Budget Strategy and Outlook 2019

Estimates of Revenue and Expenditure and Appropriation Bill, November 2018

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Acronyms and Abbreviations

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

About the Document

This document sets out the economic and fiscal context for the 2019 Budget. It presents an overview of Seychelles economy, provides revenue and expenditure estimates for 2019 and the medium term. It briefly covers key measures and strategies influencing the Budget and gives a brief overview of the main economic reforms being undertaken by Government.

The budgeted revenue and expenditure numbers have been prepared in consideration of the outlook for the real, monetary and external sector using the best information available at the time of publication. The estimates are based on a range of economic and other parameters.

Economic Outlook

Overview

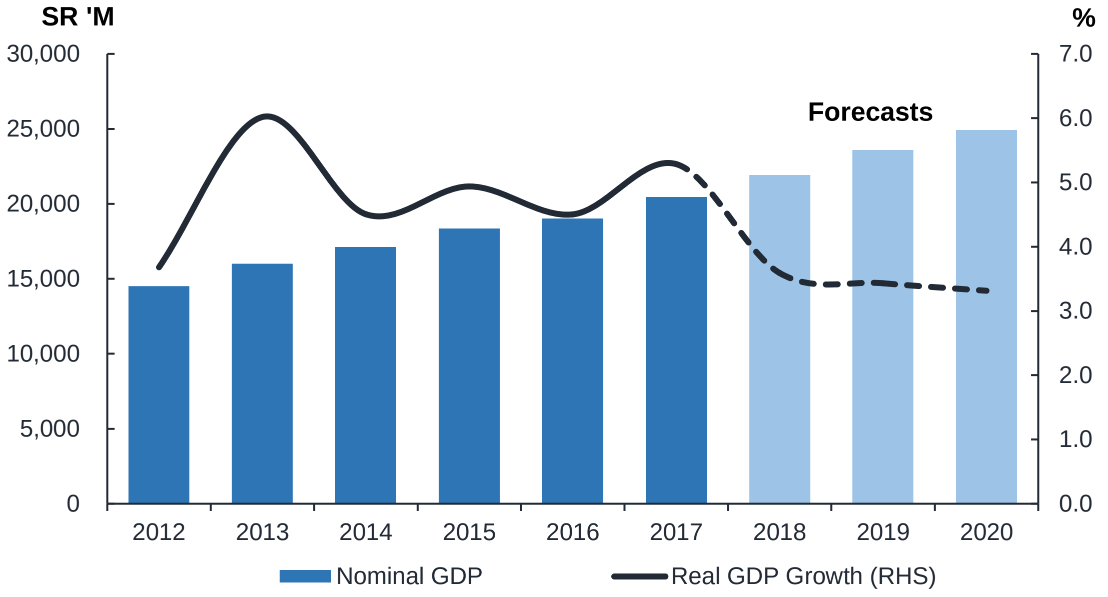
Global growth, as reported by IMF July 2018 WEO, is expected to reach 3.9 per cent in 2018. This is being supported by the peak in the rate of expansion in some major economies, favourable market sentiments, accommodative financial conditions, and the partial recovery in commodity prices that should allow conditions in commodity exporters to gradually improve.

Following stable economic activities thus far in 2018, the end of year Real GDP growth forecast remains at 3.6 per cent as per initial estimates. Tourism sector as a whole continues to contribute towards growth despite activities being slower this year compared to the past two years. Visitor arrivals have remained around 1 per cent so far throughout 2018 vis-a-vis 2017. Tourism earnings on the other hand remains resilient in spite of this. By the end of September 2018, provisional figures from the CBS shows that earnings increased by 8.2 per cent compared to the same period last year. Furthermore, growth is being sustained by the Information and Communication sector. This follows the continuous increase in data usage and the diversifications of products thus increasing competitiveness.

The Manufacturing sector is also on the positive side. In the 'Manufacturing of food' sector, more positive growth is anticipated despite the imposition of the yellow fin tuna quotation. Production statistics from the NBS reveals that by the end of the second quarter of 2018, a total of 25,653 tonnes of canned tuna was produced – a record high. This represents a 35 per cent growth when compared to the same period last year. Similarly, greater growth is expected in the 'Manufacturing of Beverages and Tobacco' sector. The level of production has increased for this year compared to last year. Bear, Stout, has increased by 3 and 41 per cent respectively. Production of spirits recorded negative growth of 33 per cent. The rebranding and introduction of new products by the major brewing company is also supporting growth in this sector. Finally, new projects such as the dam elevation, ongoing social housing projects by the Government, are boosting the Construction sector.

In 2019, real GDP growth is estimated at 3.4 per cent – a slight slowdown, driven by steady Tourism growth, sustained ICT growth and a more positive uptake under the Construction sector with new projects as reported by the SIB. Growth in the 'Manufacturing of food' sector is also estimated to remain resilient following a buoyant 2018. In the medium term, Seychelles economic growth is anticipated to remain stable with growth averaging to around 3.5 per cent. This is conditional on stable domestic and international factors. Any major shift in these factors can easily influence growth. This mainly include changes in fuel as well as commodity prices and any major crisis in key markets. Medium term growth will be mainly driven by Tourism activities, Information and communication, Financial and insurance activities as well as the Manufacturing and 'Wholesale and retail' sector.

Figure 1: Nominal GDP and Real GDP Growth for Actuals and Forecasts



Source: Macroeconomic Fiscal Working Group and MFAD Estimates

Real Sector

Tourism

Tourism sector continues to support growth in the economy albeit arrivals have been stagnant in 2018. By the end of September arrivals was up by 0.6 per cent compared to the same period last year. Significant drop has been recorded from the Asian market as well as from Russia. By the end of September visitors from Russia dropped by 16 per cent, equivalent to 1,645 less visitors, when compared to the same period last year. This can be explained by the 2018 World cup that was held in Russia. There is still uncertainty to explain the performance from the Asian market. The fall was however level by the growth in arrivals from the main European markets. This have been supported by the introduction of British Airways and Joon despite the cancellation of direct flights to Paris by Air Seychelles. The comparison between arrivals this year and 2017 is shown in the table below.

Table 1: Yearly Comparison in Visitor Arrivals by market as at August

Origin	Jan- Sep 2017	Jan- Sep 2018	%
Europe	**143,670**	**148,939**	**3.7**
France	30,278	32,018	5.7
Germany	36,225	39,351	8.6
UK	16,641	19,350	16.3
Italy	18,967	19,263	1.6
Russia	10,035	8,390	-16.4
Other Europe	46,865	51,332	9.5
Asia	**62,424**	**54,844**	**-12.1**
UAE	22,588	19,756	-12.5
China	10,082	7,703	-23.6
Other Asia	29,754	27,385	-8.0
Africa	**25,677**	**24,428**	**-4.9**
America	**10,487**	**10,378**	**-1.0**
Oceania	**1,681**	**1,507**	**-10.4**
Total:	**259,280**	**260,861**	**0.6**

Source: National Bureau of Statistics

Manufacturing

In this sector, the manufacturing of beverages increased on average by 11 per cent after the first half of 2018 compared to the first half of 2017. Beer and stout grew by 3.5 and 41 per cent respectively. Carbonated soft drinks also experienced growth of 32 per cent in the first half of 2017. The Production of Spirits dropped by 33 per cent compared to 2017. The brewery maintains a positive outlook for the rest of 2018 and 2019 having recently completed certain capital investments such as the installation of a new tunnel pasteuriser. The manufacture of food such as canned tuna grew by 35 per cent. However, the second half of 2018 remains uncertain due to the difficulties IOT has been facing with seiners transhipping yellowfin tuna to other countries and only about 20 per cent made available to the canning factory.

Construction

The construction remains positive with several main projects to be completed in 2018. This year, some companies have found the need to increase their labour force to cater for the ongoing projects. Furthermore, an increase in the production of blocks since the beginning of the year up to June in comparison to the same period last year supports the positive indication of growth for 2018. However, the company is still facing timing issues in relation to GOP and with the planning authority. The rising cost of fuel price is also a point of concern for this sector. For 2019, growth in the construction remains positive, with Foreign Direct Investment projects compelled to be completed within 3 years starting October 2018.

Information and Communication

Information and Communication remains strong as observed in the past 7 years. The driving force behind this is the continuous increase in internet data usage. By the end of the first half of 2018, data usage was up by 49 per cent compared to the same period last year. This is mainly attributed to the better and improved data collection by the telecommunications companies. The sector is also growing following companies' continuous efforts improve on current products they offer. Companies are also diversifying their products to be more competitive and offering their services at a more competitive rate.

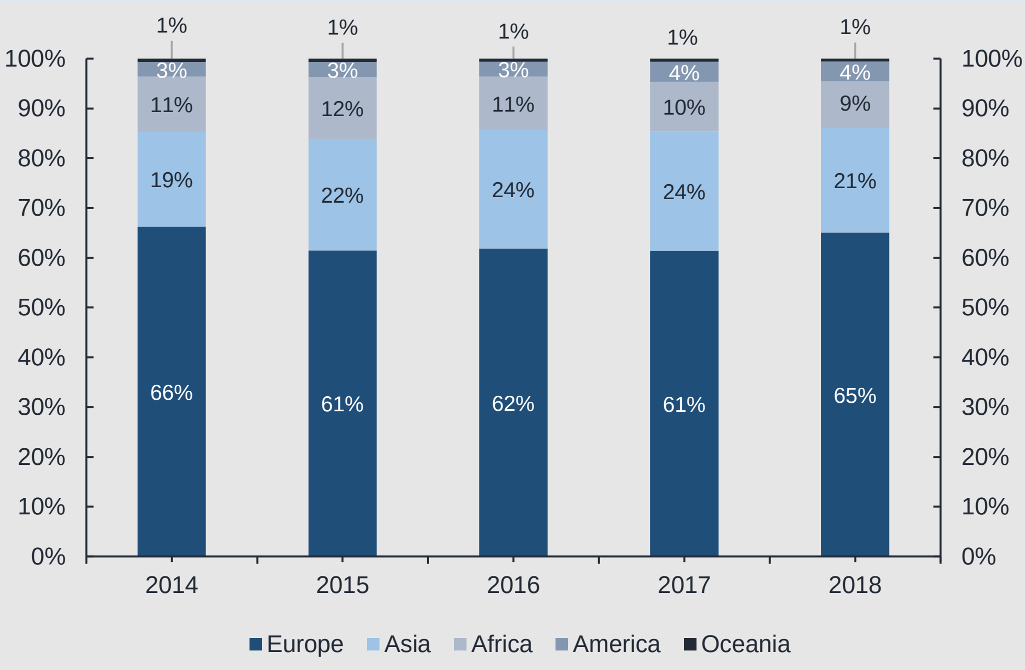
Box 1: Tourism

Seychelles Tourism Performance

Tourism remains the largest contributor to GDP at about 30 per cent. The immediate measure of real tourism activity is through visitor arrivals. Compared to the past three years, arrivals for 2018 has been slower averaging to around 1 per cent growth, reflective of 2014 growth. The slower growth is attributed to significant drop in arrivals from Asia, Russia, America, Oceania and as well as Africa. It is to be noted that the 2017 base was high following the strong performance of that year. For 2018, there has been a decrease in flight frequencies and chattered flights. Air Seychelles pulling out in the European market has reduced the load factor from Europe. However, this was smoothened with the coming of Joon and British Airways. Emirates has also reduced the flight frequencies to one flight per day during the off peak season.

The figure below shows a comparison of visitor arrivals by market over the past five years (from January to September). As can be seen, for 2018 there has been a decline in the proportion of visitors from the Asian market. However, growth from the European market has picked up thus sustaining overall growth.

Figure 2: Yearly Comparison in Visitor Arrivals by market



Source: National Bureau of Statistics

Despite the stagnant growth in arrivals, Tourism earnings and VAT receipts have recorded much higher growth. By the end of August 2017, tourism earnings as reported by the CBS, was estimated at USD 365m, reflecting a 7.4 per cent growth compared to the same period last year. The majority of the recorded earning comes from Hotels and Guest houses.

In terms of tax revenue collections from the tourism industry, it is estimated that by the end of August 2017, a total of SR 534m had been collected from Domestic VAT. This represents a growth of 25.5 per cent compared to the same period last year.

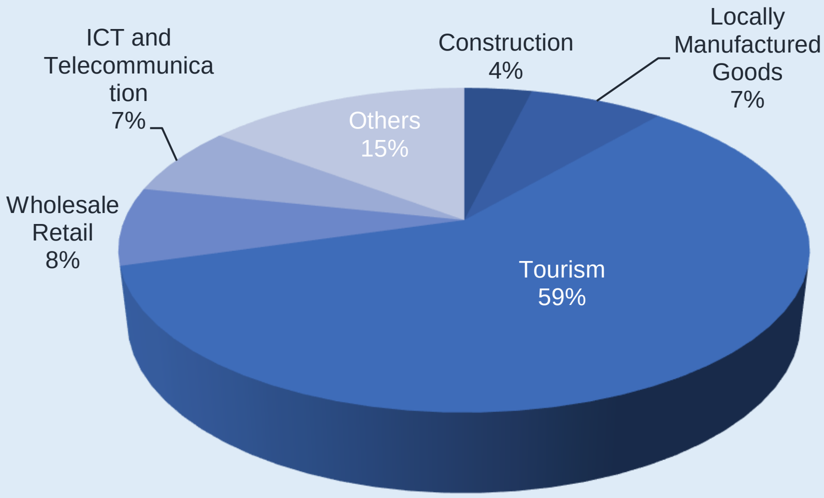
Table 2: Summary of Tourism Earnings and VAT Receipts

DESCRIPTION	January to August		% Diff
	2016	2017	
Tourism Earnings (EUR'm)	339.35	364.59	7.4
Avg SR/EUR rate	13.60	13.87	2.0
Tourism Earnings (SR'm)	4,617	5,059	9.6
VAT Tourism Receipt (SR'm)*	477	534	11.9

Source: Central Bank of Seychelles and Seychelles Revenue Commission

VAT is the largest contributor towards Government tax revenue. The pie chart below shows the breakdown of Domestic VAT receipts. Tourism accounts for more than half of total Domestic VAT receipts.

Figure 3: Sectoral contribution to VAT Receipts



Source: Seychelles Revenue Commission

Monetary Sector

The primary objective of the Central Bank of Seychelles (CBS) is to promote domestic price stability and under the current monetary policy framework, this is achieved by indirectly controlling growth in the money supply. The operating target of monetary policy is reserve money. Since July 2017, CBS also provides guidance on short term interest rates through the pronouncement of an interest rate corridor with the Standing Deposit Facility (SDF) and Standing Credit Facility (SCF) as the corresponding floor and ceiling of the corridor.

In the first quarter of 2018, the cautious loosening of monetary policy stance adopted since July 2017 was maintained as inflation was not forecasted to reach levels that would threaten the Bank's primary objective. However, monetary policy has been tightened as of the second quarter of 2018, a position to be maintained for the remainder of the year in a bid to mitigate forecasted inflationary pressures arising from both external and domestic developments. In line with the tightened policy stance, effective April 01, 2018, the interest rate corridor, was revised upwards whereby the SDF rate was raised from 1.0 per cent to 2.0 per cent while the SDF rate was increased from 6.0 per cent to 8.0 per cent.

Consequently, a general increase was observed in key market rates. As at August 2018 and relative to December 2017, the average lending rate and savings rate have increased by 41 basis points and 50 basis points respectively. With regards to credit allocated to the private sector, a year-to-date growth of 5.1 per cent was recorded, which was mainly driven by loans allocated to private households.

Inflation

Moderate inflation was observed throughout 2017 whereby an end-of-period inflation rate of 3.5 per cent was recorded by the Consumer Price Index (CPI). Year-on-year inflation picked up in the first quarter of 2018 to reach a peak of 4.9 per cent in February. This was primarily due to increases in items of the non-food category namely, higher electricity tariffs, fuel prices and public bus fares. Inflation in the second half of the year has been impacted by seasonal effects, key of which being fish prices, albeit with price pressures dampening following a slowdown in the rate of depreciation of the Seychelles rupee. As at September 2018, year-on-year and annualised inflation stood at 3.3 per cent and 3.7 per cent, respectively.

Going forward, imported inflationary pressure is anticipated in view of higher forecasted global commodity prices and sustained domestic demand. Given the conditions, the depreciation trend of the rupee is expected to continue. Despite consideration of other factors, key of which being sustained export growth, inflationary pressures in 2019 is expected to continue. The Bank remains committed to its primary objective and stands ready to adjust policies to ensure domestic price stability.

Credit

The total outstanding credit given out by the other depository corporations (ODCs) for the month of August 2018 grew by 5.6 per cent year on year and was mainly influenced by an increase of 13 per cent (SR 715m) in credit allocated to the private sector. However, the growth was offset by decreases in credit extended to the parastatal and government sectors by 11.9 per cent and 1.4 per cent, respectively.

Private sector credit was impacted by growth in multiple segments, key of which being 30 per cent (SR197 m) and 17 per cent (SR 210m) in 'mortgage loans' and 'Private Households and Non-Profit Institutions' respectively. Growth in private sector credit was partially offset by declines of 23 per cent (SR 62m) and 12 per cent (SR 138m) in credit allocated to 'manufacturing' and 'tourism facilities', respectively.

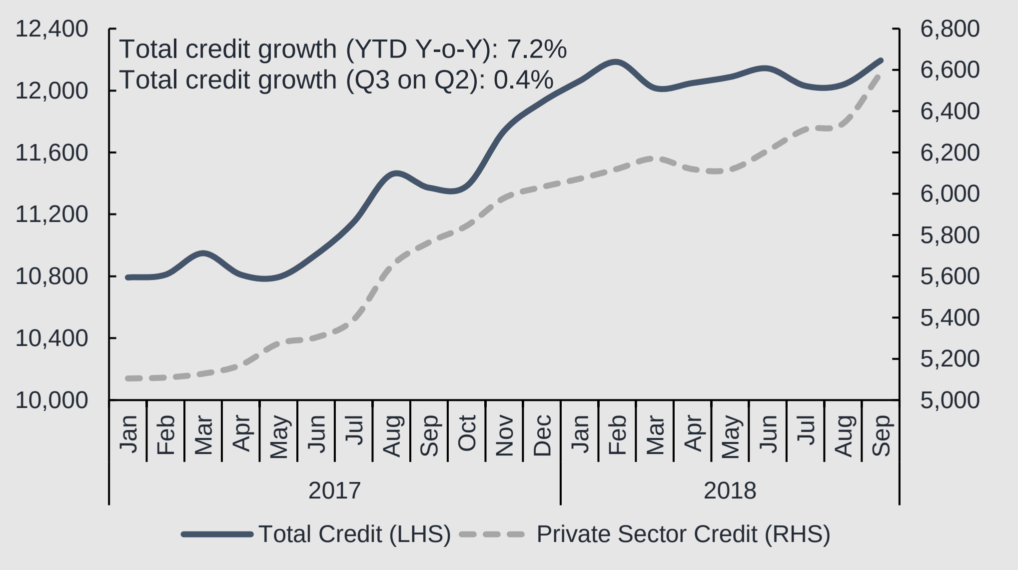
Box 2: Credit

Annual Credit Growth (YTD Y-o-Y) as at September 2018- Total: 7.2 per cent, Private: 14.2 per cent, Parastatals: -10.5 per cent, Government: -6.2 per cent

Year-on-year credit growth by the end of the third quarter of 2018 stood at about 7.2 per cent, or by SR 822k. The growth was driven mainly by 14.2 per cent growth in credit to Private Sector.

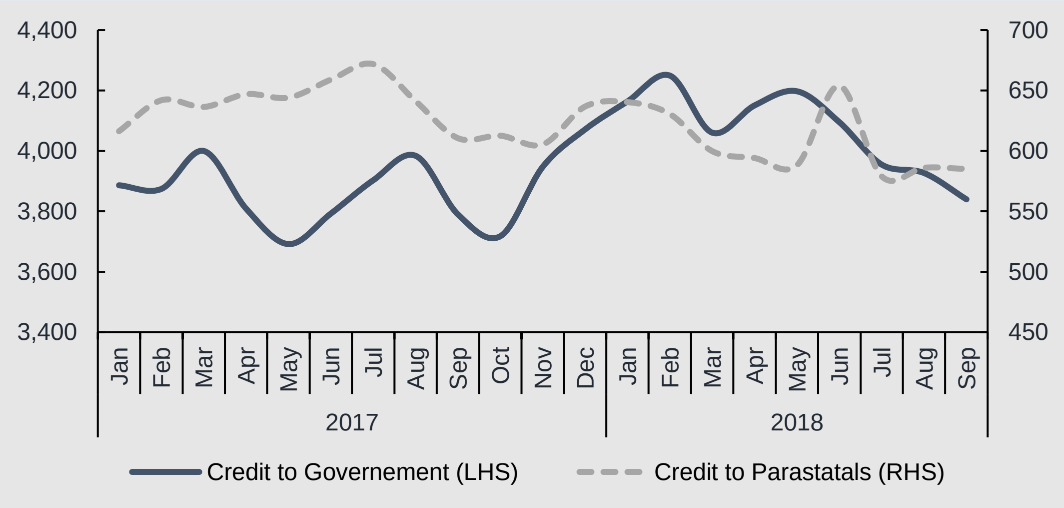
Credit levels to the private sector increased by 6 per cent during the third quarter of 2018 compared to the second quarter. Credit to Parastatals at the end of the third quarter of 2018 stands at about SR 585k. It declined during the first half of 2018 but spiked in the month of June and fell again thereafter. Generally, credit to parastatals has decreased by 4.2 per cent in the third quarter of 2018. Credit to the Government has decreased by about 6.2 per cent in the third quarter of 2018.

Figure 4: Credit Level Total and Private Sector (SR'm)



Source: CBS

Figure 5: Credit Level to Government and Parastatals (SR'm)



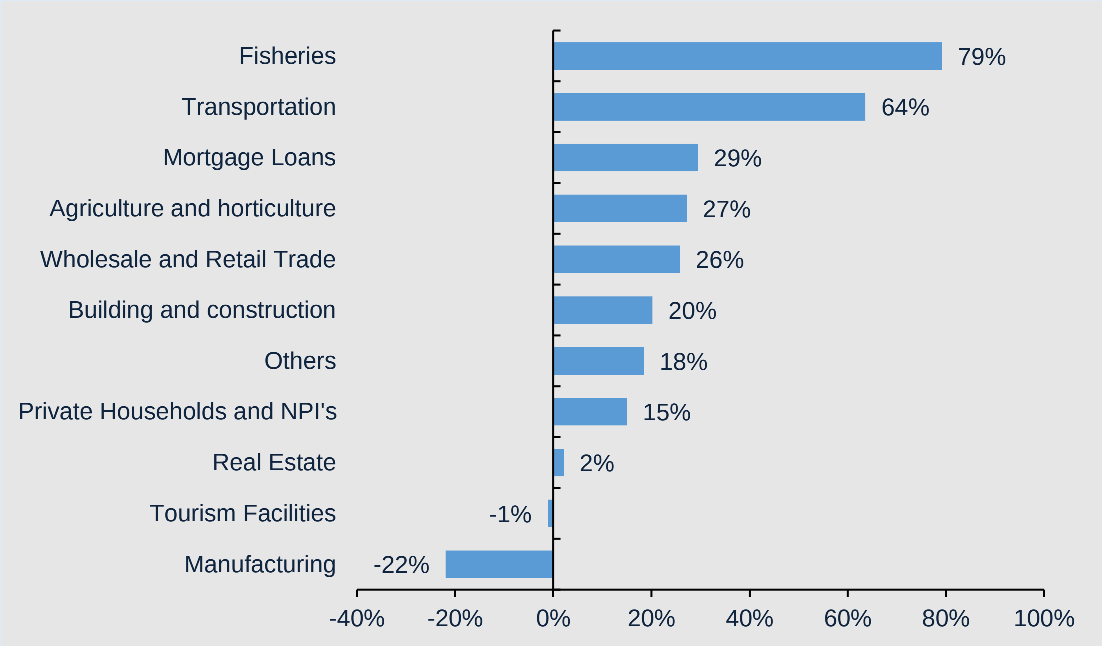
Source: CBS

Private Sector Credit Growth as at September 2018 - Year-on-year: 14.2 per cent, Q3 on Q2 2018: 6 per cent

Year-on-year credit growth to the private sector as at September 2018, increased by 14.2 per cent (equivalent to SR 821k). The greatest contributors to this growth year-on-year were Fisheries (79 per cent) and Transportation (64 per cent).

Q3 on Q2 of 2018 growth was 6 per cent (equivalent to SR 376k). In the third quarter of 2018 (as compared to the second quarter of 2018) the highest percentage growth sector was Fisheries with a growth rate of 52 per cent. On the other hand, Manufacturing and Real Estate recorded negative growth rates of 5.6 and 2 per cent respectively.

Figure 6: Credit YTD YoY Growth by Sector



Source: CBS

Foreign currency loans have increased by about 5 per cent year-on-year as at September 2018 and compared to second quarter of 2018, it has increased by 4 per cent.

External Sector

Balance of Payments

The country's external position is projected to remain relatively unchanged in 2018 in comparison to 2017. The current account deficit is estimated to end the year at 19.5 per cent of GDP compared to 19.9 per cent of GDP in 2017 whilst in US dollar terms, the deficit is forecasted to grow from USD 296 m in 2017 to USD 305 m in 2018.

Current Account

A widening of the trade balance deficit is projected, namely from USD 590m in 2017 to USD 642m, driven primarily by an increase in imports. Total imports (of goods and services) for 2018 is forecasted to reach USD 1,747m, with total exports at USD 1,579m.

Goods export is projected to decline by 1.2 per cent relative to 2017, to stand at USD 558m. The decline is on account of a higher value of re-exports of machinery and equipment recorded in 2017 which raised the overall level of exports for that year. Despite the lower level of total export of goods, a rebound in tuna exports is projected and follows a decline in the previous year. With regards to imports, the rising trend in international oil prices have contributed to an increase of 30 per cent in the value of oil imports in comparison to the previous year. Consistent with the above-mentioned development, oil re-exports are also forecasted to increase by 4.9 per cent in 2018 compared to the preceding year.

With respect to the performance of the services sector, the improved level of air connectivity following the arrival of three new airlines in 2018 has contributed to positive growth in the number of visitors to the country. Nonetheless, it is noteworthy that the growth in visitor arrivals is at a slower pace than that of 2017. The enhanced air access to Europe has led to a rise in visitors from said market which has partially offset the decline in the emerging markets of Russia, United Arab Emirates (UAE) and China. As such, overall yield from the industry remains buoyant, with tourism earnings for 2018 forecasted to grow by 6.9 per cent from USD483m in the previous year to USD 516m.

Gross international reserves at year-end is projected to reach USD 522m, equivalent to 3.5 months of imports cover. This is a decline of USD 23m compared to USD 545m at the end of 2017. The forecasted fall in external reserves is mainly on account of an increased level of public debt repayments made during the year and limited periods for opportunistic buying by the Bank. With regards to the latter, further accumulation of reserves is expected to be a challenge in view of the rising cost of imports which translates into sustained demand for foreign exchange in the domestic market.

Exchange Rates

Developments in international currency markets greatly influenced movements of the rupee exchange rate in 2018. The prolonged accommodative monetary policy stance of the European Central Bank (ECB) contributed to a weakening of the Euro, most notably in the second half of the year. More recent concerns over developments in Italy, in particular Budget discussions, has also weighed down on the single currency. Uncertainty over the Brexit negotiations, despite the possibility of a more favourable deal, has contributed to a weakening of the Pound Sterling. As regards to the U.S dollar, a general strengthening against global currencies was observed and it was also influenced by three increases in rates in 2018.

In the domestic market, throughout 2018, demand remained stronger than supply which contributed to a weakening of the rupee. As such, as at October 9, the SCR/USD weakened by 27 cents relative to the same period in 2017, to stand at R13.88. The SCR depreciated by R1.37 against the EUR and R1.35 vis-à-vis the GBP to stand at SR 16.61 and 18.67, respectively.

Demand for foreign exchange is expected to remain strong. Consequently, a modest depreciation of the rupee against the US dollar is anticipated for the remainder of the year and into 2019. As for the EUR and GBP, developments in international markets indicate a greater level of volatility in the currencies.

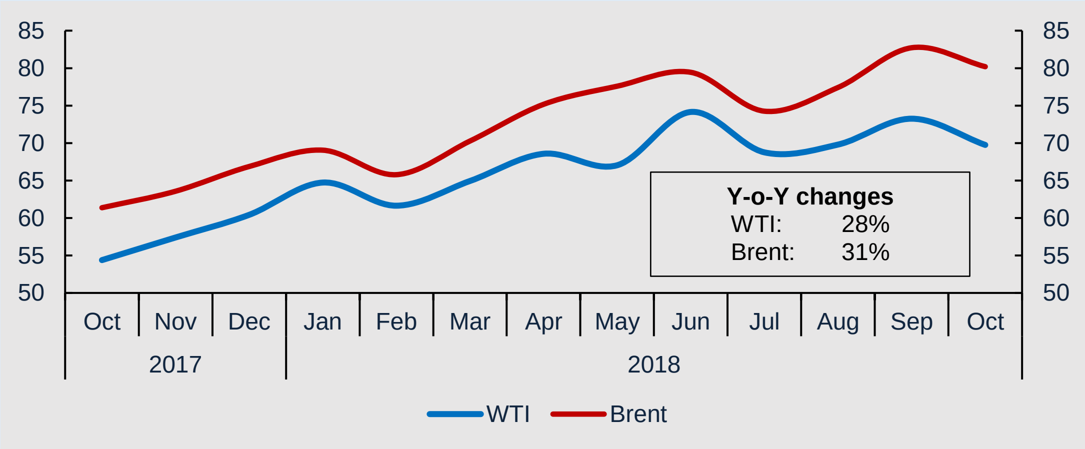
Box 3: Petroleum

The following briefly presents recent developments in international crude oil prices and domestic petroleum price developments.

There are two grades of crude oil that serve as benchmarks for other oil prices. West Texas Intermediate comes from, and is the benchmark for the United States while Brent North Sea oil comes from Northwest Europe, and is the benchmark for global oil prices.

Internationally, Crude Oil prices have been on a rise with a Year-on-Year change of 28 per cent for West Texas Intermediate and a change of 31 percent for Brent Oil. Both these changes show a comparison between October 2018 and October 2017. Additionally, on September 24, 2018, global oil prices hit a four-year high of USD 81.20 a barrel. The significant rise of crude oil prices is mostly due to international supply pressures and uncertainty around United States sanctions against Iran as well as outages in Venezuela.

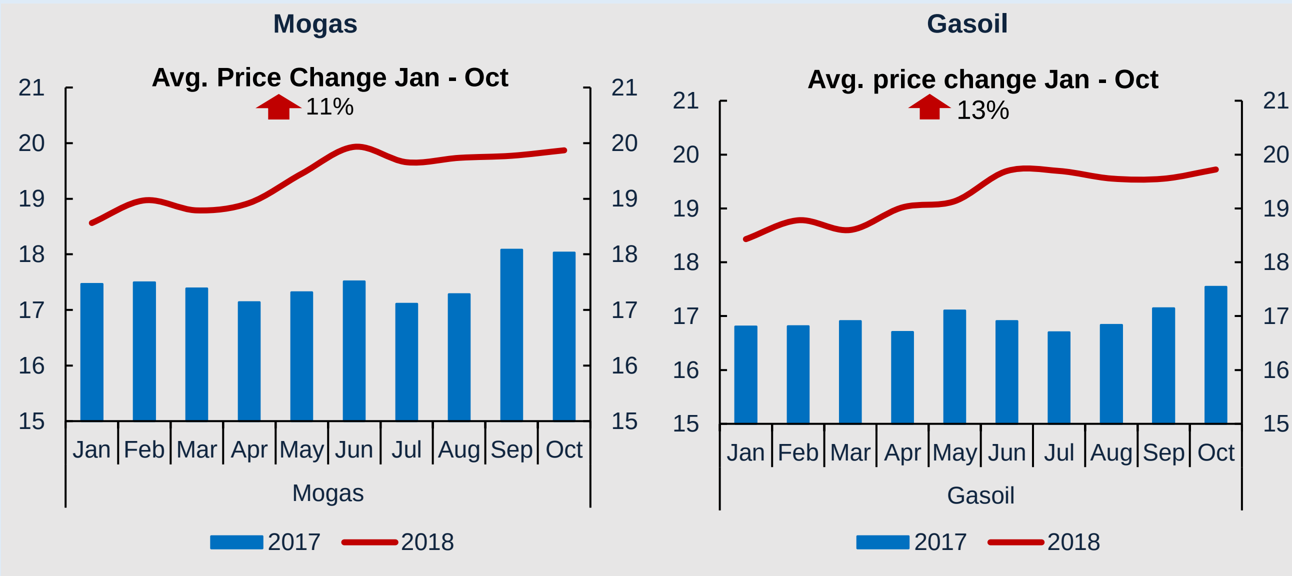
Figure 7: International Crude Oil prices (USD/barrel)



Source: Investing.com

Given that, crude oil prices make up most of the price of Gasoil and Motor Gasoline (hereafter referred to as Mogas), a pressure on domestic price can be observed.

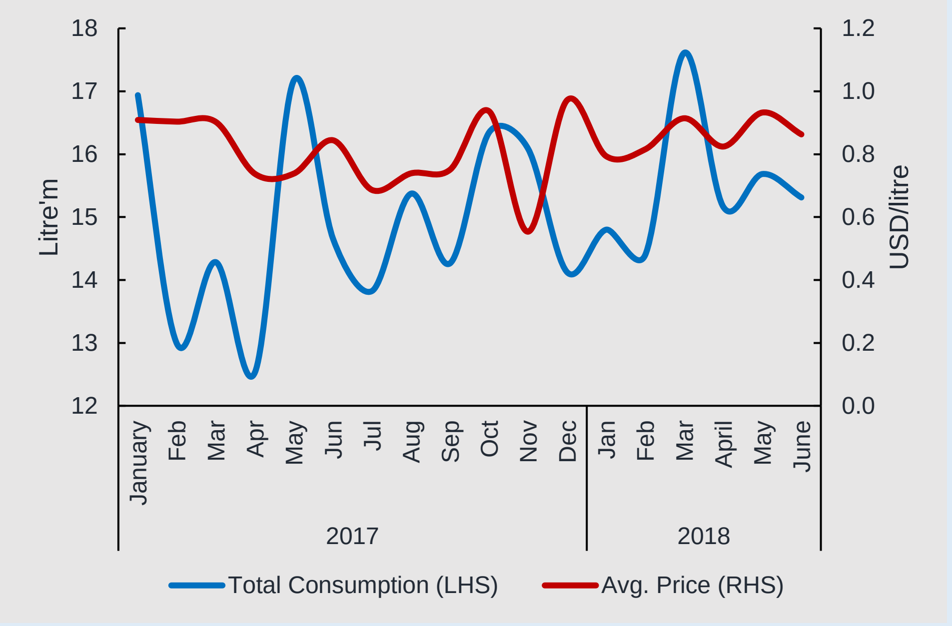
Figure 8: Domestic Mogas and Gasoil Prices (SR/litre)



Source: Seypec

Since January 2018 domestic Mogas prices increased by an average of 11 per cent while Gasoil prices increased by an average of 13 per cent.

Figure 9: Domestic Fuel Consumption and Price Comparison



Source: Seypec

However, the price increase does not seem to have a great effect on domestic petroleum consumption. While the average prices of all fuel types have increased by an average of 3 per cent from January 2017 to June 2018, likewise consumption has increased, albeit at a much lower rate with an average increase of 1 per cent for the same time period.

Outlook 2019

According to the Short-term Energy Outlook by the U.S. Energy Information Administration, worldwide crude oil prices will average USD 74 per barrel in 2018 and USD 75 per barrel in 2019. The higher price forecast reflects a lower forecast for global oil supply in 2019 based on lower expected production from the U.S., Canada and OPEC. The lower production forecast is only partially offset by a lower forecast of oil demand for 2019. However, EIA forecasts relatively stable inventory levels in 2019, which indicate that monthly average Brent crude oil prices will remain relatively stable between USD 72 per barrel and USD 76 per barrel between September 2018 and December 2019.

The forecast of a steady rise in crude oil prices is also expected to lead to a steady increase in domestic fuel oil prices in 2019.

Public Finance Management Reforms

After the first set of strong fiscal and public sector reforms, Seychelles is now moving towards second-generation public sector reforms to spur inclusive growth. These reforms are at the center of the President's principles of transparency, accountability and good governance and are also contributing to achieving the objectives of the new macroeconomic and structural reform programme for the period December 2017-December 2020 being supported by a Policy Co-ordination Instrument (PCI) with the IMF.

Result Based Management Framework

The results-based management (RBM) framework aims at strengthening the results-focus across government to enhance public sector efficiency, effectiveness, transparency and accountability with the ultimate objectives to enhance growth, economic diversification, and social inclusion across sectors. The RMB focuses on four main pillars:

1. **Strategic Planning** - Defining a national development strategic direction within which strategic goals will provide a focus for action;
2. **Programme Performance Based Budgeting** (PPBB)- the specification of expected results which contribute to these goals and align programmes, processes and resources behind them;
3. **Performance Monitoring and Evaluation** - on-going monitoring and evaluation of organisational, programme and service delivery performance, integrating lessons learnt into future planning;
4. **Personnel Management Systems -** improve accountability, based on continuous feedback to improve personal performance

The Program Performance Based Budgeting pillar is being fully rolled out with the 2019 Budget. This process started with the 2015 Budget with two pilot Ministries, then five ministries for the 2017 Budget and three more for the 2018 Budget. Five years later, the Government of Seychelles is presenting its 2019 national Budget on a full performance, programme based methodology with strategic priorities and performance indicators for all MDA's.

The government will continue to improve the PPBB process, systems and human capacity to ensure full achievement of intended objectives. In particular, the government will:

- Adopt portfolio (groups of associated MDAs), Budget ceiling allocation from 2020 based on national and sectorial priorities
- Strengthened the medium-term Budget framework to link the Medium-Term Fiscal Framework and the MDA Budget process to enhance the top-down Budget process
- Improve the quality of performance information for all MDAs and put in place appropriate processes and systems to record, collect, report and audit the performance information

- Gradually integrate PPBB with the other pillars of RBM; link the sectoral strategies in the National Development Strategy with portfolios Programs to be funded and align the performance indicators in the PPBB statements with that of the performance monitoring and evaluation pillar.

The strategic planning pillar, the national vision is expected to be launched in January 2019 and during 2019, the Government will work towards the completion of all sectorial strategies and ensure the strategies are consistent with the national vision.

The design and adoption of the Performance Monitoring and Evaluation (PME) policy and guidelines has been finalized. The implementation has started in two sector pilots and is now proceeding in two other pilots.

Reforms under the fourth pillar (Personnel Management Systems) have now become more urgent to ensure the Government can deliver its services effectively and efficiently. These reforms address increasing concerns with public service management, both regarding the size and performance of the public service.

Government is to complete the full reform of the Results Based Management Framework by end 2021.

Public Investment Management

Public Investment Management will be enhanced further with more emphasis being placed on feasibility studies and cost and benefits analysis for capital projects. This will ensure that projects that are funded are economically feasible and can be financially sustained from the Budget. The analysis will also help the Government to identify fiscal risks associated to the project.

Tax Reforms

Property Tax

The Immovable Property tax on foreign property will now take effect on 1st of April 2019 and will now be applicable on all foreign-owned residential properties only. The rate will still be at 0.25 per cent as announced last year.

Sugar Tax

On the 1st of April 2019 a sugar tax will be introduced on all beverages (including alcoholic beverages) of which the sugar content exceeds 5g per 100ml, at a rate of SR 4 per litre. Freshly squeezed fruit juices shall be exempted from payment of the tax.

The sugar tax aims to discourage the high consumption of sugar by the population in an effort to reduce obesity and other diseases such as diabetes which is putting a strain on the country's health system. The Ministry of Health, expenses in relation to diseases associated with high intake of sugar, amounts to an approximate SR 83.25m per year an amount which excludes the indirect

Excise Tax on Tobacco

To deal with the scourge of excessive tobacco consumption, the effects that these have on society, and the significant costs to the Budget for treatment of tobacco-related diseases, Government will, as of January, 2019, increase the rate of excise tax on these products. Excise tax on all tobacco products (imported and local) including hand-rolling tobacco which is used to produce cigarettes, cigars and cigarillos will increase by 10 per cent.

Revised Rates for the Poultry Levy and Introduction of a Levy on Pork

As part of effort to revive the livestock sector, the Government will increase duty on imported pork and poultry meat, as of 1st of January 2019. This would be a short term measure to re-energise the industry and provide some further leeway against the more competitive imports.

VAT refund on Local Purchases by businesses engaged in Agriculture and Fisheries

The current VAT regulations makes provision for persons engaged in farming, fishing and supporting activities to be exempted from payment of VAT on importation of goods and equipment approved by the Ministry responsible for Agriculture and Fisheries.

The Government is amending the VAT regulations to allow registered farmers and fishermen to be eligible for VAT refund on locally purchased goods/equipment (*excluding motor vehicles, except specialized motor vehicle as certified by the Ministry responsible for Agriculture and Fisheries which also benefit with Excise Tax concessions*) solely for use in their business. The list of purchased goods and equipment will be stipulated under an exemption schedule. The procedure for VAT refund would be as follows:

1. The farmer/fisherman purchases a good or equipment locally through a VAT invoice and requests for a receipt after purchase;
2. The VAT Invoice and receipt is brought to the Seychelles Agricultural Agency/Seychelles Fishing Authority for endorsement;
3. The endorsed VAT Invoice and receipt is brought to the Seychelles Revenue Commission (SRC) in order to process the refund.

A legislation is being proposed for such refund mechanism, similar to an existing refund mechanism, for VAT refund at airport. The legislation would also prevent any possibilities of abuse.

Legislative amendment Governing Excise Tax for fuel concession

Prior to the transfer and consolidation of all the categories of businesses and persons entitled to fuel concessions and exemption under the Excise Tax (Fuel concession/Exemption) Regulation in 2018 - (S.I 27 of 2018), the provisions for fuel concessions and exemptions were segmented under various legislations such as the Tourism Incentives Act (TIA) introduced in 2003, which granted various fiscal incentives to tourism related entities to boost development of the tourism sector. Beneficiaries of these concessions were issued with a TIA certificate of which most of these certificates will expire in 2018.

The Government will be undergoing the following reforms with regards to the above concessions;

1. Maintained as per the rates in schedule 1 of the fuel regulation for entities or categories such as PUC, SPTC, SFA, Companies mandated by Government to undertake development activities on outer islands, Domestic Air Transportation, Boat owners, Fuel concessions under signed agreements with Government of Seychelles, Licensed Ferry Services Operators for cargo.
2. The licensed accommodations (Item No. 5) who are not connected to the PUC grid that use fuel to generate their own electricity will be maintained. However, once PUC is ready to include them in the grid the concessions will no longer applicable.
3. A phase out approach to remove fuel concession for TIA Licensed Operators in Hire Craft, Dive Centre, Tour Operator, Cruise Ship, Yacht/Liveaboard Operator. These concessions will be gradually reduced until 2020 when they are liable to full taxes on fuel purchased.
   a. From January 2019, the concessions will be reduced from 50 per cent to 25 per cent
   b. From January 2020 from 25 per cent to nil
4. A phase out approach to remove fuel concession for TIA helicopter services Licensed Operators. These concessions will be gradually reduced until 2020 when they are liable to full taxes on fuel purchased.
   c. From January 2019, the concessions will be reduced from 25 per cent to 12.5 per cent
   d. From January 2020 from 12.5 per cent to nil

Business Tax Reform

Currently the taxable business income generated from the offshore banking is being taxed at 3 per cent. This provision under the business tax act will continue to apply until 31st December 2018. From the 1st of January 2019, the normal business tax rate applicable to the banks will apply.

In line with previous commitments the country will have to bring its preferential tax regimes, containing geographically immobile activities (i.e. manufacturing, processing, light assembly and redistribution activities under the ITZ Act), in line with the EU requirements by December 2019. This will be discussed with the industry during the first quarter of 2019.

The Pay As You Go specified business tax (5 per cent deduction at source) will be discontinued as from January 2020. These businesses are Building Contractor, Maintenance Contractor, Mechanic, Hirer or Operator of Plant and Equipment, Hirer of Omnibus.

The second phase of the Business Tax reform will continue with discussion with the business community. The intension is for the Government to work with the private sector to find a simpler option. It would also aim to simplify the operations of Seychelles Revenue Commission and reduce our heavy reliance of taxes to fund the Budget as well as a huge pressure to recruit more tax personnel.

Introduction of a Prescription Fee in the Health service

Effective 1st of January 2019 the government will charge a prescription fee of SR 25. The children under the age of 18 years, full time students and elderly will be exempt from this prescription fee.

Below is the table showing the reform targets under the current IMF Policy Coordination Instrument (PCI) for 2018.

Table 3: Seychelles Reform Target under the PCI 2018-2019

Actions	Timing	Objective/Status
Fiscal and Public Financial Management Policy Submit a report on cost-benefit analyses of public investment projects with a cost above 10 million rupees to the Cabinet.	End June 2018	Not met. It will be Implemented in December 2018.
State-Owned Enterprises (SOEs)		
Publish a report by central government annually that quantifies and consolidates information on all significant contingent liabilities and other fiscal risks of central government for the 2019 Budget.	End December 2018	Minimize fiscal risks arising from SOEs.
Calculate the cost of social obligations of SOEs and provide that information in the Budget document for the 2019 Budget.	End December 2018	Minimize fiscal risks arising from SOEs. Improve economic efficiency.
Submit the new Code of Governance for the SOEs based on OECD Guideline to the Cabinet for enactment.	End December 2018	Reinforce the monitoring and oversight of SOEs.
Submit the amendments on Public Enterprise Monitoring Committee (PEMC) Act to the Cabinet.	End September 2019	Reinforce the monitoring and oversight of SOEs.
Financial Sector Stability		
Review the AML/CFT legal and institutional framework and submit the amended framework to the Cabinet, in line with the FATF standard, particularly regarding entity transparency and AML/CFT institutions.	End June 2018	Not met. It will be Implemented in December 2018.
Implement a risk-based approach to the supervision of banks and trusts and company service providers, consistent with the FATF standard.	End-March 2019	Reduce AML risks in financial and off-shore sectors.
Submit draft legislation to Cabinet to solidify the legal framework for crisis management, bank resolution, and safety nets.	End June 2019	Buttress financial sector stability.
Complete a full transition to Basel II and adopt the Basel III capital definition.	End December 2019	Buttress financial sector stability.
Submit a draft Financial Stability Act to the Cabinet.	End May 2019	Buttress financial sector stability.

Source: IMF PCI 2018 Document

Budget Outlook

Over the past decade, and since the inception of the IMF reform programme, fiscal policy has targeted primary Budget surpluses, with the primary aim of reducing public debt levels which had 'exploded' and were unsustainable with highs of 130 per cent in 2018. The Government remains fully committed towards the continued reduction of debt to sustainable levels, with a target of 50 per cent to be reached by 2021. To that end, fiscal policy has been tight with primary surplus targets of about 3 to 4 per cent set on average since 2010. This has been facilitated through comprehensive tax reforms, to consolidate and broaden revenue collections, and expenditure rationalisations, to improve efficiencies and lessen pressure on recurrent spending.

Going forward towards 2021, the surplus target is set at 2.5 per cent of GDP. This represents the required level of effort needed to honour debt obligations, lower the debt stock and ensure sustainability over the medium term. The other key priorities for the Government will be to:

- Consolidate social programmes;
- Invest in infrastructure to support economic growth; and,
- Invest in programs and projects that will improve the lives of all citizens.

For 2018, the primary surplus remains at 3 per cent of GDP as per the mid-year Budget revision, equivalent to SR 657m (Table 4 below). This represents an increase from the 2.5 per cent of GDP, or SR 554m, initially envisaged at the start of the year and can be explained by a more favourable tax revenue outturn –of which is partially offset by continued expenditure pressures, most notably under social welfare.

Table 4: Government Revenue and Expenditure Projections, SR'000s

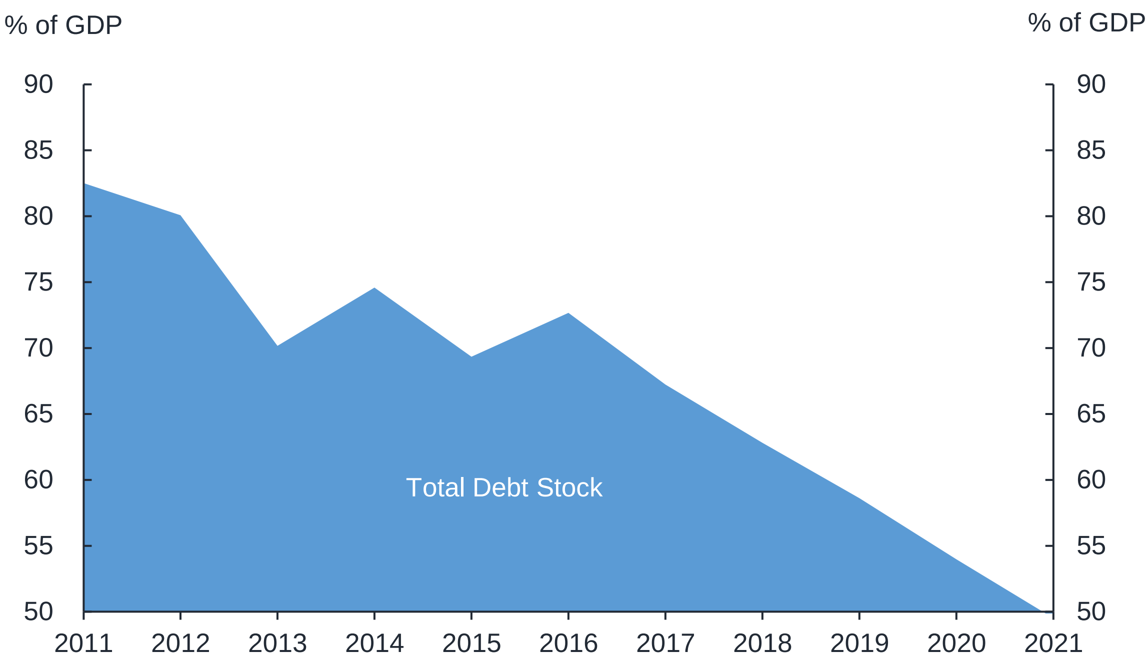
Description	2017 Actual	2018 EOY	2019 Budget	2020	2021
Revenue & Grants	7,447,689	8,787,545	8,948,880	9,128,030	9,546,942
Primary Expenditure	6,826,326	8,130,391	8,359,330	8,504,735	8,880,040
Primary Balance:	**621,363**	**657,154**	**589,550**	**623,296**	**666,901**
% of GDP:	**3.0**	**3.0**	**2.5**	**2.5**	**2.5**

Source: MoFTIEP, MFAD, FPCD

As previously mentioned, as of 2019 and over the medium term, the Government will target a primary surplus of 2.5 per cent of GDP. The Budget envelope for 2019 is estimated at SR 8.95bn, with total primary expenditure expected to reach SR 8.35bn, resulting in a primary surplus of just under SR 590m. It must be noted that the 2019 envelope is estimated to remain relatively flat compared to 2018 with a modest 2 per cent growth. This can be explained by an anticipated flat tax revenue outturn with the removal of one-off windfall gains (in this case arrear payments) from the base, as well as the negative net effect of tax revenue policies (more on this in the following section). On the expenditure side, additional funds will be provided for social programmes and ASP benefits, with a reduction expected under 'Goods and services'. Other highlights include an increased total wage bill, with a slight increase in capital project spending budgeted under the PSIP. Over the medium term, the target of 2.5 per cent of GDP will average about SR 645m on average.

With regards to sovereign debt, total Debt to GDP will continue to the downward path towards 50 per cent by 2021. Continued fiscal discipline remains paramount to achieving this outcome. By the end of 2018, a total of SR 678m in external debt service payments (inclusive of interest) will have been made and the stock will stand at 62.8 per cent of GDP. External Debt repayments will amount to SR 698m in 2019, with a year-end total stock estimated at 58.6 per cent of GDP. Figure 10 below depicts the path of debt reduction from 2011 to 2021.

Figure 10: Total Debt Stock as a percentage of GDP, 2011-2021



Source: MoFTIEP, Debt Division

Revenue & Grants

As can be seen from Table 5 below, total Government revenue and grants for 2018 is estimated to reach SR 8.78bn, equivalent to 40.1 per cent of GDP. Compared to the mid-year Budget revision, this equates to a slight SR 42m downward revision to account for continued under-performances in certain specific tax lines, up to August 2018. Despite this relative decrease, the total Budget envelope has increased by about SR 349m, or 4 per cent, from the initial Budget estimate of SR 8.44bn as a result of large tax arrears payments (the majority of which relating to Government sector), as explained during the mid-year Budget revision.

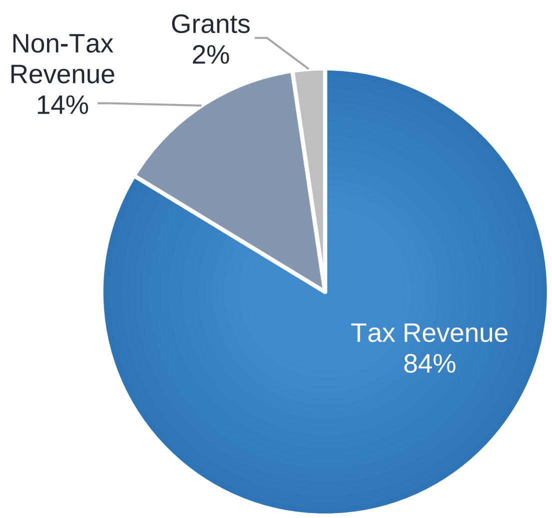
Table 5: Breakdown of Medium Term Revenue Projections, SR'000s

REVENUE & GRANTS	2017 Actual	2018 EOY	2019 Budget	2020	2021
Tax Revenue	6,600,421	7,397,320	7,490,901	7,591,113	8,044,951
Non-Tax Revenue	674,697	1,141,698	1,248,741	1,289,448	1,308,008
Grants	172,571	248,527	209,238	247,470	193,983
Total Revenue & Grants:	**7,447,689**	**8,787,545**	**8,948,880**	**9,128,030**	**9,546,942**
% of GDP:	**36.4**	**40.1**	**38.0**	**36.6**	**35.9**

Source: MoFTIEP, MFAD, FPCD

For the 2019 Budget, the total envelope is estimated at SR 8.94bn, corresponding to a 1.8 per cent or SR 161m increase over the 2018 estimate. This is equivalent to 38 per cent of GDP, a fall of 2.1 percentage points from 2018. This fall as a ratio to GDP is fully reflective of less buoyant tax revenue growth (less than the average of 9 per cent growth over the past 3 years) following the removal of the aforementioned tax arrears from the base, the negative net effect of tax policies in 2019 and a slowdown in Grants. Non-tax revenue, on the other hand, is set to increase by about 9 per cent over 2018 supported by higher expected dividends. Tax revenue remains as the main revenue earner in 2019 accounting for 84 per cent of the total (Figure 11). Despite a projected rebound in tax revenue, and expected consistent growth under Non-tax, the ratio to GDP of total Government revenue is expected to continue on a downward path over the medium term in line with the lower Grant outlook.

Figure 11: Revenue and Grants 2019 proportions



Source: MoFTIEP, MFAD, FPCD

Tax Revenue

Tax revenue has performed adequately in 2018 with year to date collections up to August standing at SR 4.5bn, 2.6 per cent higher than over the same period in 2017. The total outturn for 2018 has been revised to SR 7.4bn, accounting for 32.8 per cent of GDP (Table 6 below).

Table 6: Tax revenue ratios to GDP

DESCRIPTION	2017 Actual	2018 EOY	2019 Budget	2020	2021
Total Tax Revenue (SR' bn):	**6.60**	**7.40**	**7.49**	**7.59**	**8.04**
Top tax revenue earners ranked			***Ratios to GDP (%)***		
Value Added tax	10.4	11.1	11.0	11.0	11.1
Excise tax	6.4	6.1	6.1	6.1	6.0
Business tax	6.7	6.9	6.1	5.8	5.8
Income tax	4.4	4.0	3.8	3.8	3.8
Other tax	2.1	2.5	2.4	1.4	1.4
Trade tax	1.4	1.4	1.4	1.4	1.4
Social Security tax - Arrears		0.9			
Corporate Social Responsibility tax	0.5	0.5	0.5	0.5	0.5
Tourism Marketing tax	0.3	0.3	0.3	0.3	0.3
Property tax			0.2	0.2	0.2
Total :	**32.2**	**32.8**	**31.8**	**30.5**	**30.3**

Source: MoFTIEP, Macroeconomic Forecasting & Analysis Division estimates

In comparison to the more optimistic mid-year Budget revision (given receipts up to June 2018), the end of year estimate has been less positive with a 0.6 per cent or SR 42m reduction to reflect continued under-performances in some lines up to August 2018. This, however, still represents a sizeable increase over the initial Budget estimate of SR 6.85bn. Further shortfalls under Business tax, which has proven to be less buoyant than in 2017, as well as Excise on imported goods, most notably alcohol, are the main drivers for this downward revision. Stronger than expected Domestic VAT receipts driven by stronger collections from the tourism sector (consistent with overall earnings growth as previously mentioned) with positive upside, and a higher outlook for Income tax given certain expected arrears, have done much to offset these under-performances.

In 2019, about SR 7.49bn in tax revenue has been forecasted accounting for 31.8 per cent of GDP. This represents a modest 1 per cent, or SR 94m, increase over the 2018 estimate, and a fall of 1 per cent as a ratio to GDP. This estimate is supported primarily by VAT, Excise and Business taxes, which are expected to collectively contribute about $^{3}/_{4}$ of the total collections. VAT remains as the main revenue earner and has accounted for almost 11 per cent of GDP since 2017 (Table 6 above), which, on level terms will amount to SR 2.6bn for the 2019 Budget. New Excise tax policies to be introduced, such as a 'Sugar tax' on beverages, and a 10 per cent increase in the tax rate for all tobacco products (Table 7 overleaf), have pushed this tax close to the SR 1.5bn mark. Business tax will still contribute about SR 1.43bn, despite the removal of certain large arrear payments from the base. Similarly, also dampening the overall tax outturn for 2019 vis-a-vis 2018, is the removal of Social security tax arrears, of which amounted SR 208m. Also contributing towards this are certain other policies, such as the spill over of the PIT cost into 2019 and training fees deductions under Business tax.

It must be noted that 'Fishing licence fees', estimated at SR 167m in 2018, will no longer be collected under Other tax in 2019 as this will be transferred to Seychelles Fishing Authority which will be given its autonomy. The impact of this transfer will negated with an expected large stamp duty payment scheduled for 2019. The remaining tax lines are expected to grow in line with GDP in 2019, with the foreign owned Property tax now to be introduced having been deferred from 2018 as a result of some implementation lags.

Table 7: Cost of Tax revenue policies in 2019 (SR'm)

Description of Policies	2019 Cost
Revenue gaining	**65,390**
Customs Duties	
Pork Levy	1,460
Poultry rate revision	4,030
Excise tax	
Sugar tax as of April 2018	39,022
Petroleum refund claw back	5,878
10% Increase in Tobacco	15,000
Revenue losing	**-70,053**
Income Tax	
Spillover of Progressive Income tax cost into 2019	-55,653
Business tax	
Deductions for Training fees	-14,400
TOTAL:	**-4,663**
% of GDP	**-0.02**

Source: MoFTIEP

Income Tax

Background

Income tax is a withholding-based tax on wage income for nationals and resident expatriates. Also levied on Non-Monetary employee benefits, this tax was introduced on the 1st of July 2010 and replaced the previous Social Security Contribution system. This had no adverse effect on individual salaries which were grossed upwards to account for the new tax. The Income tax rate was harmonized to 15 per cent for all workers in January 2011.

As of the 1st of June 2018, the current Income tax regime were replaced by a progressive system with different rates applicable at different income brackets. This will enable more vertical equity and will ensure that the tax burden is lessened on the low income earners.

2018 Context

The end of year 2018 estimate for Income tax has been revised upwards by about SR 18m (Table 8 below). This is equivalent to an increase of about 2 per cent in comparison to the mid-year Budget revision. Total collections are now estimated to reach SR 878m in 2018, representing 4 per cent of GDP – a 0.1 percentage point increase. Expected arrear payments, as well as some better-than-expected performance under the 'Private sectors' line for most of the third quarter of 2018, are the main drivers behind this more positive outturn. It must be noted that is actually a fall in revenue from 2017, and further highlights the revenue losing impact of the PIT.

2018 remains an uneven and uncertain year for Income tax collections, given the introduction of the new PIT system, and the expected compliance issues as all tax payers converse themselves with the new tax changes.

Table 8: Income Tax Projections 2018-2021, SR'000s

INCOME TAX	2017 Actual	2018 EOY	2019 Budget	2020	2021
Central Government	243,494	237,087	221,523	234,235	249,889
Other Public Sector	139,195	129,792	134,482	142,199	151,702
Private Sector	517,370	511,201	529,426	559,806	597,218
Total Income Tax:	**900,060**	**878,080**	**885,430**	**936,239**	**998,809**
% of GDP:	**4.4**	**4.0**	**3.8**	**3.8**	**3.8**

Source: MoFTIEP, Macroeconomic Forecasting & Analysis Division estimates

Policy Changes

No policy changes have been envisaged for Income tax in 2019. However, there will be a spillover effect into 2019 of the cost of the mid-year implementation of the PIT in June 2018. The 2019 base has had to be adjusted to account for the remaining 6 months.

Table 9: Estimated cost of Income tax spill over in 2019 (SR'000s)

DESCRIPTION OF POLICIES	2019 Cost
Spillover from PIT June 2018 implementation	-55,600
TOTAL:	**-55,600**

2019 Projection and the Medium Term

Over the past three years, Income tax has been on a declining trend in terms to GDP, falling from a high of 5.2 per cent in 2015, to a projected 3.8 per cent in 2019 and the medium term. Income tax reform, largely necessitated to help address social and income equality concerns, began in 2016 and culminated in 2018 with the introduction of the fully-fledged PIT. With the slowdown in reforms, this tax line is now expected to stabilise, and track GDP growth more evenly.

For the 2019 Budget, Income tax is estimated to amount SR 885m, equivalent to a modest SR 7m or 0.8 per cent increase. The spillover of the cost of the PIT, whereby the June 2018 implementation means a further adjustment for the remaining 6 months must be accounted for, is estimated to shave off about SR 55m from the base effectively[1]. Furthermore, the removal of arrear payments from the base, the largest of which relating to the 'Central Government' line, also contributes to such a low outturn for 2019.

Over the medium term, Income tax is projected to increase more steadily in level terms, whilst remaining at a constant ratio to GDP of 3.8 per cent, and will be just below the SR 1bn mark by 2021. The Private sector will continue being the main earner of Income tax accounting for about two thirds of all collections, followed by the 'Central Government' and 'Other public sectors'.

Customs Duties

Background

Custom Duty is levied on specified goods that are imported to Seychelles based on their CIF (Cost, Insurance and Freight) value. However, approximately 90 per cent of the tariff lines are subject to a zero per cent rate. The applicable tax rate depends on the nature of the Custom duty component, whether it is specific or ad valorem. Tax collections on ad valorem rate items tend to grow in tandem with the nominal GDP whereas, tax collections on specific rate items grow in tandem with real GDP only. Following WTO policies and regulations, certain Custom Duty rates have been significantly reduced and others, such as petroleum, motor vehicles and levy, have been or are expected to be transferred out of Custom Duties.

[1] This amount takes into account the cost of continuing with the Phase II exemption policy for 5 months from January to May 2018. As a recap, this policy exempted from Income tax, all employees earning up to SR 8,555.50 per month (as is the case with the broader PIT system), with a mechanism in place to prevent those earning just above this to be relatively worse-off.

2018 Context

The end of year 2018 estimate for Custom Duty is SR 299m, which is about SR 1.8m higher than the mid-year revision. The significant downward revision in 'Levy' was essentially offset by a substantial over-performance in 'Others'.

Table 10: Customs Duties Projections 2017-2021, SR'000s

CUSTOMS DUTIES	2017 Actual	2018 EOY	2019 Budget	2020	2021
Customs Duties Direct Imports	**295,418**	**304,055**	**334,584**	**348,515**	**366,022**
Alcohol	129,322	130,371	134,844	139,313	145,017
Petroleum					
Textiles and textile articles	20,063	16,361	7,761	8,207	8,755
Motor Vehicles	392	343			
Tobacco	1,804	2,173	2,247	2,322	2,444
Prepared Food	11,059	11,849	12,753	13,485	14,387
Others	73,500	87,582	94,270	99,679	106,341
Levy	57,113	53,059	54,879	56,698	59,020
Documentary Charges	2,164	2,319	2,496	2,639	2,815
Livestock Trust Fund			25,333	26,172	27,244
Customs Duties Exemptions	(10,476)	(5,000)	(5,000)	(5,000)	(5,000)
Total Customs Duties:	**284,942**	**299,055**	**329,584**	**343,515**	**361,022**
% of GDP:	**1.4**	**1.1**	**1.4**	**1.4**	**1.4**

Source: MoFTIEP, Macroeconomic Forecasting & Analysis Division estimates

'Levy' collections under-performed for much of the year. This is attributed to a misclassification issue whereby 'Levy' was being collected under 'Road Tax' in Other Tax' instead. The end of year forecast has been revised downwards accordingly by SR 10.2m. On the other hand, 'Others' collection was above the mid-year forecast by about SR 10m for reasons still unclear by MFAD. Therefore, the end-of-year forecast had to be revised upwards by SR 12.6m to account for such.

Policy Changes

The following policy changes to Customs Duty effective as of 1st January 2019 are:

- Imposition of Levy on Pork from SR 0 to SR 3/kg
- Increasing of Levy on Pork from SR 5/kg to SR 5.92/kg

Table 11: Cost of Customs Duty policies in 2019 (SR'm)

POLICIES	Proposed Rate	2019 Budget (SR'm)
Pork Levy	15% + SR 3/kg	1.5
Poultry Levy	15% + SR 5.92/kg	4.0
2018 Spill-over- removal of CD on Clothing		-9.2
Total Policy cost:		**-3.7**

Source: MoFTIEP, Macroeconomic Forecasting & Analysis Division estimates

2019 Projection and the Medium Term

In 2019, Customs Duty revenue is estimated at SR 330m, about SR 30m (or 10 per cent) higher than the 2018 estimate. This is attributed to an expected SR 6.5m increase in 'Others' line but mostly due to the introduction of Livestock Trust Fund line under Custom Duty amounting to SR 25m. 'Textiles and Textile articles' collections are expected to be about SR 8.6m lower in 2019 as a result of the spill-over effect on the base from the removal of customs duty on textile and clothing.

Excise Tax

Background

Excise Tax is applied to specific imported and locally manufactured goods in order to control consumption because of health or environmental reasons. The former reason applies to alcohol, tobacco and sugar while the latter applies to petroleum and motor vehicles. Excise Tax on all these goods, other than motor vehicles, is specific.

Imported petroleum products account for the highest contribution to the Excise Tax, amounting to approximately 49 per cent of the total. Demand for excisable goods generally shows a minimal response to price fluctuations, given that most of these goods, in particular tobacco, are relatively non-responsive to price change. Hence, this tax line proves to be a significant revenue earner for the Government.

2018 Context

Excise tax performance in 2018 remained below par. It is for this reason that the tax line has been revised downwards by SR 32.9m, or 2 per cent compared to Mid-year revisions. Under-performance of Petroleum amounts to SR 19.8m or 60 per cent of the total revised amount. This can partially be attributed to the decrease in volume of 5 per cent in the first two quarters of 2018 compared to the first two quarters of 2017.
Additionally, Imported Alcohol underperformed by SR 11m, which amounts to 33 per cent of the revised amount. This under-performance can be explained through a shift of demand as LMG Alcohol over-performed by SR 7.4m.

Under-performance can also be observed in Motor Vehicles by SR 6.4m. The history of this tax line indicates that there has been a strong over-performance in the past years, which cannot be maintained indefinitely. Hence, the underperformance of Motor Vehicles suggests, that the level of imported Motor Vehicles is reducing due to a reduced demand after a long period of steep increase.

Policy Changes

Three new policies are tabled under Excise tax for 2019. One is the in introduction of a Sugar tax, which is expected to take effect in April 2019. Additional policy changes include an increase in the Excise tax rate for tobacco and reduction in fuel concession rates, both expected to take effect in January 2019.

Sugar tax will be imposed on all beverages (alcoholic and non-alcoholic) containing more than 5 grams of sugar per 100 ml, excluding freshly squeezed juices. This sugar tax will amount to SR 4/litre. The expected revenue in 2019 for this tax amounts to SR 39m.

The second policy change includes an increase of 10 per cent in excise tax rates on Tobacco. This policy change is expected to increase revenue by SR 15m.

The third policy change reduces fuel concessions of all tourism related entities previously entitled to 50 per cent tax reduction to 25 per cent. Hotels are excluded from this policy. This new policy, which will be effective in January 2019, is expected to increase the revenue by SR 5.9m. In 2020, the rate will be further reduced to 0 per cent, which will amount to an additional SR 6.4m in Revenue.

Table 12: Cost of Excise Tax policies in 2019 (SR'm)

POLICIES	Proposed Rate	2019 Budget (SR'm)
Sugar Tax on beverages	SR 4/litre	39.0
Increase on ET rate for Tobacco	10%	15.0
Reduction of Fuel Concessions	25%	5.9
Total Policy cost:		**59.9**

Source: MoFTIEP, Macroeconomic Forecasting & Analysis Division estimates

2019 Projection and the Medium Term

The table overleaf shows Excise tax projection for 2019 and the medium term. Excise tax collections are expected to increase by SR 111.3m, or 8 per cent, due to a more favourable real GDP growth and new policy implications. Petroleum has been revised upwards SR 28m. Similarly, LMG Tobacco has been revised upwards by SR 20.6m and Sugar Tax is expected to add an additional amount of SR 39m to revenue.

Table 13: Excise Tax Projections 2017-2021, SR'000s

EXCISE TAX	2017 Actual	2018 EOY	2019 Budget	2020	2021
Excise Tax - Imports	**1,002,658**	**989,668**	**1,035,107**	**1,091,087**	**1,140,657**
Alcohol (Beverages Spirits and Vinegar)	206,903	203,124	210,093	217,056	225,943
Petroleum (Mineral Products)	654,764	647,649	675,747	716,339	746,638
Motor Vehicles (Vehicles, Aircrafts, vessels)	135,781	133,317	143,497	151,731	161,871
Tobacco Imported	5,210	5,578	5,770	5,961	6,205
Excise Tax - Locally Manufactured Goods	**309,016**	**344,385**	**371,200**	**383,502**	**399,204**
Alcohol	159,495	180,115	186,295	192,468	200,349
Tobacco	149,521	164,270	184,906	191,033	198,855
Sugar Tax			**39,022**	**50,394**	**52,457**
Imported Beverages			18,900	24,408	25,408
LMG - Beverages			20,122	25,986	27,050
Total Excise Tax:	**1,311,674**	**1,334,053**	**1,445,329**	**1,524,982**	**1,592,318**
% of GDP:	**6.4**	**6.1**	**6.1**	**6.1**	**6.0**

Source: MoFTIEP, Macroeconomic Forecasting & Analysis Division estimates

Goods and Services Tax

Background

The Goods and Services Tax (GST) was applied to selected locally manufactured goods; the vast majority of imported goods; as well as selected services. GST was replaced by VAT as of the 1st of January 2013.

2018 Context

GST arrear payments amounted to SR 16.9m by the end of 2017. It is estimated that about SR 2.3m will be collected by the end of 2018.

2019 Projection and the Medium Term

As informed by SRC, no major arrears are foreseen in the short and medium term. The table below presents GST actuals and projections.

Table 14: GST Projections 2019, SR'000s

GOODS & SERVICES TAX	2017 Actual	2018 EOY
GST Arrears	**16,955**	**2,278**
Total GST:	**16,955**	**2,278**
% of GDP:	**0.08**	**0.001**

Source: MoFTIEP, Macroeconomic Forecasting & Analysis Division estimates

Value Added Tax

Background

VAT commenced in 2013 to replace the previous GST regime as the last phase of the major tax reforms undertaken by the Government since 2008. VAT is charged on all taxable imports and not on exports, also known as the 'Destination Principle'. It is imposed on the value addition of all taxable goods and services that are produced and consumed domestically provided by VAT registered companies. VAT rate is currently at 15 per cent and it is the largest tax line, accounting for 32 per cent of tax revenue.

2018 Context

In comparison to the mid-year forecast, VAT has been revised upwards by SR 22m, or 1 per cent. The upward revision is mainly attributed to revision on Domestic VAT. Additionally, Domestic VAT collection has been higher than anticipated so far in 2018. By the end of August 2018, the line was over the Budget by SR 81m, or 25 per cent. The majority of Domestic VAT collections comes from the Tourism sector. The sector contributes to about 51 per cent of the collection. The upward revision was also attributed to an adjustment on the Import side accounting for the better performance.

Policy Changes

To complement the reduction on the price of canned tuna in the local market, the Government has decided to remove the 15 per cent VAT on canned tuna as of the 1st January 2019. In addition, the policy to remove Customs Duty on clothing will have minor indirect impact on VAT Imports revenue. This is presented in the table below.

Table 15: VAT Revenue loss from Customs Duty policy (SR'm)

POLICIES	2019 Budget
Loss on Clothing and Textiles	0.6
Total Policy Cost:	**0.6**

Source: MoFTIEP, Macroeconomic Forecasting & Analysis Division estimates

Table 16: VAT Projections 2017-2021, SR'000s

VALUE ADDED TAX	2017 Actual	2018 EOY	2019 Budget	2020	2021
VAT- Domestic	1,294,065	1,483,299	1,570,728	1,660,860	1,771,857
VAT- Imported Goods	910,786	982,877	1,057,282	1,117,951	1,192,665
VAT- Exemptions	(71,020)	(25,000)	(25,000)	(25,000)	(25,000)
Total VAT:	**2,133,831**	**2,441,176**	**2,603,009**	**2,753,812**	**2,939,522**
% of GDP:	**10.4**	**11.1**	**11.0**	**11.0**	**11.1**

Source: MoFTIEP, Macroeconomic Forecasting & Analysis Division estimates

2019 Projection and the Medium Term

The table below summarises the VAT forecasts for the end of year 2018, 2019 Budget, and the outer years. Collections are anticipated to increase by SR 162m, or 6.6 per cent in 2019 compared to 2018. The VAT revenue collection as a percentage to GDP increases slightly around 11 per cent in the medium term with no major policy changes being foreseen.

Business Tax

Background

The Business tax revenue consists of a provisional payment (called Pay As You Go – PAYG) paid by businesses in monthly instalments for the current year. Additionally, the businesses are assessed on their profit of the previous year. Based on this assessment, the company either has an additional tax liability (PAYG paid is less than actual tax payable) or due for a refund (PAYG paid exceeds actual tax payable). Although companies are required to lodge their returns by March, extensions of this lodgement date are provided under the SRC lodgement program.

2018 Context

Business tax has been revised downwards by SR 53.7m or 3.4 per cent for the 2018 end of year revision. The majority of the downwards revision came from the removal of the nominal growth assumption in order to remain prudent due to some consistent under-performances as from the second quarter of the year. This may be attributed to a higher base effect experienced in 2016 as businesses were performing much better. There have also been some expected arrears payments, which amounts to SR 173m and is expected to be paid in 2018. Finally, windfalls accounted for a negative change of SR 1.6m.

Table 17: Business Tax Projections 2017-2021, SR'000s

BUSINESS TAX	2017 Actual	2018 EOY	2019 Budget	2020	2021
Companies	1,110,245	1,283,934	1,180,967	1,214,850	1,296,040
Sole Traders	55,241	53,035	56,960	60,228	64,253
Partnerships	16,329	17,666	19,015	20,107	21,450
Trusts	49	79	85	90	96
Withholding Tax	126,405	107,164	112,731	119,199	127,166
Others	212	190	204	216	230
Residential Dwelling	54,994	59,413	63,949	31,556	33,664
Total Business Tax:	**1,363,475**	**1,521,480**	**1,433,911**	**1,446,246**	**1,542,900**
% of GDP:	**6.7**	**6.9**	**6.1**	**5.8**	**5.8**

Source: MoFTIEP, Macroeconomic Forecasting & Analysis Division estimates

Policy Changes

For the 2019 Budget, the already announced policy of allowing further deductions for 'Training costs' expects to convey a loss in Business tax revenue of SR 14m.

There are currently ongoing discussions on a new, simplified Business tax regime. This will however only be considered from in the 2020 Budget preparation.

2019 Projection and the Medium Term

Table 17 highlights the projections from 2019 to 2021 of which the lines are expected to grow in line with nominal GDP growth over the medium term. Business tax is forecasted to reach SR 1.4bn in revenue for the 2019 Budget, which represents 6.1 per cent of GDP and 19.8 per cent of total tax revenue – still significantly higher than 2010 to 2015 figures. The majority of this growth is attributed to the continued performance by 'Companies', accounting for 82 per cent on the Business tax line. However, Business tax as a percentage of GDP expects to drop by 0.9 percentage point from 7.0 to 6.1 per cent in 2019. This is largely due to the removal of significantly large arrear payments from the 2018 base.

Corporate Social Responsibility Tax

Background

Corporate Social Responsibility tax (CSR) was introduced in January 2013 and is applicable to all businesses with a turnover of SR 1m and above. CSR entails compliance with ethical and regulatory standards, promoting accountability for businesses' actions that can lead to a positive impact on the communities and markets in which they operate. It is a tax levied on monthly company turnover at a 0.5 per cent rate. Half of this can also be offset against any donations or sponsorships a company chooses to make.

2018 Context

CSR collections have been moreover on target in 2018. Therefore, the end of year forecast stands at about SR 105m (no change from mid-year forecast), breaking the SR 100m mark which was anticipated in 2018's Budget.

Table 18: Corporate Social Responsibility Tax Projections 2017-2021, SR'000s

CORPORATE SOCIAL RESPONSIBILITY TAX	2017 Actual	2018 EOY	2019 Budget	2020	2021
Corporate Social Responsibility	95,052	104,621	112,634	119,097	127,056
Total CSR:	**44,290**	**104,621**	**112,634**	**119,097**	**127,056**
% of GDP:	**0.5**	**0.5**	**0.5**	**0.5**	**0.5**

Source: MoFTIEP, Macroeconomic Forecasting & Analysis Division estimates

Policies

There will be no policy changes made to CSR tax for the 2019 Budget.

2019 Projection and the Medium Term

CSR tax revenue for the year 2019 is forecasted to be about SR 113m (8 per cent increase from 2018 forecast). It is expected that CSR tax collection will continue to grow at a moderate pace of about 6 per cent. This is also evident in the shares to GDP for this tax, which is projected to remain constant at 0.5 per cent.

Tourism Marketing Tax

Background

Tourism Marketing tax (TMT) was introduced in January 2013 and is applicable to all tourism operators, banks, insurance, and telecom companies with turnovers of SR 1m and above. It is a 0.5 per cent tax levied on company turnover with the aim of having greater private sector contribution to the Tourism Marketing Fund.

2018 Context

TMT has been over-performing since the start of this year with a recorded over-performance of SR 4m or, 11 per cent so far. Consequently, an upward revision of the same amount was made to reflect the stronger performance of the companies.

Policy Changes

No new policies have been projected for TMT for the year 2019.

2019 Projection and the Medium Term

TMT will continue to grow over the medium-term. This is also evident as the nominal GDP for 2019 remains relatively positive. A total of SR 73.6m is expected to be collected in 2019, this represents an additional SR 5m compared to 2018.

Table 19: Tourism Marketing Tax Projections 2017-2021, SR'000s

TOURISM MARKETING TAX	2017 Actual	2018 EOY	2019 Budget	2020	2021
Tourism Marketing Tax	59,869	68,408	73,632	77,857	83,060
Total TMT:	**59,869**	**68,408**	**73,632**	**77,857**	**83,060**
% of GDP:	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**

Source: MoFTIEP, Macroeconomic Forecasting & Analysis Division estimates

Other Tax

Background

Other Tax comprises of a set of licence fees and smaller tax lines that covers a variety of sectors in the economy. The main constituents of Other Tax are 'Road Tax', 'Telecommunications Licences', 'Fishing license fees', and 'Stamp Duty'. These five components account for more than 95 per cent of Other Tax Revenues. The regulation and collection of these tax lines involves a range of authorities including SLA and registrar.

2018 Context

The end of year 2018 estimate for 'Other tax' stands at SR 540.5m. Representing a SR 4m or 1 per cent upward revision compared to the Mid-year revision. The main contributor to this revision was 'Road tax' which was revised upward by SR 7.7m. This is necessary to cater for the misclassification of 'Levy' from 'Custom Duties' into 'Road tax'. This issue is expected to be rectified by 2019.

Downward revisions of SR 3m has also been made. This is mainly attributed to a slight SR 2m downward revision in 'Telecommunication licences' due to revisions of nominal telecommunication growth. This is consistent with the lower collection in telecommunication since the beginning of this year. A lower forecast of about SR 1m in all lines caters for the slight downward revision in the real GDP growth. The 2018 outturn and the medium term revenue for 'Other tax' is summarised in the table below.

Policy Changes

No new policies have been projected for 'Other tax' for the year 2018.

2019 projections and medium term

The 2019 'Other tax' projection is at proximately SR 567m, this represents an additional SR 27m or 5 per cent compared to 2018 end of year. Significant upwards amendments have been made in 'Stamp duty' amounting to a total of SR 176m. Firstly, about SR 222m, relating to the 'Cable and Wireless' stamp duty sale payment is anticipated for 2019, however, an amount of SR 48.7m from the sale of 'Bayan Tree hotel' in 2018 was removed from the base for 2019. Additionally, the decision has been made that as of 2019 'Seychelles Fishing Authority' will be autonomous, therefore 'Fishing licence fees' will no longer be collected under 'Other tax', resulting in a SR 167m negative impact on revenue.

Table 20: Other Tax Projections 2017-2021, SR'000s

OTHER TAX	2017 Actual	2018 EOY	2019 Budget	2020	2021
Ministry Of Finance, Trade and Economic Planning					
Trade/Ind Licences	10,501	10,878	11,252	11,624	12,100
Licences and Other Licence Registration	6,267	4,634	4,793	4,952	5,155
Road Tax and Other Licences	107,607	119,243	123,334	127,421	132,638
Telecommunications Licences	69,702	78,232	84,882	91,418	91,966
Casino Licences	(7)	-	-	-	-
Hotel Licences	663	686	710	733	763
Liquor and Toddy Licences	292	302	313	323	336
Radio Broadcasting Licences	2,150	2,150	2,150	2,150	2,150
Sub Total:	**197,174**	**216,126**	**227,433**	**238,622**	**245,110**
Ministry Of Environment, Energy and Climate change					
Annual EU Fishing License Fees	36,796	42,233	-	-	-
EU Fishing License: Vessel Fee	29,494	42,469	-	-	-
Non-EU Fishing License Fees	72,266	80,974	-	-	-
Local Fishing Licence Fees	245	1,087	-	-	-
Environment Trust Fund			5,760	5,855	5,975
Sub Total:	**138,800**	**166,762**	**5,760**	**5,855**	**5,975**
Department Of Legal Affairs					
Stamp Duty	90,504	149,706	325,946	96,382	100,324
Department Of Transport					
Vehicle Testing	7,683	7,959	8,232	8,505	8,853
Total: Other Tax	**434,162**	**540,554**	**567,372**	**349,364**	**360,262**
% of GDP:	**2.1**	**2.5**	**2.4**	**1.4**	**1.4**

Source: MoFTIEP, Macroeconomic Forecasting & Analysis Division estimates

On the other hand, an upward revision of SR 16m has been made, firstly a new line 'Environment Trust Fund' of SR 5.8m is projected for 2019, this is what is currently being collected on the water bill of PUC. The Telecommunication Licence was revised upwards by SR 6.6m as a relative growth is anticipated for 2019. An additional SR 4m in 'Road tax' has been added to 2019 Budget to cater for the misclassification issue from "Customs duties'.

Non-Tax Revenue & Grants

Non tax revenues are revenues generated other than by taxation, through the different provision of goods and services being offered by Government either through a cost recovery basis or depending on the Government policy on the services being offered. The table below shows the breakdown of non-tax revenues forecasted for 2019 and the medium term. The 2019 Budget reflects a 6 per cent increase from the 2018 EOY estimates, mainly due to higher expected dividends from Public Enterprises. Dividend income remains the main contributor towards this category of revenue.

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

NON-TAX & GRANTS	2017 Actual	2018 EOY	2019 Budget	2020	2021
Non-Tax					
Fees and Charges	349,319	391,019	436,038	466,039	481,506
Dividends Income	279,903	531,491	664,799	676,735	678,768
Other Non-Tax	45,475	44,090	45,655	47,670	48,881
Proceeds from Sale of Assets	-	175,098	111,867	114,421	116,971
Grants	**172,571**	**248,527**	209,238	**247,470**	**193,983**
Total Non-Tax & Grants:	**847,268**	**1,390,225**	**1,467,597**	**1,552,335**	**1,520,109**
% of GDP:	**4.1**	**6.4**	**6.2**	**6.2**	**5.7**

Source: MoFTIEP, Financial Planning and Control Division estimates

Dividend Income

The dividend income for 2019 is budgeted at SR 665m representing 8 per cent of the total estimated revenue for the year and an increase of 25 per cent over the 2018 EOY estimates. An increase of SR 100m has been budgeted as dividend from SEYPEC and an increase of SR 47m from SCAA. As from 2019 the Seychelles Fisheries Authority (SFA) is expected to start paying dividend to the Government as it will become autonomous and a dividend amount of SR 47.5m has been budgeted.

Table 22: Dividend income, SR'000s

DESCRIPTION	2017 Actual	2018 EOY	2019 Budget	2020	2021
SIMBC Nouvobanq	37,830	150,000	150,000	150,000	150,000
SEYPEC	115,000	150,000	250,000	250,000	250,000
Land Marine Ltd	-	-	-	-	-
Port Authority	-	25,000	25,000	25,000	25,000
Financial Services Authority	72,765	72,000	50,000	50,000	50,000
Afrexim Bank	-	-	375	375	375
SCAA	53,200	53,000	100,000	100,000	100,000
IOT			38,724	40,660	42,693
IDC	-	-	-	-	-
STC	-	-	-	-	-
Seychelles Commercial Bank	-	3,600	3,200	3,200	3,200
SSI 2017 Dividend	-	77,891	-	-	-
African Insurance Corporation	1,108	-	-	-	-
SFA	-	-	47,500	50,000	50,000
Total:	**279,903**	**531,491**	**664,799**	**669,235**	**671,268**
% of GDP:	**1.4**	**2.4**	**2.8**	**2.7**	**2.5**

Source: MoFTIEP, Financial Planning and Control Division estimates

Fees and Charges

Government has forecast to collect SR 436m under Fees and Charges. This is an increase of SR 45m or 12 per cent over the 2018 EOY estimates primarily due to three factors; the introduction of new fees in 2019, revisions in some fees and receipts previously collected outside consolidated fund now being brought in consolidated fund.

National Biosecurity Agency (NBA)

An increase of SR 6.3m has been forecasted under the National Biosecurity Agency. NBA has done a review to improve the schedule of fines, fixed penalties and fees under regulation fees and charges under the Animal and Plant Protection Act (2017).

Department of Immigration

The Department of Immigration will also be collecting SR 4.2m relating to the marriage fees. Previously the fees were paid directly to the Civil Status officers. Amendment was made in the Civil Status Act which require that fees charged for the celebration of marriage are paid into the Consolidated Fund.

Health Care Agency

Pharmacy fees under Health Care Agency increases by SR 3.4m. The increase is linked with the introduction of a prescription fee of only SR 25. The fee will be exempted for Children under the age of 15 years, full time students and the elderly.

Seychelles Maritime and safety Administration (SMSA)

There is an increase of SR 4.6m in 2019 for fees and charges under SMSA. The increases are linked primarily with the provision under the SMSA Bill which is expected to be submitted to the National Assembly before the end of 2018. The bill makes provision for mandatory registration for all vessels and this will bring in a new revenue, a sum of SR 3m is forecasted.

In addition, some of the existing fees such as school meal, attestation has been revised upwards. Several operating and trading accounts will be closed in 2019 resulting in an additional amount of SR 9.2m in terms of fees and charges being brought on the consolidated fund.

From 2019 fees and charges collected by the Seychelles National Parks and SFA will be excluded from the Budget as these two entities will have financial autonomy effective 1 January 2019.

Other Non-Tax

Background

Other non-tax relates to revenue from rent and royalties, interest income, statutory transfers from CBS, and other miscellaneous income.

Other Non-tax is expected to increase slightly by 4 per cent. This is mainly due to new revenues in the consolidated fund from the Seychelles heritage Foundation, National Sports Council, CINEA. Previously these were being collected under trading and operating accounts. However, revenue collected (about SR 2m) under this revenue group, by the Seychelles Fisheries Authority (SFA) will be excluded.

Table 23: Other Non-Tax Revenue, SR' 000s

OTHER NON TAX REVENUE	2017 Actual	2018 EOY	2019 Budget	2020	2021
Other Non-Tax Revenue	45,475	44,090	45,655	47,670	48,881
% of Total Revenue:	**45,475**	**44,090**	**45,655**	**47,670**	**48,881**
% of GDP:	**0.2**	**0.2**	**0.2**	**0.2**	**0.2**

Source: MoFTIEP, Financial Planning and Control Division estimates

Grants

For the medium term 2019 -2021 a total amount of SR 557m worth of projects and programmes is expected to be funded through grants from various external bilateral and multilateral donors.

A total amount of SR 209 m is expected to be received as external grants in the year 2019, out of which SR115m as cash grant and SR 94m in kind. The total expected grant receipt represents less than 1 per cent of GDP and a reduction of 16 per cent compared to the revised estimate for 2018.

The grant receipts of SR 209m will fund various projects in various sectors namely blue economy, environment and energy, trade, housing, education, ICT, as per below:

- **Education Sector**- Re-construction of the school of Business Studies and Arts & Design being funded by the Government of the Republic of China – SR 15m
- **Housing Sector** – Re- development of Corgate Estate Housing Estate Phase 3 to be financed by the Government of the Republic of China – SR 22m
- **Blue Economy** – Third South West Indian Ocean Fisheries Governance and shared growth project for ongoing implementation of various programmes towards improving management of marine areas and fisheries and to strengthen the fisheries value chain. The grant component of the project is from the Global Environment Facility Trust Fund (GEF)-SR 16m
  The African Development Bank (AFDB) is also supporting the above sector with a grant of which SR 6m will be spent in 2019.
- **Environment and climate change sector** – Various on-going environment protection and climate change projects:
  - Adaptation to Climate Change Project – SR 7m (Adaptation Fund)
  - Ecosystem based adaptation to climate change – SR 7m (GEF)
  - Climate change education – SR 6m (GEF)
  - Climate Resilience Resource Efficiency – SR 2m (GEF)
  - Solar home systems for vulnerable households - SR 12m (Government of India)
- **Information, Technology and Communications** – The African Development Bank (AFDB) is supporting the Department of Information, Technology and Communications through a grant of to develop its regulatory framework to further aid the development of a competitive and consumer-oriented information and communication technology (ICT) sector. SR 4m is expected to be spent in 2019 under the grant.
- **Drug Rehabilitation** - Construction of new Drug Rehabilitation Village to be part funded by the United Arab Emirates – SR 10m
- **Law and Order** – On-going construction of the new magistrate court and tribunals at Ile du Port being funded by a grant of SR 45m from the Government of India. An amount of SR 18m has been budgeted as expenditure under the grant for 2019.
- **Seychelles Broadcasting Corporation** – The construction of the Seychelles Broadcasting house is being funded by a grant equivalent to the Government of China and an amount of SR 41m is anticipated to be spent under the grant in 2019.
- **Trade Facilitation**
  - Programme in support of Seychelles of the Economic Partnering Agreement (EPA) with the European Union under the 11th European Development Fund - SR 31m
  - The project for enhancing trade facilitation, sanitary measures, technical barriers and trade defence measures under the SADC Trade facility – SR 4m

Other grants expected to be received over the medium term (2019-2020) are as follows:

- The Government of India is expected to fund the construction of a Government house at Ile du Port for an amount of SR 603m to accommodate several Ministries, Departments and Agencies.
- The Government has also sign an MOU with the Government of India for a grant of SR 35m for the implementation of various small development infrastructure projects in the education, health and community development
- SR 405m is expected in the form of a grant from the Government of India to fund the construction of a new police headquarter to be built at Ile du Port.
- A new office block for the Attorney General's chamber to be built at Ile du Port to be funded by the Government of India

Expenditure

Table 24: Summary of Expenditure, SR'000s

DESCRIPTION	2017 Actual	2018 EOY	2019 Budget	2020	2021
Expenditure and net lending	**7,457,326**	**8,851,088**	**9,082,396**	**9,256,181**	**9,594,322**
Current expenditure	**6,689,081**	**7,645,626**	**7,802,869**	**7,984,556**	**8,027,335**
Primary Current Expenditure	**6,058,444**	**6,924,929**	**7,079,803**	**7,233,109**	**7,313,053**
Wages and salaries	2,074,106	2,624,615	2,673,581	2,815,047	2,837,952
Goods and services	2,563,277	2,841,981	2,819,677	2,800,835	2,857,873
Capital expenditure	604,812	876,326	884,677	858,470	1,228,620
Social program of Government	114,205	124,708	204,915	235,599	235,599
Transfers to Public Enterprises	97,092	61,587	52,778	52,778	52,778
Benefits and approved programmes of SSF	1,169,154	1,237,326	1,293,915	1,293,915	1,293,915
Others	**40,611**	**34,712**	**34,936**	**34,936**	**34,936**
Interest due	**630,637**	**720,697**	**723,066**	**751,447**	**714,283**
External	217,585	223,477	232,716	240,622	221,158
Domestic	413,052	497,220	490,350	510,825	493,124
Development Grant	**142,419**	**180,630**	**123,103**	**144,817**	**173,056**
Net lending	**(453)**	**101,159**	**221,746**	**248,338**	**145,311**
Contingency	**21,467**	**47,346**	**50,000**	**20,000**	**20,000**
Primary Balance:	**621,000**	**657,154**	**589,550**	**623,296**	**666,902**
% of GDP:	**3.0**	**3.0**	**2.5**	**2.5**	**2.5**

Source: MoFTIEP, Financial Planning and Control Division estimates

The 2019 Budget makes provision for three new Agencies, namely National Intelligence Agency, Information Commission, and Truth & Reconciliation Commission. The Small Business Finance Agency (SBFA) will cease operations as of 2019 onwards. Two Agencies, Seychelles Fishing Authority (SFA) and Seychelles National Park Authority (SNPA) will also be autonomous in 2019.

Summary of Expenditure

Government has budgeted overall expenditure and net lending for the fiscal year 2019 at SR 9.08bn. This allows a primary balance of 2.5 per cent of GDP, to continue Government's debt repayment programme. The table above shows the main expenditure allocations.

Overall expenditure and net lending increases by 5.67 per cent compared to the 2018 approved Budget, and 1.91 per cent compared to 2018 EOY estimates. Compared to the 2018 approved Budget, in nominal terms:

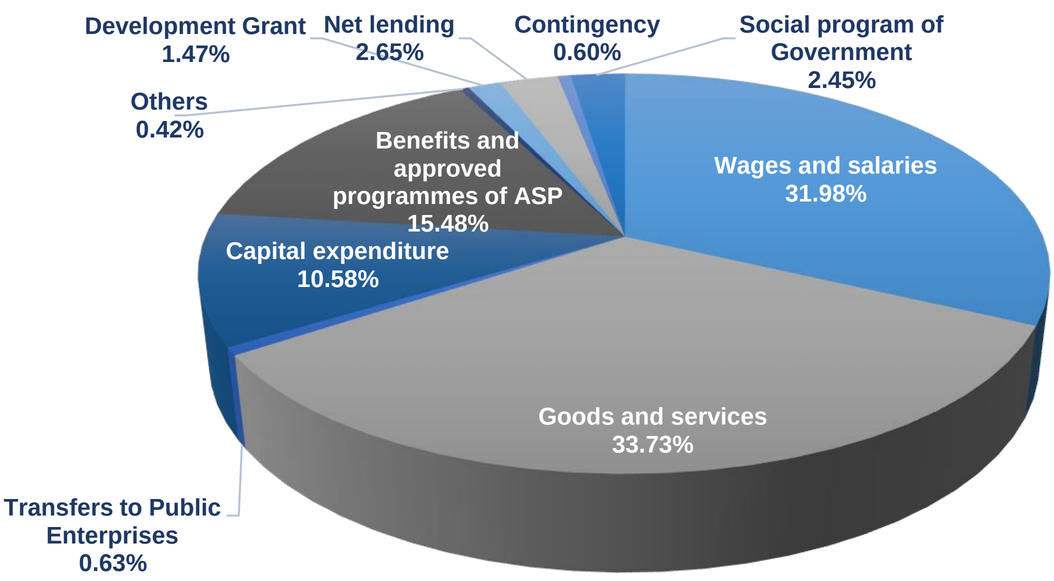
- Wages and Salaries increases by 1.87 per cent. Further details are discussed under Wages and Salaries below;
- Goods and Services decreases by 0.78 per cent. Further details are discussed under Goods and Services below;

- Capital Expenditure has increased by 0.95 per cent. Further details are provided in the next section on the Public Sector Investment Programme;
- The Social Programme of Government increases by 64.32 per cent, Further details are provided below;
- Benefits and Approved Programmes of Agency for Social Protection (ASP) increases by 4.57 per cent. Further details are provided below;
- Other Expenditure, which comprise of Subscription to International Organisation & Capital Subscription to International Organisation, increases by 0.64 per cent;
- Expenditure associated with development grants decreases by 31.85 per cent;
- Net lending increases significantly by 119.21 per cent; and
- A contingency of SR 50m is budgeted for the fiscal year 2019 and this represents an increase of 5.60 per cent.

Expenditure distribution by main Budget allocation (excluding interest payment)

As is shown in the figure below, Wages and Salaries, and Goods and Services remain the two main drivers of Budget expenditure with a share of 31.98 per cent and 33.73 per cent respectively of the total Budget allocation. Benefits and Approved Programmes of ASP share 15.48 per cent of the Budget allocation, whilst Capital Expenditure is allocated 10.58 per cent of the Budget allocation.

Figure 12: 2019 Budget Allocation



Source: MoFTIEP, Financial Planning and Control Division estimates

Distribution by Portfolio

The expenditure of Government MDAs' is grouped under fourteen Portfolios. The three new Agencies have not been captured under any Portfolio. The share of the 2019 Budget between Portfolios has remained relatively constant compared to the 2018 revised. There are changes between MDAs' within the same Portfolio but the overall share as a percentage of the total allocation has remained constant as shown in the table below.

Table 25: Share of Recurrent Expenditure by Portfolio

PORTFOLIO'S	2018 EOY Share (%)	2019 Budget Share (%)
Agriculture and Fisheries	3.17	1.56
Constitutionally Appointed Authorities	2.86	2.91
Designated Minister	16.99	17.91
Education and Human Resource Development	17.93	18.47
Employment, Immigration and Civil Status	1.20	1.60
Environment, Energy and Climate Change	6.84	6.45
Family Affairs	1.89	2.18
Finance, Trade, Investment & Economic Planning	7.25	6.95
Habitat, Infrastructure and Land Transport	4.33	4.30
Health	18.02	18.05
MDAs not allocated to a Portfolio and without a PPBB Statement	0.07	0.07
Other Statutory Bodies	2.07	2.06
President's Office	8.85	8.64
Tourism, Civil Aviation and Marine	4.09	4.01
Vice-President's Office	4.43	4.82

Source: MoFTIEP, Financial Planning and Control Division estimates

The Education and Health Portfolios remain key programmes of Government, sharing 18.47 per cent and 18.05 per cent of the total MDAs' expenditure allocation or 4.04 and 3.95 per cent of GDP respectively. The Designated Minister Portfolio also shares a significant 17.91 per cent of the total MDAs' allocation. The increase in the Family Affairs Portfolio is linked to the transfer of the Poverty Alleviation from the President's Office to the Family Affairs and the merger of the Children Home Foundation with the National Council for Children. Designated Minister Portfolio's increases are linked with the implementation of schemes for some MDAs' within that Portfolio and the operation of the District Council under the Department of Local Government. The decrease in the Agriculture and Fisheries, and Environment, Energy and Climate Change Portfolios is linked with the autonomous status of Seychelles Fishing Authority (SFA) and Seychelles National Park Authority (SNPA) from 2019.

The details of MDAs' 2019-2021 Budgets are presented as PPBB statements in the Estimates of Revenue and Expenditure, Section 2. These provide their medium-term priority objectives and performance measures and targets against their Budget allocations.

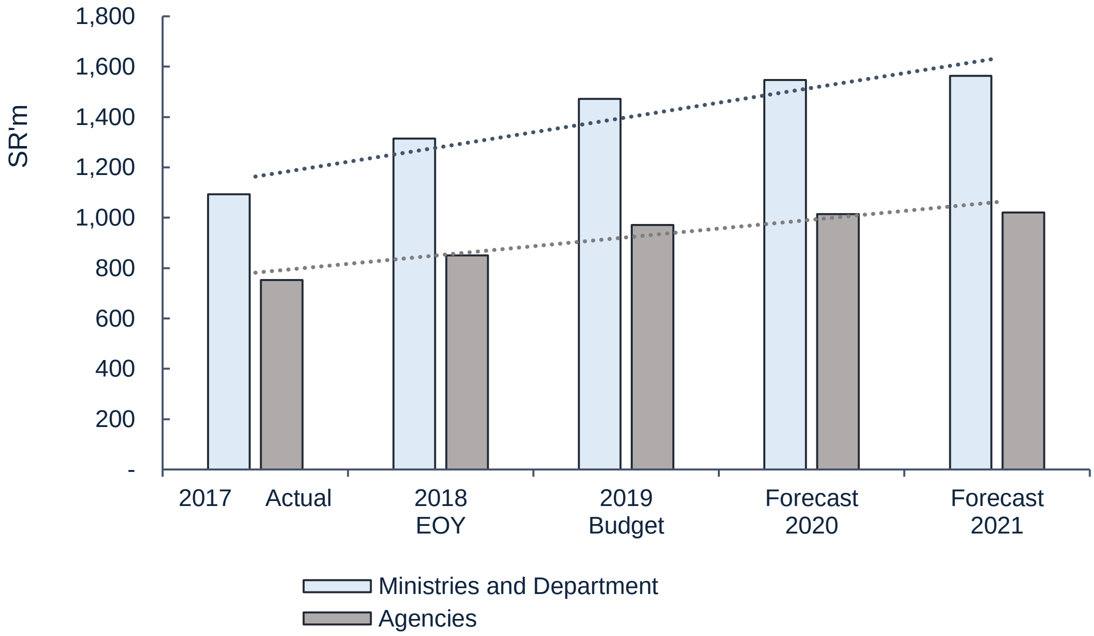
Wages and Salaries

A total sum of SR 2.67bn is being catered for Wages and Salaries. This is an increase of SR 48.97m or 1.87 per cent compared to the 2018 EOY figures. The 2018 EOY includes SR 207.62m of tax arrears which was a one off payment, and SR 55.26m for pensions and special pensions for government employees, which is recorded under Social Programmes of Government in 2019. The real increase in Wages and Salaries is therefore SR 311.84m or 13.20 per cent compared to the 2018 EOY estimate. Compensation of employees remains a significant part of the Government Budget. Wages and Salaries for 2019 represents 11.34 per cent of GDP.

Over the medium term, Government is expecting growth in Wages and Salaries to stabilise. This is on account of the restrictions on recruitment except for critical positions, whilst Government is reviewing its pay and employment policies. Nonetheless, Government remains committed to ensure that its wage Budget is sustainable. Since 2017 the wage bill for all entities of Government is being monitored, compared to previous years when only Ministries' and Departments' wages were being monitored. Before 2017, Budget-dependent Agencies were classified under 'transfers to the public sector' and their wages were not monitored.

The Wages and Salaries of Agencies is projected to grow in nominal term at 19.33 per cent in the medium term compared to Ministries and Departments where a growth of 18.15 per cent is projected.

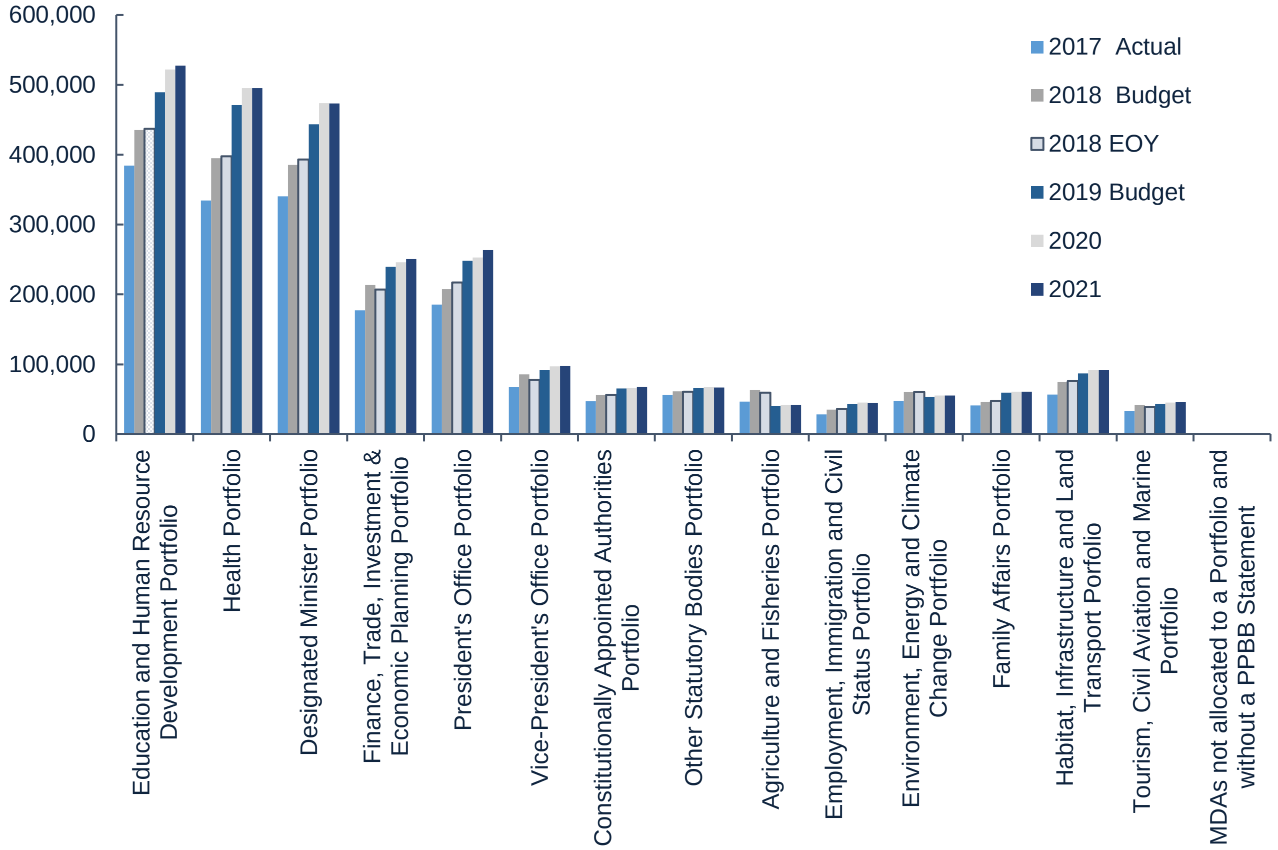
Figure 13: 2019 Wages Budget Allocation (SR'm)



Source: MoFTIEP, Financial Planning and Control Division estimates

The amount of SR 1.65bn in the 2019 Budget is allocated to Education, Health, Designated Minister and President's Office Portfolios. This represent 67.62 per cent of the total MDA's Wages and Salaries allocation. The table that follows shows the evolution of Wages and Salaries from 2017 to 2021.

Figure 14: Evolution of Portfolio shares Actual and Budgeted Wages & Salaries (2017-2019) (SR'000s)



Source: MoFTIEP, Financial Planning and Control Division estimates

Improved schemes of service

SR 58.53m in 2019 and SR 80.35m in 2020 have been allocated for the implementation of revised schemes of service on a phased approach from July 2019 and over medium term. The revisions are aimed at improving the salary packages of different cadres.

Revision in schemes of service are carried out on a phased medium-term basis based on priority and considering when a last revision was carried out for a particular cadre. Revision also considers the sustainability of any increases whilst taking into consideration any implication for other sectors.

New schemes of service being funded are for:

Implementation from January 2019:

- Department of Defence- Brass Band;
- The Health Care Agency and the Public Health Authority (PHA)- Doctors, Allied Health Professionals and Dental Professionals, Health Care Assistants for PHA only;
- Department of Culture- Library and Archives;
- Road Transport Officer Cadre;
- Public Enterprise Monitoring Commission;

- Council for the Elderly- Home Administrators;
- Agency for Social Protection- Welfare Officers;
- Department of Employment;
- Veterinary Officers Cadre; and
- Research Cadre (Common).

Implementation from July 2019

- Attorney General's Office;
- Department of Foreign Affairs- Diplomatic Cadre Headquarters;
- Department of Police;
- Department of Prison; and
- Seychelles Fire and Rescue Services Agency.

Recruitment

A sum of SR 17.53m is being allocated in 2019 to the creation and unfreezing of posts. Recruitment for 2019 has been limited to filling vacant positions in the 2018 funded recruitment list. However, for some MDAs some 2018 funded positions have been frozen in order to address challenges faced by other key priority portfolios. This takes into account the supply on the labour market. In this regard, the major challenge for Government remains the ability to recruit for all available positions and increase salaries to market-based packages. This is essential to Government's ability to retain staff. The number of graduates from universities and professional centres in Government-related fields is lower than the available vacancies in Government. Consideration of this reality becomes important for setting aside funding for new positions.

The main MDAs' where significant funding has been allocated for new positions are the Ministry of Employment & Immigration, the Department of Legal Affairs, the Judiciary, the Ministry of Habitat, Infrastructure and Land Transport, and the Seychelles Fire and Rescue Services Agency. SR 13.72m is being allocated in 2019 to the creation and unfreezing of posts for these priority sectors out of the SR 17.53m.

Other factors

- From July 2019 a revision of the Government Wage Grid will result in an increase of 5 per cent in the basic pay. The sum of SR 42m is being catered for the revision in the Wage Grid in 2019 and SR 84m in 2020 & 2021. The last revision in the Wage Grid was done in July 2013, which resulted in a 6 per cent increase in the basic pay, and the amount of SR 24.6m was provided in the 2013 Budget to cater for the six-month implication.

- SR 50.63m is being catered for the implementation of a monthly long service allowance for all employees who are not on a Public Service Contract (PSC) from July 2019. The allowance will be integrated in the total salary of all employees not on PSC contract as follows:

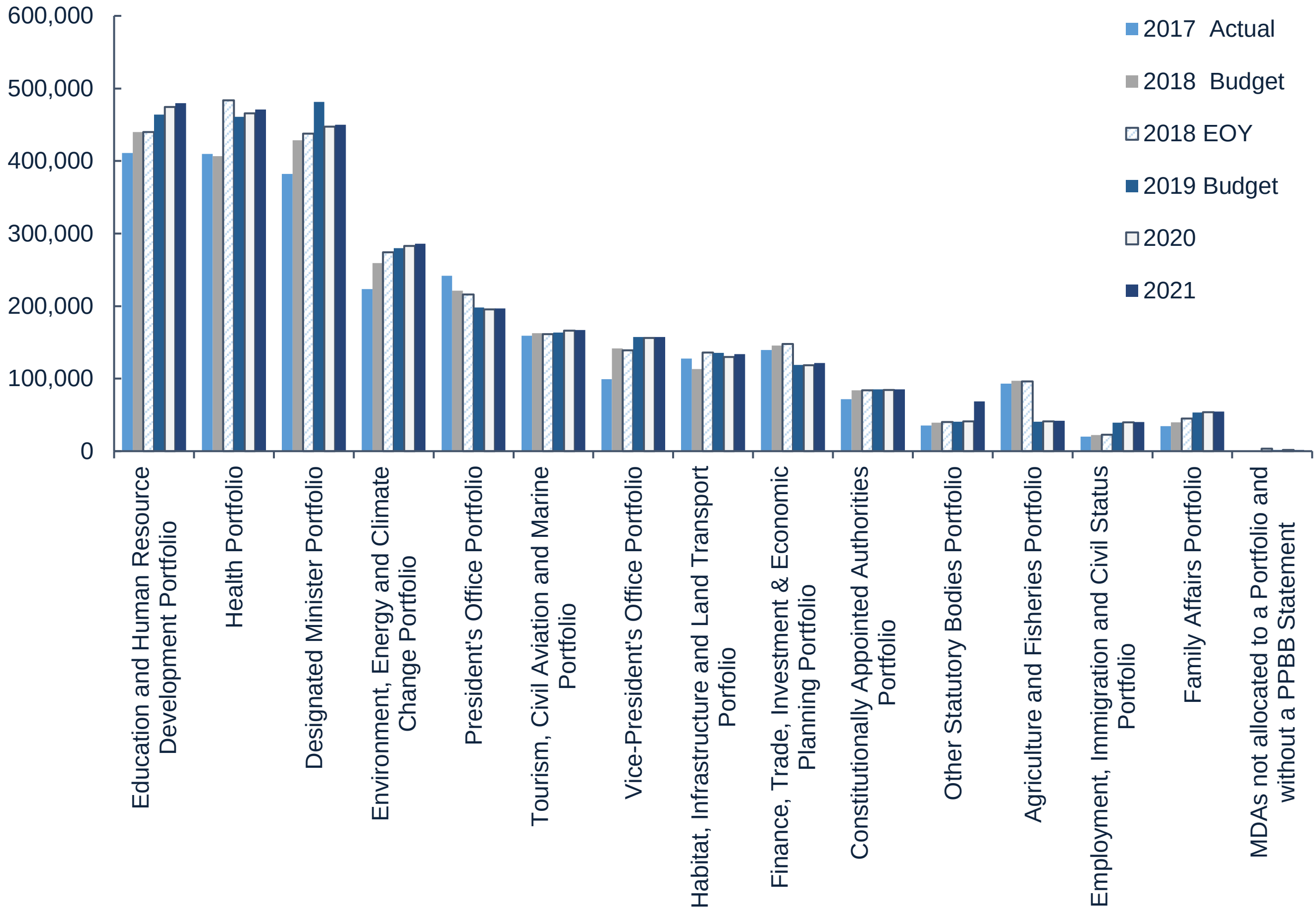
Number of years in service	SR
0 to 5	0
More than 5 to under 10	500
More than 10 to under 15	1,000
More than 15 to under 20	1,500
More than 20 to under 25	2,000
More than 25 to under 30	2,500
More than 30 to under 35	3,000
More than 35 to under 40	3,500
More than 40	4,000

- SR 94.61m is being catered for the 13th month salary for MDA personnel;
- SR 34.89m is being allocated for promotion, upgrading and salary enhancement;
- SR 94.66m is being allocated for gratuity and compensation for continuous service under the respective MDA's Budgets. In addition, a sum of SR 65.47m for gratuities under Other Wages is projected for staff on PSC contracts and compensation for end of term of service; and
- Graduate Housing Allowance which was previously paid by the Department of Public Administration, has since June 2018 been integrated in the salary of each graduate and funds budgeted under the Wages and Salaries of the respective MDAs.

Goods and Services

A sum of SR 2.82bn is being catered for Goods and Services in 2019. This represents 31.05 per cent of the total expenditure and net lending, which equals to 11.96 per cent of GDP. For the year 2019 Goods and Services expenditure has decreased by SR 22.3m in comparison to the 2018 EOY estimates. Ministries' and Departments' Goods and Services has increased by SR 51.2m, whilst there has been a decrease of SR 58.42 in Agencies. However, the decrease under Agencies is linked with SBFA that will cease operation and the autonomous status of SFA and SNPA, and this accounts for SR 94.42m decrease. Not taking into account these three Agencies, the real increase under Agencies is SR 36m. Other Goods and Services has decreased by SR 15.08m and this is linked with the changes made for Overseas Travel which from 2019 has been integrated under the President Office's Goods and Services Budget.

Figure 15: Evolution of Portfolio shares Actual and Budgeted Goods & Service (2017-2019) (SR'000s)



Source: MoFTIEP, Financial Planning and Control Division estimates

The Designated Minister (DM) Portfolio will consume 18 per cent of the total Goods and Services allocated to MDAs' in 2019. Education Portfolio and Health Portfolio each share 17 percent of the total Goods and Services allocated to MDAs'. The three Portfolios maintain the highest share in the medium term with an average of 17 per cent each. The main increases under Goods and Services are as follows;

Designated Minister Portfolio

The DM Portfolio comprises of many MDA's, which includes the Home Affairs sector, Department of Local Government, Department of Youth, Sport & Culture, Department of Risk & Disaster Management (DRDM), the Agency for Prevention of Drugs Abuse and Rehabilitation. The main increases under the DM Portfolio are as follows:

Department of Local Government

For the year 2019 the Department will see an increase of 11.53 per cent or SR 5.9m in its Goods and Services Budget. This is mainly as a result of the newly formed Regional Councils which were appointed in mid-2018. The full year implication is being observed in the Department's 2019 Budget. The Department is also placing more emphasis on the activities at district level and therefore more funds has been allocated to cater for these activities.

Department of Youth, Sport & Culture

The Department's Goods and Services Budget will increase from SR 32.7m to SR 36.9m in 2019. This is an increase of SR 4.2m or 12.9 per cent over the 2018 EOY Budget. This is mainly because of office rental as the Department has to move out of its current premises at the National Library due to a fungus infestation.

National Sports Council

The National Sports Council's Budget increase of SR 6.2m from the 2018 EOY estimates is a result of the several Games that are to take place in 2019 such as the Indian Ocean Island Games, All Africa Game and the Africa Optimist Championship. The 2018 revised figures are reflecting the additional amount of SR 10m that the Council received as supplementary Budget for the preparation of the Games.

Seychelles National Youth Council

The Goods and Services Budget for the Seychelles National Youth Council for the year 2019 is SR 11.4m. This includes an additional SR 2m provided for the different youth programmes.

Agency for Prevention of Drugs Abuse and Rehabilitation

The Agency's Budget for 2019 in comparison with the 2018 EOY estimate has increased by SR 6m, however when compared with the 2018 Budget there is an increase of only SR 1.6m. The increase is related to increase in operational cost.

Education and Human Resources Portfolio

The Education Portfolio allocation accounts for 17 per cent of the total Goods and Services Budget.

Ministry of Education and Human Resource Development

The total Goods and Services Budget allocated to the Ministry of Education and Human Resource Development in 2019 amounts to SR 262.3m. This represents an increase of 6.15 per cent or SR 15.2m when compared to the 2018 EOY Budget. The increase can mainly be attributed to housing rental as the Ministry has been recruiting more expatriate teachers and thus has to cater for their accommodation. The 2019 Budget for the Ministry makes provision of SR 43.2m for accommodation for expatriate employees for a total of 281 houses.

The sum of SR 5.4m is provided in the 2019 Budget for allowances from January 2019 for school committees. In addition, with the objective of ensuring that the schools remain in good condition and are maintained on a regular basis, the sum of SR 1.1m is provided for maintenance contracts for the newly built schools.

Agency for National Human Resources Development (ANHRD)

In 2019, the ANHRD's Budget increases by SR 8.03m compared to 2018 EOY estimates. The increase is linked with the increase in stipend which amounts to SR 9.8m and which will come into effect as of February 2019. The Budget for the monthly allowance for students of the Seychelles Police Academy was previously budgeted under the ANHRD's budget, but from 2019 this has been integrated under the Budget of the Department of Police.

Health Portfolio

The Health Portfolio allocation amounts to 17 per cent of the Goods and Services Budget of the total MDAs'. The Health Care Agency is allocated more than two thirds of the total allocation under this Portfolio.

Health Care Agency

The 2019 Budget reflects a decrease of 4 per cent or SR 19.4m against the 2018 revised Budget. This is mainly because the Agency had received additional funding to cater for its arrears in 2018 as a one-off payment. For 2019 the Budget allocated reflects the current cost of the Agency providing the service without the arrears. When comparing the 2019 Budget against the 2018 Budget net of the arrears payment, expenditure increases by SR 58m. This increase is mainly for the following expenditure purposes:

- Entomology: Increased from SR 27m to SR 57m;
- Laboratory Supplies: Increased from SR 11.5m to SR 17.5m;
- Housing: Increased from SR 20.8m to SR 28m;
- Drugs: Increased from SR 43m to SR 50m; and
- Security and Enforcement: Transfer of funds from the Ministry of Health to Health Care Agency amounting to SR 4.5m.

President's Office Portfolio

The President's Office Portfolio will be receiving 7.28 per cent of the total Goods and Services Budget of MDAs'. The 2019 Budget for this Portfolio reflects a decrease of SR 17.88m compared to 2018 EOY estimates. The main changes under this Portfolio are as follows:

Office of the President

The Office of the President's Budget has increased by SR 14.6m in 2019. This is related with the Overseas Travel which was previously being catered under "Other Goods and Services" and is now being included in the Office of President's Budget.

Department of Defence

In 2019 the Department of Defence's Goods and Services Budget will decrease by SR 26.08m, from SR 144.3m to SR 118.2m. The decrease is mainly under "Security Equipment" which will be purchased from the Department's special account.

Department of Public Administration

A decrease of 51 per cent in the Department's Goods and Services Budget is because of the change of policy in regards to Graduate Housing Allowance. As of July 2018 onwards the graduate housing allowance has been incorporated in the respective MDAs' Wages and Salaries Budget. For previous years this was being catered for under the Budget of the Department of Public Administration.

Finance, Trade, Investment & Economic Planning Portfolio

The Finance, Trade, Investment & Economic Planning Portfolio shares 4.38 per cent of the total Goods and Services Budget of MDAs' in 2019. There is a decrease of SR 28.75m in the 2019 Budget for the Finance, Trade, Investment & Economic Planning Portfolio. This is mainly because the Small Business Financing Agency is phasing out in 2019. In addition, under_Financial Intelligence Unit there is also a decrease of SR 4m. This is linked with the fund which was allocated for the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) conference that was hosted in Seychelles in 2018.

Employment, Immigration & Civil Status Portfolio

The Employment, Immigration & Civil Status Portfolio is the smallest Portfolio, comprising of two Departments and no Agency. For 2019 the Goods and Services Budget for the Ministry has increased by SR 16.52m. This represents a growth of 72.12 per cent in 2019 compared to the 2018 EOY Budget. This is linked with the investment that the Department of Immigration will be making from 2019 for the purchase of a Biometric Passport System. The Biometric Passport System project has been spread out over three years and will cost Government approximately SR 37.95m. In 2019 the sum of SR 16.5m has been provided for the project. Security will be enhanced with the biometric passport.

Environment, Energy & Climate Change Portfolio

The Portfolio's Budget increases by SR 5.57m in 2019 compared to the 2018 EOY estimates. The Ministry's Budget increase of SR 6.4m under its Goods and Services can be primarily attributed to the Environment Trust Fund which as of 2019 onwards will be incorporated in the Budget. The revenue that was being collected under the Fund has also been included in Government's total revenue.

Transfers

Table 26: Summary of Total Transfers by Different Categories, SR'm

Transfer type	2017 Actual	2018 EOY	2019 Budget	2020	2021
Social Programs of Government	114,205	124,708	204,915	235,599	235,599
Transfers to Public Enterprises	97,092	61,587	52,778	52,778	52,778
Benefits and approved programmes of SSF	1,169,154	1,237,326	1,293,915	1,293,915	1,293,915
Total:	**1,380,450**	**1,423,621**	**1,551,608**	**1,582,291**	**1,582,291**
% of GDP:	**6.8**	**6.5**	**6.6**	**6.4**	**6.0**

Source: MoFTIEP, Financial Planning and Control Division estimates

Transfers to Social Programs of Government

A sum of SR 204.9m is being catered for under this category. This consists of Government's contribution towards a number of Non-Governmental Organisations, Councils and Funds created by Government, as well as schemes introduced by Government to incentivise targeted sectors or programmes aimed at providing assistance to small entrepreneurs or to promote educational and social programmes and values to society. There has been an increase of SR 80.2m or 64 per cent over the 2018 EOY Budget, mainly as a result of the reclassification of Pensions and Special Pensions payment. Both items were previously recorded under "Other

Wages and Salaries". Furthermore, the Seychelles Children Foundation will be merged with the National Children Council from 2019 onwards. Provision under the Social Programmes include the following:

Housing Finance Scheme

The Housing Finance Scheme was first introduced in 2014 with the intention of assisting first time home buyers with a cash grant that would go towards the applicant's down payment. The level of subsidy would depend on the applicant's income. An amount of SR 18m is being catered for in the 2019 Budget.

Home Improvement/Re-roofing Scheme for Pensioners

SR 8.5m has been catered for the Home Improvement and Re-Roofing Scheme for Pensioners. Under the scheme pensioner's benefit from an interest free loan for renovations up to SR 50,000 while re-roofing projects are supported up to SR 100,000.

Small Claims Tribunal

The Small Claims Tribunal was set up in 2018 to provide people with an alternative means to expensive procedures to resolve small cases and claims. A Budget of SR 1.2m has been catered for this purpose in 2019.

Land Compensation Tribunal

The Land Compensation Tribunal was set up in mid-2018 in order to review all outstanding cases with regards to land. A Budget of SR 2.5m has been allocated to cater for the operational cost of the Tribunal.

Youth Employment Scheme

The sum of SR 5m has been maintained under the Youth Employment Scheme for 2019. Under the scheme Government will refund 40 per cent of the salary of youths aged between 15 and 25 years old to an employer for their first year of employment.

Youth Entrepreneurship Scheme

The amount of SR 1m catered for under the Youth Entrepreneurship Scheme is used to support the young entrepreneurs. The Budget remains the same as the 2018 approved Budget.

Contribution to Agricultural Development Fund

Government's contribution to the Agricultural Development Fund remains SR 3m. The purpose of the Fund is to provide financing for the development of small-and medium-sized agricultural and horticultural projects.

Small and Medium Enterprise Scheme

Government's contribution to the Small and Medium Enterprise Scheme remains SR 16m for 2019. Since 2014 to September 2018 a total of 1,646 loans have been approved under the Scheme for a total of SR 1.44bn.

Empowerment and Social Protection Programme

A Grants Committee has been set up in 2018 to evaluate the projects that used to be funded from the Empowerment and Social Protection Programme. The amount of SR 0.5m in 2019 is allocated for small programmes not registered under NGO's such as the Renaissance Programme. The allocation for the NGO's in

2019 has been allocated to the individual NGO's and some grouped under the National Grants for other Non-for- Profit Organisations.

Transfers to Public Enterprises

The Government is assisting the following State-Owned Enterprises (SOEs) with a total sum of SR 52.8m in 2019:

- **SPTC**: Total assistance to the Seychelles Public Transport Corporation (SPTC) amounts to SR 30m. The subvention is catering for the full year implementation of the scheme of service which was approved in 2018. In addition, the subvention will be assisting SPTC towards the negative cash flow projection in 2019 resulting from the reduction in number of passengers using the buses.
- **Air Seychelles***:* The amount of SR 19.2m allocated is as per the 2011 agreement when Air Seychelles signed the merger agreement with Etihad.
- **Seychelles Postal Services Company:** The Government has catered for a sum of SR 3.5m to support the operations of the Seychelles Postal Services.

Benefits and Approved Programmes of the Agency for Social Protection

The Agency for Social Protection (ASP) is mandated to provide social security coverage and protection against poverty through financial assistance as laid out under the Agency for Social Protection and the Social Security Benefit Act. The Agency is principally an agency that effects payment on behalf of Government for all the benefits and approved programmes of ASP. In the 2019 Budget Government will maintain its commitment to finance the social programmes targeting the most vulnerable people in our society. Benefits and Approved Programmes of ASP represent 5.49 per cent of GDP for 2019. A sum of SR 1.29bn is being catered to finance the payment under the Approved Programmes of ASP. This represents an increase of SR 56.59m compared to the 2018 revised Budget. The increase in the Budget is linked with the increase of SR 200 for the Retirement, Invalidity & Disability Benefit from January 2019. Funeral Benefit will be increased by SR 300, from SR 1700 to SR 2,000 from January 2019. Specialised Children Treatment Scheme from 2019 onwards has been allocated under the Health Care Agency Budget.

Retirement Benefits and Home Care Scheme

Government has allocated SR 714.86m and SR 240.01m for Retirement Benefits and Home Care Scheme respectively. The two benefits account for 73.8 per cent of the total Benefits and Approved Programmes of ASP or 4.05 per cent of GDP. The increase under Home Care Scheme is linked with the increase in minimum wage of 5 per cent from January 2019. With the ageing population, retirement and home care benefits remain a concern, particularly in terms of the sustainability. World Bank is assisting the Agency for Social Protection to review the benefits to ensure its sustainability.

Social Safety Net

Social Safety Net is the only discretionary assistance programme. In 2017 SR 79.6m was spent for welfare assistance. In 2019 the Budget has been maintained at the 2018 Budget level of SR 40m. The spending under welfare assistance keeps on increasing, although there has been a sharp decrease in the number of assistance for unemployed families with the re-introduction of Unemployment Relief Scheme (URS) in 2018 compared to 2017. On the other hand, assistance towards working families increased sharply.

In September 2018 the Cabinet of Ministers approved for ASP to partner up with Seychelles Trading Company (STC) to provide welfare assistance in kind, using STC's loyalty card platform to issue assistance. This will force benefiting households to use the assistance provided in a controlled manner. The aim is to ensure that all the household members, notably the children, benefit from this assistance. A pilot phase for this programme is expected to start in November 2018 with its full launch in January 2019.

Emergency Housing Assistance Scheme

A sum of SR 1.5m has been allocated in 2019 for the Emergency Housing Assistance Scheme. The scheme is for the payment of temporary accommodation for victims of burnt houses until they are provided with a house. Previously this was paid by PMC. In 2018 ASP catered for these expenses under "supplementary benefits".

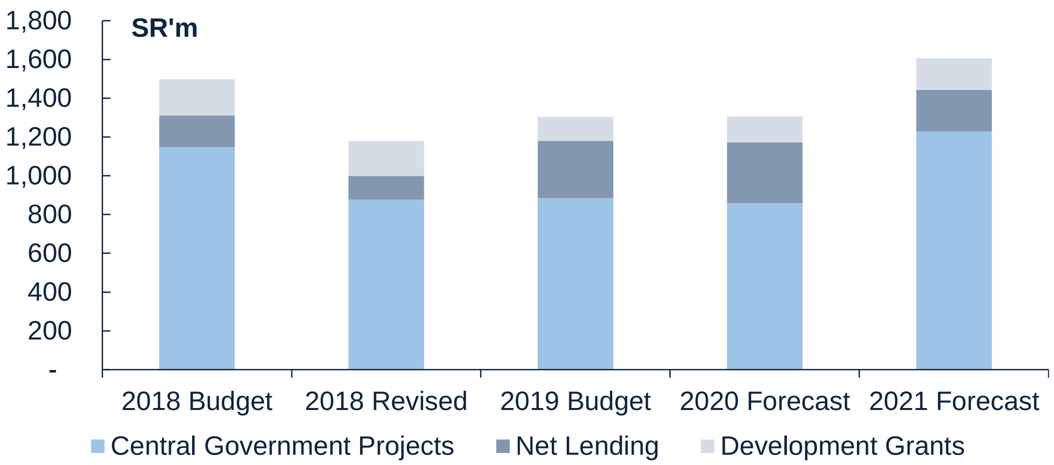
Public Sector Investment Programme

The total Public Sector Investment Programme budgeted for the period 2019 to 2021 is estimated at SR 3.6bn. Of this medium term investment, 31 per cent has been allocated towards the 2019 Budget.

The Central Government Projects continues to take on the largest proportion of the 2019 Budget. Other than this, the Budget also provides for financing of investment programmes through the Net Lending and Development Grants. These two lines are focused towards funding capital projects of Public Enterprises, namely Public Utilities Corporation (PUC), Seychelles Public Transport Corporation (SPTC), and Property Management Corporation (PMC). For 2019 only, an amount of SR 28m and SR 10m is being allocated within Net Lending towards SFA and SNPA, respectively.

The graph below portrays the trends in the investment Budget over the period 2018 to 2021 and across the main categories.

Figure 16: Public Sector Investment allocations for 2018 to 2021



Source: MoFTIEP, Financial Planning and Control Division estimates

The graph portrays a significant reduction in the allocation towards the investment programmes. However, it also denotes an allocation which is nearer to the revised 2018 Budget figures. This could be largely attributed to the autonomy of SFA which will be moving off the Government Budget as of 2019. By excluding the SFA figures within the 2018 Budget, the difference as compared to the 2019 Budget will reduce.

The financing towards these PSIP projects is not limited to the Government. In addition, the capital projects do receive support through the external development partners, through grants or loans. Despite the external financing, the Government financing remain as the largest source of financing for these projects. For the period 2019 to 2021, Government financing totals up to SR 1.7bn, or 58 per cent, loans SR 593m or 20 per cent and grants SR 665m or 22 per cent.

The local financing is seen to reduce slightly in 2020, only to pick up in the following year with a significant increase. The loan funding follows a similar pattern. The grant financing, on the other hand, follows a reverse pattern with an increase in 2020 and a decrease in the following year.

The main external donors and creditors are European Union (EU), World Bank, South African Development Community (SADC), Arab Bank for Economic Development in Africa (BADEA), OPEC Fund for International Development (OFID), Global Environment Facility (GEF), Government of India, Government of China and Government of United Arab Emirates.

2018 Overview

A total Budget of SR 1.1bn was allocated towards the Central Government capital projects. However, due to delays in the implementation of several of the projects, there was a downward revision in its Budget during the Mid-Year Process. It was revised to SR 876m. The delays in the implementation were brought about by several factors such as lack of internal capacity to implement and oversee the projects. In addition to this, unforeseen delays in the progress of projects have resulted in slow spending within this category of expenditure.

The main projects completed during the first six months of 2018 included housing projects such as Mt Plaisir housing project, part of the Ex-Desaubin housing project, land bank projects such as Carana land bank extension and Pascal Village Creuve Coeur land bank from the Department of Infrastructure. The Seychelles Land Transport Agency (SLTA) completed certain road infrastructure projects such as feeder road Lilot Glacis, Parson Road and Benoit Road.

2019 Outlook

The total Budget allocated towards Central Government investment projects summed up to SR 885m. This represents an increase of SR 8m, or 1 per cent, when compared to the revised 2018 figures. However, it is to be noted that the Revised 2018 figures are inclusive of the SFA allocations. Excluding these figures would bring out an increase of 26 per cent in the 2019 Budget for Capital Budgets when compared to the revised 2018 figures.

The financing of the 2019 investment projects is largely through the Government where 60 per cent of the total requirements are provided by it. This is followed by grant financing of 24 per cent, and loan financing of 16 per cent. The SR 885 million represents a combination of new projects and on-going projects.

The main infrastructure projects expected to start in 2019 are:

- Reconstruction of La Rosiere Primary school. This was to start in 2018. However, due to delays, this will now start in 2019. It is being co-financed by the Government and the Kuwait Fund. Total estimated costs of the project are SR 72m.
- Construction of Ile Perseverance Primary 2 is to be co-financed by the OFID, BADEA and Government. The total project is estimated to cost SR 100m. Although this was initially budgeted for the 2018 Budget, certain delays have resulted in postponing it to 2019.
- The construction of the SBSA and SIAD is set to start in 2019. This will be financed by the Chinese Government and the total estimated costs are set at SR 98m.
- Construction of La Digue Police station – Estimated cost of project SR 7m.
- Construction of induction facility and low to medium risk facilities by the Department of Prison are expected to cost SR 21m and SR 6m, respectively.
- Construction of Ile Perseverance Community Centre – estimated cost of SR 5m.
- Renovation of Independence House – estimated cost of SR 9m.
- Construction of Pasquere Road and Anse Aux Pins bridge. Each estimated to cost SR 10m.
- The new bridge at Providence to Sunshine House and the third lane at Pointe Larue had both been planned for 2018. However, they did not materialise and will be delayed to 2019. They are estimated at SR 40m and SR 21m, respectively.
- Construction of research building at Anse Boileau - estimated at SR 11m.
- Infrastructure development for Zone 20 - estimated at SR 25m.
- Setting up of incubation centre - estimated at SR 10m.
- The Youth Rehabilitation Centre which was budgeted for 2018 will now take place in 2019 - estimated costs of SR 54m.

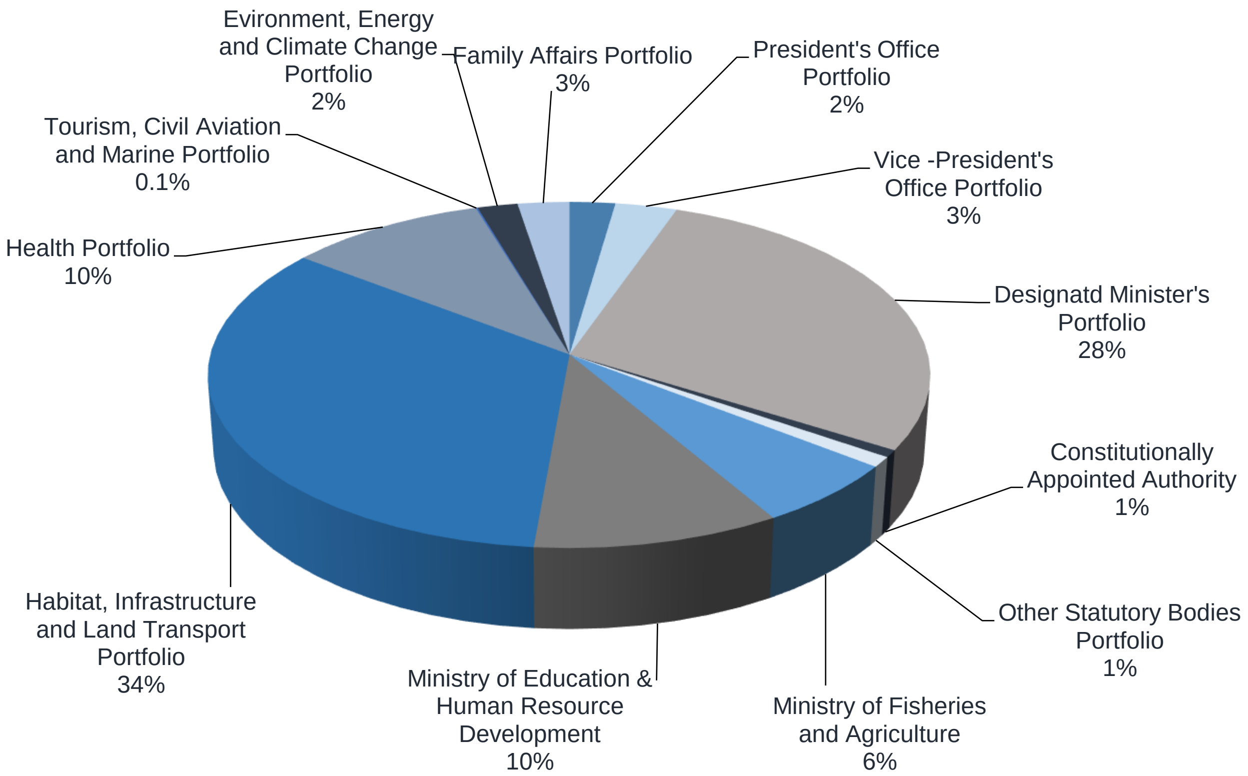
Financing spread across portfolios

The review of the source of financing across the different portfolio is seen to vary quite a bit as we move across the different financing options. It is only the Habitat, Infrastructure and Land Transport Portfolio which is seen to be allocated amongst the largest portions of the different sources of financing.

Domestic Financing

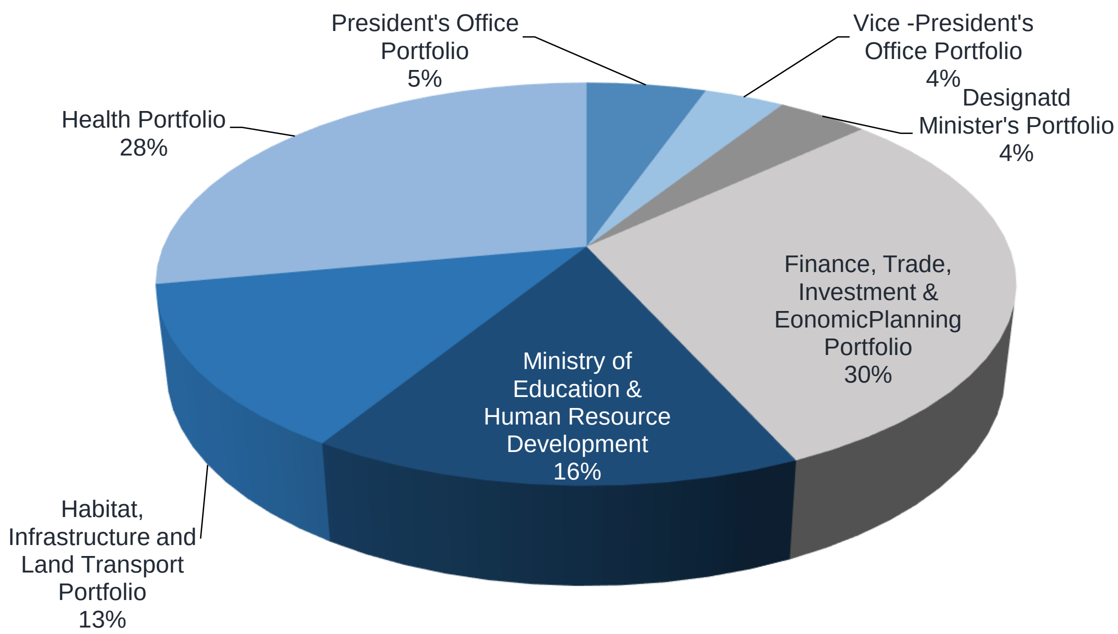
Similar to previous years, the Habitat, Infrastructure and Land Transport Portfolio makes up the largest portion, 34 per cent of the total local financing of SR 533m. This is followed by the Designated Minister's Portfolio 28 per cent, Education& Human Resources Development Portfolio 10 per cent and Health Portfolio 10 per cent. When the Designated Minister's Portfolio is broken down further, it is seen that the Youth, Sports & Culture has the largest allocation within the portfolio of 43 per cent.

Figure 17: Spread of Domestic Financing across Portfolios



Loan Financing

Figure 18: Spread of Loan Financing Across Portfolios

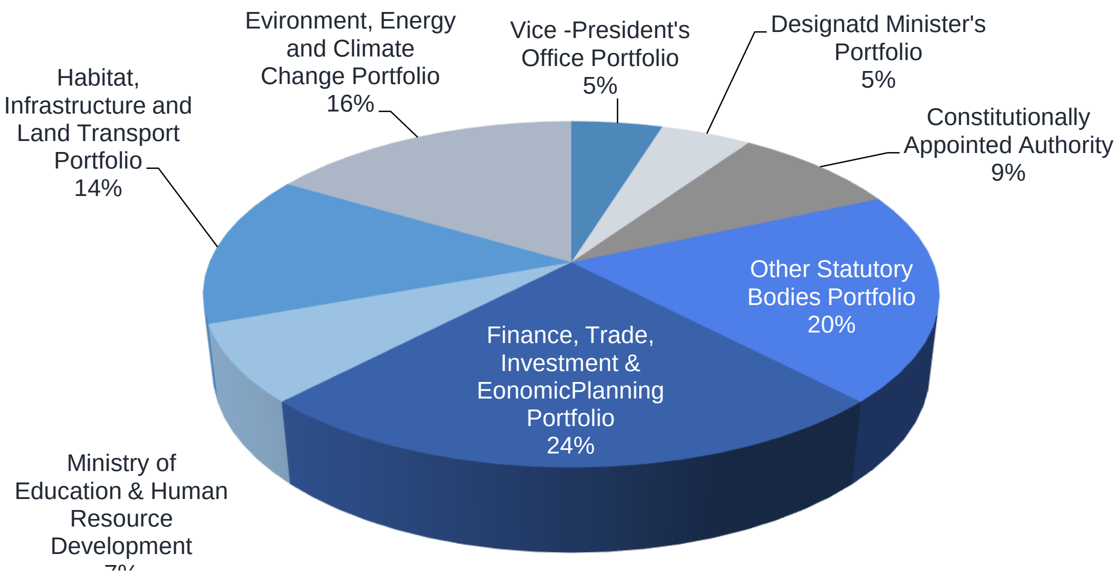


A total of SR 142m of the capital projects planned for 2019 is financed through Loans. The composition for the loan financing varies compared to Domestic Financing. The Finance, Trade, Investment & Economic Planning Portfolio has been allocated with the largest portion of loan-financed projects of 30 per cent. The other main portfolios are Health Portfolio 28 per cent, Education & Human Resources Development Portfolio 16 per cent and Habitat, Infrastructure and Land Transport Portfolio 13 per cent.

Most of the budgeted amount relates to the India Line of Credit. It is to cover the purchase of vehicles, procurement of bitumen and telecommunication equipment, development of incubator and ecosystem development, and the Health Information System. Co-financing from BADEA and OFID is to be targeted towards Ile Perseverance Primary 2 and Phase 2 of the Infrastructure works. Kuwait fund is to finance the La Rosiere Primary school. The loan financing of the Swiofish project by World Bank/ GEF is also inclusive of the SR 142m being budgeted.

Grants financing

Figure 19: Spread of Grant Financing Across Portfolios



Grant financed projects are mainly allocated towards Finance, Trade, Investment & Economic Planning Portfolio 24 per cent, Other Statutory Bodies Portfolio 20 per cent, Environment, Energy & Climate Change Portfolio 16 per cent and Habitat, Infrastructure and Land Transport Portfolio 14 per cent. In previous years, grant financing used to be dominated by projects from the Fisheries sector, more specifically for the Seychelles Fishing Authority (SFA). However, with the autonomy of the Authority this will not be part of the Public Sector Investments.

Grants from the Chinese Government has been forecasted to finance the Reconstruction of SBSA and SIAD, SBC house and the Corgat Estate Housing Project. The Green Environment Fund (GEF) funding will be focused towards climate change projects within the Department of Environment. In addition, a large portion of the financing will be diverted towards the Swiofish project. Apart from the on-going costs for the Construction of the Magistrate Court, the Government of India will also be financing the solar home systems project for vulnerable households in 2019. Other main donors include the EU for the 11th EDF RISP IEPA implementation and the UAE Government which will be financing two social housing projects (Ex-Desaubin, Ex-Ion and Ex-Kashugy) and the Drug Rehabilitation Centre.

Planned Investment by Sector

The table below portrays the investment allocations across the main sectors over the medium term.

Table 27: Financing allocation for 2018-2021, SR'm

SECTORS	2018 EOY	2019 Budget	2020	2021
Defence	12,170	18,171	17,828	17,000
Housing	181,060	161,405	91,077	177,091
Land Transport	69,610	68,135	75,222	107,994
Economic	58,271	116,677	93,373	143,805
Fisheries & Agriculture	210,311	32,162	33,472	45,544
Health	79,847	92,701	75,366	189,073
Education	75,717	90,141	140,900	260,166
Community amenities	42,931	56,020	50,300	51,000
Public Order and Safety	61,920	53,693	66,134	33,789
Youth Sports & Culture	30,423	65,258	60,410	66,400
Social Affairs	12,250	28,089	36,369	31,710
Environment	40,452	45,178	50,982	48,782
General Public Services	10,364	57,048	67,038	76,266
TOTAL:	**876,326**	**884,677**	**858,470**	**1,248,620**

Source: MoFTIEP, Financial Planning and Control Division

Defence

The Department of Defence has been allocated with a total Budget of SR 18m for the financial year 2019. The main projects being financed are:

- Continued renovation of the Barracks
- Acquisition of Communication equipment
- Completion of works for the Construction of a jetty for the Department

Housing and land development

In 2019, the total planned projects within this sector sums up to SR 161m. This accounts for 18 per cent of the PSIP Budget.

The major projects to be financed within this sector are:

- Civil works are to continue in 2019 at several social housing. The main ones are Ile Perseverance Phase 2 infrastructure works, Corgate Estate Phase 3, Ex-Ion and Ex-Kashugy Phase 2
- Construction of special housing projects to assist in the poverty alleviation programme. Allocations have increased to SR 20m from SR 3.5m in 2018
- Infrastructure development within the various land bank projects are to continue in 2019, including Creuve Coeur, Carana, La Gogue and Cayole

- A provision of SR 5m for the conversion of the 6th floor of Independence House to office space
- A total of SR 5m for renovation works to be carried out on the Independence House

In addition to the continued works for the completion of 24 housing units in 24 districts, the Ministry is to provide technical assistance in relation to the Construction of the 3,000 subsidised Housing Units. The project will be managed through a Special Purpose Vehicle (SPV), which will be created under the Property Management Corporation (PMC).

Land Transport

This sector contributes to 8 per cent of the total Capital Project Budget, or SR 68m. The main projects being financed for the year are:

- New projects such as New road at Pasquere Praslin, construction of bridge at Anse Aux Pins and Sunshine House, third lane at Pointe Larue, road improvement at Anse La Blague, road construction cayole Estate to Ex Albert and road improvement at Belonie/ St Louis Phase 2
- Financing for the Victoria Traffic Management continues in 2019 with an allocation of SR 4.5m
- Other key on-going road infrastructure projects are Road Widening Cap Ternay, upgrading of Kan Per road, road enlargement at North East point and widening of Curio Road

Economic

Of the SR 117m budgeted for the sector, SR 94m is allocated to the Ministry of Finance, Trade, Investment & Economic Planning.

The main projects within the sector are:

- Procurement of a total of 35 vehicles as part of the replacement plan of the Government's fleet. This will be financed through a loan from the Government of India
- Implementation of the Swiofish project and the 11th EDF RISP IEPA project
- Infrastructure development for industrial estates at Zone 20 and Eve Island

Fisheries & Agriculture

Allocation to this sector has reduced significantly as compared to the 2018 revised Budget, where a reduction of almost 84 per cent. While this has been largely as a result of the SFA going autonomous, the completion of the CLISSA project has also contributed towards this.

The main investments for the sector are:

- Construction of building for the vet quarantine
- Construction of research building at Anse Boileau
- SR 18m is to be allocated towards projects approved from the Livestock Trust Fund. These include construction of new abbatoir (red and white meat), construction of new feeder roads in key agricultural areas on Mahe and Praslin, and renovation of irrigation schemes on Mahe and Praslin.

Health

The Health Sector has been allocated with the third largest Budget for Capital Projects. A total amount of SR 93m has been allocated for the 2019 Budget.

Financing is being targeted largely to:

- Completion of the procurement of the Health Information System
- Completion of the La Digue Logan Hospital
- Purchase of ambulances to enhance the services being provided by the Health Care Agency
- Renovation works to many of the Health Centres will be undertaken during the year. The main ones include Upgrading of the Mental Home, Les Mamelles Health Centre and upgrading of the facilities at the Homes for the Elderly
- Construction of a Baie Lazare Health Centre is to being in 2019
- Completion of the Isolation Unit and the Public Health Laboratory

Education

A total of SR 141m is to be allocated towards the Department of Education to assist with the infrastructure needs of the sector.

The main projects being financed are:

- Construction of the La Rosiere Primary School and the Ile Perseverance Primary 2 School. A combined amount of SR 30m has been allocated towards these two projects.
- Upgrading of Anse Royale Primary School.
- At the level of Secondary schools, the main schools being considered are Belonie Secondary and La Digue Secondary.
- A total amount of SR 19m is being allocated towards the SBSA and SIAD institutions.
- Renovation works are to be carried out on the Youth Hostel. This is to sum up to SR 4m.

Community Ammenities

A total amount of SR 56m, representing 6 per cent of the total amount, has been allocated towards this sector.

The main projects for the sector are:

- SR 30m has been maintained as allocation towards District Small projects across all the districts on Mahe, Praslin and La Digue
- Construction of Ile Perseverance 1 Community Centre
- Upgrading of DA's Offices/ mini halls to improve the infrastructure and facilities provided to the communities
- SR 3m has been allocated to the Office of the Mayor of Victoria to be able to pay off the loan with GICC for the Renovation of the ex-Court of Appeal

Public Order & Safety

The sector has been allocated a total of SR 54m. Main investments for this sector include:

- Construction of La Digue Police Station
- SR 2m has been allocated towards the upgrading of several police station
- Acquisition of Police Cars to increase its fleet and service delivery
- Construction of induction facility and a medium to low risk accommodation facility for the Montagne Posee prison
- Civil works towards the Construction of the Anse Royale Fire Station will continue into 2019
- An amount of SR 21m is allocated for the on-going construction of the Magistrate Court

Youth, Sports & Culture

A total of SR 65m is being allocated projects for the sector. The main ones are:

- Several renovation works will be carried out to key facilities including Theatre des Palmes, Carnegie, Creole Institute building, National Theatre, NAC Building and the National Library
- SR 14m has been allocated to be able to pay off the loan to GICC for the renovation of the ex-Supreme Court
- Construction of an Administration block for the Seychelles Heritage Foundation and the Creole Institute
- Completion of the Music Stadium
- Upgrading works on the Anse Royale Sports complex and the chlorinated system at the Roche Caiman swimming pool

Social Affairs

The Budget allocation towards the sector sums up to SR 28m, where the main projects being financed for 2019 are:

- The Youth Residential Rehabilitation Center which was to start in 2018, has been delayed to 2019. An amount of SR 10m has been allocated
- Upgrading of facilities currently available at the Vocational Skill acquisition centre for the National Council for the Disabled
- Renovation works at the different Homes for the Elderly
- Construction of ta Rehabilitation village

Environment

The budgeted amount for this sector sums up to SR 45m. The main projects being financed are:

- SR 6m has been allocated towards the DTF projects
- Implementation of projects in relation to adaptation to climate change and Climate change education
- Implementation of the Solar Home systems targeted towards vulnerable households

General Public Services

The total allocation for the year 2019 sums up to SR 57m. This relates primarily to the Seychelles Broadcasting Corporation for the Construction of the SBC Broadcast House. The other large projects being financed within this sector are a grant from AFDB for the improvement of ICT infrastructure within the country and the setting up of an incubation centre in the country.

Development Grants to Public Enterprises

A total sum of SR 123m is being allocated towards development grants to state owned enterprises. This relates to the financing of their capital projects

- SPTC is being allocated a total of SR 30m. Of this, SR 15m relates to Government's contribution towards the implementation of its capital projects. The SR 16m within foreign financing relates to the procurement of TATA buses. This is to be financed through the India Line of Credit
- Property Management Corporation (PMC) is to be allocated a Budget of SR 25m in 2019. This represents the Governments continued contribution towards the construction of 14 units in each district
- The Government's contribution towards the Public Utilities Corporation (PUC) has been reduced by half where the amount for 2019 sums up to SR 60m. This is as a result of the completion of its loan with Nouvobanq for the generation expansion project. The SR 60m will be allocated towards its infrastructure projects. In addition, SR 8m has been allocated for the procurement of LED street lights which is to be financed through the India Line of Credit

Net Lending

A total of SR 296m is being budgeted towards the Net Lending in 2019.

- SR 258m relates to funding provided by loans from financial institutions and which are then allocated to PUC. It relates to financing from three loans: (1) SR 100m from the loan with EIB/ ADB for the financing of its infrastructure master plan; (2) SR 72m for the financing of its 33KV project. This is financed by BADEA; and (3) SR 86m to fund the La Gogue dam raising project. This is also financed by BADEA.
- SFA and SNPA are being allocated SR 28m and SR 10m, respectively. This on-lending relates to an advance provided by the Government as both Organisations move towards autonomy in 2019. It is to assist both Organisations with their operations during the first quarter. Both amounts are to be repaid by them towards the end of 2019.

Contingency

A total of SR 50m has been allocated under the Contingency fund for 2019.

Debt Outlook

At the end of September 2018, the total government and government guaranteed debt amounted to SR 13,052m (i.e. an equivalent of about 60 per cent to GDP). This figure was made up of SR 7,599m in Domestic and SR 5,453m in external debt.

2018 External Debt Stock

The total external debt accounts for 42 per cent of the total debt stock, it has fallen by 3 per cent from the December 2017 level to reach SR 5,453m (i.e. USD 391m) in September 2018. The reduction in the external debt stock was largely driven by the principal repayment on the Eurobond due 2026.

Table 28 below, highlights the composition of the external debt stock. Most (i.e. 38 per cent) of the external debts are owed to Multilateral creditors such as the African Development Bank (AfDB) and the World Bank. Private creditors who are mainly the subscribers to the Eurobond due 2026 accounts for the second largest share of the external debt at 32 per cent. Commercial debt now accounts for the smallest share of the external debt at 7 per cent as a result of government's past strategies of concessional semi-concessional borrowing.

Table 28: External Debt Stock Composition, SR'm

Creditor Category	External Debt Stock
Multilateral	2,053
Bilateral, (of which);	1,268
Paris Club	680
Others	588
Commercial	366
Private	1,765
Total:	**5,453**

Source: MoFTIEP, Debt Division estimates

2018 Domestic Debt Stock

The total domestic debt as at the end of September 2018 stood at SR 7,599m. It accounted for the largest share of the total debt stock at 58 per cent. Compared to the December 2017 level, the total domestic debt has slightly increased by 0.7 per cent. Securities continue to be the main components of the domestic debt, at SR 6,383m it accounts for 84 per cent of the total domestic debt stock. This was attributed for the large stock of Treasury Bills which accounts for about 72 per cent of the domestic debt stock as shown in Table 29 below.

Table 29: Composition of Domestic Debt

	External Debt Stock (SR'm)	%
Loans	1,163	15.3
Securities *of which;*	6,383	84.0
Treasury Bills	*5,439*	*71.6*
Treasury Bonds	*600*	*7.9*
DBS Bonds	*250*	*3.3*
Notes	*57*	*0.8*
Deposits	*37*	*0.5*
Other Debt Liabilities	53	0.7
Total:	**7,599**	**100**

Source: MoFTIEP, Debt Division estimates

Selected Economic Indicators

	2015	2016	2017	2018	2019	2020	2021
National income and prices							
Nominal GDP (millions of Seychelles rupees)	18,340	19,014	20,444	21,905	23,578	25,055	26,761
Real GDP growth	4.9	4.5	5.3	3.6	3.4	3.3	4.1
GDP deflator growth	2.1	-0.8	2.1	3.4	4.1	2.9	2.6
CPI (annual average)	4.0	-1.0	2.9	3.9	4.4	2.8	2.9
Money and credit							
Broad money growth (12–month per cent change)	2.9	12.1	16.4	9.1	5.9	…	…
Money multiplier (broad money/reserve money)	4.7	4.6	4.5	4.5	4.7	…	…
Velocity (GDP/broad money; end of period)	1.5	1.4	1.3	1.3	1.3	…	…
Foreign currency deposits (USD millions)	4,732	5,029	6,115	6,818	7,384	…	…
Government Budget (% GDP)							
Total revenue, including grants	34.2	37.9	36.4	38.8	38.0	36.6	35.7
Total revenue, excluding grants	33.4	36.6	35.6	37.0	37.1	35.6	34.9
Grants	0.8	1.3	0.8	1.8	0.9	1.0	0.7
Expenditure and net lending	32.8	38.1	37.1	39.5	38.5	37.1	35.8
Current expenditure	28.0	33.1	32.7	32.6	33.1	32.0	30.0
Of which: interest payments	3.1	3.8	3.1	3.3	3.1	3.0	2.7
Capital expenditure	4.8	5.0	4.4	6.1	4.3	4.0	4.6
Net Lending	0.4	0.2	0.0	0.7	0.9	1.0	0.5
Primary balance (accrual basis), including grants	-1.8	3.2	3.1	3.0	2.5	2.5	2.5
Primary balance (accrual basis), excluding grants	3.6	1.7	2.2	1.9	1.6	1.5	1.8
Overall balance (accrual basis)	1.3	-0.7	0.0	-0.3	-0.6	-0.5	-0.1
Overall balance (cash basis), including grants	0.2	-0.7	-0.3	-0.3	-0.6	-0.5	-0.1
Overall balance (cash basis), excluding grants	-0.6	-2.1	-2.3	-0.89	-1.4	-1.5	-1.5
Domestic bank financing (net)	-1.0	1.0	2.0	-1.3	0.1	1.3	1.1
External sector (% GDP, unless otherwise indicated)							
Current account balance including official transfers	-18.6	-20.1	-20.5	-18.7	-18.5	-18.1	-19.1
Imports of goods (USD'm)	922	991	1,155	1,192	1,264	1,328	1,421
Imports of services (USD'm)	498	507	554	538	566	610	641
Exports of goods (USD'm)	449	459	535	567	609	657	705
Exports of services (USD'm)	848	894	998	1,038	1,076	1,127	1,194
Foreign Direct Investment	10.8	12.8	18.0	10.6	10.8	10.8	12.9
Gross official reserves (USD'm)	537	523	546	535	536	552	563
In months of imports, c.i.f.	4.3	3.7	3.8	3.5	3.3	3.2	3.2
Exchange Rate Assumptions							
SR per Euro (period average)	14.8	14.9	15.5	16.9	17.2	17.5	17.7
SR per USD (period average)	13.3	13.3	13.6	13.9	14.2	14.3	14.5
Total external debt outstanding (% of GDP)	**34.6**	**32.2**	**30.4**	**28.3**	**26.6**	**24.1**	**21.3**
Total debt outstanding (SR'm)	12,719	13,818	13,747	13,734	13,911	13,655	13,300
Total debt outstanding (% of GDP)	69.3	72.7	67.2	62.7	59.0	54.5	49.7
Domestic (% of GDP)	34.8	40.4	36.8	34.5	32.4	30.4	28.4
External (% of GDP)	34.6	32.2	30.4	28.3	26.6	24.1	21.3

Source: MoFTIEP, Macroeconomic Working Group