.

On a year-to-date basis this tax line has tracked the Budget closely. However, given expectations for higher tourist arrivals in the last quarter of the year, TMT has been adjusted marginally upwards.

Table 18: Tourism Marketing Tax Projections 2020-2024, SR'000s

Tourism Marketing Tax	2020 Actual	2021 EOY	2022 Budget	2023	2024
Tourism Marketing Tax	61,511	61,702	68,142	74,395	99,708
TOTAL: TMT	61,511	61,702	68,142	74,395	99,708
% of GDP:	0.3	0.3	0.3	0.3	0.3

Source: Ministry of Finance and Macroeconomic Forecasting & Analysis Branch estimates.

Policy Changes

There will be no policy change made to TMT for the 2022 Budget.

2022 Projection and the Medium Term

The improving economic situation due to high tourist arrivals will lead continued growth in TMT collections for 2022. The current estimate is at SR 68m, equivalent to a growth of 10 per cent over 2021.

Over the medium term, this tax line is projected to remain at a constant 0.3 per cent of GDP.

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 are 'Road Tax', 'Telecommunications Licences', and 'Stamp Duty'. These three components account for approximately 63 per cent of the Other Tax Revenue.

2021 Context

Other tax is estimated to end the year with collections amounting to SR 323.6m, equivalent to a 3 per cent reduction over 2020. This represents a SR 12.6m decrease from the mid-year revised Budget 2021 and is driven by year to date under-performances in Telecommunication Licences, Road Tax and Stamp Duty.

Table 19: Other Tax Projections 2020-2025, SR'000s

Other Tax	2020 Actual	2021 EOY	2022 Budget	2023	2024
OT- Ministry of Finance					
Trade/Ind Licences	9,522	10,701	11,430	12,127	12,803
Licences and Other Licence Registration	3,399	4,214	4,501	4,776	5,042
Road Tax and Other Licences	116,651	116,529	124,462	132,061	139,415
Telecommunications Licences	63,091	64,754	71,880	79,138	89,589
Hotel Licences	220	98	105	111	117
Liquor and Toddy Licences	248	318	340	361	381
Radio Broadcasting Licences	1,700	1,751	1,751	1,751	1,751
SUB TOTAL	194,832	198,366	214,468	230,325	249,097
OT- MoENRT					
Environment Trust Fund	6,111	4,987	5,326	5,651	5,966
OT- Department of Legal Affairs					
Stamp Duty	123,806	111,124	123,131	134,430	146,166
OT-Department of Transport					
Vehicle Testing	8,699	9,195	9,821	10,421	11,001
TOTAL: OT	333,447	323,672	352,747	380,827	412,231
% of GDP:	1.5	1.3	1.3	1.3	1.2

Source: Ministry of Finance and Macroeconomic Forecasting & Analysis Branch estimates.

Policy Changes

No policy change is expected for other tax over 2022 to 2024.

2022 projections and medium term

For the year 2022, other tax revenue is estimated at SR 352.7m, representing 9 per cent increase from 2021 end-of-year estimate and in line with stronger GDP growth assumptions.

Over medium term, other tax is expected to grow by an average rate of 7.2 per cent and remain at 1.2 per cent of GDP.

Property Tax

Background

Property tax came into effect in January 2020, and is applicable to non-Seychellois owners of immovable property for residential purpose. The tax rate is 0.25 per cent of the market value of the property.

2021 Context

As a newly introduced tax, Property tax collections has kicked off in 2021 and is estimated at SR 40m. This represents a SR 39.2m increase over 2020. March and April 2021 saw large influxes due to taxpayers making payments for the 2020 tax year before the extended deadline of 30th March 2021. Under normal conditions, the deadline for payment is 31st December every year, however an extension was approved due to COVID-19 related travel restrictions that made it difficult for foreign property owners to travel to Seychelles to complete the necessary administrative formalities.

Table 20: Property Tax Projections 2020-2025, SR'000s

Property Tax	2020 Actual	2021 EOY	2022 Budget	2023	2024
Property Tax	793	40,000	50,000	50,000	50,000
TOTAL: Property tax	793	40,000	50,000	50,000	50,000
% of GDP:	0.01	0.2	0.2	0.2	0.2

Source: Ministry of Finance and Macroeconomic Forecasting & Analysis Branch estimates.

Policy Changes

No policy change is expected for Property tax over 2022 to 2024.

2022 projections and medium term

As this tax line becomes more established, and tax payer registration increases, collections are expected to pick up in 2022 and over the medium term to reach about SR 50m, equivalent to 0.2 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 2022 and the medium term.

For Non-tax revenues the 2022 Budget reflects a 27 per cent increase from the 2021 end of year estimates or SR 223m in nominal terms, mainly due to higher expected dividends from Public Enterprises. Dividend income remains the main contributor towards this category of revenue.

Table 21: Non-Tax revenue and grants, SR'000s

NON-TAX & GRANTS	2020 Actual	2021 EOY	2022 Budget	2023	2024
Non-Tax					
Fees and Charges	261,706	321,259	324,812	386,544	436,817
Dividends Income	412,427	372,690	590,275	590,275	590,275
Other Non-Tax	48,111	72,614	60,635	58,957	52,054
Proceeds from Sale of Assets	62,714	70,400	84,183	86,055	87,985
Grants	437,737	563,345	782,126	562,325	805,646
Total Non-Tax & Grants:	1,222,695	1,400,308	1,842,031	1,684,156	1,972,778
% of GDP:	5.6	5.6	6.6	5.6	6.0

Source: MoFEPT, Financial Planning and Control Division estimates

Fees and Charges

Government has forecast to collect SR 324.8m under Fees and Charges. This is an increase of SR 3.6m or 1 per cent over the 2021 end of year estimates. Under this category there are some significant downward revision under some lines primarily under the Health Care Agency for a total reduction of SR 44.4m which includes reduction under COVID-19 PCR test and Haemodialysis. There is an upward revision under the disembarkation fee and passenger service fee of SR 12.1m and SR 8.1m respectively under the Department of Civil Aviation, Ports & Marine. This increase is in line with the forecasted increase in passenger arrival.

Dividend Income

The dividends income for 2022 is budgeted at SR 590.3m representing 6 per cent of the total estimated revenue and an increase of 58 per cent over the 2021 end of year estimates. An increase of SR 100m has been budgeted as dividend from SEYPEC. As from 2022 the Government is expected payment of dividend from the banking institutions in which it holds shares, the sum of SR 100m and SR 1m has been forecasted under Nouvobanq and Seychelles Commercial Bank respectively. With the re-opening of the Seychelles Border in 2021, Seychelles Civil Aviation Authority (SCAA) is expected to re- start paying Government dividend in 2022 and SR 15 m has been forecasted. The expected dividend for 2022 is shown in the table below.

Table 22: Dividend income, SR'000s

DESCRIPTION	2020 Actual	2021 EOY	2022 Budget	2023	2024
SIMBC Nouvobanq	-	-	100,000	100,000	100,000
Seychelles Petroleum Company	260,000	150,000	250,000	250,000	250,000
Land Marine Ltd	-	5,880	9,400	9,400	9,400
Seychelles Ports Authority	-	-	-	-	-
Indian Ocean Tuna Limited	-	25,200	25,200	25,200	25,200
Seychelles Civil Aviation Authority	23,750	-	15,000	15,000	15,000
Afrexim Bank	-	-	375	375	375
Island Development Company	-	8,000	4,000	4,000	4,000
Seychelles Commercial Bank	3,600	-	1,000	1,000	1,000
Development Bank of Seychelles	-	-	-	-	-
Financial Services Authority	74,321	100,000	100,000	100,000	100,000
Societe Seychelloise D'investissement	-	-	-	-	-
Seychelles Fishing Authority	50,000	75,000	75,000	75,000	75,000
Ile Du Port Handling Services	-	8,610	10,300	10,300	10,300
African Insurance Corporation	756	-	-	-	-
Total:	412,427	372,690	590,275	590,275	590,275
% of GDP:	1.9	1.5	2.1	1.9	1.8

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 decrease by 16 per cent. The decrease is mostly attributed to the reallocation of some revenue line from this category and moved under fees & charges.

Proceeds from sale of Asset

The 2022 proceeds from sale of asset projection is at approximately SR 84m, this represents an additional SR 13.78m or 20 per cent compared to 2021 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 2022-2024 a total amount of SR 2.15bn worth of projects and programmes is expected to be funded through grants from various external bilateral and multilateral donors.

A total amount of SR 0.8bn is expected to be received as external grants in the year 2022, out of which SR 252m as cash grant and SR 530m in kind. SR 182m is expected for programs of recurrent nature. The total expected grant receipt for 2022 represents 2.8 per cent of GDP.

The grant receipts of SR 0.8m in 2022 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 26.5m.
- 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 0.3m is expected to be spent in 2022.

- **Infrastructure Sector**

- With the support of the Government of India, the Government will be constructed the new Government House which will accommodate several Government MDA's which are currently renting office space. In 2022 the sum of SR 214.8 m has been allocated towards this project.
- The Government of India will also support the La Gogue land bank extension project and the sum of SR 8.1m has been forecasted in 2022, this will fall under the small development project.
- The sum of SR 9.8m has been forecasted for in 2022 for the Ex-Ferrari Housing Project. This will be funded by the Government of Qatar.

- **Environment, Energy and climate change sector**

Various on-going environment protection and climate change projects:

- Ecosystem based adaptation to climate change – SR 3.8m(GEF)

- Ridge to Reef- Integrated Management of Marine, Coastal & Terrestrial Ecosystems- SR 12.4m (UNDP)
- Restoring Marine Ecosystem- SR 15m (UNDP)

Under the Energy portfolio under the Low Carbon Pilot for addressing climate change project SR 7 m expenditure is projected in 2022 (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 13.5m and SR 56.7m has been forecasted in 2022.
- The Government of India will be financing the construction of a new building for the Attorney General Chamber at Ile Du Port and SR 73.6m has been forecasted in 2022.
- 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 56.5m has been forecasted in 2022.
- The Government of India will continue to finance the Coastal Surveillance Radar System project and a total of SR 29m has been forecasted in 2022 under the Department of Defence.

- **Seychelles Broadcasting Corporation**

- The construction of the Seychelles Broadcasting house is being funded by the Government of China. The project which was expected to be completed in 2021 encountered delayed and the completion date has been postponed to 2022. This is a benefit in kind, the Chinese Government has already disbursed 90 per cent of the project and the sum of USD1.6m in 2022 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 47.3m has been forecasted in 2022. The project supports many project and programme under various sector, such as the agricultural and fisheries sector, the industry and entrepreneurship sector and the finance and trade sector mainly.

- **Health Sector**

- The sum of USD 3.5m has been forecasted in 2022 for the construction of the La Digue hospital. This is being financed by the Government of UAE.
- The sum of SR 13.6m has been forecasted for the year 2022 for the construction of the Baie Lazare Health Centre.

Other grants forecasted under 2022 are as follows:

- The Government of China will be financing the new invoice management system to improve the revenue collection at SRC and the sum of SR 54.5m has been forecasted in 2022.
- The Government of India under the Small Community Development Project is expecting to finance projects worth SR 6.8m under the Ministry of Education; SR 15.2m under the Ministry of Local Government and Community Affairs; SR 3.5m for the Elderly Homes and SR 3.2m under SLTA for coastal management project.
- The African Development Bank will be financing a new Aids Management Information under the Department of Finance and SR 2.2m has been forecasted for 2022.
- The Government of China financed the upgrading of facilities for the Department of Foreign Affairs since 2021 and SR 1.6m has been forecasted for 2022.
- Construction of new Drug Rehabilitation Village to be funded by the United Arab Emirates – SR 22.7m.
- Construction of new Youth Hope Centre to be funded by the United Arab Emirates- SR 16m.

Expenditure

Table 23: Summary of Expenditure, SR'000

DESCRIPTION	2020 Actual	2021 EOY	2022 Budget	2023 Forecast	2024 Forecast
Expenditure and net lending	11,581,334	10,399,315	10,655,319	10,426,311	10,125,668
Current expenditure	10,127,915	8,883,118	8,789,157	8,740,725	8,527,645
Primary Current Expenditure	9,415,861	8,217,603	8,071,248	8,012,614	7,945,427
Wages and salaries	2,844,547	2,929,531	3,092,118	3,099,998	3,112,241
Goods and services	2,913,187	3,066,914	3,034,602	2,969,075	2,946,184
Capital expenditure	991,314	1,112,103	1,526,693	1,385,822	1,445,639
Social program of Government	1,512,363	485,868	303,381	298,206	296,215
Transfers to Public Enterprises	455,004	248,188	149,026	139,726	65,336
Benefits and approved programmes of SSF	1,659,504	1,439,846	1,444,865	1,464,672	1,484,514
Others	31,256	47,255	47,255	40,936	40,936
Interest due	712,054	665,515	717,909	728,111	582,218
External	298,432	227,612	198,191	184,131	157,423
Domestic	413,622	437,902	519,717	543,980	424,795
Development Grant	145,936	129,208	169,133	173,775	203,298
Net lending	167,624	222,129	120,336	75,989	-100,913
Contingency	148,546	52,757	50,000	50,000	50,000
Primary Balance:	-3,276,774	-1,641,480	-232,146	893,421	2,428,445
% of GDP:	-15.1	-6.6	-0.8	2.9	7.4

Source: MoFEPT, Financial Planning and Control Division estimates

For the fiscal year 2022 Government has budgeted an overall expenditure and net lending totalling to SR 10.66bn. Overall expenditure and net lending has increased by 2 per cent compared to the 2021 end of year estimates. Primary Current expenditure has decreased by 2 per cent compared to 2021 end of year estimates. This allows for primary balance deficit of 0.8 per cent of GDP. This is an improvement compared to 2021 end of year projected deficit of 6.6 per cent.

Since 2020 with the amended Budget, Government has put in place several expenditure measures in order to ensure that expenditure remains sustainable. Government is still maintaining these measures in the medium term. There is an ongoing exercise being carried out across Government to further identify areas for further expenditure measures.

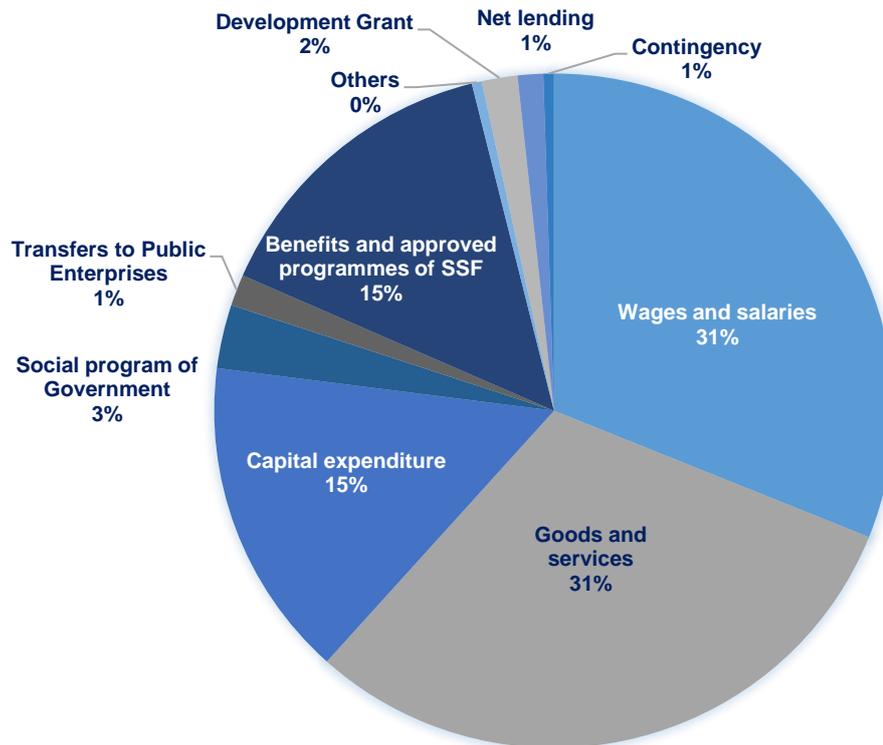
Below are the variances for each of the main categories of expenditure in 2022 when compared to the 2021 end of year estimates:

- Wages and Salaries increases by 6 per cent.
- Goods and Services decreases by 1 per cent
- Capital expenditure increases by 37 per cent
- The Social Programme of Government decreases by 38 per cent.
- Transfers to Public Enterprises decreases by 40 per cent
- Benefits and Approved Programmes of the Agency for Social Protection decreases by 0.3 per cent.
- Others allocation has remained constant
- Development Grants increases by 31 per cent
- Net lending decreases by 46 per cent, and
- Contingency decreases by 5 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 with each sharing 31 per cent of the total allocation. In nominal terms Wages and Salaries is over by Goods and Services by only SR 57.5m. Both Capital expenditure and Development Grant is being allocated with an increased share compared to the 2021 end of year share, this is an increase of 37 and 31 per cent respectively.

Figure 20: 2022 Budget Allocation



Source: MoFEPT, Financial Planning and Control Division estimates

Current Expenditure

Wages and Salaries

A total sum of SR 3.10bn is being proposed for wages and salaries. This represents an increase of SR 162.5m or 6 per cent compared to the 2021 end of year estimates. Compensation of employees remains a significant part of Government's Budget. Wages and Salaries in 2022 represents 11.1 per cent of GDP, compared to the 13.3 per cent in the approved 2021 Budget. Government remains committed to ensure that the Budget for this expenditure line remains sustainable.

Wages and Salaries remains fairly constant in the medium term. Government will not be increasing the salary of public officer's in the medium term and the freeze in increase of long service allowances has been maintained. Government maintain the provision of 13th month salary is not funded in the medium term.

Currently, there are many schemes for public servants such as gratuity, end of contract payments, and in the past, there was also a thirteenth month salary. These schemes cost about SR 242 million per year. Government is working on a framework which will allow employees to be paid on the basis of their performance at the end of the year, according to targets which have been set within the new salary grid in Government. We expect to complete work on this new structure in 2022, and we also intend to consult workers during this period.

On average 57 per cent of the total monthly salaries of Government employees is the basic pay whilst 43 per cent is total allowances. An exercise will be done in 2022 to review the salary structure of Government to consolidate the salary of employees.

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

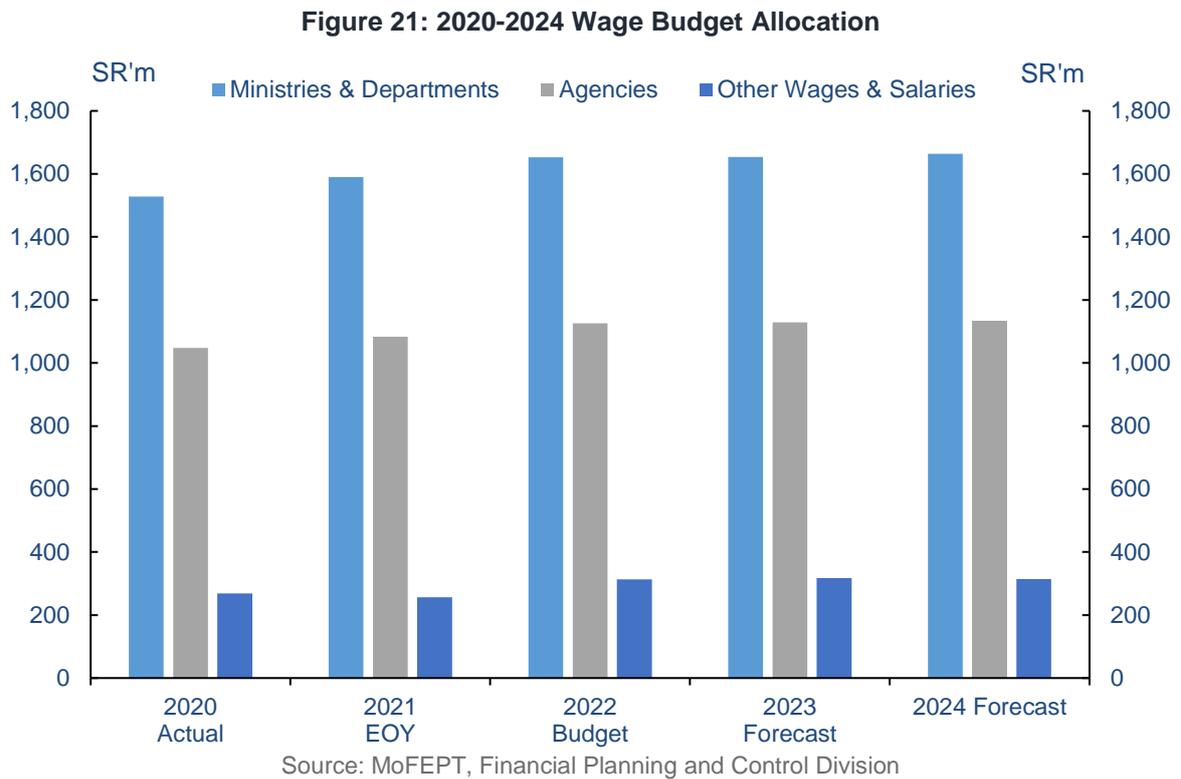
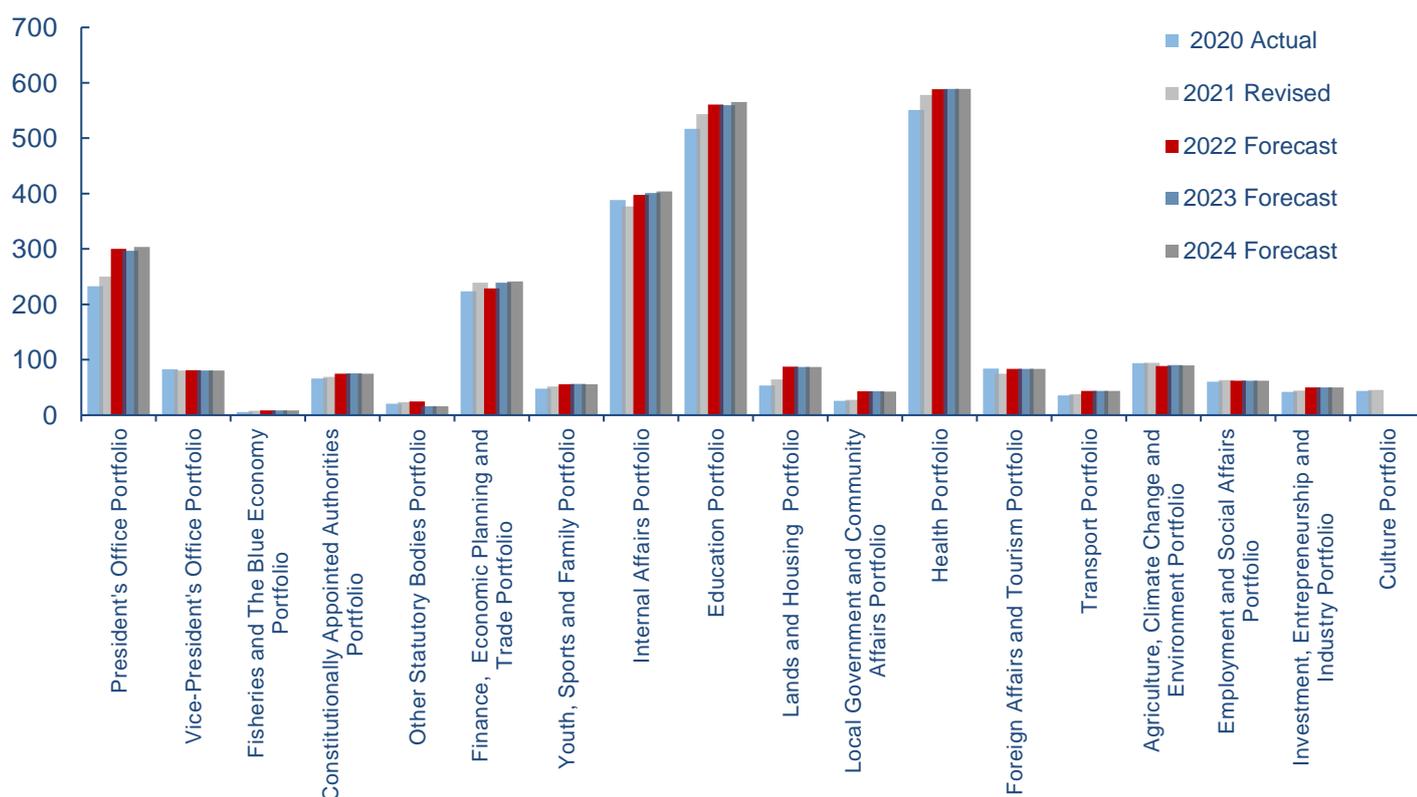


Figure 22: Evolution of Portfolio shares actual and budgeted wages & salaries (2020-2024), SR' m


Source: MoFEPT, Financial Planning and Control Division

Recruitment

A sum of SR 23.3m is being allocated in 2022 for the creation and unfreezing of posts. Recruitment in 2022 has been limited to filling positions in key MDAs. However, the Budget still makes provision for posts which were funded in 2021 but which remains vacant to date. There are a total of 649 position which remains vacant as at October 2021 and in addition Government will be funding 84 new post in 2022. The major challenge still remains the ability of MDA's to fill the vacant position.

Other Factors

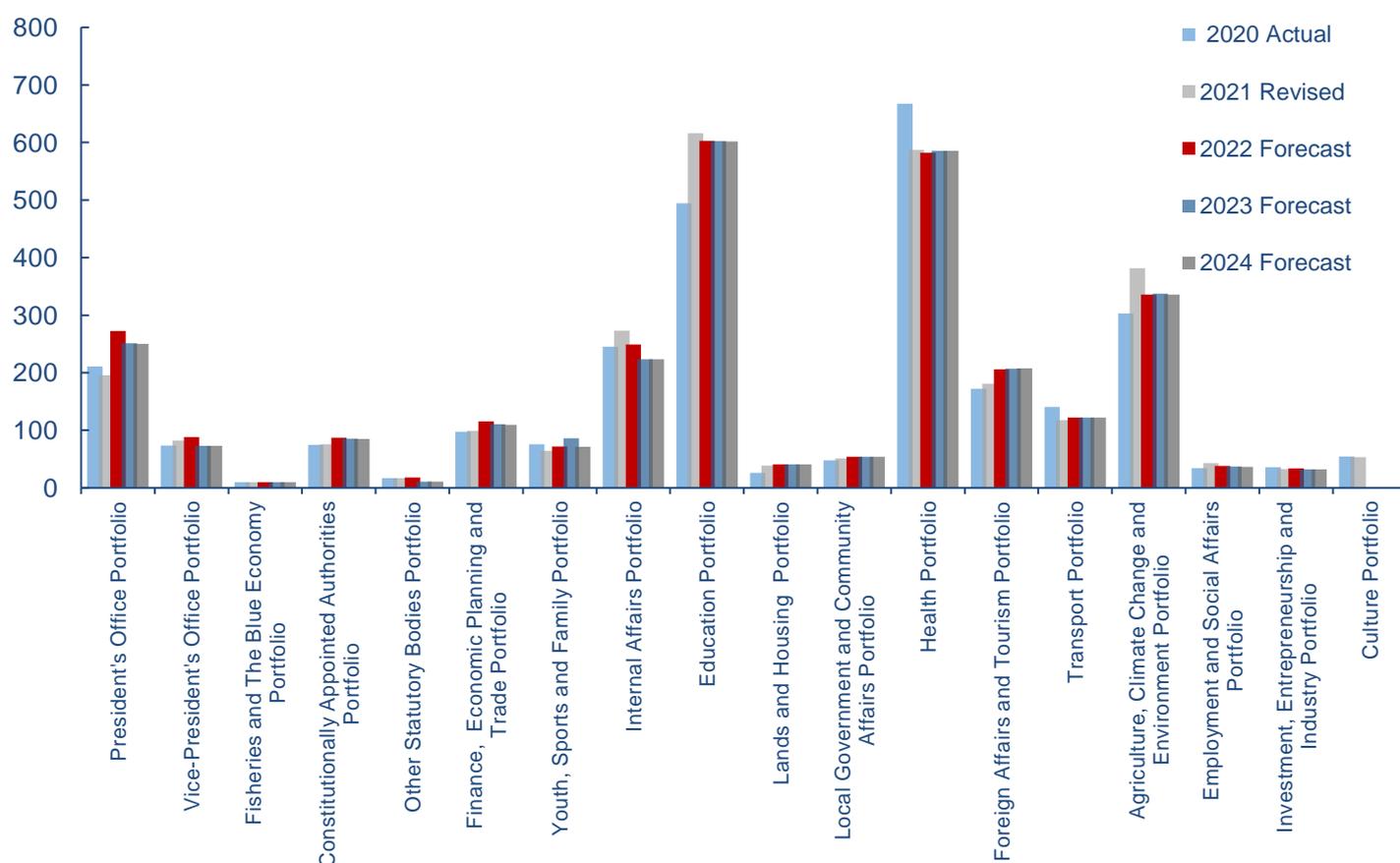
Below is a brief summary of other allocations in regards to wages & salaries:

- SR 27.5m is being allocated for promotions, upgrading and salary enhancements, relating mainly to the year 2022
- SR 224m 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.
- SR 133.4m is being allocated under Pension Scheme contribution. This is an increase of SR 63.2m compared to 2021 year end estimates. This is in line with the increase in employer pension contribution.

Goods and Services

A sum of SR 3.03bn has been allocated towards Goods and Services in 2022. This represents 28.5 per cent of the total expenditure and net lending, and 10.9 per cent of GDP. The Goods and Services expenditure has decreased by SR 32m in comparison to the 2021 end of year estimates. Ministries, Departments and Agencies Goods and Services has remained fairly constant in 2022, a small growth of 0.3 per cent or SR 9.95m. Under “Other Goods and Services” category there is a downward revision of SR 42.26 m or 28 per cent compared to the 2021-year end estimates. The main reduction is under Professional & Consultancy which is partly contributed by the appreciation of the rupees and some expenses which was previously paid under this vote has been moved under its relevant MDA’s good and services Budget allocation.

Figure 23: Evolution of Portfolio shares Actual and Budgeted Goods and Services (2020-2024), SR' m



Source: MoFEPT, Financial Planning and Control Division

Ministry of Agriculture, Climate Change and Environment

For the year 2022, the Ministry of Agriculture, Climate Change and Environment will see an increase of SR 46m or 95 per cent over its 2021 end of year estimates. The increase is mainly linked to merger of Seychelles Agricultural Agency and National Biosecurity Agency as a result of the Government restructuring.

Institute of Early Childhood Development

For the year 2022, the Institute of Early Childhood Development's goods and services Budget has increased by SR 28.7m or 603 per cent in comparison with the 2021 end of year estimates. The increase is mainly attributed to the transfer of the Day Care Scheme Budget from the ASP benefits allocation and factored in under the Institute Budget.

Seychelles Revenue Commission

The Seychelles Revenue Commission's goods and services Budget has increased by SR 15.7m or 43 per cent in 2022 compared the 2021 end of year estimates. The 2022 estimates makes provision for the commission to recruit foreign consultants and in improvement in its systems.

For 2022, we will work closely with the Education Sector and the Health Sector to review their expenditure and see how we can become more efficient in these sectors. These two sectors alone represent a total of SR 967.5 million or 32% of the total budget in Goods and Services.

Other Factors

The goods and services is driven by some key lines which the MoFEPT will be reviewing in 2022 with the aim of containing these expenditures and making it more sustainable in the medium term. Twenty-seven per cent of the total allocation under goods and services is shared amongst five main type of expenditure. These include SR 271.5m being total allocation for cleaning contracts, SR 186.3m under security & enforcement, SR 179.3m to cater for rental of office building, SR 107.5m to cater for house rental and SR 69.9m to cater for cleaner's corporative for the cleaning of Government offices. Government has started an exercise to review the provision of cleaning contracts and provision of security and enforcement services. In addition, Government will undertake an assessment for the outsourcing of the cleaning services for government offices, which is currently being outsourced to Cleaner's Corporative.

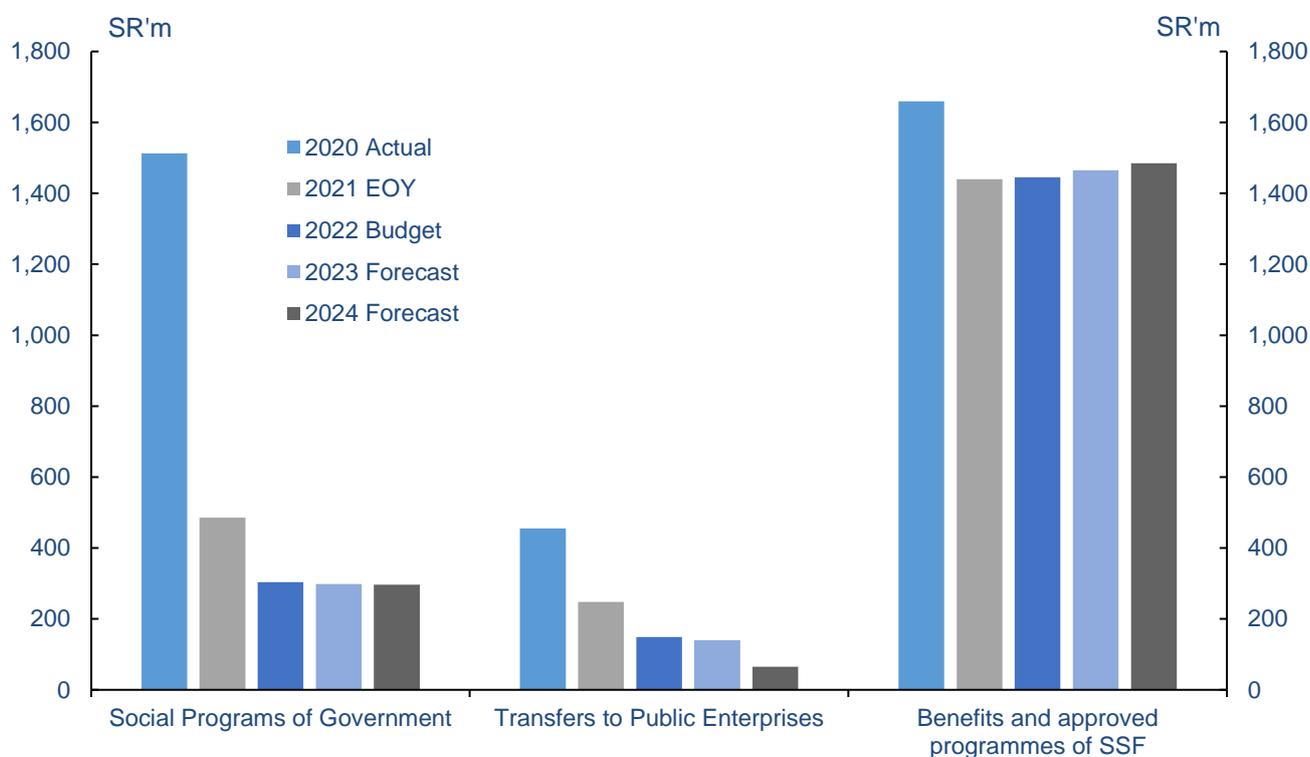
Transfers

Total Government transfers for 2022 represent 6.8 per cent of GDP or SR 1.9bn. This is a decrease of 13 per cent compared to 2021 end of year figure, mainly attributed to the phase out of certain social programmes in 2021.

Table 24: Summary of Total Transfers by Different Categories, SR'm

TRANSFER TYPE	2020 Actual	2021 EOY	2022 Budget	2023 Forecast	2024 Forecast
Social Programs of Government	1,512,363	485,868	303,381	298,206	296,215
Transfers to Public Enterprises	455,004	248,188	149,026	139,726	65,336
Benefits and approved programmes of SSF	1,659,504	1,439,846	1,444,865	1,464,672	1,484,514
Total Transfers:	3,626,872	2,173,902	1,897,272	1,902,605	1,846,066
% of GDP	16.7	8.7	6.8	6.2	5.6

Source: MoFEPT, Financial Planning and Control Division

Figure 24: Transfers of Social Government


Source: MoFEPT, Financial Planning and Control Division

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 programmes and values to society. There is a downward revision of 38 per cent or SR 182.5 in 2022 compared to the 2021 EOY estimates which is mainly attributed to the phased out of the wage grant assistance, the Seychelles Employee Transition Scheme and the Unemployment Relief Scheme. Provisions under the Social Programmes include the following:

Housing Finance Scheme

The Housing Finance Scheme was first introduced in 2014 with the intention of assisting first time home owners with a cash grant that would help bridge the gap between the loan they can afford and the cost of the house. The level of subsidy depends on the applicant's income and loan amount received. A provision of SR 18m has been made in the 2022 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.

Youth Employment Scheme

The sum of SR 5m has been maintained under the Youth Employment Scheme for 2022. Under the scheme Government will refund 40 per cent of the salary of youths aged between 15 and 25 years old to an employer for their first year of employment.

Youth Entrepreneurship Scheme

The amount of SR 1m catered for under the Youth Entrepreneurship Scheme is used to support the young entrepreneurs.

Contribution to Agricultural Development Fund

The purpose of the Fund is to provide financing for the development of small-and medium-sized agricultural and horticultural projects. In 2022 Government forecasted SR 3m under the fund.

Small and Medium Enterprise Scheme

Government's contribution to the Small and Medium Enterprise Scheme has increased to SR 50m for 2022. In 2019 and 2020 the actual expenditure under the scheme is SR 45.4m and SR 41.1m respectively. Government will be reviewing the scheme to allow for the development of other sector such as fisheries, agriculture and the digital economy.

Small and Medium Enterprise seed capital

The Seed Capital Grant Scheme was first introduced in 2016 to provide seed capital of up to SR 50,000 to fund small start-up businesses to assist them in their early stages of development. In 2021 the scheme has been put on hold to allow for a comprehensive assessment on the effectiveness of the scheme and which will provide recommendation once the scheme is re-launched in 2022. The sum of SR 5m has been forecasted for in 2022.

Empowerment and Social Protection Programme

A National Grants Committee has been set up since 2018 to evaluate the projects that used to be funded from the Empowerment and Social Protection Programme. The amount of SR 0.5m in 2022 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

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 and for 2021 the EOY Budget estimate stood at SR 25.4m. The scheme will be phased out in 2022.

Laptop Scheme

The sum of SR 5m has been forecasted for the Laptop Scheme for 2022. The scheme is to support students from Secondary 1 to Tertiary Institution from both public and private educational institutions. This scheme provides a three thousand rupees contribution towards the purchase price of a laptop of the students' choice. The scheme excludes the purchase smart phones and desktop computers.

Education Loans Scheme

Government will be introducing a new scheme in 2022, namely, the Education Loan Scheme. The Scheme will provide an avenue for Seychelles citizens to finance their further studies through loans from the Commercial banks and Seychelles Credit Union. Government, on its part, will contribute towards the Scheme by subsidising the interest rates being applied on the loans. SR 8m has been forecasted for 2022.

Contribution to Unisey

The sum of SR 5m has been forecasted for Unisey in 2022. This support will go towards the improvement of the facilities and for the development and research of new programmes.

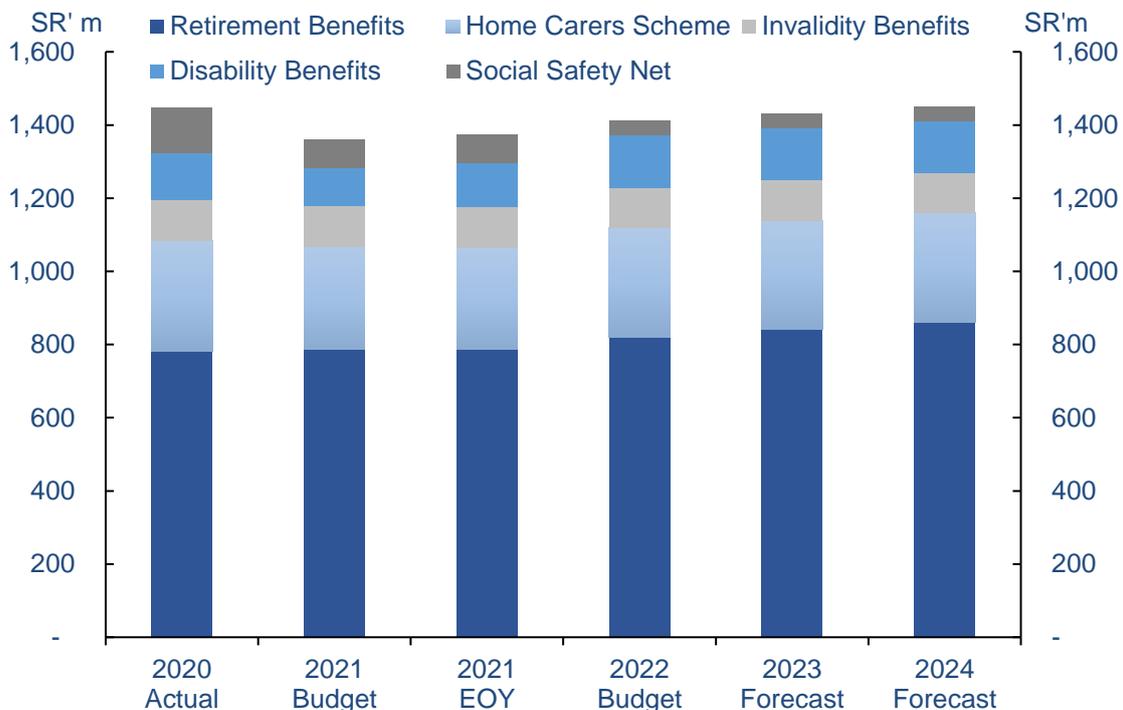
Subvention to Public Enterprises

The Government is assisting the following State-Owned Enterprises (SOEs) with a total sum of SR 149m in 2022, this represent a decrease of SR 99m or 40 per cent compared to the 2021 EOY estimates.

- **Air Seychelles:** The amount of SR 95.5m has been allocated for Air Seychelles which includes the USD 5m which represent Government taking over the Air Seychelles debt with Etihad.
-
- **SPTC:** Total assistance to the Seychelles Public Transport Corporation (SPTC) amounts to SR 38.2m. The sum includes SR 9.2m which relates to the subsidisation of the cost of public transportation for the elderly and the people with disability. SR 29m represents Government subvention to SPTC for assisting SPTC towards the negative cash flow projection in 2022.
- **Seychelles National Parks Authority:** The amount of SR 7.3m has been allocated for SNPA which will go partly towards infrastructural improvement and partly towards its operational shortfall.
- **Seychelles Postal Services Company:** The Government has catered for a sum of SR 8m to support the Seychelles Postal Services for 2022 to cater for its operational shortfall which has been greatly affected with the reduction in activities.

Benefits and Approved Programmes of SSF

Figure 25: Main Benefits and Scheme under ASP



Source: MoFEPT, Financial Planning and Control Division estimates

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 2022 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 5.2 per cent of GDP for 2022.

A sum of SR 1.44bn is being catered to finance the payment under the Approved Programmes of ASP. This represents an increase of SR 5 m compared to the 2021 EOY 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 78 per cent of the total Benefits and Approved Programmes of ASP or 4 per cent of GDP.

Retirement Benefits for the year 2022 is forecasted to be about SR 820.6m representing a 4 per cent increase over the 2021 end of year estimates.

The Home Carers Scheme 2022 projection stands at SR 299.4m representing an 8 per cent increase. The increase is mainly due to the delay in the implementation of the reform and therefore the Budget 2022 reflect the current policy. As at June 2021 there was a total of 3,822 carers on ASP payroll this represent a 2 per cent increase compare to same period of 2020.

Invalidity and Disability Benefits

Government has allocated SR 109.4m and SR 141.8m for Invalidity Benefits and Disability Benefits. As part of the world bank reform one key component which will affect these benefits the setting up one National Functional Assessment Board which will serve both the ASP and SPF, this will reduce the duplication of efforts.

Social Safety Net

Social Safety Net is the only discretionary assistance programme. In 2019 and 2020 the actual expenditure under the social safety net was SR 54.9m and SR 123.5m respectively. The 2021 the Budget was reduced by 38 per cent compared to the 2020 Budget level, in 2022 the decreasing trend continues by a further 48 per cent reduction compared to the 2021 Budget level. The 2022 Budget forecasted is SR 40.7m which represent 33 per cent of the total actual expenditure in 2020.

Scheme moved under MDA's Budget

In 2021, a total of seven approved scheme programs were moved to its respective MDA's. For the 2022 Budget an additional four scheme has been removed under the Approved programs of ASP and moved as followed; SR 2.4m for Emergency Housing Assistance Scheme moved under Ministry of Local Government and Community, the sum represents a 60 per cent increase compared to the 2021 end of year

estimates; SR 1.2m relating to the Inter Island Transport Scheme- Medical Referrals moved under the Health Care Agency, the sum represents a 31 per cent decrease compare to the 2021 end of year estimates, the reduction reflect the reduction in the medical referrals; SR 9.2 m for SPTC Travel Concession moved under SPTC subvention, this will be paid on a claim basis; and SR 27.95m moved under the Institute of Early Childhood Development relating to the Day Care Scheme, the sum represent a 31 per cent increase compared to the 2021 end of year estimates.

Public Sector Investment Programme

The Central Government Investment Program for the period of 2022 to 2024 is budgeted to amount to SR 4.4bn. A total of SR 1.53bn worth of projects is to be financed from the 2022 Budget, representing 35 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 2022 are the PUC for which a total of SR 60m has been budgeted, SPTC for which a total of SR 46.3m 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 25: Public Sector Investment 2022-2024, SR'000s

DESCRIPTION	2020 Actual	2021 EOY	2022 Budget	2023	2024
Central Government Projects	991,314	1,114,397	1,526,693	1,385,822	1,445,639
Net Lending	167,624	222,129	120,336	75,989	(100,913)
Development Grants	145,936	129,208	169,133	173,775	203,298
Total Allocation:	1,304,874	1,465,734	1,816,162	1,635,586	1,548,023
% of GDP:	6.02	5.85	6.52	5.37	4.70

Source: MoFEPT, Financial Planning and Control Division estimates

2021 Overview

A total Budget of SR 1.99bn was allocated towards the Central Government capital projects in the approved Budget for the year 2021. A number of projects that had been earmarked to be financed from foreign financing is not expected to see materialisation in the year. These projects include the construction of a new health centre at Baie Lazare, the reconstruction of the La Rosiere Primary school, the construction of the Drug rehabilitation centre, 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,

A number of large projects were ongoing in the year 2021 such as the construction of the new block of the Belonie Secondary School, the construction of a new crèche at Anse Royale, as well as various housing and land bank projects most of which forms part of the ‘24 in 24 in 24’ program in various districts.

2022 Outlook

The total Budget allocated towards Central Government investment projects for the year 2022 sums SR 1.5bn. This represents an increase of 37 per cent compared to the end of year Budget of 2021 which stands at SR 1.1bn. The sector increase that has contributed to the overall increase in allocation is budgeted to be from the land & housing sector. Total increase from this sector only stands at slightly over 100 per cent which essentially reflects a doubling of the allocations. A number of new housing projects are earmarked to start implementation in year 2022.

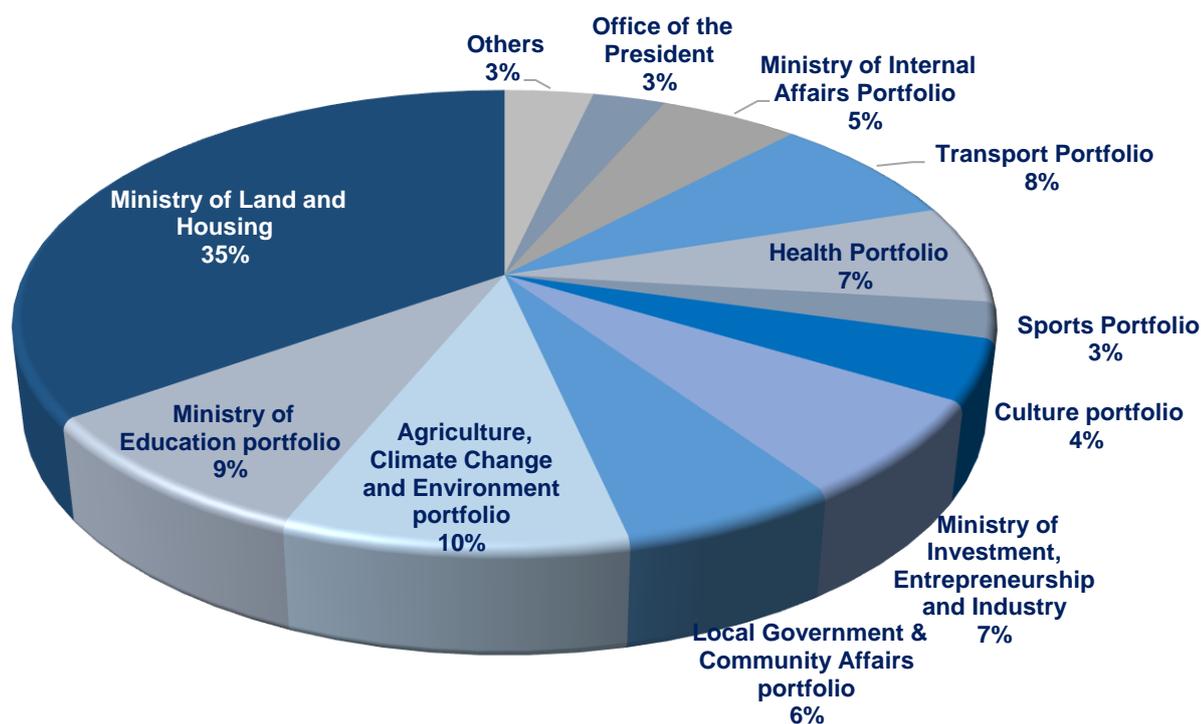
Below lists some of the main ongoing projects that form part of the PSIP Budget for 2022:

- Renovation works to the North East Point Health facilities with an allocation of SR 2.7m
- Construction of new classroom block at Belonie Secondary School at total cost of SR 24m with an allocation of SR 12m
- Construction of new housing units forming part of the “24 in 24 in 24” program with an allocation of SR 16.8m
- Construction of the new La Digue hospital with an allocation of SR 55m
- Construction of infrastructure at Zone 20 with an allocation of SR 13m

Domestic Financing

Total allocation in the 2022 Budget under local financing amounts to SR 443.5m. The Housing, Infrastructure and Land Transport Portfolio makes up the largest portion (35 per cent) of the total local financing of SR 443m. This is followed by the Agriculture, Climate Change and Foreign Affairs Portfolio with 10 per cent and the Education portfolio with 9 per cent. The below graph shows the domestic financing allocation across the portfolios:

Figure 26: Domestic Financing allocations



Source: MoFEPT, Financial Planning and Control Division estimates

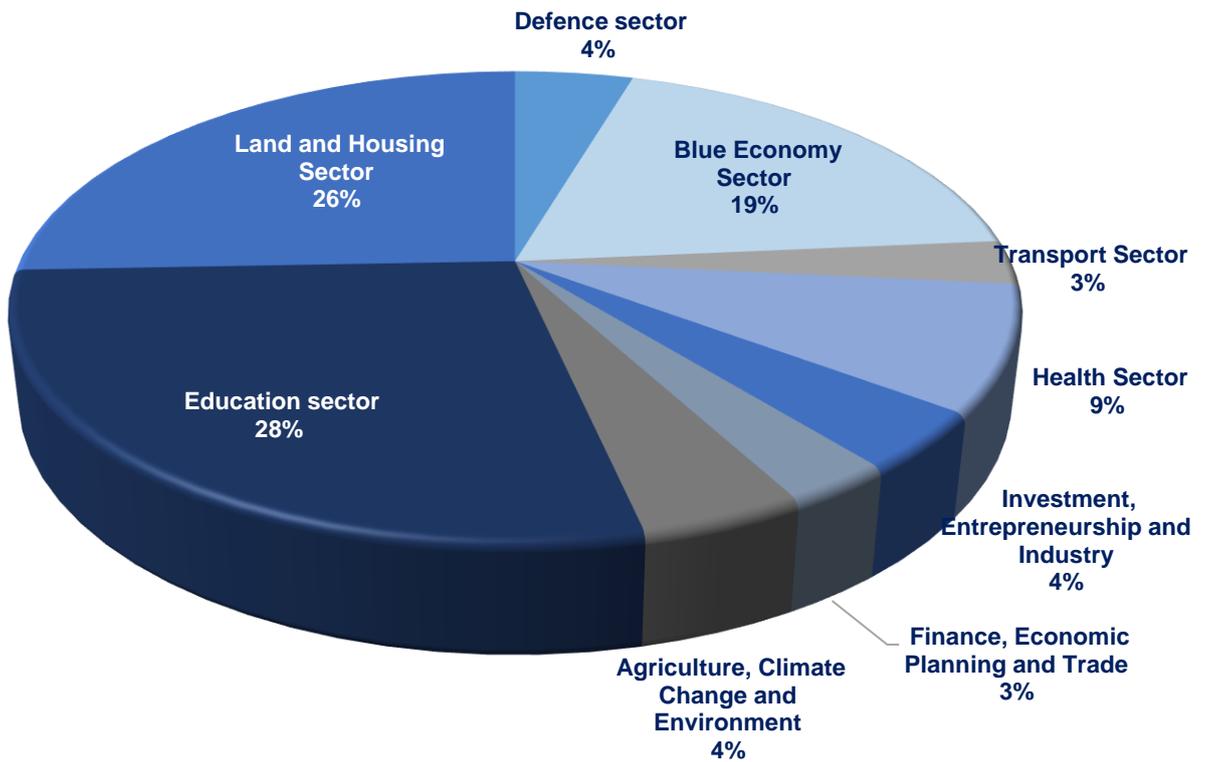
Projects being financed from local financing in the year 2022 are spread across various sectors and caters for both new and ongoing projects. These include the completion of various housing projects from the Land and housing sector forming part of the ‘24 in 24 in 24’ programme, the construction of infrastructure facilities on Zone 20 from the Investment and Entrepreneurship portfolio, various farm road projects and construction of an abattoir from the Agriculture, Climate Change and Environment Portfolio and small districts projects from the Local Government and Community Affairs portfolio.

Loan Financing

A total of SR 311.1m worth of capital projects for 2022 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 28 per cent of the total allocation. This is then followed by the office of the Land and Housing Portfolio with a share of 26 per cent which is in turn followed by an allocation of 19 per cent to the Designated Minister’s portfolio for projects related to the Blue Economy program.

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 27: Foreign Loan by Portfolio



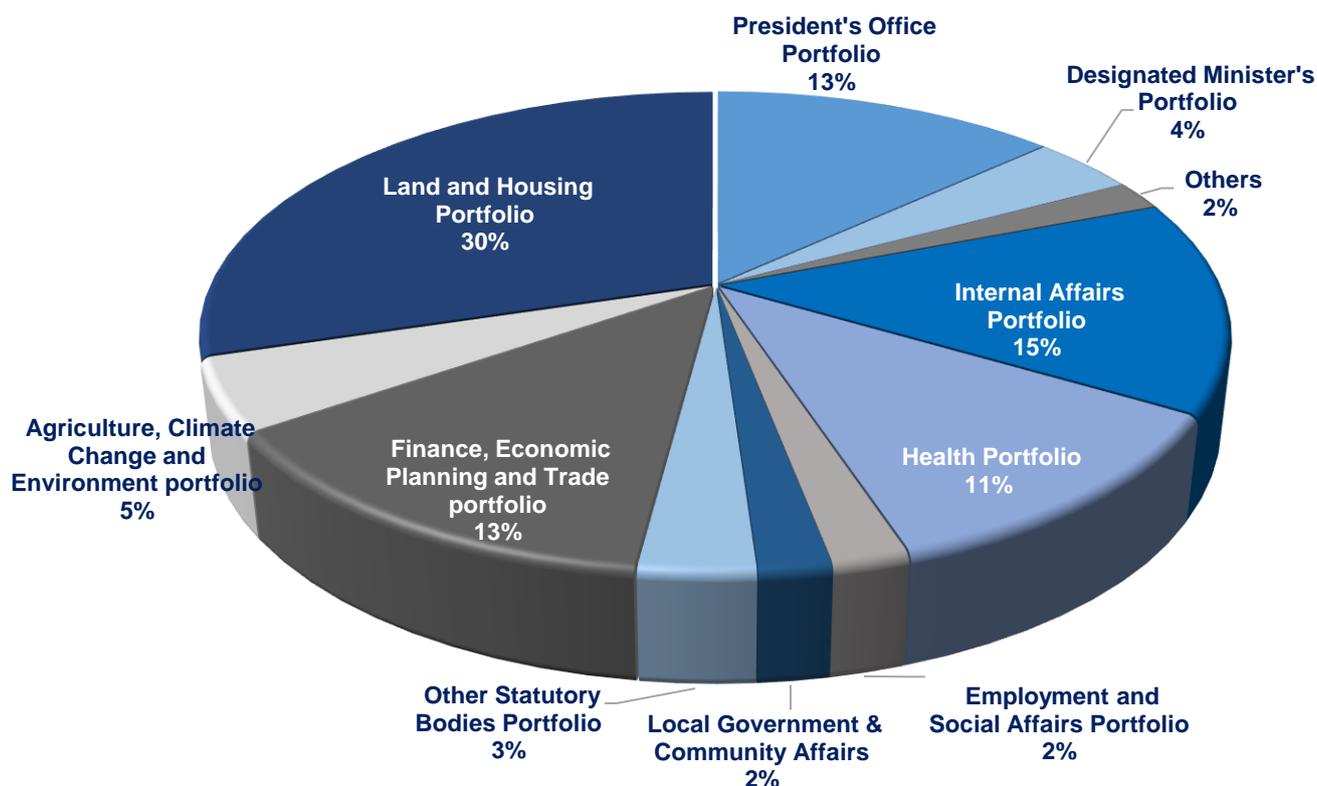
Source: MoFEPT, Financial Planning and Control Division estimates

Grants financing

Grant financing accounts for the highest proportion of financing of the Government’s public sector investment program for the year 2022. The Land and housing portfolio has the largest proportion of projects expected to be financed through foreign grants followed closely by the office of the president and the Finance and Economic planning portfolio.

Main projects expected to be financed through foreign grant for the year includes the continuation of the construction of the La Digue hospital, the Baie Lazare health centre, the construction of the government house building, 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 28: 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 2022. 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, UNDP 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 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. These are largely attributed to projects being financed from the Government of India for the construction of the Government House building, the new police headquarters building as well as the new office block for the office of the Attorney General.

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 2022 Budget is seen to be from the office of the president portfolio largely due to new construction projects from the department of Defence and the office of the Attorney

general. The second largest sector allocation is seen to be from the Land and Housing portfolio to cater for new housing projects expected to start implementation in the year 2022.

Table 26: Financing allocation for 2022-2024, SR'm

SECTORS	2021 EOY	2022 Budget	2023	2024
Office of the President	286,593	129,474	92,522	45,953
Designated Minister	80,788	90,165	84,421	
Foreign Affairs and Tourism	1,508	3,627	-	
Internal Affairs	13,346	137,205	110,123	112,377
Transport	26,128	47,125	47,175	43,500
Health	132,846	146,393	92,492	40,000
Employment and Social affairs		16,025	19,230	19,230
Youth Sports and Family	5,184	14,474	10,474	13,500
Culture	1,627	18,507	4,893	14,953
Investment, Entrepreneurship, and Industry	23,169	42,022	50,261	24,222
Local Government and Community Affairs	25,386	41,450	34,055	35,500
Constitutionally Appointed Authorities	7,072	1,500		
Other Statutory Bodies	2,218	31,087		
Finance, Economic Planning and Trade	98,227	118,189	62,781	24,457
Agriculture, Climate Change and Environment	138,402	93,742	91,259	91,206
Education	42,523	132,068	204,156	255,599
Land and Housing	226,728	463,639	481,979	725,142
Total:	1,112,103	1,526,693	1,385,822	1,445,639

Source: MoFEPT, Financial Planning and Control Division estimates

Development Grants to Public Enterprises

A total sum of SR 169.1m 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 46.3m. Of this, SR 14.5m relates to Government's contribution towards the implementation of its capital projects. The SR 31.8m 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 2022 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 2022 has been increase to SR 60m. The allocation is Government support towards infrastructure projects.

Net Lending

A total of SR 264.6m is being budgeted towards the Net Lending in 2022. 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 178m from the loan with EIB/ ADB for the financing of its infrastructure master plan; (2) SR 50.7m for the financing of its 33KV project. This is financed by BADEA; and (3) SR 35.6m to fund the La Gogue dam raising project. This is also financed by BADEA.

Contingency

A provision of SR 50m is being allocated under the contingency fund for 2022. The sum will cater partly for certain COVID-19 related expenses and other normal contingency expenses. Government has maintained the freeze on all compensation payments particularly in relation to the La Misere water, and Asphalt plant pollution as well as any fungus claims.

Debt Outlook

At the end of September 2021, the total Government and Government guaranteed debt amounted to SR 17.4Bn, representing about 70 per cent of GDP. In comparison to the same period last year, domestic debt has increased by SR 1.5Bn, and external debt has coincidentally decreased by about SR 1.5Bn. On the domestic side, this increase is attributed to the issuance of new T-bonds whilst on the external side the decrease can be explained by the reversal of the significant depreciation in the exchange rate in 2020. As illustrated in Table 1 below, the total stock of domestic debt amounted to SR 10.6bn whilst the external debt stock amounted to about SR 6.8Bn.

Table 27: Total debt by residency of creditors as at September 2021

Description	2021 (SR' m)	%
Domestic	10,550	60.7
o.w. Government	9,737	56.0
o.w. Guarantees	813	4.7
External	6,838	39.3
o.w. Government	6,704	38.6
o.w. Guarantees	134	0.8
Total Debt:	17,388	100.0

Source: MoFEPT Debt Management Office

As shown in Table 2 below, the Central Government debt makes up 95 per cent of the total debt, whilst the Government guaranteed debt accounts for the remainder of the stock.

Table 28: Total debt by Guarantee Status

Description	2021 (SR' m)	%
Government	16,441	94.6
Guarantees	947	5.5
Total Debt:	17,388	100.0

Source: MoFEPT Debt Management Office

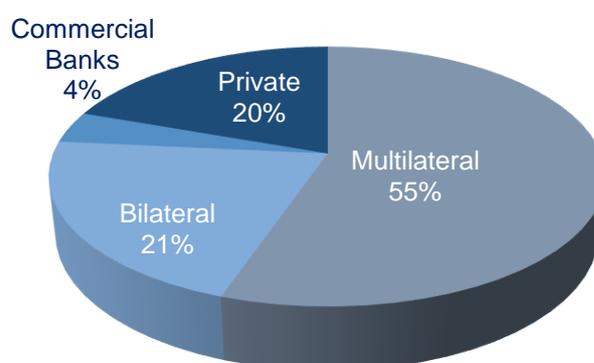
2021 External Debt Stock

At the end of September 2021, the total stock of external debt amounted to about SR 6.8Bn, or 27.3 per cent of GDP. As shown in Table 29, debts owed to multilateral creditors accounts for the largest share of the total external debt stock at 55 per cent of the stock. Private and Bilateral debts account for 20 per cent and 21 per cent of the total external debt stock respectively. Debts owed to commercial banks accounts for the smallest share at only 4 per cent.

Table 29: External Debt Stock Composition

Creditor Category	External Debt Stock (SR' m)
Multilateral	3,776
Bilateral, (of which);	1,457
Paris Club	773
Others	684
Commercial	268
Private	1,336
Total:	6,838

Source: MoFEPT Debt Management Office

Figure 29: Percentage distribution by Creditor Category

Source: MoFEPT Debt Management Office

The table below shows the external debt by instrument type. As can be seen, loans and securities are the main types of instruments in the debt portfolio. Securities account for the smallest share of the external debt stock at 20.5 per cent whilst loans accounts for the majority, 79.5 per cent.

Table 30: External debt by instrument type

Description	2021 (SR' m)	%
Loans	5,434	79.5
Securities	1,404	20.5
Total Debt:	6,838	100.0

Source: MoFEPT Debt Management Office

The table below shows a comparison in the external debt stock. The stock level as at September 2021 is significantly lower than last year's, mainly due to the significant appreciation of the local currency, which has lowered the cost of foreign exchange debt. By the end of September, the Seychelles Rupees had appreciated by 20.5 per cent vis-à-vis the USD.

Table 31: Comparison in External Debt Stock (Sept 2020 vs Sept 2021) (SR'm)

DESCRIPTION	Sept-20	Sept 21	Diff (%)
Multilateral	4,079	3,776	-16.5
Bilateral of which;	1,922	1,457	-28.6
Paris Club	1,002	773	-27.5
Non Paris Club	920	684	-29.9
Commercial Banks	355	268	-29.1
Private	1,993	1,336	-37.1
Total External Debt:	8,349	6,838	-24.6

Source: MoFEPT Debt Management Office

External debt repayments

The table below shows the external debt repayment forecasts for 2022 to 2025. The total repayment forecast will vary from SR 805m in 2022 and reaching SR 1.1Bn in 2024. The forecasted repayment is sensitive to exchange rate movements and is reflective of the current debt portfolio, which excludes new borrowings.

Table 32: External Debt Service Forecast (SR'm)

DEBT SERVICING	2022	2023	2024	2025
Interest	198	184	157	127
Principal	607	761	934	827
Total External Debt:	805	945	1,091	954

Source: MoFEPT Debt Management Office

2021 Domestic Debt Stock

As of September 2021, the total domestic debt amounted to SR 10.5Bn, representing 42.1 per cent of GDP and 60.7 per cent of the total debt portfolio. Securities and Loans are the main components of the domestic debt, with loans accounting for about 11 per cent and securities 86.4 per cent of the domestic debt stock. Securities is equally split between T-bills and T-bonds, amounting to over SR approximately SR 4.4bn each. Other debt liabilities accounts for 2.3 per cent of the domestic stock.

Table 33: Composition of Domestic Debt (SR'm)

DESCRIPTION	2021 (SR'm)	%
Loans	1,193	11.3
Securities of which;	9,112	86.4
Treasury Bills	4,449	42.2
Treasury Bonds	4,459	42.3
DBS Bonds	100	1.0
Deposits	47	0.4
Notes	58	0.6
Other Debt Liabilities	245	2.3
Total Domestic Debt:	10,550	100.0

Source: MoFEPT Debt Management Office

In comparison to last year, domestic debt increased by SR 1.5bn by the end of September 2021. This mainly stems from an increase in Government Securities following the issuance of new T-bonds. The Other Debt Liabilities has also increase slightly, reflecting additional Government guarantees under the Private credit line facility.

Table 34: Comparison in Domestic Debt Stock (Sept 2020 vs Sept 2021) (SR' m)

DOMESTIC DEBT	Debt Stock (SR' m) Sept-20	Debt Stock (SR' m) Sept 21
Government Securities	7,334	8,907
Other Securities	213	205
Loans	1,430	1,193
Other Debt Liabilities	47	245
Total Domestic Debt:	9,024	10,550

Source: MoFEPT Debt Management Office

Selected Economic Indicators

	2019	2020	2021	2022	2023	2024
National income and prices						
Nominal GDP (millions of Seychelles rupees)	23,603	21,669	25,041	27,840	30,459	32,937
Real GDP growth	4.46	-9.85	6.11	7.17	6.33	4.99
GDP deflator growth	1.27	1.84	8.9	3.74	2.9	3
CPI (annual average)	1.81	1.2	9.93	3.62	3	3
Government Budget (% GDP)						
Total revenue, including grants	36.4	35	32.3	34.9	34.8	36.3
Total revenue, excluding grants	36	33	30.1	32.1	32.9	33.9
Grants	0.4	2	2.2	2.8	1.8	2.4
Expenditure and net lending	36.1	53.4	41.5	38.3	34.2	30.7
Current expenditure	32.4	46.7	35.5	31.6	28.7	25.9
<i>Of which: interest payments</i>	2.4	3.3	2.7	2.6	2.4	1.8
Capital expenditure	2.3	4.6	4.4	5.5	4.5	4.4
Net Lending	0.6	0.8	0.9	0.4	0.2	-0.3
Primary balance	2.6	-15.1	-6.6	-0.8	2.9	7.4
Overall balance (accrual basis), including grants	0.2	-18.4	-9.2	-3.4	0.5	5.6
Overall balance (accrual basis), excluding grants	-0.2	-20.4	11.5	-6.2	-1.3	3.2
External sector (USD' m, unless otherwise indicated)						
Current account balance including official transfers	-272	-312	-262	-298	-	-
<i>Imports of goods</i>	1,114	852	890	998	-	-
<i>Imports of services</i>	679	483	538	613	-	-
<i>Exports of goods</i>	483	420	465	487	-	-
<i>Exports of services</i>	1,126	683	750	899	-	-
Primary Income, net	-82	-67	-56.4	-77	-	-
Secondary Income, net	-6	-13	6.5	7.4	-	-
Foreign Direct Investment	257	178	160	190	-	-
Gross official reserves (USD' m)	580	559	653	712	-	-
In months of imports, c.i.f.	3.8	5	4.7	4.4	-	-
Total external debt outstanding (% of GDP)	-272	-312	-262	-298	-	-
Total government and government-guaranteed debt	58.1	92.2	80.7	76	69.8	64.4
Domestic	31.6	43.5	45	40.6	34.6	34.2
<i>Of which: Monetary debt</i>	8.4	2.8	2.4	2.2	2	1.8
External	26.5	48.7	43.5	35.5	35.4	30.4

SECTION 3

Debt Management Strategy 2022-2024



GOVERNMENT OF SEYCHELLES

Debt Management Strategy

2022 - 2024



Ministry of Finance, Economic Planning and Trade
Republic of Seychelles
November 2021

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Introduction

This document 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. It is formulated using an excel-based analytical tool developed by the IMF/World Bank that takes into account linkages between debt and the key macroeconomic fundamentals like domestic revenues, expenditures and Gross Domestic Product (GDP) amongst others. This strategy document is broken down into the three parts.

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 2022-2024 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 2022, 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,

“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 2022 to 2024, 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 2008-2020 are as at calendar year end, whilst the 2021 figures are as at 30th September 2021.

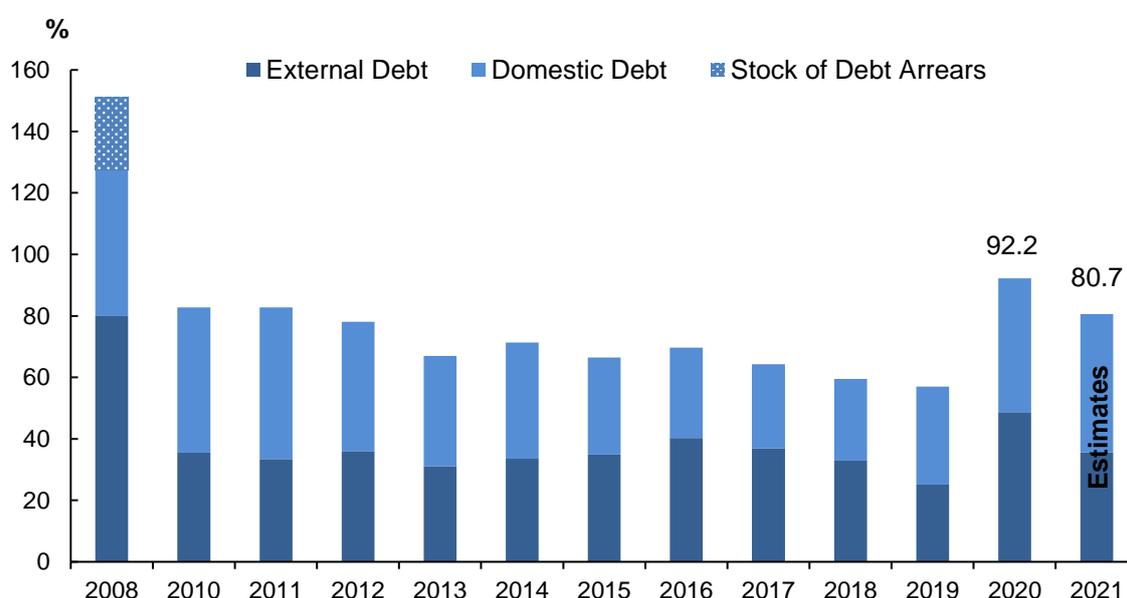
1.4. Legal and Institutional Framework

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

In the 1990s and early 2000s, Seychelles accumulated debt that was unsustainable. As the country's exchange reserves depleted and faced with the global economic crisis of 2008, the country undertook a comprehensive macroeconomic reform which included a massive debt restructuring program. Under the program, Seychelles' 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. Since then, the Government has made significant progress in reducing the level and structure its public debt.

Figure 1: Debt to GDP ratio for selected years



Source: MoFEPT, Debt Management Office

As can be seen in Figure 1 above, the total debt stock fell from over 150% of GDP in 2008 to around 67% in 2013. The introduction of treasury bills (T-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. As a mean of Ministry of Finance, Economic Planning and Trade

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 caused significant disruptions in economic activities, which affected the Government's fiscal position. Faced with a drop in revenue and a significant depreciation in the exchange rate, the Government had to resort into Budget support loans to finance the budget deficit. This resulted in a sharp rise in the debt-to-GDP ratio, reaching 92.2%¹ by the end of 2020 and putting the debt on an unsustainable path. The sharp recovery in the exchange rate in April, together with the GDP growth following re-opening of the country's border, contributed to the strong reduction in the ratio of public debt to GDP in 2021. By the end of the year, the debt to GDP is forecasted at 80.7%. However, significant risks to debt sustainability continue to exist. The Government is committed to restore the debt on a sustainable path and achieve its pre-COVID objective of reducing debt to around 50% of GDP by 2026.

¹ Note that the number has been revised downwards following the GDP rebasing
Ministry of Finance, Economic Planning and Trade

Part II

Recent Developments

Following the continuous negative impact of COVID-19 pandemic on the economy, the Government had to resort to additional borrowings both externally and domestically in order to finance the budget deficit. On the **external side**, the executive Board of the International Monetary Fund (IMF) approved a 32-month extended arrangement, whereby the fund agreed to assist the Government of Seychelles with USD 107m under the Extended Fund Facility (EFF). In July 2021, the Government received the first disbursement under the reform program equivalent to USD 34m, or 2.1% of GDP. In addition, USD 1.49m was disbursed under the India Line of Credit to be used for financing the Integrated Information System for the Ministry of Health. Table 1, below shows a breakdown of the external loans acquired as at September 2021.

Table 1: New External Borrowings as at the end of September 2021

Description	Loan Amount (USD' M)	Amount Disbursed (USD' M)	% of GDP
Exim Bank India- Line of Credit	4.05	1.49	0.1
IMF- EA- EFF ²	107.00	34.00	2.1
Total		35.49	2.1

Source: MoFEPT, Debt Management Office

Table 2: New Domestic Borrowings as at the end of September 2021

Description		Amount (SCR' M)	% of GDP
Treasury Bond	3-yr 7 % Bond	300.00	1.2
	5-yr 8% Bond	441.00	1.8
	7-yr 10% Bond	500.00	2.0
	Sub-total	1,241.00	5.0
LMO- Treasury Bonds	3-yr 5.75 % Bond	462.14	1.8
	5-yr 7.0% Bond	397.63	1.6
	7-yr 8.25% Bond	357.57	1.4
	Sub-total	1,217.34	4.8
Total		2,458.34	9.8

Source: MoFEPT, Debt Management Office

² Extended Arrangement- Extended Fund Facility

Table 2 above captures the major development that happened on the **domestic side**. With the aim of lengthening the maturity of its domestic debt portfolio and reducing the refinancing risks associated with short term borrowings, the Government issued three T-Bonds in the first quarter of 2021. A total of SCR 1.5bn was made available of which SCR 1.24bn was subscribed. Furthermore, as part of its strategy to lower financial risk exposures in order to achieve a more sustainable debt profile, Government together with the Central Bank of Seychelles implemented a Liability Management Operation (LMO) through a debt restructuring operation in July 2021. The aim of the operation was to convert some of the outstanding 182-Days and 365-Days T-Bills into either a 3-year, 5-year or 7-year T-Bonds. The Financial Institutions were the main target for the operations as they hold over three quarters of the outstanding T-Bills. The LMO was done through an auction mechanism whereby a total of SCR 1.22bn of T-bills were exchanged through the operation. Further details on the LMO is highlighted in Box 1 overleaf.

Due to the disruptions in the economic activities caused by the COVID-19 pandemic, the Central Bank of Seychelles (CBS) and members of the Seychelles Bankers Association (SBA) agreed on a relief scheme for the large and also the small enterprises in the private sector in 2020. The facility, which was supported by Government **guarantee**, was extended to continue throughout 2021 due to the persistent negative effect of COVID-19. A maximum fund of SCR 750m was made available for Large Enterprise under the Relief Credit Line Facility, which Government agreed to guarantee 50% of the funds borrowed. For the MSME Private Relief Scheme, an amount of SCR 500m was made available which Government offered a 70% guarantee of the amount borrowed. The table below illustrates the total disbursed amount guaranteed by the Government under each facility as at the end of September.

Table 3: New Government Guarantees as at the end of September 2021

Private Sector Relief Credit Line Facilities	Amount Guaranteed (SCR' M)	Disbursed (SCR' M)	Disbursement (% of GDP)
Large Enterprise	350	83.3	0.3
MSME	375	139.5	0.6
Total	725	222.8	0.9

Source: MoFEPT, Debt Management Office

Box 1: Liability Management Operation

In July this year, the Government together with the Central Bank, implemented a Liability Management Operation (LMO) through a debt restructuring operation. The objective of the operation was to improve the country's debt sustainability by reducing interest rate and refinancing risk through an exchange of outstanding source Treasury Bills (T-Bills) of 182-day and 365-day maturities for Destination Treasury Bonds (T-Bonds) with maturities 3 years, 5 years and 7 years.

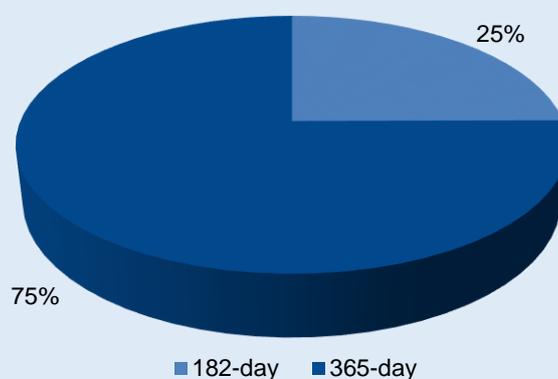
The bids for bonds were based on an auction mechanism that included both competitive and non-competitive bids, with competitive bidding available only to banks. Banks are the main holders of T-Bills, accounting for almost 78% of the stock. The LMO, which was on a voluntary basis, was conducted on July 14 2021.

The LMO offered to exchange up to SCR 1.5bn of outstanding T-bills. The operation was a successful one. A total of SCR 1.22bn or 4.8% of GDP, of source T-bills were exchanged in the auction. The table and chart below provides a breakdown of the outcome of the operation.

Table 4: Allocation of the Destination T-Bonds

	3-yr Bond	5-yr Bond	7-yr Bond
Allocation (SCR' M)	462.14	397.63	357.57
Competitive	397.04	298.70	284.30
Non-competitive	65.10	98.93	73.27
Shares (%)	38.1	32.7	29.4
Weighted Average yield (%)	5.76	7.09	8.43
Coupon Rate (%)	5.75	7.00	8.25

Figure 2: Share of the Source T-Bills used in LMO



Source: Debt Management Office and CBS

The shares of the 3, 5 and 7-year bonds allocated in the auction amounted to 38%, 33% and 29%, respectively. The majority of bills converted was from the 365-day, 75%, and the remaining 25% was in the 182-day bills.

The LMO has extended the average maturity of the participating debt portfolio by 4.8 years compared to the current maturity of less than 1 year. The weighted average yields on the LMO for the bonds are lower by 125-150 bps compared to the previously issued rates and contribute to mitigate roll-over risks.

The LMO was the initial step as part of Government's debt management strategy and will be further supported by an issuance strategy that better balances T-bills and bonds issuance.

Forecasted Disbursement for the remainder of 2021

The following table shows the forecasted loan to be disbursed from October to December 2021 on the domestic and external side respectively. On the domestic side, the Government aims to issue another T-bond valued at SCR 400m, or 1.6% of GDP with a choice between 4 and 6 years tenor.

Table 5: Forecasted Domestic Disbursement in Q4

Description	Loan Amount (SCR' M)	% of GDP	Expected Month of Issuance
Treasury Bonds (4-yr and 6-yr) ³	400	1.6	November
Total	400	1.6	

Source: MoFEPT, Debt Management Office

On the external side, other than the IMF, the African Development Bank (ADB) and International Bank for Reconstruction and Development (IBRD) are two other multilateral creditors that have guaranteed the availability of other loans facilities to the Government in 2021 as well as over the medium term through several Budget support programs. A total of USD 98.7m or 6.0% of GDP is forecasted to be disbursed in the coming months. These are illustrated in the table below.

Table 6: Forecasted External Disbursement in Q4

Description	Forecasted Disbursement (USD' M)	% of GDP	Expected Month of Disbursement
ADB- GERSP ⁴	20.00	1.2	November
IMF-EA- EFF	34.70	2.1	December
IBRD- DPO ⁵	35.00	2.1	December
IBRD- Program for Result under social protection	9.00	0.5	December
Total	98.70	6.0	

Source: MoFEPT, Debt Management Office

In other development, as part of its aim to increase transparency and accessibility to information, the Ministry of Finance has started publishing quarterly reports on debt management operations and outstanding debt position on its website.

³ Allocation between the 4-yr and 6-yr T-bond will depend on the auction results

⁴ Governance and Economic Reforms Support Program

⁵ Development Policy Operation

Overview of Existing Debt

At the end of September 2021, the total Government and Government guaranteed debt amounted to SCR 17.4bn, equivalent to about 70% of GDP. The majority of the debt stock, 60% is in the form of domestic debt whilst external debt accounts for 40% of the stock. As illustrated in Table 7 below, the total stock of domestic debt amounted to SCR 10.6bn whilst the external debt stock amounted to SCR 6.8bn. When compared to the same period last year, domestic debt has increased by almost SCR 1.5bn, or 17%. This is reflective of the new T-Bonds issuance. On the other hand, external debt has coincidentally decreased by an equivalent SCR 1.5bn, or 18%. This is attributed to the 20.5% appreciation in the SCR/USD rate over the quoted period. The table below provides a breakdown of the Debt stock as at the end of September 2021.

Table 7: Total debt by residency of creditors as at the end of September 2021

Description	Sept. 2021 (SCR' M)	%
Domestic	10,550	60.7
o.w. Government	9,737	56.0
o.w. Guarantees	813	4.7
External	6,838	39.3
o.w. Government	6,704	38.6
o.w. Guarantees	134	0.8
Total Debt	17,388	100.0

Source: MoFEPT, Debt Management Office

The nature of public debt is provided in Table 8 below. The Central Government debt accounts for about 95% of the total debt whilst the Government guaranteed debt accounts for 5.4% of the total debt.

Table 8: Total debt by Guarantee Status

Description	Sept. 2021 (SCR' M)	%
Government	16,441	94.6
Guarantees	946	5.4
Total Debt	17,387	100

Source: MoFEPT, Debt Management Office

2.1. External Debt Profile

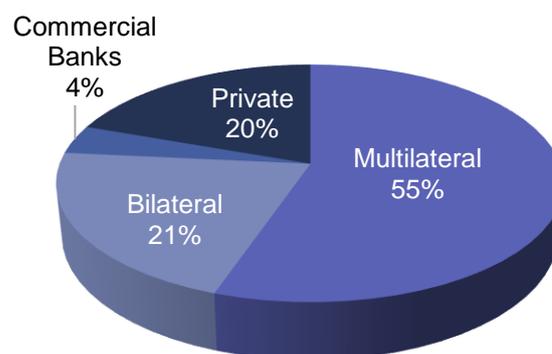
The external debt is defined as the outstanding amount of those actual current, and not contingent, liabilities that require payment(s) of principal and/or interest by the debtor at some point(s) in the future and that are owed to non-residents by residents of the Seychelles economy.

At the end of September 2021, the total stock of external debt amounted to SCR 6.8bn, or 27.3%. This represents a decrease of SCR 1.5bn compared to same period last year when external debt was equivalent to about 41.3% of GDP. As shown in the table below, outstanding debts to multilateral creditors accounts for the largest share of the total external debt stock, 55.2%. Private and Bilateral debts make up for 19.5% and 21.3% of the total external debt stock respectively. Debt owed to commercial banks accounts for the smallest share of the total external debt at only 3.9%.

Table 9: Total debt by Creditor Category

Description	Sept. 2021 External Debt Stock (SCR' M)	%
Multilateral	3,776	55.2
Bilateral of which;	1,457	21.3
<i>Paris Club</i>	773	11.3
<i>Non-Paris Club</i>	684	10.0
Commercial Banks	268	3.9
Private	1,336	19.5
Total	6,838	100.0

Figure 3: Percentage distribution by Creditor Category



Source: MoFEPT, Debt Management Office

As indicated in Table 10, loans and securities are the main types of instruments contained in the debt portfolio. Securities account for the smallest share of the external debt stock at 20.5% whilst loans accounts for 79.5%.

Table 10: External Debt by Instrument Type

Description	2021 (SCR' M)	%
Loans	5,434	79.5
Securities	1,404	20.5
Total Debt	6,838	100

Source: MoFEPT, Debt Management Office

2.2. Domestic Debt Profile

The stock of domestic debt comprises of all debt liabilities owed to residents of the Seychelles economy. As of September 2021, the total domestic debt amounted to SCR 10.5bn, or 42.1% of GDP. As stated above, the domestic stock increased by SCR 1.5bn, or 10.5%, compared to the same period last year. This is attributed to the new Bonds issued. Loans and Securities are the main components of the domestic debt, with loans accounting for about 11.0% and securities 86.4% of the domestic debt stock. The securities category was mostly made up of T-bills, which accounted for 42.2% and T-bonds, which represent 42.3% of the total domestic debt profile

Table 11: Domestic Debt by Instrument Type

Description	2021 (SCR' M)	%
Loans	1,193	11.3
Securities of which;	9,113	86.4
<i>Treasury Bills</i>	4,449	42.2
<i>Treasury Bonds</i>	4,459	42.3
<i>DBS Bonds</i>	100	1.0
<i>Deposits</i>	47	0.4
<i>Notes</i>	58	0.6
Other Debt Liabilities	245	2.3
Total Debt	10,551	100

Source: MoFEPT, Debt Management Office

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 analyzed 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. As at the end of 2021, the average life of the total portfolio is estimated around 4.6 years. The ATM on the complete debt portfolio has decreased by 0.3 years, or 6.1% in comparison to 2020. This is mainly attributed to a 10.3%, or 0.7 years decreased on the external debt portfolio as the restructured Paris Club debts and some of external loans nears maturity. On the domestic side, the issuance of an equivalent of SCR 2.5bn in T-bonds previously mentioned, has resulted in a 28% increase in the ATM. This implies a decrease in the exposure of the debt portfolio to refinancing risk compared to last year. This reflects Government strategy to lengthen the maturity of the domestic debt hence mitigating the roll-over risks associated with short-term instruments, namely T-bills.

Table 12: Average Time to Maturity (2020 vs 2021)

ATM (Years)	2020	2021	Diff. (%)
External Debt	6.8	6.1	-10.3
Domestic Debt	2.5	3.2	28.0
Total Debt	4.9	4.6	-6.1

Source: MoFEPT, Debt Management Office

3.1.2. Share of Debt Maturing within one year

The table below shows the share of debt maturing in one year. As can be seen, there has been a significant decrease of 38.2% on the proportion of domestic debt portfolio maturing within a year. This is reflective of the LMO by which SCR 1.2bn of Government securities maturing in 182- and 365-days were converted into three T-bonds with average maturity of 5 years. The decrease is also attributed to the reduction in T-bills issuance in 2021 compared to the same period last year. On the external side, 9.2% of the debt will mature within one year. This represents a 24.3% increase when compared to 2020.

Ministry of Finance, Economic Planning and Trade

Despite this increase, the significant reduction on the domestic debt portfolio has helped to reduce the percentage of debt maturing within a year in overall debt portfolio by 6.5 basis points, or 22.6%.

Table 13: Debt Maturing within 1year (2020 vs 2021)

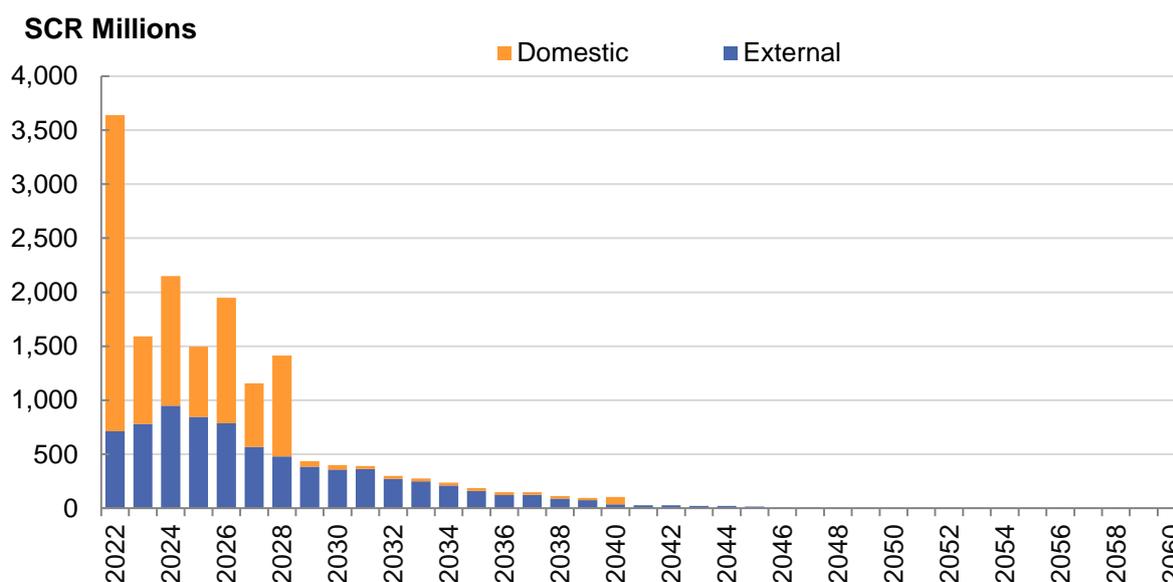
Debt maturing in 1yr (% of total)	2020	2021	Diff. (%)
External Debt	7.4	9.2	24.3
Domestic Debt	54.7	33.8	-38.2
Total Debt	28.7	22.2	-22.6

Source: MoFEPT, Debt Management Office

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.

Figure 4: Total debt redemption profile



Source: MoFEPT, Debt Management Office

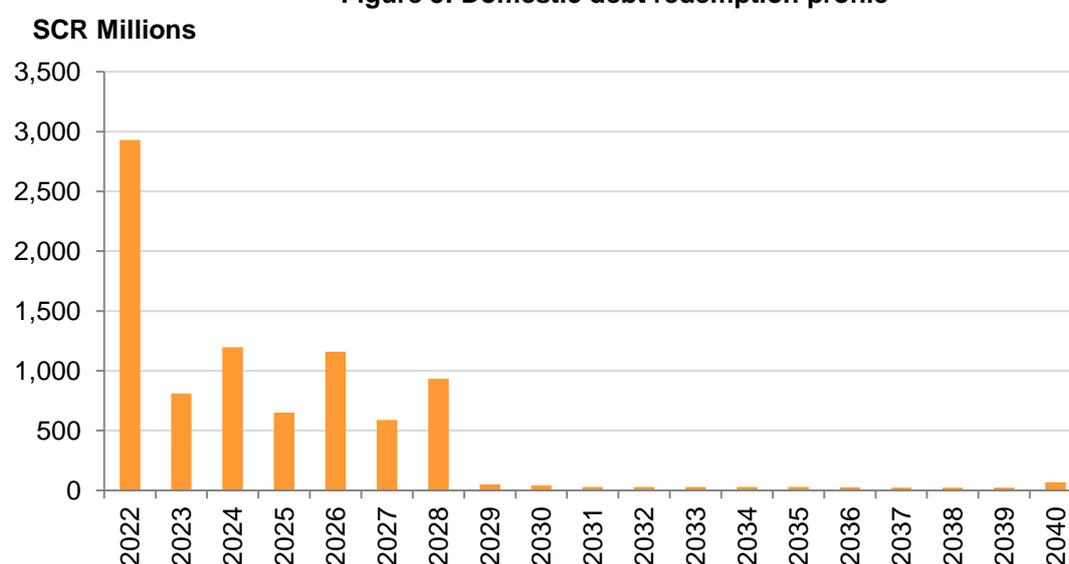
As illustrated in the figure above, about SCR 3.6bn of debt is estimated to due in 2022⁶. This is attributed to the high share of short-term instruments, namely T-bills, within the debt portfolio. As a

⁶ Note that this is based on information as at end of September 2021. The figures will vary with issuance of new Loans and Securities.

result, the redemption profile for the total debt from 2023 to 2040 closely mirrors that of the external debt profile, which comprises of longer-term instruments.

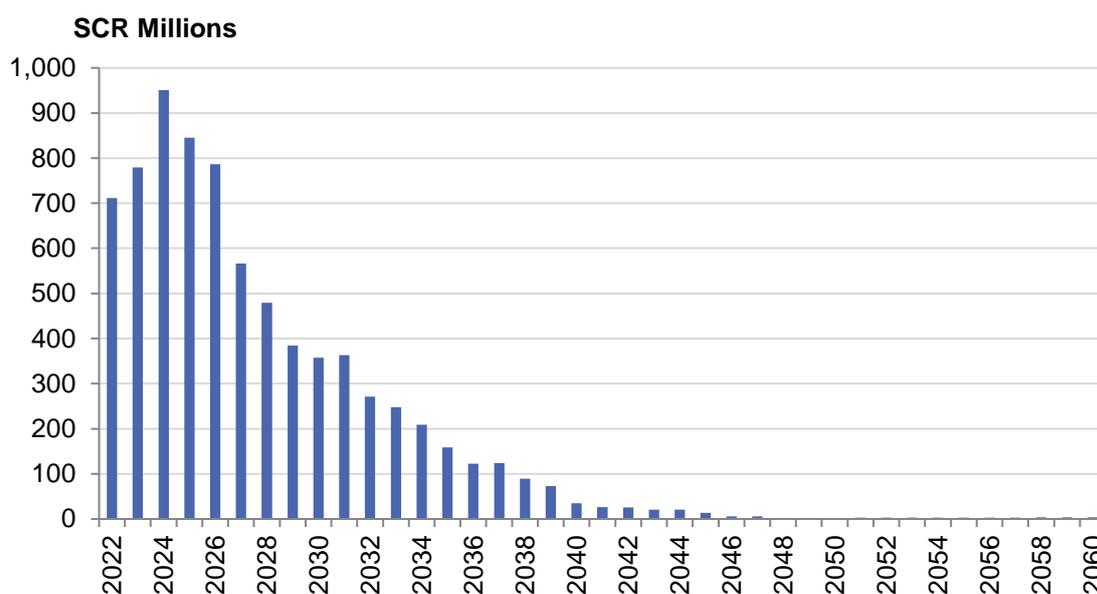
The figure below analyses the domestic debt profile more closely. As can be seen, most of the domestic debt will mature in 2022. This is representative of almost one third, or 33% of the total current domestic debt stock. As previously stated, this is attributed to the high shares of T-bills with short term maturities and indicates a relatively high roll-over/refinancing risk. It is important to note the significant improvement made by the Government to mitigate such risk following the LMO and issuance of T-bonds. The domestic debt redemption profile is more spread over the years compared to last year. As part of its debt management strategy, Government remains committed in its efforts to lengthen the maturity of the domestic debt portfolio so that it limits exposures to refinancing risks. This is further elaborated under the Borrowing plan.

Figure 5: Domestic debt redemption profile



Source: MoFEPT, Debt Management Office

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 2022. The total principal repayments are expected to gradually increase over the next two years and 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 6: External Debt Redemption profile

Source: MoFEPT, Debt Management Office

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 decreased for external loans from 4.5 years to 3.4 years whereas for domestic debt it increased from 1.9 years to 2.6 years. The former decreased as several of the external loans with variable interest rate will be maturing in the near future. The increase on the domestic debt is also reflective of the issuance of new bonds and the LMO that was undertaken. The ATR on the total debt portfolio fell from 3.2 years in 2020 to 3.0 years in 2021, or by 6.3%. The ATR provides an indication of a moderate risks for the total portfolio. The risk on the domestic debt portfolio has improved substantially but remains moderately high given the size of the domestic debt portfolio.

Table 14: Average Time to Re-Fixing (2020 vs 2021)

Average Time to Re-fixing (ATR) (years)	2020	2021	Diff. (%)
External Debt	4.5	3.4	-24.4
Domestic Debt	1.9	2.6	36.8
Total Debt	3.2	3.0	-6.3

Source: MoFEPT, Debt Management Office

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 because either they are maturing or they are debt with variable rate. Table 15 below summarizes the change in percentage of debt Re-Fixing within one year in 2020 compared to 2021.

Table 15: Percentage of Debt Re-Fixing within one year (2020 vs 2021)

Debt re-fixing in 1yr (% of total)	2020	2021	Diff. (%)
External Debt	41.6	49.4	18.8
Domestic Debt	65.2	42.7	-34.5
Total Debt	52.8	45.9	-13.2

Source: MoFEPT, Debt Management Office

About 49.4% of the external debt and 42.7% of the domestic debt will be subject to a new interest rate within one year. There has been a significant decrease on the percentage of domestic debt that needs re-fixing in a year. Again, this can be explained by the conversion of T-bills into T-bonds coupled with the issuance of bonds which have longer maturities and bears fixed interest rates. This has helped to reduce the risk exposure on the total debt portfolio despite the increase in exposure from the external debt portfolio. However, although the percentage of debt that needs to be re-fix within 1 year has decline, the risk remains moderately high.

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 57.5% of the external debt portfolio, 89.8% of the domestic debt portfolio and 74.6% of the total debt portfolio.

Table 16: Fixed Rate Debt as a Share of the Total Debt (2020 vs 2021)

Fixed Rate Debt (% of total)	2020	2021	Diff. (%)
External Debt	64.1	57.5	-10.3
Domestic Debt	88.2	89.8	1.81
Total Debt	75.5	74.6	-1.19

Source: MoFEPT, Debt Management Office

Overall, the percentage shares of fixed rate debt in 2021 have remained more or less around the same level as 2020 on the domestic debt side. However, the external debt shows a decrease of about 10.3%, reflective the additional loans taken. The overall percentage indicates low risks to each of these portfolios, especially on the domestic side.

3.3. Exchange Rate Risks

Exchange rate risks relates to the risk of increase in the cost of 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 below.

Table 17: Foreign Exchange rate risks indicators (2020 vs 2021)

Risk Indicators	2020	2021	Diff. (%)
FX debt (% of total debt)	52.7	47.9	-9.1
ST FX debt (% of reserves)	6.7	6.9	3.0

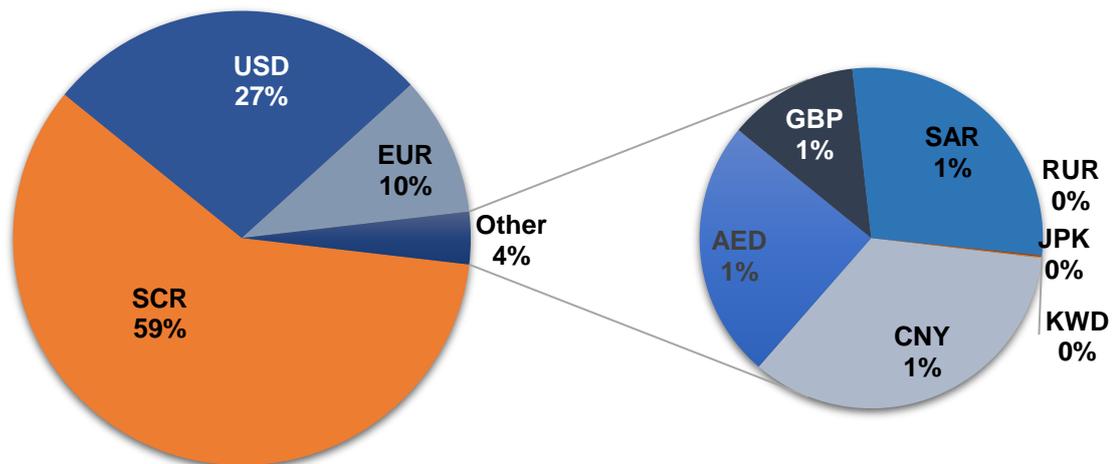
Source: MoFEPT, Debt Management Office

As at the end of 2021, the percentage of foreign exchange debt represented almost 47.9% of total debt compared to almost 53% in 2020. This reflects a decrease of 9.1% which can be explained by the appreciation in the exchange rate, thus making it more favorable to service debt which are in foreign exchange. This risk indicator shows moderate exchange rate risks. The share of external debt that will fall due within one-year accounts for only 6.9% of the country's reserves. This figure has increased by 3% compared to 2020 and indicates low risks

3.3.1. The Currency Composition

The currency composition provides an overall indication of the exposure to exchange rate risks to the portfolios. As shown in **Figure 7**, the total debt stock is made up of three main currencies, which are the Seychelles Rupee (SCR) 59%, United States Dollars (USD) 27% and Euros (EUR) 10%. Compared to last year, the composition of local currency has increased by 11 percentage points and indicates moderate risk in the portfolio. The total foreign exchange debt has thus decreased by an equivalent 11 percentage point compared to last year, indicating lower exposure to exchange rate risks. The USD and the EUR remains the major currencies for FX loans, accounting for 27% and 10% respectively. The decrease in foreign currency composition is due to the appreciation in the SCR vis-à-vis the major currencies. Additionally, up to September 2021, there has been an increase in SCR denominated debt in the portfolio. 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 4% of the total debt stock.

Figure 7: Currency Composition as at end of September 2021



Source: MoFEPT, Debt Management Office

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. Some 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. In 2022, the Debt Management Office intends to migrate to a new, more user-friendly database. The software will still be managed by the commonwealth secretariat. There is the need to ensure that debt office acquires the necessary hardware and training for the migration.

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 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 to effect 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 digitally as well as in a hard copy folder.

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 has increased slightly by 11.8% in 2021 compared to 2020. This is mostly associated to the increase in the implied interest rate on the domestic debt following the issuances of the T-bonds with interest rate quoted as per Table 2 on page 7. The average interest rate on the external debt decreased by about 15.6%, which is associated with the appreciation of the rupee over 2021 compared to the same period last year.

Table 18: Cost of debt as at end (2020 vs 2021)

Weighted Average IR (%)	2020	2021	Diff. (%)
External Debt	4.5	3.8	-15.6
Domestic Debt	5.8	7.4	27.6
Total Debt	5.1	5.7	11.8

Source: MoFEPT, Debt Management Office

Part III

The Environment for Debt Management

4.1. The Fiscal Sector

The adverse effect of the COVID-19 pandemic resulted into a budget deficit of 14.8% in 2020. The effect still persuaded in 2021. However, following several budgetary cuts and improvement in economic activities, Government managed to narrow the deficit to only 0.8% of GDP for 2021. This has been financed through both external and domestic borrowings as previously mentioned. Throughout the pandemic, Government has been able to service its debt obligations. Borrowings have been done cautiously by ensuring that the debt remains on a sustainable path.

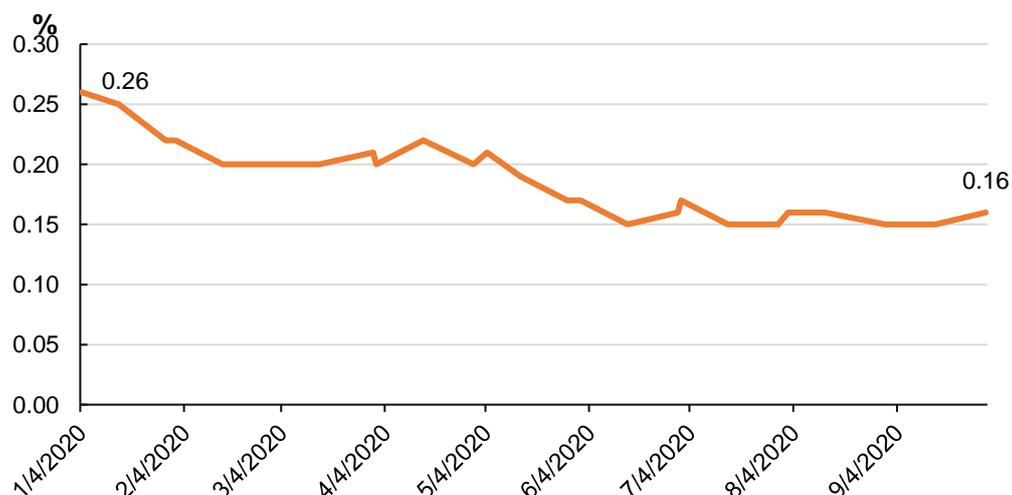
The pandemic has impeded Government's target to reduce debt to around 50% of GDP by 2021. However, with the gradual improvement in economic activities and through prudent fiscal disciplinary measures, Government is committed to achieve its pre-COVID objective by 2026.

4.2. The Monetary Sector

LIBOR Rate

Since the beginning of 2021, the interest rate on the USD LIBOR 6 months has been on a general decline. As shown by **Figure 8** below, the rates fell from nearly 0.26% at the beginning of January 2021 to reach 0.16% at the end of September 2021. The decline in the USD LIBOR rate is expected to lead to reduction in the cost of servicing debt subject to this rate.

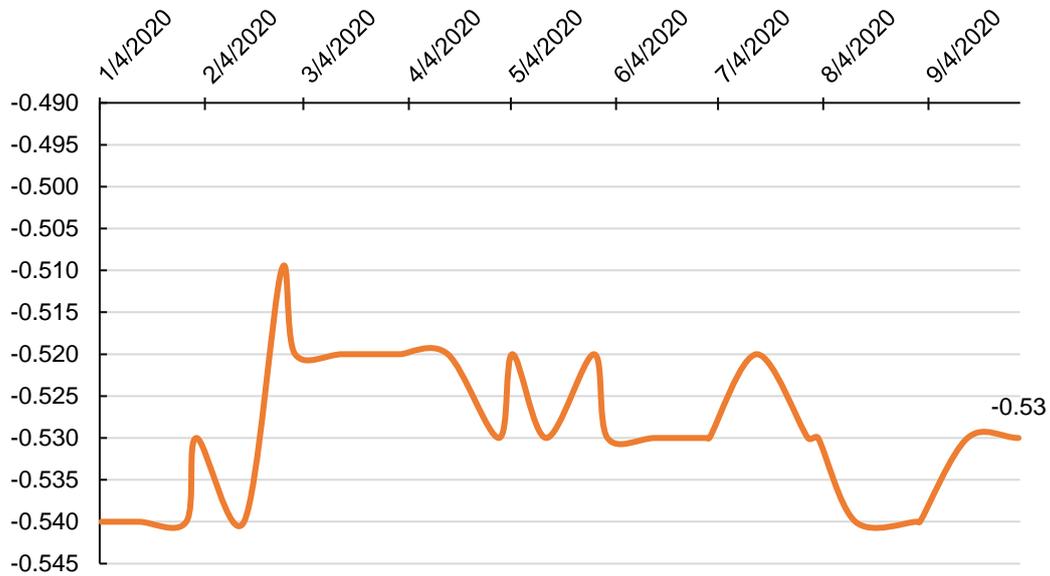
Figure 8: USD LIBOR Interest Rate



Source: Intercontinental Exchange (ICE)

On the other hand, the Euro LIBOR rate has been quite stable in 2021. At the beginning of January, the rate stood at -0.54%, which is the lowest it has been for 2021. From there on the rate has fluctuated between -0.54% and -0.51%. By the end of September 2021, the Euro LIBOR stood at -0.53%.

Figure 9: Euro LIBOR Interest Rate



Source: Intercontinental Exchange (ICE)

As of January 2022, the LIBOR will no longer be used as the reference rate. Further details are provided in Box 2 overleaf.

Box 2: Cessation of LIBOR*What is LIBOR?*

The London Interbank Offered Rate (LIBOR) is a benchmark interest rate at which major worldwide banks lend to one another and indicates the costs between banks. The rate is determined on five currencies (USD, Euro, Pound Sterling-GBP, Japanese Yen-JPY and Swiss Franc-CHF) and for seven different tenors (overnight, one week, one month, 2-months, 3-months, 6-months, and 12-months) on all currencies. The rates are published daily by Intercontinental Exchange (ICE).

LIBOR scandal

In 2017, the Financial Policy Committee (FPC) and the Bank of England noted that it had become increasingly apparent that major banks colluded to manipulate the LIBOR rates. The absence of market dynamics and the insufficiency of unsecured deposit transactions raised concerns on the sustainability of the LIBOR benchmarks. Early in 2021, it was officially announced that GBP, Euro, CHF and JPY LIBOR panels, as well as panels for 1-week and 2-month USD LIBOR, will cease at end-2021, with the remaining USD LIBOR panels ceasing at the end of June 2023.

Effect on Debt

As of January 1, 2022, the new changes in the reference rates will be fully implied. Currently there are only a few loans in the debt portfolio that will be impacted by the change. These loans have been acquired from the UK Government, the World Bank (IBRD) and from Exim Bank of Japan. These are listed below alongside the new reference rate being proposed.

Current and proposed reference rate for Seychelles' Debt Portfolio

Creditor	Current Reference Rate	New Risk-free rate	Description
UK Export Finance	USD LIBOR	SOFR	Secured rate that covers multiple overnight repurchase market segments
IBRD	USD LIBOR	SOFR	Unsecured rate that covers overnight wholesale deposit transactions
IBRD	EURIBOR	EURIBOR	Unsecured rate that captures the overnight wholesale deposit transactions
Japan Bank for International Cooperation (JBIC)	JPY LIBOR	TONAR	Unsecured rate that captures overnight call rate market

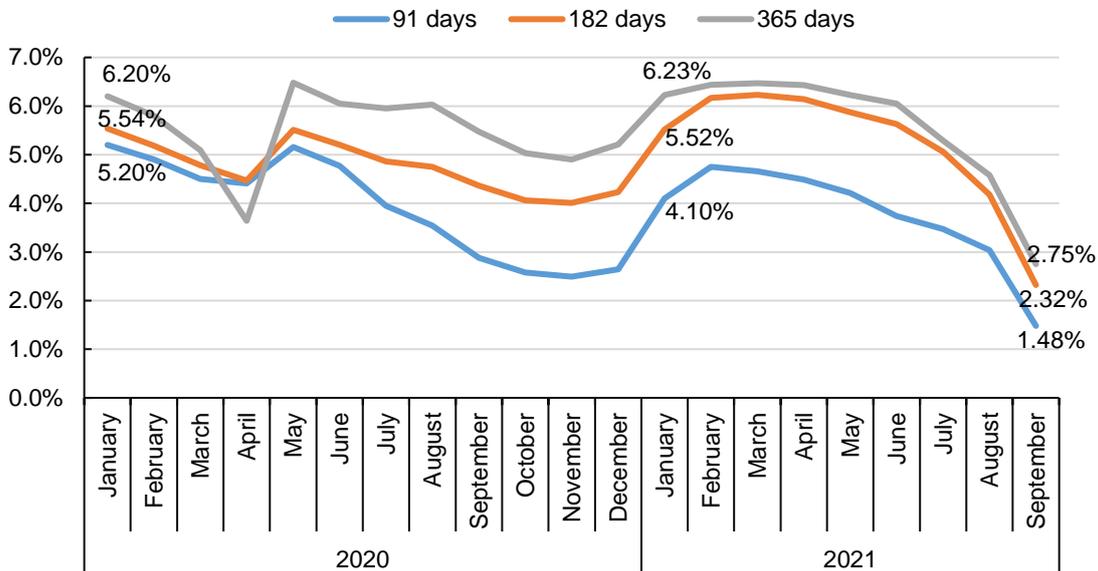
Source: MoFEPT, Debt Management Office

To enable the smooth transition from using LIBOR, legal procedures are being undertaken in order to amend the loan agreements to reflect the necessary changes. Additionally, the forecasted interest repayments will need to be amended to reflect the changes. The current loan recording system being used by the Debt Management Office, the CS-DRMS, makes provision so that the rates can be altered. The forecasting rules will be amended accordingly to reflect the new changes as at 2022.

T-bills Rate

In terms of the domestic market, the weighted average interest rate on T-bills has decreased significantly from January 2021 compared to the rate as at the end of September 2021. As can be seen in **Figure 10** below, the rates have declined by 3.48, 3.20 and 2.62 percentage points on the 365-, 182- and 91-Day bills respectively. The decline in rates follows the significant decrease in T-bills' volume and more issuance of T-bonds by the Government as part of its strategy to reduce the refinancing risks and lengthening the maturity of the domestic debt profile. The difference in interest rate spread has also reduced gradually over 2021. As at the end of September, the difference between the 182- and 91-Day bills stood at 0.84 percentage point whilst between the 365- and 182-Days, the spread was only 0.43 percentage point.

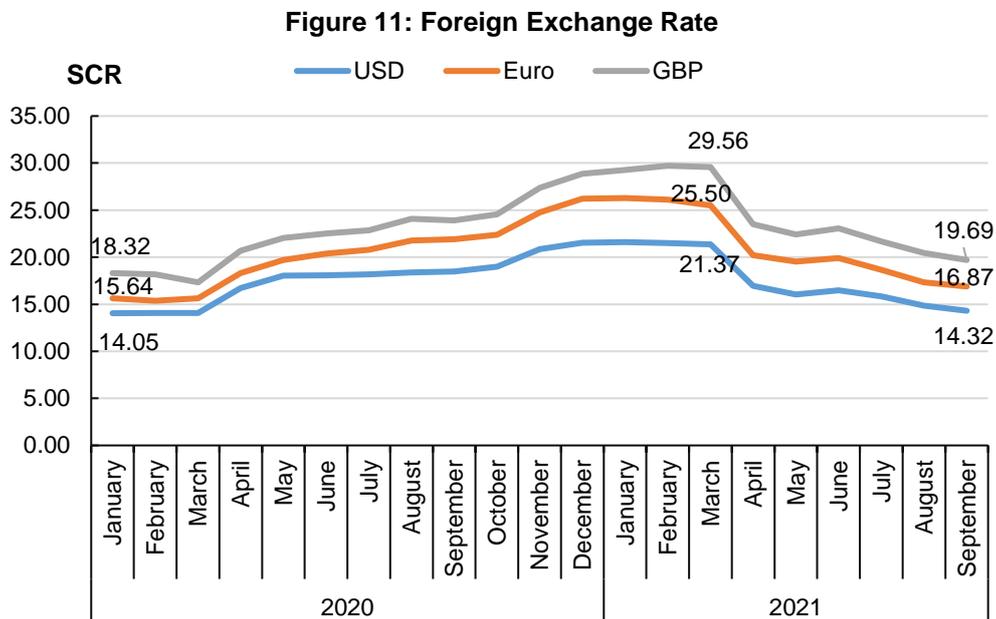
Figure 10: Interest Rate on Treasury Bills



Source: Central Bank of Seychelles

4.3. The External Sector

As can be seen from the figure below, after March 2020, the SCR has depreciated significantly in comparison to the three main currencies, namely USD, Euro and GBP. A year later, the rupee was trading at an average of around SCR 21.37 to a USD, SCR 25.50 to a EURO and SCR 29.56 to a GBP 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. However, in the second quarter of 2021, with the gradual re-opening of the borders and relaxation of the restrictions imposed during the pandemic, the SCR eventually appreciated returning more or less to the pre-COVID level. As at the end of September 2021, the Rupee was trading at an average of SCR 14.32 to a USD, SCR 16.87 to a EURO and SCR 19.69 to a GBP respectively.



Source: Central Bank of Seychelles

4.4. The Real Sector

The key indicator 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. The COVID-19 pandemic has hindered economic growth over 2020 and the impact persisted in the first quarter of 2021. However, with the early roll out of the vaccination campaign and re-opening of the borders, economic activities have slowly picked-up. The real GDP growth is forecasted at 6.1% by the end of 2021 following a 9.9%⁷ contraction in 2020. This, along with sharp recovery in the exchange rate has contributed positively towards slowly reducing the debt to GDP ratio. By the end of 2020, debt stood at 92.2% of GDP and is forecasted to decline to 80.7% by the end of 2021.

For 2022, economic activities are expected to continue to improve gradually and eventually catch up to the pre-COVID growth trajectory. Face with a narrow budget deficit forecasted at -0.8%, Government will need new borrowings for the coming year. However, borrowing will be done prudently at the lowest cost and lowest risk possible. The debt to GDP ratio is expected to decline to 76.0% by the end of 2022 and will continue along the same path over the medium term and reaching around 50% by 2026.

⁷ Based on rebased GDP estimates.

The Debt Management Strategy Framework

5.1. Debt Management Strategy 2022-2024

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. Four financing options were evaluated under uniform macroeconomic assumptions, economic outlook, and shock scenarios to ensure that the selected debt management strategy is feasible. The 2022-2024 MTDS will guide the Government's borrowing and intends to ensure a well-balanced composition of its debt portfolio in terms of costs and risks.

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

5.1.1. Alternative Strategies

Strategy 1- Current Strategy- 47% External Borrowing and 53% Domestic Borrowing

Strategy 1 (S1) represents the existing debt portfolio composition which assumes an average of external and domestic debt borrowing at 47.1% and 52.9% respectively over the medium term.

Out of the external financing, 50.2% is expected from multilateral creditors at concessional and semi concessional terms whilst 29.3% is in the form of disbursements from bilateral creditors, both traditional and non-traditional creditors. In addition, Government expects to borrow 20.5% under non-concessional and commercial terms as per current profile.

On the domestic side, S1 aligns with Government's effort to lengthen the maturity of domestic debt. The stock of T-bonds will account for almost 60% of the total domestic debt thereby reducing refinancing risk associated with T-bills, which is assumed to be around 25% of total domestic borrowing. The remainder of the borrowings will come from the commercial side. S1 is presented alongside other

strategies in order to assess how the current strategy can be improved or if it still remains the ideal strategy moving forward.

Strategy 2 - Extreme Strategy - Domestic Borrowing Only

Strategy 2 (S2) looks at an 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 50% financing in long-term maturities instruments, such as T-bonds. The strategy assumes 30% will be borrowed in T-bills and the remainder will be borrowed from commercial banks. Under this strategy there is a higher interest rate risk associated.

Strategy 3 - Extreme Strategy - External Borrowing Only

This strategy (S3) considers the other 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 4 - Mix Strategy - Multilateral & Lengthening Maturity

Strategy 4 (S4) also examine a realistic scenario comprising of a mixed strategy which 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. On the domestic side, a higher share of fixed rate domestic debt with longer maturities is considered. In this strategy, 40% of borrowings is assumed to come from the domestic market. In this strategy, short-term domestic debt, i.e. T-bills, are replaced with T-bonds which has longer maturities.

5.1.2. Analysis of the Alternative Strategies

Table 19 overleaf presents the risk indicators associated with the different proposed strategies. In terms of cost and risk indicators and in-line with the objectives which this MTDS intends to achieve, the presented strategies provide an implied portfolio interest rate lower than the current implied rate. S2 shows slightly higher implied rate attributed to the higher cost of domestic borrowings and its interest payments whilst S3 shows the lowest implied rate given that only external debt financing is considered under this scenario.

In terms of refinancing risks, S3 provides a longer ATM of 11.5 years. However, this comes at the expense of a lower ATM on the domestic portfolio, closely mirroring the ATM on the current domestic portfolio. Since the aim is to lengthen the maturity of both the domestic and external portfolio, S4 provides a better balance within the portfolio. S4 provides a long ATM of 10.6 years and this is attributed to the bigger proportions of concessional and semi-concessional loans under external debt with long maturities of between 25 and 40 years. It also provides the opportunity to borrow from and develop the domestic debt market by strategically managing the roll-over risk and lengthening the maturity of the domestic debt portfolio. S2 is the least favorable when it comes to ATM, showing an ATM of only 7.4 years on total portfolio despite the higher ATM on the domestic portfolio when compared to the other strategies. Looking at the refinancing risk, S3 and S4 is more favorable for the debt sustainability objective.

Table 19: Cost Risk Analysis of Strategies as at end of 2024

Risk Indicators		2021	As at end FY2024			
		Current	S1	S2	S3	S4
Implied interest rate (%)		5.1	4.6	5.0	4.2	4.5
Refinancing risk	ATM External Portfolio (years)	6.1	11.4	5.8	13.2	12.4
	ATM Domestic Portfolio (years)	3.2	5.9	8.0	3.4	6.3
	ATM Total Portfolio (years)	4.6	9.2	7.4	11.5	10.6
Interest rate risk	ATR (years)	3.0	5.8	4.1	7.1	6.1
	Debt refixing in 1yr (% of total)	45.8	45.6	45.4	45.8	45.4
	Fixed rate debt (% of total)	74.6	66.7	67.6	65.6	66.1
FX risk	FX debt as % of total	47.1	59.9	51.5	64.7	60.7
	ST FX debt as % of reserves	7.0	6.6	6.6	6.6	6.6

Source: MoFEPT, Debt Management Office

Looking at the interest rate risks, all strategies considered will result in an improvement in the ATR. This is reflective to the nature that the strategies were considered and developed with the aim of lengthening the debt profile. The proportion of debt that needs re-fixing within a 1 year stays relatively constant under all scenarios, which primarily reflects the current debt portfolio. In terms of the proportion of fixed rate debt, the strategies presented shows medium to low risks. Under S3, the portion of fixed rate debt as at the end of 2024 is marginally lower compared to the other strategies. Based on the interest rate risk analysis, S3 and S4 poses less risks to the debt portfolio.

When it comes to FX risks, S3 and S4 are less favorable given the higher concentration of external debt under both scenarios. The exposure to FX risk is slightly over 60%. With the higher concentration on

domestic borrowings as per S1 and S2, the risk is lowered. The risk can be lowered significantly by borrowing more domestically but this will come at a cost of higher interest rate risk and refinancing risk.

Conclusion

Based on the analysis of the different strategies, S4 will be adopted for debt management by the Government for 2022-2024 with the aim of reducing public debt sustainability risk. As appealing as S3 may seem, the strategy may be difficult to attain given the high concentration of external borrowings. This will have an adverse effect on the country's domestic market, which will in turn hinder economic growth. Under S4, domestic financing will be executed mainly through issuance of longer-term securities with fixed interest rates, while external financing will continue to be sourced from concessional financing sources, making use of the currently large undisbursed balances from both multilateral and bilateral creditors in the external debt portfolio. External finance will be dominated by 90% concessional borrowing and semi/non-concessional borrowings. New infrastructure projects will mainly be financed from non-concessional and commercial sources.

On the domestic side, the aim is to increase the frequency of Bonds issuance through the auction mechanism and gradually reduce the T-bills issuances to around 25% of the Domestic debt portfolio thus improve the refinancing risks. Bond issuance will be supported by improving their liquidity through repo operations and initiating trading reforms in Government securities. Initial discussion has started with the relevant stakeholders in order to have the necessary frameworks in place to make available such facility.

The proposed debt strategy will depend on firm fiscal discipline in order to achieve the necessary surpluses accompanied by steady economic recovery. The implementation of the MTDS will be supported by publishing an Annual Borrowing Plan along with an auction calendar for all Government securities to help market participants plan their liquidity management and reduce uncertainty. This forms part of the structural benchmark under the current reform program with the IMF. Additionally, there will be interagency coordination, on a quarterly basis, at a high level, between the Ministry of Finance and Central Bank through the existing National Public Debt Management Committee to determine the quarterly borrowing plan.

2021 Borrowing Plan

6.1. Overall Financing Plan

With increase in economic activities, the Government is anticipating stronger revenue collection. This will lead to an improvement of the overall balance in 2022, bringing the expected deficit to only SCR 950m, or 0.8%. The table below highlights the overall financing plan for the anticipated deficit.

Table 20: Overall Financing

Description	USD' M	SCR' M
Total Financing (overall budget deficit)	62.7	950
Foreign financing, net	127.2	1,927
Domestic financing, net	-69.4	-1,052
Privatisation	5.0	75

Source: MoFEPT, Debt Management Office

As illustrated, financing of the budget deficit will stem from foreign financing. In net terms, Government expects to borrow about SCR 1.93bn in foreign debt. Additionally, SR 75m is anticipated from privatization. The forecasted external financing and privatization will exceed the overall deficit. This will allow for a SR 1.1bn reduction of the stock of short-term domestic government securities and helps to lengthen the average maturity of the debt as per medium-term debt management strategy.

6.2. External Debt

Requirements

The Government is expected to increase its foreign debt by SCR 1.9bn, equivalent to USD 127.2m for the year 2022. Gross borrowing will amount to SCR 2.5bn (USD 167.2m) whilst amortization of foreign debt totals to SCR 607m (USD 40m). The new debts that will be incurred in fulfilling the borrowing requirements will be used to finance existing projects and also for budget support facilities in line with the IMF reform program.

Sources

Table 21 below provides detailed breakdown of the borrowing requirement. The main sources of foreign financing are from the multilateral and bilateral creditor. The multilateral sources include 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 21: Foreign Financing

Description	USD' M	SCR' M
Net Foreign Financing	127.2	1,927
Total Borrowings	167.2	2,534
Indian reschedule Loan of US \$ 4 million: Health Information system	1.5	23
Rehabilitation of Schools (Kuwait Fund)	3.8	58
Indian Line of Credit	5.4	82
*Blue Bond – DBS	2.0	30
*Blue Bond – SEYCCAT	0.5	8
Swiofish3 (IBRD)	1.4	21
PUC:33KV South Mahe	3.4	51
PUC La Gogue raising of Dam	2.4	36
Saudi Fund Project	7.0	97
Ile Du port Development	1.6	24
Program/Budget Support	138.9	2,104
Total Amortization	-40.0	-607

**Note: The blue economy will be financed from the proceeds of the blue bond through DBS & SEYCCAT*

As illustrated in the Table above, approximately 83% of the total borrowings will be in the form of Budget support. This will be mainly through further disbursement of USD 18.9 by the IMF under the EFF. The World Bank, and the African Development Bank will respectively provide USD 27.5m and USD 15m. There are other bilateral loans under negotiations amounting to USD 72.5m. It is important to highlight that this is the maximum amount forecasted during the initial negotiations with the IMF; faced with a less favorable primary balance at that time. The amount required will reduced significantly with the more Ministry of Finance, Economic Planning and Trade

favorable primary balance being anticipated. The breakdown for external budgetary support for 2002 up to 2024 is depicted below.

Table 22: Breakdown of Program/Budget Support for 2022-24

Creditors	2022	2023	2024
IMF- EFF	18.9	19.0	
ADB	20.0	20.0	
IBRD- DPO	15.0	20.0	
IBRD (Health Lending facility)	5.0		
IBRD- Program for Result under Social Protection	6.0	6.5	4.0
o.w. 2021 target submitted in 2022	1.5		
o.w. Undisbursed amount in 2021			3.0
Other Bilateral support	72.5	35.0	
Total	138.9	100.5	7.0

Source: MoFEPT, Debt Management Office

In addition to the forecasted external financing, the SDR⁸ allocation with the CBS will also be available as a buffer to the Government. This facility amounts to USD 30m and the necessary amendment is being made to the CBS Act to allow its use.

⁸ Special Drawing Rights

6.3. Domestic Debt

Requirements

In reducing the roll-over risk associated with short term borrowings, Government will be paying off more of the domestic debt retiring in comparison to the gross issuance as depicted in the table below. The Gross retirement on outstanding domestic debt will amount to SCR 3.2bn, whilst Gross Issuance will be SCR 2.2bn. This will result into a SR 1.1bn decrease in the stock of domestic debt.

Table 23: Domestic Net Financing

Description	SCR' M
Gross Issuance	2,245
Gross Retirements	-3,297
<i>*T-Bills Stock</i>	-3,219
91 day bills	-219
182 day bills	-812
365 day bills	-2,188
<i>Loans from Commercial Banks</i>	-78
Net Domestic Issuance	-1,052

Source: MoFEPT, Debt Management Office

**Outstanding stocks are as at the end of September 2021*

Sources

As part of its strategy to lengthen the maturity of the domestic debt profile in the medium-term, in 2022 the Government intends to issue bonds regularly through the auction mechanism similar to the T-Bills. Bond issuance will be supported by improving their liquidity through repo operations and initiating trading reforms in Government securities by developing the secondary market.

6.4. Debt to GDP forecast 2022-2024

The table below summarizes the estimated forecast for the debt to GDP ratio for 2022-2024. 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 will gradually reduce over the medium term to reach about 64% of GDP by 2024. This will be achieved through the attainment of sustainable fiscal surpluses over the medium-term and steady economic recovery. Borrowings will be done through a mixture of external and domestic borrowings. However, cautious weighting of the risks on the portfolio as highlighted in the debt strategies analysis in the previous section.

Table 24: Debt to GDP Forecast 2022-2024

Indicator	2021 Est.	2022	2023	2024
Primary Balance (SCR' M)	-1,641.5	-232.1	893.4	995.3
Primary Balance (% of GDP)	-6.6	-0.8	2.9	3.0
Debt to GDP (%)	80.7	76.0	69.8	64.4

Source: MoFEPT, and IMF Tables

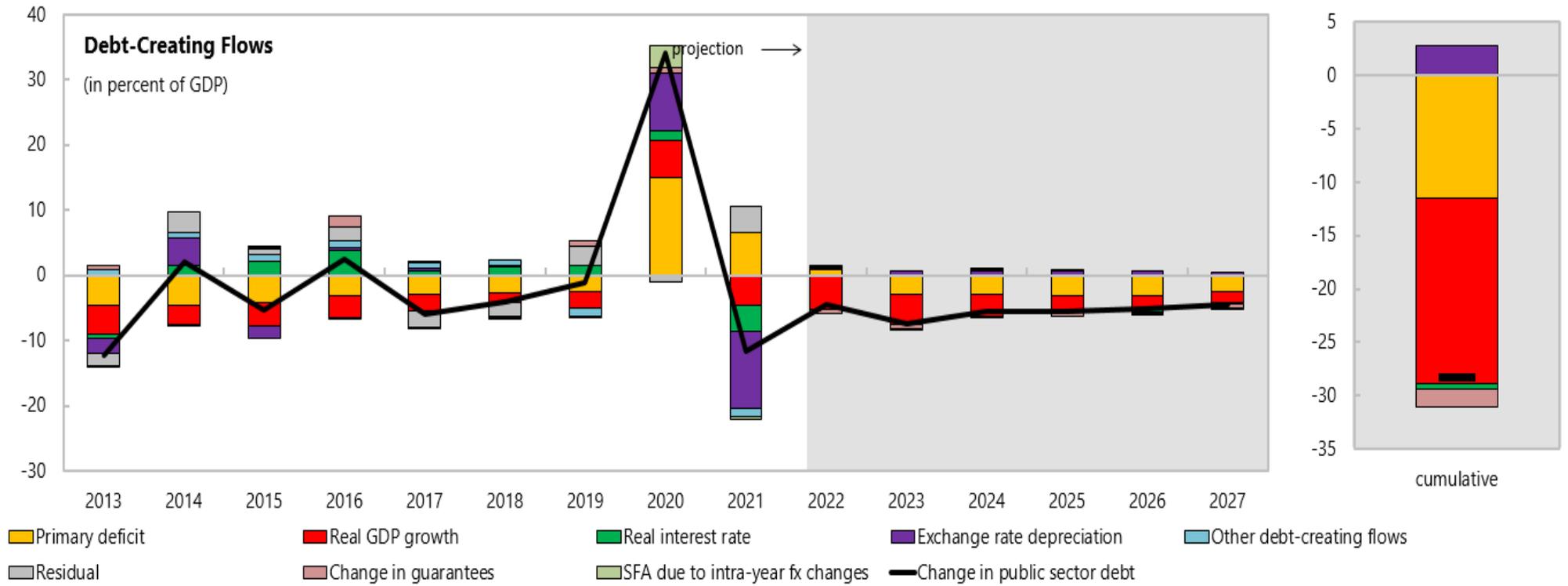
Based on the latest macro-economic indicators and forecasted fiscal position, analysis on the debt dynamic shows a gradual reduction of debt to GDP ratio over the medium-term to reach about 50% by 2026; in line with the pre-COVID target. As shown in **Table 25** and **Figure 12**, this will be primarily driven by strong real GDP growth, contributing to around 60% of the reduction. Ensuring positive primary balances through prudent fiscal discipline and measures over the medium term will be the other key contributor towards achieving this target.

Table 25: Contribution to reduction in public Debt 2022-2026

Indicator	Cumulative
Change in gross public sector debt	-27.6
Identified debt-creating flows	-27.6
Primary deficit	-11.4
Automatic debt dynamics	-14.6
Interest rate/growth differential	-17.4
Of which: real interest rate	-0.5
Of which: real GDP growth	-16.8
Exchange rate depreciation	2.8
Other identified debt-creating flows	0.1
SFA due to intra-year exchange rate changes	-1.7
Change in guarantees (uncalled)	0.00

Source: MoFEPT, Debt Management Office and Macroeconomic Forecasting & Analysis Branch

Figure 12: Debt-creating Flows over the Medium-term



Source: MoFEPT, Debt Management Office and Macroeconomic Forecasting & Analysis Branch

SECTION 4

Public Enterprises Budget Report for the Fiscal Year 2022

Public Enterprises

Budget for 2022

October 2021



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Abbreviations and acronyms

AS	Air Seychelles Limited
DBS	Development Bank of Seychelles
FSA	Financial Services Authority
GoS	Government of Seychelles
HFC	Housing Finance Company Limited
IDC	Islands Development Company Limited
L'UE	L'Union Estate Limited
NISA	National Information Services Agency
PE	Public Enterprise
PEMC	Public Enterprise Monitoring Commission
PMC	Property Management Corporation
PS	Petro Seychelles Limited
PUC	Public Utilities Corporation
SCAA	Seychelles Civil Aviation Authority
SCB	Seychelles Commercial Bank
SCR	Seychelles Rupee
SEYPEC	Seychelles Petroleum Company Limited
SFA	Seychelles Fishing Authority
SPA	Seychelles Ports Authority
SPF	Seychelles Pension Fund
SPGA	Seychelles Parks and Gardens Authority
SPS	Seychelles Postal Services Limited
SPTC	Seychelles Public Transport Corporation
STC	Seychelles Trading Company Limited
USD	United States Dollar
2020 Dev	2020 Development (Seychelles) Limited

Introduction

There are currently twenty-two 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 PE 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. This requirement is also in accordance with regulation 25(e)(vi) of the Public Finance Management Regulations, 2014. This report consequently aims to inform stakeholders on the PEs' projected performance, flows to the budget (tax and dividend) and flows from the budget (subsidies) for 2022.

The Commission issued circular No. 7 2021 on August 05, 2021 requesting that all PEs submit their estimates and projections for 2022 by September 01, 2021. This deadline was later extended to September 15, 2021. As at the reporting date (September 30, 2021), seventeen PEs had submitted their 2022 budget to the Commission. Five of the seventeen PEs presented a provisional budget, namely the Seychelles Civil Aviation Authority (SCAA), Seychelles Pension Fund (SPF), Petro Seychelles Ltd, Public Utilities Corporation (PUC) and Seychelles Petroleum Company Ltd (SEYPEC).

The PEs that had not provided their budgets are the Seychelles International Mercantile Banking Corporation Ltd (Nouvobanq), Seychelles Ports Authority (SPA), Seychelles Fishing Authority (SFA), L'Union Estate Ltd and 2020 Development (Seychelles) Ltd.

1. Financial overview

This section presents the forecasted financial performance (including subvention requests) of the seventeen PEs that had submitted their budget for 2022. Forecasted income and expenditure statements per PE are provided in Appendix 3.

Table 1. Summary of 2022-2024 budget of PEs

Public Enterprise	2021	2022 budget					2023	2024
	Budget	Surplus before tax	Tax	Dividend	End cash position	Subvention request ¹	Budget	Budget
	mSCR	mSCR	mSCR	mSCR	mSCR	mSCR	Surplus before tax	Surplus before tax
Transport sector	(421.12)	(102.58)	7.51	16.35	3.57	0.00	82.32	164.35
SPTC	(104.10)	(50.46)	0.00	0.00	(61.68)	0.00	(38.58)	(41.53)
SPA	15.21	Not submitted						
SCAA (prov.)	(81.41)	25.19	7.51	16.35	95.31	0.00	107.91	125.93
AS	(250.82)	(77.31)	0.00	0.00	(30.06)	0.00	12.98	79.95
Services and development sector	100.11	73.94	21.35	20.00	232.94	38.90	74.96	70.09
IDC	77.63	63.11	12.14	20.00	38.91	0.00	68.07	68.62
NISA	(1.06)	1.24	0.37	0.00	1.60	0.00	3.40	4.41
STC	(93.28)	29.25	8.78	0.00	82.56	0.00	Not submitted	
SPS	(7.66)	(14.93)	0.06	0.00	0.00	15.00	(8.64)	(6.55)
PMC	7.20	4.88	0.00	0.00	106.46	0.00	12.12	3.61
2020 Dev	5.75	Not submitted						
SFA	126.05	Not submitted						
SPGA ²	(11.59)	(9.61)	0.00	0.00	3.41	23.90	Not submitted	
L'UE	(2.93)	Not submitted						
Financial sector	633.60	360.93	13.54	100.89	891.70	0.00	212.21	144.64
DBS	11.17	7.95	0.00	0.00	105.35	0.00	26.93	20.40
HFC	13.90	17.51	6.00	0.00	61.68	0.00	19.16	19.83
Nouvobanq	231.33	Not submitted						
SCB	2.27	23.10	7.54	0.00	598.50	0.00	28.76	32.15
SPF (prov.)	135.50	192.13	0.00	0.00	0.00	0.00	137.37	72.27
FSA	217.93	120.25	0.00	100.89	126.17	0.00	Not submitted	
Energy sector	312.42	396.08	160.39	250.00	1052.74	0.00	453.78	652.94
PS (prov.)	(2.99)	(3.03)	0.00	0.00	8.75	0.00	(3.06)	(3.07)
PUC (prov.)	(8.94)	51.88	0.00	0.00	186.97	0.00	Not submitted	
SEYPEC (prov.)	324.34	347.23	160.39	250.00	857.02	0.00	456.83	656.01
Total	603.52	728.38	202.79	387.24	2180.96	38.90	823.28	1032.02

¹ Amounts requested by PEs from the Ministry of Finance, Economic Planning and Trade (MoFEPT), excludes amounts directly decided by MoFEPT.

² 2021 figures correspond to the Seychelles National Parks Authority (SNPA) only. 2022 figures include SNPA and the National Botanical Gardens Foundation (NBGF) which have merged to form the Seychelles Parks and Gardens Authority (SPGA).

The 2022 projected result of the seventeen PEs is an aggregate surplus before tax and dividend of mSCR728.4. Amongst the seventeen PEs, twelve have forecasted a surplus before tax and dividend (ref. Table 1). The Seychelles Petroleum Company Ltd (SEYPEC) indicated the greatest result for 2022 with an anticipated profit of mSCR347.2, representing 48% of the total surplus for the PE sector for 2022. SPF followed with a forecasted surplus of mSCR192.1 and the Financial Services Authority (FSA) with a forecasted surplus of mSCR120.3.

Five amongst the seventeen PEs have projected a deficit before tax and dividend (ref. Table 1). The PE with the largest projected deficit is Air Seychelles (mSCR77.3), followed by the Seychelles Public Transport Corporation (SPTC) (mSCR50.5). Air Seychelles is forecasting an improvement of 69% (mSCR173.5) in its net result compared to 2021 budget, mainly due to an anticipated increase of 30% (mSCR179.9) in passenger related revenue. SPTC expects an improvement of 52% (mSCR53.6) in its net result due to 43% (mSCR43.0) greater sales revenue and 27% (mSCR10.2) lower administrative expenses compared to its 2021 budget. SPTC's greater sales revenue is associated with the rise in bus fare effective October 2021.

The Seychelles Trading Company Ltd (STC) is projecting a 131% (mSCR122.5) improvement in its surplus before tax followed by SCAA with an improvement of 131% (mSCR106.60) and PUC with an improvement of 680% (mSCR60.8). The expected improvement in STC's results before tax and dividend is due to the 27% (mSCR60.7) decrease in forecasted administrative expenses, namely 77% (mSCR25.8) lower rental expenses and 6% (mSCR49.5) lower cost of sales when compared to the 2021 budget. For SCAA, the improvement from net deficit to net surplus was due principally to a forecasted increase of 58% (mSCR128.7) in aeronautical revenue, namely 180% (mSCR135.0) in passenger service fees and 850% (mSCR76.2) in air navigation fees. The improvement in PUC's result was due to a forecasted growth of 15% (mSCR217.1) in revenue from electricity supply.

The decline in FSA's net result is due to 35% (mSCR94.0) lower International Business Corporation (IBC) fee income from annual license fees compared to the 2021 budget.

The Energy sector expects the highest projected surplus before tax and dividend of mSCR396.1 for 2022 contributed principally by SEYPEC, followed by the **Financial sector with a projected surplus before tax and dividend of mSCR360.9** contributed mainly by the forecasted surplus from SPF and FSA (ref. Table 1). **The Transport sector is expecting the lowest performance with a projected deficit before tax and dividend of mSCR102.6 contributed by the deficit before tax and dividend from Air Seychelles and SPTC.** Nevertheless, this represents an improvement of 76% (mSCR318.5) in the Transport sector's result compared to the forecasted deficit of mSCR421.1 from the 2021 budget.

2. Revenue

The seventeen PEs have forecasted a total revenue of bnSCR12.5 for 2022, with sales of goods constituting 53% of total income, followed by rendering of services representing 36% of total income (ref. Figure 1).

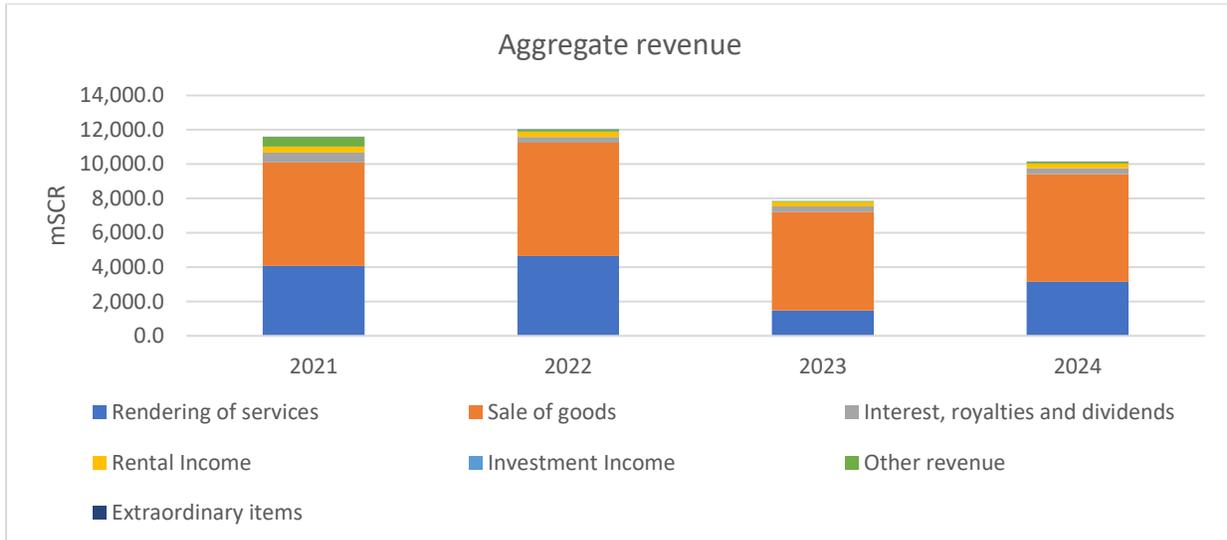


Figure 1. Aggregate revenue by category

Fourteen PEs have forecasted growth in their total revenue for 2022 compared to the 2021 budget with SEYPEC expecting the largest revenue growth of 11% (mSCR554.9), followed by Air Seychelles, PUC and SCAA (ref. Table 2).

Table 2. 2021 and 2022 total revenue budget of the PEs

Public Enterprises	2021	% of total	2022	% of total	Variance	
	revenue	revenue	revenue	revenue	mSCR	%
	mSCR	%	mSCR	%	mSCR	%
Air Seychelles Ltd	820.29	6.8%	1088.76	8.7%	268.47	33%
Seychelles Public Transport Corporation	103.70	0.9%	146.50	1.2%	42.80	41%
Seychelles Ports Authority	168.54	1.4%	Not submitted			
Seychelles Civil Aviation Authority (<i>prov.</i>)	257.08	2.1%	398.96	3.2 %	141.88	55%
Islands Development Company Ltd	657.18	5.4%	776.46	6.2%	119.28	18%
National Information Services Agency	20.40	0.2%	21.93	0.2%	1.53	8%
Seychelles Trading Company Ltd	979.59	8.1%	982.51	7.9%	2.92	0%
Seychelles Postal Services Ltd	21.48	0.2%	15.39	0.1%	(6.09)	-28%
Property Management Corporation	81.89	0.7%	99.83	0.8%	17.94	22%
L'Union Estate Ltd	14.81	0.1%	Not submitted			
2020 Development (Seychelles) Ltd	83.92	0.7%	Not submitted			
Seychelles Fishing Authority	374.64	3.1%	Not submitted			
Seychelles Parks and Gardens Authority	13.66	0.1%	25.69	0.2%	12.03	88%
Development Bank of Seychelles	89.14	0.7%	90.41	0.7%	1.27	1%
Housing Finance Company Ltd	46.32	0.4%	49.40	0.4%	3.08	7%
Seychelles Commercial Bank Ltd	136.19	1.1%	147.85	1.2%	11.67	9%
Nouvobanq	508.89	4.2%	Not submitted			
Seychelles Pension Fund (<i>prov.</i>)	709.00	5.8%	887.86	7.1%	178.86	25%
Financial Services Authority	332.05	2.7%	249.10	2.0%	(82.95)	-25%
Public Utilities Corporation (<i>prov.</i>)	1680.29	13.9%	1893.43	15.2%	213.14	13%
Seychelles Petroleum Company Ltd (<i>prov.</i>)	5025.85	41.4%	5580.71	44.8%	554.86	11%
Petro Seychelles Ltd (<i>prov.</i>)	5.64	0.0%	5.64	0.0%	0.00	0%

3. Expenditure

The seventeen PEs have budgeted an aggregate expenditure of bnSCR11.7 for 2022, of which supplies and consumables expense constitutes 75% and salaries and employee benefit expense represents 11% (ref. Figure 2).

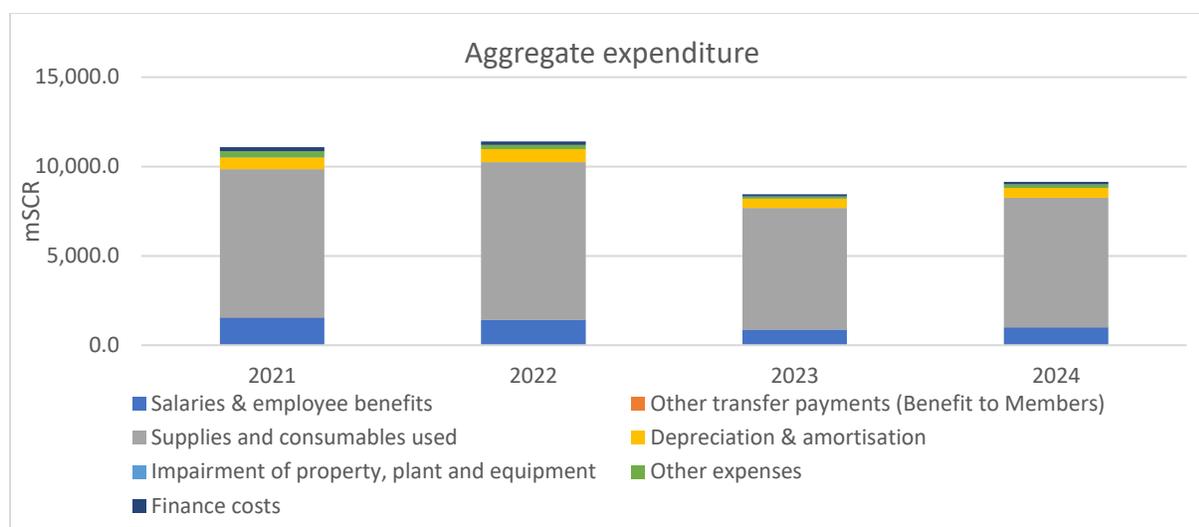


Figure 2. Aggregate expenditure by category

Table 3. 2021 and 2022 budgeted expenditure of the PEs

Public Enterprises	2021 total expenditure	2022 total expenditure	Variance	
	mSCR	mSCR	mSCR	%
Air Seychelles Ltd	1071.11	1166.08	94.97	9%
Seychelles Public Transport Corporation	207.80	196.96	(10.84)	-5%
Seychelles Ports Authority	153.33	Not submitted		
Seychelles Civil Aviation Authority (prov.)	338.49	373.77	35.27	10%
Islands Development Company Ltd	579.55	713.35	133.80	23%
National Information Services Agency	21.46	20.69	(0.77)	-4%
Seychelles Trading Company Ltd	1072.87	953.26	(119.61)	-11%
Seychelles Postal Services Ltd	29.14	30.32	1.18	4%
Property Management Corporation	74.68	94.95	20.26	27%
L'Union Estate Ltd	17.74	Not submitted		
2020 Development (Seychelles) Ltd	78.17	Not submitted		
Seychelles Fishing Authority	248.59	Not submitted		
Seychelles Parks and Gardens Authority	25.25	35.29	10.04	40%
Development Bank of Seychelles	77.97	82.46	4.49	6%
Housing Finance Company Ltd	32.41	31.89	(0.52)	-2%
Seychelles Commercial Bank Ltd	133.92	124.75	(9.16)	-7%
Nouvobanq	277.55	Not submitted		
Seychelles Pension Fund (prov.)	573.50	695.73	122.23	21%
Financial Services Authority ³	114.12	128.85	14.73	13%
Public Utilities Corporation (prov.)	1689.23	1841.55	152.32	9%
Seychelles Petroleum Company Ltd (prov.)	4701.51	5233.48	531.97	11%
Petro Seychelles Ltd (prov.)	8.63	8.67	0.04	0%

³ Inclusive of mSCR21.6 tax to be collected on fees to be remitted to the Seychelles Revenue Commission (SRC) amounting to mSCR21.6 for 2022 and mSCR21.5 for 2021.

SEYPEC is expecting to report the greatest increase of 11% (mSCR532.0) in budgeted total expenditure compared to the 2021 budget, followed by PUC, IDC, SPF and Air Seychelles (ref. Table 3).

4. Taxes

Taxes refers to the budgeted Business Tax expense of each PE based on the projected surplus before tax for 2022.

Ten out of the twenty-two PEs are 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 activities. **From the remaining twelve PEs, only eight submitted their Business Tax projections for 2022, corresponding to a total of mSCR202.79.**

SEYPEC remained the PE with the highest tax forecast for 2022 with a sum of mSCR160.39, representing 79% of the total budgeted tax.

Table 4. 2021 and 2022 budgeted business tax of the PEs

Public Enterprise	2021 budget	% of total taxes	2022 budget	% of total taxes	Variance	
	mSCR	%	mSCR	%	mSCR	%
2020 Development (Seychelles) Ltd	0.96	0%	Not submitted		(0.96)	-100%
Air Seychelles Ltd	N/A					
Development Bank of Seychelles	N/A					
Financial Services Authority	N/A					
Housing Finance Company Ltd	6.00	3%	6.00	3%	0.00	0%
Island Development Company Ltd	13.14	7%	12.14	6%	(1.00)	-8%
L'Union Estate Ltd	0.00	0%	Not submitted		0.00	0%
National Information Services Agency	0.00	0%	0.37	0%	0.37	0%
Petro Seychelles (prov.)	N/A					
Property Management Corporation	N/A					
Public Utilities Corporation (prov.)	N/A					
Seychelles Civil Aviation Authority (prov.)	(24.47)	-12%	7.51	4%	31.98	131%
Seychelles Commercial Bank Ltd	0.67	0%	7.54	4%	6.87	1028%
Seychelles Fishing Authority	N/A					
Nouvobanq	90.00	46%	Not submitted		-	-
Seychelles Parks and Gardens Authority	N/A					
Seychelles Pension Fund (prov.)	N/A					
Seychelles Petroleum Company Ltd (prov.)	127.15	65%	160.39	79%	33.24	26%
Seychelles Ports Authority	10.58	5%	Not submitted		(10.58)	-100%
Seychelles Postal Services Ltd	0.06	0%	0.06	0%	0.00	0%
Seychelles Public Transport Corporation	N/A					
Seychelles Trading Company Ltd	(27.26)	-14%	8.78	4%	36.03	132%
Total	196.84	100%	202.79	100%		

5. Dividends

Table 5. 2021 and 2022 budgeted dividends of PEs

Public Enterprise	2021 budget	2022 budget	Variance	
	mSCR	mSCR	mSCR	%
Financial Services Authority	0.0	100.9	100.9	-
Island Development Company Ltd	3.00	20.00	17.00	567%
Seychelles Civil Aviation Authority (<i>prov.</i>)	0.00	16.35	16.35	-
Seychelles Fishing Authority	60.00	Not submitted	-	-
Seychelles Petroleum Company Ltd (<i>prov.</i>)	250.00	250.00	0.00	0%
Seychelles Ports Authority	25.00	Not submitted	-	-
Total	338.00	387.24		

Four PEs have budgeted to pay a dividend to the Government amounting to a total of mSCR387.24 for 2022. Actual dividends to be paid for 2022 will depend on the PEs' performance for the year.

SEYPEC has budgeted a dividend of mSCR250, which will result in a deficit of mSCR63.2 after tax and dividend.

6. Government support

Table 6. Government support requested by PEs for the period 2022-2024

Public Enterprise	2022	2023	2024
	Subvention	Subvention	Subvention
	mSCR	mSCR	mSCR
Seychelles Postal Services Ltd	15.0	8.5	7.6
Seychelles Parks and Gardens Authority	23.9	Not submitted	
Total	38.9	8.5	7.6

SPGA and Seychelles Postal Services Ltd (SPS) have indicated that they will require financial support from the Government to cover salaries for the financial year 2022, amounting to mSCR38.9.

SPS' board has approved the request for subvention amounting to mSCR15.0 from the Government for 2022 to support its operations. SPGA has indicated that it will require mSCR23.9 from the Government to support its operations and some projects for 2022. Both PEs had requested support from MoFEPT by reporting date.

Government support of mSCR40 for SPTC has also been proposed in the national 2022 budget, comprising mSCR26 for operational expenses and mSCR14 for capital expenditure. The proposed funding is part of the SPTC budget review whereby the Cabinet approved the memorandum to raise bus fares as of October 2021.

7. Capital expenditure

Sixteen out of the seventeen PEs which submitted their 2022 budget had also provided their capital expenditure forecast for 2022.

The total 2022 forecasted capital expenditure of the sixteen PEs amounts to mSCR842.21. PUC has the largest capital expenditure budget amounting to mSCR256.4, followed by SPF (mSCR138) and STC (mSCR98.6).

PUC's 2022 capital expenditure budget comprises ongoing key projects and projects to be initiated. PUC has two key developments to be initiated at the end of 2021 namely new generating capacity at the Roche Caiman power station and new generating capacity on Praslin which will require loan financing in 2022.

The main projects of SPF for 2022 are the re-development of Pirates arms and Ile du port Micro-enterprise which accounts for 85% (mSCR117) and 8% (mSCR10.50) of its total capital expenditure.

STC's total capital expenditure for 2022 comprises projects that were delayed in 2020 and 2021. The main capital expenditure of STC are plant and machinery of a cold storage facility which accounts for 68% (mSCR67.50), and roofing and major renovation to dry good stores which accounts for 10% (mSCR10.00) of its project budget. This capital expenditure is to be financed through long term loans and STC has budgeted to borrow mSCR100 from commercial banks.

NISA will be not be undertaking any capital investments in 2022 due to financial instability.

Table 7. Capital expenditure of PEs for the period 2022-2024

Public Enterprise	2022 CAPEX	% of total CAPEX	2023 CAPEX	2024 CAPEX
	mSCR	%	mSCR	mSCR
2020 Development (Seychelles) Ltd	Not submitted			
Air Seychelles	20.18	2%	24.75	31.11
Development Bank of Seychelles	16.61	2%	16.18	0.71
Financial Services Authority	19.36	2%	Not submitted	
Housing Finance Company Ltd	11.35	1%	0.25	0.25
Island Development Company Ltd	89.00	11%	50.00	Not submitted
L'Union Estate Ltd	Not submitted			
National Information Services Agency	0.00	0%	0.00	0.00
Petro Seychelles (<i>prov.</i>)	0.70	0%	0.12	0.13
Property Management Corporation	15.20	2%	Not submitted	
Public Utilities Corporation (<i>prov.</i>)	256.42	30%	237.58	106.70
Seychelles Civil Aviation Authority (<i>prov.</i>)	87.86	10%	65.26	25.35
Seychelles Commercial Bank Ltd	18.22	2%	12.73	2.28
Seychelles Fishing Authority	Not submitted			
Nouvobanq	Not submitted			
Seychelles Parks and Gardens Authority	14.29	2%	Not submitted	
Seychelles Pension Fund (<i>prov.</i>)	138.01	16%	121.31	6.31
Seychelles Petroleum Company Ltd (<i>prov.</i>)	40.80	5%	33.74	18.38
Seychelles Ports Authority	Not Submitted			
Seychelles Postal Services Ltd	0.63	0%	0.63	0.63
Seychelles Public Transport Corporation	15.00	2%	13.00	15.00
Seychelles Trading Company Ltd	98.57	12%	Not submitted	
Total	842.21	100%	575.56	206.85

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 Ltd (SCB)	60%
Development Bank of Seychelles (DBS)	61%
Housing Finance Company Ltd (HFC)	100%
Financial Services Authority (FSA)	100%
Seychelles Pension Fund (SPF) ⁴	-
ENERGY SECTOR	
Seychelles Petroleum Company Ltd (SEYPEC)	100%
Public Utilities Corporation (PUC)	100%
Petro Seychelles Ltd	100%
TRANSPORT SECTOR	
Seychelles Ports Authority (SPA)	100%
Air Seychelles Ltd	100%
Seychelles Civil Aviation Authority (SCAA)	100%
Seychelles Public Transport Corporation (SPTC)	100%
SERVICES AND DEVELOPMENT SECTOR	
Islands Development Company Ltd (IDC)	100%
Property Management Corporation (PMC)	100%
L'Union Estate Company Ltd	100%
National Information Services Agency (NISA)	100%
Seychelles Postal Services Ltd (SPS)	100%
Seychelles Trading Company Ltd (STC)	100%
Seychelles Fishing Authority (SFA)	100%
Seychelles Parks and Gardens Authority (SPGA)	100%
2020 Development (Seychelles) Ltd	100%

⁴ SPF is owned by its members.

Appendix 2. Record of submission⁵ of estimates and projections for the year 2022

Public Enterprise	Status	Date of submission	Statements submitted
Air Seychelles Ltd	Final	25.08.2021	P/L, CF & CAPEX ⁶
Development Bank of Seychelles	Final	24.09.2021	PL, CF, BS & CAPEX
Financial Services Authority	Final	29.09.2021	P/L, CF & CAPEX
Housing Finance Company Ltd	Final	20.09.2021	P/L, CF & CAPEX
Islands Development Company Ltd	Final	30.08.2021	P/L, CF & CAPEX
L'Union Estate Ltd	Not submitted		
National Information Services Agency	Final	01.09.2021	P/L & CF
Petro Seychelles Ltd	<i>Provisional</i>	02.09.2021	PL, CF, BS & CAPEX
Property Management Corporation	Final	01.09.2021	P/L, CF & CAPEX
Public Utilities Corporation	<i>Provisional</i>	01.09.2021	P/L, CF & CAPEX
Seychelles Commercial Bank Ltd	Final	03.09.2021	PL, CF, BS & CAPEX
Seychelles Civil Aviation Authority	<i>Provisional</i>	22.09.2021	PL, CF, BS & CAPEX
Seychelles Petroleum Company Ltd Group	<i>Provisional</i>	02.09.2021	PL, CF, BS & CAPEX
Nouvobanq	Not submitted		
Seychelles Ports Authority	Not submitted		
Seychelles Pension Fund	<i>Provisional</i>	01.09.2021	PL & CAPEX
Seychelles Public Transport Corporation	Final	21.09.2021	PL, CF, BS & CAPEX
Seychelles Postal Services Ltd	Final	30.07.2021	PL & CAPEX
Seychelles Trading Company Ltd	Final	29.09.2021	PL, CF, BS & CAPEX
2020 Development (Seychelles) Ltd	Not submitted		
Seychelles Fishing Authority	Not submitted		
Seychelles Parks and Gardens Authority	Final	20.09.2021	P/L, CF & CAPEX

⁵ Record of submission as at reporting date (September 30, 2021)

⁶ BS: Balance sheet, PL: Statement of profit or loss, CF: Statement of cash flows, CAPEX: Capital Expenditure

Appendix 3	Public Enterprises' aggregate income and expenditure statement for 2022									
									PROVISIONAL	
	2020 Development (Seychelles) Ltd	Air Seychelles Ltd	Development Bank of Seychelles	Financial Services Authority	Housing Finance Company Ltd	Islands Development Company Ltd	L'Union Estate Ltd	National Information Services Agency	Petro Seychelles Ltd	Property Management Corporation
Year ended 31-12- 2021	Year ended 31-12- 2022	Year ended 31-12- 2022	Year ended 31-12- 2022	Year ended 31-12- 2022	Year ended 31-12- 2022	Year ended 31-12- 2022	Year ended 31-12- 2021	Year ended 31-12- 2022	Year ended 31-12- 2022	Year ended 31-12- 2022
	SCR	SCR	SCR	SCR	SCR	SCR	SCR	SCR	SCR	SCR
Income Statement 2022										
Revenue from exchange transactions										
Rendering of services		1,086,816,315		207,197,519	-	754,181,820		2,382,000	1,746,500	-
Sale of goods					-	8,534,000		19,484,544		15,600,000
Interest, royalties and dividends			83,514,000		48,259,280	-		-	249,770	2,936,710
Rental Income				41,102,000		13,743,900			3,622,010	74,944,200
Investment Income										
Other revenue		1,944,556	6,896,000	800,000	1,140,000			60,600	25,000	6,346,000
Extraordinary items										
Total revenue		1,088,760,871	90,410,000	249,099,519	49,399,280	776,459,720		21,927,144	5,643,280	99,826,910
Expenses										
Wages, salaries and employee benefits		251,429,541	23,080,000	64,691,090	13,464,077	77,818,000		8,564,350	5,206,184	12,277,641
Other transfer payments (Benefit to Members)										
Supplies and consumables used		698,405,686	7,479,000	34,478,305	7,573,405	595,049,917		9,382,908	2,828,330	67,560,297
Depreciation and amortization expense		169,262,189	7,502,000		661,356	27,600,000		1,752,720	151,770	-
Impairment of property, plant and equipment										
Other expenses			18,907,000	29,678,494	874,280	5,540,539			487,317	15,110,000
Finance costs		46,977,801	25,492,000		9,318,126	7,339,500		989,971		
Total expenses		1,166,075,217	82,460,000	128,847,889	31,891,244	713,347,956		20,689,949	8,673,600	94,947,938
Surplus/ deficits before tax		(77,314,346)	7,950,000	120,251,630	17,508,036	63,111,764		1,237,195	(3,030,320)	4,878,971
Taxes		-	-		6,000,000	12,142,672		371,158		-
Dividend paid		-	-	100,890,481		20,000,000				-
Surplus/(deficit) for the period after tax and dividend		(77,314,346)	7,950,000	19,361,149	11,508,036	30,969,092		866,037	(3,030,320)	4,878,971
Subvention Request for 2022		-								
Capital Expenditure		20,184,479	16,610,000	19,361,150	11,350,000	89,000,000			699,400	15,198,066
End cash position 2022		(30,058,040)	105,353,047	126,172,389	61,675,992	38,909,584		1,600,360	8,751,479	106,464,312
Revenue as % of total revenue	0%	9%	1%	2%	0%	6%	0%	0%	0%	1%
Expenditure as % of total expenditure	0%	10%	1%	1%	0%	6%	0%	0%	0%	1%

Appendix 3	PROVISIONAL	PROVISIONAL					PROVISIONAL	PROVISIONAL	
	Public Utilities Corporation	Seychelles Civil Aviation Authority	Seychelles Commercial Bank Ltd	Seychelles Fishing Authority	Seychelles International Mercantile Banking Corporation Ltd (Nouvobanq)	Seychelles Parks and Gardens Authority	Seychelles Pension Fund	Seychelles Petroleum Company Ltd	Seychelles Ports Authority
	Year ended 31-12-2022	Year ended 31-12-2022	Year ended 31-12-2022	Year ended 31-12-2021	Year ended 31-12-2021	Year ended 31-12-2022	Year ended 31-12-2022	Year ended 31-12-2022	Year ended 31-12-2021
	SCR	SCR	SCR	SCR	SCR	SCR	SCR	SCR	SCR
Income Statement 2022									
Revenue from exchange transactions									
Rendering of services	1,880,825,944	380,959,119	15,995,400			21,084,819	-	-	
Sale of goods						3,980,636		5,517,738,599	
Interest, royalties and dividends	9,606,047	3,386,925	131,355,000				42,129,000		
Rental Income		12,639,823				390,000	120,726,000	35,100,000	
Investment Income									
Other revenue	3,000,000	1,970,934	500,000			230,400	725,000,000	27,867,662	
Extraordinary items									
Total revenue	1,893,431,991	398,956,801	147,850,400	-	-	25,685,855	887,855,000	5,580,706,261	
Expenses									
Wages, salaries and employee benefits	260,490,502	219,740,592	35,133,620			29,010,801	38,707,000	70,194,679	
Other transfer payments (Benefit to Members)							557,533,000		
Supplies and consumables used	1,340,236,897	109,060,018	36,581,344			1,968,074	11,872,000	4,931,360,723	
Depreciation and amortization expense	189,654,812	44,355,047	8,000,000				5,500,000	227,378,028	
Impairment of property, plant and equipment									
Other expenses	4,446,205	556,170	4,335,780			4,312,600	82,115,000	3,887,300	
Finance costs	46,719,716	55,000	40,702,500					657,553	
Total expenses	1,841,548,132	373,766,827	124,753,244	-	-	35,291,476	695,727,000	5,233,478,283	
Surplus/ deficits before tax	51,883,859	25,189,974	23,097,156	-	-	(9,605,621)	192,128,000	347,227,978	
Taxes	-	7,506,993	7,542,062	-				160,390,016	
Dividend paid	-	16,348,484	-					250,000,000	
Surplus/(deficit) for the period after tax and dividend	51,883,859	1,334,498	15,555,094	-	-	(9,605,621)	192,128,000	(63,162,038)	
Subvention Request for 2022						23,895,021			
Capital Expenditure	256,424,063	87,864,711	18,219,333			14,289,400	138,012,000	40,795,408	
End cash position 2022	186,973,370	95,312,569	598,500,000			3,409,754		857,018,115	
Revenue as % of total revenue	15%	3%	1%	0%	0%	0%	7%	45%	0%
Expenditure as % of total expenditure	16%	3%	1%	0%	0%	0%	6%	45%	0%

Appendix 3				
	Seychelles Postal Services Ltd	Seychelles Public Transport Corporation	Seychelles Trading Company Ltd	Total
	Year ended 31-12-2022	Year ended 31-12-2022	Year ended 31-12-2021	Year ended 31-12-2021
	SCR	SCR	SCR	SCR
Income Statement 2022				
Revenue from exchange transactions				
Rendering of services	14,852,500	144,000,000	-	4,510,041,936
Sale of goods	420,000		977,392,000	6,543,149,779
Interest, royalties and dividends	115,000		228,000	321,779,732
Rental Income		730,000	2,241,000	305,238,933
Investment Income				-
Other revenue		1,770,000	2,650,000	780,201,152
Extraordinary items				-
Total revenue	15,387,500	146,500,000	982,511,000	12,460,411,532
Expenses				
Wages, salaries and employee benefits	18,273,175	108,852,000	102,419,000	1,339,352,252
Other transfer payments (Benefit to Members)				557,533,000
Supplies and consumables used	9,848,465	67,800,000	831,008,000	8,762,493,369
Depreciation and amortization expense	1,145,804	18,207,046	4,776,000	705,946,772
Impairment of property, plant and equipment				-
Other expenses	1,051,750		13,591,000	184,893,435
Finance costs		2,100,000	1,465,000	181,817,167
Total expenses	30,319,194	196,959,046	953,259,000	11,732,035,995
Surplus/ deficits before tax	(14,931,694)	(50,459,046)	29,252,000	728,375,537
Taxes	60,955		8,776,000	202,789,856
Dividend paid				387,238,964
Surplus/(deficit) for the period after tax and dividend	(14,992,649)	(50,459,046)	20,476,000	138,346,717
Subvention Request for 2022	15,000,127			38,895,148
Capital Expenditure	632,200	15,000,000	98,571,034	842,211,243
End cash position 2022		(61,683,978)	82,559,000	
Revenue as % of total revenue	0%	1%	8%	100%
Expenditure as % of total expenditure	0%	2%	8%	100%

SECTION 5

Fiscal Risk Statement



Fiscal Risk Statement 2022

November 2021

This document provides an overview of the major fiscal risks facing the Budget for 2022. 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

CBS	Central Bank of Seychelles
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
IMF	International Monetary Fund
MFAB	Macroeconomic Forecasting and Analysis Branch
MoFEPT	Ministry of Finance, Trade, Investment and Economic Planning
NBS	National Bureau of Statistics
PE	Public Enterprise
PEMC	Public Enterprise Monitoring Commission
PFM	Public Finance Management
PIM	Public Investment Management

1. Introduction

The main objective of the Seychelles Government following the global COVID-19 pandemic is to ensure fast economic recovery and growth with a return towards fiscal sustainability of public finances over the medium term. This document is aimed at identifying the main fiscal risks facing the 2022 Budget. Fiscal risks are defined as factors that may cause fiscal outcomes to deviate from expectations or forecasts. These consist of potential shocks to public finances relating to the macroeconomic environment, Budget execution risks, as well risks from Public Enterprises (PEs)¹.

Seychelles as a small island economy, remains in a fragile position due to its remoteness, relatively limited resources and heavy dependence on international trade. Given the exposures faced by the country, **macroeconomic risks, largely emanating from external shocks, have been identified as the main source of risk in 2022 and the medium term.** To the extent that further negative changes in the economic environment occur, this will impact 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.

The risk framework presented below represents has four broad categories related to 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, capital project under-execution levels 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 performance of PEs). For example, an unforeseen increase in fuel price will impact both Government excise

¹ Note that this document does not look at ‘Financial Stability’ risks. This is covered by the CBS in a specific report.

tax revenue on petroleum, 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 potential worsening of debt targets.

2. Macroeconomic Risks

Seychelles faces numerous external vulnerabilities – large swings in international commodity prices, changes to the global economic landscape, Remaining susceptible to external shocks poses considerable threat to the economy given the strong reliance on tourism exports, as well as 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 segment, we will consider two main macroeconomic risks and have simulated possible impacts through shock scenarios; shocks on inflation and shocks on exchange rate. A combined shock scenario is also presented by negatively shocking tourism arrivals which has a direct effect on the real GDP, tax revenue, inflation and exchange rate. Finally shocks on Government debt is simulated using the IMF Debt Dynamics Tool (DDT).

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 assuming no policy changes.

2.1 Macroeconomic Assumptions

The table below presents the main macroeconomic assumptions underpinning the 2022 Budget estimates and of which all shock scenarios are based upon. To note, the nominal and real GDP growth, as well as GDP deflator assumptions have been revised following the rebasing of GDP series by the NBS earlier in October 2021.

Table 2. Macroeconomic assumptions 2022-2026

	<i>Actuals</i>		<i>Estimate</i>	<i>Projections</i>				
	2019	2020	2021	2022	2023	2024	2025	2026
Nominal GDP (SR' m)	23,345	21,664	25,034	27,840	30,459	32,937	35,410	38,108
Real GDP growth	4.5	-9.9	6.1	7.2	6.3	5.0	4.4	4.5
GDP deflator growth	1.3	2.9	8.9	3.7	2.9	3.0	3.0	3.0
CPI (annual average)	1.8	1.2	9.9	3.6	3.0	3.0	3.0	3.0
SR/€ (average)	15.76	20.62	...	...	...	...	...	...
SR/US\$ (average)	14.03	17.81	...	...	...	...	...	...

Source: Macroeconomic Framework Working Group

2.2 Sensitivity Analysis to macroeconomic variables

The impact of macroeconomic risks on economic growth and Government balances will be discussed through several sensitivity analysis on inflation, exchange rates and tourism arrivals in this section. Fan charts for each shock will be presented at the end in Box 1.

Inflation Shocks

Nominal GDP refers to the monetary value of all the finished goods and services produced 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 a high dependency on imports, several external factors such as fluctuations in oil prices or in commodity prices coupled with the current global supply chain issue, this 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 232m, or 0.8 per cent increase in nominal GDP.

The direct impact on tax revenue is an estimated increment of SR 54.2m, or 0.7 per cent.

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 through general increases in fuel prices, would have a significant budgetary impact in terms of increased expenditure.

Exchange rate Shocks

Being 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 and recent developments, a 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 a SR 79m, or 0.3 per cent decrease in nominal GDP.

Assuming no other effects, this would translate into a potential SR 18.4m or 0.2 per cent decrease in tax revenue.

In addition, foreign currency denominated expenditure would augment by SR 8.3m or 1 per cent as a result.

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 84m, or 0.3 per cent.

Assuming no other effects, this would translate into a potential SR 19.5m or 0.25 per cent increment in tax revenue.

No linked expenditure costs are considered given that these are denominated in USD.

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 the country's debt dynamics (explained in next section) as well as the expenditure side especially on the foreign exchange receipts and other Government spending.

Table 3. Summary of Macroeconomic shocks

Variables	Shock	Impact (SR' m)		Impact (percentage)	
		Nominal GDP	Revenue	Nominal GDP	Revenue
Inflation	1% Rise	232	54.2	0.8	0.7
SR/USD ex. rate	1% Depreciation	-79	-18.4	-0.3	-0.2
SR/EUR ex. rate	1% Depreciation	84	19.5	0.3	0.3

Source: Macroeconomic Forecasting & Analysis Branch Estimates, MoFEPT

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

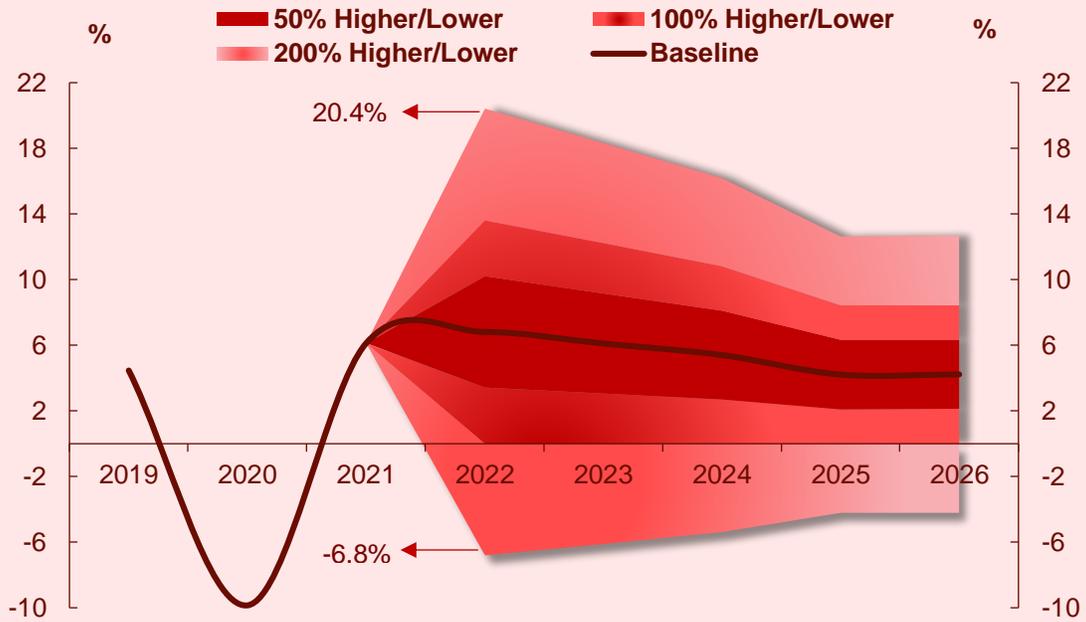
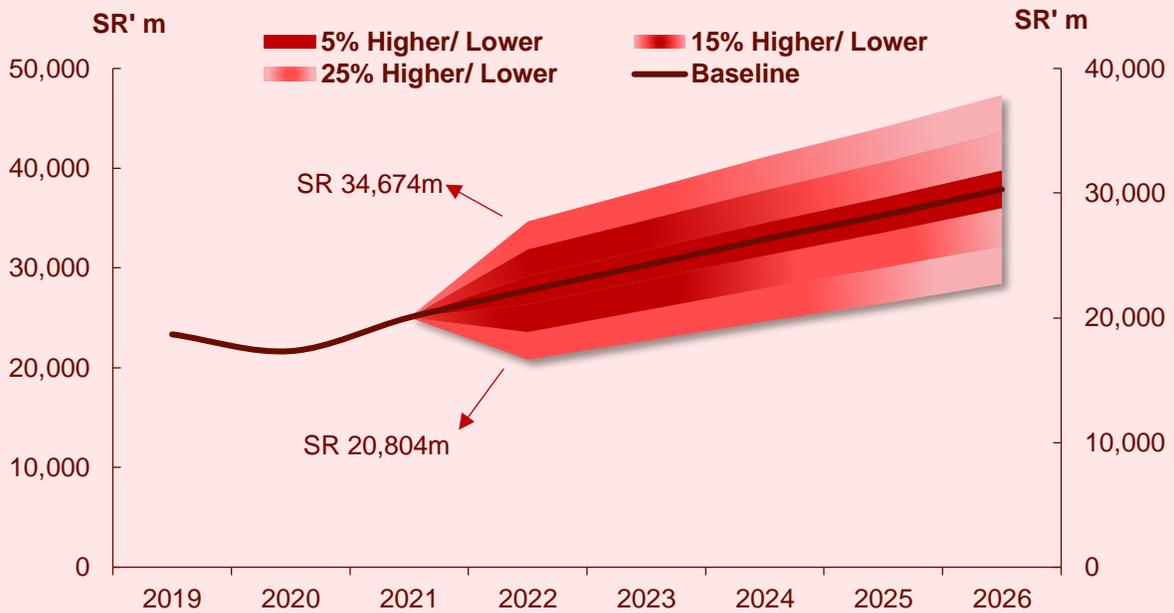


Figure 2: Nominal GDP Level deviations from Base line



Source: Macroeconomic Forecasting and Analysis Branch Estimates, MoFEPT

Figure 3: Tax Revenue deviations from Base line

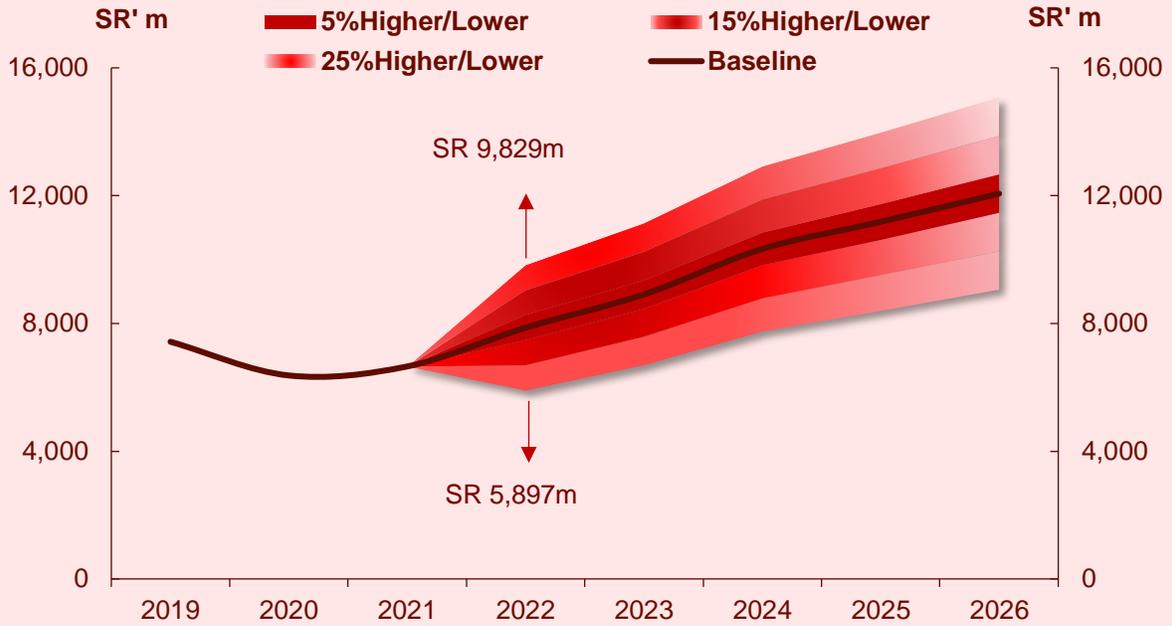
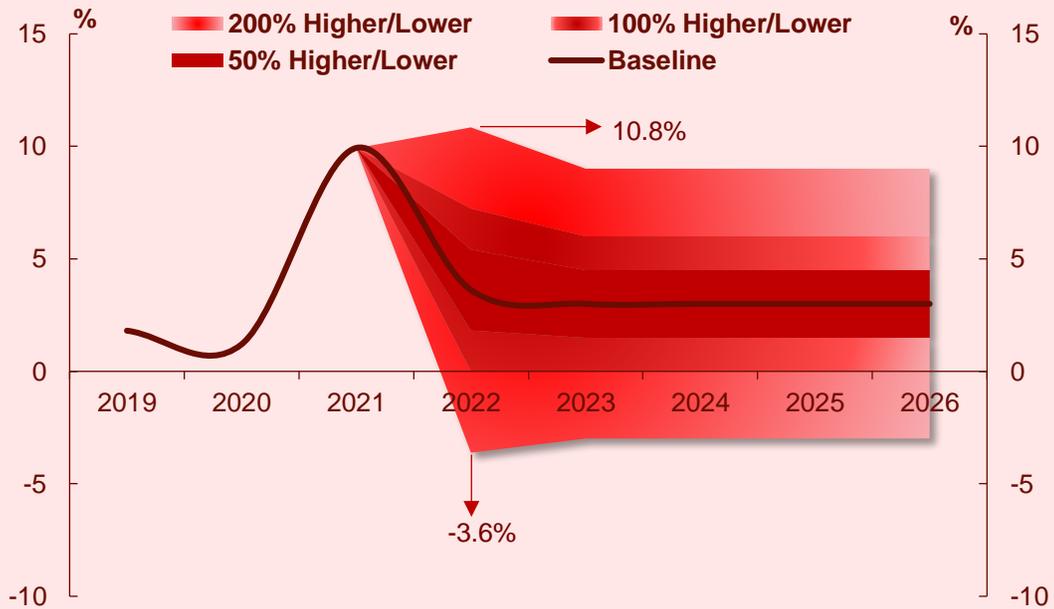


Figure 4: Inflation deviations from Base line



Source: Macroeconomic Forecasting and Analysis Branch Estimates, MoFEPT

2.3 Debt Dynamics Tool - Assessing shocks on Debt

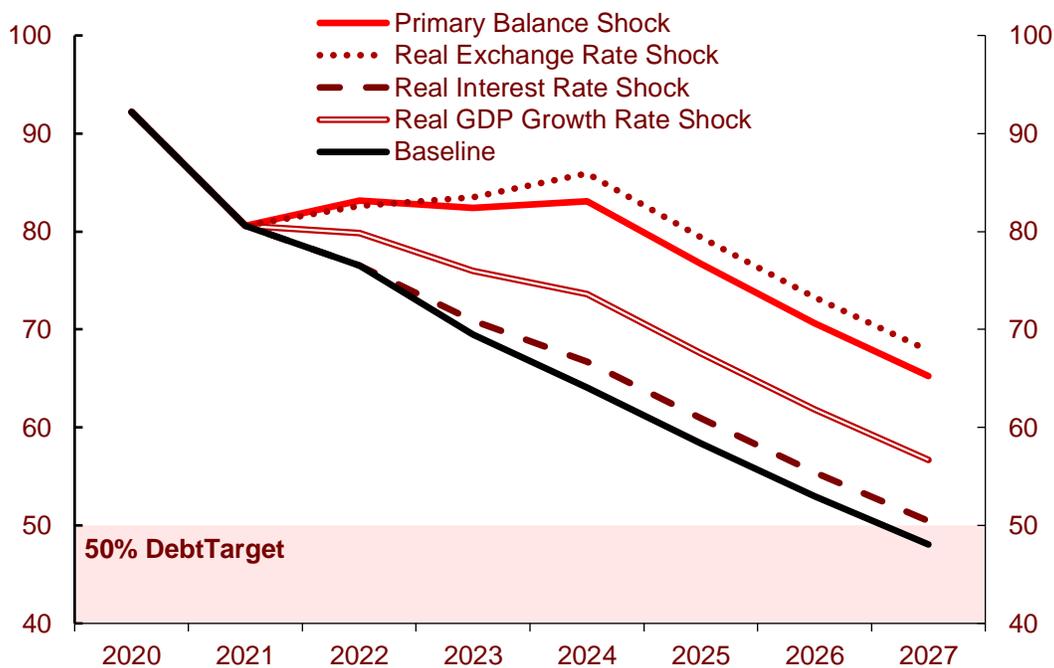
Shocks on debt were simulated using the IMF Debt Dynamics Tool in an attempt to highlight potential impacts to the planned public debt trajectory. For the purpose of this exercise, the following stress tests were applied separately to the following debt parameters in 2022:

- **One negative standard deviation shock:**
 - Primary balance to GDP
 - Real GDP growth rate
 - Exchange rate

- **Two standard deviations shock:**
 - Real effective debt interest rates.

Figure 8 depicts the public debt to GDP path over 2022 to 2027 after applying each shock. Given that the **largest deviation from the baseline in the stress scenarios was as a result of shocks on the real exchange rates followed by that on the Primary balance**, it can be said that public debt is highly sensitive to changes in these parameters. In terms of fiscal risk and debt management, these should be the main areas of focus for the Government – building more resilience towards external vulnerabilities and ensuring fiscal discipline towards the attainment of Primary surplus targets

Figure 5. Gross Nominal Public Debt: Stress Tests (% of GDP)



Source: Macroeconomic Forecasting and Analysis Branch Estimates-DDT, MoFEPT

Table 4. Summary of Debt simulations

Variables	Impact on Public Debt Path		
	Size of Shock (Standard Dev.)	2026 Public Debt Projection (% of GDP)	% change from Baseline
Baseline	-	+/- 50	-
Exchange Rate (SR)	1 SD = 22.29	73	+38.3
Primary Balance (% GDP)	1 SD = -6.58	71	+33.3
Real Interest Rate (%)	2 SD = 4.18	55	+4.6
Real GDP growth (%)	1 SD = -4.75	62	+16.7

Source: Macroeconomic Forecasting and Analysis Branch Estimates, MoFEPT

Sensitivity Analysis

Exchange rates

Any fluctuation in exchange rates 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 – In this case, a depreciation of the rupee will mean a higher rupee cost to service debt denominated in foreign currency.

The reopening of the economy by end of March 2021 led to a reversal of the strong depreciation of the exchange rate observed in 2020 following the lockdown. This appreciation coupled with the improved GDP growth rate reduced total public debt in 2021, however, debt level remains highly sensitive to changes in exchange rate especially debt denominated in foreign currencies.

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 8.1m, or 1 per cent increase in external debt stock for the year 2022.

Primary balance

Primary Balance is the difference between total revenues including grants and primary expenditure excluding interest provides an insight into financing requirement i.e. changes in debt required to bridge the gap between revenue and expenditure.

Any deviation from the budgeted revenue envelope or expenditure estimates will directly impact the primary balance and as a result affect the country's debt path.

Given the sensitivity of primary balance to total public debt, it is estimated that:

A 1 percentage point decrease in the primary balance would result in 1.3 per cent increase in total debt stock for the year 2022.

Real GDP growth

Real GDP is the monetary value of goods and services produced in a country in a given period of time adjusted for inflation. Any fluctuations in the real GDP growth rate will indirectly impact both total revenue and expenditure and consequently effect changes in financing needs of a country in terms of public debt stock.

Given the sensitivity of real GDP growth to total public debt, it is estimated that:

A 1 percentage point decrease in the real GDP growth rate would result in 0.9 per cent increase in total debt stock for the year 2022.

Real effective Interest rate

Real effective interest rate refers to the cost of borrowing accounted for inflation. Changes in either domestic or foreign real effective interest rates will directly impact the cost of debt and the total public debt portfolio as a result.

Given the sensitivity of real interest rate to total public debt, it is estimated that:

A 1 percentage point increase in the real effective interest rate would result in 0.9 per cent increase in total debt stock for the year 2022.

2.4 Macroeconomic shock scenario simulation

Tourism remains the main economic activity in the Seychelles economy, directly accounting for about a quarter of total GDP (2019 actuals). Any change in visitor arrivals, the main driver for tourism growth, will have a direct impact on the real GDP, and will indirectly impact inflation, tax revenue, primary balance and consequently public debt. Tourism earnings in FX will also be similarly impacted and this may filter through to inflation via the exchange rate channel.

Shock scenario:

- **50 per cent shortfall in tourism arrivals growth for 2022**

The baseline estimate for arrivals is 48 per cent in 2022

The potential impact of this scenario across all macroeconomic accounts – Real, Fiscal, Monetary and Balance of Payments, were simulated and are presented in Box 2 overleaf.

Scenario results:

- Given the above shock scenario, **projected visitor arrivals growth in 2022 would be 24 per cent only (half of baseline growth)** amounting to 39,192 more visitors.
- With lower than expected arrivals, the increase in value added output from tourism related economic activities will be less, resulting in a **fall in real GDP growth for 2022 by about 1.9 percentage points.**
- **Estimated tourism earnings in FX is lower by 16 per cent in the shock scenario** relative to the baseline
- **The reduction in tourism earnings implies a 6.7 per cent or SR 1 depreciation of the Rupee against the US Dollar** when compared to the baseline.
- Using simple regression analysis, it is estimated that **for every depreciation of one rupee, the year-on-year inflation increases by 0.5 percentage points.**
- Lower tourism and GDP growth in this scenario will **impact total tax revenue performance, particularly VAT on tourism, by an estimated 2.4 per cent or SR 191m in 2022.**
- A lower revenue envelope will directly translate into **a worsening of the primary deficit for 2022 from 0.8 to 1.4 per cent of GDP equivalent to SR 191m.**
- Consequently, the Government will have to look for additional financing to bridge this gap in order to maintain the target primary balance. **Total public debt would therefore increase by 4.2 per cent of GDP as a result.**

Note: *The large negative shock scenario presented above does not yield very significant impacts across the different variables considered because of the high economic growth expected in 2022 as part of the recovery following the crisis, as well as improvements in the fiscal balance. For example, tourism arrivals growth is forecasted at 48 per cent – half of this as per the scenario, is still a high double-digit growth.*

Box 2. Impact of downside shock on macroeconomic indicators

Key: — Baseline - - Shock

Figure i. Shock on Tourism Arrivals

Tourism arrivals: 50% drop in 2022 expected arrivals growth would result in 39,192 fewer visitors.

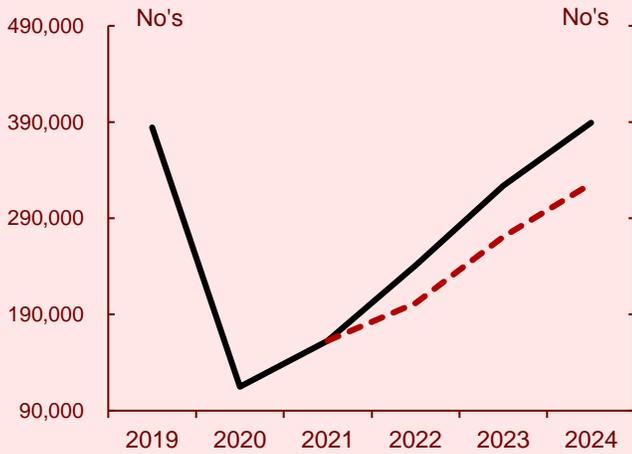


Figure ii. Impact on Real GDP

Lower tourism output impacts overall GDP growth by 1.9 pp.

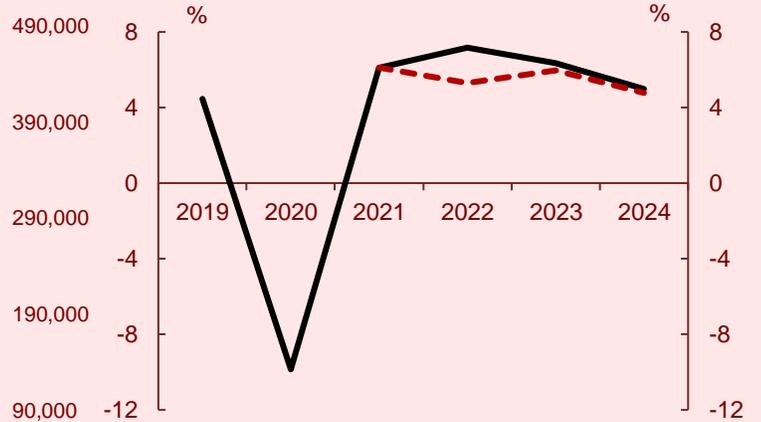


Figure iii. Impact on Tourism Earnings

Earnings from tourism will be offset by 16 per cent compared to baseline...

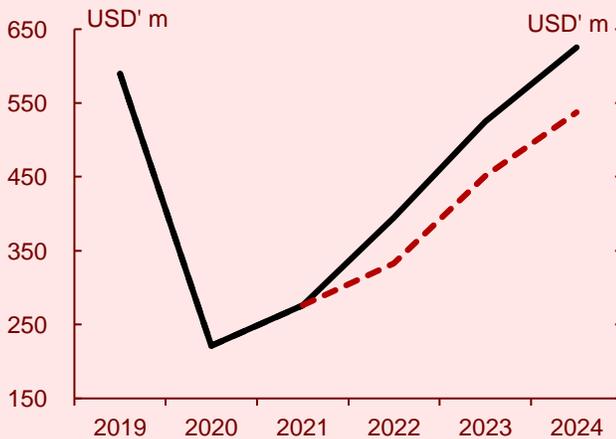


Figure iv. Impact on Inflation

...which may result in 0.5 pp increase in y-o-y inflation as a result of a SR 1 depreciation.

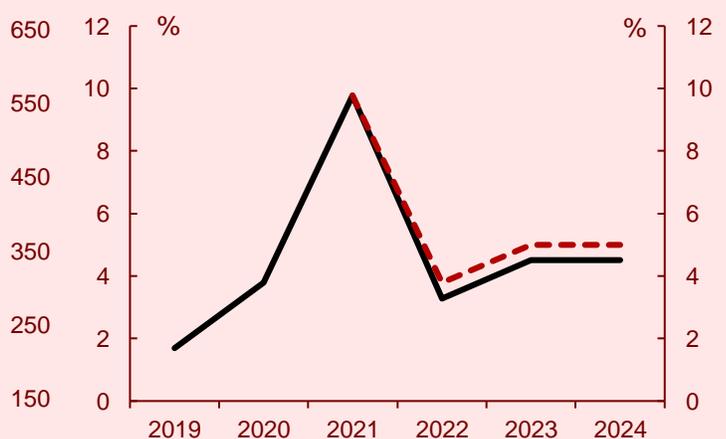


Figure v. Impact on Tax Revenue

Lower GDP growth will impact tax receipts by 0.3 per cent or SR 191m...

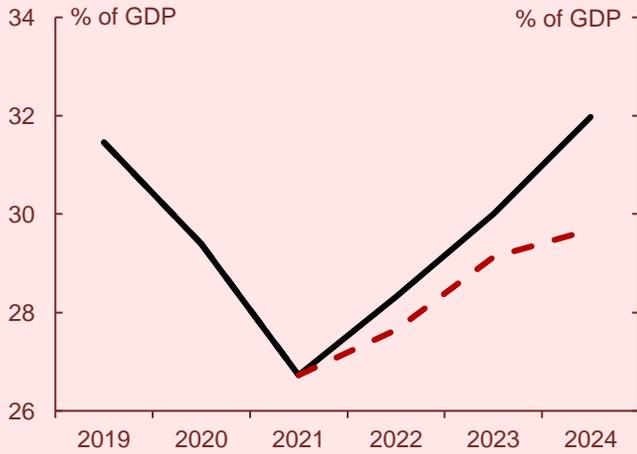


Figure vi. Impact on Primary Balance

...resulting in a worse PB from -0.8 to -1.4 per cent...

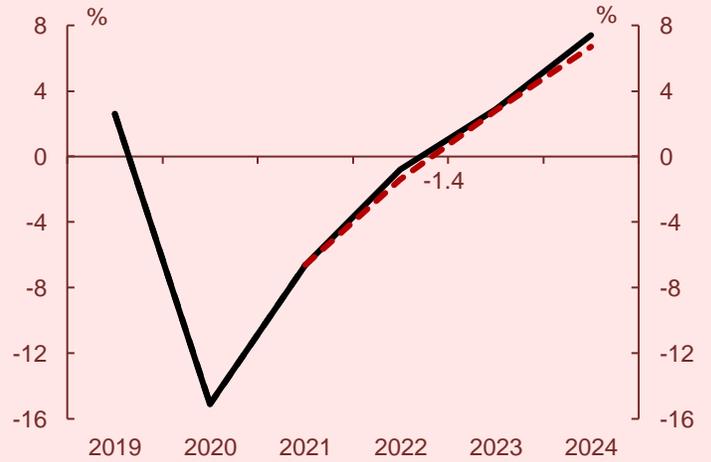
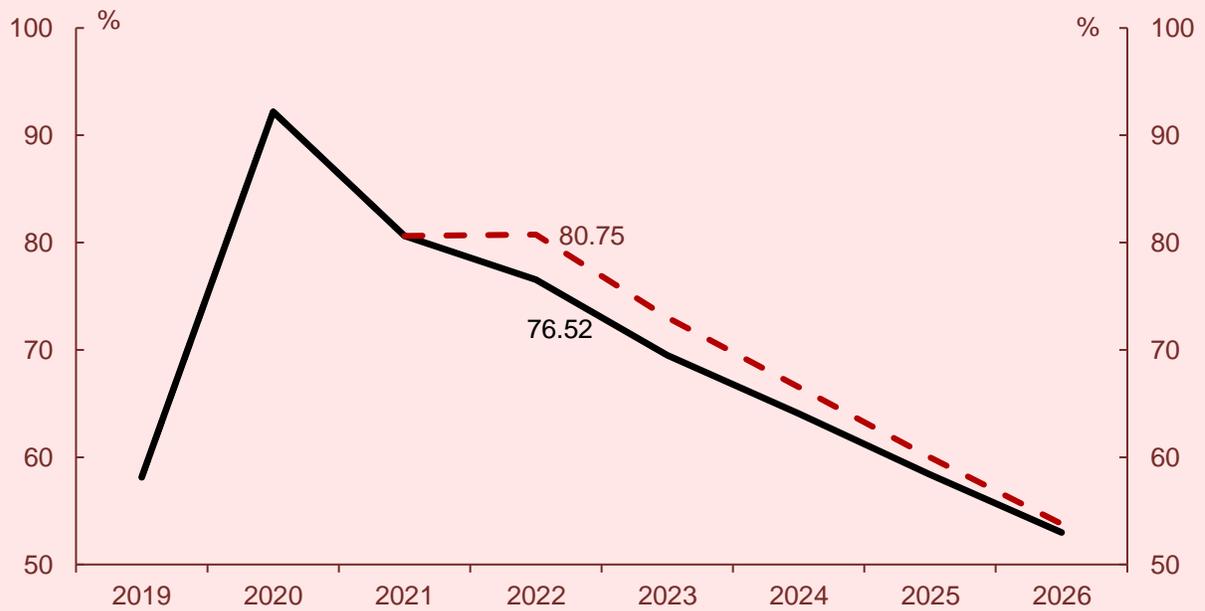


Figure vii. Impact of Public Debt

...and a direct increase in debt levels by 4.2 per cent of GDP.



Source: Macroeconomic Forecasting and Analysis Branch Estimates, MoFEPT
 Simulations on tourism earnings, exchange rates and inflation were provided by CBS

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 about 0.3 percentage points in the real GDP estimate.

Assuming that everything else is unchanged, this would translate into a potential drop in tax revenue of about SR 16.7m or -0.2 per cent.

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 management is a key Budget execution risk. Numerous projects have not been executed as initially planned over the past five years resulting in significant cost overruns, delays in related service delivery, adding strain on subsequent Budgets. Cost overruns on a project also means that the respective implementing agency has to re-allocate funds from other projects or request for supplementary appropriations.

One of the challenges faced when undertaking public capital projects is under-execution, where deficiencies in project implementation, largely due to delays in procurement, poor project planning, lack of human resources and capacity, results in lower actual spending in comparison to what was planned for in the Budget. This is often at the expense of additional spending needs (such as other priority projects), which could have been financed had this fiscal space, been available. Such spending would have contributed towards the growth of the economy. This represents a major public finance management risk given sub-optimal resource allocation and distribution.

Over the period 2015 to 2019, the execution rate for capital expenditure averages to about -35 per cent year. As a ratio to GDP, this amounts to about 2 per cent on average. Figure 13 and 14 overleaf depicts the under-execution cost as a per cent of GDP and the execution rate over this period respectively.

The Budget for Capital expenditure in 2022 is SR 1.5bn, equivalent to about 5.5 per cent of GDP.

Should the current rate of under-execution persist at an average of 32 per cent over 5 years, this would result into a fiscal cost of about SR 50m in 2022.

Figure 6. Under-execution levels (% of

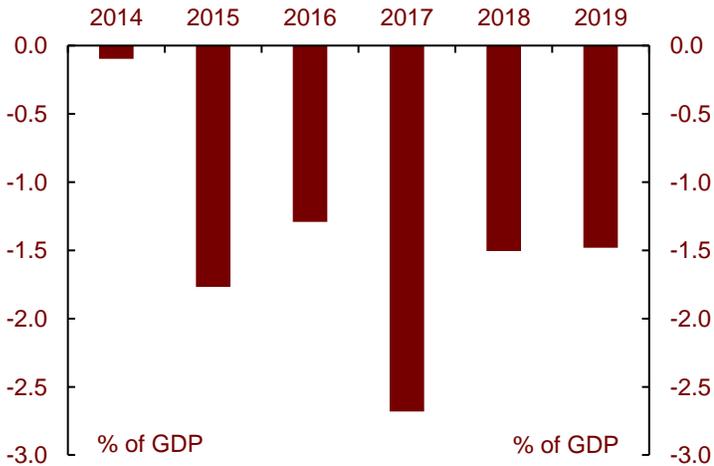
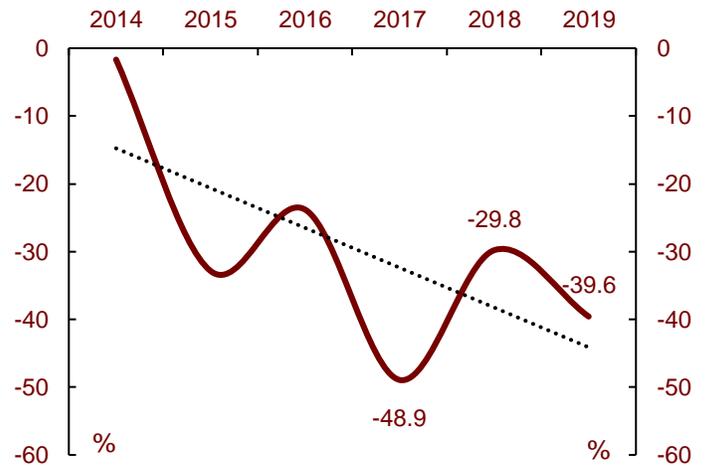


Figure 7. Under-execution Rate (%)



Risks Due to Uncertainty of Foreign Aid

Expectations about foreign aid poses another source of risk to the Budget. Foreign aid, which comes in the form of grants, is estimated to be around 2.8 per cent of GDP for the 2022 Budget. Given the recent developments surrounding the ongoing pandemic, countries remain uncertain about their future economic situation, hence may impact their ability to provide foreign aid. However, these may be countered by the recent Extended Fund Facility (EFF) Agreement with the IMF, which may positively impact the country’s ability to obtain aid. Furthermore, Seychelles participation and presence on the international scene as a proponent for Small Island Developing States requiring funds for sustainable, environmental climate change projects, is encouraging for donors.

Natural disasters

Natural disasters remain a significant risk factor to the Budget. Whilst a contingency fund is in place to cater for such, it may be inadequate depending on the nature and magnitude of the disaster. This was seen in 2020, where the budgeted amount deemed far less than the actual pandemic impact. For the year 2022, Contingency fund is estimated at SR 50m, representing a SR 5m increase over 2021 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 this sector as part of the economy, it is important to monitor these enterprises to ensure good financial performance financially and sustainability of operations.

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 through dividends, and additional fiscal costs to the Budget, as well as 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 2020**' prepared by the Public Enterprise Monitoring Commission (PEMC) which analyses risks faced by PEs for the 2020 fiscal year only. As such, there is no disclosure on risks faced by or resulting from PEs in 2022. 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 Summary of Public Enterprise (PE) risks 2020

Description	Recommendation
<p>1. Contingent liabilities <i>Contingent liabilities of PEs can occur from several sources such as guarantees on their borrowings, loans from the Government to PEs and legal cases involving PEs. The realisation of contingent liabilities can increase public debt.</i></p>	
<p>1.1 Explicit 1.1.1 Government guarantees Government guarantees on PE borrowings constitute contingent liabilities since the Government would have to service the debt on behalf of the PE in the event of default. At December 31, 2020 Government guarantees and Government on-lending to PEs represented approximately 59% (SR 2.7bn) of total PE debt.</p>	<p>Mechanisms such as guarantee fees, partial guarantees, quantitative ceilings on guarantees could be considered.</p>
<p>1.1.2 Loans from Government to PEs Loans from the Government to PEs are contingent liabilities since the Government would not recover the amounts outstanding if the PEs are unable to service their loans. PEs having loans outstanding from the Government at the end of 2020 are as follows:</p> <p>1.1.2.1 Development Bank of Seychelles (DBS) The Government borrowed on behalf of DBS for on-lending to its clients. The lending institutions and amount outstanding at December 31, 2020 are as follows:</p> <ul style="list-style-type: none"> - Agence Française de Développement (AFD) : SR 66.9m - Arab Bank for Economic Development in Africa (BADEA): SR 10.3m - European Investment Bank (EIB): SR 49m <p>1.1.2.2 Public Utilities Corporation PUC entered into indemnity agreements with the Government relating to payment obligations from the following institutions, the balances outstanding at December 31, 2020 are as follows:</p> <ul style="list-style-type: none"> - European Investment Bank (EIB): SR 677m - Agence Française de Développement (AFD): SR 247m - African Development Bank: SR 254m - Arab Bank for Economic Development in Africa (BADEA): SR 163m - Saudi Fund for Development (SFD): SR 300m <p>1.1.2.3 Islands Development Company Ltd (IDC) IDC received a loan of SR 18m from the Government in August 2020 for Covid-19 support. The legal end date is August 31, 2023.</p> <p>1.1.2.4 Seychelles National Parks Authority (SNPA) During 2020, the Government also wrote-off a loan to SNPA with a balance outstanding of SR 5.2m following financial constraints related to the COVID-19 pandemic.</p>	<p>Loans from the Government to PEs should be subject to scrutiny and could be linked to targets.</p>
<p>1.1.3 Government guarantees for Public-Private Partnerships (PPPs) undertaken by PEs PPPs can be an important source of fiscal risk as they can create explicit and implicit contingent liabilities. In the event of failure of a PPP whereby a PE is the</p>	<p>A detailed risk assessment should be conducted before a PE engages in a PPP to identify potential fiscal risks and contingent liabilities. The review and approval</p>

contracting authority, a risk arises if projects are incomplete and the debt of the PPP is transferred from the PE to the Government. Other instances could be court-mandated obligations for the Government to pay compensation for the collapse of a PPP agreement. The PE or the Government may also lose crucial assets to the investor if a PPP agreement collapses.

process of the PPP should include the Ministry of Finance, the PEs' Responsible Ministry and the Commission. The draft Public-Private Partnership Bill 2019 details the feasibility study to be undertaken. Consideration could also be given to value for money assessments for PPPs. The Government could also maintain a central register of PE PPP commitments.

1.2 Implicit

1.2.1 Loans between PEs

Loans between PEs can be a risk as both the debtor PE and the creditor PE may require Government support in a liquidity crisis and default. This risk is increased in cases where several debtor PEs are encountering difficulty to meet their commitments at the same time, such as during an economic crisis, causing increased pressure on the creditor PE.

The implementation of approval thresholds on PE borrowing, whereby the PE would require the approval of the Ministry of Finance through the Public debt Committee and its Responsible Ministry before signing new borrowing. Such approval should remain irrespective of whether a Government guarantee would be required. This could be done through PE borrowing and debt management plans.

Among PE-PE borrowing, there is also inter-company lending from parent companies to subsidiaries. Some of the loans are interest-free and their repayment terms have not been defined. Such lending, unsecured and without guarantee of repayment, is comparable to a cross-subsidy or capital contribution. Cross-subsidies between PEs may take resources from more fruitful investment ventures and be considered an extra-budgetary flow.

1.2.2 Bailouts

The use of the Government's fiscal resources to bailout PEs can come at a considerable cost to the national Budget and can negatively impact the Government's financial position. PEs may be encouraged to take excessive risk such as accumulating significant debt, as they perceive a possibility of a government bailout, despite the absence of an explicit commitment. The bailout of PEs may result in less incentive for them to become more efficient and develop their capacity to withstand macroeconomic shocks.

Bailouts or subsidies provided to PEs could be attached to certain conditions for the PE to fulfil, such as defined actions to improve efficiency. For instance, the funding may be disbursed in tranches, subject to certain pre-agreed conditions being fulfilled.

Providing PE Management with performance-based incentives may also aid in improving PE efficiency; this should be supported by transparent PE reporting to limit the risk of earnings management.

1.2.3 Legal claims against PEs

Legal claims involving PEs expose the Government to potential risk. In instances where the PE find itself in a poor financial position and unable to make payments associated with a legal decision, the Government may be expected to step in and do so on its behalf to avoid the interruption of service delivery by the PE. This may pose pressure on the Budget and the Government's financial position.

Systematic reporting by PEs of significant pending lawsuits to the Commission.

1.2.3.1 Air Seychelles Ltd

Bondholders have filed a petition to wind up Air Seychelles, following the airline's default on USD 71.5m bonds. In early October 2021, the government appointed two administrators as per the requirement of the Insolvency Act. The task of the administrators will be to consider the optimum ways of restructuring Air Seychelles and settling its debts

2. Macroeconomic risk

Macroeconomic changes can impact the PEs' financial performance and their relationship with the National Budget in terms of taxes and dividends paid into the Budget and funding requested from the Budget.

2.1 Exchange rate risk

PEs, whose part of operation and transactions are performed in foreign currencies, are directly exposed to the volatility of the exchange rates. PEs having debt denominated in foreign currency were exposed to exchange rate losses following the important depreciation of the Seychelles Rupee in 2020. At December 31, 2020 approximately 78% (SR 3.6bn) of PE debt was denominated in foreign currency, of which 55% (SR 2.5bn) in U.S. dollar, and 23% (SR 1.1bn) in Euro.

In addition to higher debt costs, the depreciation of the Seychelles Rupee led to higher import costs for the PEs.

Use of mechanisms to transfer the risk directly associated with particular PEs, such as hedging and insurance instruments.

2.1.1 Development Bank of Seychelles (DBS)

The Government is exposed to exchange rate risk arising from DBS' borrowings that are denominated in foreign currency. DBS has an agreement with the Ministry of Finance, Economic Planning and Trade stating that net foreign exchange losses arising on loan facilities will be reimbursed by the latter.

3. Other revenue and expenditure developments

All PEs are exposed to the risk of fluctuations in revenue and expenditure, which would affect their performance. Reduced PE profitability may cause lower taxes and dividends to the Government and increase the need for subsidies or recapitalisation.

3.1 New or increased Quasi-Fiscal Activities (QFAs)

A QFA is an activity conducted by a PE on behalf of the Government for which it is not compensated. QFAs may be imposed on PEs through pricing or other types of regulations.

QFAs can negatively impact the financial performance of PEs and can reduce income that the Government would receive from them. They can lead to recurring losses and underinvestment by the PEs, which may impact economic growth. PEs that are in a weak financial position may require government support to continue the service provision for the QFAs, for example, through capital injection, subsidies or debt restructuring. These may have a substantial cost to the Budget.

Lack of transparency surrounding QFAs may also be an incentive for PE management to justify underperformance, notably in regulated sectors with no private sector peer for benchmarking.

Policy mandates of PEs should be transparently disclosed and compensated.

Common QFAs identified by PEs for 2020 are as follows:

- Charging prices below market level
- Absorption of transportation cost of commodities to other islands by PEs.

3.2 Cybersecurity risks

Commercially sensitive data can be misappropriated in cyber-attacks, leading to reputational costs for the PEs, loss of revenue, and the risk of increasing the cost of doing business.

Improve cyber-resilience by investing in IT security.

3.3 COVID-19

The impact of the Covid-19 pandemic on the PEs includes the following:

- The reduction in tourism reduced the income of PEs that are directly linked to the tourism industry, such as Air Seychelles, the Seychelles Civil Aviation Authority (SCAA), the Seychelles National Parks Authority (SNPA), the Islands Development Company Ltd (IDC) and l'Union Estate Ltd.
- PEs whose income are derived from the tourism-related sectors such as the Public Utilities Corporation (PUC) and the Seychelles Trading Company Ltd (STC) also reported lower revenue due to lower demand for their products and services.
- The local prohibition of movement introduced during 2020 also saw lower domestic demand for the PEs' products and services, such as the National Information Services Agency (NISA).
- The PEs had to incur additional costs to implement safety protocols for their staff and customers.
- Negative financial impact of the depreciation of the Seychelles Rupee on operations and foreign exchange borrowing.

Implement cost-cutting measures and hygiene protocols.
Defer non-essential capital expenditure.

3.4 Climate change

The adverse effects of climate change can harm the PEs' financial performance. PEs may be faced with additional cost to adapt their operations to mitigate the impact of climate change.

PEs identify and quantify the costs related to the adaptation and mitigation of the impacts of climate change on their operations.

4. Institutional risks

4.1 Oversight framework

During 2020 there was a lack of clarity between the roles of the Government, Responsible Ministry and PE Board due to the absence of an ownership policy². This may cause undue interference by a Ministry in the operations of a PE.

There were no formal performance targets set for PEs by the Government, in addition to an absence of formal public policy targets. This leads to a lack of strategic direction for the PE, leaving the PE Boards to formulate their objectives. It is complex to measure the performance of PE Board and management in the absence of such targets.

Development of formal performance targets for the PEs by the shareholder to minimise the risk of PE bailouts and to provide the shareholder's expectation to the PE Board.

International good practice recommends that the PE ownership unit sets financial targets in collaboration with the Responsible Ministry to ensure that there is alignment between these targets and policy targets

4.2 Lack of resources of the Commission

The Commission has insufficient resources to exercise the required scrutiny on the PEs' finances, operations and budgets and conduct a comprehensive risk analysis to advise decision-makers promptly.

Improved allocation of resources to the Commission, to enhance its capacity.

² The Cabinet of Ministers approved the Ownership policy for PEs in December 2020.

4.3 Selection process of Board members

Greater transparency is required in the nomination and appointment of board members. The absence of a skills matrix per PE may lead to gaps in the appointment process.

Strengthen Corporate Governance within the PE sector supported by a formal, transparent nomination and appointment process for directors.
A register of directors would broaden the horizon of the nomination and appointment authorities, leaving an open and transparent process for prospective candidates to apply to be included in the register, increasing the likelihood that candidates are appointed on Boards corresponding to their skills.

4.4 Lack of compliance (PEMC Act)

The Commission lacks the enforcement powers to compel PEs to comply with its information requests. The inadequate legal provisions contribute to the delay in conducting an effective and efficient analysis.

Untimely and incomplete reporting by PEs delays the Commission's reporting and ultimately hinders the availability of timely analysis to decision-makers. Prompt reporting by PEs also aids in improving the accountability of PE Boards and Management.

Introduction of enforcement mechanisms within the PEMC Act.

4.5 Internal control deficiencies

The absence of an audit committee or an internal audit function (either in-house or outsourced) for PEs can lead to gaps in their internal controls and risk management systems.

SOEs Boards should ensure that internal audit procedures are developed within PEs, supported by an internal audit function reporting directly to the Board.

Source: PEMC

5. Risk Assessment Matrix 2022

Given the fiscal risks presented in this document, a fiscal Risk Assessment Matrix (RAM) was developed (Table 5). 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 5: Risk Assessment Matrix 2022

Risks Identified	Likelihood/ Time Horizon	Impact	Transmission	Mitigating Measure	Effectiveness of mitigating measures
External Risks					
Tourism arrivals shock	Med-High	High	A continued fall in visitor arrivals from main and new markets adversely impacting tourism recovery and GDP growth as a result of heightened travel restrictions brought about by a potential worsening of the COVID-19 pandemic - new variants with limited vaccine efficacy.	Prepare fiscal contingencies to lessen the impact of lower economic growth on Budget targets such as further fiscal tightening.	Medium
	ST			Speed up economic diversification efforts to increase output and FX earnings.	Med-Low
Fuel price shock	High ST-MT	Medium	An increase in international fuel prices will increase outflows through more expensive purchases affecting external balances.	Monitor developments in the international oil market and reduce reliance on fuel energy over the long term.	Low
Macroeconomic Risks					
Exchange rate shock	Medium	Med-High	Fall in tourism earnings, FDI and other inflows (exports) due to pandemic worsening will impact the exchange rate increasing depreciation pressures. This will primarily drive inflation, and impact external debt servicing plans.	Employ innovative marketing strategies to ensure continued growth in tourism arrivals.	Med-Low
	ST			Speed up economic diversification efforts to increase output and FX earnings.	
Inflation shock	Med-High	Med-High	Rising cost of global commodity prices and continued exchange rate depreciation will increase pressure on domestic prices and inflation affecting Budget spending, cost of living, business confidence and general financial stability.	Continuing the campaign to curb import related consumption.	Medium
	ST-MT			Proactive Monetary policy intervention. Contingency plans to curb impact of depreciation.	
Fiscal Risks					
Increase in Budget Gross Financing Needs	Medium	High	Lower economic growth, delayed recovery in tax revenues, higher spending pressures, and shortfalls in planned external financing would deteriorate fiscal balances and would increase financing needs.	Monitor economic developments.	High
	ST			Tighten and ensure fiscal discipline. Develop alternative financing and debt strategies.	
Missing IMF Programme performance targets	Medium	High	Uncertainty over the direction of the pandemic, under-performance of fiscal policy reform measures, and worsening fiscal balances marking a departure away from debt sustainability path.	Tighten and ensure fiscal discipline.	High
	MT			Ensure continuous monitoring and evaluation of performance benchmarks.	

Public Enterprise risks

PE contingent liabilities	High ST-MT	High	Poor financial performance of PEs resulting in requests for Government support placing additional strain on the Budget.	Reinforce monitoring and develop early warning mechanisms. Establish sufficient contingency reserves and negotiate suitable financing terms for guarantees.	Med-Low
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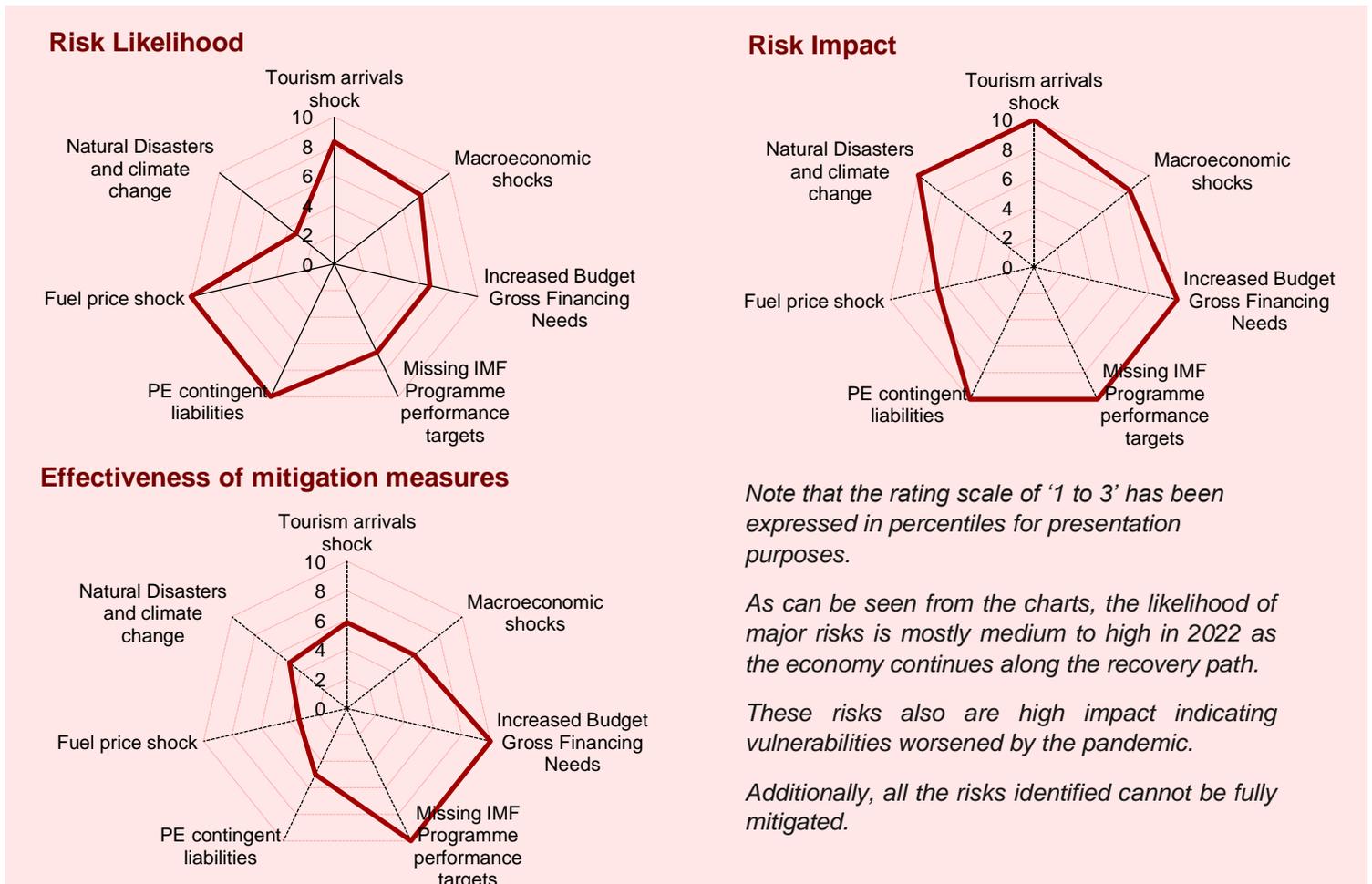
Other Risks

Natural disasters and climate change	Low No specific time	High	Climate change poses a long-term fiscal risk threat with high impact to Budget finances. A single disastrous event is, however, unlikely.	Ensure that Budget contingency buffers are provisioned for in the event of a natural disaster occurring. Source additional financing to undertake sustainable, environmental and climate change related projects.	Med-Low
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Source: Macroeconomic Forecasting and Analysis Branch Estimates, MoFEPT
Time horizons: ST – Short term, MT – Medium term

The following radar charts presented below depict the RAM estimates for 2022 on ‘likelihood, impact and effectiveness of mitigation measures’ based on the values assigned. A radar chart is a two-dimensional chart displaying multivariate data with several quantitative variables represented on axes starting from the same point.

Figure 8. RAM 2022 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 a 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**. More capacity in this area will result in better policy responses.
- **Transferring risks through hedging and insurance instruments**. This 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 institutional risks, and contingent liabilities, were to materialise into the fiscal risks, and for the proper planning of costs 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 and debt forecast, higher-than-expected inflationary and exchange rate pressures, and the uncertain financial performance of public enterprises.

To highlight different sources of fiscal risks, sensitivity analysis was undertaken across numerous variables such as inflation and exchange rates. Fan charts presented effects of changes in the estimated real and nominal GDP, tax revenue and inflation rate. Fluctuations in both the SR/EUR (affecting earnings) and SR/USD rate (affecting expenditure) on the Nominal GDP baseline were estimated.

Fiscal stress tests on public debt were simulated using the IMF Debt Dynamics Tool. Out of four variables considered, it was found that debt is most sensitive to volatility in real interest rates, followed by changes to the Primary balance ratio to GDP. In both scenarios, debt deviated the most from the baseline downward path.

A combined shock scenario was also presented which evaluated the potential macroeconomic impact of a 50 per cent shortfall in the projected 2022 tourism arrivals growth. Given the high dependence on tourism, the shock on visitor arrivals will negatively impact growth. With lower arrivals, expected tourism earnings in foreign currency is estimated to decline, applying pressure on the domestic and potentially increasing inflation expectations. The worsening of these macroeconomic variables will cause to constrain the revenue envelope, posing a threat to the Primary balance, as well as to derail planned debt reduction.

A summary of risks facing Public Enterprises have also been presented. These are categorised as contingent liabilities, macroeconomic risks, operational risks and institutional risks. This disclosure is important as 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 which can worsen 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.

A Risk Assessment Matrix was also provided in this document which assigns likelihood and impact values to major fiscal risks. In addition to this, possible Government strategies necessary to help mitigate overall fiscal risk are discussed.

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.

