



**SEYCHELLES GOVERNMENT BUDGET**  
**For the Fiscal Year 2019**

***Theme: "Stability and Progression"***

**Delivered by:**

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**MINISTER OF FINANCE, TRADE, INVESTMENT AND ECONOMIC PLANNING**

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**Ile Du Port, Victoria, Mahe, Seychelles**

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**at 9.00 a.m.**

## TABLE OF CONTENTS

	<b>Page</b>
<b>1. INTRODUCTION</b>	<b>4</b>
<b>2. OVERVIEW OF THE ECONOMY IN 2018 AND MEDIUM TERM</b>	<b>4</b>
2.1. Real Sector	<b>4</b>
2.2. Monetary Sector	<b>5</b>
2.3. External Sector	<b>6</b>
<b>3. 2018 BUDGET PERFORMANCE</b>	<b>6</b>
<b>4. PROJECTIONS FOR FISCAL YEAR 2019</b>	<b>7</b>
4.1. Primary Objectives	7
4.2. Revenue	7
4.3. Government Expenditure	7
4.3.1. Wages and Salaries	9
4.3.2. Expenditure in Key Sectors	11
4.3.2.1. Education	12
4.3.2.2. Health	13
4.3.2.3. Agriculture	14
4.3.2.4. Habitat and Land Use	16
4.3.2.5. Local Government	17
4.3.2.6. Family Affairs and Social Development	18
4.3.2.7. Youth and Sports	19
4.3.2.8. National Security	19
4.3.2.9. Attorney General Chamber	20
4.3.2.10. Constitutionally Appointed Authorities and Statutory Bodies	20
<b>5. DEVELOPMENT IN KEY SECTORS</b>	<b>21</b>
5.1. Environment and Energy Sector	21
5.2. Fisheries Sector	22
5.3. Employment Sector	23
5.4. Micro Small and Medium Enterprises and Investment Climate	24
5.5. Information, Communication and Technology	26
5.6. Blue Economy	27
5.7. Financial Sector Development	28
5.8. Transport Sector	30
5.9. Tourism Sector	31
5.10. Arts, Culture and Heritage	31
<b>6. 2019 BUDGET FOR SOCIAL PROGRAMS</b>	<b>32</b>
<b>7. CONTINGENCY</b>	<b>33</b>
<b>8. NEW POLICIES FROM THE 2019 BUDGET</b>	<b>33</b>
8.1. Increase in Minimum Wage	33
8.2. Increase in Benefits and Approved Programs of Agency and Social Protection	34
8.3. Increase in Stipend for Students in the tertiary education institutions.	34

	<b>Page</b>
8.4. Review of Housing Subsidy and Personal Contribution through HFC for Praslin and La Digue Residents	34
8.5. Remove VAT on canned Tuna	34
8.6. Immovable Property Tax	35
8.7. Sugar Tax	35
8.8. Excise Tax on Tobacco	35
8.9. Revised Rates for the Poultry Levy and Introduction of a Levy on Pork	36
8.10. VAT refund on local Purchases by businesses engaged in Agriculture and Fisheries	36
8.11. Legislative Amendment Governing Excise tax for Fuel Concession	36
8.12. Business Tax Reform	37
8.13. Definition of Turnover under the Corporate Social Responsibility Tax Act, 2013 and Tourism Marketing Tax Act, 2013	39
8.14. Enforcement of Payment of Royalties to Seychelles Authors and Composers Society (SACS)	39
8.15. Introduction of a Prescription Fee in the Health System	40
8.16. Revision in Fees and Charges	40
8.17. Legislative review of national laws relating to intellectual property.	41
8.18. Trade Remedies Process of enactment of legislations and Phase Two on the Implementation	<b>41</b>
<b>9. REVENUE MANAGEMENT REFORM</b>	<b>41</b>
9.1. Seychelles Licensing Authority	41
9.2. Transfer Pricing and Common Reporting Standards	42
9.3. Informal Sector	42
9.4. Seychelles Revenue Commission Tax Arrears	43
<b>10. INVESTMENT OPPORTUNITIES</b>	<b>43</b>
<b>11. PUBLIC DEBT MANAGEMENT</b>	<b>44</b>
<b>12. RESULT BASED MANAGEMENT FRAMEWORK</b>	<b>44</b>
<b>13. CIVIL SOCIETY ENGAGEMENT</b>	<b>45</b>
<b>14. CONCLUSION</b>	<b>45</b>

# Budget Speech Outline for Fiscal Year 2019

## 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.

Good Morning

Mr. Speaker, ten years ago, our nation embarked on a journey for an economic transformation. It was a difficult choice but as a nation, we opted for a path toward economic sustainability through a macro-economic reform program aimed at restoring macro-stability and putting Seychelles on a path toward fiscal sustainability. Last week, we celebrate ten years of economic reform program and we have seen the progress we have made based on the socio-economic development of the Country. For the past ten years the primary budget balance has been on average above 5% but we are now forecasted a primary budget balance of 2.5% over the medium term. Our economic growth has been above 3% of GDP.

We have remained stable despite the economic pressure from the world market. We have a long list of infrastructure development that need to happen to put Seychelles in the next level of its development.

Mr. Speaker, each Seychellois needs to see his/her development in the progress of the country. One cannot be left behind because of his/her vulnerability. How can we be more productive and responsible as a nation to bring more economic growth for the development of Seychelles and as result the benefit to ourselves. This can only be done through a consolidated effort based on the opportunity that exists. The Government, private sector and civil society will need to work on only one goal, for the development of Seychelles.

Mr. Speaker, in light of this, the theme chosen for the 2019 budget is “*Stability and Progression*”

## 2. OVERVIEW OF THE ECONOMY IN 2018 AND MEDIUM TERM

### 2.1. Real Sector

Mr. Speaker, following stable economic activities thus far in 2018, the end of year Real GDP growth forecast remains at 3.6 per cent as per initial estimates. Tourism sector as a whole continues to contribute towards growth despite activities being slower this year compared to the past two years. Visitor arrivals have remained around 1 per cent so far throughout 2018 vis a vis 2017. Tourism earnings on the other hand remain resilient inspite of this. By the end of September 2018, provisional figures from the CBS shows that earnings increased by 8.2 per cent compared to the same period last year. Furthermore, growth is being sustained by the Information and

Communication sector. This follows the continuous increase in data usage and the diversifications of products thus increasing competitiveness.

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

Global growth, as reported by the IMF July World Economic Outlook, is expected to reach 3.9 per cent in 2018. This is being supported by strong momentum, favourable market sentiments, accommodative financial conditions, and the partial recovery in commodity prices that should allow conditions in commodity exporters to gradually improve. `

Mr. Speaker, in 2019, real GDP growth is estimated at 3.4 per cent – a slight slowdown, driven by steady Tourism growth and this is supported by positive outlooks from the trade and expected increase in flights, sustained ICT growth and a more positive uptake under the Construction sector with new projects as reported by the Seychelles Investment Board. Growth in the ‘Manufacturing of food’ sector is also estimated to remain resilient following a buoyant 2018.

In the medium term, Seychelles economic growth is anticipated to remain stable with growth averaging to around 3.5 per cent. This is conditional on stable domestic and international factors. Any major shift in these factors can easily influence growth. This mainly include changes in fuel as well as commodity prices and any major crisis in key markets. Mr. Speaker, it is worth to mention that the international fuel price has a direct impact on the cost of living. Medium term growth will be mainly driven by Tourism activities, Information and communication, Financial and insurance activities as well as the Manufacturing and ‘Wholesale and retail’ sector.

## **2.2. Monetary sector**

In the first quarter of 2018, the cautious loosening of monetary policy stance was maintained as inflation was not forecasted to reach levels that would threaten the Central Bank’s primary objective. However, monetary policy has been tightened as of the second quarter of 2018, a position that the Central Bank has maintained for the remainder of the year in a bid to mitigate forecasted inflationary pressures arising from both external and domestic developments. In line with the tightened policy stance, effective April 01, 2018, the interest rate corridor, was revised

upwards whereby the standing deposit facility rate, or floor, was raised from 1.0% to 2.0% while the standard credit facility rate, or ceiling, was increased from 6.0% to 8.0%.

Inflation in the second half of the year has been impacted by seasonal effects, key of which being fish prices, albeit with price pressures dampening following a slowdown in the rate of depreciation of the Seychelles rupee. As at September 2018, year-on-year and annualised inflation stood at 3.3% and 3.7%, respectively.

Going forward, imported inflationary pressure is anticipated in view of higher forecasted global commodity prices and sustained domestic demand. The Central Bank remains committed to its primary objective and stands ready to adjust policies to ensure domestic price stability.

### **2.3. External Sector**

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

As at October 26, 2018, the total value of the country's earnings in foreign exchange or inflows into the banking system stood at US\$511 million, an increase of 13 per cent relative to the corresponding period of 2017. These primarily represent the contributions from the tourism and fisheries sectors. During the same period, total demand or outflows stood at US\$499 million or an increase of 11 per cent. An important share of such demand includes that for the importation of fuel as well as basic commodities.

With regards to the total value of the country's official level of international reserves that are managed by the Central Bank, this stood at US\$555 million or equivalent to 3.8 months of imports of goods and services.

### **3. 2018 BUDGET PERFORMANCE**

Mr. Speaker, Government is forecasted to end 2018 with a primary balance of SR 657.4 million or 3.0% of GDP compare to the original budget which was SR 553.6 million or 2.5% of GDP.

As a whole, tax revenue has performed well so far in 2018 with collections up to August standing at 2.6 per cent higher than over the same period in 2017. Total receipts at the end of August stood at SR 4.5 billion accounting for 20.6 per cent of GDP. Tax revenue collections excluding social security tax arrears are estimated to total SR 7.19 billion in 2018.

In comparison to the more optimistic mid-year Budget revision based on receipts up to June 2018, the end of year estimate has been less positive with a 0.6 per cent or SR 42 million reduction to reflect continued under-performances in some lines. This, however, still represents a sizeable increase over the initial Budget estimate of SR 6.85 billion. Further shortfalls under Business tax, which has proven to be less buoyant than in 2017, as well as Excise on imported goods, most notably alcohol, are the main drivers for this downward revision. Stronger than expected Domestic VAT receipts, driven by stronger collections from the tourism sector which is consistent with

overall earnings growth as previously mentioned, with positive upside, and a higher outlook for Income tax given certain expected arrears, have done much to offset these under-performances.

Mr. Speaker, we have requested two supplementary budget during the year 2018. The first one was an increase of SR 218.8 million in spending. The second one was a net spending of only SR 196.9 million when we take into account the budget savings for the year.

#### **4. PROJECTIONS FOR FISCAL YEAR 2019**

##### **4.1 Primary Objectives**

The principal objective of Budget 2019 is to :

- Consolidate our fiscal position to attain a primary surplus of 2.5% from 2019 to 2021
- Honour our debt obligations and ensure the total public debt is reduce to below 50% of GDP by 2021
- Consolidate the social program of Government
- Invest in infrastructure to support economic growth
- Invest in programs and projects that will improve the lives of our citizens

##### **4.2 Revenue**

Mr. Speaker, in 2019, we are projecting to collect a total revenue including grants of SR 8.95 billion from SR 8.83 billion in the 2018 revised budget. Of this, SR 7.5 billion will be tax revenue, which represents 84% of the total revenue collection. A total of SR 1.25 billion is forecasted for non tax revenue and SR 209.2 million as grant receipts.

##### **4.3 Government Expenditure**

For the year 2019, the Government is proposing an appropriation bill of SR 8.46 billion compare to an original appropriation act and the 2018 supplementary motions which give a total revised 2018 expenditure of SR 8.35 billion. This represent an increase of only SR 112.3 million or 1.3% on the revised 2018 expenditure.

Mr. Speaker, the total budget for the Education, Health and Family Affairs portfolios represent SR 3.5 billion or 41.9% of the total appropriation bill. This shows the Government commitment towards access to Education and health care.

Mr. Speaker, before I start I want to highlight again that on the 11<sup>th</sup> of October 2018, the World Bank has published for the first time a Human Capital Index. This index looks at countries and sees whether the country makes available the conditions that will allow its families to flourish. Do the children born in a country have a good opportunity of succeeding and of meeting their full potential? By looking at health, education and adult survival rates, it assesses the likelihood that a

child born in a country will live to realise their full potential. Whether they will live long enough to reach the potential that they would have reached if they had complete education and full health.

Whilst most indices take a look at what a country has achieved, this index compares what the country does achieve to what it could have achieved. Seychelles has come out 43<sup>rd</sup> of 157 countries. We are first in the region and first in Africa. The next African country is in 52<sup>nd</sup> place. Our score of 68% means that each new born has a 68% chance of reaching their full potential as an adult. In Singapore, the country which came out first on this index, this figure is 88%.

This shows the Government spending in these sectors have shown results. However, we need to do more to ensure there is more efficiency and more results that directly have an impact on our people. Mr. Speaker, in addition, the Government has started work to relook on its current model in these three sectors to ensure that:

- It is link properly with the labour market
- The costs of ageing are manage prudently and
- Ensure the fiscal costs of the health sector and Agency of Social Protection are sustainable over the medium term

Mr. Speaker as part of the previous announcement, the 2019 Budget will not include the budget for three Government entities. The Seychelles Fisheries Authority (SFA) and the Seychelles National Parks Authority (SNPA) will be operating off budget from 2019. The Public Enterprise Monitoring Commission will have the oversight role on these two entities from January 2019. However, as part of Net Lending vote a total of SR 28.15 million and SR 10.27 million has been allocated for SFA and SNPA respectively as a temporary advance during the first six months in 2019. This will be repaid in full during the year 2019. In addition, SR 47.5 million is budgeted as dividend to be disbursed by SFA.

Mr. Speaker, SR 32.7 million was allocated for Small Business Finance Agency (SBFA) during 2018. As part of the structural reform, for the 2019 budget, SBFA will no longer exist as a separate entity. Government will create a Small and Medium Enterprise Development Fund under Development Bank of Seychelles (DBS). As at 31<sup>st</sup> of October 2018 the bank balance of SBFA is SR 46.3 million. Therefore, for the 2019 budget, no funding has been provided for SBFA. However, the funds from the bank balance will be transferred into that fund at DBS. From 2020 onwards, Government will allocate SR 20 million per year to the new fund at DBS. Mr. Speaker, the current employees of SBFA will have the option to either transfer to other Ministries, Department and Entities or absorb by DBS into the new portfolio.

Mr. Speaker, during 2019, Government will continue to assess other areas where there could be costs savings measures that can be introduced with the aim of diverting funds into more priority programs.

Mr. Speaker, at present the Environment Trust Fund and Livestock Trust Fund are revolving funds, which are used to finance projects being undertaken by Ministry responsible for Environment and by Ministry responsible for Agriculture respectively, through a separate operating and trading account aside from obtaining budgetary assistance for public sector investment projects. The two funds are managed by a Board.



However, from the January 2019, the Environment Trust Fund and Livestock Trust Fund will be included as part of the budget process.

The Livestock Trust Fund will be allocated under the Seychelles Agriculture Agency budget to be used for capital projects, assistance that will directly benefit farmers as well as funding towards the Agriculture Development Funds under DBS, particularly in line with the following objectives of the fund;

- the research, development and capacity building of the agricultural sector;
- the building of roads, irrigation, water storage and drainage systems for farmers;
- the insurance schemes for farmers;
- part of the slaughtering costs of the abattoirs;
- the government with funds for the Agricultural Development Fund

For, Environment Trust Fund, the projects will be funded under the Department of Environment public sector investment plan. The objectives of the different projects and programs should be as follows;

- to carry out programmes to prevent and reduce pollution;
- to promote environment education and research;
- to clean and beautify Seychelles;
- to do such other things as may be necessary or conducive to the protection, preservation or improvement of the environment.

In addition, going forward, Government will assess other funds, which their revenues are being sourced into trading and operating accounts as well, to determine feasibility of also applying the same mechanism.

Government will be receiving a grant from the Indian Government of SR 602.6 million to build 27,379 square metres of office space to accommodate several Ministries, Department and Entities. We anticipate that this project will start in late 2019 and we expect a savings of around SR 50 million per year in office accommodation once the project is completed. The offices that Government are currently using will be available to the private sector and we hope that the rental rate will come down.

#### **4.3.1 Wages and Salaries**

Mr. Speaker, for the 2019 budget, SR 2.67 billion has been allocated to Wages and Salaries which represents 11.3% share of total GDP forecasted. The total wages and salaries represent 31.5% of the total Appropriation Bill.

Mr. Speaker a total of SR 58.5 million is allocated for revisions or introduction of Schemes of Service.

The following scheme of service will be revised from January 2019;

- Retention allowance for Dental and Allied Professional, Health Care Assistant under Public Health Authority

- Doctors revision in supplementation and risk allowance
- Allowances for Library and Archives employees at the Department of Culture
- Road Transport Officers
- Seychelles Revenue Commission adjustment in Basic Salary
- Agency for Social Protection welfare officers
- Veterinary Officers at the National Biosecurity Services
- Department of Employment
- Brassband at the Department of Defense
- Research Officers cadres for all Ministries, Departments and Entities

The following scheme of service will be revised from July 2019;

- Department of Police
- Seychelles Fire and Rescue Services Agency
- Department of Prison Services
- Department of Foreign Affairs Diplomatic Cadre for Headquarters staff
- Attorney General Office

Mr. Speaker, the full year implications for the following scheme of service that has started the implementation during the year 2018 but was not originally in the 2018 budget;

- IT Support Cadre
- Stores and Asset Management Cadre
- Personal Assistant
- Legal personnel for all Ministries, Departments and Entities

Mr. Speaker, during the 2018 budget, Government announced for the introduction of a long service allowance during 2019. The Government will introduce a long service allowance for the public sector non-contract employees from July 2019 as follows:

<i>Number of Years in Service</i>	<i>Monthly Allowance in Seychelles Rupees</i>
<i>5 to less than 10 years</i>	<i>500</i>
<i>10 to less than 15 years</i>	<i>1,000</i>
<i>15 to less than 20 years</i>	<i>1,500</i>
<i>20 to less than 25 years</i>	<i>2,000</i>
<i>25 to less than 30 years</i>	<i>2,500</i>
<i>30 to less than 35 years</i>	<i>3,000</i>
<i>35 to less than 40 years</i>	<i>3,500</i>
<i>More than 40 years</i>	<i>4,000</i>

This will cost SR 50.6 million in the 2019 budget and SR 101.3 million in the 2020 budget. Mr Speaker, this will ensure that staff with more experiences in the Public Service will be compensated for the vast experience. Mr. Speaker, 5,530 staff will benefit on this new incentive and this represents 53% of the total Government workforce. From the total eligible staff for 2019, 69% will receive either SR 1,000 or more than that. The new allowance will also be applicable to the non-core staff like security officers, cleaners cooperative and other maintenance staff working full time on a contract with Government. 382 non-core staff will be receiving this new allowance.

Mr Speaker, Government employed 10,351 staff as per the August 2018 payroll. In addition, the average earnings in the Government sector is SR 14,598 compared to SR 11,318 in the private sector as per the 2018 quarter two National Bureau of Statistics published statistical bulletin. In the same report, it is highlighted that 64% of the total workforce is working in the private sector compared to 21% working in the Government and 15% in the State Owned Enterprises.

Mr. Speaker, President appointed a committee on the 5<sup>th</sup> of January 2018 to review the Public Service Salary Act, 2013. The committee proposed a 5% salary increase on the base pay as per the Public Service Salary Table. Government has approved their recommendation and this will be implemented from July 2019. A budget provision of SR 42 million has been allocated in the 2019 budget.

Mr. Speaker, I want to re-iterate that as part of the Progressive Income tax system, 54% of the Seychellois workforce are not paying any income tax since the first SR 8,555.50 are exempt from income tax and currently there are 13 exempted emoluments and some of the exempted emoluments are as follows:

- a) All compensation payments,
- b) All Gratuity payment for long term services
- c) A bonus not exceeding an amount equal to 1/12<sup>th</sup> of the Annual Basic salary
- d) Thirteenth month salary as per the Employment Act requirements
- e) An end of contract payment limited to 15% of the Total Basic salary earned during the period under contract,
- f) Service Charges, and
- g) And Overtime payment as per the Employment Act requirements

Mr. Speaker, Government has decided to include allowances such as inducement allowance as per respective scheme of service in the calculation of end of contract payments as of 2019. This will however not include periodic allowances and marketable skills allowances. A provision of SR 5 million has been catered for this in 2019.

#### **4.3.2 Expenditure in Key Sectors**

Mr. Speaker, in 2019, a sum of SR 2.82 billion is allocated for Goods and Services and SR 884.7 million is allocated for Capital Expenditure. The total spending under Goods and Services represents 33.3% of the total appropriation bill or 12.0% of GDP. Whereas, the total spending under capital expenditure represents 10.5% of the total appropriation bill or 3.8% of GDP.

Mr. Speaker, apart from the capital expenditure allocated for Ministries, Departments and Entities, there are an allocation of SR 123.1 million and SR 296.4 million allocated under Development grants and Net Lending for Public enterprises respectively. Thus in total this represents an additional of 5.0% under appropriation bill or 1.8% of GDP for capital investment for Public Enterprises.

#### **4.3.2.1 Education**

Mr Speaker, a total of SR 1,044 million is allocated for the education sector, which represents 12.1% of the total appropriation bill or 4.5% of GDP. 47% of the total expenditure in the education sector is in wages and salaries since the education sector employed 2,461 employees, which represent 23.8% of the total workforce in the public service. In percentage terms, it represents 18% of the total Government wages and salaries.

Mr. Speaker a total of SR 262.3 million has been allocated in Goods and Services for the Ministry of Education and Human Resources Development. The main spending under Goods and Services are as follows:

- Purchase of Text Books SR 1.5 million
- Exam Costs SR 11.1 million
- Purchase of Stationery SR 3.5 million
- Purchase of Uniforms SR 3.3 million
- Renting of Accommodation for the expatriates teachers SR 43.2 million
- Procure security services SR 34.3 million
- Procure cleaning services SR 44.1 million
- Providing school meal services SR 13.5 million
- Training of teachers SR 9.7 million

Mr, Speaker, the Department of Information Technology and Communication in partnership with Seychelles Cable System Company and the three operators (Cable and Wireless, Airtel and Intelvision) and the Ministry of Education and Human Resources Development are providing substantial internet bandwidth to all state Primary and Secondary schools. This is inclusive of the required network management services and the provision of WiFi access in all schools. All state primary and secondary schools are benefiting from this service except for 4 schools where civil works are required to connect them to the service. It is expected though that these schools will also have service by the end of the year. The provision of these services are at no cost to the Ministry of Education and Human Resources Development. The different parties and the Ministry signed the Memorandum of Understanding associated with the provision of these services in February 2018.

Mr. Speaker a total of SR 90.1 million has been allocated under the capital projects for the year 2019 for the Ministry of Education and Human Resources Development. The main provisions for the year 2019 for the capital projects will be as follows:

- The reconstruction of the La Rosiere Primary school SR 15.0 million
- Ile Perseverance second Primary school SR 15.1 million

- Rehabilitation of Anse Royale primary school SR 6.8 million
- Rehabilitation of Belonie secondary school SR 8 million
- Rehabilitation of Grand Anse Praslin secondary school SR 2.5 million
- The reconstruction of the La Digue school will start in 2019 and a provision of SR 5 million has been allocated for the year 2019.
- Construction of a new school for business studies and arts & design SR 18.9 million. This project is being financed by the Chinese Government as a grant.
- The renovation of the Anse Royale Youth hostel SR 4 million.

Mr. Speaker it is to be noted that a total SR 12.4 million has been allocated under the first phrase of the SR 35 million being financed under the Small Development Projects by Indian Government as per the Memorandum of Understanding that was signed between the two Governments during the President Danny Faure state visit in India in June 2018. These projects are as follows:

- Renovation work of the Anse Boileau secondary school SR 2 million
- Renovation work of the English River secondary school SR 2 million
- Renovation work of the Grand Anse Praslin Primary school SR 0.9 million
- Renovation work of the Mont Fleuri secondary school SR 2.5 million
- Renovation work of the Plaisance Primary school SR 2 million
- A provision of SR 3 million for procurement of chainlink fence for state schools

#### **4.3.2.2 Health**

In the health sector, today's priority is to address the communicable diseases and non-communicable diseases, which are affecting our country. Hepatitis C, cardiovascular, diabetes, and cancer are a few example. We will only be able to overcome these challenges if we intensify the prevention programs to change our lifestyle, increase the number and quality of human resources in the health sector, and investing in a modern health system at all level.

Mr. Speaker, for the year 2019 a total of SR 1,024.5 million has been allocated for the health sector. For the first time the budget will be above 1 billion. Most of the spending for the health sector is in Goods and Services with a total of SR 460.8 million which represent 45% of the total spending in the health sector. This represents 16% of the total Government spending in the Goods and Services. Mr. Speaker, 72% under Goods and services are as follows:

- Procurement of Dugs supplies SR 53.1 million
- Procurement of Vaccines Supplies SR 3.8 million
- Procurement of Laboratory Supplies SR 20.8 million
- Radiology SR 6 million
- Hemodialysis SR 55 million
- Entomology SR 57.9 million
- Procurement of other Medical and Laboratory supplies SR 7.2 million
- Specialized Overseas Treatment SR 40.6 million
- Renting of Accommodation for the expatriates health professional SR 27.6 million
- Procure security services SR 16.0 million

- Procure cleaning services SR 5.3 million
- Provision of food and rations SR 26.1 million
- Procure of laundry services SR 7.0 million
- Training of health professional SR 5.3 million

The plan to invest in a health information system, which will cost million of rupees is progressing as plan. We expect to launch this project in the coming months and we will continue to invest further during 2019. A good health information system, will help the health sector in becoming more effective in managing its current resources and it will assist the sector in the way its address the prevention program and treatment of diseases. The project has been tendered and a total of SR 36.6 million has been allocated for the year 2019.

Mr Speaker, the Hospital Master Plan is in progress. A total of SR 45.7 million and SR 10.6 million has been allocated under Health Care Agency and Public Health Authority respectively for the other capital projects. The main allocations in the 2019 budget will be as follows :

- Conversion of the Diagnostic Centre into a clinical laboratory SR 5 million
- Construction of the La Digue Logan Hospital SR 5.6 million
- Construction of the Baie Lazare Health SR 5 million
- Renovation of the Baie Ste Anne Hospital SR 1.5 million
- Construction of new Anse Royale Outpatient Unit SR 2 million
- Construction of the Isolation Unit SR 7 million
- Construction of the Public Health Laboratory SR 3.6 million
- Purchase of ambulances SR 3.3 million

#### **4.3.2.3 Agriculture**

The agricultural sector is one of the most important pillar of the economy. Over the years some actions have been taken but they were not necessarily targeted towards increasing local production. Mr. Speaker, SR 115.9 million has been allocated in the 2019 budget for the agriculture sector. As part of the comprehensive plan for the agriculture, the Ministry responsible for the agriculture sector has announced new initiatives.

Mr. Speaker, one key project that has been completed during 2018 is the Agriculture new diagnostic centre situated at Grand Anse Mahe. The centre is equipped with various specialized equipment to facilitate research on plants, soil and animals and to timely detect diseases and pests that affect the agriculture sector which can consequently have an impact on the country's economy.

The diagnostic centre consists of various laboratories which will serve different purposes including entomology, bacteriology, parasitology, serology and molecular biology.

The Agricultural sector presently benefits from several incentives, especially tax concessions on importation of equipment. The producers are not necessarily obtaining any incentives regarding the recurrent inputs in the production of chicken especially feed. Therefore, the farmers will start to receive the financial subsidies to assist in curbing their cost of production. The new plan to increase pork production will be as follows;

- i. The present concession of SR 4 per kg of chicken slaughtered is maintained. Farmers are presently paying SR 7 per kg of chicken as slaughtering fee to the abattoir.
- ii. A further incentive of SR 2.30 per kg of chicken meat is given to farmers to allow for subsidy on the feed. It is established that the total cost of feed to the farmers account for 65 percent of their total cost.

Similarly to poultry, the pork production is facing serious setback since 2008. Up to the year 2007 the country was producing over 50 percent of the consumption. After 2007 it decreased constantly and settling at around 30 percent of national consumption. Today, the sector produces only 429 tons of the total demand of 1,562 tons, thus 27 percent. There are 52 legal pig producers. The Ministry will carry out an assessment and the management of existing farms to ensure the realization of the set target of 50 percent of local pork production over the next 3 years.

- i. Those who are in financial difficulties will be called in and a plan will be agreed on.
- ii. The farms that are in an abandoned state will be taken back by the government.
- iii. Based on calculation, the pork producers make a meagre 4.10 percent of profit. The Ministry believes a reasonable profit margin should be 15 percent. In order to achieve that:
  - The government will maintain the financial assistance of SR 200 per head as slaughtering fee at the abattoir.
  - The highest cost factor to the production of pork is feed, amounting to around 65 percent. The Government will give an incentive of SR 6.50 per kg of pork produced to each farmer. This is equivalent to 15 percent subsidy on the cost of feed.

Praslin will also benefit with a red meat abattoir for which an amount of SR 2.5 million has been budgeted for this year.

The condition of the present abattoir on Mahe is posing a lot of difficulties to the producers. Certain markets cannot be penetrated because of the inadequacies of the abattoir. The Government will continue with its plan to build the new central red and white meat abattoir at Montagne Posee. It has been approved that the Government will fund the building at SR 15 million and the EU fund will provide equipment worth Euro 180,000.

The Ministry will aggressively promote the use of tropical green houses for the production of crops. The green houses have proven itself in the country as farmers will be able to enjoy relatively same production all year round. It is estimated that a green house of 500 square metres will cost SR 200,000. In addition, the Ministry has identified 100 potential farms for the immediate erection of shade houses and we expect increase in production.

Mr Speaker, the Government has also established that in order to achieve its objectives, it will need to bring in new technology such as hydroponics and an assessment has already been made to allow for two such technologies. One such facility is presently being installed at the Research Centre at Anse Boileau for research purposes.

The Seychelles Agricultural Agency will ensure that agriculture input supplies are consistent in quality and quantity to meet all farming requirements. This will necessitate improvement on existing infrastructure such as the bulk store and sale outlets.

Mr Speaker, under the capital projects the following projects will be financed for the year 2019 for the agriculture sector:

- Building for Vet Quarantine SR 3 million
- Construction of research building at Anse Boileau SR 4.5 million
- Livestock Trust Fund projects SR 17.6 million

In addition SR 3 million from the 2019 budget and SR 17 million from the SBFA funds carried forward will be allocated to DBS for the Agriculture Development Fund.

Mr. Speaker, as already announced the gainful occupational permit fees of SR 500 per month will be SR 250 per month for the agriculture sector.

Mr. Speaker, no plan will be realized without proper backbone of human capital, research and development. The Agricultural Institute of Seychelles is a new initiative. The present Seychelles Institute of Agriculture and Horticulture trains only “farmhands”. It is for this reason why it has not been attractive to more students of greater academic acumen. The new Agricultural Institute of Seychelles will have the following main objectives:

- i. Train students for various fields of agriculture including, crop production, animal husbandry, horticulture and farm management.
- ii. Students will acquire a knowledge ready to study at University level.
- iii. Carry out research as the present Research Section of the Seychelles Agricultural Agency will be part of the institute.
- iv. All the techniques of crop production such as hydroponics, tropical green house and others will be taught.
- v. The Agricultural Institute of Seychelles will benefit from all other international support which the agricultural sector is presently benefitting from.
- vi. Funds for the Institute are already available through a loan of US\$3.7 million from the Kuwaiti Fund for the construction of such an institute.

#### **4.3.2.4 Land Use and Habitat**

In line, with the Government’s commitment to ensure housing is more accessible with all of our population, this budget has made provision for not only more houses, and infrastructure to make land available, but also more human resources will be available for this Ministry, which include the scheme of service which have started the implementation since 2018. This will complement the work that the Ministry has done and currently doing, to ensure its policies are more transparent and thus, more comfort that the resources that have been made available to the Ministry has been well managed and attaining to its objective.

Mr. Speaker, a total of SR 161.4 million has been provided under the 2019 budget for the different land and housing projects. During the year 2017, Property Management Company (PMC) signed



a loan of SR 150 million with SPF and PMC expect to raise another SR 200 million from the financial market during the last two months of 2018. This will ensure that the land and houses target are achieved in the next three years. From all the finances described above, Government expect to deliver 143 and 72 plots of land in 2019 and 2020 respectively. In addition 406 and 32 houses in 2019 and 2020 respectively.

Mr. Speaker, Government has been looking on the different option of ensuring that there are more houses being built in the next six years. As part of the process, Government has engaged with the Government of India to finance the construction of 3,000 houses through a special purpose vehicle. The special purpose vehicle will be created under PMC. The total indicative project cost for the 3,000 houses is SR 3,026 million. The financing from the Government of India will be through a mixture of loan and grants. There will be a grace period of 5 years for the repayment of the loan. The SPV will repay the loan over the years without Government intervention. From this facility, we expect 558 and 506 houses will be available in the years 2020 and 2021 respectively.

Mr. Speaker, SR 102 million that was announced this year a grant from Chinese Government will also be used for housing projects.

#### **4.3.2.5 Local Government**

Mr. Speaker SR 57 million and SR 52.1 million has been allocated under the Local Government Goods and Services and Capital Projects respectively. SR 18.8 million and SR 6.9 million allocated in the year 2019 under goods and services are for procurement of security services and maintenance services respectively. In addition, an allocation of SR 4.2 million has been allocated to Local Government for different activities and programs in the districts as follows;

- i. SR1.2 million towards the Animateur Scheme: The Scheme is aimed at the identification of potential resource persons interested in developing specific programmes at local level for the benefits of community members.
- ii. SR 3 million towards the decentralised Activities: In partnership with other Agencies bring more activities and events at community level.

Mr. Speaker, there have been seven regional councils that were launched in July 2018. A provision of SR 4.6 million has been made in the 2019 budget for the payment of monthly allowances to the seven chairpersons and forty two councillors and SR 772,464 for employment of seven senior office assistants.

The main projects being financed under capital projects are as follows:

- SR 30 million for district small projects
- SR 5 million for extension of Districts Administration office for regional centres
- SR 5 million for upgrading other Districts Administration office

Mr. Speaker it is to be noted that a total SR 11.6 million has been allocated under the first phase of the SR 35 million being financed under the Small Development Projects by Indian Government which will start in late 2018. In the second phase, which will start in the first half of 2019, there

will be other projects that will be financed including the construction of a Day Care Centre at Ile Perseverance.

#### **4.3.2.6 Family Affairs and Social Development**

Over the years, the Government has hold true to its promise to the people to ensure good education, good health and a good standard of living. However, there is a need to view the social sector with a new perspective.

The social challenges we face today are multi-dimensional. They arise not because of poor education system, nor lack of a good health care system but rather through diverse sub-cultural trends and tendencies that have slowly eroded our social fabric. Seychelles as other countries throughout the world have seen its traditional social pillars eroded.

We know from the last census that 75% of households have 4 or less family members. Who looks after the children if the parents are working and grandparents are far away? This is where we must put in place programmes for children, to provide them with supervised opportunities for growth instead of the dangerous freedom to self-destruction.

The new thinking is to move away from the curative/crisis management/band-aid approach to a more proactive and preventive strategy to address social change. The envelope proposed for the social sector reflects the programmes and services that each ministry have incorporated into their Strategic Plans. There is a need for this sector to have a more coordinated approach in responding to issues affecting our society and families by putting much more resources on prevention and effective programmes.

Government takes cognizance of the need to increase trained social workers, counsellors, and other cadres in the psychosocial field to deliver programmes to pull those who have fallen through the crack and get them to be economically active and productive in society. Revision of schemes of service across the social sector is another step taken to address staff retention and better remuneration package.

The Government recognizes the need to invest heavily in social programmes that will make a difference and in the right services and infrastructures. The vision is to see a performing social sector so that in the long run we can be a country that creates employment and economic opportunities for most of our school leavers and job seekers instead of relying heavily on foreign workers.

Mr. Speaker, another challenge that Seychelles is facing is our demography of our population. Currently our population is made of 22.4% of people below 15 years old and 8.1% of people above 65 years old. But this will be reverse in another 30 years where 16.8% of our population will be below 15 years of age and 19.9% above the age of 65. There is a fiscal costs of this trend and we need to ensure proper policies are put forward to ensure that the country can overcome this challenge.

Mr. Speaker, “The Maison troisieme Age” was one of the many recommendations made by the Senior Citizens associations. Government has finalized the concept with the senior citizens group

and private partners. The project is to be located at Ile Perseverance. The project will start in 2020. All CSR contribution from the Public Enterprises will be used to construct this facility. We expect that the total project costs will be SR 22.7 million. Once completed, based on the business plan of the project, it will be self-finance.

#### **4.3.2.7 Youth and Sports**

Mr. Speaker, 34% of population is under the age of 30. Hence, the youth remains a vital sector of the society that cannot be overlooked. Allocation of budget for the youth is scattered under several ministries, departments and agencies. Whilst the Seychelles National Youth Council is the main body to implement the newly revised National Youth Policy, empowering the youth will remain the focus for the year 2019. A provision of SR 2 million has been allocated for the different youth programs for 2019.

Sports are embedded in the Seychelles culture as a mean to enhance healthy living and develop physical and sporting skills in order to bolster personal, social and personal development. Mr. Speaker to ensure that this happens; the main emphasis in 2019 will be to decentralize sporting activities and bring sports to the districts and regions for the greater benefit of the populace.

Mr. Speaker, we all know how the good performance of our athletes instils pride and foster unity among our people. Government will need to invest for the preparation and participation of Team Seychelles in the Indian Ocean Island Games to be held in Mauritius in 2019. During the year 2018, all Corporate Social Responsibility Tax contributions from our Public Enterprises were used to finance the housing projects. During the year 2019, the same collection will be done from the Public Enterprises and the funds will be used for the preparation of our athletes in the Indian Ocean Islands Games. Thus, a total of SR 24 million is anticipated for the Indian Ocean Island Games preparation and participation. This will complement the SR 10 million that was allocated in 2018. Additionally, a sum of SR 4.5 million has been budgeted for the 2019 All Africa Games.

Mr. Speaker, Government will continue to support the Contribution to sport federation and sport clubs with an allocation of SR 3.2 million.

#### **4.3.2.8 National Security**

The Department of Police has been allocated with a budget of SR 405 million. Mr. Speaker, Government with the assistance with the Government of India will finance a Police Headquarters building at Ile Du Port. This facility will be occupying 100 employees and it will include the Forensic Laboratory. The main allocations for the 2019 budget in the capital projects, are as follows;

- Renovation of the La Digue Police Station SR 3.5 million
- Upgrading of other Police Stations SR 2.1 million
- New Police Academy SR 1.1 million

During the year 2018, procurement was done for fingerprint Equipment, Chemicals, and Equipment for the Crime Laboratory.

Mr. Speaker, external threats to our small island nation which impose serious challenge to our sustainable development is an insecure environment due to Illicit drug trafficking, illegal and unregulated fishing activity and piracy, all of which adversely affect the pillars of our economy. Since the threats are unconventional, the Department of Defense requires national support and holistic approach to operate in synergy with SMSA, SCAA, SFA, Police and the Ministry of Health. The Department of Defense will receive an allocation of SR 316.3 million for the 2019 budget.

Mr. Speaker, a major project that Government will start in 2019 is the Biometric Passport system. The existing system analysis conducted on the current National Passport Issuance System has indicated that the system has become very old. Most countries have moved to or is in the process of transiting to e-passports. It is expected that the transition to e-passports to ensure cross border security will become a mandatory requirement by ICAO (International Civil Aviation Organisation). As thus, the Department of Immigration will start developing a new passport system for the Seychelles that will have the enhanced security features and which will also contains an embedded chip that store biometric information as per ICAO standards. The budget provided for the year 2019 is SR 16.5 million for the project.

#### **4.3.2.9. Attorney General Chamber**

A provision of SR 33 million has been allocated for the Attorney General's Chamber for 2019. This is significant increase compare to SR 25.4 million in the 2018 revised budget and SR 19.1 million in the 2017 actual spending. The Attorney General's Chamber has been allocated funding to recruit a total of 10 additional posts in drafting, prosecution and litigation. Mr. Speaker, Government will receive a grant from the Indian Government for the construction of a new office block for the Attorney General Chambers on Ile du Port. The proposed office block will have a total built area of 4,157 square metres, which will allow the Attorney General Chamber to have sufficient space for its future needs and the location will be more convenient since it be will closer to the main courts for more efficient delivery of its services.

#### **4.3.2.10. Constitutionally Appointed Authorities and Statutory Bodies**

Mr. Speaker a total of SR 172.3 million has been allocated for the constitutional appointed authorities in the 2019 budget compare to SR 146.4 million in the revised 2018 budget and SR 119.4 million in the 2017 actual spending. The allocations will be as follows:

- The Judiciary SR 94.5 million
- The Legislature SR 43.1 million
- Office of the Auditor General SR 20.5 million
- Office of the Ombudsman SR 3.7 million
- Office of the Public Service Appeals Board SR 1 million
- Constitutional Appointments Authority SR 2.1 million
- Electoral Commission SR 7.5 million

Mr. Speaker, SR 1 million has been allocated for the Seychelles Human Right Commission. The Anti-Corruption Commission has been allocated SR 14.2 million in the 2019 budget compare to SR 12.3 million in the 2018 revised budget and SR 7.0 million the actual 2017 spending.

## **5. Development in Key Sectors**

### **5.1 Environment and Energy sector**

Protection of our environment remains one of the key of Government priority, and with the 2019 budget, Government will continue to invest SR 238.8 million to Landscape and Waste Management Agency to ensure a number of small contractors benefit from the cleaning contracts. In line with the Government waste management policy, the recycle activities and the investment for the removal of plastic products will be encouraged.

Government will continue in 2019 with its measures against using plastics products, for example on the 1<sup>st</sup> of January 2019, there will be a ban on importation and using plastic straws. By mid of 2019, people will start receiving refund of SR 1 on glass bottle. Early 2019, the Government intention to launch an expression of interest for any local or international companies to provide their idea on the waste to energy.

As a Small Island Developing State (SIDS), Seychelles has already embarked on the path to embrace renewable energy for its sustainable development. One important initiative to facilitate this process is the formulation and adoption of the Energy Act. So, the Energy Act has created a more dynamic market for stimulating energy efficiency and encourages the import of more efficient appliances into Seychelles. This has allowed the private sector to fully participate in the production and supply of clean and renewable energy. Individual is able to produce their own electricity using renewable energy technology.

Solar energy offers a clean, climate friendly and inexhaustible energy resource with an unprecedented opportunity to bring energy security to our peoples and improve their lives. Seychelles, therefore, has embarked on a serious solar energy implementation programme to help us achieve our target of renewable energy of 5% by 2020 and 15% by 2030.

To achieve these targets, we have launched the following important initiatives in 2018 and will continue in 2019:

1. ‘Smart Energy in Public Spaces’ programme of which the Government of India provided US\$3.24m to focus on installing rooftop PV solar panels on the State House, which houses the Office of the President, the National Assembly building, home to the country’s parliament, and the Palais de Justice which comprises the law courts, the three branches of Government will lead by example.
2. ‘SMART Energy in Homes and Businesses’ programme has also been launched where the Public Utilities Corporation has tendered two contracts to companies to build the first two solar farms on Ile Romainville. A 5MW PV solar farm financed by IRENA and the Abu Dhabi Development Fund. In addition, a contract was awarded to an Indian Company in January of 2018 for a 1 Megawatt solar photo voltaic democratisation farm. This is also

being financed by the generous grant of 3.4 million US Dollars from the Government of India. This project will provide free energy to 500 Seychellois families that are currently receiving social assistance from the Government.

Seychelles plans to light up the road network with LED lights with 9,000 lights of 22 – 30 watts and 1,000 lights of 140 – 150 watts. Further, about 5,000 – 10,000 lights would be required for replacement of the existing less efficient lights.

Public sector and the Government buildings use 4% of national electricity generated in Seychelles. In order to increase the renewable energy portfolio in the energy mix, Government has decided to set up roof-top solar PV units on 22 public buildings to a total capacity of 2.2 MW.

The two 1.0 MW solar PV plants to be installed on Praslin and La Digue Islands would be provided with energy storage facility to counter unexpected fluctuations in solar power generation and smoothen the power output.

Mr. Speaker, Seychelles Islands Foundation (SIF) installed PV on Aldabra Island 7 years ago. On the 1<sup>st</sup> of November 2018, President officially launched the renewable energy project on Alphonse island. This project has modern technology, which will ensure Alphonse island produce 90% of its energy needed on the island with solar. This will be managed by Island Development Company (IDC). IDC anticipate to install this project on other islands like Farquhar, Desroches and Astove.

PUC will be investing in some major projects in 2019 and over the medium term are follows;

- Two 8MW generator sets at Roche Caiman Power station
- 33KV Network at Ile Du Port
- Baie Ste Ane Power Station
- Water supply and network projects on Mahe, Praslin and La Digue
- Sewerage projects

## **5.2 Fisheries Sector**

Mr. Speaker, the Seychelles Fisheries Authority is to be renamed as Seychelles Fisheries Authorities and to operate as a Financially Autonomous Institution as from 1<sup>st</sup> January 2019. The entity will pay dividend to Government at the end of 2019.

Construction has started on Seychelles Fisheries Authority Research and Development Centre at Ile Du Port for an estimated project cost SR 30 million.

The authority will launch the Aquaculture sector plan and introduce the Aquaculture Regulations that establishes licensing and investment frameworks/ opportunities for locals and international investment. In addition, SFA will start Brood-stock Acclimatization Quarantine Facility Phase 2 at Providence Fishing Port and compassing a fish hatchery and office spaces at a proposed project cost of EURO 700,000.

Mr. Speaker, the main fishing ports development projects during 2018 have been as follows;

- The completion of the extension Providence Port Phase 2 – additional 200 m quay, shed, ice plant and access road.

- Completion of La Digue Fish Market and Gear store
- Construction of fish processing and value addition facilities for tuna and tuna like species at Providence fishing port and Ile du port.
- Starting of operations for Bel Ombre processing plant and value addition facilities for artisanal fish and fish products.

In addition, SFA will explore the potential for the development of dedicated industrial long line fishing port and its on-shore support facilities. In regards to Praslin, SFA has initiate the development project for artisanal fisheries infrastructure facilities at Baie Ste Anne and Grand Anse Praslin.

Mr. Speaker, the development of seafood value chains is expected to deliver long-term growth, jobs, and food security. However, the expansion and diversification of value chains must be aligned with improved governance to prevent changes in demand or price signals translating into greater pressure on marine resources and ecosystems. To achieve this complementarity, categories of investments in the seafood value chains are dependent on milestones being met in fisheries management and marine spatial planning

The expansion of seafood processing facilities has been a strategic focus area since 2007. New facilities at Providence and Bel Ombre have created added capacity for the processing of semi-industrial and artisanal catch, and an emerging opportunity to handle purse seiner bycatch. The newly commenced development of the Common Central Cold Store (CCCS) at Ile du Port substantially will add to the services offering with facilities to sort, store and tranship 12,000Mt of industrial fisheries catch and value-add a further ±4,800Mt.

### **5.3 Employment Sector**

Mr. Speaker, the unemployment rate remained below 5 per cent and in first quarter 2018 it was 4.2 per cent similarly to first quarter 2017 at 4.7 per cent. To note the average national unemployment rate for the year 2017 was 3.9 per cent with females' unemployment rate being slightly higher at 4.0 per cent compared to males at 3.9 per cent.

There has been a decrease in the youth unemployment rate which was 11.3 per cent in Q1 2018 compared to 12.7 per cent in first quarter 2017. As at second quarter 2018, there were 448 graduates from the Professional Centres out of 661 registered (68%) under the My First Job scheme, who have been placed in employment in various sectors of the economy.

The Department of Employment has continued to enrol unskilled and inexperienced young jobseekers on the Skills Development Programme. As at second quarter 2018, approximately 223 trainees were active on the programme including cohorts from 2016 to 2018.

As at second quarter 2018, there were 428 welfare recipients registered on the Unemployment Relief Scheme (URS), out of which 126 were placed in employment. A total of 30 employing organizations are registered under the URS.

Mr. Speaker the challenge remains the growth rate of the economy versus the supply of labour market. The Government, will ensure that the Seychellois receive the require skills so that they can be promoted where there is a foreigner in the post. I take the opportunity to remind the employers of the advantage of the tax incentives that exist today if they provide training to their employees.

#### **5.4 Micro, Small and Medium Enterprises (MSME) and Investment Climate**

Mr. Speaker, the Micro, Small and Medium Enterprises or MSMEs makes up more than 80% of the total number of businesses in Seychelles contributing to a spectrum of sectors from Child Minding Services to Creative Industries and Light Manufacturing activities. They are the major source of job creation in any modern day economy. There is no doubt that Government has always been committed to creating an enabling business environment for MSMEs through the establishment of various Agencies, Facilities, Financing Schemes just to name a few.

For the year 2018 the following support and initiatives have been furnished to this sector:

- *The establishment of the Enterprise Seychelles Agency or ESA to replace SENPA*; ESA is shouldering and elevating the responsibilities and functions of SENPA to meet the exigencies and realities of the MSME sector as well as, provide them with institutional support.
- *Provision of business training to an additional 300 entrepreneurs*; this has only been possible with the outstanding collaboration with, the African Development Bank, SENPA and the Guy Morel Institute. It is vital to note that this initiative brings us to a total of 800 trained entrepreneurs thus far. Efforts will continue to be made through the industrialization policy to enhance capacity and encourage MSMEs to go into manufacturing or higher productive activity, integrate production technology to drive the diversification of the economy, hence increase the share of the manufacturing output to GDP.

Mr. Speaker, Government continues its effort to put forward new initiatives for the MSMEs sector and in 2019 this will be as follows;

- The establishment of the Prompt Payment Policy and Bill; many businesses, particularly the MSMEs experience considerable difficulties from their customers failing to pay their purchases on time. Delaying payment puts financial pressure on MSMEs particularly, putting their liquidity and sustainability at stake. This policy and proposed law aim to promote best commercial transactions payment practices, improve cash flow between suppliers and purchasers in commercial transactions and instil more financial discipline in the national payment culture. The Bill will be presented to the National Assembly during 2019;
- Amendment of the Seed Capital Grant Scheme; Following a Monitoring and Evaluation exercise launched by the Department of Industry and Entrepreneurship Development, the Scheme has been further improved to make it a “walk in” Seed Capital Grant Scheme. A provision of SR 5 million has been allocated for the 2019 budget.



- The establishment of a Land Allocation points system for Industrial and Commercial Land: This points system ensures organized and better management of industrial and commercial land. It sets out Government's priorities and optimized land as a scarce resource.

Mr. Speaker, Government will allocate funds to the Industrial Estate Authority for the following investment;

- SR 8.8 million for the Infrastructure Development on Zone 20
- SR 5 million for the Infrastructure Development on Eve Island
- SR 2.2 million for Road Improvement on the Industrial Estates

During the year 2018, the Department of Investment has focused its attention on improving the Investment Framework to facilitate investment and business operation in the country.

One of the major milestone this year has been the launching of the Investment Policy. The principles driving the investment policy are:

1. Creation of a conducive and transparent environment to attract investment and operate businesses
2. Modernization of the legal framework for investment
3. Application of international best practices and standards for investment
4. Respect for the environment and sociocultural fabric of the country

Another important emphasis of the Department of Investment this year, has been the drive to review the procedures and requirements one needs to follow to start and eventually operate a business.

The intention is to now move the onus for compliance to the investor/operator. For this to happen, it is necessary that the person has access to the policies, laws, requirements and standards so that all plans may be designed in accordance with the same.

In this light, Government has revived the High Level Ease of Doing Business Committee, which is chaired by the Vice President and groups Ministers and representatives of the private sector. This committee looks at the plans of action of the related public agencies in relation to the eleven parameters used in the Ease of Doing Business Index as well as other business related matters.

The Department is also engaging the various regulatory bodies to review the actual procedures one follows to start a business with the aim of designing more direct and simple procedures thus allowing the starting of a business to be much simpler.

In addition, Government, with the Seychelles Chamber of Commerce, jointly held the Seychelles Business Forum, the recommendations from which have been presented to the Cabinet of Ministers. A committee has been established which made up representatives from the private sector to ensure proper follow up on the recommendations.

## **5.5 Information, Communication and Technology**

Mr. Speaker, over the past year, we have observed an increase in the usage in ICT services, especially data service on mobile and fixed network. We have noted that this year, both the operators are providing 2G, 3G and 4G mobile service to more than 90% of our population. We have seen further revision in the price of broadband services offered by operators. Thus, increasing the affordability, value, and choice of such services to customers. This is a positive trend. These are evidence of market forces at play, but it is agreed that more needs to be done to cater for especially for the lowest income earners of the population.

The Government will continue to facilitate the development of the ICT sector with the introduction of conducive policies and legislations and through engagement with all the stakeholders in the sector. The Communications Tower and Antenna Policy has recently been approved by Government and comes into effect. The policy will guide the installation of towers by operators, to facilitate sharing of those towers and mitigate some of the concerns that the general public has in relation to installation of towers.

In the coming months, it is anticipated that the Broadcasting and Telecommunication (Quality of Service) Regulation will be enacted. This regulation will set minimum standards, which operators would have to comply. Most importantly, it places obligations on the operators to publish information about quality of services offered to the public so that customers are well informed about the service quality offered by operators.

The Department of ICT and the mobile telecommunication operators has started the process to introduce Mobile Number Portability (MNP). The introduction of MNP is expected to catalyze competition among the mobile operators, increase consumer choice, improve customer service and network quality, drive innovation and efficiency, and eventually make mobile services more affordable. In addition, the offering of Mobile Number Portability will further enhance consumer's right.

Underpinning the development and performance of the telecommunications and broadcasting sector is the legislative framework. The new Communications Bill that will replace the prevailing Broadcasting and Telecommunications Act, 2000, is in its final phase of drafting. This legislation will provide for better oversight of the sector and encourage development and competition in the sector. It will also provide for the setting up of an independent regulator that will be separate from the DICT.

The country is also set to be connected by its second submarine cable in 2020. The signature of agreements and contracts between the Seychelles Cable Systems Co Ltd. or SCS (the SPV, Special Purpose Vehicle, put in place to build the first submarine cable) and Chinese companies involved with the PEACE system; means that Seychelles will be connected by a branch to the PEACE system which is set to become operational in 2020. Connectivity to PEACE will complement the connectivity provided by SEAS (current submarine cable linking the country). The second cable link will ensure the security of international connectivity of the country and mitigate significant negative economic impact that would otherwise result from any disruption in the operation of SEAS (e.g. a cable cut). The cost for this second submarine cable link is USD 20 million. As a

PPP initiative, SCS has been a successful one and it is now in a position to arrange the financing of this new project without having recourse to its shareholders for equity investment or security. The shareholders of SCS are Government, CWS and AIRTEL. It is to be noted that the second submarine cable was one of the national strategic infrastructure projects identified by the President in his SONA of 2017 and can now be considered will be achieved in 2020.

As part of its E-Government initiative; focus continues to be placed on putting in place the means for citizens and businesses to interface and transact through electronic channels with Government. The regulation relating affixing of digital signatures issued under the ETA (Electronic Transaction Act) was enacted in April 2018. This allowed the use of digital signatures and their legal recognition in Seychelles. In conjunction with the use of electronic payments means; this allows doe end-to-end electronic processing of services to be undertaken fully electronically and paperless. The processing of Planning Applications is the first service that is delivered end-to-end in this manner and which makes use of digital signatures. Several other applications and e-services are also being upgraded to support the use of digital signatures.

New systems along with their associated e-services are also being implemented and it is expected that some of the key ones such as the Collateral Register and the Credit Information system will be operational by the end of the year. The deliveries of these are aligned with initiatives supporting the ease of doing business.

Mr. Speaker, the World is changing fast into the fourth industrial revolution. Seychelles needs to create a dynamic environment that will ensure we have a digital economy that will embodies changes to its infrastructure, regulations, skills and finance. We need to ensure that we review our current planning process so that it incorporates digitalization in everything we do. Therefore, Mr Speaker, during the 2019, the Government and private sector will work together to have a Digital Economy Strategy in place.

## **5.6 Blue Economy**

The Government is now implementing the Third South West Indian Ocean Fisheries Governance and Shared Growth Project (SWIOFish3), following two years of project preparation. The SWIOFish3 project, which is financed by a \$5m World Bank loan and \$5.3 m GEF grant, is supporting Seychelles in strengthening its policy and governance framework for a transition to sustainable fisheries and the expansion of the fisheries value chains.

Mr. Speaker, I am pleased to announce that the world's first sovereign Blue Bond was issued by the Government and launched on the 29<sup>th</sup> of October 2018, with the proceeds to be used to support the objectives of SWIOFish3. The proceeds of the Blue Bond (\$15 million) will capitalise a Blue Grants Fund (\$3 million) administered by the Seychelles Conservation and Climate Adaptation Trust (SeyCCAT) and a Blue Investment Fund (\$12 million) administered by the Development Bank of Seychelles (DBS). The targeted beneficiaries of grants and loans under these two funds encompass individuals (fishers, distributors, processors, and business- small, medium or large in size), fisher associations, government agencies, academic institutions, locally registered NGOs, community-based groups and civil society, among others. A wide range of opportunities are eligible under this Bond and these include:

- Community-based management of sustainable-use zones and implementation of fisheries co-management plans;
- Adoption of new technologies and platforms (e.g. apps) for accessing markets and supporting monitoring activities;
- Adoption of sustainable fishing practices as market-based incentives through label and certification schemes;
- Scientific and logistics services to the fisheries sector;
- Restructuring of fishing fleet capacity, for example by vessel refitting for other underexploited fisheries or tourism activities;
- Expansion and development of fish processing and value addition for sustainable value chains (e.g. tuna fishery by-catch);
- Energy and waste efficiencies to improve performance in fish processing;
- Small and medium-scale aquaculture.

The Blue Grant Funding through SEYCCAT 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

DBS will offer a loan up to US\$ 3 million for a particular project with an interest rate of 4% and repayment up to 15 years.

### **5.7 Financial Sector Development**

Mr. Speaker, as per the announcement in the 2018 budget speech, the Central Bank of Seychelles amended the Financial Institutions (Bank Charges and Fees) Regulations on 26<sup>th</sup> February 2018 to ensure the following:

- 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.

In addition, the amendment was done to ensure that the banks shall not impose a penalty interest of more than 5 per cent per annum and shall be calculated on the default instalment excluding the interest payable thereon.

Mr. Speaker, the financial services sector regulatory framework continues to be modernized to ensure that the sector diversifies and remains compliant to international best practice. This includes work on Base Erosion and Profit Shifting (BEPS) and the adoption of the common reporting standards.

The National Risk assessment against Anti-Money Laundering and Combating Financing of Terrorism (AML/CFT) risk was finalized in October 2017, and the Mutual Evaluation by the Financial Action Task Force (FATF) regional body Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) was completed in August 2018. The report on Seychelles will be available on the ESSAMLG and the Seychelles authorities' website during November 2018. The report includes a number of recommendations, which should lead to strengthening the AML/CFT

regulatory framework. In particular, a new AML/CFT law will be submitted soon to the National Assembly after additional review, including by the IMF legal Department. The law will establish a high-level national committee to oversee AML/CFT enforcement, and an independent board will be created to supervise operations of the Financial Intelligence Unit (FIU). The FIU will adopt a risk based operational framework to guide its activity, and its inspection staff will be increased. Memorandum of understandings will be established to improve cooperation on AML/CFT issues between the three regulators, the CBS, the Financial Service Authority (FSA) and the FIU.

Further to the launching of the National Financial Education Strategy, the authorities have deemed it equally important to formulate a roadmap at the national level with the ultimate objective for all stakeholders to cooperate in a coordinated approach in promoting a more effective and efficient process to enhance financial inclusion in the Seychelles. Particular emphasis is being placed in addressing issues regarding the efficient use of financial services including innovative financial services, reduction in the use of cash for payments, SMEs' access to finance and competition in the financial sector. In this context, the Central Bank also has as objective to work in collaboration with the Ministry responsible for Finance to enhance the efficiency of Government payments as well as the remittance market.

Digitalising the economy is an item that is high on the Central Bank's agenda. The Bank is in the process of designing a modernisation plan to further develop the payments infrastructure, to allow for a wider choice of e-payment/digital channels for financial services consumers. The modernisation plan of the payments infrastructure includes the implementation of a Central Security Depository (CSD), a Real Time Gross Settlement (RTGS) and a national payment switch, which is scheduled to begin in 2019. CBS is further collaborating with the Ministry responsible for Finance to digitise government payments and enhance the use of e-payment facilities in the country in the effort to drive the move to a digital economy.

Work is ongoing to enhance the current Credit Information System and also to promulgate the Credit Information System Act. The latter is to make provision for extension of the coverage of credit information to allow for better assessment by banks of the credit worthiness to support risk-based pricing of credit. The project is expected to be finalized by December 2019.

The authorities have identified that Financial Technologies (Fintech) can enhance financial sector development especially in areas identified in the Financial Sector Development Plan. It has therefore been approved for a National Strategy for Fintech to be formulated to provide for a coordinated approach as regards to the adoption of Fintech for both the onshore and offshore financial sector of the country, whilst considering the associated risks. The strategy is to further take into consideration the national initiatives to digitise the economy and the potential of Fintech being an enabling factor to achieving a digitised economy. The strategy is expected to be finalised by first half of 2019.

The Central Bank and the FSA are liaising with the Attorney General's Office to promulgate a Financial Consumer Protection law by the end of 2019. The aim of the Financial Consumer Protection law and its supporting Regulations is to give the competent authorities explicit mandate to address financial services complaints, provide consumer redress and make provision for equitable and fair treatment of consumers. In conjunction with the promulgation of the law, the competent authorities are equally working towards establishing a framework that aims at preventing possible violations of market conduct rules that would in turn increase consumer trust in financial products and services.

### **5.8 Transport Sector**

The Seychelles Civil Aviation Authority continues to make progress with capital development efforts in order to meet the growth in traffic demands at Seychelles international Airport. The new Mahe Domestic Terminal will fully open for business by December 2018 following a total investment of SR 87 million.

In the year ahead, much needed development will be undertaken to extend the handling capacity of the international airport's terminal concourse, at an investment value of SR12 million, with the aim to position our facility in line with international standards for aviation security and safety, as well as uplifting the passenger experience. The concourse project will start in 2019 and continue in 2020.

Mr Speaker, in 2018, Seychelles has embarked on a major project to extend and modernize the Commercial Port. The present port infrastructure has become too small for the expanding trade demands of our country and it has become outmoded for the more advanced types of container ships that are plying the Indian Ocean. Port Victoria must expand and modernize in order for Seychelles to remain a competitive and viable port of call for the new generation of cargo vessels. Financing arrangements for the port project were signed in April 2018 between Seychelles Port Authority and a consortium of international lending institutions, namely the European Investment Bank Euro 12.5 million, the Agence Francaise de Developpement Euro 16.5 million and a grant of Euro 5.0 million from the European Union (EU). If all goes according to plan, the project is expected to complete in 2022.

Other than the expansion and modernization of the Commercial Port, the SPA has several other capital projects in line for implementation in 2019. These include:

- During the last quarter of 2018, construction shall begin of 150 metres of Passenger Jetty opposite the Eve Island cargo terminal on Praslin with a capacity to accommodate four inter island ferries and 500 passengers simultaneously. The jetty will also be able to accommodate a small inter island cruise ships. The project will cost SR 19 million and is expected to complete mid 2019.
- To complement the Passenger Jetty project, at a cost of SR 40 million, a modern Passenger Terminal building with adequate seating capacity for 500 passengers, proper sanitary

facilities, ferry ticket offices, baggage handling and other essential facilities shall also be built.

- In 2018, the Seychelles Port Authority commissioned two warehouses containing a total of 12 units that have been constructed at Ile Du Port to consolidate the position of Port Victoria as a logistics center for the industrial tuna fishing activity. At a cost of SR 10 million, these units shall be available to serve small and medium entrepreneurs in the field of professional marine electro / mechanical works.

Mr. Speaker a total of SR 68.2 million will be invested for the different road infrastructure projects. One main one is the Construction of new motorable road from Pasquere to Grand Anse Praslin Via La Plaine Holandaise which has been estimated at SR 46.5 million.

### **5.9 Tourism Sector**

Mr. Speaker, the tourism sector still remains as the main pillow of the economy. The total tax collection from the tourism represents 31% of the total tax collection. The Department of Tourism will continue to ensure quality assurance in the tourism industry through constantly assisting tourism businesses to strive and maintain desirable standards and offer value for money through, constant monitoring, inspecting and regulating of all tourism businesses so that Seychelles can maintain its position as an up-market however, affordable destination that will continue to contribute to the country's economy so as to keep enhancing the standard of living of all Seychellois people.

With the aim to establish quality standards within the accommodation sector the Tourism Department has over the past 3 years worked on a hotel grading programme, this has involved development of criteria, advisory visits and pilot tests at hotels, consultative meetings, workshops and finally the drafting of a Tourism Development Bill. The initial stage of this programme is coming to an end and the Department prepares itself through the 2019 budget for implementation of this programme which seeks to establish a greater degree of standardisation and increase professionalism within the tourism industry.

The Seychelles Sustainable Tourism Label programme that was initiated in 2012 has steadily gained interest over the years with 17 hotels presently certified and a number of hotels working towards certification. The programme has gained international recognition when it achieved the GSTC recognised status. Through the 2019 budget the Department of Tourism will continue its work to mainstream sustainability within the sector by increasing the number of certified products, increasing the visibility of these responsible products to potential clients and showcasing the financial benefits of being certified through case studies of our certified hotels.

Mr. Speaker, the Government has remain committed to the marketing undertaking by the Seychelles Tourism Board. A provision of SR 91.7 million has been made for the 2019 budget for the Seychelles Tourism Marketing.

### **5.10 Arts, Culture and Heritage**

Mr. Speaker, arts, culture and heritage has received a total of SR 171.2 million to different departments and entities compare to only SR 119.3 million in the revised 2018 budget. This shows

the great importance for this sector in the 2019 budget. There are potential for this sector in the development of our economy. From the total SR 46.2 million or 25.8% is for capital projects and some of the large investment are as follows;

- SR 2.1 million for the renovation of Carnegie
- SR 1.7 million for the renovation of theatre des palmes
- SR 16.68 million for the renovation of national library
- SR 5 million renovation of the admin block close to annex of the ex-supreme court
- SR 1 million renovation of National Arts Council Building
- SR 1.5 million renovation of National Theatre
- SR 1 million construction of the administration block for the Seychelles Heritage Foundation
- SR 3 million for the repair of roof at the International Conference Centre
- SR 5 million for the Music Stadium
- SR 5.9 million for the construction work on a new administrative block for the creole institute and the renovation for the current building

## **6 2019 Budget for Social Programs**

In the 2019 budget, Government will maintain its commitment to finance Social Programs targeting the most vulnerable people in our society. The budget for the various programs are as follows:

- SR 40 million for Social Safety Net by the Agency for Social Protection (ASP),
- SR 240 million for Home Carers which include their 13th Month pay,
- SR 8.5 million for Home Improvement/Re-roofing Scheme for Pensioners through HFC,
- SR 10 million for Vulnerable Home Repair Scheme through ASP,
- SR 18 million for housing finance Subsidy Scheme,
- SR 4.2 million for dedicated funds for Schools
- SR 6.7 million for Daycare Scheme, and
- SR 3.2 million for Foster Care Scheme

In 2019, Government will also offer budget support to the various business schemes.

- SR 5 million for Youth Employment Scheme (*My First Job Scheme*),
- SR 1 million for the Youth Entrepreneurship Scheme (*YES*)
- SR 16 million for the Small Medium Enterprises Scheme (*SMEs Scheme*)

Mr Speaker, a sum of SR 17.3 million is allocated for the Post-Secondary student's bursary. This will be needed for Government to continue providing support to the students as follows;

- First Year Student SR 850 per month
- Second Year Student SR 950 per month
- Third Year Student SR 1,050 per month

Praslin and La Digue students in post-secondary institutions receive an additional SR 1,400 per month for all three years of study and SR 200 is deducted for the utilities for the Youth Hostel.



Mr. Speaker, SPTC has started to implement a new scheme of service from July 2018 that will have a full year impact during 2019. In addition, SPTC has started to exit some of the contract services and let these contracts to the private sector operators. During the year 2019, Government will undergo a thorough assessment of SPTC's operation and assess different options with the private sector to see areas that they can come in. To that effect, a budget provision of SR 30 million has been provided for subvention for SPTC and SR 28 million for SPTC travel concessions for the elderly and students.

The Office of the Secretary of State for Poverty Alleviation has the mandate of defining a National Anti-poverty Strategy for Seychelles, including a clear poverty definition in the Seychelles context. While at the same time, identifying people living in dire conditions, alerting relevant agencies for immediate intervention and collaborating with those same agencies to ensure adequate and efficient follow-up actions. This is being done through an innovative and targeted approach which touches not only revenue, but all the dimensions of poverty: In other words, a multi-dimensional approach. Programs have included the following;

- Poverty profiling surveys to identify who is poor and which will result in a National Poverty Index which will then serve a data base of people living in poverty, their causes and remedies applied according to their deprivations;
- Meeting with those identified as poor through public clinics and community visits; and
- Rapid response by means of effective Inter-agency partnership.

To that effect, a provision of SR 20 million has been allocated under the Ministry of Habitat, Infrastructure and Land Transport public sector investment programme to support cases as identified by the Office for Poverty Alleviation.

## **7 Contingency**

Mr. Speaker, during the year 2018 we are paying part of the compensation to the staff of the Department of Culture in regards to the Fungus problem. The balance will be paid in 2019. In addition, we have put some funds for the compensation of the La Misere water pollution cases. This is why a provision of SR 50 million has been allocated for the 2019 budget compare to the normal SR 20 million provision in recent years.

## **8 New Polices from the 2019 Budget**

### **8.1 Increase in Minimum Wage**

As per announcement made in the 2018 State of the Nation address, the minimum wage will increase by 5% effective 1<sup>st</sup> of January 2019. This will be equivalent as follows:

- From SR 33.30 to SR 34.97 per hour for all workers other than casual.
- The rate for casual workers will be raised from SR 38.38 to SR 40.30 per hour.

The Salary Increase by 5% for full time Home Carers will come into effect as of 1<sup>st</sup> of January 2019. The Home Carers on part time basis will be pro-rata.

## **8.2 Increase in Benefits and Approved Programs of Agency and Social Protection**

Mr. Speaker, the following benefits will be increased as follows:

- Retirement Benefits from SR 5,050 to SR 5,250
- Invalidity and Disability Benefits from SR 5,050 to SR 5,250
- Funeral Benefit from SR 1,700 to SR 2,000

## **8.3 Increase in stipend for students in the tertiary education institutions**

Mr. Speaker, with the aim of ensuring that our overseas students are binding to the visa requirement and align the stipend to the costs of living index in those countries, Government will from February 2019 increase the stipend for all the students studying overseas.

In addition, the students studying for a degree at the University of Seychelles will also receive an increase. The details of the increase will be given by the Agency of National Human Resource Development.

## **8.4 Review of Housing Subsidy and Personal Contribution through HFC for Praslin and La Digue Residents**

The Government has taken note of the cost of construction on Praslin and La Digue in view of the higher cost on materials taking into account the transportation cost element. Mr. Speaker, currently all HFC applicants will need to contribute 7.5% personal contribution for their housing loan. From 1<sup>st</sup> of January 2019, all Praslin and La Digue residents, the personal contribution will reduce from 7.5% to 5%.

Currently through the budget, there is a housing subsidy scheme for all housing loans applicants with income brackets of SR 25,000 or below. Government is in the process of reviewing the current scheme after 5 years of implementation to ensure that it is better targeted. Government will look into reviewing the formula for calculation of the subsidy entitlement for Praslin and La Digue Residents, to ensure that the higher cost of construction materials on these two islands is taken into consideration. This will be effective from 1<sup>st</sup> of April 2019.

## **8.5 Remove VAT on canned tuna**

Mr. Speaker there are currently over 500 specific goods or targeted categories imported into the country that are exempted from VAT. In our combined effort to reduce the prices of canned tuna on the local market for the average Seychellois, IOT has managed to re-look at its costing models and the supply chain distribution, and has managed to reduce its price of canned tuna in the local market. To complement the reduction on price, the Government has decided to remove the 15 percent VAT on canned tuna. This will be applicable as from 1st of January 2019.

Mr. Speaker, as canned tuna has become part of our staple diet for the general households in Seychelles and a good source of protein, we hope to see an increase in consumption of canned tuna in view of health nutritional benefits and reduction in price.

### **8.6 Immovable Property Tax**

During the 2018 budget speech it was announced the Immovable Property tax on foreign property to be applicable on all foreign-owned residential and company owned properties. After further discussion with all stakeholders, Government has reconsidered that the Immovable Property tax will be only on all foreign-owned residential properties.

The rate will still be at 0.25% as announced last year. The Government will finalize the bill to ensure the implementation will start on the 1<sup>st</sup> of April 2019.

### **8.7 Sugar Tax**

Mr. Speaker, the Ministry of Health incurs huge expenses for the treatment of diseases which are linked to lifestyle risk factors. One of these risk factor is obesity which result from the high consumption of sugar sweetened beverages. An approximate of SR 83.3 million is spent per year, an amount which excludes the indirect costs incurred for treatment of diseases partly caused by obesity.

Approximately 11% of the adult population are suffering from diabetes and 30% with hypertension. It is estimated that only about 50% of these patients seek treatment and abide to it. According to the Ministry of Health, medications for diabetes and hypertension amount to an approximate SCR 18.25 million per year, whilst the costs involved for medical consultations and haemodialysis is estimated to amount to SCR 65 million per year.

Mr. Speaker, in 2019, Government will impose a tax on beverages that contain sugar. This is Government effort to encourage people especially our children, to reduce considerably on the consumption of sugar sweetened beverages. As a result, this will reduce the risk of obesity, diabetes, and other non-communicable diseases. Research has shown that this strategy works and this has been recommended by World Health Organisation, as well.

The sugar tax will apply to all beverages (including alcoholic beverages) of which the sugar content exceeds 5g per 100ml, at a rate of SR4 per litre. Freshly squeezed fruit juices shall be exempted from payment of the tax.

Noting that those products would now be excisable, all manufacturers will be required to be registered with the Excise Unit in the Customs Division and to comply with all provisions of the Excise Tax Act 2009, before the date of entry into force of these regulations, which will be on the 1st of April 2019. In addition to other relevant information it will now also be compulsory for importers to declare the sugar content in imported beverages.

### **8.8 Excise Tax on Tobacco**

Mr. Speaker, to deal with the scourge of excessive tobacco consumption, the effects that these have on society, and the significant costs to the budget for treatment of tobacco-related diseases, Government will, as of January, 2019, increase the rate of excise tax on these products. We will

implement a 10 percent increase on all tobacco products. These increases will apply on both imported and local products. The new excise tax rates all tobacco will apply on all manufactured tobacco products.

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

Mr Speaker, with a view of supporting the growth of the livestock sector, the Government will increase duty on imported pork and poultry meat, as of 1<sup>st</sup> of January 2019. This would be a short term measure to re-energise the industry and provide some further leeway against the more competitive imports.

The new rate of pork will be 15% + SR 3/KG.

The new rate of poultry will be 15% + SR 5.92/KG

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

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

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

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

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

### **8.11 Legislative amendment Governing Excise Tax for fuel concession**

Mr. Speaker, before the transfer and consolidation of all the categories of businesses and persons entitled to fuel concessions and exemption under the Excise Tax (Fuel concession/Exemption) Regulation in 2018 - (S.I 27 of 2018), the provisions for fuel concessions and exemptions was segmented under various legislations. One such legislation was the Tourism Incentives Act (TIA) introduced in 2003, which granted various fiscal incentives to tourism related entities to boost development of the tourism sector. It allowed entities such as Licensed accommodations, Restaurants, Dive centers/operators, Tour Guide operators, Hire Crafts, Ferry services, Yachts and

Liveaboard operators to benefit from: special Business Tax rates, reduced GOP fees, special deductions or allowable deductions on taxes for certain expenditures, and Trades Tax (on minor operating items, vehicles, and capital equipment) and also Tax concessions on fuel. Entities who benefited with these incentives (including Tax concession on fuel) have in their possession a TIA certificate (valid for 5 or 10 years) that served as proof of entitlement. Most of these certificates will expire in 2018.

The fuel concession has been costing SR 364.4 million and SR 411.8 million for the years 2016 and 2017 respectively. This include all concessions that exist under the fuel concession regulation which include PUC and SPTC.

The proposed review was intended to involve public consultations and subsequently the removal of entities (certificate holders) benefiting under the TIA, whereby the concession and exemption would be completely removed making them liable to full taxes on fuel purchased. Public consultations were done during 2018 and the Government will be undergoing the reform as follows;

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

### **8.12 Business Tax Reform**

Mr. Speaker, during the 2018 budget, several measures were announced for the reform in the business tax act. The bill in regards to the Base Erosion Profit Shifting has been gazetted and is

before the National Assembly to be tabled for the second reading once we complete the budget process. The proposed amendments that are before the National Assembly are to make clear that only income sourced in Seychelles is liable to tax in Seychelles, that is a territorial business tax system.

In reference to the Base Erosion Profit Shifting, there are other amendments in other legislations that need to be done before 31<sup>st</sup> of December 2018. The following legislations are before the National Assembly to be tabled after the budget process;

- Companies (Special Licences) (Amendment) Bill, 2018
- Securities (Amendment) Bill, 2018
- Mutual Fund and Hedge Fund (Amendment) Bill, 2018
- International Business Companies (Amendment) Bill, 2018
- Insurance (Amendment) Bill, 2018
- International Trade Zone (Amendment) Bill, 2018

Mr. Speaker, in addition, currently the taxable business income generated from the offshore banking is being taxed at 3%. This provision under the business tax act will continue to apply until 31<sup>st</sup> December 2018. From the 1<sup>st</sup> of January 2019, the normal business tax rate applicable to the banks will apply.

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

Mr. Speaker one main amendment being proposed in the current Business tax amendment bill is the issue of the capital gains from the sale of business assets. The amendments make it clear that that any surplus obtained from the sale of an asset is not subject to any taxes. This will be limited to the amount claimed for tax depreciation.

In addition, one other amendment that has been discussed with the Bills committee is that any income that has been subject to withholding tax will be consider as the final tax paid on this assessable income.

Mr. Speaker, another amendment that has been included in the proposed bill is the withholding tax rate of 5% for any remuneration paid in respect of a performance in Seychelles by a non-resident entertainer or sports person.

The Government intention is to reduce the business tax rate from 2020. In addition, tax holidays will be provided to businesses in particular sectors, for example, any businesses exporting large amount of their products in the international market, businesses invested heavily in capital equipment. These are few examples but Government will undergo these discussions with the business community during the first half of 2019 to ensure new amendments are presented to National Assembly for the 2020 budget.

Mr. Speaker several announcements were made in the 2018 budget speech. These will be postponed until the new business tax regime will be discussed with the stakeholders with the implementation to be from 2020. The amendments that will be delayed until further discussion will be as follows;

- A flat fee of SR 3,000 for businesses deriving a Turnover of not more than SR 500,000 per year.
- A flat percentage of 3% for businesses deriving Turnover above SR 500,000 but up to SR 25 million,
- The removal of the Accelerated depreciation and 200% allowable deduction for marketing and promotion costs for the tourism sector.
- The reduction of business tax on residential dwelling from 15% to 3%.

Mr Speaker, the Pay As You Go specified business which certain businesses were liable to deduct 5% of their income at source will no longer exist as from January 2020. These businesses are Building Contractor, Maintenance Contractor, Mechanic, Hirer or Operator of Plant and Equipment, Hirer of Omnibus.

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

### **8.13 Definition of Turnover under the Corporate Social Responsibility Tax Act, 2013 and Tourism Marketing Tax Act, 2013**

The main issue being faced today is that for certain businesses, to levy the CSR Tax on the ‘gross receipt’ in the strict interpretation of it would have an adverse effect on the business. Reference is being made particularly to Bureaux de Change, Travel Agents, Tour Operators in Seychelles and other companies that operate on a commission basis. This is because the income derived by these businesses does not necessarily belong to them and they would normally act as agents in order to receive a commission.

Under the Business Tax Act, 2009, there is a definition of assessable income which is quite similar to the definition of ‘turnover’ under the Corporate Social Responsibility Act, 2013, however, it is restrictive in the sense that it is more detailed in the income it will capture.

Mr Speaker, from January 2019, for consistency purposes, the Government will align the definition of “turnover” under the Corporate Social Responsibility Act, 2013 and Tourism Marketing Tax Act, 2013 with the definition of “assessable income” under the Business Tax Act, 2009.

### **8.14 Enforcement of Payment of Royalties to Seychelles Authors and Composers Society (SACS)**

The Copyright Act 2014 allows the Seychelles Authors and Composers Society (SACS) to collect and distribute royalties on behalf of their members for the commercial use of musical works.

However, SACS was encountering difficulties in respect of collection of royalties from entertainment establishments such as hotels, discotheques and public bars that are making

commercial gains through the use of musical works. In this regard, SACS and the Seychelles Licensing Authority (SLA) undertook to develop a Memorandum of Understanding to ensure that the SLA includes, as a condition of license, compliance to the Copyright Act 2014, which confers the power unto SACS to collect royalties from such establishments.

After numerous deliberations and approval from the Cabinet of Ministers on 14<sup>th</sup> March 2018, amendments to the Licences (Liquor and Outdoor Entertainment) Regulations 1998 and the Licences (Accommodation Catering and Entertainment Establishments) Regulations 2011 to include the license condition which compels entertainment establishments and persons holding an outdoor activity licence to pay the required royalties to SACS prior to the renewal or issuance of these respective licenses. It is expected that the Regulations will be promulgated in 2019 followed by the signing of the MOU.

### **8.15 Introduction of a Prescription Fee in the Health service**

Mr. Speaker, for the past 40 years there has been no contribution from any Seychellois for the health services. However, over the past 10 years the budget for the health sector has increased from SR 315.2 million to SR 1.02 billion. Mr. Speaker, as a country we will need to re-think how we continue to sustain such an investment in the future. Everybody will need to start to take care of their own health. Therefore, the time has come for Government to charge a prescription fee of only SR 25. Mr. Speaker, the medicine will still be available free of charge. The children under the age of 18 years, full time students, elderly and patient with chronic diseases will be exempt from this prescription fee. This will be implemented in the first quarter of 2019.

### **8.16 Revision in Fees and Charges**

The Seychelles Maritime Services Authority (SMSA) Bill has been approved by Cabinet and is expected to go before the National Assembly in last quarter of 2018, which will turn SMSA into an autonomous body. This will empower SMSA in 2019 to tackle the various maritime issues; making it mandatory for all vessels to be registered (including fishing vessels) and surveyed. This will promote safety and seaworthiness of vessels. This will include new revision in fees and charges since the fees have not been revised for the past 20 years.

The National Bio Security Agency has done a review to improve the Schedule of fines, fixed penalties and fees under Regulation fees and charges under the Animal and Plant protection Act (2014). The keys elements of the proposed revision are;

- Simplify and Reduce the Existing Number of Biosecurity Fees from 90 to 70
- Remove the Multiple Import Permit option valid for 3 or 6 months because phytosanitary conditions in many of the exporter countries change frequently. Only the Single Import option will remain as it is already the case in other countries such as South Africa
- Remove all Inspection Fees and Others Fees based on time in office and out of office because it was difficult to apply and not used and replace by a flat fee.
- Update biosecurity fees with current cost level as per performance programme based budgeting of the National Biosecurity Agency to improve cost recovery



### **8.17 Legislative review of national laws relating to intellectual property**

In 2018, the National Intellectual Property Committee discussed the need to review both the Industrial Property Act 2014 and the Copyright Act 2014 given recent developments. One of the outcomes of a project funded by the Commonwealth, was recommendations for the amendment of the Industrial Property Act 2014 in certain areas. Additionally, due to potential accessions to IP related Protocols and the creation of the single IP Office, a thorough review of the current national laws will need to be undertaken to ensure conformity with international best practices. It is expected that this review will be finalised during 2019.

### **8.18 Trade Remedies Process of enactment of legislations and Phase Two on the implementation**

Mr. Speaker, the Ministry of Finance, Trade, Investment and Economic Planning is in the process of developing the necessary legislations to allow for the imposition of trade remedy measures in Seychelles. This is expected to provide our domestic industries with a recourse in instances where the domestic industry has suffered injury following certain market conditions resulting from the effects of trade liberalisation. For example, it may be applied in cases where there are surges of imports, dumping and highly subsidised imports affecting a domestic industry producing the same products. These legislations are being developed with the assistance of a consultant procured under the SADC Trade Related Facility.

The legislations is expected to include an enabling Act and its supplementary instruments, dedicated to each of the three trade remedies measures, that is, safeguards, anti-dumping and countervailing measures.

It is expected that the trade remedies legislations will go to the National Assembly for their consideration and approval during 2019.

Additionally, it is expected that the second phase of the trade remedies project focusing on the implementation will commence by first quarter of 2019.

## **9 Revenue Management Reforms**

### **9.1 Seychelles Licensing Authority**

Mr. Speaker, work has started to review the Seychelles Licensing Authority act, 2010 and its regulations. A consultant was recruited and has done an analysis to identify the strengths and weaknesses of the current system and assess opportunities for improvement in the context of the risks to Seychelles. The objective of the analysis was to reduce the administrative burdens and to improve the business enabling environment while maintaining standards to protect public safety, health and protect the environment. The analysis has identified license categories that could be removed. It has also considered the cost of licensing, periods for renewing licenses and the procedures followed in the issue and enforcement of licenses. Finally, the assessment has involved a review of the functions, powers and duties of the Seychelles Licensing Authority. A stakeholder's consultation was done on the 26<sup>th</sup> of September 2018. This will be presented to cabinet of Ministers in early 2019 so that the revised legislations are tabled during 2019.

Mr. Speaker, at present, sports entertainment is not legislated by any law. Sport entertainment activities are types of spectacle that presents a competitive event using a high level of adrenaline for the purpose of entertaining an audience or competition. Given the nature of these activities, it is necessary to have a framework to cater to these activities. Taking note of the genre of the sports, safety, the level of investment, oversight, and enforcement, such could be properly captured under a licensing framework. Government is finalizing the licensing framework for the sports entertainment activities.

## **9.2 Transfer Pricing and Common Reporting Standards**

Mr. Speaker, since September 2017, the Seychelles Revenue Commission has been exchanging information such as bank account information with their overseas counterpart. This is as per the requirement of the Revenue Administration (Common Reporting Standards) regulations. The information exchanged is financial information on all non- tax resident persons that have an account with a financial entity. Such information received by Seychelles Revenue Commission will assist in audits of resident persons of Seychelles who have directed payments for goods and services through an overseas bank account or overseas entity and not declared these income in their tax return. Common Reporting Standards would therefore reduce possibility/risks of tax evasion through offshore bank accounts or investment and ensure that all Seychelles tax resident pay their fair shares of taxes to the State. Thus, I urge all resident persons or entities in Seychelles, which are transacting through their overseas bank account, to ensure that all required information/income are being provided/declared to the Seychelles Revenue Commission.

Mr. Speaker, another issue that has been discussed previously which remains a concern is transfer pricing with the multinational enterprises. Transfer pricing consistently ranks among the top concerns for tax authorities. Emphasis in relation to transfer-pricing is expected to increase globally in the coming years.

Mr. Speaker, in line with that, as per requirement of OECD in line with the BEPS initiative, the Government is finalizing a regulation which will require Multinationals Companies with a turnover above 750million Euros operating in Seychelles or having a subsidiary in Seychelles to fill their returns to SRC. Mr. Speaker, we will work with the Seychelles Revenue Commission to increase focus on transfer-pricing audits.

Nonetheless, for MNE's or companies below the 750million Euros operating in Seychelles or having a subsidiary in Seychelles, a team from the IMF will be in Seychelles early in 2019 to assess the current situation and build capacity of our tax auditors in view that OECD requirements is above 750 million.

## **9.3 Informal Sector**

Mr. Speaker, today, there is renewed interest in the informal economy worldwide. This is because the informal economy is growing in many contexts and appearing in new sectors. The informal sector consists of all activities operating outside the official legal and fiscal system, with a resulting lack of reliable statistical information. Mr. Speaker, there is no single overarching policy intervention to address the concerns associated with the informal economy, a range of interventions need to be considered and implemented. Further, these interventions need to be tailored and targeted to meet the specific constraints, needs and risk of the different groups in the

informal sector. As such during 2019, the World Bank will assist the Government with a study on the Informal Sector in Seychelles. Once the study is completed, we will ensure policy responses are appropriate to the constraints and risks faced by the informal sector.

#### **9.4 Seychelles Revenue Commission Tax Arrears**

Mr. Speaker, as at 30<sup>th</sup> of September 2018, Seychelles Revenue Commission tax debt is at SR 850.6 million broken as follows:

- Primary Tax SR 417.8 million
- Penalty SR 432.8 million

However, the figures that Seychelles Revenue Commission are able to pursue is only SR 424.3 million because of the following reasons;

- SR 95.7 million has been amended after new information have been provided by the tax payers
- SR 260.0 million objection cases which are being handled by the legal section of the Seychelles Revenue Commission
- SR 46.7 million are being persecuted
- SR 20.6 million is written-off cases since some of the tax payers have passed away and their businesses have been liquidated.
- SR 3.3 million is before the Revenue Tribunal

Mr. Speaker, an immense effort is being done by the Seychelles Revenue Commission to collect the outstanding debt using different strategies amongst which include:

- Garnishee Notice
- Passport Restrictions
- Departure Prohibition Order
- Prosecution of companies through company directors based on Attorney General's advice.

#### **10 Investment Opportunities**

Mr. Speaker, Government has had to review its privatization strategy based on the current economic conditions. We will not be privatizing SEYPEC as previously announced. However, the Government owes 60% shares in the Seychelles Commercial Bank and the account holder holds 40%. We will need to bring Seychelles Commercial Banks on the next level to ensure that the account holders receive more dividend. Thus, the Government will offer 50% of its share to a strategic partner by July 2019.

Mr. Speaker, the Government will provide the support necessary to establish the country's first investment fund, for which through an indirect mode of financing, would contribute towards addressing the country's impending infrastructure needs. The intermediary approach would present several advantages including:

- i. mitigating several of the risks associated with the direct method of raising capital;

- ii. providing access to funding from a larger base of investors with a wider range of risk appetites and investment needs, by pooling of resources in a fund; and
- iii. diversify investment risk and increase economic efficiency.

The indirect form of raising capital would also provide a channel for a larger and more sustainable investor base to participate in public private partnership arrangements for infrastructure projects.

## **11 Public Debt Management**

Mr. Speaker, as at September 2018, the total debt as a percentage of GDP was 59.6%. As a Government, we remain committed to reduce the total public debt to 50% of GDP by 2021. For the first time we have include a fiscal risk statement with the 2019. This enables the disclosure of fiscal risks emanating from State Owned Enterprises. As such, Government has disclosed all guarantees and any other explicit commitments of State Owned Enterprises.

Mr. Speaker for the year 2019, the Ministry of Finance, Trade, Investment and Economic Planning and in collaboration with CBS will be launching three long term bonds; 3 years, 5 years and 7 years bonds. This will provide additional facilities for the Seychellois to invest in and also in ensuring, we extend the maturity of our domestic debt.

## **12 Result Based Management Framework**

After the strong fiscal and public sector reforms, Seychelles is now moving towards second-generation public sector reforms to spur inclusive growth. These reforms are at the center of the President's principles of transparency, accountability and good governance. Cabinet has approved the results-based management (RBM) policy to lay the foundation for these performance reforms. It aims at strengthening the results-focus across government to enhance public sector efficiency, effectiveness, transparency and accountability with the ultimate objectives to enhance growth, economic diversification, and social inclusion across sectors.

Mr. Speaker, the 2019 budget will be fully on Program Performance Based Budgeting methodology. This process started with the 2015 budget where the first pilot Ministries were the education portfolio and agriculture and fisheries portfolio. Five years later, we have a comprehensive budget with clear performance indicators for all Ministries, Department and Agencies. Mr. Speaker, for the 2020 budget, the budget ceiling will be allocated by portfolio and the Ministries, Departments and Agencies will need to discuss and agree the individual departmental ceiling within their portfolio. This will be based on the priorities within the portfolio and the targeted results that need to be achieved.

However, the next phase is to link the sectoral strategies with the Program Performance Based Budgeting so that we can see more results oriented. Mr. Speaker, on the 2<sup>nd</sup> of November 2018, the draft Seychelles Vision 2033 was discussed with all stakeholders. The aim is to launch the National vision in January 2019. In addition, during 2019, the Government will ensure we complete all sectoral strategies and ensure the strategies are consistent with the national vision.

Mr. Speaker, the other pillar that we have started to pilot is the Monitoring and Evaluation. The design and adoption of a performance monitoring and evaluation policy and guidelines has been finalized. The implementation has started in two sector pilots and is now proceeding in two other pilots. The Public service reforms are led by the Department of Public Administration. Reforms under the fourth pillar have now become more urgent to ensure the Government can deliver its services effectively and efficiently. These reforms address increasing concerns with public service management, both regarding the size and performance of the public service. Mr. Speaker, Government is to complete the full reform of the Results Based Management Framework by end 2021.

### **13 Civil Society Engagement**

Mr. Speaker, the Government has remained committed to work with the civil society. A budget provision of SR 3 million has been allocated to CEPS for the year 2019. In addition, a budget allocation of SR 19.1 million for different programs under Social Programs of Government for different community based programme and organisations under for civil society. As part of the memorandum of understanding that was done during the year 2018 between Government and CEPS, it was agreed for both parties to be partners in ensuring support to the civil society.

During September 2018, the grant process was launched for the civil society organizations to submit their application form. The Ministry of Finance, Trade, Investment and Economic Planning were previously doing the process. However, this process is being done through a national committee, which include CEPS, and the committee is assessing all the applications through a transparency process.

In addition, the Registrar General is working with CEPS to ensure there is a review of the current legislations that regulate the framework that the civil society organizations operate within. This process will be completed during the year 2019.

### **14 Conclusion**

Mr. Speaker, last week on the 31<sup>st</sup> of October 2018, we celebrate a decade of economic reform program. We know that it has not be an easy process but as a small islands state we need to ensure that we are resilient and ready for any adverse pressure based on the World Economy.

We would like to stress to all Seychellois on the need to work even harder and that we must remain united in the wake of any storm. This stance and our unity will remain key to our success.

Mr Speaker, it is for this reason that the 2019 budget is one to sustain our economic progress.

I would like to thank the President of the Republic for his guidance and support for the people of Seychelles and Seychelles. I would also like to thank my colleague ministers and their respective teams.

I thank my staff in the Ministry of Finance, Trade, Investment and Economic Planning for their teamwork, steadfast professionalism and motivation to succeed for the Seychelles economy.

I would like to congratulate members of the private sector and civil society who are truly making their presence felt for the country and its people. Thank you for your collaborative spirit.

I would like to thank the international community who has work with us during the past few years to ensure that our socio-economic development is benefiting each and every Seychellois.

In addition, thank you to all the members of the National Assembly and yourself Mr Speaker.

I would like to thank the people of Seychelles for their confidence in the economic direction of Seychelles.

I now commend the Appropriation Bill 2019 amounting to SR 8,463,947,478 for the approval of the National Assembly.

Thank you, Mr. Speaker.