Budget Amendment 2020 Address (English)

April 07, 2020

**BUDGET (AMENDMENT) 2020**

**GOVERNMENT OF SEYCHELLES**

***Theme: “New priorities in a new reality”***

**Delivered by:**

**Ambassador Maurice Loustau-Lalanne**

**MINISTRY OF FINANCE, COMMERCE, INVESTMENT AND ECONOMIC PLANNING**

**At the Seychelles National Assembly**

**Ile Du Port, Victoria, Mahé, Seychelles**

**Tuesday 7th April, 2020**

**9.00 a.m.**

Mr. Speaker,

Leader of the Opposition,

Leader of Government Business,

Honourable Members,

People of Seychelles.

Good morning.

1. **Introduction**

We are going through a very difficult moment in our history.

We find ourselves in a situation that we would never have wished for. It is an unprecedented circumstance, which requires that we rethink everything and readjust to the new reality, so that we may once more envision a future.

Humanity is experiencing a serious challenge that affects and puts at risk the health of all citizens. Those countries who have not yet been overly affected by the pandemic are intensifying their preventive measures, and others are fighting hard to keep it under control.

Seychelles is no exception; the Public Health Commission has been alert from the very beginning of the outbreak, and has put in place the necessary preventive measures. Every support and assistance is being given to this department so that the situation does not go beyond our control.

1. **2020 Budget projections on our economy**

Mr. Speaker, the 2020 budget which I presented on 31st October, 2019, had the following theme: “Equitable Results – Shared Prosperity”. It was a budget that was built around our vision for 2033, and I quote, “to transform Seychelles as a resilient, responsible and prosperous nation that is healthy, educated, empowered, and that is living together in harmony with nature, and engaged with the wider world”.

At this point in time, the global situation requires that we demonstrate our resilience as a nation. As a result of this, it is also important that as a responsible government, we review our national development strategy for the next five years, taking into consideration the economic reality we are facing.

Our overview was based on a predicted global growth of 3% in 2019 which would improve to 3.4% in 2020. In the context of Seychelles, we expected a 3.9% growth by the end of 2019, in view of a 5% rise in tourism activities by 20th October 2019, compared to the initial prediction which had been 4%.

For 2020, we were expecting that growth would remain positive at 3.5%, due to increased activity in the information and telecommunication sector, and that tourism would remain the principal contributor to GDP, with a growth rate of 5% in general. We were also expecting a rise in tourist arrivals in 2020, in view of new flights by Air France, and the increased flight frequency by Qatar Airways which would have risen to 14 flights per week towards the beginning of March 2020.

1. **Overview of the global economy after Covid-19.**

This pandemic, which has an adverse effect on health, will also impact directly on our economy.According to theOrganisation for Economic Co-Operation and Development (OECD) Report, the rate of global growth was fairly low in 2019, but was beginning to stabilize until the arrival of the Covid-19 virus. Many countries have since closed their borders to try and contain the spread of the virus. This has severely affected the demand for commodities, the production and distribution of commodities, and travel and tourism industries across the world.

At this point in time, the world is swamped by uncertainties. According to OECD, it will take most countries many years to recover from the Covid-19 pandemic. This pandemic is already causing greater damage to the global economy than the financial crisis we experienced in the 2007 – 2009 period.

Thus, the global growth rate for 2020, which was expected to be 2.9%, has now been revised to **negative 3.3%.** All countries are having to review and re-analyze their macro-economic projections for 2020, as well as their mid-term projections. The future remains uncertain, though we expect a gradual improvement during 2021, with more improvements in the coming years.

1. **The economic impact of the coronavirus**

As a result of this virus, we expect reduced economic activities, as people and businesses adjust to the situation.

The indefinite ban imposed on visitor arrivals in the country by the Public Health Commission will have an adverse effect on our tourism industry, which is the main pillar of our economy. Thus, like other countries affected by the pandemic, it is necessary that our Government puts in place unprecedented measures. In view of the crisis, we are acting very quickly to ensure that the main productive actors of our economy remain, as much as possible, intact, and prevent our economic base from becoming eroded and completely destroyed.

The Government has thus acted with efficiency and has put a number of measures in place, which the President of the Republic announced in his address of 20th March, 2020. These measures mostly concern tax policies accompanied by administrative measures in tax management, as well as other types of assistance that will give some relief to businesses in the private sector which will be severely affected.

Mr. Speaker, it is important to note that there is a lot of uncertainty around this situation. Our government has been following the situation very closely since January 2020 when China was still the epicentre of the virus, followed by the outbreak in Italy. Since then, with the spread of the virus in the whole of Europe, and the United States, we have intensified our efforts to contain and mitigate its impact in Seychelles.

Even from a conservative analysis, we are predicting that the current situation might continue for the next four months. However, our worst case scenario is that we might not receive any visitors for the next six months.

With the reduction in tourist arrivals, which contributes close to 25% of our GDP, the amount of foreign exchange that we get from the tourism industry will reduce very significantly. This will also have an impact on our foreign exhange reserve. We expect that our foreign exchange rate is likely to depreciate.

This will definietly impact on other sectors that are indirectly linked to tourism.  Our economic growth is also expected to go down to **negative** **10.8%**, compared to the original projection of 3.5% growth rate in the 2020 budget presentation. This means that our economy is expected to go into recession.

It is clear that the growth rates in our accommodation and food and beverage sectors are also expected to decline. Our projection is that the decline in the growth rate of these two sectors will bring it down by as much as -50%. The projection for the transportation sector and stock will also a decline to -25%, a decline of -20% in the art, recreation and entertainment sectors, and a decline of -15% in wholesale and retail trade.

Conversely, we expect a growth rate of 3% in the information and telecommunication sector. The pressure on foreign exchange might however, cause a slight impact on the inflation rate.

How fast we will recover after this pandemic is not easy to predict, nor is it conclusive. According to our analyses, which is guided by our expectation that confidence will gradually be regained worldwide, people will begin travelling again in another six months, and this will allow our tourism industry to grow again. This will also help to further improve economic growth in sectors such as agriculture, fisheries, telecommunications and the financial sector.

1. **Revenue**

**5.1.         Tax Revenue**

We expect that with the predicted economic recession, Government will collect fewer taxes. In 2020, tax revenue was expected to cover 78% of our expenses.

In our worst case scenario, we are expecting a reduction of R1.826 billion in our tax collection this year, compared to what was estimated in the 2020 budget.

We thus expect to collect only R5,903,742,000 in taxes instead of the R7,729,429 which had been predicted for 2020.

We expect our greatest revenue loss to be in VAT, with a reduction of R 944 million and a reduction of R355 million in business tax.

We are also predicting a reduction of R183.8 million in the Excise Tax, R210 million in Income Tax, R59.6 million in Other Tax, R55.8 million in ‘Custom Duties’, R44.4 million in Corporate Social Responsibility tax, and R38.3 million in Tourism Marketing Tax. Other license-based taxes will also see a reduction of R64 million.

This means that we are expecting a 24% reduction in tax collection, compared to what had been projected in the 2020 budget. This represents a 27 % contribution to the GDP in tax collection, compared to the 32% average during the past five years.

It is important to note that these reductions also take into consideration the effects of the measures announced by Government with regards to the postponement of certain taxes for businesses.

**5.2.          Non-tax Revenues**

With regards to the collection of non-tax revenues, we are now expecting to collect only R 884 million compared to the R 1.477 billion which had been projected in the 2020 budget.

We are also projecting a reduction of R 442 million in dividends paid by public enterprises. This is in view of the anticipated reduction in profits in these enterprises, and the expected reduction in visitor arrivals - notably, SCAA and IDC. For Nouvobanq, we also expect a downturn in business and the possibility of  investors rescheduling their loans.

We are also predicting a reduction of R150 million in fees and charges collected by the different ministries and agencies. In view of the expected reduction in visitor arrivals, we are also expecting a reduction in revenues from Passenger Service fees and entrance fees to the Botanical Gardens. Revenues in GOP fees and attestation fees are also expected to decline, since Government will not be accepting any new applications till further notice.

1. **2020 Budget Amendment**

With all these incertitudes and challenges, Government now finds it necessary to present a new budget for 2020.

We are proposing an amendment in the 2020 budget through the submission of an Appropriation (Amendment) Bill 2020. As incribed in our Public Finance Management Regulations 2014,  Article 54 (d), a supplementary budget should not considerably modify a budget that has already been approved. In other words, “the supplemenatry estimates shall not substantially modify the approved estimates”.

It is a reality that for the year 2020, we will not have a fiscal surplus of 2.5%  on our GDP growth, as had been projected in the 2020 Budget. The budget that we are presenting today for the support and approval of the National Assembly, in this very difficult moment, is projecting a fiscal primary deficit of **negative 14%**.

This means, Mr. Speaker, that all the hard work that has gone into the macro-economic reform since 2008, with all the devotion and sacrifices of the Seychellois people, resulting in an annual fiscal surplus which has been reinforced by good public finance management and the financing of many essential projects and programs – all this will practically be wiped out overnight.

In 2008, before we were forced to make the decision to make economic reforms, we only had 14 days of reserves. If we were in the same situation today, we would not have been in any position to take measures to shore up the private sector, which would have aggravated our situation further. Our decision to reform the economy in 2008 has increased our resilience and prepared us to adjust to any economic circumstances, and even allow us to surmount and absorb the consequences of any situation such as the one we find ourselves in today.

In spite of everything, we are a strong nation which is determined and resilient. It will take a collective effort to lift us out of this situation. We thus count on everybody to support these measures and the efforts we are putting into the recovery of our economy, to protect our health, to sustain our people and safeguard our country.

1. **Measures to mitigate the adverse effects of the Corona Virus on our economy**

Mr. Speaker

In order to prevent our economy from plummetting, we have to put in place the necessary measures to ensure its continued functionality as far as possible.

**8.1.         Private sector assistance**

**8.1.1.             Tax**

The private sector is the driver of our economy and it thus has to have the necessary support to keep it functioning. Those private businesses, particularly in the sectors linked to tourism, will have great difficulty maintaining their liquidity, in view of the fact that they will not be collecting any revenue. The introduction of measures to suspend tax payments related to revenue will help towards maintaining these businesses’ liquidity.

These measures include:

8.1.2.            The postponement of all payments that were due by March 2020 to September 2020

8.1.3.            The postponement of Corporate Social Responsibility, Tourism Marketing Tax, Business Tax and taxes on Non-Monetary Benefits Income until September 2020.

**8.2.         Salary guarantee**

According to the National Bureau of Statisctics, in the forth quarter of 2019, the private sector had a total of 37,409 employees. In view of the reduction in visitor arrivals, and to avoid redunduncies in businesses, and thus allow productive sectors to keep up their activity, the government is guaranteeing the salaries of employees in the private sector.

A sum of R1,090,531,200.00 has thus been proposed in the 2020 budget amendment to guarantee salaries. As announced by the President of the Republic, salaries will be guaranteed for three months. However, Mr. Speaker, in view of the uncertainty of this pandemic, we have made provisions to cover salaries for at least six months. Assistance will be limited to an individual ceiling of R30,000.00. Following our internal discussions, we have agreed that the point of this measure is to at least guarantee some assistance to workers, bearing in mind that we have no idea how long this situation will persist.

This assistance will also cover foreign workers. Mr. Speaker, it is important that economic activity in the private sector is interrupted as little as possible, and that they are assisted so as to help them recover the soonest possible. With regards to foreign workers who transfer money back to their home countries, the Central Bank advises the employers of these workers to liaise with their respective banks to enable their employees’ salary transfers.

We hope that the situation does not deteriorate further. However, we remain dependent on the global situation, particularly Europe, where the majority of our visitors come from. It is thus more prudent to make such a provision in the eventuality that further assistance needs to be given.

The salary assistance scheme will be managed by a committee comprising of high level government officials, as well as representatives of the private sector. The criteria to decide which companies qualify for assistance from this scheme, which has already been communicated, is very clear. It will apply only to businesses in the formal sector which are registered, and which are up to date with their tax declaration and payments, or which have a licence.

Mr. Speaker, as this committee has announced already, they have established clear procedures to ensure that public funds are protected;

1. Application forms can be downloaded from the Ministry of Finance’s web site.
2. A hotline (2828262) has also been established to assist businesses with their concerns. The Ministry of Finance can also be contacted on 4382000.
3. Forms have also been made available in District Administrations.
4. These forms also specify which documents these businesses need to submit to the committee, to support the evaluation of their applications.
5. The committee will take 10 working days to evaluate the submissions from the employers, and 15 working days for submissions from individuals who do not have employees.
6. The salary assistance is not applicable to foreign workers who are currently outside Seychelles.
7. The assistance will cover monthly basic salaries and fixed allowances. It however excludes remunerations that change on a monthly basis, such as service charge and overtime.
8. Government will also put in place an appeal system that businesses can turn to if they are not satisfied with the committee’s decision.

This assistance will also cover self-employed people who have no employees, for example, taxi operators.

Mr. Speaker, it must be noted that in the past week, more than 90 businesses have come forward to register their TIN or submit their payrolls to the Revenue commission (SRC).

**8.3.         The allocation of R30 million in the budget for the Social Protection Agency**

We are also proposing a sum of R 30 million in the budget of the Agency for Social Protection (ASP) to ensure that other individuals in need are also assisted. ASP will also assist individuals in the informal sector who are affected, to ensure that no one is left behind.

This applies mainly to businesses operating without a licence or permit, or even those who are not paying their taxes. The time has come for these businesses to ensure that they are in line with the law.

Many of these ‘illegal’ businesses compete with businesses in the formal sector which contribute to revenue by paying their taxes. It would thus not be right for such businesses in the informal sector to be assisted from this fund which guarantees the salaries of employees in the private sector. They will instead be assisted by the Agency for Social Protection.

**8.4.**An additional sum of R 10 million is also proposed for the Unemployment Relief Scheme.

**8.5.         Assistance for the agriculture and fisheries sector**

Mr. Speaker, during this pandemic, it is also a priority for us to support our agriculture and fisheries sector. The interest rate in the Agricultural Development Fund will change from 2.5% to 1% for the duration of the pandemic only. This is to assist farmers with resources to continue investing in this sector.

With regards to the fisheries sector, as President Faure announced, the interest rate will be reduced from 3% to 1% under the Fisheries Development Fund.

1. **New priorities in the 2020 budget**

Mr. Speaker,

The second measure that Government is taking is to review the 2020 budget allocations with respect to Ministries, Departments and Agencies.

However, these revisions will not be adopted in the case of the Ministry of Health, the Agency for Health Care, the Public Health Commission and other agencies that provide essential services.

It is thus important that in this challenging period, we review our priorities and not implement certain programmes that are not necessarily essential, to enable us to divert these resources to other agencies, and also to finance these very important measures that have already been announced.

In the first place, the decision to remove VAT on food which was supposed to take effect as from April 2020, will be postponed. The new date when this will take effect will be announced later, after we have seen an improvement in our difficult fiscal situation.

Government has also found it necessary to introduce certain measures under the clause of *force majeure*. Since we are experiencing a situation that is outside our control and without precedence, this decision is necessary to enable us to adjust our expenses according to degree of importance.

The measures being applied under *force majeure* are as follows:

**9.1.         Salaries**

**9.1.1.             Restrictions on recruitment**

All new recruitment in government will be frozen with immediate effect. It is necessary that the budget provides for workers already employed in the public service. This will allow us to make a saving of approximately R 54.3 million which had been approved in the 2020 budget for new hires.

This freeze will also apply to public enterprises. This is a directive of the government as a shareholder of these enterprises. The Public Enterprise Monitoring Commission (PEMC) will supervise these enterprises to ensure that the directive is followed and will work with them to see where recruitment is absolutely essential, in very exceptional cases.

In view of the uncertainty in the economic environment, it is also important that these enterprises review their operations and minimise costs.

However, the government guarantees the employment of graduates whose training targets the public service such health and education.

Other graduates who encounter difficulties to obtain employment will be covered  under the ‘My First Job’ project under the Employment Department.

**9.1.2.             Information Officers Allowance**

We have also decided to suspend payment of allowances for all ‘Information Officers’ as of 1st April 2020. This will save us R3.4 million in 2020 and R 5.2 million in the mid-term budget.

We are thus recommending an amendment in the 2020 budget for salaries, for R 2,937,090,300 instead of R 2,983,162,439 as had been previously approved.

**9.2.         Goods and Services**

Mr. Speaker

With regards to goods and services, the measures proposed are as follows:

**9.2.1.             Board fees**

In the first place, remunerations for board members, which had increased in the budget in January 2020, for agencies covered in the budget, and for public enterprise boards, which had increased last year, will also be reduced.  Board fees will go back to what they were previously before the rates were increased. This means a reduction of R18.2 million in the budget.

**9.2.2.             Reductions in Other Goods and Services**

Following the ban on overseas travel by Government employees, and following the further deterioration of the situation, we shall reduce the amounts approved for certain votes in the 2020 budget as follows:

* Reduce all votes and allowances for overseas travel by 100%. This will provide a saving of R 52.4 million. However, we have allocated a sum of R5 million, to be administered by the ministry responsible for Finance, in case there is an urgent need for a government official to travel. I want to make it clear that this does not apply to patients who have to travel overseas for medical treatment under the Agency for Medical Care.
* A 75% reduction in our Entertainment Budget, which saves us R6.1 million.
* Reduce all budgets associated with the organisation of workshops and conferences. This will save us R850,000.00.
* Completely reduce all budgets for the renting of conference halls, which will save us R8.6 million.
* We are also applying a 25% reduction in all printing and stationery budgets. This will save us R8.1 million.
* A 50% reduction in all minor capitals budgets. This will save us R27.1 million.
* All conferences and colloquiums which had been scheduled for this year, such as the Conference for Tourism Ministers and the HIV-AIDS Colloquium, will be cancelled. This will save us R1.5 million in expenses.

**9.2.3.             Reducing all activities which require grouping**

Mr. Speaker

We ask the Seychellois people to be united and to give their support and understanding during 2020 in view of the challenges we are facing. We all have the responsibility to protect ourselves just as the government has a duty to ensure protect its people.

In view of the fact that we have invoked a *force majeure*, we have decided that there will be no assembling of large groups of people this year, such as those for cultural activities and national events.

Thus the following activities will be cancelled for this year, and the accompanying sums will not be disbursed as had been budgeted:

* National Day events - R 11 million
* Creole Festival - R 5 million
* 250th Anniversary of First Settlement - R 2.5 million
* And all other activities such as the Francophonie, Jazz and Blues Festival, and the Arts Biennal.

In total, this is a reduction of R 20 million.

The organization of and participation in sports activities will also be cancelled. This includes particiption in the Olympic Games, Zwe Lespwar, Jeux de la Francophonie, Table Tennis and the regional sailing competition.

The FINA events scheduled for May and July at a cost of out R 5 million will also be cancelled. The census scheduled for this year by the National Bureau of Statistics at a cost of R6.2 million will also be postponed to next year.

This means that the budget being proposed in the 2020 Budget Amendment is now R 2.736 billion compared to R 2.920 billion which had been approved in the 2020 budget.

**9.3.         Budget for Capital Projects**

With regards to the budget for capital projects, it is important that Government continues to execute these projects as much as possible. Economic activity is necessary, especially in the construction industry, to help create jobs and economic growth. We do recognise the fact that everything will depend on how the situation develops, and there might be impediments to implementaion of projects in spite of everything.

We however, have been obliged to make certain adjustments to Capital Projects, as follows: it is proposed that the 2020 budget, which had allocated R 1,113,799,520 to this vote is revised to R 1,219,548,903.

This is because of the expected impact of devaluation on foreign exchange rates, which will affect the cost of projects, particularly those financed by loans.

**9.3.1.             The Health Sector**

An increase of R 50.6 million is being proposed for the Health Sector in this amendment, compared to the 2020 budget. This is because a sum of R25 million is being proposed to build an isolation centre. This cost of this centre, estimated at R 40 million, is expected to be completed in 2021.

R4 million is also being recommended for the renovation of the barracks at Il du Swet, which will be used to increase our actual quarantine capacity.

A sum of R21.6 million is also being recommended to complete other projects which were not completed in 2019, or which are in progress, or which have to be realized as soon as possible. These include the renovation of the Baie Lazare Health Centre, the construction of the La Digue Hospital, and the conversion of the Diagnostic Centre in the Seychelles Hospital.

Unfortunately, we are not expecting the renovation projects in the Seychelles Hospital under the ‘Victoria Hospital Master Plan’, which was to be funded from a Chinese grant, to materialise. This amounted to R35.4 million.

**9.3.2.             The Land Transport Sector**

In the Land Transport Sector, a reduction of R 20.8 million is being proposed in the 2020 Amendment Budget, compared to the approved 2020 budget. This follows discussions held with the Land Transport Agency regarding projects which have not yet started, and which are expected to be late for completion because of issues with ‘way leave’.

It has been proposed that funding for these projects will be included in the 2021 budget. This includes the construction of pavements at Belle Vue - Port Glaud, the widening of the Cap Ternay road, the construction of a road in Karyol Estate - Pointe Larue, and the fourth phase of the road improvement in Dan Lenn - Mont Buxton.

**9.3.3.             The Education sector**

In the Education sector, the projects which were to be financed by China will not materialise this year. This includes the construction of the School of Business Studies Academy (SBSA) and the Seychelles Institute of Arts and Design (SIAD).

**9.3.4.             The Infrastructure Sector**

In the Infrastructure Sector, an additional sum of R 95.8 million is being proposed in the 2020 Budget Amendment, to fund those projects which were supposed to be funded by the ‘PMC Bond’ which remain unsold.

Government will thus buy the Condominium complex built by Seychelles Pension Fund through a loan from the same agency, at an interest rate of 6%.

**9.3.5.             Other sectors**

A number of projects amounting to a total of R 21.3 million, which had been proposed for the 2020 budget under the National Sports Council, the Creole Institute and the Defence Department, will be extended to the 2021 budget.

1. **New budget allocations**

Mr. Speaker, following an analysis made by the Government, we have found it necessary to propose certain new allocations in the 2020 Budget Amendment. These are as follows:

**10.1.    Nurses and health care assistants scheme**

Provisions have been made for the nurses and health care assistants’ schemes are revised, and will take effect as from July 2020. A sum of R 13.68 million is being proposed for this.

It is to be noted that all other schemes which had already been announced in the 2020 budget will go ahead, and be implemented.

**10.2.    Contingency**

A sum of R60 million is being proposed under the Contingency vote to cover the costs related to the procurement of medicine and equipment, and for operations and logistics for prevention measures against Covid-19.

This budget will be managed by the ministry responsible for finance, and will cover the expenses of the Health Care Agency, the Public Health Commission, and other essential services involved in this operation.

**10.3.    Subventions for Air Seychelles**

In view of the suspension of Air Seychelles flights due to the ban on visitors to the country, a subvention of R 109.469 million is also being proposed for the Air Seychelles company, to cover the salaries of its employees for the next three months. However, provision has been made for 6 months, in case this situation persists.

**10.4.    Subventions for Seychelles Trading company**

A sum of R 20 million is also being proposed as advance payment for Seychelles Trading Company (STC). This is just in case STC needs Government’s support to maintain its liquidity as well as its ability to ensure the stocking of essential commodities.

**10.5.**Other public enterprises which find themselves in difficulties will also be assisted, following an evaluation of their situation by PEMC. This will be covered under the budget for assistance which has been created.

1. **Other Policies**

**11.1.    Measures on the price of fuel**

Mr. Speaker, we are proposing certain measures with regards to the price of fuel at petrol stations, particulary Mogas, better known locally as “benzinn”.  The actual price today is R 15.76.  If the price on the international market continues to go down, this number will also go down. Government has decided that should the price of this commodity go below R 15.76, we shall maintain the price of R15.76 at petrol stations, and the difference will be collected as additional taxes.

The last time that the price of pump fuel was lower than R15.76 was in January to April 2016. Thus, even with this proposal, the cost of fuel will be lower than it has ever been in the last four years. However, this measure will enable the government to to collect some taxes to support the budget, reduce our deficit, and conserve some foreign exchange by reducing the demand for fuel.

For example, if the price of fuel were to fall to R 15.46 in normal times, with this proposal, the price of fuel at the pump would remain at R 15.76, and the Government will collect 30 cents on each litre.

Mr. Speaker, if the cost of fuel does not go lower than R 15.76, nothing will change, and we shall remain in our current position. This is a temporary measure in view of the extraordinary situation we are currently in.

This measure will not apply to diesel. Diesel is used mainly by pick-up trucks, buses and other heavy industrial vehicles. These heavy vehicles enable us to keep on the construction projects, transport people and generally keep people employed, without the companies involved needing financial assistance. Thus, we shall not touch the price of diesel, and allow our economic structure to adjust, and move more easily towards activities that reduce imports.

**11.2.    Increases in the Levy Livestock Trust Fund**

Mr. Speaker, the fisheries sector is facing many challenges with regards to exportation. They have expressed concern in view of the fact that their principal markets are in Europe, which is currently in so much disarray, that they cannot export fresh fish there. On top of this, even if the market was still there, it would not have been possible to export fish due to the extreme decline of flights going out of Seychelles.

In the agricultural sector, farmers are making a special effort to raise meat production. The reduction in number of flights and fresh meat importation is an opportunity for them. This will also benefit the country as it will reduce the demand for foreign exchange to import meat.

When you put these two together, it becomes obvious that we will have an excess of fish on the local market, and an increase in meat production by local farmers. At the time, we have a decrease in revenue due to the decline of tourism.

Government has thus decided to take a temporary decision that will be in everybody’s interest. The Monitoring Committee for Food Security that the President has established under the chairmanship of the Minister for Agriculture and Fisheries, Mr. Charles Bastienne, will review the current levy on imported meat, with the aim of increasing it.

This measure aims to reduce the demand for imported meat, which will help reduce the demand for foreign exchange since we have a local option for our protein consumption. This programme that the committee will establish, will create more opportunities for the population to have better access to fresh fish in every part of the country. Furthermore, with less importations, it should be easier for local farmers to increase their production to help towards food security.

This measure will come into effect as from 1st May to give the Ministry of Agriculture and Fisheries sufficient time to establish the mechanisms for it to work effectively.

**11.3.    Temporary restrictions on vehicle importation**

Mr. Speaker, this is a time when we should be careful about the products we choose to import. We have to ensure that we import only essential commodities, as much as possible. This will help us to manage our foreign exchange reserve. We are thus introducing a temporary restriction on vehicle importations in the country. However, this restriction will not affect specialized vehicles such as ambulances. This restriction will affect all new permit applications, and the importation permit bureau will not accept new applications for vehicle importations immediately.

1. **Financing the 2020 budget amendment**

Mr. Speaker, this budget amendment that we are proposing today, for the approval of the National Assembly, will have to be financed by a considerable amount of debt, since it is a deficit. As I have constantly pointed throughout my speech today, we are in an unprecendented situation.

**12.1.**In the first place, the Central Bank will offer the Government an advance at 0% interest, in view of the *force majeure* situation.

**12.2.**Secondly, together with the Central Bank, we shall put a Bond on the market.

**12.3.** Thirdly, we are taking a Budget Support Loan from the following international organizations;

12.3.1.       The World Bank

A sum of 7 million US dollars under the ‘Catastrophe Deferred Drawdown’, or ‘Cat DDO’, that we signed with the World Bank in 2013. This is a ‘contingent credit line’ that allows Seychelles to have immediate liquidity, following a disaster. We have agreed with the World Bank that this arrangement also includes a health emergency, as the one we find ourselves in today.

The World Bank also has 14 billion US dollars that it has put at the disposition of countries in need as loans to support their response to Covid-19. Seychelles qualifies for a sum equivalent to 0.1% our GDP, which amounts to approximately 2.5 million American dollars.

We also have another facility of approximately 47 million US dollars with the World Bank under other products offered by the bank.

12.3.2.       International Monetary Fund

A facility of 50 billion US dollars was originally made available through the IMF as emergency assistance. However, in light of the magnitude of the situation, on the 3rd of April the International Monetary Fund announced it would double this facility to 100 billion US dollars. Seychelles qualifies to receive 50% of its quota, which is equivalent to 15.4 million US dollars.

12.3.3.       African Development Bank

The African Development Bank has not yet announced any specific products for assisting countries which are being affected by the Covid-19 pandemic. However, Seychelles has a budgetary support facility for a sum of 9 million US dollars.

**12.4.**Treasury bills

Government will also keep on publishing its weekly Treasury bills to finance its short term expenses, and to help maintain our presence in the financial market.

1. **The Reserve**

The numbers from Central Bank show that the country’s total reserve in foreign exchange is currently at 591 million US dollars. These numbers are dated 3rd April 2020. The portion of this reserve that is available to the country, after other commitments such as the funding of certain projects and debts with IMF, is 439 million dollars. The Central Bank, in line with its Board’s decision, will ensure that the country can keep up the funding of key imported commodities, which are fuel, essential food items, and medicine.

In this difficult period uncertainties abound, we need everybody’s cooperation to ensure that the sources of foreign exchange at the country’s disposal is well managed. The 439 million dollars which I mentioned is equivalent to the total demand for foreign exchange for a period of 7.8 months in 2019, and was provided by banks and currency exchange outlets. The Central Bank has estimated that this will be sufficient to cover our importation needs for approximately 18 months, provided that our reserves are only used to guarantee the payment of essential commodities, as I have said earlier.

1. ***Country debts***

*Mr. Speaker, let us be reminded that we have targeted our debt reduction to 50% of our GDP by the end of 2021. Unfortunately, because of the Covid-19 situation, it is now not possible for us to realise this target. Our debt-to-GDP ratio at the end of 2020 is estimated at 85.1%, instead of 52% as had been projected in the 2020 budget.*

*It is important to note that we had been resolved to reduce our debt to 50% of our GDP by 2021, and that we have invested a lot of discipline and good public funds management towards this end, since 2009. We are now however, so near, yet so far.*

*This means that Government will approach its creditors to discuss the possible restructuring of our international debt.*

1. ***Summary***

Mr. Speaker, the measures we have taken has enabled the revision of the budget so that we may re-prioritise our programs and activities. All the reductions in the Salaries, and Goods and Services votes comes to a total of R 230.4 million. Government is recommending the approval of the National Assembly to reduce the allocations that had been made in the 2020 budget, through the 2020 budget amendment that is being presented today.

*We are however, proposing an increase in other votes as follows:*

* *The budget for Capital Projects, for an additional sum of R 105. 7 million*
* *The Central Programme of Government budget, for a sum of R 1.088 billion*
* *The Transfers to Public Enterprise budget, for a sum of R 114.9 million*
* *The budget for the programs and benefits of the Agency for Social Protection, for a sum of R52.8 million*
* *The Development Grant budget, for a sum of R 30 million*
* *The Net Lending budget, for a sum of R25.166 million*
* *The Contingency budget, for a sum of R 60 million*

*As can be seen, we are proposing a budget where expenses are more than revenue by R 3 billion, on a fiscal primary balance basis, and R 3.7 billion in terms of total financing. This comes to a fiscal primary deficit of 14 %.*Mr. Speaker, this is a very alarming path to take, but inevitable, given the dilemma we are facing.

*But it doesn’t end here. During the coming years, we will have to work even harder to reconsolidate and improve our position. For the moment, we are foreseeing a gradual improvement from 2021 to 2022, through a considerable reduction of fiscal deficits.*

*For the 2021 budget, we are foreseeing a fiscal deficit of negative 5.3 %, and a deficit of negative 3.8% for 2022. This gives us hope that we shall recover, through the hard work of the different sectors, organizations, civil society and other stakeholders of the economy.*

1. ***Conclusion***

Mr. Speaker, the Government will not impose any restrictions on foreign exchange transactions. It is important that we maintain the confidence of our investors, to encourage them to keep on doing business in Seychelles, with no restrictions. This is also an appeal to businesses and individuals who have foreign exchange accounts overseas, to open an account in Seychelles and keep their foreign exchange here. These businesses benefitted from the good business climate in Seychelles during the good times.

If they are where they are today, it is because of our economy. The time has come for them to now do their part and help this same economy which has helped them. We are thus appealing to all those who continue to maintain their foreign exchange accounts outside the country, to now put Seychelles first.

Mr. Speaker, I hope that our fellow Seychellois appreciate the fact that as a small island state, Seychelles will find it very difficult to pull out of the economic crisis that the whole world is facing today. At this time, we as Seychellois, whatever our  religion, colour, or political affiliation, we have only one choice. At this moment in time, we must put aside our differences and work together in solidarity, to bring back the good times in Seychelles.

When our tourism sector starts to pick up again, we do not want to be in a situation where tourists want to come back to our country, and all our small businesses related to tourism have closed down. The measures we are proposing for the National Assembly’s consideration are essential to ensure that the private sector remains viable and strong.

*To conclude, I would like to thank all individuals and stakeholders in the private sector, for their contributions, which have enabled us to draft a budget that supports all workers, stabilises our economy and businesses, rebuilds our confidence in our society and our resilience, and protects our health.*

*A special thank you goes to President Danny Faure for his guidance, my colleague ministers, departments and agencies which have found themselves once again engaged in the budgeting process, and my staff at the Ministry of Finance, Commerce, Investment and Economic Planning for their high level of competence, which has allowed them to produce this budget in a very limited time, and for their fidelity.*

*Thank you as well to the Governor and staff of Central Bank for their commitment and professionalism in this task.*

*Thank you, Mr. Speaker, to you and your secretariat at the National Assembly, for your support and understanding in this process, which has allowed us to submit this Budget Amendment, even though it has not been an easy task.*

*Our heartfelt thanks goes to the employees of the Immigration, Customs, Disasters and Risks, and Police departments, and in particular, the Public Health commission and the Health Care Agency, for their excellent work in this very difficult moment.*

*I now ask for the support of all members of the National Assembly, towards this budget, which will help the private sector to bounce back, assist the vulnerable, and the employees of essential services who are devoting themselves to stopping the propagation of this pandemic. I thus appeal to members of the National Assembly, that we should work around the clock, till midnight if necessary, so that this new budget is approved by Thursday 9th April, 2020.*

***Mr. Speaker, I thus recommend the approval of the National Assembly for a sum of R10,447,151,547.00 as the 2020 Budget Amendment.***