



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 6.6 per 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 6.4 per 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:

- i. Every entity will have to have a cash register
- ii. 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 (HLDRC) 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.