



SEYCHELLES GOVERNMENT BUDGET
For the Fiscal Year 2018

Theme: "Working towards shared prosperity for the People"

Delivered by:

Dr. Louis, Rene, Peter, LAROSE

MINISTER OF FINANCE, TRADE AND ECONOMIC PLANNING

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Budget Speech Outline for Fiscal Year 2018

1. INTRODUCTION

Mr. Speaker,
Honorable Leader of the Opposition in the National Assembly,
Honorable Leader of Government Business in the National Assembly,
Honorable Members of the National Assembly,
The People of Seychelles.

Mr. Speaker, this year's budget address is one of the most highly anticipated by the people of Seychelles given the numerous reforms the Government has undertaken. We have listened to their views and taken actions to keep our tax regime simple. It means simplify the tax system, maintain economic stability, reduce the cost of living and make the people happy. This is the key message emerging from my budget statement this morning. There is a high level of optimism and confidence today than any previous year.

The Budget for the Fiscal year 2018 will give hope to the present and future generations of Seychelles. Within a short period of time, we have conceptualized a targeted plan focusing on every citizen's needs including the vulnerable people in our society, and we are ready to make it work.

Mr. Speaker, I must emphasize that the 2018 budget preparation is totally different from previous years. It has been subjected to a wide stakeholder's consultation process. We offered every opportunity to all groups of people representing various sectors to participate and expressed their views. We also took into consideration various comments made by Honourable Members of our National Assembly. This exercise was truly inclusive development.

To the people of Seychelles, we are on the right track. We can all progress from a humble beginning to achieve great things in life.

Mr. Speaker, it is in the context of this opening remark that I rise to present the Budget for the Fiscal Year 2018 under President Danny Faure's administration.

2. OBJECTIVES OF THE BUDGET

The fiscal plan for 2018 is focused on; (i) sustaining economic growth; (ii) ensuring financial stability; (iii) maintaining strong fiscal discipline; (iv) creating additional employment opportunities; (v) continuing investment in infrastructure and housing, (vi) ensuring prudent management of public debt; (vii) improving public service delivery, (viii) offering opportunities to earn supplementary income, and (ix) in the process, reduce the cost of living. This is an ambitious agenda from an ambitious Government at work. To achieve these objectives will necessitate that we broaden and diversify our domestic revenue sources. We are confident we can achieve these objectives simultaneously so that every citizen should find themselves in the socio-economic landscape, which we aspire to create.

3. THEME OF THE 2018 BUDGET

Mr. Speaker, after having outlined the objectives of the Budget, it is evident that we identify a fitting theme to match our commitment. Therefore, I am pleased to announce that next year's theme is "*Working towards shared prosperity for the People*". It means that we will strive to achieve sustainable development, human capital growth and prosperity for all. The theme indicates that the country has a clear direction in terms of stability and progress. In short, the welfare of our people is placed at the centre of our development.

4. GLOBAL ECONOMIC DEVELOPMENT AND OUTLOOK

Mr. Speaker, our country does not operate in isolation and it never will. Weak investment has been the foundation of the global economy. According to reputable financial institutions with the capacity to forecast the future, the global outlook will strengthen. The 2018 global growth forecast is expected at 3.7%.

It is, therefore, appropriate as we assimilate the budget for the Year 2018, we reflect on the global developments having an impact on our economy. The impact of UK Brexit and uncertainty in the Eurozone is not going to be easy. It will bring its own economic risks, which are beyond our control. Since, the global recovery will be slow, the main challenge for us as a Small Island Developing State (SID) is to preserve our macroeconomic stability. It is imperative that we take prudent policy stance to enable us to navigate the waves of uncertainties and risks. It is a reality, which we face, and therefore, we must carefully select our policy choices in mitigating our risks exposure.

5. RELATIONSHIP WITH MULTILATERAL AND OTHER FINANCIAL INSTITUTIONS

Mr. Speaker, Seychelles has entered a new phase of development. It is recognized by many Multilateral Development and other financial institutions, namely; World Bank Group (WBG), International Monetary Fund (IMF), African Development Bank (AfDB), UAE, Abu Dhabi Fund,

BADEA, Kuwait Fund, European Investment Bank (EIB), OFID, Agence France De Development (AFD), Afreximbank, Trade and Development Bank (TDB) that we have reached a High-Income Country status. The relationship with these institutions remain strong and cordial. Seychellois has reasons to feel proud of such achievement as we are now ranked in a new league.

Recently, IMF confirmed that the country has made significant economic progress as result of its structural reforms over the years under the Extended Fund Facility (EFF). During the past 9 years, the Government has ensured economic stability, while promoting inclusive development. After a nearly a decade of economic reforms, there is ample evidence that we are now accustomed to the level of discipline in managing Public Funds. The Government has been able to achieve a consistent primary surplus of 3% of Gross Domestic Product (GDP).

In terms of prudence, we have embarked on a new 3-year program with IMF, Policy Coordination Instrument (PCI). The aim of PCI is to protect our economic gains. Seychelles is the first High-Income Country to use such an instrument. This engagement is a non-finance program in comparison with the EFF. The Government is confident under its strong economic leadership the country will continue to make further progress in 2018 and beyond. IMF has

forecasted that Seychelles nominal GDP per capita is likely to reach US\$15,578 in December 2017.

6. REVIEW OF THE FISCAL YEAR 2017

Mr. Speaker, the good news is that our economy is performing well so far, and is being transformed rapidly. We have successfully made progress in these areas; (a) maintaining a low level of inflation, (b) economic growth, (c) commercial banks' lending rates, (d) savings rates, (e) foreign exchange reserves, (f) national debts, (g) employment opportunities, (h) primary budget surplus of 3% to GDP, and (i) management of public funds are tightly controlled.

Mr. Speaker, significant growth has been observed so far in 2017 in terms of visitor arrivals. As at 15th October 2017, a total of 275,118 visitors had disembarked in Seychelles compared to 231,491 for the same period in 2016. This represents a 19% growth. Europe remains the main market for Seychelles tourists. However there has been a slight change in the dynamics. Compared to previous years whereby France was the biggest market, this year Germany has been the dominant market for arrivals. While the former contracted by 2.2%, the latter grew by 28.2% by the 15th October 2017. The Russian market has rebound following last year's slowdown.

Apart from France, China is the only other market that is showing a slow down this year. The market contracted by 16.3%. It is worth noting that this year, apart from chartered flights, there is no longer any direct flights to China. This may explain the downturn in arrivals. Strong growth is also being observed from America which may be a direct result of Seychelles Tourism Board's strong marketing campaign in the area.

The outlook for 2018 remains favourable. This is especially so, given the announcement of British Airways and Air France to start operating direct flights to Seychelles as from next year. This will boost arrivals from the European Markets

In the Manufacturing sector, beer production grew by 22% by the end of the second quarter of 2017. Despite a negative growth in production of stout, the brewing company's outlook for the remainder of 2017 remains positive for most of production lines. Moreover, the main producer spirits also have a positive volume growth outlook for 2017. The manufacture of tobacco shows a positive double-digit growth reflective of the company's optimistic stance on performance. Both the projections for 2017 and 2018 in manufacture of beverages and tobacco stands at 3%.

In the second quarter production statistics, canned tuna production has been steady at an average of 9.5 tons per quarter in 2017 compared to a slightly higher average of 9.6 tons in 2016. The end of year projection stands at 1% for manufacture of food and as for 2018, the outlook remains flat.

The Construction Sector is pessimistic for growth in 2017 given the numerous issues it is facing. These include the 2020 moratorium on large hotels and contractors facing hefty competition with foreign companies bargaining tenders offering lower prices. Scarcity of raw materials is also a challenge for this sector. This can further be supported by the fall in the production of blocks since the beginning of the year.

The Information and Communication sector remains extremely strong in 2017 with the level of data usage exhibiting a double-digit growth. The introduction of more attractive internet packages, a new radio station, IPTV, mobile banking and e-payments are all contributing towards growth in this sector. The spillover effects from this sector has also contributed in stimulating further growth in other sectors such as '*Financial and Insurance services*'. In line with these events and significant increases in data usage traffic for 2017, a double-digit growth is further expected for the year 2018.

With these indicators, I can safely claim that we are on track. We have experienced consistent growth in the last 10 years and all our development partners are satisfied with our performance. Fitch Ratings International, a reputable Sovereign Rating Institution made this pronouncement in July 2017, when they rated Seychelles “-BB” with stable outlook. They confirmed that “*Seychelles rating was driven by consistently over-performing its primary budget surplus of 3% targets under the IMF Extended Fund Facility (EFF) programs since 2010. The Government implemented a series of structural reforms, thus resulting into strong macro-economic policies*”.

Mr Speaker, the program with IMF from the year 2008 was a worthwhile exercise and is paying dividends. We should be comforted that we are growing faster than many countries of similar size and characteristics. The economic turnaround from the year 2008 is visible. The tourism industry has grown and continues to show sign of growth with our business services sector. The Government believes Seychelles has the advantage to become more competitive if it embraces innovation and use latest technology to facilitate and drive trade.

Mr. Speaker, this is our future, we must rise to the challenge and become more productive, responsible, accountable and innovative in our daily efforts to move forward. We cannot afford to leave space in our development agenda for complacency. A vibrant economy in a competitive global environment must be kept in check all the time.

7. PROJECTIONS FOR FISCAL YEAR 2018

7.1 Revenue Management

Mr. Speaker, fiscal year 2018 is a roadmap, which will allow the Government to address the priorities of the country in a fiscally responsible manner. Our people wants timely and quality services. As a result, it compels the Government to meticulously manage the public funds in terms of “*value-for-money*”. In 2018, the Government revenue, which we expect to collect will be spent wisely and prudently in priority areas. It is important to mention that we must invest for the future. And if we maintain this momentum, we can safely say that our outlook is bright.

7.2 Spending Priorities for 2018

For the year 2018, the Government is requesting a total of SR 7,951 million for spending. This is an increase of 0.4% or SR 30 million in comparison with the total Approved Budget plus the Supplementary for fiscal year 2017.

Mr. Speaker, many comments have been made during the year 2017 on recurrent expenditure. For the 2018 budget, Government will have to reassess its expenditure in a sustainable manner over the medium term.

As part of the process, a Staffing and Recruitment Committee has been set up. This exercise is needed with the aim that vacancies in the public service are planned on an annual and medium terms basis. Funds allocated for such a purpose is used promptly. In that context, the Committee will:

- Approve annually the posts to be filled, via a Recruitment Plan;
- Budgeted vacancies are filled as soon as possible to prevent idle funds; and
- Advise that any unutilized funds for personnel emoluments are redirected for other priority positions.

The Ministry of Finance, Trade and Economic Planning and Department of Public Administration will work closely with all Ministries, Departments, Agencies (MDAs) during the first half of 2018 to properly assess the existing structure and identify any synergy. It is important to highlight that 40% of the total Appropriation is for the Education, Health, Family Affairs and Social sector. It shows the importance that the Government places in these sectors in line with the public expectations for more cost-effective spending and efficiency.

7.3 Wages and Salaries

Mr. Speaker, Wages and Salaries budget for 2018, represents 11.1% share of total GDP forecasted. It is a slight increase compared to 2017, when Wages and Salaries budget represented 10.9% of GDP. The strategy is to ensure that its wages and salaries budget remains sustainable. Since fiscal year 2017, the wage bill is being monitored for all institutions compared to previous years. In prior years, wage bill was monitored for Ministries and Departments only. Budget-dependent agencies' wages were classified under *'Transfers to Public Sector'*. There is now greater transparency in our accounting system.

The major challenge for Government is to be able to recruit in all sectors and increase salaries of professionals to meet their expectations in line with the market price. The priority is to sustain the workforce. As a result, recruitment and revision in Schemes of Service are carried out on a phased medium-term basis.

In 2018, a total sum of SR 2.4 billion is allocated for Wages and Salaries. It represents an increase of SR 202.1 million or 9% compared to the Revised 2017 figures. Total wages represent 30.4% of the total Appropriation Bill taking into consideration:

- a) SR 62.1 million is allocated for new recruitment, and
- b) SR 91.6 million is allocated for revisions or introduction of Schemes of Service

There are 5 New Schemes of Services being funded, and they are:

- i. Technical staff of the Department of Infrastructure and Department of Habitat,
- ii. Ministry of Environment, Energy and Climate Change,
- iii. Nurses and Healthcare Assistants of the Health Care Agency,
- iv. National Sports Council, and
- v. National Youth Council

In addition, the 2018 budget has made provision for several common cadres, namely; (a) Records, (b) Office Assistant, (c) Customer Service, (d) Human Resources, (e) Administration, (f) Drivers and (g) Public Relations. The cost for these common cadre schemes total up to SR 9.96 million. Government is also funding the introduction of marketing skills allowance for teachers effective 1st July 2018.

In addition, as already announced a new scheme of service for the nurses would be undertaken in several stages. The first phase will be funded by the 2018 budget to offer the nurses a retention allowance of SR 3,000. In the same context, a special allowance will be paid to mortuary staffs. This allowance represents an added incentive for this group of employees.

c) SR 68 million is allocated for Gratuity, SR 13.8 million for Compensation for continuous service, SR 22.2 million for promotion and upgrading in posts, SR 12.8 million for renewals of Public Sector Commission (PSC) contracts, and SR 15.9 million for returning Graduates.

The recruitment plan for 2018 has been limited to critical areas. The main organizations, where significant budget has been allocated for the funding of vacant positions are; (i) Department of Education, (ii) Ministry of Home Affairs, (iii) Ministry of Health, (iii) Health Care Agency, and (iv) Agency for Prevention of Drug Abuse & Rehabilitation.

The 2018 budget has also allowed for the review of the Gratuity Scheme benefitting nurses within the Health Sector and teachers for the Education Sector, whereby it will be 10% of the total earnings. I am pleased to announce that the rate of 10% will be effective from 1st January 2018. This revision in Gratuity Scheme is part of the sectors medium term plans to ensure it attracts and retains suitable individuals. The Gratuity payment will be exempted from Income Tax.

Government has also re-looked on how it can compensate the long service employees through a monthly remuneration. Government will start a monthly allowance for all Non-Public Service Commission (PSC) contract employees with more than 5 years, 10 years, 15 years or more years of service. This allowance will be revised every 5 years in service and will be paid monthly from January 2019.

Mr Speaker, Government remains committed to review the public sector Salary Act, 2013 during 2018. A Committee will be established by the President and will present their report by May 2018 for implementation for the 2019 budget.

Government will also review the Constitutional Appointments emoluments end of term Gratuity from 50% to 25% of the total salary during the terms in office.

7.4 Goods and Services

Mr. Speaker, in 2018, a sum of SR 2.72 billion is allocated for Goods and Services. This amount represents 34 % allocation against total appropriation. It is an increase of SR 83 million compared to the 2017 Revised Budget.

7.4.1 The Judiciary

The Judiciary 2018 allocation is showing an increase of 18%, or SR 6 million, over its Revised 2017 figures. The main increase within the department is due to expenses relating to existing and new judges. This consists of security costs and housing rent for the judges. The 2018 budget also allows for the upgrading of the existing Judiciary system.

7.4.2 Agency for Prevention of Drug Abuse & Rehabilitation

Mr. Speaker, our aim is to create a productive economy, whereby every citizen is given the freedom to work and enjoy a modern lifestyle. Our society should not be lured into victims of social crimes, which cripple our productive capacity. One grave concern in our country is drug trafficking and consumption. To address this situation, the Agency for Prevention of Drug Abuse and Rehabilitation was created to combat such activity and rescue our youth from the danger of becoming a national liability. Government is taking all measures possible to reverse and minimize this trend. There is a considerable investment made so far. In 2018, a sum of SR 25.2 million is allocated under Goods and Services to the agency to increase their activities.

7.4.3 Health Care Agency

In 2018, the Agency's total Goods & Services budget sums up to SR 361 million. The increase of SR 10 million is expected to cater for the new contracts being tendered out for Cleaning and Security services. It will also cater for the continued increase in demand for medical supplies.

7.4.4 Landscape and Waste Management Agency

The following tenders are expected in November 2017 as follows:

- a) cleaning and landscaping
- b) waste collection for municipal and commercial waste
- c) landfill management on La Digue

This will increase in the number of zones and the expected rates, thus SR 13 million increase is to cater for these services. We expect a number of contractors to participate actively in the tender process. The increase in allocation reflects Government's effort to maintain a healthy living environment.

7.4.5 Ministry of Youth, Sports and Culture

The 2018 budget reflects an increase of SR 6.9 million over the revised allocations for 2017. Relocation of the President's Award staff, Administration offices of the Department of Culture and the National Herbarium has been one of the contributing factors to this increase. In addition, the New Museum building is expected to be fully operational in 2018. As such, the Ministry's budget will have to pay for its operational expenses.

7.4.6 Ministry of Family Affairs

Mr. Speaker, the promotion of family values, encourage healthy life style and harmony in our society is an investment. The Ministry of Family Affairs is a new ministry, which was created this year with the objective to take care of the welfare of the people. A sum of SR 17.9 million has been allocated from the 2018 budget. As a high-income country, families falling into the low-income bracket particularly women and children will be given special attention. Government is committed to ensure that Seychellois maintain its culture as a passionate and caring society. With the completion of the Juvenile Centre, the Ministry will have to accommodate for its running costs. This is primary cost driver towards the increase of 16% in its Goods & Services budget.

7.4.7 National Intelligence Agency

Mr Speaker for the 2018 budget, there will be creation of a National Intelligence Agency. The budget allocation is SR 3.5 million.

8. CAPITAL EXPENDITURE

Mr. Speaker, a total of SR 1.15 billion is being proposed for capital expenditure projects in the year 2018. This represents an increase of 15% over the 2017 revised capital budget. Up to 50% or SR 578.3 million will be financed from our budget. The sum of SR 377.8 million will be paid from foreign grants. The remainder, SR 190.4 million will be financed from foreign loans.

The total planned investments from the *Ministry of Habitat, Infrastructure and Land Transport* accounts for up to 18% of total planned investment for 2018. We expect Government to complete 335 houses and allocate 200 plots of land during 2018.

Mr. Speaker, I would like to highlight that the President also made a commitment that 24 Units of in 24 districts will be completed in 24 months.

Main projects from this sector include:

- Ongoing works at various housing estates including Ex-Desaubin, Ex-Ion & Ex Kashugy, Kan Gard Redevelopment and Ile Perseverance Phase II infrastructure works some of which are partly funded through foreign loans from organizations such as; BADEA, UAE and OFID.
- Ongoing works on various land-bank projects including Creuve Coeur, Carana, La Gogue, Ex Murray and Cayole Land Banks.
- Various new road improvement projects in various districts including road widening Salazie Baie St Anne, road improvement Mont Plaisir, Anse La Blague, North East Point and Anse Royale.

Mr Speaker, Government will be investing SR 97 million during 2018 in the road infrastructure. 70% of this investment amounting to SR 67.5 million will be for community road projects. This shows the importance that Government is putting in developing the community road network and ensuring that there is reduction of costs of living through transportation costs for the community.

In the case of *Health Sector*, 11.7% of the Total PSIP spending for 2018 is allocated to this sector.

Main projects being financed include:

- Renovation works to the Diagnostic Center for a total cost of SR 4 million,
- Construction of Isolation Unit to which a total of SR 3.5 million has been allocated,
- Construction of Ile Perseverance Health Center partly being financed by Foreign Loan from BADEA/OFID to which a total of SR 6.8 million has been allocated,
- Renovation works to the Baie Lazare Health Center to which a total of SR 5 million has been allocated, and
- Construction of New La Digue Logan hospital to which a total of SR 5 million has been allocated.

Investment in the **Education Sector** continues to be one of the priorities for Government. A total of 13.4% of overall investment for PSIP 2018 has been earmarked for the Education and Human Resources sector. Main projects to be financed for this sector include:

- Construction of Ile Perseverance second Primary School to which SR 15 million has been allocated partly funded by foreign loan from BADEA,
- Construction of La Rosiere Primary School to which a total of SR 36 million has been allocated and partly funded from foreign loan from Kuwait, and
- Construction of School of Business Studies & Accounting and School of Visual Arts to which a total of SR 16.7 million has been allocated and funded from Chinese Grant.

The Ministry of **Local Government** has been allocated a total of SR 52.3 million for the year 2018 under the PSIP. Main projects for this sector include:

- District small projects across all districts on Mahe, Pralin and La Digue to which a total of SR 30 million has been allocated,
- Ongoing works for the Grand Anse Praslin Day care project,
- Construction of the Takamaka Day care center to which a total of SR 3 million has been allocated, and
- Extension of DA's offices and regional centers to which a total of SR 5 million has been allocated.

A total of 4.4% of overall spending in PSIP has been allocated to the **Ministry of Home Affairs** for the year 2018. Major projects for this sector include:

- Construction of DNA Lab from Department of Police to which a total of SR 8million has been allocated and partly being financed through grant financing from Government of India,
- Construction of new headquarters from the Department of Prison to which a total of SR 5 million has been allocated,
- Construction of clinic from the Department of Prison to which a total of SR 4 million has been allocated, and
- Construction of Fire Station at Anse Royale from the Seychelles Fire Rescue Service Agency, which a total of SR 13.6 million has been allocated.

A total of SR 36 million has been allocated to the **Environment Sector** for the year 2018 under the PSIP. The allocations for major projects expected to be undertaken for this sector include:

- Ongoing works from the Disaster Task Force - SR 5 million,
- Priority drainage projects across various districts - SR 1.5 million,
- Ongoing Coastal Rehabilitation projects - SR 5 million,
- Construction of a building to house the **Ministry of Environment, Energy and Climate Change** and the Seychelles National Parks Authority is also set to start in 2018 through Public-Private-Partnership financing,
- Various small projects financed through Foreign Grants geared towards adaptation to climate Change

Mr. Speaker, a total of SR 187.3 million has been allocated under Development Grants for different Public Enterprises as follows: a) Seychelles Public Transport Corporation (SPTC) - SR

30.8 million, b) Public Utilities Corporation (PUC) - SR 139 million, and c) Property Management Company (PMC)- SR 17.4 million.

9. OTHER STRATEGIC FOCUS FOR THE 2018 BUDGET

9.1 Environment and Energy Sector

In 2018, the new tender of the Cleaning and Maintenance of Rivers & Wetlands is expected to increase the contract amounts. This is the main factor contributing to the increase of SR 6.9 million in its 2018 budget.

Mr. Speaker, the energy sector is crucial for a modern society and economy. In fact, renewable energy is an unstoppable revolution right now. Seychelles must make sure as a nation we take advantage of the technological advances being made. I am pleased to note that the message is reaching our consumers of the need for greater energy conservation and efficiency. The Government is committed to promote renewable energy in the context of our endeavor to create greater awareness of the impact of climate change.

As an Ambassador of climate change on the global stage, Seychelles must shift away from fossil fuel and embrace renewable energy on a grand scale. This strategy will help the population secure their energy needs at affordable prices, reduce carbon emissions and mitigate the adverse effects of climate change. In the process, Seychelles can meet the UN Sustainable Development Goal (SDG 7) on access to affordable energy for all. As we celebrated October as the month to promote sustainable and renewable energy, the Ministry of Environment, Energy and Climate Change has initiated many programs.

1. A program called '*Smart Energy in Public Spaces*' or SEIPS was launched during the Sustainable Energy month. The objectives of the program are as follows:
2. Encourage investments in energy efficiency in Government buildings and street lighting,
3. Complement the 800 solar lamps across the country,
4. Provide all the public schools with solar photovoltaic panels and other accessories for them to meet their energy needs, and
5. Expand to cover health centres and old people's homes as well.

The target is to install 10,000 LED street lamps across Mahé, Praslin and La Digue by the year 2020. Regarding energy efficiency in Government buildings an allocation of SR1 million has been made in the Seychelles Energy Commission (SEC) budget, earlier this year, to develop a comprehensive energy efficiency program.

2. Another program called '*SMART Energy in Homes and Businesses*' (SEIHB) whereby PUC will allocate the contracts to two successful companies to build the first two solar farms on the reclaimed island of Romainville. The project will be a 5MW PV Solar farm financed by IRENA and the Abu Dhabi Fund. In addition, PUC will also be awarding a contract for the 1MW Solar PV Democratization farm financed by the Indian Government to the tune of US\$ 3.4 million. This project will supply free energy to 300 Seychellois families currently living on social welfare.

Mr. Speaker, it is important to highlight that Government has been promoting the Seychelles Energy Efficiency and Renewable Energy Program (SEEREP). The aim is to assist families and

small businesses to gain access to low interest loans to invest in energy efficient electrical appliances and renewable energy. As an incentive, all imported electrical appliances that have been certified energy efficient by the Seychelles Energy Commission, can now be imported VAT free. As from 2018, the Government will make it mandatory for five categories of electrical appliances to meet minimum efficiency standards. They are bulbs, fridges and refrigerators, air conditioners, electric water heaters and washing machines.

Government recognizes that while incentives are in place for investors to invest in sustainable energy, it has a responsibility to eliminate barriers hindering progress in this sector. With this policy, consumers should be able to minimize their energy bills and save money. They should go for it and make the most of this wonderful saving opportunity.

Mr Speaker, for 2018 we expect PUC to undertake a total investment of SR 653 million finance through loans, PUC Capital and Government. Some of the major projects are as follows:

- a) Two 8MW Generator sets for Roche Caiman Power station
- b) 33KV Transmission Network to South Mahe
- c) 33KV Network at Ile Du Port
- d) Improvement of the Baie Ste Anne Power Station
- e) Additional Desalination Plants
- f) Water Networks projects on Mahe, Praslin and La Digue
- g) Different sewerage projects on Mahe

9.2 Agriculture & Fisheries Sector

Mr Speaker, Government recognizes the importance of food security for the country. In 2018 budget, it has provided an increase of SR 68.7 million for Agriculture and Fisheries sector. We remain committed in ensuring that this sector has an important role to play in the economic development of Seychelles. In addition, the sum of SR 40.3 million will be available under the Livestock Trust Fund for spending on infrastructure development during 2018.

Government aims on spending a total sum of SR 204.3 million in the Agriculture and Fisheries sector in 2018 in the Public-Sector Investment Program (PSIP). It should be noted that the allocations made to this sector will also assist in financing the emergency plan of this sector. Government plans to make available a Development Fund to continuously finance projects from this sector totaling up to SR 50 million. This will be financed by SR 25 million from our domestic resources through the budget and SR 25 million through the Livestock Trust Fund. Main projects currently earmarked for this sector include:

- Ongoing works on the Fisheries Facilities Providence Zone 6 site, a total sum of SR 116 million has been allocated through foreign grants from the Japanese International Cooperation Agency (JICA).
- Ongoing EU support for implementation of Seychelles Fisheries Policy a total of SR 37.8 million has been allocated from foreign loans
- Construction of National Abattoir facility on Mahe to replace the existing one
- Small red meat Abattoir on Praslin
- Construction of new research building Anse Boileau
- Refurbishment of Ex-BBC station at Grand Anse Mahe

Mr Speaker, the Government will also make available in 2018 the following funding through the Development Bank of Seychelles (DBS) for the Agriculture Development Fund of:

- a) SR 3 million through the Social Programs of Government, and
- b) SR 8 million through Livestock Trust Fund

In addition, the Ministry of Finance, Trade and Economic Planning has allocated Euro 1.8 million and Euro 475,000 through the 11th EDF for the infrastructure needs of the Agriculture sector and the development of the Aquaculture plan respectively. The Government will need to work with the Fishermen, Boat Owners Association, and the Seychelles Farmers Association to ensure that these projects are implemented properly based on the demand of the sector.

A notable project worth mentioning is the status of L'Union Estate Company, which has huge economic potentials as a State-Owned Enterprise (SOE) to pay Government dividends is now dysfunctional. In the past, tenders were invited to attract investors to manage its assets but the attempt failed. We are presently studying all the options to make this enterprise financially viable. One possible option is to invite a strategic partner to take over the agriculture component and run its activities.

9.3 Employment Sector

Mr. Speaker, Government will re-introduce the Unemployment Relief Scheme (URS). To start with, the scheme will be piloted using 4 districts namely; Mont Fleuri, Les Mamelles, Roche Caiman and Plaisance. The Department of Employment will work closely with the Agency for Social Protection to ensure that people that are able to work are given the opportunity. Those unemployed, who are on welfare are placed on the URS program. In the 2018 budget, we have made provision for SR 3 million as financial assistance to help businesses meet the 13th month pay. During 2017, the Government have assisted 34 businesses with a total sum of SR 2,986,317. The Ministry have 7 pending cases for businesses, which are yet to present their outstanding documents.

9.4 Micro, Small and Medium Enterprises (MSMEs)

The principal objective of our next phase of development is to improve our national productive capacity. This strategy will necessarily require access to finance, entrepreneurial skills, and innovative ideas. While, Government is ready to commit a sizeable amount of resources, it also requires partnership arrangements. In 2018, the sum of SR 5.3 million has been allocated to the Ministry of Industry, Entrepreneurship Development and Business Innovation to aim for high-value services. Hence, the importance to rethink our work processes and invest into technologically skilled development to match modern business demands. Seychelles must move into this zone, if we want to become competitive.

The MSME sector has proven itself in terms of its continued contribution to the national development. It is recognized as a key driver of our economic growth and job creation. We recognize that they also face numerous constraints such as; access to concessional finance, poor or no professional network, high cost of utilities, access to markets, usable technology, inadequate administrative support, and shortage of office space. All these challenges impede their progression in the business sector. To address these challenges, there is an urgent need to set up an Incubation Centre like other countries, which depend on MSMEs. The main objective of such a center is to assist new entrepreneurs with business start-up.

The activities of the Centre can include the following services such as; (i) short training session in business and administrative management, (ii) training in business plans, (iii) basic of technology for marketing and promotion skills, (iv) basic bookkeeping and interpretation of accounts, (v) consultancy, and (vi) training in dealing with statutory and regulatory business requirements.

The development of the Incubation Centre will offer an opportunity for more job creation for the professionals and skilled employees with experience in this trade.

Mr Speaker, since 2013 a total of 1,063 businesses amounting to SR 970.4 million have benefited under the MSME scheme financing. With this in mind after some recommendations from the business community, the Government will amend the MSME financing scheme for the repayment period to be extended from 7 to 10 years, bearing in mind, businesses like small hotels and guesthouses.

Mr Speaker, Government will review the interest rate charge by Small Business Financing Agency (SBFA) from January 2018 as follows:

- a) Loans up to SR 75,000, interest rate will reduce from 4.5% to 4%,
- b) Loans above SR 75,000 up to SR 300,000, interest rate will reduce from 4.75% to 4.25%.

9.5 Local Government

In the context of co-habitation, bipartisan agreement and considering the cost of implementing a fully-fledged District Council as previously announced, the Regional Council will replace District Council to minimize the running costs. This decision will save funds for other projects in the districts. Our objective is to focus on the Regional Council to ensure that every district has access to comfortable housing, food, water, electricity, road network, telecommunication facilities, health services and clean environment. The result is to guarantee a healthy living standard.

9.6 Information, Communication and Technology

Mr. Speaker, in line with Government policy to promote and encourage investments in ICT infrastructure, while allowing our population access to information, the latest data showed as at 30th June 2017, there was an increase of 21.3 % in the number of Internet service subscriptions. The data usage increased more than 78.3% in comparison with the year 2016. This is a clear indication more subscribers are connected through internet. Due to this significant change, Government introduced its public WiFi service. It is encouraging to note that 7 out of 8 locations are in operation. The remaining locations will be operational before the end of the year. The hotspots cover Mahe, Praslin and La Digue to allow citizens to have access to internet free of charge for a fixed duration every day.

The Laptop Computer Scheme was extended from S1 to S2 students. It is very encouraging to mention that since the start of the scheme a total of 7,494 students have been assisted. 3,050 students were assisted from January to August 2017.

Work has also been done on the necessary regulation to allow the Electronic Transaction Act to come into operation. The regulation is expected to be in force before the end of 2017. This will provide the framework for permitting legal recognition of digitally signed documents and

thereby allow full end-to-end electronic processing of services (e.g. planning applications) to be done fully electronic and paperless. Mr Speaker this will transform the way Government operate.

10. COST OF LIVING

Mr. Speaker, to fight poverty in our country, we need to address the cost of living. Government is committed in its efforts to find ways and means to reduce the cost of living. Consultations were made with the banking, insurance, and telecommunications sectors, car hire, car dealers, taxi operators, pick-up, plant and truck operators to reduce their charges. In addition, STC's activities were placed under the microscope to reduce the commodity prices. All these efforts were made to reduce the cost of living.

Mr. Speaker, I am pleased to inform the people of Seychelles that following the President's official visit to Mauritius last weekend, Seychelles has already signed an agreement with Mauritius to import our commodities through "**bulk buying**" from the international market. The net benefits of such a commercial arrangement, will be to; (i) share the consignments, (ii) save on transport costs, (iii) save on prices, and (iv) guarantee the availability of stocks. With these efforts, we will pass on all the benefits to consumers and reduce cost of living.

11. FIGHT AGAINST POVERTY

Mr. Speaker, in terms of poverty in Seychelles, this subject matter is an increasing concern globally and is on top of Government's priority list. It is apparent to each one of us that we need to address this subject in a holistic manner. The main challenge is that poverty is a complex issue. The fight against poverty is not to strike down barriers, but to better distribute wealth to the most vulnerable people in our society a chance to be part of the shared prosperity agenda.

12. ALLOCATIONS TO SOCIAL PROGRAMS

In the 2018 budget, Government will maintain its commitment to finance Social Programs targeting the most vulnerable people in our society. The budget for the various agencies are as follows:

- SR 40 million for Social Safety Net by the Agency for Social Protection (ASP),
- SR 185 million for Home Carers which include their 13th Month pay,
- SR 14.5 million for Home Improvement/Re-roofing Scheme for Pensioners through HFC,
- SR 15 million for Vulnerable Home Repair Scheme through ASP,
- SR 18 million for housing finance Subsidy Scheme, and
- SR 4.2 million for dedicated funds for Schools

In 2018, Government will also offer budget support to the various business schemes.

- SR 5 million for Youth Employment Scheme (**My First Job Scheme**),
- SR 6.7 million for Daycare Scheme,
- SR 10 million to subsidize interest rates for the SME's loan up to SR 3 million, and
- SR 1 million for the Youth Entrepreneurship Scheme (**YES**)

Mr Speaker, a sum of SR 17.3 million is allocated for the Post-Secondary student's bursary. The Government recognizes the sacrifices of students from Praslin and La Digue to continue their post-secondary education on Mahe. In appreciation of the parents' efforts to invest in their children's education, the Government will increase the allowances by SR 600 paid to Praslinois and Digois students in post-secondary institutions. It means the student will receive a minimum of SR 2,000 per month.

For the past few years, Government has allocated around SR 40 million in support of SPTC's budget. As from 2018, no funding will be allocated to this State-Owned Enterprise (SOE). Thus, SPTC must become a self-financed entity. In this regard, SPTC's bus fare will increase by SR 2 and the new fare will cost SR 7.

Mr. Speaker, the increase in bus fare should not be interpreted as a burden on commuters but a means to recover the heavy capital investments in a fleet of new buses. However, Government will still subsidize the travel for the pensioners, persons receiving disability benefits and school children. The sum of SR 24.2 million has been allocated for this travel concessions for these categories of people.

In the 2018 Budget, a provision has been made for SR 5 million to enable PUC to fund a scheme for water tanks and solar water heaters for households. The loan scheme will be applicable to individual household and repayment will be made from the monthly utilities bill.

13. PRASLIN AND LA DIGUE DEVELOPMENT FUND

Mr. Speaker, both Praslin and La Digue islands are part of our socio-economic system. We want to reassure Praslinois and Digois their interests are featured high in our development plan. The physical distance between the center of the policy-making institution and the two inner islands should not matter. We care for their socio-economic wellbeing. We recognize that they have tremendous potentials to create the wealth for their citizens and shared prosperity. A provision has been made in the 2018 budget to revive Praslin and La Digue Development Fund with a sum of SR 500,000 each. Such investment will add considerable value to our economy. We will continue to follow their development very closely and provide additional support. My message to the Praslinois and Digois this morning, go for development and make the most of the Development Fund. Maximize the use of every rupee at your disposal because we expect to be part of your success stories.

14. INVESTMENT CLIMATE

Mr. Speaker, the Government recognizes and appreciates that private sector has a key role in our development plan. I would like to reassure the business community that the Government believes in a strong partnership. We do not make this pronouncement for the sake of convenience but we mean it.

In 2018. It will continue to engage with them to improve the business climate. Specifically, so with the intention of improving the "*Ease of Doing Business*" indicators. According to the World Bank Report on "*Doing Business Report*" for the year 2017, Seychelles retained its 93rd position out of 190 as the previous year. It is evident, a series of reforms is urgently needed for the country to become more competitive in attracting more local and foreign investments. We

must accept that a good investment climate is created not only by offering economic incentives but removing the administrative barriers. Foreign investor's basic list of demands is; (i) available opportunity, (ii) maximum return on capital invested, (iii) safety of capital, (iv) repatriation of capital as, and when required, and (v) no red-tape. To create this ideal business environment, we must invite private sector to lead the way.

Going forward, two important institutions, which should enable Seychelles to become the ideal investment destination are: (a) Seychelles Investment Bureau (SIB), and (b) Financial Services Authority (FSA).

(a) Seychelles Investment Bureau

Seychelles Investment Bureau (SIB) will continue with its mandate to promote investments in Seychelles. There is an opportunity for the two organizations to synergize in their endeavor to bring investments in 2018 and the years ahead. Besides, tourism, agriculture, financial services, energy and fisheries, SIB can also attract sector like telecommunication. Attracting investments in the Blue Economy sector would be useful as we try to develop this sector to its full potential.

(b) Financial Services Authority

Mr. Speaker, the offshore sector has the potential to become a 3rd pillar of our economy. Seychelles geographic location is important for FSA to offer financial services to various institutional and individual investors using its connectivity to different time zones. Huge scope exists for FSA to establish itself as a financial centre in the Indian Ocean. With modern investment regulations, which compel other agencies limited interventions into FSA's activities, we expect the new FSA Board of Directors to take this organization to its next phase of development. There is an urgent need for FSA to work closely with the offshore practitioners to bring more Foreign Direct Investments (FDIs), which the country need. In the medium-term Seychelles should be in demand as one of the most preferred investment destinations in the region. FSA can lead Seychelles in the league of one of the most reliable countries in providing efficient financial services. It is a gold mine awaited to be exploited. We are confident with adequate support and resources; these two institutions will prove their invaluable contribution. The signal to the domestic and foreign investors, there are plenty of investment opportunities. We ask you to come forward and seize the moment for lucrative returns. Make it the year of success for your business and contribute towards the welfare of the people.

14.1 Consultations with the Private Sector

Mr. Speaker, in our efforts to reduce the cost of living, during the year 2017 we consulted the following parties; tourism, fisheries, banking, insurance, telecommunication, traders, and transport sectors to solicit their views in the preparation of the 2018 budget. Consultations took place on Mahe, Praslin and La Digue to allow us to gain a better insight of the potentials and challenges of these sectors. As expected there were mixed reactions but overall, it was a worthwhile exercise.

14.1.1 Banking Sector

Mr. Speaker, Government recognizes the importance of a strong financial system that performs a vital role in driving economic development. We need a more dynamic banking and financial services sector to make a greater contribution to our national development and economic growth.

Create more employment opportunities and offer cost-effective services. In the process, they should help to reduce the cost of living. Last year, in my budget speech, I made a commitment to call on the commercial banks to reduce their lending rates, charges, while increasing their savings rates. I am pleased to announce that the banks have responded positively, albeit, not to our full expectations. This is a starting point. However, we will continue to engage them in our efforts to maintain low interest rates and longer maturity environment. Our people, who are both depositors and borrowers will be encouraged to get closer to the banks and other financial institutions and make maximum use of their services. We want the customers to benefit from our interventions. This strategy is not to penalize the banking sector but instead to create an opportunity for the banks to gain new customers and additional transactions.

Mr Speaker, Central Bank of Seychelles (CBS) is currently working with stakeholders to review the bank charges and fees that the financial institutions are charging. With this in mind, the CBS will be proposing some amendments in regards to the current bank charges and fees.

Mr Speaker, we are recommended that first home acquirers be charged a maximum processing fee of SR 2,500 on housing loans below SR 1.5 million. For the remaining loan amount above SR 1.5 million, the first home acquirers will be charged a maximum of 0.5% as processing fee on the balance.

Application of penalty interest on default loans vary greatly among banks. This poses a major concern as there has been instances whereby penalty fee resulted in the loan repayment more than doubling. Additionally, this results in an endless cycle of applying penalty fee, even when it has become clear that the borrower is unable to pay. As such, it is proposed that, similarly to the international practice, borrowers in financial difficulties are encouraged to contact their banks as they are able to request rescheduling of their debts either by extending the tenor, reducing the repayment amount or by requesting a moratorium on repayment. As a result, the chances that a loan account will stay in default and accrue penalty interest for a long period of time, is low. Secondly interest rate shall not exceed 5 per cent per annum and shall be calculated on the default instalment excluding the interest payable thereon. Consequently lenders cannot charge higher than the said amount.

14.1.2 Insurance Sector

In line with our agenda to reduce the cost of living, we met with representatives of the Insurance sector to discuss ways and means to reduce their rates on insurance premiums. The Government has taken their concerns raised and will make an assessment of their suggestions during 2018.

14.1.3 Telecommunication Sector

Mr. Speaker, the telecommunication sector is a central pillar of any modern economy. It is a key driver to trade, exchange of information, business transactions, innovation, and research and development. After all, a well-developed telecommunication system is regarded as part of sustainable development. A high-income country like Seychelles is a “must-have” an integrated system as a service-based economy. During year 2017, we met with the Executives of this sector to discuss a joint effort to bring down the cost of telecommunication services. The meeting was part of our agenda to reduce the cost of living, and cost of doing business, while promoting new investments. Our understanding of their demands is that the industry depends hugely on skilled labour, high-tech equipment, machinery and heavy capital investments. On-going discussions

indicate that there is a willingness to reduce their tariffs, if they can be assured that the Government can maintain its tax rates stable. Critical to the agenda was the need to offer concessional charges to the Small Micro Enterprises (SMEs) and other corporates, which are the backbone of our economy. Mr. Speaker, given the competitive business environment time is the essence. There are many interested telecom operators, who have expressed interest to penetrate our market. They are in the process of finalizing their plans to start operating by middle of next year. This is a welcoming development for consumers to bring down the telecommunication costs.

Mr. Speaker, during the year 2017, we also met with representatives of many Associations. We thanked these Associations that had contributed to a series of productive meetings. Government is taking their operational challenges seriously and will further engaged with them in finding a solution starting early in 2018

14.1.4 Seychelles Car Hire Operators Association

Currently, the Car Hire Operators must renew their licenses every year compared to 5 years like most businesses. I am pleased to announce that Government has decided that the license of Car Hire Operators is renewed every five (5) years from 1st January 2018. The licensing regulations will be amended as a pre-condition that an operator must be a registered member of the Association to be eligible for a 5-year license.

The minimum requirement to obtain a car hire license is 5 vehicles in the fleet. Government is proposing to increase this number to 7 vehicles. The current operators that have only 5 vehicles will have three years to ensure they have the minimum requirement of 7 vehicles in their fleet.

14.1.5 Seychelles Motor Vehicle Dealers Association

The Ministry of Finance, Trade and Economic Planning met with representatives of the Seychelles Motor Vehicle Dealers Association to discuss their challenges. They expressed concerns regarding the eligibility criteria for license apply by Seychelles Licensing Authority. Other importers take unfair advantage over the members of SMVDA because they are allowed to import from grey market. Further meetings with relevant authorities including FTC will be undertaken in 2018.

14.1.6 Seychelles Taxi Association

The Taxi Association met with Ministry of Finance, Trade and Economic Planning and one of their concerns is to request SLA to impose a quota on the number of taxis. Government will undertake an assessment in 2018 to assess the feasibility of their proposal.

14.1.7 Pick-Up, Plant and Truck Hire Operators Association

Mr Speaker, during the year 2017 the Association of Pick Up, Plant and Truck Hire voiced their concerns that they should benefit from the large projects that are tendered by Government. They specifically mentioned one large project (the La Gogue Dam), which PUC has signed the

construction contract. Government has agreed to facilitate the negotiation with the contractor in ensuring that contracts are offered to the operators. This sector should also be part of the economic growth of Seychelles. Following our consultation, I am pleased to announce that Government has instructed all the Ministries, Departments and Agencies to outsource the services to these operators.

The Association has also requested for the introduction of a national rate similarly to the tax rate to redress the current inequalities in the market. In 2018, the Government will work with the Association to make an assessment and make a proposal on the way forward during mid-year review.

15. PRIVATISATION OF STATE-OWNED ENTERPRISES (SOEs) in 2018

Occasionally, questions are being raised about the utility of State-Owned Enterprises (SOEs) in our economic system. It has proven that they can add value to society, if they are properly managed, regulated and supervised. In 2018, our Ministry plans to evaluate the socio-economic contribution of some of the SOEs. Where financially viable, we will call on private sector investors in our efforts to promote Public-Private-Partnership (PPP) initiatives or partial privatization of these entities. The list include; L'Union Estate Company, Indian Ocean Tuna (IOT), Land Marine Ltd, European Investment Bank (EIB) shares in DBS, and Agence Francaise De Development's shares in DBS.

Mr. Speaker, our intentions were to complete the privatization process during the year 2017 to allow Seychellois to gain investments opportunities. For many technical reasons, we could not realize our plan and we will endeavour to complete this exercise in 2018.

16. INCENTIVES FOR 2018 BUDGET

16.1 Reform of Tax System & Revenue Collection

Mr. Speaker, the current buzzword right now until the speech is delivered is taxation. Our main objective of revising the current regime is to find ways to reduce the tax burden on the taxpayers. For the past 2 months, after many consultations were held by the Ministry of Planning, Trade and Economic Planning with various groups of the society on Mahe, Praslin and La Digue, we received valuable ideas. The stakeholders involved were; business community (SCCI), tourism sector, offshore practitioners, fishermen, farmers, SMEs, accountants, auditors, and tax consultants, members of the public, the Government took their ideas into consideration.

Let me take this opportunity to thank all the participants for their frank and invaluable contribution during the meetings or media articles. This reflects democracy at its best.

16.2 Introduction of a Progressive Income Tax in 1st July 2018

There has been a lot of debate on the pros and cons of the Progressive Income Tax (PIT) proposal. However, after listening to the views of all the stakeholders, I am confident that the new proposal will be simple and fair to all taxpayers. The implementation of the Progressive Income Tax started from April 2016. The system demanded that all employees earning less than the Minimum Wage of SR 5,050 per month were exempted from paying Income Tax.

In July 2016, the law was amended to ensure that all employees earning less than SR8,555.50 be exempted from paying Income Tax. With this revision, the Government had to forego SR 215 million in tax revenue. It is fair to say that there are currently 20,222 employees or 54% of the Seychellois workforce that have already benefited from this exemption.

The third phase of the Progressive Income Tax System will take effect from 1st July 2018. This will allow enough preparation time by the employers to adjust to the new system. During the consultation process there were mixed reactions. Some taxpayers felt that everybody should pay something from his/her earnings. The underlying rationale is that every citizen forms part of the tax collection system. The taxpayer should be made more responsible towards meeting the cost of education, health services, social services and other public goods that are currently available free of charge. Based on the final consultation, Government will maintain the Tax-Free threshold at SR 8,555.50cts. The new rates for Seychellois will be as follows:

- a) Tax Free threshold of SR 8,555.50cts
- b) The difference from SR 8,555.51 to SR 10,000 will pay 15%
- c) The difference from SR 10,001 to SR 83,333 will pay 20%
- d) Above SR 83,333 will pay 30%

The rate of 30% is being proposed to align it with the Business Tax rates. I must emphasize that the foreign employees will not receive the Tax-Free threshold of SR 8,555.50 cts. Instead, they will be paying 15% from all income up to SR 10,000 and use the Progressive Rates like Seychellois earning above SR 10,000.

Mr. Speaker, in the third phase of the Progressive Income Tax implementation, Government will forego another SR 150 million annually in revenue or SR 75 million for half yearly. All employees earning less than SR 35,667 will see a reduction in income tax currently being paid. When we complete the reform on Progressive Income Tax, it is estimated that 98% of Seychellois employees will benefit with the tax reform.

Let me highlight some examples of Effective Tax rates that employees at different Salary Scale will be paying per month from July 2018:

Salary Scale (SR)	Effective Tax Rate	Tax Benefit
10,000	2%	1,283
15,000	8%	1,033
25,000	13%	583
40,000	16%	(217) (more)
50,000	16%	(717) (more)

Discussions made in this regard is to simplify the new system. Thus, Government is proposing for the exempted threshold to be monthly instead of yearly. This proposal will limit documents to be submitted to Seychelles Revenue Commission (SRC) by both employees and employers.

Mr. Speaker, currently we have 20 exempted emoluments. Government has re-considered the list and the main emoluments that will be applicable are as follows:

- a) All the compensation, when an employee retires, resigns and is made redundant,
- b) All Gratuity payment for long term services (currently only the first SR 10,000 is exempt)
- c) A bonus not exceeding an amount equal to 1/12th of the Annual Basic salary (currently if the Bonus exceeds SR10,000 only, the first SR10,000 is exempted),
- d) Thirteenth month salary as per the Employment Act requirements (currently only the first SR 10,000 is exempted),
- e) An end of contract payment limited to 15% of the Total Basic salary earn during the period under contract),
- f) Service Charges, and
- g) And Overtime payment, when it is at the request of the employer in exceptional circumstances.

The Emoluments will be mentioned, when the Amendments Bill will be presented to the National Assembly. The exemption will be applicable from January 2018.

Mr. Speaker, I want to stress that even though an employee earns more than SR 35,667, he/she will be paying an additional tax monthly, that employee will benefit on the exempted list of emoluments. For example, an employee earning SR 40,000 per month will be paying SR 217 additional tax monthly, which is SR 2,604 yearly. But since the employee will be receiving a 13th Month pay, he/she will benefit SR 4,500 in taxes. Thus, a net gain SR 1,896. However, the same employee will benefit more on his/her bonus and end of contract payments. This shows that there are more benefits to the Seychellois employees with the Progressive Income Tax (PIT).

Currently, it is mandatory for all employers with 25 employees, to submit electronically their payroll to SRC monthly. With the new tax reform, it will be mandatory for all employers having 10 employees or more to submit their payroll electronically to SRC. This will allow Government to have reliable data in the future for any policy decisions. To assist the SMEs meeting this new requirement, Government will outsource some payroll service providers for assistance. The tender will be launched before December 2017 for implementation from January 2018.

16.3 Amendments of the Business Tax Act for 1st January 2019

Mr. Speaker, the proposal is to make the Business Tax simple for SRC to administer and for the taxpayers to settle their bills. Government is proposing two options for the business community. Businesses can still use the current business tax on profit if they so desire and the new option is as follows:

- a) A flat fee of SR 3,000 for businesses deriving a Turnover of not more than SR 500,000 per year. This is equivalent to SR 250 per month,

- b) A flat percentage of 3% for businesses deriving Turnover above SR 500,000 but up to SR 25 million,
- c) Businesses earning above SR 25 million Turnover will fall in the current business tax regime.

We introduced the Presumptive Tax of 1.5% on turnover for businesses earning up to SR 1 million turnover since 2013. According to our statistic, out of the 4,982 businesses, which are generating less than SR 1 million turnover, we noticed that 4,282 or 86% opted to stay with the Presumptive Tax regime. Therefore, this statistic explains that businesses prefer the Presumptive Tax for simplicity.

Mr Speaker, the 5% Deduction at Source (DAS), which certain businesses were liable to, will no longer exist as from January 2019. These businesses are Building Contractor, Maintenance Contractor, Mechanic, Hirer or Operator of Plant and Equipment, Hirer of Omnibus.

We will amend the Business Tax Act to ensure that we are clearer on some provisions to reflect:

- a) Seychelles will have a Territorial Tax regime, and
- b) Tax on depreciable asset will be limited to the original cost of the asset.

The rate for the tourism, fisheries and agricultural sector will remain at 15%.

Mr. Speaker, we have re-assessed the current concessions that exists for the tourism sector. Most of the Tourism Incentive Act (TIA) certificates will expire by the end of December 2018. Thus, from 2019, the following concessions will no longer exist:

- a) Accelerated depreciation, and
- b) 200% allowable deduction for marketing and promotion costs

As part of the Business Tax reform, Government is re-considering some of the concessions that used to exist for only certain sectors. With this in mind, we want to broaden the base for all businesses for the following:

- a) 200% allowable deduction for employing a qualified Seychellois graduate holding a Certificate, Diploma or Degree or higher from an institution endorsed by Seychelles Qualification Authority (SQA),
- b) 150% for emoluments paid by an employer to a Post-Secondary or Tertiary, who is in full time education but in part-time employment, and
- c) 150% for a business paying for training endorsed by the Agency of National Human Resources Development (ANHRD).

The Government noted the complexity in collecting taxes from the Artisanal and Semi-Industrial Fishermen. We have discussed extensively with the Fishermen and Boat Owners Association. In response to our discussions, we propose that the Artisanal and Semi-Industrial Fishermen will not form part of the current business tax regime. However, they will pay a flat fee as part of their annual license and registration fee. Thus, Government propose the following:

- a) Artisanal Fishermen's license and registration fee to increase from SR 50 to SR 250 per year
- b) Boat Owners' license and registration fee to increase from SR 100 to SR 500 per year

Mr. Speaker, I want to highlight that it is important fishermen are registered and pay their annual fee. This is useful for them to get access to any benefits either from Seychelles Fishing Authority (SFA) or Agency for Social Protection. In addition, I will urge them to pay their pension so that they benefit, when they retire.

Another group of business, which forms part of the business tax reform is the landlords of residential dwelling. Currently, they are liable to pay 15% business tax on the rental revenue. Government propose to reduce this rate to 3% on Gross rental receipts. I take the opportunity to request the landlords to pass on the benefit in the rental chargeable to the tenants. Mr Speaker, Government wants to encourage more investments in residential dwellings and at the same time reduce the cost of living.

The proposal for the Business tax amendments will take effect from January 2019. This will allow enough preparation by the business community.

16.4 Immovable Property Tax

Initially, Government intended to introduce an Immovable Property Tax from July 2017. Its implementation was deferred to allow further consideration in the best interest of Seychelles. The Immovable Property Tax Bill will be introduced before the National Assembly as part of the budget process. Based on the available data, we expect to collect SR40 million for the fiscal year 2018.

Mr. Speaker, I would to reiterate that the Immoveable Property Tax is not a new tax imposed on foreigners. This announcement was made in the 2017 Budget Speech last year.

The rate of 0.25% will be charged on the capital improved value of the property owned by all foreigners as from January 2018. The tax will be applicable for all foreign-owned residential, company owned and leased properties of more than 25 years. The owner has a space between January to June 2018 to value his/her property and make a self-declaration. Seychelles Revenue Collection will start collection from October 2018.

The proposal in the National Assembly today recommends that valuation is carried out every 5 years. If there are substantial improvements on the property before the lapse of the 5 years, the owner should inform the National Land Valuation Board that will be set up. Before any decision to revise the rate after every 5 years, we will consult with the private sector. This condition is to ensure that there is long-term stability in this market.

16.5 Amendments to the International Trade Zone Act, 1995

Mr. Speaker, the International Trade Zone Act was enacted in 1995. After 27 years, Government feels that the time has come for a review of the Act to make it at par with international best practices. During 2018, we will carry out a comprehensive assessment of this sector. Based on the consultation with this sector, Government will propose a few amendments for 2019 Budget as follows:

- a) Customs Duty: Businesses in this sector will continue to benefit from Customs duty concessions. This condition will not be applicable to vehicles purchase and used outside the zone.
- b) Pension Fund and 13th month pay: Currently, businesses registered under this Act are not required to pay pension fund and 13th month pay for the Seychellois employees. There are 842 employees employed by these companies. Thus from 2019, it will mandatory for the business to pay pension fund and 13th month pay for their employees.

16.6 HS Migration

In line with international norms, Seychelles is reviewing its Customs Management Tariff and Classification of Goods Regulations to be in the line with the latest version of the Harmonize System, which is HS 2017 version. The new tariff book will facilitate the classification of recently developed products, whilst also removing HS codes which are no longer necessary. The Regulations is expected to be effective from the 1st April 2018. As a consequence of the HS migration all other regulations, which are affected by amendments made to the classification of goods will subsequently be amended. These include the Prohibited and Restricted Goods Regulations, Excise Tax Regulations, VAT Exemptions Regulations.

16.7 Review the Excise Tax on Plug in Hybrid Vehicles

Mr. Speaker, we have a policy to promote the use of more environmentally friendly vehicles. In recent years, we have reduced taxes on these vehicles to encourage a switch from conventional vehicles to Hybrid or Electric powered motor-vehicles. The objective of this policy was to control air pollution and at the same time reduce Seychelles' fuel dependency. Following the 2017 budget announcement pertaining to the review of the tax regime on hybrid motor-vehicles, further evidence has shown that Plug- in Hybrid Motor Vehicles can be considered to be more environmentally friendly than Non- Plug-in conventional Hybrid motor vehicles.

From April 2018, the new rates for Plug In Hybrid vehicles will be applicable as follows:

- a) Cylinder capacity not exceeding 1,600cc = 10%
- b) Cylinder capacity exceeding 1,600cc but not exceeding 2,000cc = 15%
- c) Cylinder capacity exceeding 2,000cc but not exceeding 2,500cc = 20%
- d) Cylinder capacity exceeding 2,500cc = 25%

A flat rate of 12.5% is currently being applied on all hybrid motor vehicles for the Transport of Goods and motorcycles;

- a) A flat rate of 10% of Excise Tax is being proposed to be applicable to Plugin Hybrids Motor Vehicles designed for Transport of Goods, given that they are classified by tonnage rather than by cylinder capacity.
- b) A similar flat rate of 10% is also being proposed for Plugin Hybrids Motorcycles, given the negligible level of trade in Plugin hybrid motorcycles. All these changes will be applicable from April 2018.

16.8 Trade Fairs

Trade fairs promote economic growth and cultural diversification, through exposure to foreign products and their promoters. With the considerable increase in the popularity of Trade fairs, there is a need to appropriately regulate this activity. We must protect our local industry against

foreign competitors. New regulations will be published to regulate the operations of Trade Fairs under the purview of the Seychelles Licensing Authority (SLA). A license will be issued, upon the approval by Creative Industries and National Events Agency (CINEA).

The license fees applicable will be as follows:

- a) Trade Fairs with local participation only:
 - SR 1,000 for 1-day event,
 - SR 2,500 for 2 days,
 - SR 7,000 for 3 or more days
- b) Trade Fairs with international participation:
 - SR 100,000 for 1 to 3 days
 - SR 200,000 for 4 to 10 days

16.9 Other Tax Incentive Measures

Mr. Speaker, from January 2018, the following incentive measures will be introduced;

- a) Funeral services will be exempted from payment of VAT,
- b) Customs Duty on Dietary Supplements will be reduced from 25% to 0%,

Also, effective from April 2018, the following incentive measures will be introduced;

- a) Customs Duty on Protective Ear Muffs and Protective Ear Plugs will be reduced from 25% to 0%
- b) Customs Duty on Protective Clothing designed for industrial use, will be reduced to 0%.

16.10 Low Interest Rate Loans for Students

Students wishing to continue with their education will be offered the opportunity to raise loans from the commercial banks. The loans will attract concessionary or low interest rate over the duration of their studies. No contribution will be required from the students and the Government will guarantee the loans in the event of default.

16.11 Centralized Intellectual Property Office

The Government envisages to establish a single Intellectual Property office by 2018. With a growing economy made up of players, including Small and Medium Enterprises (SMEs), targeting more innovative technology, strategies and ideas, the Government is ensuring that it does not lag behind. It will build its resources to be able to supply the demand of the business community, academia and the public with the relevant resources it requires for continuous growth.

This office will serve as a '*One Stop Shop*' which will provide information on intellectual property to the public. It will also serve as the single entity, whereby registration of all Intellectual property rights will be registered and administered. The institutional framework created, will allow Government to rationalize and target the allocation of its resources in this area to one single entity approach. The office will the benefit Seychelles by allowing for targeted and specialized training on Intellectual Property. New job opportunities will be created for graduates in law and other Intellectual Property-related fields of study.

16.12 Seychelles Pension Fund (SPF) Reforms

The Seychelles Pension Fund embarked on a series of consultations with all its stakeholders in the form of a symposium in January 2017. This was followed by a series of public education/consultation, which started from January to June 2017. The objective was to open the consultative process to a wider audience. The suggestions from its members will be included in the review process of the Seychelles Pension Fund Act 2005.

Two key policy changes announced by Government this year found their origins from the consultative process. The first change was the Mandatory Contribution levels and, second one, proposed review of the Retirement Age. Both policies have a direct impact on the operation of the Seychelles Pension Fund (SPF).

My intervention today is a continuation of those anticipated policy changes that concern the Seychelles Pension Fund specifically;

- a) As far as the Review of Retirement Age, is concerned. This is accompanied by the flexibility for retirement and limiting the claim to pension once only. A member retires upon reaching 63, or may opt for early retirement from 60. Members can also retire twice, if they continue working after retirement. To redefine retirement as exit from work at the age of 60 onwards retirement will be only once from 2018.
- b) This is in line with the announcement made by the President for a proposal that the retirement age will move from 63 to 65 years old in 5 years' time,
- c) From January 2018, those people retire at the age of 60 will not receive the Retirement Pension of SR 5,050 under Social Security until they reach the age of 63. However they will still receive the pensions under the SPF.
- d) Another amendment is to allow payment of Voluntary Contributions (upon members reaching the age of 55 years)

Presently, a member is entitled to his/her Voluntary Contribution, standing to his/her credit in his/her SPF account, with any interest thereon, in a lump sum upon retirement or reaching the prescribed retirement age. This is along with the normal monthly retirement pension. Members can, therefore only enjoy all their pensions at a very late stage in their lives. It is every member's wish to have the possibility to have access to at least part of their Voluntary Contribution at an earlier age. Members will be allowed, on an optional basis, upon reaching the age of 55 years to have the possibility to request for payment of their voluntary contribution through the prescribed form in accordance with Schedule 2 subject to the fulfillment of conditions of Regulations 7 and 8.

Once a member has opted for this option, he/she is free to resume afresh further contributions to their Voluntary Contributions account.

- e) The third proposal pertains to allowing the payment Mandatory and Voluntary contributions, in a lump to terminally ill members. Members with a terminal illness have limited period to enjoy their pension, which is stopped once the Member passes on and

does not have any surviving spouse or children. This lacks fairness on compassionate grounds as the member will not enjoy the benefits for making contributions for all the years to SPF.

Once a member has been certified by the Medical Board as terminally ill, the member may opt for full refund of contributions made, both in mandatory and voluntary with interest accrued in the account of the member, regardless of not attaining retirement age. Once this payment is made, the member will subsequently be unable, to claim for a normal retirement pension, incapacity pension, spouse or children's pension.

f) The fourth proposal concerns the Surviving Spouse Pension

The Surviving Spouse Pension is payable on the demise of a member provided that the member was married at the time of the member's death or was cohabiting with a person for at least three (3) years, as the common law wife or husband of the member, even if the member had not been divorced, before the member's death and had maintained that person during that period as stated in Part I, Section 2 of the Act.

Female members have expressed a preference to have their children as their beneficiaries instead of their spouses. To better respond to the wishes of members, the period specified in the Act of three (3) years will be amended to seven (7) years. Government will present these Amendments with the other bills after the budget.

16.13 Seychelles Revenue Commission (SRC)

Seychelles Revenue Commission (SRC) organization structure will be re-organized in 2018. The intention is to make the organization more efficient. A Revenue Commissioner has already been appointed and a Board of Directors will be appointed soon. The Board will have full autonomy to boost revenue and improved service delivery. The focus for next fiscal year is to collect the outstanding taxes and streamline the administrative procedures to maximize revenue collection. In line with the staffs' expectations, a revised scheme of service has been introduced during 2017. The 2017 and 2018 budget has also made provision for SRC to recruit an additional 70 staff in total. In addition, the Ministry of Finance, Trade and Economic Planning has allocated Euro 2.5 million through the 11th EDF for the development, installation and operationalization of a new tax system, and customs software including capacity building of SRC staff to address the effectiveness of collection of taxes. Furthermore Euro 1 million has been allocated from the same program for upgrading the ASYCUDA World and the creation of a Single Window System. To improve compliance in certain key sectors, such as construction, import/wholesale trade and tourism, where noncompliance has been detected, 40 comprehensive business audits will be conducted in these sectors in 2018.

We plan to re-structure this Customs department in 2018 to modernize its activities and make it more efficient to facilitate trade. The department will be headed by a Commissioner of Customs. A fast-track unit will be set up within the department to deal with the flow of traffic more efficiently. This unit will minimize the landed charges on consignments destined for Mahe, Praslin and La Digue. The outcome is to reduce additional import and export charges, and hence, cost of living.

16.14 Seychelles Trading Company (STC)

Mr. Speaker, consumers always look towards STC to play a key role in offering affordable prices for its commodities and in turn contribute to reduce the cost of living. Recently, the company has been the subject of discussion in the National Assembly. In 2018, the company will be subjected to an operational audit on how to improve its pricing policy. Following the result of such an exercise, it is expected that its Board of Directors will reconsider the company strategic repositioning. We will continue to explore ways and means for the company to continue to guarantee food security at very competitive prices to consumers. In the whole process, consumers should experience a reduction in the cost of living.

17. MANAGEMENT OF PUBLIC DEBT

The Government is committed to reduce its Debt to Gross Domestic Product (GDP) to 50% by the year 2020. The Ministry of Finance, Trade and Economic Planning will work with the Central Bank of Seychelles (CBS) to realize this objective. In addition, the Government will work on different debt management strategies to ensure the 50% debt target is achievable by 2020. One of the possible avenues for discussion is the currency swap option of the existing US\$ 154 million Bond, which is expected to mature in 2026. Government has decided to carry out a liability management operation, which will involve a straight currency swap of the Bond from US dollars to Euros. This will reduce sizably the interest costs and reduce the foreign exchange risk as Seychelles earns most of its foreign exchange in Euros.

18. INVESTMENT OPPORTUNITIES

18.1 Promoting a Savings Culture

Mr. Speaker, the creation of a savings culture has become important. I urge the commercial banks to play a leading role in bringing to the market new savings products. With the availability of new savings products, young people would be encouraged to save from an early age and start to earn additional income.

18.2 Participation in the Privatization Exercise

The Government plans to pursue its privatization exercise next year. This exercise represents a tremendous opportunity for individuals with surplus cash to hold a portfolio of investments. This announcement is good news for “*would-be*” investors to earn more money.

18.3 Prospect for a Capital Market

Mr. Speaker, any country with the intention to modernize its economy develops a capital market. In Seychelles, the scope to develop a capital market remains untapped. With an advanced market, entrepreneurs can gain better access to low-cost financing, which is an essential ingredient for business growth. The Seychelles Stock Exchange can play an important part in such a development next year.

18.4 Private Homes for the Elderly

Government is studying the housing needs for the elderly, which is in high demand, but short of supply in the country. As this is a valuable cause, Government will support any proposal by providing land and incentives to companies, which are prepared to engage in such investments.

18.5 Blue Bond Concept

Mr. Speaker, the Government is in the process of concluding the necessary formalities to launch a US\$ 15 million Blue Bond that will accelerate the implementation of fisheries management plans specifically for the Mahe' Plateau as part of its initiative to develop a sustainable blue economy. A Blue Investment Fund, which will be administered by the Development Bank of Seychelles, will be created for commercial loans for projects consistent with the provisions of the fisheries management plans. 80% of the bond proceeds will be utilized by the Blue Investment Fund. The remaining 20% of the bond proceeds will be transferred to Seychelles Conservation and Climate Adaptation Trust (SeyCCAT) to replenish the Blue Grants Fund for grants to be made available to the public and private entities on a project proposal basis.

SeyCCAT has already launched the Blue Grants Fund to support projects that relates to the artisanal, semi-industrial, aquaculture or sports recreational fisheries sub-sectors including the relationship to the national marine spatial planning (MSP) process and marine protected areas. The Blue Grant Funding will be as follows:

- a) Small and medium grant concept up to SR 100,000
- b) Large grant concept from SR 100,000 to SR 1 million

19. PUBLIC FINANCE MANAGEMENT REFORM

Mr Speaker, to improve selection and monitoring of capital projects the Government has also formally set up a Development Committee in January 2017 within the Ministry of Finance, Trade and Economic Planning. The Committee plays a key role in overseeing the vetting, screening and approving of capital project proposals for Ministries, Departments and Agencies prior to approval and financing from the Public Sector Investment Program (PSIP). The Committee submits quarterly reports to the cabinet of Ministers based on its deliberations. A report on the cost-benefit analyses of public investment projects with a cost above SR 10 million will now also be submitted to the Cabinet.

The Program Performance Based Budgeting (PPBB). The program was launched for 5 Ministries for the 2017 budget. This program will be widened to three more for the 2018 budget and to all Ministries for budget 2019 with Technical Assistance (TA) from the World Bank.

Governance and operational assessments of six major SOEs were conducted in 2016 with World Bank assistance. On this basis an implementation plan for governance and operational review of public enterprises 2017 to 2019 was prepared and approved by the Cabinet of Ministers. To improve transparency and risk management, the Commission will be preparing a Fiscal Risk Statement to be included in the budget document to show the effect of the performance of Public Enterprises on the budget by December 2018.

Mr Speaker, during 2018 the Government will also be proposing amendments to the:

- a) Public Debt Management Act, 2008
- b) Public Finance Management Act, 2012

c) Public Enterprises Monitoring Commission Act, 2013

This will ensure the provisions are based on the latest development in Seychelles to ensure greater oversight and transparency of public finance.

Mr Speaker there have been a lot of complaints by the business community in regards to the payment process by Government. With that in mind Government has endorsed a policy to be applicable in Government. The policy will also serve to sensitize all of the government suppliers with of the procedural timeframe it would require before settling payments.

Any payment that is not effected within the payment timeframe will be subjected to an interest charge. The interest charge shall be borne by the respective MDAs through its allocated budget and will become payable for payments exceeding 30 calendar days. A payment begins to accrue interest on the date the payment becomes overdue. This policy will be implemented from January 2018.

20. LONG-TERM VISION OF THE COUNTRY

Seychelles Vision 2032

Mr. Speaker, the country has embarked on the process of developing the national long-term vision for “*Seychelles-Vision 2032*” and the five-year National Development Strategy (NDS) 2018-2022 which is expected to be delivered in June 2018. The Vision 2032 document will serve as a tool that provides strategic direction for sustainable development and will serve as a reference point for future long-term development strategies. The preparation of the NDS is building on the milestones achieved so far. It will articulate the sectoral programs and projects, to be implemented within frameworks of new, and/or, modified sector policies and strategies as well as the medium term fiscal framework.

The 5 years National Development Strategy (NDS) 2018-2022, will be the first national instrument that will prioritize and articulate a 5-year development program in greater detail. It will consider, projected availability of resources and its efficient allocation. Under the all-encompassing theme of promoting ‘*transparency, accountability and good governance*’, the national development strategy shall incorporate new and innovative programs that consider past development planning practices. More emphasis will be placed on efficiency of resource allocation through program performance based budgeting for individual sectors, and more rigorous and effective monitoring, evaluation and reviews in a more transparent atmosphere than has historically been the case.

21. CONCLUSION

Mr. Speaker, our people has placed their trust and confidence in the leadership of President Danny Faure to lead Seychelles to a brighter future. They expect a fresh start and new ideas to bring them a decent standard of living, peace, security and a better life for their children. This agenda features on top of his priority list.

Like the President mentioned in his frequent addresses to the Nation co-habitation is working fine. There is an excellent and harmonious working relationship between the Executive and Legislative never seen before in the history of Seychelles. We recognize, appreciate and thank the legislative members for their cooperation and collaboration in every aspect.

In the preparation of the 2018 Budget, many stakeholders made their invaluable contribution. The consultations were very interactive with a lot of suggestions and ideas. I want to thank all the contributors. There was a perfect understanding that there is one Seychelles only and we must all put our ideas together to realize our dream. It is an amazing development, when we extended our invitation, there was an overwhelming response that the 2018 budget belongs to all of us.

Mr. Speaker, we have made significant progress on many fronts in our endeavor to transform our country. There is no shortage of energy by the hardworking Seychellois, when it comes to dealing with our challenges. We are determined to succeed in our resolve to work on behalf of the people and improve their standard of living. The international community realize that as a small nation, we have the willpower to make strategic decisions and rise above all potential barriers smartly.

Despite uncertainty in the global economic arena, our country is blessed to continue to enjoy strong macro-economic fundamentals, peace, stability, and “*joie-de-vive*”.

Mr. Speaker, I cannot end my address without having to thank these people;

President Danny Faure for his guidance and leadership,
Vice-President Vincent Meriton for his support,
My colleagues, Ministers,
Mr. Speaker,
Mr. Deputy Speaker,
Honourable Leader of the Opposition,
Honourable Leader of Government Business,
Honourable Members of the National Assembly,
The Principal Secretaries and staffs in the Ministry of Finance, Trade and Economic Planning,
All Government employees,
National Assembly Staff,
Members of the Private Sector,
The People of Seychelles,
Members of the Media and Press, and
Members of my family.

Mr. Speaker, it is my sincere hope that all our development programs materialize in the best interest of our country. To the people of Seychelles, this is your budget and plan. Let us believe in ourselves, and let us believe in the Seychellois economic model. The future belongs to us and better days are on the horizon.

Mr. Speaker, I rise to move that the Bill entitled “**The Appropriation Bill 2018**” of **SR 7,951,537,313**, being a bill to authorize expenditure from the Consolidated Fund for the services of Seychelles for 2018 be approved.

Thank you, Mr. Speaker.

