



**BUDGET 2021**  
**GOVERNMENT OF SEYCHELLES**

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

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

Good morning.

## **1. Introduction**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **2. Review of global economic performance**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **4. 2021 Budget**

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

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

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

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

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

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

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

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

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

#### **4.1. National Debt**

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

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

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

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

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

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

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

#### **4.2. National Reserve and the Monetary Sector**

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

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

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

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

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

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

#### **4.3. Economic context for 2021**

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

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

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

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

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

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

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

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

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

#### **4.4. Tax collection**

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

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

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

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

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

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

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

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



## **5. The 2021 Budget Context**

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

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

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

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

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

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

### **5.1.1. Remove Abuse and Corruption**

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

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

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

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

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

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

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

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

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

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

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

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

## **5.2. Government Expenditure**

### **5.3.1. Salaries**

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

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

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

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

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

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

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

### **5.3.2. Goods and Services**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

This is a reduction of 15 million 236 thousand Rupees.

### **5.3.3. Capital Investment Programme**

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

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

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

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

Projects being financed through domestic budget are:

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

Projects being financed through external debts, these include:

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

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

#### Projects being financed through external donations

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

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

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

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

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

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

#### **5.3.4. Benefits and the ASP Programme**

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

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

This reduction is due to the following expenditure:

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

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

#### **5.3.5. Subventions of Public Enterprises**

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

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

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

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

These public enterprises are as follows;

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

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

#### **5.3.6. Contingency**

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

## **6. Fiscal measures**

### **6.1. Tax Reform**

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

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

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

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

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

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

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

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

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

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

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

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

#### **6.1.1. Reforms in Business Tax**

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



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

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

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

Applicable tax rates will be:

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

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

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

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

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

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

We have to go back to giving with our hearts!

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

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

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

### **6.1.2. Reform “Excise tax”**

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

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

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

### **6.2. FA4JR**

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

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

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

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

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

### **6.3. Assistance for businesses with liquidity constraints**

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

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

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

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

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

## **7. Public Service Restructuring**

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

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

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

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

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

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

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

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

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

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

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

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

### **7.1. Flexible working hours**

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

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

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

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

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

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

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

### **7.2. Governance of Public Enterprises**

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

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

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

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

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

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

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

### **7.3. Reform STC**

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

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

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

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

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

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

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

## **8. The Sectors;**

### **Economic Transformation**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **8.1. The Tourism Sector**

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

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

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

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

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

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

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



## 8.2. The Agricultural Sector

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

Government will still support the following;

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

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

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

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

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

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

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

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

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

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

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

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

### **8.3. The Fisheries Sector**

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

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

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

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

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

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

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

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

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

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

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

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

#### **8.4. The “Digital Economy” Sector**

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

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

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

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

#### **8.5. The Education Sector**

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

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

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

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

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

## **8.6. The Financial Sector**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **8.7. The Transport Sector**

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

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

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

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

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

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

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

### **8.8. The Energy and Climate Change Sector**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **8.9. The Environmental Sector**

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

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

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



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

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

## **9. Promote Opportunities**

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

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

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

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

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

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

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

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

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

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

### **9.1. Ease of Doing Business**

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

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

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

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

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

### **9.2. Protect Certain Investment Just for Seychellois**

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

## **10. Conclusion**

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

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

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

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

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

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

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