



REPUBLIC OF SEYCHELLES

2020 BUDGET (Amendment)

BUDGET SPEECH

&

ASSUMPTIONS AND OBJECTIVES OF THE 2020 BUDGET (Amendment)

PART 1

Ministry of Finance Trade Investment and Economic Planning

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SECTION 1

Budget Speech



**BUDGET 2020 AMENDMENT
GOVERNMENT OF SEYCHELLES**

Theme: "New priorities in a new reality "

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**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.

2. 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.

3. 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 the Organisation 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.

4. 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 exchange reserve. We expect that our foreign exchange rate is likely to depreciate.

This will definitely 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.

5. 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, SCCA 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.

6. 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 inccribed 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 supplementary 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.

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

Mr. Speaker

In order to prevent our economy from plummeting, 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 Statistics, in the fourth quarter of 2019, the private sector had a total of 37,409 employees. In view of the reduction in visitor arrivals, and to avoid redundancies 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.

9. 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 Biennial.

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

The organization of and participation in sports activities will also be cancelled. This includes participation 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 implementation 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.

10. 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.

11. 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, particularly 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 March 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 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.

12. 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 unprecedented 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.

13. 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.

14. 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.

15. 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.

16. 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.



LAMANNMAN BIDZE 2020
GOVERNMAN SESEL

Tenm: “Nouvo priyorite dan sa nouvo realite”

Delivre par:

Anbasader Maurice Loustau-Lalanne

MINISTER FINANS, KOMERS, LENVESTISMAN EK PLANIFIKASYON EKONOMIK

Dan Lasanble Nasyonal Sesel

Ile Du Port, Victoria, Mahe, Seychelles

Mardi le 7 Avril, 2020

9.00 er bomaten

Msye Spiker,
Onorab Lider Lopozisyon,
Onorab Lider Pour Zafer Gouvernman,
Manm Onorab,
Pep Seselwa.

Bonzour.

1. Lentrodiksyon

Nou pe pas dan en moman tre difisil dan nou listwar.

Nou vwar nou dan en sitiasyon ki nou pa ti swete ti pou arive. En sirkonstans sanpresedan, ki fer ki nou pou bezwen re-prevwar tou keksoz e re-aziste avek sa realite, pou nou kapab revwar en lavenir.

Limanite, pe eksperyans en gran defi ki pe afekte, e met an risk lasante tou son bann sitwayen. Bann mezir prekosyon pe ganny entansifye par bokou bann pei, ki pankor tro ganny afekte par sa pandemik Covid-19, e lezot pe lit for, pou met sa pandemik anba kontrol.

Sesel alors, i pa en leksepsyon. Sirveyans lasante piblik in reste alert depi komansman sa fleo pou met an gard bann mezir prekosyon, e tou sipor pe ganny donnen avek bann lotorite konsernen pou evite ki sa sitiasyon i esap nou.

2. Prozeksyon dan bidze 2020 lo nou lekonomi

Msye Spiker, pour bidze 2020 ki ti annan tenm “Rezilta Ekitab-Prosperite Partaze”, ki mon ti prezante le 31 Oktob 2019, ti enn kot nou ti pe lans bidze otour nou vizyon 2033, e mon site “pour transform Sesel koman en nasyon ki rezilyan, responsab e prosper, ki an bonn sante, edike e emansipe, e ki pe viv ansanm dan larmoni avek lanatir, e angaze avek leres lemonn”.

An se moman, sitiasyon global i demande ki nou demontre nou rezilyans koman en nasyon. An rezilta sa, i pou osi enportan ki koman en Gouvernman responsab nou revwar nou stratezi developman nasyonal pour sa prosen senk an, an prenan kont sa nouvo realite ekonomik ki nou pe fer fas avek.

Nou apersi, ti otour lefe ki kwasans global ti pour fini lo en prediksyon 3% an 2019, e ki pour amelyore e mont lo 3.4% an 2020. Dan konteks Sesel, nou pe ekspekte fini 2019 avek en kwasans 3.9%, anvi en logmantasyon dan aktivite tourizm, ki tin ogmante par 5% ver le 20 Oktob 2019 konpare avek prediksyon inisyal ki ti 4%.

Pour lannen 2020, nou ti pe ekspekte kwasans reste pozitiv lo 3.5%, pouse par aktivite kontinyel dan sekter lenformasyon e telekominikasyon, e ki tourizm pour reste kontribiter prensipal dan prodwir domestik brit, avek en kwasans 5% an zeneral. Nou ti pe osi espekte larive tourizm ogmante an 2020, anvi nouvo larive vol Air France, e frekans vol Qatar Airways ki ti pour vin 14 vol par semenn komansman Mars 2020.

3. Apersi global ekonomik swivan Covid-19.

Sa pandemik ki annan gran lefe advers lo lasante, pou osi annan lenpak direk lo nou lekonomi. Dapre rapor prepare par Lorganizasyon pou Developman e Korperasyon Ekonomik ouswa OECD, kwasans global ti feb an 2019, me sa ti pe komans stabilize, ziska larive viris Covid-19. Bokou pei in alors ferm zot frontyer pou kapab kontenir propagasyon sa viris. Sa i fer alor ki demann pou komodite, prodiksyon e distribisyon bann komodite, vwayaz e lendistri tourizm partou dan lemonn pe ganny afekte severman.

I annan bokou lensertitid globalman an se moman. Sa pandemik Covid 19, dapre OECD pou pran bann pei bokou lannen pou rekipere. Sa pandemik in fini deza pe fer en pli gran domaz ekonomik dan lemonn, konpare ek sa ki nou ti eksperyanse dan kriz finansyel 2007 - 2009.

Alors, kwasans global ki ti pe ganny eskpekte pou 2.9% an 2020, i aprezan ekspekte pou **negativ 3.3%**. Tou pei pe vwar zot pe re-analiz zot bann prozeksyon makro-ekonomik pour lannen 2020, e osi a mwayen-term. Le fitir i reste en-serten, me

nou espekte amelyorasyon gradyelman pandan lannen 2021, e entansifye dan bann lannen ki vini.

4. Lenpak ekonomik viris Covid-19.

An rezilta sa, nou pe ekspekte en rediksyon dan nou bann aktivike ekonomik, anvi lazistaz dan konportman bann endividi e biznes.

Swivan ‘ban’ endefini kin ganny entrodwir par Komisyon Lasante Piblik, konsernan larive tou viziter sorti dan okenn pei omonn, sa pou annan en lefe advers lo nou lendistri tourizm, ki pilye nou lekonomi. Alors, parey bann lezot pei ki pe ganny afekte avek sa pandemik, i neserer ki Gouvernman i met an plas bann mezir san-presedan. Anvi sa kriz, nou pe reazir vitman, pou kit tou nou bann akter ki prodiktiv dan nou lekonomi entak, otan ki posib, e evite ki nou baz ekonomik i ganny erode e ganny detrir konpletman.

Gouvernman in alors reakte avek lefikasite e in met an plas bann mezir, kin ganny anonse par Prezidan Larepublik dan son diskour le 20 Mars 2020. Sa bann mezir i pou pli zou mwen lo bann polisi taks, akonpanyen par bann mezir ladministratif dan zesyon taks e osi bann lezot lasistans ki pou ede soulaz bann biznes dan sekter prive ki pou ganny severman afekte.

Msye Spiker, i enportan note ki i annan enta lensertitid otour sa sitiasyon. Gouvernman ti komans swiv sa sitiasyon de pros depi Zanvye 2020, ler Lasin ti ankor lepisant sa viris, swivi de pros ler Litali ti ganny afekte, e apre sa tou zefor in ganny entansifye avek developman sa viris dan lerop an nantye, e ki aprezan pe propaze dan Leta Zini.

An servan nou analiz pli konservativ, nou prezimen ki sa sitiyasyon i kapab kontiyen pou sa prosen 4 mwan. Par kont nou senaryo ki nou konsider koman nou ‘worst case scenario’, se ki nou pa pou vwar larive okenn viziter pour sa prosen 6 mwan.

Avek sa rediksyon dan larive tourizm, ki kontribye pros 25% dan nou prodiksyon domestik brit ouswa GDP, lakantite reveni ki nou pou kolekte an deviz avek

lendistri tourizm pou redwir konsiderableman. Sa pou osi annan en lenpak lo nou to deviz etranzer. Nou to deviz etranzer i alor ekspekte depresye.

An retour, sa pou osi definitivman annan lefe lo lezot sekter ki endirekteman relye ek tourizm. Nou kwasans ekonomik i osi ekspekte redwir pou bese pou vin **negativ 10.8%** konpare avek prozeksyon en kwasans 3.5% dan prezantasyon bidze 2020. Sa i vadir ki nou lekonomi i ekspekte al dan en resesyon.

I kler ki nou ekspekte kwasans dan nou sekter lakomodasyon e servis manze e osi dan sekter ladministrasyon desann. Nou prozeksyon se en bes dan kwasans sa de sekter pou vin -50%. Prozeksyon dan sekter transportasyon e stokaz pou osi bese pou vin -25%, en bes -20% dan sekter lar, rekreasyon e entertainment, e en bes -15% dan 'wholesale e retail trade'.

Par kont, dan sekter lenformasyon e kominikasyon nou pe ekspekte en kwasans 3%. Presyon lo to deviz etranzer i alor kapab fer lenpak lezerman lo to lenflasyon.

Nivo ki nou rekipere apre sa pandemik i pa fasil pou prevwar e i pa konklisiv. Nou bann analiz, pe ganny gide avek lespektasyon ki avek konfidans ki ava monte dan lemonn, dimoun ava re komans vwayaze gradyelman dan ankor 6 mwan, e nou sekter tourizm i ava komans releve. Sa i ava ede relev kwasans e aktivite ekonomik plis ankor, dan bann tel sekter parey lagrikiltir, lapes, telekominikasyon e sekter finansyel.

5. Reveni

5.1. Reveni Taks

Avek sa resesyon ki nou pe ekspekete dan nou lekonomi, Gouvernman pou alor kolekte mwens taks. An 2020 proporsyon reveni taks a total reveni ti ekspekte kouver 78% nou bann depans.

Nou pe ekspekte dan nou 'worst case scenario', en rediksyon R1.826 bilyon dan nou koleksyon taks pou sa lannen konpare avek sa ki tin ganny estimen pou bidze 2020.

Nou alor ekspekte kolekte selman R5,903,742,000 konpare avek R7,729,429,000 dan taks pou lannen 2020.

Nou pli gran pert ki noun prevwar se dan Taks Valer Azoute ouswa VAT, avek en rediksyon R944 milyon e dan taks lo biznes avek en rediksyon R355 milyon.

Nou pe osi prevwar en rediksyon R183.8 milyon dan koleksyon ‘Excise Tax’, R210 milyon dan ‘Income Tax’, R59.6 milyon dan Other Tax, R55.8 milyon dan ‘Custom duties’, R44.4 milyon dan Corporate Social Responsibility tax, e R38.3 milyon dan Tourism Marketing Tax. Bann lezot taks, ki pli zoumwen bann ‘licence’, pou osi redwir par R64 milyon.

Sa I fer ki nou pe ekspekte en rediksyon 24% dan koleksyon taks konpare avek sa ki nou tin prevwar dan bidze 2020. Sa i reprezant en koleksyon taks konpare avek son prodiksyon domestik brit ouswa tax to GDP a 27%, konpare avek en mwayenn 32% pandan sa dernyen 5 an.

I enportan note, ki sa bann rediksyon i osi pran kont lefe sa bann mezir ki Gouvernman in anonse anver prolonzman peyman serten bann taks par bann biznes.

5.2. Reveni ki pa sorti dan taks

An sa ki konsern koleksyon dan reveni ki pa sorti dan taks, nou pe aprezan ekspekte kolekte selman R 884 milyon rounpi konpare avek R 1.477 bilyon pou bidze 2020.

Nou pe pre-vwar en rediksyon R 442 milyon dan ‘dividends’ ki ganny peye par bann lantrepriz piblik. Sa i anvi rediksyon dan profi ki nou pe ekspekte dan sa bann lantrepriz avek rediksyon dan larive bann viziter, notaman pour SCCA e IDC. Nou osi ekspekte en rediksyon dan biznes avek posibilite ‘re-scheduling’ bann loans par bann lenvestiser avek labank Nouvobanq.

Nou pe osi pre-vwar en rediksyon R150 milyon dan bann ‘fees and charges’ ki ganny sarze par bann diferan minister e lazans. Anvi revi prozeksyon dan larive bann viziter, nou alor ekspekte reveni dan ‘Passenger Service Fees e ‘entrance fees’ dan Zarden Botanik ki nou kolekte, i desann. En prozeksyon pli ba dan koleksyon ‘GOP fees’ e ‘attestation fees’ in osi ganny fer, anvi ki Gouvernman pa pou aksepte okenn nouvo laplikasyon GOP ziska prosen notis.

6. Amannman Bidze 2020

Sa I fer alors, ki Gouvernman i vwar li prezant neser avek tou sa bann lensertitid e defi, pou re- prezant en lot bidze 2020.

Nou pe propoz en lamannman dan bidze 2020 par soumisyon en ‘Appropriation (Amendment) Bill 2020’. Parey nou ‘Public Finance Management Regulations 2014’ i site anba lartik 54 (d), en bidze siplemanter pa devret modifye konsiderableman en bidze kin ganny aprouve. An dot mo, “the supplementary estimates shall not substantially modify the approved estimates”.

Sa i anvè ki i en realite ki nou pa pou fer en sirplis fiskal 2.5% lo nou kwasans domestik brit pou lannen 2020, parey tin ganny prozekte dan bidze 2020. Sa bidze ki nou pe prezante ozordi pou laprouvasyon e sipor Lasanble Nasyonal dan sa letan difisil, pou fer ki nou pe prevwar annan en ‘deficit’ fiskal primer **negativ 14%**.

Sa i fer Msye Spiker ki tou sa travay dir ki noun fer depi 2008 avek reform makro-ekonomik, avek gran sakrifis e devosyon Lepep Seselwa, kot noun touzour fer en sirplis fiskal, kin ganny ranforsi avek bann bon zesyon finans piblik, kin finans bokou program e proze ensansyel, pou dezorme pe ganny ranverse ozordi pou lanmen.

An 2008, ti reste nou zis 14 zour rezerv avan ki nou ti forse fer desizyon pou fer reform ekonomik. Si ozordi, nou ti ankor dan menm sitiasyon, nou pa ti pou kapab fer sa bann mezir pou asiste sekter prive, e alor nou sitiasyon ti pou pli agrave. Nou desizyon pou fer reform makro ekonomik an 2008, in kapab fer nou vin pli rezilyan e in prepar nou pou kapab aziste ek bann sironstans ekonomik ki devlope, e ki menm sirpas abilite pou nou abzorb le konsekans, parey nou vwar nou ladan ozordi.

Malgre tou, nou en pep for, determinen e rezilyan. I pou pran en zefor kolektif pou nou releve dan sa sitiasyon. Nou kont alor lo nou tou, pou apir sa bann mezir e zefor ki nou pe met an plas pou relev nou lekonomi, protez nou lasante, soutenir nou pep e sof gard nou pei.

7. Mezir pou soulaz lefe advers korona lo nou lekonomi

Msye Spiker

Pou nou kapab anpese ki nou lekonomi i re-tonbe, nou bezwen alor met bann mezir ki pou ede fer nou lekonomi kontiyen marse o tan ki posibil.

8.1. Lasistans pour sekter prive

8.1.1. Taks

Sekter prive i moter nou lekonomi e alor i bezwen ganny sa sipor neserer pou kit li an mars. Sa bann biznes prive partikilyerman dan bann sekter ki relye ek tourizim pou annan gran difikilte pou anan likidite anvi ki zot pa pe anmans okenn reveni. Alor par entrodwir bann mezir pou sispann peyman bann taks ki relye lo reveni pou ede amelyor likidite sa bann biznes enpe.

Sa I par prolonz:

8.1.2. Peyman tou bann taks ki sipoze ganny peye par Mars pour Septanm 2020

8.1.3. Peyman Corporate Social Responsibility, Tourism Marketing Tax, taks lo Biznes e taks lo Income Non-Monetary Benefits pou Septanm 2020.

8.2. Garanti saler

Dapre Biro Nasyonal pour statistik a lafen katrienm Kar 2019, Sekter prive i anploy 37,409 travayer an total. Anvi rediskyon dan aktivite e dan larive bann viziter, pou evit en sitiasyon kot bann biznes i fer redundancy e pou permet bann sekter prodiktiv kontiyen marse, Gouvernman pe garanti saler bann travayer dan sekter prive.

En sonm R1,090,531,200.00 in alor gany propoze dan lamanman bidze 2020 pou garanti saler. Parey lanons Prezidan Larepublik i dir, saler pe ganny garanti pou 3 mwan. Par kont Msye Spiker, anvi lensertitid sa pandemik, noun fer en provizyon en pe pli a lon term, pou kouver sa prosen 6 mwan. Limit lasistans pour ganny cap a en sonm R30,000.00. Sa i swivan diskisyon entern kin ganny fer, tenir an kont ki le bi se pour garanti o mwen en lasistans pour tou travayer, e anvi nou pa konnen ziska kan sa sitiasyon pour persiste.

Sa lasistans pour osi kouver travayer etranze. Msye Spiker, i enportan ki o tan ki posibil, i annan mwens lenteripsyon dan aktivite ekonomik sekter prive e ki zot ganny asiste pou asire ki zot relev zot aktivite, o pli vit posibil. An sa ki konsern travayer etranze ki bezwen transfer larzan dan zot pei, gidans ki Labank Santral i oule donn bann biznes se pour lyez avek zot bann Labank pour fer prosedir pour transfer saler zot bann travayer.

Nou swete ki sitiasyon pa pli deteryore. Me par kont, nou reste depandan lo sitiasyon dan lemond ki manyer i devenir, partikilyerman an Lerop kot nou depann lo nou bann viziter. Alor, i pli pridan pour fer en tel provizyon dan levantyalite ki plis lasistans i bezwen ganny donner.

Sa sonm pou ganny zere par en Komite ki konpri bann O Zofisyè dan Gouvernman e pou osi annan reprezantan sekter prive. Pou annan bann kriter kler, kin fini ganny kominike deza, ki pou gid lekel konpanyen ki pou ganny asiste avek sa fon. Se selman bann sekter formel avek bann biznes kin anrezistre e ki a zour avek soumisyon zot bann deklarasyon ouswa peyman taks, ouswa ki annan en laysens ki pou ganny asiste.

Msye Spiker parey sa komite in deza annonse, zot in met bann prosedir kler pou fer sir ki nou protez larzan piblik;

1. Form laplikasyon i kapab ganny 'download' lo sit-web Minister Finans.
2. Noun osi etabli en 'hotline' 2828262 pour ed bann biznes avek zot konsern. Zot osi kapab telefonn Minister Finans lo 4382000.
3. Bann form in osi ganny mete dan bann sant ladministrasyon distrik.
4. Lo sa bann form noun osi met bann dokiman ki sa bann biznes i bezwen soumet avek sa komite pou ede dan zot evalyasyon.
5. Sa komite pou pran dis zour pou evalye bann soumisyon sorti kot bann anplwayer e 15 zour pou bann soumisyon sorti kot bann endividi ki napa travayer.
6. Sa bann laplikasyon pa pour aplikab pour bann travayer etranze ki an deor Sesel.

7. Sa lasistans pou kouver saler de baz e osi alawens ki 'fix' tou le mwan. Me sa lasistans i ekskli saler ki sanze tou le mwan parey service charge e overtime.
8. Gouvernman pou osi etabli en sistenm appeal ki sa biznes i kapab servi si i pa satisfè avek desizyon sa komite.

Sa lasistans pou osi kouver bann dimoun ki pa anploy okenn travayer, par egzanp bann operater taksi.

Msye Spiker, i bon note ki pandan sa dernyen semenn in osi annan plis ki 90 biznes kin vin a nouvo pou anrezistre zot TIN ouswa soumet zot 'payroll' avek Komisyon Reveni Taks Sesel (SRC).

8.3. Alokasyon R30 milyon dan bidze Lazans Proteksyon Sosyal

Nou pe osi propoz en sonm R 30 m dan bidze Lazans Proteksyon Sosyal ouswa ASP pou asire ki bann lezot endividi dan bezwen i osi ganny asiste. Bann endividi dan sekter enformel ki osi war zot ganny afekte pou ganny asiste par ASP pou asire ki nou pa kit personn deryer.

Sa I pli zoumwen bann biznes ilegal ki pe -fonksyonnn san en laysens ouswa en permi, ou petet pa pe menm pey zot taks. Alor, in ariv ler pour sa bann biznes fer sir ki zot met zot biznes an zour avek lalwa.

I annan bokou sa bann tel pti biznes ki fer konpetisyon avek bann biznes ki dan sekter formel e kin kontribye par pey zot taks byen pandan bann lannen. Alor i pa pou moralman byen ki sa bann biznes dan sekter enformel I ganny asiste par sa fon ki garanti saler travayer sekter prive. Me par kont zot pou ganny asiste par Lazans Proteksyon Sosyal.

- 8.4. En sonm adisyonnèl R 10 milyon pe osi ganny propoze dan 'Unemployment Relief Scheme'.

8.5. Lasistans pou sekter lagrikiltir e lapès

Msye Spiker, soutyen pou nou sekter lagrikiltir e lapès i osi nou priyorite pandan sa pandemik. To lentere dan Fon 'Agricultural Development Fund' pour sorti

2.5% pou vin 1% selman pandan dirasyon sa pandemik, pou asiste bann fermye avek akse resours pou kontiyen investir dan sa sekter.

An sa ki konsern lapas, parey in deza anonse par Prezidan Danny Faure, to lentera pou redwir pou sorti 3% pou vin 1% anba 'Fisheries Development Fund'.

9. Re-prioritizasyon dan bidze 2020

Msye Spiker

Dezyenm mezir ki Gouvernman pe met an plas se pou revwar son alokasyon bidze ki ti ganny donner avek bann Minister, Departman ek bann Lazans dan bidze 2020.

Par kont, sa bann revizyon pa pou ganny adopte pour Minister Lasante, Lazans Swen Lasante, Komisyon Lasante Piblik ek bann lezot lazans ki ofer bann servis esansyel.

I enportan ki dan sa moman difisil nou alor revwar nou bann priorite e pa enplimant serten program ki pa neserman esansyel pou nou kapab donn resours bann lezot lazans e osi pou finans sa bann mezir tre enportan kin ganny anonse deza.

Premyerman, desizyon pour retir VAT lo manze ki ti sipoze aplike aparti le 1er Avril 2020, pou ganny prolouze. Nou pou anons dat laplikasyon pli tar, apre ki noun vwar amelyorasyon dan nou sitiasyon fiskal.

Gouvernman in osi vwar li neser pou entrodwir serten mezir kot nou pou aplik bann mezir fors mazer. Anvi nou pe ekperyans en sitiasyon ki andeor nou kontrol e ki sanpresedan, sa desizyon i neser pou ki nou kapab aziste nou depans baze lo bezwen ki pli enportan.

Sa bann mezir ki nou pou osi aplik fors mazer i konm swivan:

9.1. Saler

9.1.1. Restriksyon lo rekrutman

Avek lenplimantasyon imedya, tou bann nouvo rekrutman dan Gouvernman in ganny restrikte. I neser ki provizyon bidze i kouper selman bann travayer kin

deza ganny anploye dan servis piblik. Sa mezir pou fer ki nou redwir environ R 54.3 milyon ti kin ganny aprouve dan bidze 2020 pour bann nouvo rekritman.

Sa freeze pe osi ganny aplike pou tou bann lakonpanyen antrepriz piblik. Sa I en direktiv Gouvernman koman ‘shareholder’ sa bann lantrepriz. Public Enterprise Monitoring Commission (PEMC) pou fer sipervizyon lo sa bann lantrepriz pou asire ki sa direktiv I ganny swiv e I pou travay avek zot pou vwar kan I nesaser pou permet bann rekritman ki tre esansyel selman dan bann ka eksepsyonnel.

Anvi lensertisid dan lanvironnamn ekonomik, I osi enportan ki sa bann lantrepriz I revwar zot loperasyon e minimiz depans ki pa nesaser.

Par kont, Gouvernman I garanti pou anploy bann ‘graduates’ ki zot lentrennman I vize anver bann servis piblik tel ki lasante e ledikasyon par egzanp.

Bann lezot ‘graduates’ ki pou annan difikilte ganny en lanplwa, pou ganny ankadre anba programm ‘My First Job’ anba Departman Lanplwa.

9.1.2. Alawens information officers

Noun osi pran en desizyon pou apartir le 1er Avril 2020, sispann peyman bann alawens pou bann ‘Information officers’. Sa pou save nou R3.4 milyon an 2020 e R 5.2 milyon dan bann bidze mwayen – term.

Nou pe alor rekomann en lamannman bidze 2020 pour saler, pou en sonm R 2,937,090,300 konpare avek R 2,983,162,439 dan bidze 2020.

9.2. Byen e Servis

Msye Spiker

Lo kote Byen e Servis, bann mezir I konm swivan.

9.2.1. Board fees

Premyerman, peyman pou bann manm lo bann Board ki tin ganny ogmante an Zanbye 2020 pou bann lazans dan bidze e pou bann lantrepriz piblik ki ti ganny ogmante lannen pase, pou osi redwir. Board fees ki pou ganny peye prezan pou sa

sonm ki ti aplike oparavan, avan logmantasyon dan rates. Sa pou fer en rediskyon R18.2 milyon dan bidze.

9.2.2. Rediksyon dan bann lezot Byen e Servis

Swivan ‘ban’ lo vwayaz aletranze par bann travayer Gouvernman, e swivan deteryorasyon sa sitiasyon, nou pou redwir sertan bann vot ki ti ganny aprouve dan bidze 2020 konm swivan:

- Redwir tou vot pou vwayaz e alawens aletranze par 100%. Sa pou permet nou fer en savings R 52.4 milyon. Par kont noun met en alokasyon selman R5 milyon ki pou ganny zere par Minister responsab pou Finans anka i annan nesesite pour okenn zofisyè gouvènmàn vwayaze. Mon le fer kler, ki sa i pa aplik pou bann pasyan ki pou bezwen vwayaze pou tretman medikal aletranze anba bidze Lazans Swen Lasante.
- En rediskyon 75% dan bann bidze pou Ospitalite, ki save nou R6.1 milyon.
- Redwir tou bann bidze ki relye ek organiz bann ‘workshop’ ek Konferans. Sa pou save nou R850,000.00.
- Redwir an totalite, tou bann bidze pou lwe bann lasal konferans, ki pou save nou R8.6 milyon.
- Nou pe osi aplik en rediskyon 25% dan tou bann bidze pou ‘printing and stationery’. Sa pou save nou R8.1 milyon.
- En rediskyon 50% dan tou bann bidze ‘minor capital’. Nou pou save R27.1 milyon.
- Pou osi napa okenn konferans e kolok ki tin deza ganny prevwar sa lanen tel parey Konferans Ministeryel pour bann Minis Touzism Afriken, a kolok HIV-SIDA. Sa pou fer en rediksyon R1.5 milyon dan depans.

9.2.3. Rediksyon dan bann aktivite ki nesisit rasanbleman

Msye Spiker

Nou demann lepep Seselwa pou ini ansanm pou sa lannen 2020 pou donn zot soutyen e konprezon dan sa tel sitiasyon ki nou vwar nou ladan. Nou tou nou

annan en responsabilite e se devwar sa Gouvernman osi, pou asire ki i protez son pep.

Etan-donnen, ki sa sitiasyon i enn fors mazer, noun alors pran en desizyon ki sa lannen, pou napa okenn rasanbleman ki pou anmenn gran lafoul dimoun, tel ki bann aktivite kiltirel e levennman nasyonal.

Alors bann aktivite swivan pou ganny anile sa lannen e sa bann sonm pa pou ganny depanse parey tin ganny bidzete:

- Lafet Nasyonal pour R 11 milyon
- Festival Kreol pour R 5 milyon
- Lafet 250 an premye letablisman R 2.5 milyon
- E bann lezot aktivite mizikal e lar tel parey, lafet La Frankofoni, festival Jazz and Blues e biennal des arts.

Antou, sa I ava redwir bidze par en total R 20 milyon.

Nou osi annan bann aktivite e partisipasyon sportiv ki pou ganny anile. Sa I konpri partisipasyon dan zwe Olenpik, Zwe Lespwar, zwe La Frankofoni, tenis de tab e konpetisyon rezyonal pou lavwal.

Konpetisyon FINA ki ti osi ekspekte ganny fer an Me ek Out, ki ti pou kout R 5 milyon pou osi ganny anile. Census ki ti pou ganny fer par Biro Statistik avek en sonm R6.2 milyon pou osi ganny anile pour lannen prosenn.

Sa I fer alor ki bidze ki pe ganny propoze pou Byen e Servis dan sa lamanman bidze 2020 I prezan R 2.736 bilyon konpare avek R 2.920 bilyon dan bidze 2020.

9.3. Bidze Proze Kapital

An sa ki konsern bidze pou bann proze kapital, i reste enportan ki Gouvernman i kontiyen egzekit sa bann proze o tan ki posib. Nesesite pou annan aktivite ekonomik espesyalman dan nou sekter konstriksyon i enportan anfen ki i ede kre louvraz e kree kwasans. Nou osi rekonnet ki tou pou depan lo ki manyer sitiasyon i devlope e ki i kapab annan serten retar dan bann proze kantmenm sa.

Sepandan, noun bezwen fer serten azistaz dan bidze proze kapital konm swivan. En bidze 2020 ki ti R 1,113,799,520 pe aprezan ganny rekomande pou revize pou vin R 1,219,548,903.

Sa i anvi lenpak devalyasyon ki nou pe espekte lo to deviz ki pou afekte pri bann proze, espesyalman bann ki gany finanse par bann loan.

9.3.1. Sekter Lasante

Dan sekter lasante, en logmantasyon R 50.6 milyon pe ganny propoze pou sa sekter dan sa lamannman, konpare dan bidze 2020. Sa i anvi en sonm R25 milyon, pe ganny rekomande pou konstrir sant tretman. Sa sant i sipoze kout R 40 milyon e ekspekte konplete dan lannen 2021.

En sonm R4 milyon pe osi ganny rekomande pou renovasyon bann barak lo Il du Swet, ki pou ganny servi pou ogmant kapasite karantenn an se moman.

I osi annan en sonm R21.6 milyon ki pe ganny rekomande pour konplet bann lezot proze ki pan konplete an 2019 e ki swa an progresyon oubyen neserer i ganny materyalize o si vit ki posib. Sa i konpri, renovasyon lo sant lasante Baie Lazare, konstriksiyon lopital Ladig e konversyon sant dyagnostik dan Lopital Sesel.

Malerezman, nou pa pe prevwar ki sa bann proze renovasyon dan Lopital Sesel, anba 'Victoria Hospital Master Plan' ki nou tin fer provizyon anba sa 'Don' sorti Lasin pou aprezan materyalize. Sa ti pou en sonm R35.4 milyon.

9.3.2. Sekter Transpor lo Later

Dan sekter transpor lo later, en rediskyon R 20.8 milyon pe ganny propoze pour ganny redwir dan lamannman bidze 2020, konpare avek bidze 2020. Sa i swivan diskisyon kin ganny fer avek Lazans Transpor lo later, pou vwar bann proze ki pankor ganny inisye an se moman e ki serten retar pe ganny ekspekte avek, pou rezon 'way leave'.

Sa bann proze zot finansman in ganny propoze dan bidze pour lannen 2021. Sa i konpri proze konstriksiyon trotwar Belle Vue - Por Glo, agrantisman semen Cap Ternay, konstriksiyon semen Karyol Estate - Pointe Larue e proze amelyorasyon faz 4, lo semen Dan Lenn, Mont Buxton.

9.3.3. Sekter Ledikasyon

Dan sekter Ledikasyon, rediksyon dan bidze, i selman anvi bann proze ki sipoze gany finanse par Lasin e ki pa pou materyalize sa lannen. Sa i enkli proze konstriksyon Lakademi Letid Biznes (SBSA) e Lenstiti pou Lar e Design (SIAD).

9.3.4. Sekter Lenfrastruktir

Dan sekter lenfrastruktir, en sonm adisyonnèl R 95.8 milyon pe ganny rekomande dan sa lamannman bidze 2020 pou finans bann proze ki ti sipoze ganny finanse anba “PMC Bond’ ki pan fini vann.

Gouvernman pou alor aste proze condominium konstrir par Fon Pansyon Sesel avek en lon ki i pou pran avek sa Fon pou en peryod 3 an avek en to lentere 6%.

9.3.5. Lezot sekter

En sonm proze total R 21.3 milyon, pe osi ganny prolonze pou ganny egzekite anba bidze lannen 2021, ki tin ganny prevwar dan bidze 2020 oparavan anba Konsey Nasyonal pou Spor, Lenstiti Kreol e La Defans.

10. Nouvo Alokasyon Bidzeter

Msyè Spiker, swivan lanaliz ki Gouvernman in fer, noun vwar li neser pou osi rekomann serten nouvo alokasyon dan sa lamannmen bidze 2020. Sa i konm swivan:

10.1. Skim pou bann Ners ek bann ‘health care assistants

Provizyon in ganny fer pou ki skim bann ners ek bann ‘health care assistants’ i ganny revize e pran lefe aparti Zilyet 2020. En sonm R 13.68 milyon pe ganny rekonmande pou sa.

Pour note ki tou bann lezot skim ki tin ganny deza anonse dan bidze 2020 pou kontinyen ganny enplimante.

10.2. Contingency

En sonm R60 milyon pe ganny propoze anba bidze ‘Contingency’ pou kouver bann depans relye avek prokirman bann lekipman e latizann, e osi pou loperasyon e lozistik anver bann mezir prevansyon Covid-19.

Sa bidze pou ganny zere par Minister responsab pou Finans e pou kouver bann depans Lazans Swen lasante, Komisyon Lasante Piblik ek bann lezot servis esansyel ki angaze dan sa loperasyon.

10.3. Sibvansyon pour Air Seychelles

Anvi sispanasyon vol Air Seychelles avek ‘ban’ pou bann viziter dan pei, en sibvansyon R 109.469 milyon pe osi ganny propoze pour lakonpanyen Air Seychelles pou li kouver depans saler son bann travayer pou sa prosen 3 mwan. Sa provizyon par kont I pour 6 mwan anka sitiasyon I persiste.

10.4. Sibvansyon pou ‘Seychelles Trading Company’

En sonm R 20 milyon pe osi ganny propoze koman en davans pour ‘Seychelles Trading Company’ (STC). Sa I an ka, I neser ki STC I pou bezwen sipor Gouvernman pou soutenir son likidite e son abilite pou li asir stokaz bann komodite esansyel.

10.5. Bann lezot lantrepriz piblik ki vwar zot an difikilte pou kapab ganny asiste osi, apre evalyasyon zot sitiasyon par PEMC. Sa pou ganny kouver anba sa lasistans kin ganny kree.

11. Bann lezot polisi

11.1. Mezir lo pri bennzin

Msye Spiker, nou pe propoz serten mezir an sa ki konsern pri karbiran lo laponp, an partikilye Mogas, pli byen konni konman “benzinn”. Ozordi pri i R 15.76. Si pri enternasyonal i kontinyen desann, sa sif osi pou desann. Gouvernman in pran desizyon ki si pri i desann pli ba ki R 15.76, nou gard pri lo laponp R15.76 e la diferans pou ganny anmase konman taks adisyonel.

Dernyen fwa ki pri lo laponp ti pli ba ki 15.76 ti an Zanvyè ziska Mars 2016. Alor, menm avek sa propozisyon, benzinn pou pli bon marse ki in deza ete dan sa

dernyen 4 an. Me, sa mezir a permet Gouvernman anmas en pe taks pou siport bidze, redwir defisit, e konserv en pe deviz par redwir demann pour karbiran.

Par egzanp, si pri benzinn I tonbe e ti pou vinn R 15.46 dan letan normal. Avek sa propozisyon, pri lo laponp pou reste R 15.76, e lo sak lit benzinn, Gouvernman pou ranmas 30 sou.

Msye Spiker, si pri pa desann pli ba ki R 15.76, naryen pa sanze e nou reste kot nou ete ozordi e sa pou en mezir tanporer an vi sitiasyon eksepsyonnel ki nou ladan.

Sa mezir pa pou aplikab pou Dyezel. Dyezel i ganny servi an mazorite par bann pickup, bis, e lezot gro masinn endistriyel. Sa bann gro veikil, zot zot permit nou kontinyen konstrir, transport dimoun e gard dimoun dan lanplwa san ki lakonpanyen i bezwen lasistans finansyel. Alor, nou pa tous dyezel, e permit striktir nou lekonomi aziste en pe e bouz pli byen ver aktivite ki redwir lenportasyon.

11.2. Logmantasyon dan 'levy Livestock Trust Fund'

Msye Speaker, sekter lapas pe ganny defi dan leksportasyon. Zot in eksprim konsern an vi ki zot marse prensipal ki Lerop, i telman dan boulders ki zot pa pe kapab eksport pwason fre. An plis ki sa, vi ki lakantite vol aeryen sorti Sesel in tonbe, menm si marse pou leksportasyon pwason ti la, i pa pou posib pou eksport sa pwason.

Dan sekter lagrikiltir nou pe osi vwar en zefor spesyal par bann fermye pou os prodiksyon lavyann. Sa rediksyon dan vol e lenportasyon lavyann fre i en loportinite pou zot. I osi benefisye pei vi ki si nou aste prodiksyon lokal, i redwir demann pou deviz pou lenportasyon lavyann.

Letan ou met sa de ansanm, ou vwar ki nou pou annan en ekse dan lakantite pwason ki lo marse lokal, e pou annan en logmantasyon dan prodiksyon lavyann par fermye. An menm tan, nou annan en bes dan reveni deviz an vi sa bes dan tourizm.

Alor, Gouvernman in pran en desizyon tanporer pour ed sa sitiasyon mars dan benefis tou dimoun. Sa Komite Sirveyans lo Sekirite Alimanter ki Prezidan in etabli anba ‘Chairmanship’ Minis pour Lagrikiltir ek Lapes, Minis Charles Bastienne, pou revwar sa levy ki ganny plase lo lavyann enporte avek lentansyon ogmant li.

Sa mezir pou annan lentansyon redwir demann pou lavyann enporte, ki pou ede redwir presyon lo demann deviz atranzer, espesyalman vi ki nou annan opsyon lokal pou nou konsomasyon protein. Sa program ki pou ganny met an plas par sa Komite pou kre loportinite pou ogmant akse la popilasyon avek pwason fre partou dan pei. An plis ki sa, avek mwens lenportasyon, I devret pli fasil pou fermye lokal kapab vann zot prodwi zot osi e ogmant zot prodiksyon ki pou kontribye anver sekirite alimanter.

Sa mezir pou vinn an fors aparti le 1 Me pou donn Minister Lagrikiltir ase letan pou etabli mekanizm pou sa mezir kapab mars efektifman.

11.3. Restriksyon tanporer lo lenportasyon veikil

Msye spiker, la I moman ki enportan pou nou pridan avek prodwi ki nou enporte. Nou bezwen asire ki nou enport selman bann komodite esansyel e redwir lo lezot o tan ki posib. Sa I ava ede avek nou zesyon rezerv deviz etranzer. Nou pou alor entrodwir en restriksyon tanporer pou lenportasyon veikil dan pei. Ne-amwen, sa restriksyon pa pou afekte veikil spesyalize par egzanp lanbilans. Sa restriksyon pou afekte bann nouvo aplikasyon permi e biro permi lenportasyon dezorme pa pou aksepte aplikasyon permi pou veikil imedyatman.

12. Finansman lamannman bidze 2020

Msye Spiker, sa lamannman bidze ki nou pe rekomann Lasanble Nasyonal pou aprouve ozordi, pou bezwen ganny finansse avek bokou det, anvi i en ‘deficit’. Nou dan en sitiasyon sanpresedan parey monn kontiyen fer re-sorti dan mon diskour ozordi.

12.1. Premyerman, Labank Santral pou ofer Gouvernman davans a zero lentere anvi sa sitiasyon i enn a fors mazer.

12.2. Dezyenmman, ansanm avek Labank Santral, nou pou met en Bond lo marse.

12.3. Twazyenmman, nou pe pran bann “Budget Support loan” avek bann lorganizasyon enternasyonal, konm swivan;

12.3.1. Labank Mondyal

En sonm 7 milyon dolar Ameriken anba fasilite ‘Catastrophe Deferred Drawdown’ oubyen ‘Cat DDO’, ki nou ti sinyen avek Labank Mondyal an 2013. Sa I en ‘contingent credit line’ ki permet donn Sesel likidite imedya swivan en dezans. Noun tonm dakor avek Labank Mondyal pou ki sa fasilite i osi enkli ka en irzans lasante, parey ki nou trouv nou ladan ozordi.

Labank Mondyal i osi annan 14 bilyon dolar Ameriken ki in met a la dispozisyon bann pei koman bann loan pou siport repons Covid-19. Sesel nou kalifye en sonm ki ekivalan 0.1% nou Prodiksyon domestik Brit, ki ekivalan environ 2.5 milyon dolar Ameriken.

Nou osi annan en fasilite anviron 47 milyon dolar Ameriken avek Labank Mondyal anba bann lezot prodwi ki sa labank i ofer.

12.3.2. Fon Moneter Enternasyonal

Antraver, Fon Moneter Enternasyonal ouswa IMF, en fasilite 50 bilyon dolar Ameriken ti orizinalman ganny mete koman lasistans irzans. Me anvi magnitud sa sitiasyon ki nou trouv nou ladan, le 3 Avril, Fon Moneter Enternasyonal in anonse ki I pe aprezan double sa fasilite pou ariv 100 bilyon dolar Ameriken.

Sesel I kalifye pou ganny 50% son kota ki anviron en sonm ekivalan 15.4 milyon dolar Ameriken.

12.3.3. Labank Devlopman Afriken

Labank Devlopman Afriken, pa ankor annons okenn prodwi lasistans spesifik pou asiste bann pei ki pe ganny afekte avek sa pandemik Covid-19. Sesel selman, i annan en fasilite sipor bidzeter pou en sonm 9 milyon dolar Ameriken.

12.4. Treasury bills

Gouverman pou osi kontinyen pibliy bann ‘Treasury bills’ tou le semenn pou finans son bann depans a kour term, ki pou osi ede kit en prezans lo marse finansyer.

13. Rezerv

Sif sorti Labank Santral i montre ki rezerv total pei an deviz etranzer i aktyelman 591 milyon dolar Ameriken. Sa sif i date Vandredi le 3 Avril 2020. Lakantite sa rezerv ki a dispozisyon pei, apre ki bann langazman tel ki finansman serten proze, e det avek IMF in ganny pran an kont, i 439 milyon dolar. An linny avek desizyon son Bord, Labank Santral pour asire ki pei i kapab kontinnyen asir peyman pour bann komodite kle ki nou enporte, e sa i karbiran, bann prodwi manze esansyel e latizann.

Sa peryod difisil ki nou ladan, kot i anann bokou lensertitid, i neselit korperasyon tou dimoun pour asire ki pei i kapab zer byen resours deviz etranzer ki a son dispozisyon. Sa 439 milyon dolar ki monn mansyonnen i ekivalan lakantite demann ki ti annan pour deviz etranzer pour en peryod 7.8 mwan an 2019, ki ti fourni par bann Labank ek biro lesanz. Labank Santral in estimen ki si rezerv pei i ganny servi selman pour garanti peyman pour bann komodite esansyel, parey monn dir pli boner, sa pour sifizan pour kouver bezwen lenportansyon pei pour anviron 18 mwan.

14. Det pei

Msye Spiker, nou ava rapel ki nou annan en target pour akonplir redwir nou det pou ariv 50% nou GDP par lafen 2021. Avek sa sitiasyon Covid-19, I malere ki mon anonse ki nou pa pou realiz sa target aprezan. Nou anvizaze fini lannen 2020 avek en ‘Debt to GDP’ a 85.1% konpare avek 52% ki nou tin prozekte dan bidze 2020.

I enportan note par kont, ki nou tin angaze pou atenn nou target pour redwir nou det a 50% nou GDP par 2021, avek bokou disiplin e bon zesyon finans piblik ki noun fer depi 2009. Nou aprezan sitan pros, me sitan lwen.

Sa i fer alors ki Gouvernman pou apros tou son bann ‘krediter’ pou diskrit posibilite restriktir tou nou bann det enternasyonal.

15. Rezime

Msye Spiker, bann mezir kin noun pran in permet reviz bidze pou re-prioritiz nou bann program ek aktivite. Tou sa bann rediksyon dan aloksayon vot Saler e Byen e Servis i ariv en sonm R 230.4 milyon. Gouvernman pe rekonmann laprouvasyon Lasanble Nasyonal pou redwir sa bann alokasyon ki tin ganny fer dan bidze 2020, dan sa lamannman bidze 2020 ki pe gany prezante ozordi.

Par kont nou pe rekomann en logmantasyon dan bann lezot vot konm swivan:

- bidze proze kapital pour en sonm adisyonel R 105. 7 milyon
- bidze ‘Central Programme of Government’ pour en sonm R 1.088 bilyon
- bidze ‘Transfers to Public Enterprise’ pour en sonm R 114.9 milyon
- bidze benefis ek program Lazans Proteksyon Sosyal pour en sonm R52.8 milyon
- bidze ‘Development Grant’ pour en sonm R 30 milyon
- bidze ‘Net Lending’ pour en sonm R25.166 milyon
- bidze ‘Contingency’ pour en sonm R 60 milyon

Parey nou konstata, nou pe vin ek en bidze ki depans i plis ki reveni, par R 3 bilyon lo en baz fiskal primer e R 3.7 bilyon an term finansman total. Sa i fer en ‘deficit’ fiskal 14 %. Msye Spiker, sa i en larout tre enkyetan, me inevitab ler nou pran kont sa dilenn ki nou trouv nou ladan.

Me sa i pa fini la. Pandan bann lannen ki pe vini nou pou bezwen travay pli dir ankor pou re-konsolid e amelyor nou pozisyon. Pou le moman nou pe vwar sitiasyon pou lannen 2021 e 2022 ki pou amelyore gradyelman, par rediksyon konsiderab dan ‘deficit’ fiskal.

Pour bidze lannen 2021, nou pe prevwar en ‘deficit fiskal’ a negativ 5.3 % e pour lannen 2022 a negativ 3.8%. Sa i donn nou lespwar ki nou pou rekipire avek bokou

travay ansanm avek bann diferan sekter, lorganizasyon, la sosyete sivil e lezot parti-prenan dan lekonomi.

16. Konklizyon

Msye Spiker, Gouvernman pa pou met okenn restriksyon lo tranzaksyon deviz etranzer. I enportan ki nou kit sa konfidans avek nou bann lenvestiser pou ki nou ankouraz zot kontiyen fer biznes Sesel san restriksyon. Sa i osi en lapel pour bann biznes ek endividi ki annan bann kont an deviz aletranze, pou aprezan ouver en kont Sesel e met sa deviz ladan. Sa bann biznes Msye Spiker, in zouir lo Sesel kan ti dan botan.

La ki nou vwar nou dan en moman difisil, in ler pou zot fer zot par aprezan, pou ed sa lekonomi kin fer zot vin sa ki zot ete ozordi. Alors nou lans en lapel spesyal pou sa ki pe kontiyen gard bann kont an deviz an deor, pou met Sesel a ker. Nou dir zot mersi davans pour sa!

Msye Spiker, mon swete ki nou bann frer e ser Seselwa nou apresye ki Sesel koman en pti leta zil, pou ganny bokou difikilte pou sorti dan sa kriz ekonomik ki lemonn antye pe fer fas avek ozordi. An se moman, koman Seselwa, nenport ki relizyon, kouler ou kwayans politik, nou annan en sel swa. Pour le moman nou bezwen met nou bann diferans akote e travay ansanm dan solidarite pou revwar ankor sa botan dan Sesel.

A moman ki nou sekter tourizm I relev ankor, nou pa anvi vwar en sitiasyon kot bann viziter I anvi vizit nou pei, me tou nou bann pti biznes tourizm in fini fermen. Sa bann mezir ki nou pe propoze pour konsiderasyon Lasanble Nasyonal I esansyel pour asire ki sekter prive I reste dan en leta viab e solid.

Pou konklir, mon remersye tou bann endividi e parti-prenan dan sekter prive, pou zot kontribisyon pour ki noun kapab formil en bidze ki pou ede siport tou travayer, stabiliz nou lekonomi ek bann biznes, re-konstrir konfidans ek rezilyans dan nou sosyete e protez nou lasante.

En remersiman spesyal pou Prezidan Danny Faure pou son gidans, mon bann koleg Minis ek bann minister, departman e lazans kin vwar zot bezwen re angaze dan sa

prosesis bidze, tou mon bann staff Minister Finans, Komers, Lenvestisman e Planifikasyon Ekonomik, pou zot travay konpetan e o nivo, pou re fer sa bidze dan en letan tre limite e pou zot fidelite.

Mersi osi a Gouverner e bann staff Labank Santral pou zot laganzman tre profesyonel dan sa travay.

Mersi, a Msye Spiker e son Sekretaryat Lasanble Nasyonal pou ofer son sipor e konprenezon dan sa prose, pou ki noun kapab soumet sa Lamannman Bidze, kantmenm i pan enn fasil.

Nou remerisi enfiniman tou bann travayer Imigrasyon, Ladwann, Departman Risk e Dezas, Lapolis e partikilyerman bann travayer Komisyon Lasante Piblik e Lazans Swen Lasante ki pe fer en travay ekselan dan sa moman difisil.

Mon a prezan demann sipor tou bann Manm Lasanble anver sa bidze ki pou ede kapab soulaz sekter prive, bann vilnerab e travayer bann servis esansyel ki pe devoue pou anpes sa pandemik propaze. Mon alor lans en lapel pou bann manm Lasanble, pou ki nou travay otour revey, ziska minwi si nou oblize, pou ganny sa nouvo bidze aprouve par Zedi le 9 Avril 2020.

Msye Spiker, mon alor rekomann pour laprouvasyon Lasanble Nasyonal en sonm R10,447,151,547.00 koman lamannman Bidze 2020.

SECTION 2

Budget Strategy and Outlook

Amended Budget Strategy and Outlook 2020

Estimates of Revenue and Expenditure and Appropriation Bill March 2020

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Acronyms and Abbreviations

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

About the Document

This document sets out the economic and fiscal context for the amended 2020 Budget in light of the COVID-19 pandemic and its impact on the fiscal balances of Government. It presents an overview of Seychelles economy given the current crisis, provides re-worked revenue and expenditure estimates for 2020 and the medium term. It briefly covers key measures and strategies influencing the Budget and summarises the main economic reforms being undertaken by Government.

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

Economic Outlook

Overview

As reported by OECD, global economic growth was weak in 2019 but had stabilised at the start of 2020 up until the emergence of the COVID-19 disease. This now global pandemic has wreaked widespread havoc and devastation to healthcare systems and severe strain on national economies, as well as the livelihood of ordinary citizens. Countries have been forced to close their borders leading to restrictions on the movement of people, the selling of goods and services. Other containment measures such as factory closures have cut manufacturing and domestic demand sharply, especially in China. The impact on the rest of the world through business travel and tourism, supply chains, commodities and lower confidence is growing on a daily basis. **Global growth, which was estimated to grow at 2.9 per cent is now being projected to contract by 3.3 per cent¹**, almost half the rate initially projected before the outbreak. This may be lowered even more if the situation persists.

According to the OECD, the coronavirus pandemic will take years to recover from and has already caused a greater economic shock than the global financial crisis of 2007-09, forcing countries to revise their initial macro-economic projections for 2020 and the medium term. The set of graphs, overleaf shows the revised Real GDP projections for different types of economies, including Seychelles, following the development around COVID-19. Although uncertain, the recovery is anticipated to be much more gradual through 2021 and will pick up in the medium term.

2020 Projection and the Medium Term

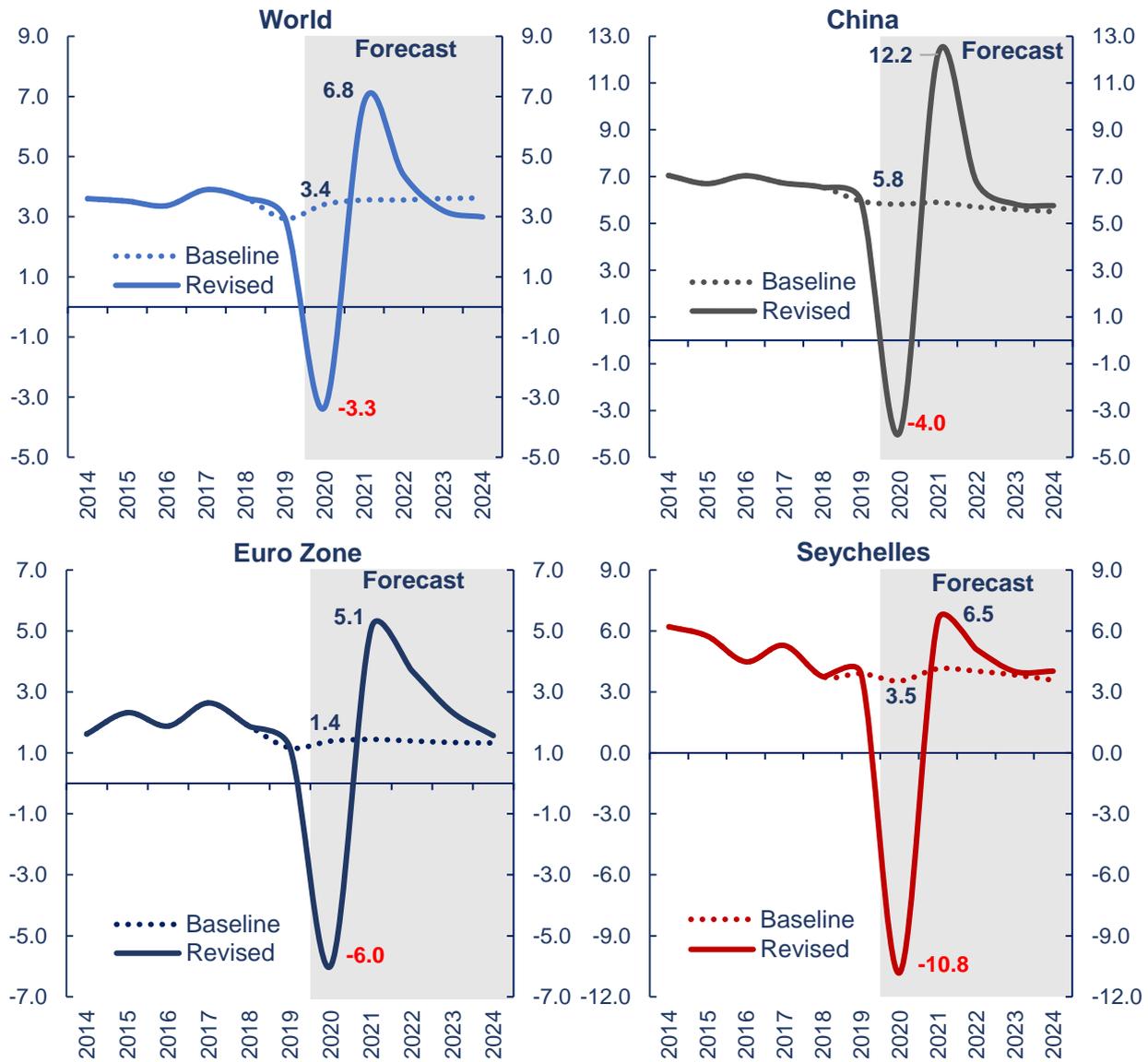
Given the high vulnerability of Seychelles to external shocks, the impact of COVID-19 will have a very adverse effect on the economy. In comparison to previous economic crises, on this occasion the impact will be particularly significant as it is directly affecting the Tourism sector, the main pillar of the economy, contributing to almost 25 per cent of Seychelles GDP. The sector is being affected severely since the virus is forcing countries, including Seychelles, to close down its borders, as a means of preventing the pandemic from spreading. This is compared to the financial crisis of 2008, for example, where the tourism sector was weakened but not completely shut off with arrivals still at almost 159,000. The fall in tourism activities will have a domino effect on other sectors, directly and indirectly related. The global reaction towards COVID-19 will affect other sectors such as 'Wholesale and Retail', 'Construction', 'Information and Communications', as well as the 'Financial and Insurance' sector. Taking all this into consideration, it is **projected that Seychelles economy will go into a severe recession, with Real GDP projected to contract by 10.8 per cent in 2020** compared to the initial 3.5 per cent growth anticipated at budget time.

With lower foreign receipts or inflows following a drop in arrivals, the exchange rate against the Euro and the US Dollar will also be less favorable than initially anticipated. Additionally, pressure on the exchange rate,

¹ As per latest projection, March 27th 2020
Source: Global Projection Model Network

together with expected delays in supplies of commodities will result in inflationary pressures. This will impact the nominal GDP growth, which, as per the revised estimate, will be lower by SR 2.9bn, or 12 per cent, compared to what was forecasted at the time of Budget.

Figure 1: Real GDP Revised Growth Projections 2020-2024 for Different Types of Economies

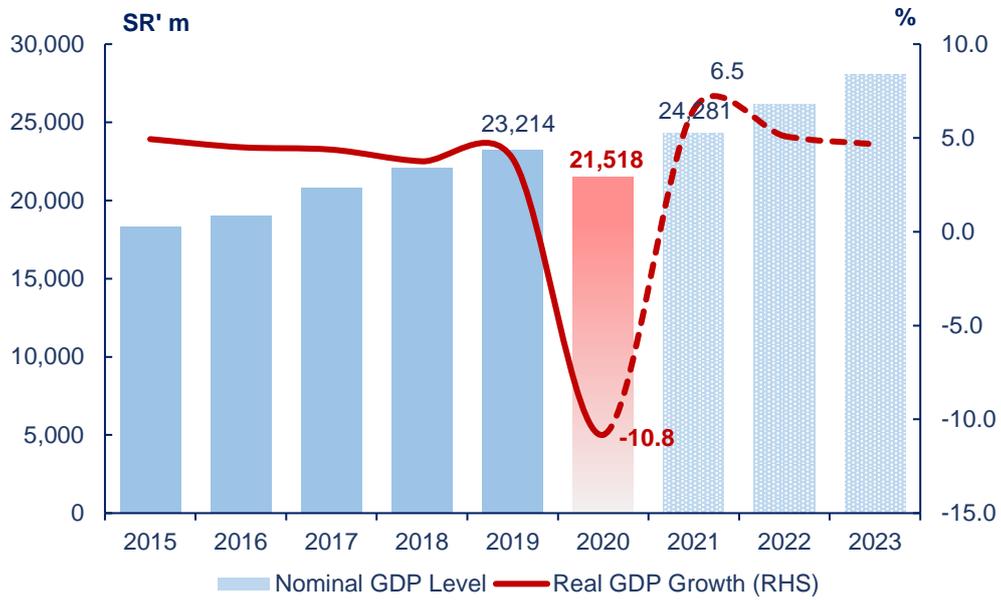


Source: Macroeconomic Fiscal Working Group, MFAB Estimates, and Global Projection Model Network

In the medium term, recovery remains uncertain. The level to which the country can ‘bounce back’ remains hard to predict as the pandemic is still on going, and recovery of international markets remains brittle. However, through active marketing and slow restoration in confidence to travel, it is estimated that tourism will pick up in 2021 and support growth. Tourism arrivals are projected to grow gradually over the medium term and continue to boost growth. Through several policy measures, different economic sectors will also help to support recovery in the medium term. There will be the push for diversification following the crisis so that Seychelles becomes less dependent on Tourism and more resilient. This will lead to further growth in sectors such as ‘Agriculture’, ‘Fishing’, ‘Information and Communication’ as well as the ‘Financial service activities’ thus gradually putting the country back to its trajectory before the crisis.

The figure below shows the Nominal GDP and Real GDP growth for 2020 and the medium term.

Figure 2: Revised Nominal GDP and Real GDP Growth



Source: Macroeconomic Fiscal Working Group, MFAB Estimates

Real Sector

With the sudden economic shock following the COVID-19 crisis, the Real GDP growth assumptions were revised accordingly across all sectors to reflect the economic downturn. The table below summarises the main revisions made in comparison to what was presented at budget time. Most sectors were revised downwards. However, with the pandemic we anticipate activities to grow in some other sectors. Total growth is estimated at -10.8 per cent as compared to 3.5 per cent initially forecasted for the Budget.

Figure 3: Real GDP Revised Sectoral Growth Projections

	2020 Budget	2020 Amended	Diff
Real GDP Growth	3.5	-10.8	14.4
Sectoral Growth			
Tourism			
<i>Accommodation and food service</i>	5.0	-50.0	-55.0
<i>Transportation and storage</i>	3.0	-25.0	-28.0
<i>Administrative and support service</i>	4.0	-50.0	-54.0
<i>Arts, entertainment & recreation</i>	3.0	-20.0	-23.0
Information and Communication	5.0	3.0	-2.0
Construction	4.0	-1.0	-5.0
Manufacture of concrete, rock products	3.0	-3.0	-6.0
Wholesale and retail trade	4.0	-15.0	-19.0
Manufacture of food	4.0	14.0	10.0
Agriculture	2.0	6.0	4.0
Fishing	1.0	10.0	9.0
Human health and social work activities	3.0	10.0	7.0

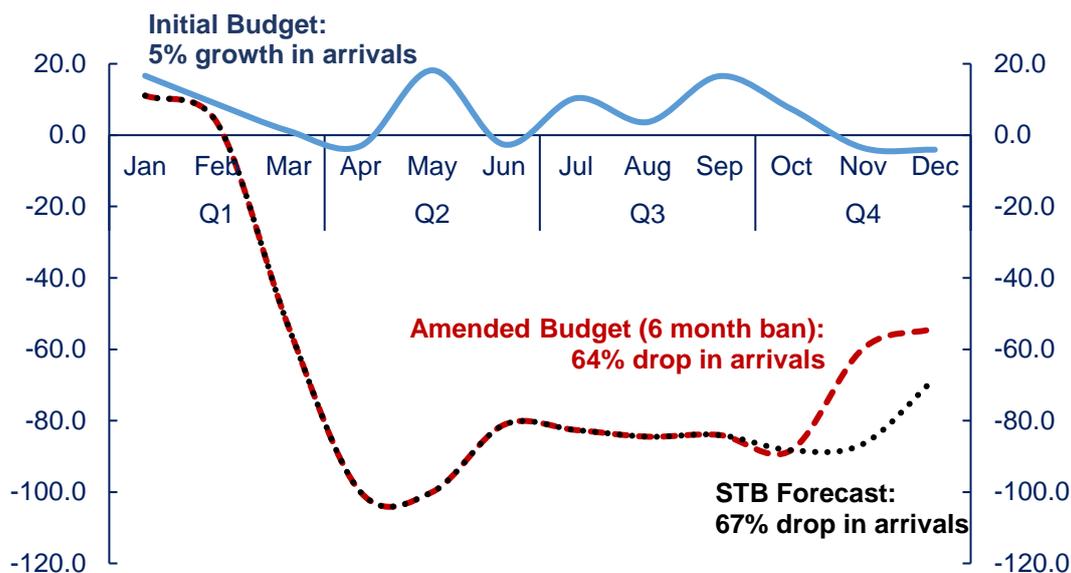
Source: Macroeconomic Fiscal Working Group and MFAB Estimates

In the following section, detailed explanations of the revisions done is provided. It is to be noted that these are based on a range of economic and other parameters available at the time of publication.

Tourism

Tourism has persistently been the pillar of the economy, increasing from 16.3 per cent in 2014 to 25.1 per cent of GDP as per latest official figures. These figures relate to the direct contribution. However, these are much higher when considering indirect contribution. In an effort to prevent the pandemic from spreading, Seychelles was left with no other choice but enforcing a temporary ban on visitors entering the country. The tourism sector will be directly affected thus pinning down growth. It is estimated that the ban, should it persist for 6 months, will result in a 64 per cent fall in visitor arrivals when compared to 2019. This is depicted in the figure overleaf. Initially, the Ministry estimated a 5 per cent growth in visitor arrivals for 2020.

Figure 4: 2020 arrivals estimates vs 2019



Source: Macroeconomic Forecasting and Analysis Branch Estimates

The majority of airlines have cancelled their flights to several destinations including the Seychelles with the aim of resuming operations mid-April, with others pushing their cancellations up to the fourth quarter. This, coupled with the ban on visitors, will directly impact the ‘Accommodation and food service activities’ sector and also the ‘Administrative and support service’ activities. It is estimated that both sectors will contract by 50 per cent, or a 55-percentage point drop compared to the budget forecast. The effect will spill into other sectors such as ‘Transportation and storage’ as lower visitors will result in lower transportation by air and sea – fewer commuters between the islands. In addition, with the cancellation of cruise ships, a decreased number of flights, and a potential fall in cargo ships, the demand for fuel re-export will be reduced. This sector is estimated to contract by 25 per cent. Finally, lower visitors as well as other domestic factors will decrease the level of activities associated with ‘Arts, Entertainment & Recreational’ activities. The estimated effect is a 20 per cent contraction.

Tourism activity is assumed to slowly pick up in the fourth quarter and rebound in 2021. However, with the reluctance to travel, world economic recession amongst other factors, growth in visitor numbers may take a while before recovering to the 2019 levels.

Manufacturing

In light of the current situation in Seychelles with regards to COVID-19, the manufacturing of food is expected to rise to meet market demand during this time. As confirmed, a 14 per cent increase in canned tuna production is expected for this year. For the manufacturing of construction materials, a decline in this sector is projected due to a fall in construction activities and no new projects starting. Given the current situation, it is anticipated that there will be a decrease in demand for construction materials as several projects have been postponed. However, the manufacturing of concrete is expected to pick up in the medium term. In addition,

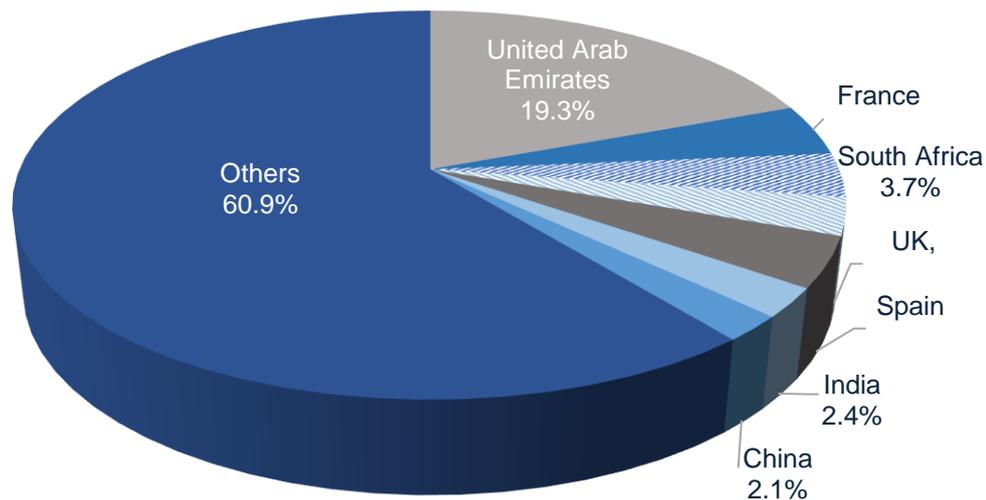
given that this year is an exceptional year for food manufacture, this sector is projected to grow at a slower rate in the medium term

Wholesale and retail

With the COVID-19 pandemic affecting countries globally, the level of imports in Seychelles is expected to drop. This is because most of our importing countries and hubs have been affected by the virus in addition to a general ban on most flights.

The main country of import is the United Arab Emirates, holding a share of 19.3 per cent of total imports. This is followed by France and Spain which hold a percentage share of 4.3 and 4.2 per cent, respectively. For further detail on the contribution to imports, please refer to the pie chart below.

Figure 5: Percentage contribution to Imports in Seychelles (Average 2016-19)



Source: Import Data, ASYCUDA

Additionally, given the expected drop in tourism activities for this year, there will be lower demand from this sector. Based on past years data, the tourism sector accounts for about 8 per cent of the total value of imports. This sector also sources a large portion of their consumables from the wholesalers and retailers. For the outer years, this sector should pick up as it is expected that economic activities will eventually return to their normal level.

Construction and Owner Occupied Dwellings

The Construction Sector was initially projected to have a strong growth in 2020. This was due to an increase in construction projects, such as Government housing projects, continuation of the La Gogue Dam project, and the St. Anne Hotel renovation amongst others. In light of the COVID-19 pandemic however, many projects have been put on hold, in part due to a lower import volume of construction materials, but also due to a re-allocation of funds to COVID-19 related issues. Additionally, given the slowdown in economic

activities there will be a drop in activities in owner occupied dwellings, i.e. households making home improvements.

Information and Communication

The initial projection for 2020 envisaged a strong growth for this sector. However, the growth outlook has been lowered due to decreased demand from hotels and other tourism establishments. It is estimated that tourism accounts for almost 40 per cent of the demand from internet service providers. However, domestic demand might offset this partially due to an increased demand for greater internet connectivity and data allowances as a result of 'social distancing' measures (e.g. online transactions, streaming of movies and online meetings), and taking into account home schooling amidst the close down of schools and educational centres. Overall, the sector is anticipated to grow by 3 per cent compared to the initial 5 per cent forecast.

Electricity, Gas, Steam and Air Conditioning Supply

This sector is estimated to contract compared to the initial forecast for growth. This is due to the significant decrease in tourism arrivals leading to hotel and guesthouse closures, which are expected to cause a low demand for electricity supply.

However, it should be noted that crude prices are on a steep declining trend given the lower global demand for petroleum and the price war that was launched by Saudi Arabia, after the collapse of the oil alliance between OPEC and Russia. In the first three weeks of March 2020, Crude oil prices for West Texas Intermediate (WTI) and Brent have fallen by an average of 20.1 per cent and 18.6 per cent, respectively. These price developments are expected to reduce the price for fuel, as well as Electricity and Gas for Seychelles.

Agriculture and Fishing

A positive growth in the Fishing and agricultural sector is expected for 2020 to meet local market demand. The uncertainty surrounding long term imports of food is giving rise to a situation where consumers are stocking up due to the COVID-19 pandemic in Seychelles. If this persists then it is expected that locally produced goods will be in higher demand. Additionally, as announced by the President, the Ministry of Fisheries and Agriculture is working on a strategic plan in order to boost up these sectors and for the country to become more self-sufficient. Agriculture and Fishing activities are anticipated to grow by 6 and 10 per cent, respectively.

Education and Health

No growth is expected for the Education sector, due to school closures. Health, on the other hand is projected to have a strong growth due to increased activities to combat the virus, such as quarantines, tests, consultations and medications. The sector is anticipated to grow by 10 per cent for 2020.

Monetary Sector

The primary mandate of the Central Bank of Seychelles (CBS) is to promote domestic price stability. The Monetary Policy Rate (MPR) is the key policy rate used to signal monetary policy stance. It lies at the midpoint of the interest rate corridor, whereby the Standing Deposit Facility (SDF) and Standing Credit Facility (SCF), serve as the floor and ceiling, respectively.

Following a reduction in interest rates as of October 2019, an unchanged position was maintained for the first quarter of 2020. This was in line with modest inflation outlook in the short to medium term on account of weaker growth in global commodity prices and a relatively stable Seychelles rupee against the US dollar. On the domestic front, double-digit growth in average gross monthly earnings was anticipated to increase demand pressures and subsequently lead to a sustained rise in credit to the private sector. Despite these developments, the resulted inflationary pressures were not expected to threaten domestic price stability. Thus, the MPR remained unchanged at 5.0 per cent whilst the SDF and SCF stood at 2.0 per cent and 8.0 per cent, correspondingly.

As at February 2020 and relative to December 2019, the average savings rate remained relatively unchanged whereas the average lending rate increased marginally by 2.4 basis points. Credit disbursed to the private sector grew by 1.0 per cent on year-to-date terms, primarily due to loans allocated to the trade category.

In view of the substantial macroeconomic risks presented by the COVID-19 pandemic in the short to medium term, coupled with implications on long run economic growth, financial stability and social coherence, the MPR was cut to 4.0 per cent for the second quarter of 2020. Externally, moderate inflationary pressure is likely in the short run due to a general decline in global demand as a result of the pandemic and a large shock in oil prices. On the domestic front, there is uncertainty with regards to the ability of the fisheries industry and other export-oriented sectors to offset the expected drop in tourism earnings. Therefore, the reduction in MPR is expected to support a decline in interest rates as a means of alleviating future stress on borrowers. Subsequently, the SDF and SCF were lowered to 1.0 per cent and 7.0 per cent, respectively.

Inflation

The Consumer Price Index (CPI) which is compiled and published by the National Bureau of Statistics (NBS), indicated an end-of-period inflation rate of 1.7 per cent for 2019. In comparison to 2018, the lower-than-anticipated increase in average prices was primarily attributed to stability in the value of the Seychelles rupee against the US dollar, lower energy prices and higher competition among retailers. This trend continued in the beginning of 2020, whereby, the year-on-year and annualised inflation for February 2020 stood at 0.8 per cent and 1.6 per cent, respectively.

For the remainder of the year, limited inflows due to the direct loss of income from tourism and other related economic activities is expected to place severe pressure on the exchange rate. As such, the rate of depreciation

of the Seychelles rupee is anticipated to be higher relative to 2019 in line with changing market conditions associated with COVID-19. The inflationary effect of limited inflows is anticipated to outweigh the benefits expected from lower oil prices. Therefore, inflation as at end-2020 is forecasted to be higher than that observed in 2019. As customary, the Bank remains committed to its mandate of price stability and stands ready to adjust policies should the need arise.

Nonetheless, price adjustment via the exchange rate channel will be necessitated should current levels of consumption remain unchecked given the expected decline in reserves as there will be no opportunities to purchase foreign exchange from the market, the uncertainty of the duration of COVID-19 and the recovery period amongst others. These critical factors need further assessment to establish the risks to price stability and potentially, medium to long run growth.

Credit

At the end of February 2020, the aggregate stock of outstanding credit of ODCs stood at SR 12,475m which was an expansion of 13 per cent in comparison to February 2019. This was mainly on account of an increase of 21 per cent (SR 1,427m) in loans disbursed to the private sector in addition to a rise of 18 per cent (SR 107m) in credit extended to public entities. As for the year-on-year movement in credit to government, a decline of 2.9 per cent (SR 103m) was recorded.

In regards to the distribution of private sector credit, loans extended to the sub-sectors 'Tourism' and 'Mortgages' were both higher, by 27 per cent (SR 310m) and 30 per cent (SR 288m), respectively. Growth rates of 11 per cent (SR 172m) and 21 per cent (SR 120m) were registered in credit allocated to the sub-categories of 'Individuals & households' and 'Building & construction', correspondingly. Conversely, the most notable decline was in credit extended towards 'Manufacturing' and this was by 11 per cent (SR 23m).

External Sector

Balance of Payments

The country's external position is expected to worsen in 2020 relative to 2019. Preliminary projections indicate that the current account deficit is forecasted to widen from 16.8 per cent of GDP in 2019 to 24.5 per cent of GDP in 2020². This is primarily on account of a large decrease in export of services in light of the impact of COVID-19 virus.

Current Account

The trade balance deficit is projected to narrow from USD 622m in 2019 to USD 369m in 2020. This is mainly due to an expected decrease of USD 375m in imports of goods in 2020 relative to 2019, which partially abates a forecasted decline of USD 122m in the export of goods.

The projected decrease in imports of goods for the year is mainly on account of lower oil prices, with recent events impacted by decisions taken by Saudi Arabia in boosting production. Added to that, a lower volume is also expected to be imported due to a lower level economic activity. FDI-related imports are also anticipated to be lower in 2020 with several projects being postponed or put on hold due to the impact of COVID-19 on the economy.

In regards to services, the tourism sector is expected to face a major downfall in 2020 due to the COVID-19 pandemic. The year to date figure indicates a fall of 6.2 per cent in visitor arrivals to Seychelles with 2020 projections indicating a decline of 70 per cent in arrivals compared 2019. The critical assumption behind this decline is that recovery in the services sector is not expected before the end of 2020. As such, revenue from the tourism sector is also expected to fall by 70 per cent from USD 590m in 2019 to USD 175m in 2020.

Gross international reserves are forecasted to be below the level of 2019. This is mainly taking into account the reduced inflow of foreign exchange expected with the loss of revenue in the tourism sector, whilst certain basic needs still need to be met.

² Forecast as at March 24, 2020

Exchange Rates

The advent of the COVID-19 pandemic is impacting economies across the globe and resulting in increasing volatility and growing uncertainty in currency markets worldwide as countries struggle to contain the virus. Central Banks around the world are reacting to support their economies with easing of monetary policy as well as adopting unconventional measures to help smoothen the shock resulting from the pandemic. On its part, the US dollar weakened against most major counterparts following a series of emergency rate cuts by the Federal Reserve as well as the introduction of an unlimited quantitative easing programme. By contrast, and following a drop in early March, both the Euro and the British Pound (GBP) are slowly recovering and have gained ground against the US dollar. The strengthening of the Euro follows the European Central Bank's (ECB) decision not to cut rates further but to expand its quantitative easing programme by EUR 120 billion. As for the GBP, despite the Bank of England's decision of a second consecutive rate cut to 0.1 per cent and an increase in its quantitative easing stimulus package, the currency strengthened against its counterparts and this followed the imposition of stricter lockdown. Such developments are expected to filter through the rupee exchange rate.

On the domestic front, the Seychelles rupee has remained generally stable against the US dollar for the year to date. As at March 23, the SCR/USD stood at 14.05 which was a depreciation of 2 cents relative to the same period in 2019. By contrast the local currency strengthened by 42 cents against the Euro and by 16 cents vis-à-vis the GBP, respectively.

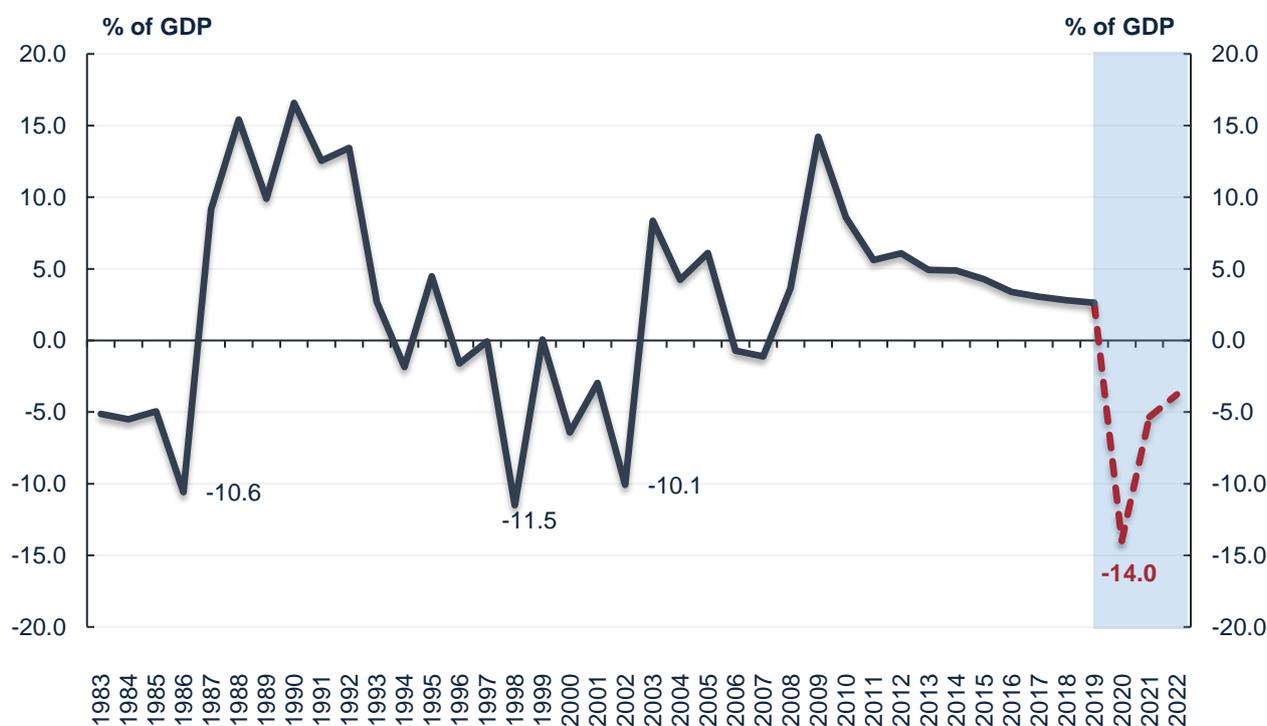
Despite such, Seychelles is yet to feel the full implications of the COVID-19 pandemic with economic growth likely to contract by double-digits in 2020. In view of the closure of borders in most countries (including Seychelles), limited foreign exchange inflows are forecasted from the services sector as from the second quarter of 2020 with uncertainty pertaining to the duration of its effects. In light of the fact that the country will need to import commodities for domestic consumption, this is likely to place severe pressure on the exchange rate. In such circumstances, the Seychelles rupee is expected to depreciate at a faster pace against the USD, given that it is the primary currency for import payments. As such, limited earnings from the tourism sector is also expected to impact the SCR/EUR and SCR/GBP rates. It is unclear whether the current capacity of the fisheries industry and other export-oriented sectors can compensate for the loss of earnings in tourism. Thus, the anticipated pressure on the exchange rate requires a significant decline in national consumption if the economy is to sustain a stable exchange rate. In all, the increased volatility and uncertainty in currency markets externally increases the probability of a terms of trade shock locally.

Budget Outlook

The pervasive global spread of the COVID-19 disease has completely undone economic plans and targets of most large economies in the world. The stability of world economic growth has been severely undermined, and uncertainty is projected to remain over the medium term. This pandemic has exposed the prevailing external vulnerabilities of the Seychelles, a small island nation with an open economy and heavily reliant on tourism.

The revised Budget outlook for 2020 can be described as catastrophic and unprecedented. **The primary surplus target of 2.5 per cent of GDP has been reversed to a primary deficit of 14 per cent.** This level has never been reached in over 37 years (Figure 6 below). Even the financial crisis of 2008, which necessitated an IMF programme of financial assistance, did not have such an outcome.

Figure 6: Historical Primary balances, 1983-2022



Source: MoFTIEP

The initial Budget for 2020 has been amended on the assumption that the COVID-19 impact will remain for most of the year with only a slow reversal in the last 2 months. This assumed worst case scenario is seen as the necessary basis on which to revise the Budget so as to better prepare for the upcoming challenging period. This crisis will be a major setback for the country (and planned economic targets) and can potentially result in the undoing of the hard fought economic prosperity achieved over the past decade.

The 2020 the primary deficit of 14 per cent of GDP equates to about SR 3bn in level terms (Table 4). overleaf). This constitutes sizeable decreases in total revenue and grants by SR 2.4bn (a 25 per cent contraction), and an increase in total primary expenditure by SR 1.2bn (a 14 per cent growth) over the initial 2020 Budget. This amounts to a SR 3.6bn decrease from the initial primary surplus target of SR 673m equivalent to a 547 per cent reduction.

Table 1: Government Revenue and Expenditure Projections, SR'000s

DESCRIPTION	2019 Actual	2020 Budget	2020 Amended	2021	2022
Revenue & Grants	8,435,400	9,853,706	7,418,530	8,444,638	8,633,595
Primary Expenditure	7,820,777	9,181,168	10,427,152	9,741,768	9,618,769
Primary Balance:	614,623	672,537	-3,008,621	-1,297,130	-985,174
% of GDP:	2.6	2.8	-14.0	-5.3	-3.8

Source: MoFTIEP, MFAB, FPCD

The total Budget envelope has been lowered on account of falling tax revenues given the recession in the economy, additional revenue losing tax relief measures budgeted for, and the direct impact of the 50 per cent drop in tourism activities on certain major tax lines such as VAT. Similarly, non-tax revenue has fallen as a result of much lower estimated dividend income in this current climate. The revenue estimates are discussed in detail in the 'Revenue' section.

With the shift in Budget spending priorities towards:

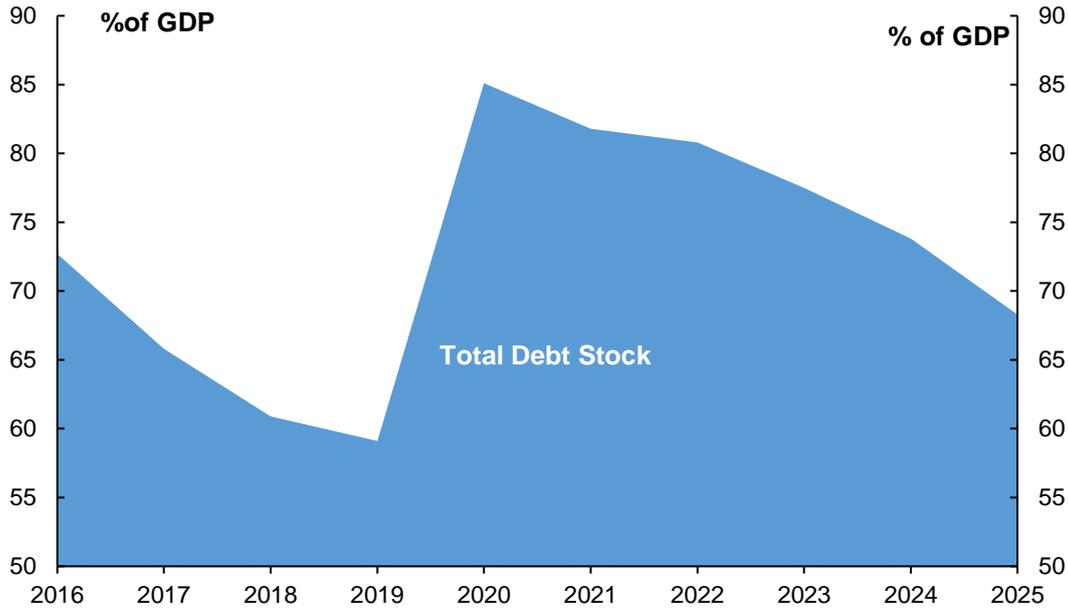
- Healthcare – to contain and combat the disease
- Food security – to ensure sustenance during the crisis;
- Wage retention and job security for Seychellois employees in the private sector;
- Social protection – to ensure the safety of the most vulnerable;
- Increased security – to prevent the proliferation of crime during the economic downturn;
- Investments in infrastructure – to support economic growth; and,
- Investments in programs and projects that will improve the lives of all citizens;

additional funds have been allocated to relevant ministries, departments and agencies to support this.

Similarly, there has been a comprehensive exercise to indentify additional fiscal space and savings through expenditure rationalisation, a recruitment freeze, postponements of events and meetings, as well as the removal of 2020 gratuity payments for constitutional appointees and the public sector 13th month salary payment. Further details can be found in the 'Expenditure' section.

2019 proved to be a challenging year for the Budget where increased expenditure pressures, amidst a backdrop of stagnant revenue growth, meant a re-prioritisation of resources. This was highlighted by the recruitment freeze and cuts on recurrent spending across the majority of central Government. As the primary surplus of 2.5 per cent of GDP had to be maintained, these measures were deemed necessary to remain on the path towards greater sustainability of public finances. However with this revision in the Budget for 2020 and the estimated deficits over the medium term, Government **will not be able to reach the target of 50 per cent of Debt to GDP by 2021**. This target will be pushed back to a later date which will be dependent on the recovery of the economy.

Figure 7: Total Debt Stock as a percentage of GDP projections, 2016-2025



Source: MoFTIEP, Public Debt section

Revenue & Grants

In light of the COVID-19 crisis, the amended Budget envelope for 2020 (Table 2 below), which consists of total tax, non-tax and grants, is estimated at SR 7.4bn, equivalent to 34.5 per cent of GDP. This represents a significant SR 2.4bn or 25 per cent drop in estimated total Government revenue as compared to the initial Budget for 2020. Such is the magnitude of this drop that this amount is almost equal to the total tax collection of 2008 (SR 2.45bn). On a year on year basis, the revised revenue collections are set to be 12 per cent lower than in 2019.

Tax revenue, which accounts for 80 per cent of the total envelope (Figure 8), has been revised downwards by 24 per cent or SR 1.8bn as a result of the worsened macroeconomic outlook, notably Nominal GDP growth, and the direct impact of the envisaged stoppage of tourism activities for most of the year. Non-tax revenue has been reduced by 40 per cent or SR 592m, given the halving of expected dividend income – the largest earner in this category. Grants, on the other hand, has been reduced marginally by SR 14m, about 3 per cent. This is because grant funded projects have largely not been scaled back.

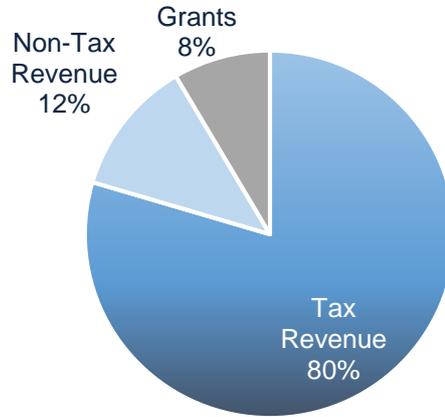
Table 2: Government Revenue and Expenditure Projections, SR'000s

DESCRIPTION	2019 Actual	2020 Budget	2020 Amended	2021	2022
Tax Revenue	7,424,852	7,729,429	5,903,742	6,601,644	7,066,834
Non-Tax Revenue	916,348	1,476,792	884,476	1,024,234	1,027,743
Grants	94,200	647,484	630,312	818,761	539,018
Total Revenue & Grants:	8,435,400	9,853,706	7,418,530	8,444,638	8,633,595
% of GDP:	36.2	40.3	34.5	34.8	33.0

Source: MoFTIEP

As discussed in the 'Budget Outlook' section, the medium outlook shows a slow recovery in total Government revenue as the economy readjusts from recession. As a ratio to GDP, total Government revenue is estimated at 34.8 per cent in 2021. This amounts to SR 8.4bn – a stark contrast to the projected SR 10.2bn initially projected for the Budget.

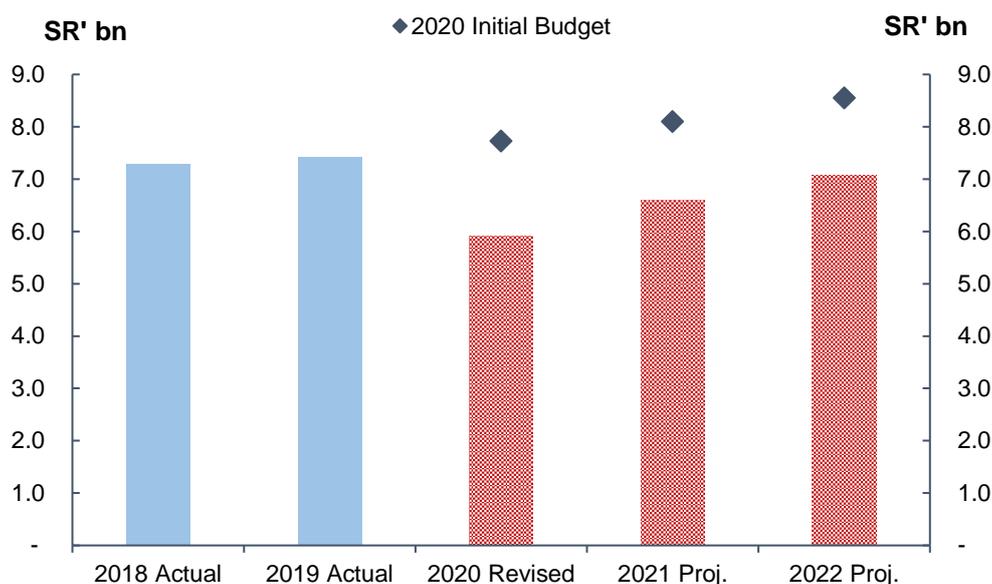
Figure 8: 2020 Budget envelope contributions



Source: MoFTIEP

Tax Revenue

Figure 9: Amended Tax revenue path 2020-2022



Source: MoFTIEP, Macroeconomic Forecasting & Analysis Branch estimates

2019 Context

Tax revenue under-performed slightly in 2019 by only 1 per cent or SR 71.9m. Total collections amounted to SR 7.4bn, equivalent to about 32 per cent of GDP. On a year on year basis, this represents a growth of 2 per cent, or SR 134m over 2018. This performance is mostly attributed to a SR 61m under-performance in VAT receipts, most specifically that relating to the Tourism sector, which alone accounted for half of this shortfall. Similarly, VAT on imported goods also fell short of the Budget by almost SR 26m largely on account of a drop in the value of total imports in 2019. This also had a negative impact on ad valorem import taxes such as Custom Duties. Excise tax under-performed on account of higher than anticipated refunds on petroleum products in light of the concessions claw back, as well as lower than expected revenue from locally manufactured tobacco products. In the case of the latter, in anticipation of the planned rate increase, merchants increased their stocks beforehand to avoid the higher tax. Despite having significant Stamp duty revenue from the sales of Cable & Wireless, Other tax under-performed in 2019 by SR19m as a result of a delay in the payment of a particular licence fee – this should now come in 2020. CSR and TMT also had lower collections by about SR 11m. In the case of CSR, about 8 per cent fewer companies paid this tax in 2019 compared to 2018. There are also more companies opting for donations and sponsorships which lessens the direct tax liability to SRC.

Stronger collections in both Business and Income taxes in 2019 have helped to cushion the impact of the above mentioned shortfalls in the other tax lines. Collections under Business tax were higher by about SR 47m or 3 per cent on account of a large arrear payment at the end of the year. Following a buoyant fourth quarter compared to a stagnant rest of the year, Income tax receipts stood at SR 11m or 1 per cent at the end of 2019. This was as a result of better than expected collections from the central Government line in quarter 4.

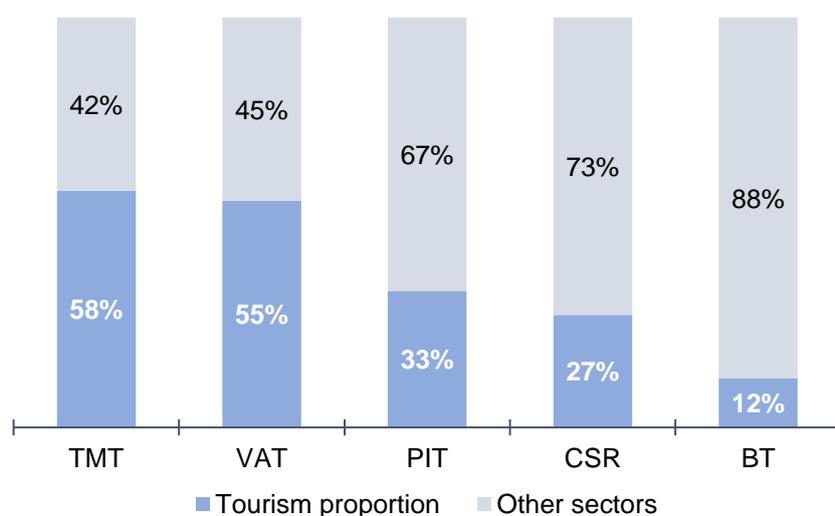
Table 3: Tax revenue ratios to GDP

DESCRIPTION	2019 Actual	2020 Budget	2020 Amended	2021	2022
Total Tax Revenue (SR' bn):	7.42	7.73	5.90	6.60	7.07
<i>Top tax revenue earners ranked</i>			Ratios to GDP		
Value Added Tax	11.1	11.5	8.7	8.9	8.9
Excise Tax	5.9	6.3	6.2	5.8	5.7
Business tax	6.0	5.8	5.0	5.1	5.1
Income Tax	4.2	4.1	4.2	4.1	4.1
Other Tax	2.5	1.5	1.4	1.3	1.3
Custom Duties	1.4	1.4	1.3	1.3	1.3
Social Security tax - Arrears					
Corporate Social Responsibility Tax	0.5	0.5	0.4	0.4	0.4
Tourism Marketing Tax	0.3	0.3	0.2	0.2	0.2
Property tax	-	0.2	0.2	0.2	0.2
Total :	31.9	31.6	27.4	27.2	27.0

Source: MoFTIEP, Macroeconomic Forecasting & Analysis Branch estimates

The global spread of the COVID-19 disease, and the expected immense negative ramifications on the Seychelles economy, has been both alarming and unimaginable. 2020 is set to be a very difficult and disastrous year for tax revenue. The revised tax outlook for the year is now at SR 5.9bn – a tremendous downward revision or cut of SR 1.8bn. To put this into perspective, this corresponds to 70 per cent of total VAT collected in 2019. This signifies a major turn of events from the 4 per cent growth estimated for the initial 2020 Budget (Figure 9 depicts the change in the tax revenue path). Tax collections are now estimated to contract by 24 per cent. In terms to GDP, this is equivalent to 27.4 per cent, a 4.4 per cent point drop over 2019. As can be seen from Table 3, the overall composition of tax collections are expected to remain the same, with VAT remaining as the top revenue earner even despite the 50 per cent decline in tourism activities.

The revisions made to tax revenue have been in four main categories. Firstly, the base was updated to now reflect the actual 2019 outturn (estimated at the time of initial Budget preparation). Secondly, the revised negative macroeconomic outlook for GDP growth, the main proxy for tax revenue growth, was applied to all taxes. Thirdly, the direct impact of the fall on the tourism sector was estimated for each tax line. Figure 10 shows the proportion of collections from certain taxes relating to tourism activities. Finally, policy costs (either revenue losing or gaining) are incorporated into the final tax estimate. During the Budget 2020 address, several policies were announced such as the raising of Excise tax on alcohol products, as well as increasing the motor vehicle levy amount. In addition to this, several policies were also announced as part of the State of the Nation Address (SONA) in February 2020 by the President. These have been reviewed in light of the shifting priorities during the crisis. Additionally, newly announced COVID-19 'relief measures' have been subsequently factored into 2020.

Figure 10: Tourism contribution to taxes

Source: SRC

The table below presents all tax policies factored into the amended Budget for 2020. Highlighted sections denote the COVID-19 tax relief measures.

Table 4: Cost of Tax revenue policies in 2020 (SR' 000s)

DESCRIPTION OF POLICIES	2020 Cost
Revenue gaining	105,827
Excise tax	
10% increase in alcohol tax rate across the board	17,657
Excise increase for Hybrids >1.6 litre engines	2,000
VAT imports impact	500
Other tax	
SR 25k levy increase across the board with commercial at par	35,670
Special License Plate	10,000
Property Tax	40,000
Revenue losing	-234,760
VAT	
Removal of VAT on all food items	-46,567
Business tax	
Reduction in Residential Dwelling rate from 15 to 3 per cent	-32,063
Debt Recovery suspension	-108,000
Deferral of Provisional payments	-28,238
Corporate Social Responsibility Tax	
Monthly Payment exemption	-19,892
Tourism Marketing Tax	
Monthly Payment exemption	-27,527
Total impact:	-128,933
% of GDP	-0.60

Source: MoFTIEP, Macroeconomic Forecasting & Analysis Branch estimates

Income Tax

Background

Income tax is a withholding-based tax on wage income for nationals and resident expatriates. Also levied on Non-Monetary employee benefits, this tax was introduced on the 1st of July 2010 and replaced the previous Social Security Contribution system. The Income tax rate was harmonised to 15 per cent for all workers in January 2011.

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

2019 Context

Income tax performed well in the 2019 fiscal year with a total outturn amounting to SR 974.9m (Table 6), resulting in an over-performance of SR 10.9m or 1.1 per cent. This result can be attributed solely to the 'Central Government' line, which, despite collections being stagnant throughout much of the year, recorded a surge in collections in the last quarter of the year. This resulted in better-than-expected collections by about SR 9.8m or 4.9 per cent. The 'Other Public Sectors' and 'Private Sectors' lines on the other hand tracked the end of year estimate very closely with combined net over-performance of SR 670k, equivalent to 0.5 per cent. Despite this satisfactory end of year performance, Income tax collections had been uneven for much of the year with significant over-performances from the 'Private sector' (revised upwards during the Mid-year revision) which more than compensated for persistent shortfalls in the other lines, most notably the 'Central Government'.

Policy Changes

No direct policy change has been proposed for Income tax for 2020.

2020 Projection and the Medium Term

Given the significant negative impact of the COVID-19 pandemic on the macroeconomic outlook of the country, the Income tax Budget has been revised downwards by about SR 110m, equivalent to an 11 per cent reduction. This is as a result of a combination of factors. Firstly, the positive change in the 2019 base has added about SR 11m to the total estimate. However, the now negative Nominal GDP growth outlook– the main proxy for wage growth, has impacted the total estimate by about SR 97m. Finally, the direct impact of the slowdown in tourism activities on Income tax collected from the Private sector is estimated to reduce total collections by a further SR 25m. It must be noted that a third of total Income tax receipts are paid by the Tourism sector, and with the outlook for this sector projected at -50 per cent, this translates to half of all income tax payments from this sector. However, the 'Wage relief' measures to be implemented by the Government as of April 2020 is expected to cushion this blow given that wages are to be guaranteed up to SR 30k for at least the following 3 months. The table overleaf summarises these revisions.

Table 5: Summary of Income tax Revisions (SR'm)

	2020 Impact
Income Tax	-110
Base change	11
Change in Macroeconomic Assumptions	-97
Tourism Impact	-25

Source: MoFTIEP, Macroeconomic Forecasting & Analysis Branch estimates

As a ratio to GDP, Income tax is estimated at 4.2 per cent which is slightly higher than the initial Budget for 2020. This is because the Nominal GDP level has contracted in tandem with that of Income tax. In the medium term, Income tax is projected to rebound slowly, with a return to the SR 1bn mark, as per the initial Budget for 2020, only in 2022.

Table 6: Income Tax Projections 2020-2022, SR'000s

INCOME TAX	2019 Actual	2020 Budget	2020 Amended	2021	2022
Central Government	211,351	208,678	209,806	229,501	247,299
Other Public Sectors	122,731	126,432	120,488	131,798	142,019
Private Sector	640,898	674,921	569,357	622,801	671,102
Total Income Tax:	974,980	1,010,031	899,651	984,100	1,060,421
% of GDP:	4.2	4.1	4.2	4.1	4.1

Source: MoFTIEP, Macroeconomic Forecasting & Analysis Branch estimates

Custom Duties

Background

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

2019 Context

By the end of the year 2019, Custom duties was SR 14.9m or 5 per cent below the revised Budget estimate. This was mainly because of the SR 12.9m under-performance in 'Others' and SR 8.5m in alcohol. Livestock Trust fund also recorded an under-performance of SR 3.4m for the year. Taking a closer look at the individual lines, the shortfall in 'Alcohol' can be explained by lower importation of alcoholic beverages as seen in the merchandise trade data (in value terms). In general, there is a significant drop in imports for 2019 compared to 2018. The under-performance in 'Livestock Trust fund' can be explained by possible profiling issues since it is a new line under Custom Duties.

These under-performances were partially offset by the over-performances in 'Levy', 'Textile and textile articles', 'Prepared' food, 'Documentary charges' and 'Tobacco'.

Policy Changes

No direct policy change has been proposed for Customs duties for 2020.

2020 Projection and the Medium Term

In light of recent developments with the COVID-19 disease, the amended forecast for Customs duties for 2020 stands at SR 287m. This represents a decrease of 16 per cent compare to 2020 Budget numbers. This accounts for 1.3 per cent of GDP. The decline is attributed to changes made in the macroeconomic assumptions pertaining to COVID-19 as can be seen below in the table. Compared to the 2020 Budget, the base change for the amended forecast amounts to a total reduction of SR 16m. In total, the reduction from the change in macroeconomic assumption amounts to SR 39.5m. These are summarised in the table below.

Table 7: Summary of Custom Duties Revisions (SR'm)

	2020 Impact
Custom Duties	-56
Base change	-16
Change in Macroeconomic Assumptions	-40

Source: MoFTIEP, Macroeconomic Forecasting & Analysis Branch estimates

Imports for the year depends a lot on the development around COVID-19. Currently with a lot of panic buying from the citizens especially for food items we might see an increase in the importation of these particular items. At the same time, there may be delays in importation depending on shipment. In the medium term revenue from Customs Duties is expected to grow on average by 7 per cent, or 1.3 per cent of GDP.

Table 8: Custom Duties Projections 2020-2022, SR'000s

CUSTOM DUTIES	2019 Actual	2020 Budget	2020 Amended	2021	2022
Custom Duties Direct Imports	317,603	347,980	292,108	314,125	333,164
Alcohol	109,990	123,543	98,084	104,475	109,803
Petroleum	-	-	-	-	-
Textiles and textile articles	7,179	6,013	6,654	7,278	7,843
Motor Vehicles	-	-	-	-	-
Tobacco	2,319	2,296	2,068	2,203	2,315
Prepared Food	12,636	12,211	11,712	12,812	13,805
Others	88,858	107,535	82,363	90,095	97,082
Levy	71,255	68,062	66,113	70,420	74,011
Documentary Charges	3,457	2,092	3,204	3,505	3,777
Livestock Trust Fund	21,910	26,229	21,910	23,337	24,527
Custom Duties Exemptions	(4,481)	(5,000)	(5,000)	(5,000)	(5,000)
Total Custom Duties:	313,122	342,980	287,108	309,125	328,164
% of GDP:	1.3	1.4	1.3	1.3	1.3

Source: MoFTIEP, Macroeconomic Forecasting & Analysis Branch estimates

Excise Tax

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

Imported petroleum products account for the highest contribution to the Excise tax, amounting to approximately 46 per cent of the total. Demand for excisable goods generally shows a minimal response to price fluctuations, given that most of these goods, in particular tobacco, are relatively non-responsive to price change. Hence, this tax line proves to be a significant revenue earner for the Government.

2019 Context

In 2019, Excise tax under-performed by 1.8 per cent compared to Budget figures. This was mainly due to under-performances in the Petroleum and Locally Manufactured (LMG) Tobacco. LMG Tobacco under-performed by 7 per cent, while Petroleum under-performed by 3 per cent. Furthermore, Sugar Tax under-performed by a total of 11 per cent. These under-performances however, were partially offset by over-

performances in the lines of imported Tobacco, which outperformed the forecast by 31 per cent and both LMG and imported Alcohol, which over-performed by 4 per cent and 2 per cent, respectively.

Petroleum under-performed by SR 21.7m or 3 per cent, mainly due to higher than expected refunds. LMG Tobacco's under-performance is mostly due to a significant decrease in sales. In January 2019, tax in tobacco was increased by 10 per cent. Following the budget announcement in December 2018, sales of domestically produced tobacco doubled compared to the previous months and lead to the below par sales of 2019. Sugar tax, under-performed by a total of 11 per cent, due to late implementation of tax collection for locally manufactured beverages, and administrative issues, due to the novel nature of the tax line.

Policy Changes

A policy that was announced for 2020 in 2019, was an across the board tax increase of 10 per cent for alcoholic beverages. This was expected to raise revenue by a total SR 44m. An additional policy that was announced at the beginning of 2020 is a change in tax structure for beer and stout, whereby these beverages will be taxed based on alcoholic content. The threshold for the different tax rates is to be equal to the tax structure of wines. This change was initially expected to increase revenue by SR 4.9m. However, both costings have been adjusted to the newly developed circumstances which decreases the total expected revenue to SR 31.5m.

A further previously announced policy is an increase in the Excise rate for hybrid motor vehicles, which was expected to increase revenue by SR 3m. In light of the current COVID-19 pandemic however, this Budget figure has been reduced to SR 2m.

2020 revised Projection and the Medium Term

Table 10 shows the revised Excise tax projections for 2020 and the medium term, which have been altered due to the change in circumstances brought about by COVID-19. The total collections for Excise tax have been revised downwards by SR 209.8m or 14 per cent, due to a less favourable real GDP growth. Tax collected on imported goods is expected to decrease by SR 162.8m or 15 per cent compared to the 2020 Budget forecast with the biggest decrease being Petroleum, by SR 108m. Forecasted collections for LMG products, Alcohol and Tobacco, have been reduced by a total of SR 51.4m or 13 per cent. Sugar tax projections, on the other hand, have been increased by SR 4.4m or 12 per cent. This is mainly due to the line 'LMG beverages' which, picked up in the last months of 2019 and is expected to remain on that trend in 2020.

Table 9: Summary of Excise tax Revisions (SR'm)

	2020 Impact
Excise tax	-210
Base change	-25
Change in Macroeconomic Assumptions	-165
Tourism Impact	-10
Revised Tax Structure for alcohol	-10

Source: MoFTIEP, Macroeconomic Forecasting & Analysis Branch estimates

Table 10: Excise Tax Projections 2020-2022, SR'000s

EXCISE TAX	2019 Actual	2020 Budget	2020 Amended	2021	2022
Excise Tax - Imports	1,012,291	1,113,054	950,261	1,016,181	1,072,058
Alcohol (Beverages Spirits and Vinegar)	230,521	256,602	223,225	237,769	249,895
Petroleum (Mineral Products)	628,397	691,245	583,050	621,038	652,710
Motor Vehicles (Vehicles, Aircrafts, vessels)	148,371	161,268	139,526	152,623	164,459
Tobacco Imported	5,002	3,939	4,461	4,751	4,994
Excise Tax - Locally Manufactured Goods	347,694	387,939	336,530	358,456	376,737
Alcohol	188,487	209,849	188,812	201,114	211,370
Tobacco	159,207	178,090	147,718	157,342	165,367
Sugar Tax	25,451	37,054	41,469	44,171	46,423
Imported Beverages	21,842	24,461	24,347	25,934	27,256
LMG - Beverages	3,609	12,593	17,122	18,237	19,167
Total Excise Tax:	1,385,436	1,538,046	1,328,260	1,418,808	1,495,218
% of GDP:	5.9	6.3	6.2	5.8	5.7

Source: MoFTIEP, Macroeconomic Forecasting & Analysis Branch estimates

Goods and Services Tax

Background

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

2019 Context

A total of SR 2.9m was collected in terms of GST arrears in 2019.

2020 Projection and the Medium Term

As informed by SRC, no major arrears is anticipated in the short and medium term. The table below presents GST actuals for the past two years.

Table 11: GST Actuals, SR'000s

GOODS & SERVICES TAX	2018 Actual	2019 Actual
Arrears	2,637	2,923
Total GST:	2,637	2,923
% of GDP:	0.01	0.01

Source: MoFTIEP, Macroeconomic Forecasting & Analysis Branch estimates

Value Added Tax

Background

VAT commenced in 2013 to replace the previous GST tax regime as the last phase of the major tax reforms undertaken by the Government since 2008. VAT is charged on all taxable imports and not on exports, also known as the 'Destination Principle'. It is imposed on the value addition of all taxable goods and services that are produced and consumed domestically provided by VAT registered companies. VAT rate is currently at 15 per cent and it is the biggest tax line, accounting for 33 per cent of Tax revenue.

2019 Context

For the year 2019, a total of SR 2,590m was collected on VAT of which the domestic collection accounted for 57 per cent. VAT under-performed by SR 60.7m, or 2 per cent compared to what was budgeted. This outturn was observed in both the domestic and the imports components, by SR 46.9m and SR 38.7m respectively. On the domestic side, predominantly on tourism, it has been observed that some entities paid significantly lower than the previous year. This may be attributed to a fall in consumption in those establishments. On the import side, as reported from the Merchandise Trade statistics by the NBS, the value of imports decreased in 2019 compared to the previous year. The fall in imports revenue is also reflected in the Custom Duties and Excise tax.

Policy Changes

As per announcement in the SONA by the President, the VAT on all food items will be removed. This policy was due to be implemented on the 16th of March. However, the current COVID-19 situation has meant this is postponed to July implementation upon review. It is estimated that this will result in SR 45.6m loss in revenue for 2020.

2020 Projection and the Medium Term

Given the sudden economic downturn forecasted, and updating the tax base with 2019 actuals, VAT has been revised downwards by SR 943m, or 34 per cent, compared to the initial Budget presented late last year. The table below shows a breakdown of the adjustments made. As can be seen, following the lower 2019 VAT revenue performance, the base was reduced by SR 72m. The estimated impact of COVID-19 will result in a lower nominal GDP growth. Given that VAT collections track nominal GDP, the direct impact will be cascaded through the different lines resulting in a SR 243m reduction off the original forecast. In addition, MFAB accounted for the fact that revenue from some specific lines will be impacted severely by COVID-19. Thus, further adjustments were made to those lines amounting to a further SR 582m downward revision.

The Tourism sector, which will be the main sector affected by the current crisis, accounts for 56 per cent, or SR 531m of the downward revision. The import sector would also be negatively impacted thus was revised downwards by a total of SR 291m.

Table 12: Summary of Value Added tax Revisions (SR'm)

	2020 Impact
Value Added tax	-944
Base change	-72
Change in Macroeconomic Assumptions	-243
Tourism Impact	-582
Removal of VAT on all food items	-47

Source: MoFTIEP, Macroeconomic Forecasting & Analysis Branch estimates

The table below shows the revision made to VAT and the medium term projections. It is estimated that VAT will pick up in the medium term. However, it will take some time before reaching the 2019 level. The magnitude of the impact of COVID-19 can be seen through the large drop of VAT as a percentage of GDP, from 11.5 per cent to 8.7 per cent. This is a drop of 2.8 percentage point or close to a 50 per cent drop.

Table 13: VAT Projections 2020-2022, SR'000s

VALUE ADDED TAX	2019 Actual	2020 Budget	2020 Amended	2021	2022
VAT- Domestic	1,586,547	1,733,120	1,079,894	1,290,741	1,390,843
LMG- Alcohol	79,254	84,635	75,392	82,469	88,865
LMG- Tobacco	30,550	32,656	29,061	31,789	34,255
Construction	93,972	92,175	88,499	96,806	104,314
Tourism	862,675	941,431	410,319	551,415	594,179
Financial and Insurance activities	43,713	51,795	42,415	46,396	49,995
ICT and Telecommunication	115,675	136,129	113,340	123,978	133,594
Real Estate	59,090	64,702	56,211	61,487	66,256
Wholesale Retail - Others	156,017	183,365	126,152	144,893	156,130
Others	145,600	146,233	138,505	151,507	163,257
VAT- Imported Goods	1,007,713	1,089,369	798,856	895,559	965,013
VAT- Exemptions	(3,603)	(15,000)	(15,000)	(15,000)	(15,000)
Total VAT:	2,590,657	2,807,489	1,863,750	2,171,300	2,340,856
% of GDP:	11.1	11.5	8.7	8.9	8.9

Source: MoFTIEP, Macroeconomic Forecasting & Analysis Branch estimates

Business Tax

Background

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

2019 Context

Business tax over-performed in 2019 by about SR 47m, equivalent to 3.5 per cent. The majority of this relates to collections in the fourth quarter under the 'Companies' line, with previous quarters remaining relatively flat compared to the Budget. Following the 10 per cent collections shortfall in 2018, the SRC conducted an exercise to track down arrears payments from certain companies. As a result of these increased collections efforts, one company paid a total of SR 45m in December 2020, which accounts for most of the end of year over-performance for Business tax. The remaining lines collectively under-performed by SR 3m, or 1.3 per cent.

Policy Changes

The applicable rate of Business tax on residential dwelling is to be reduced from 15 per cent to 3 per cent in an attempt to contain rising rent prices. Resulting from this policy, the Government expects to incur a reduction in revenue amounting to SR 32m. Additionally, COVID-19 relief measures announced include suspension in debt recovery efforts and deferral in provisional payments. These are discussed in detail below.

2020 Projection and the Medium Term

Business tax is expected to be hard hit as a result of the COVID-19 pandemic with the revised 2020 estimate at SR 360m or 25 per cent lower than the initial Budget. Despite the more favourable 2019 base, the impact of the slowdown in the Tourism sector, which accounts for about 12 per cent of total Business tax collections, is estimated to cost about SR 126m.

Table 14: Business Tax Projections 2020-2022, SR'000s

BUSINESS TAX	2019 Actual	2020 Budget	2020 Amended	2021	2022
Companies	1,162,513	1,197,603	882,652	1,033,771	1,113,944
Sole Traders	45,336	63,957	40,867	43,169	46,516
Partnerships	20,529	22,981	19,028	20,100	21,659
Trusts	13	70	12	13	14
Withholding Tax	103,680	107,307	96,102	101,515	109,387
Others	9	57	9	9	10
Residential Dwelling	64,859	34,839	28,055	29,635	31,934
Total Business Tax:	1,396,939	1,426,814	1,066,725	1,228,211	1,323,463
% of GDP:	6.0	5.8	5.0	5.1	5.1

Source: MoFTIEP, Macroeconomic Forecasting & Analysis Branch estimates

Furthermore, to ease business cash flows during the crisis, the SRC will be suspending debt recovery plans, of which the target was set at SR 120m. In the revised Budget, the majority of this –SR 108m or 90 per cent, has been pushed to 2021. In addition to this, as part of the Government ‘Relief measures’ announced, there will be a 6 month deferment in the monthly provisional instalments. This is estimated to lessen collections by a further SR 27m. Also factored into the revised Business tax figures, is a large refund payment of about SR 22m. This is new information that was not available during the preparation of the initial Budget for 2020. As outlined in the background above, Business tax is assessed on profits, and with the dire outlook for economic activity winding down from tourism and related sectors in 2020, this will be much lower. This will also spill over into 2021.

The table below categorises the revisions made to each Business tax line for this revised 2020 Budget.

Table 15: Summary of Business tax Revisions (SR'm)

	2020 Impact
Business tax	-355
Base change	47
Change in Macroeconomic Assumptions	-139
Tourism Impact	-126
Deferment of PAYG installments	-28
Suspension in arrears collections	-108

Source: MoFTIEP, Macroeconomic Forecasting & Analysis Branch estimates

Corporate Social Responsibility Tax

Background

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

2019 Context

By the end of 2019, Corporate Social Responsibility tax performance was SR 9.2m or 8 per cent below the forecast. By the end of the fourth quarter, CSR tax recorded an under-performance of SR 3.7m that is equivalent to 11 per cent. Due to continuous growth from this tax line throughout the years, these optimistic assumptions carried through to the forecast for 2019. However, according to SRC data, compared to 2018 there is a decrease of 8 per cent in the number of companies paying CSR tax, which might explain the under-performance in this tax line.

Policies

CSR amendment bill came into effect in January 2020. The bill states that for companies such as travel agencies and Petrol stations, CSR tax will be charged on commission going forward instead of turnover.

2020 Projection and the Medium Term

In light of the current situation in Seychelles with regards COVID-19, MFAB has estimated a 50 per cent drop in tourism sector activities for the year. As a result a number of policies were announced to assist tourism related businesses during this time. One of which being a deferment in tax payments for 6 months applying for both CSR and TMT.

The amended tax projection for CSR stand at SR 80.9m, accounting for 0.4 per cent of GDP. This represents a drop of 35 per cent compared to the 2020 Budget. For the medium term, CSR tax is expected to grow at an average rate of 9 per cent, holding an average share of GDP of 0.4 per cent.

Table 16: Corporate Social Responsibility Tax Projections 2020-2022, SR'000s

CORPORATE SOCIAL RESPONSIBILITY TAX	2019 Actual	2020 Budget	2020 Amended	2021	2022
Corporate Social Responsibility	108,746	124,419	80,905	88,500	95,363
Total CSR:	108,746	124,419	80,905	88,500	95,363
% of GDP:	0.5	0.5	0.4	0.4	0.4

Source: MoFTIEP, Macroeconomic Forecasting & Analysis Branch estimates

Tourism Marketing Tax

Background

Tourism Marketing Tax (TMT) is a newly introduced tax, as of January 2013 and is applicable to all Tourism operators, Banks, Insurance, and Telecom companies with turnovers of SR 1m and above. It is a 0.5 per cent tax levied on company turnover with the aim of having greater private sector contribution to the Tourism Marketing Fund.

2019 Context

Tourism marketing tax under-performed slightly by the end of 2019 by 2 per cent, or SR 1.7m. For the last quarter of 2019, TMT underperformed slightly by SR 0.48m.

Policy Changes

TMT amendment bill came into effect in January 2020. The bill states that for companies such as travel agencies, TMT tax will be charged on commission going forward instead of turnover.

2020 Projection and the Medium Term

Initially there was a ban of 30 days on the European market. However, as of the latest, the ban is on all visitors entering Seychelles. Given this new development, there is no expectation of tourism related activity for the coming months.

Therefore, the amended budget for TMT currently stands at SR 38.7m, this represent a decrease of 50 per cent compared to the initial 2020 Budget. The share of GDP for this tax line remains constant at 0.2 per cent for the current year and the Medium Term.

Table 17: Tourism Marketing Tax Projections 2020-2022, SR'000s

TOURISM MARKETING TAX	2019 Actual	2020 Budget	2020 Amended	2021	2022
Tourism Marketing Tax	71,453	77,050	38,703	42,336	45,620
Total TMT:	71,453	77,050	38,703	42,336	45,620
% of GDP:	0.3	0.3	0.2	0.2	0.2

Source: MoFTIEP, Macroeconomic Forecasting & Analysis Branch estimates

Table 18: Summary of CSR and TMT Revisions (SR'm)

	2020 Impact
CSR	-44
Base change	-9
Change in Macroeconomic Assumptions	-14
Deferment of payments	-20
TMT	-38
Base change	-1
Change in Macroeconomic Assumptions	-9
Deferment of payments	-28

Source: MoFTIEP, Macroeconomic Forecasting & Analysis Branch estimates

Other Tax

Background

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

2019 Context

By the end of the year 2019, Other tax under-performed by SR 19.3m or 3 per cent compared to the revised Budget. This is mainly attributed to Telecommunication licence fees, which fell short of the Budget by SR 19m, or 23 per cent, due to a delay in the payment from one company.

Policy Changes

No further policy changes have been announced for 'Other' tax vis a vis the initial Budget for 2020. However, with the COVID-19 situation, there is strong likelihood of a delay in the implementation of the 'special license plate' previously announced. Additionally, the SR 40m Budgeted for the increase in motor vehicle has been revised downwards by SR 4.3m to account for the lower expectation on motor vehicle importation following the economic recession now forecasted.

2020 projections and medium term

For the new 2020 Budget, 'Other' tax was revised downwards by SR 63.9m, or 17.6 per cent. This is mainly attributed to the lower base following 2019 actuals. Furthermore, the impact COVID-19 as discussed has lowers the GDP growth forecasts, resulting in a SR 29.9m downward adjustment Other tax lines. MFAB is also anticipating a delay in hotel licence payments given the COVID-19, so a further SR 93k, was removed from 'Hotel licences'. The table overleaf shows the breakdown of the adjustments that have been made to the forecasts.

Table 19: Summary of Other tax Revisions (SR'm)

	2020 Impact
Other tax	-64
Base change	-20
Change in Macroeconomic Assumptions	-30
Tourism Impact	-0.01
Delay in licence review implementaiton	-14

Source: MoFTIEP, Macroeconomic Forecasting & Analysis Branch estimates

The table below illustrates the overall revenue forecasts for 'Other' tax at budget time and the new anticipated forecasts for 2020 and the medium term. As in other tax lines, 'Other' tax will not be spared from the impact of COVID-19. The drop will be felt in the short and medium term before it can go back to the 2019 level.

Table 20: Other Tax Projections 2020-2022, SR'000s

OTHER TAX	2019 Actual	2020 Budget	2020 Amended	2021	2022
Ministry Of Finance, Trade and Economic Planning					
Trade/Ind Licences	10,312	10,800	9,196	9,795	10,295
Licences and Other Licence Registration	5,589	14,927	4,984	15,309	16,090
Road Tax and Other Licences	120,113	169,018	142,782	152,084	159,841
Telecommunications Licences	63,947	87,080	67,145	60,973	64,632
Casino Licences	-	-	-	-	-
Hotel Licences	209	263	93	99	104
Liquor and Toddy Licences	347	347	309	329	346
Radio Broadcasting Licences	2,051	2,050	2,051	2,051	2,051
Sub Total:	202,568	284,484	226,560	240,641	253,358
Ministry Of Environment, Energy and Climate change					
Environment Trust Fund	4,900	5,760	4,541	4,968	5,221
Department Of Legal Affairs					
Stamp Duty	364,008	63,572	59,797	65,410	70,483
Department Of Transport					
Vehicle Testing	8,682	8,784	7,742	8,246	8,667
Total: Other Tax	580,158	362,600	298,640	319,265	337,729
% of GDP:	2.4	1.5	1.4	1.3	1.3

Source: MoFTIEP, Macroeconomic Forecasting & Analysis Branch estimates

Non-Tax Revenue & Grants

Non-tax revenues are revenues generated other than by taxation, through the different services being offered by Government either through a cost recovery basis or depending on the Government policy on the services being offered. In light of the recent development with COVID-19, the 2020 amended budget for Non-Tax stands at SR 0.9m. This represents a decrease of 40 per cent compared to the 2020 Budget numbers.

There is a slight decrease of SR 17m or 3 per cent under Grants. The downward revision is mainly as a result of the postponement of two Chinese funded projects namely the School for Business Studies and SIAD for a total sum of SR 27.9m and a component of the Health Master Plan (SR 35.3m) which is not expected to materialize this year in view of the COVID-19 crisis and funds. All other projects have been adjusted upwards due to changes in the foreign exchange rate forecast.

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

NON-TAX & GRANTS	2019 Actual	2020 Budget	2020 Amended	2021	2022
Non-Tax					
Fees and Charges	339,840	450,079	299,763	454,515	457,377
Dividends Income	477,410	825,575	383,575	408,575	408,575
Other Non-Tax	44,181	54,382	54,382	47,777	48,524
Proceeds from Sale of Assets	54,917	146,757	146,757	113,367	113,267
Total Non-Tax	916,348	1,476,792	884,476	1,024,234	1,027,743
Grants	94,200	647,484	630,312	818,761	539,018
Total Non-Tax & Grants:	1,010,548	2,124,277	1,514,788	1,842,994	1,566,761
% of GDP:	4.4	8.7	7.0	7.6	6.0

Source: MoFTIEP, Financial Planning and Control Division estimates

Fees and Charges

Government has forecasted to collect SR 300m under Fees and Charges compared to the initial SR 450m forecast for the year 2020. The drop in tourism arrivals has been the main factor underpinning the revision in revenue under this category. A 50 per cent drop in tourism arrivals is expected this year and as such the fees and charges have been adjusted as follows;

- Passenger Service Fee- From SR 71m to SR 27m (-SR 44m)
- Mission lodge entrance fees – From SR 4.7m to SR 2.4m (-SR 2.3m)
- NBGF entrance fees – From SR 6.9m to SR 3.4 m (-SR 3.5m)
- Provision of Security to Charters (Department of Police) – From SR 6m to SR 3m (-SR3m)

Other revision under fees and charges are as follows;

- Immigration fees (GOP) – From SR 182.8m to SR 91.4m (-SR 91.4m). The initial budget figures catered for the fee increase for employers with foreign workers of more than 10 years. The reduction reflects changes in GOP rates as per the announcement of the President in the SONA
- Employment Department attestation fee – From SR 8.6m to SR 4.3m (-SR4.3m). The downward revision is mainly attributed to a lower forecast of documents by the Department of Employment to be attested as a result of the COVID-19
- Dog Control - The whole amount of SR 1.8 m has been removed as the law will not be finalised this year

Dividends Income

The table below shows the revised Dividend Income projections for 2020 and the medium term, which have been altered due to the change in circumstance brought by COVID-19. The Dividend Income has been revised downwards by SR 442m or 54 per cent, due to less favourable performance of the companies in which the Government hold shares.

Table 22: Dividend income, SR'000s

DESCRIPTION	2019 Actual	2020 Budget	2020 Amended	2021	2022
SIMBC Nouvobanq	110,483	250,000	75,000	100,000	100,000
Seychelles Petroleum Company	194,000	250,000	150,000	150,000	150,000
Seychelles Ports Authority	-	25,000	-	-	-
Seychelles Civil Aviation Authority	111,250	100,000	50,000	50,000	50,000
Afrexim Bank	-	375	375	375	375
Seychelles Trading Company (STC)	-	-	-	-	-
Island Development Company (IDC)	-	10,000	-	-	-
Seychelles Commercial Bank	-	3,200	3,200	3,200	3,200
Development Bank of Seychelles	1,306	2,000	-	-	-
African Insurance Corporation	-	-	-	-	-
Financial Services Authority	35,372	100,000	50,000	50,000	50,000
Société Seychellois D'investissement (SSI)	-	25,000	25,000	25,000	25,000
Seychelles Fishing Authority	25,000	60,000	30,000	30,000	30,000
Total Dividends:	477,410	825,575	383,575	408,575	408,575
% of GDP:	2.1	3.4	1.8	1.7	1.6

Source: MoFTIEP, Financial Planning and Control Division estimates

Other Non-Tax

Background

Other Non-tax relates to revenue from rent and royalties, interest income, statutory transfers from CBS and other miscellaneous income. Other Non-Tax remains at the same level of SR 54m in the amended budget compared to the initial Budget estimates.

Proceeds from Sale of Asset

The 2020 proceeds from sale of asset projection is at approximately SR 146.8m as initially forecasted. Compared to the 2019 outturn this represents an increase of SR 92m or 167 per cent; which relates to the increase under the sale of land bank and the long term lease of Land and Building.

Grants

For the medium term 2020 amended Budget to 2022, a total amount of SR 2bn worth of projects and programmes are expected to be funded through grants from various external bilateral and multilateral donors. This represents a slight increase. The COVID-19 has not had a negative impact on grants.

A total amount of SR 630m is expected to be received as external grants in the year 2020, out of which SR 418.8m is cash grant and SR 211.6m is grant in kind. The total expected grant receipt represents 2.9 per cent of GDP.

The grant receipts of SR 630m will fund various projects in various sectors as per below:

- **Education Sector**
 - Renovation Works at different Government Schools being funded by the Government of India - SR 12.9m.
 - The construction of the Institute of Early Childhood Development Headquarters being funded by the United Arab Emirates - SR 8.1m
- **Blue Economy Sector**
 - Third South West Indian Ocean Fisheries Governance and shared growth project for ongoing implementation of various programmes towards improving management of marine areas and fisheries and to strengthen the fisheries value chain. The grant component of the project is from the Global Environment Facility Trust Fund (GEF) - SR 15.2m.
 - The African Development Bank (AFDB) is also supporting the above sector with a grant for Technical Assistance and Capacity Building Project for support to the Blue Economy Micro Small and Medium Enterprises (MSMEs) in Seychelles for a total sum of USD 0.8m of which half is expected to be spent in 2020.
- **Environment and climate change sector**

Various on-going environment protection and climate change projects:

- Adaptation to Climate Change Project – SR 7.6m (Adaptation Fund)
- Ecosystem based adaptation to climate change – SR 7.6m (GEF)
- Climate change education – SR 6.1m (GEF)
- Ridge to Reef- Integrated Management of Marine, Coastal & Terrestrial Ecosystems- SR 9.3m (UNDP)
- Restoring Marine Ecosystem Service (Coral Reef Restoration)- SR 2.4m (UNDP)

- **Law and Order**

- On-going construction of the new magistrate court and tribunals at Ile du Port being funded by a grant from the Government of India in 2020, the project is expected to be completed in 2020. An amount of SR 22m has been budgeted as expenditure under the grant for 2020
- The Government of India will be financing the construction of a new Seychelles Police Headquarters at Ile Du Port. The project is estimated to cost SR 200.5m and SR 92.3m has been forecasted in 2020
- The Government of India will be financing the construction of a new building for the Attorney General Chamber at Ile Du Port. The project is estimated to cost SR 172.7m and SR 87.6m has been forecasted for 2020

- **Seychelles Broadcasting Corporation**

- The construction of the Seychelles Broadcasting house is being funded by the Government of China and an amount of SR 165.3m is anticipated to be spent under the grant in 2020

- **Trade Facilitation**

- Programme in support of Seychelles of the Economic Partnering Agreement (EPA) with the European Union under the 11th European Development Fund – SR 2.1m
- The project for enhancing trade facilitation, sanitary measures, technical barriers and trade defence measures under the SADC Trade facility – SR 4.6m

Other grants expected to be received over the medium term (2020-2022) are as follows:

- Construction of new Drug Rehabilitation Village to be funded by the United Arab Emirates – SR 47m
- Construction of new Youth Hope Centre to be funded by the United Arab Emirates - SR 47m
- The Government of India is expected to fund the construction of a Government house at Ile du Port for an amount of SR 680.5m to accommodate several Ministries, Departments and Agencies
- SR 4.3m has been allocated for the purchase of Mobile Library; the project is financed by the Government of India
- The United Arab Emirates will be providing support through a grant to Air Seychelles for Five years for an annual sum of USD 6m
- The renovation of the National Library to be funded by the Kuwait Government - SR 36.89m
- The Construction of a Demonstration Kitchen to be funded by the United Arab Emirates - SR 7.02m
- SR 2.6m has been allocated under the 2020 amended Budget for COMESA Smart Agriculture Project

- SR 0.9m has been allocated under the 2020 amended Budget for the IFAD- ALFIS Project Phase II

Expenditure

Table 23: Summary of Expenditure, SR' 000s

DESCRIPTION	2019 Actual	2020 Budget	2020 Amended	2021	2022
Expenditure and net lending	8,379,341	9,716,777	11,123,325	10,461,601	10,397,603
Current expenditure	7,509,015	8,266,713	9,452,346	8,430,476	8,579,983
Primary Current Expenditure	6,950,452	7,731,105	8,756,172	7,710,643	7,801,148
Wages and salaries	2,506,601	2,983,162	2,937,090	2,980,927	2,965,181
Goods and services	2,792,641	2,920,797	2,736,437	2,873,324	2,872,023
Capital expenditure	534,487	1,113,799	1,219,549	1,705,228	1,426,233
Social program of Government	162,186	175,344	1,263,122	179,866	189,869
Transfers to Public Enterprises	92,121	159,078	273,971	144,502	144,502
Benefits and approved programmes of SSF	1,357,635	1,457,787	1,510,616	1,497,087	1,594,638
Others	39,267	34,936	34,936	34,936	34,936
Interest due	558,564	535,609	696,174	719,833	778,834
External	236,817	234,609	281,684	242,458	242,459
Domestic	321,746	301,000	414,490	477,375	536,375
Development Grant	136,907	144,453	174,453	193,208	283,748
Net lending	148,942	146,813	171,978	87,689	62,639
Contingency	49,989	45,000	105,000	45,000	45,000
Primary Balance:	614,623	672,537	-3,008,621	-1,297,130	-985,174
% of GDP:	2.6	2.8	-14.0	-5.3	-3.8

Source: MoFTIEP, Financial Planning and Control Division estimates

Given the sudden economic downturn following the development around COVID-19 and the revised forecasts of Tax and Non-Tax Revenue, several adjustments have been made for Expenditure. Under the 2020 amended Budget, Government has budgeted an overall expenditure and net lending of SR 11.1bn. This is an increase of SR 1.5bn or 14.5 per cent compared to the initial Budget. Overall expenditure and net lending has increased by SR 2.7bn or 33 per cent when compared to the 2019 preliminary outturn.

Below are the variances for each of the main categories of expenditure in the 2020 amended Budget, when compared to the 2020 initial Budget:

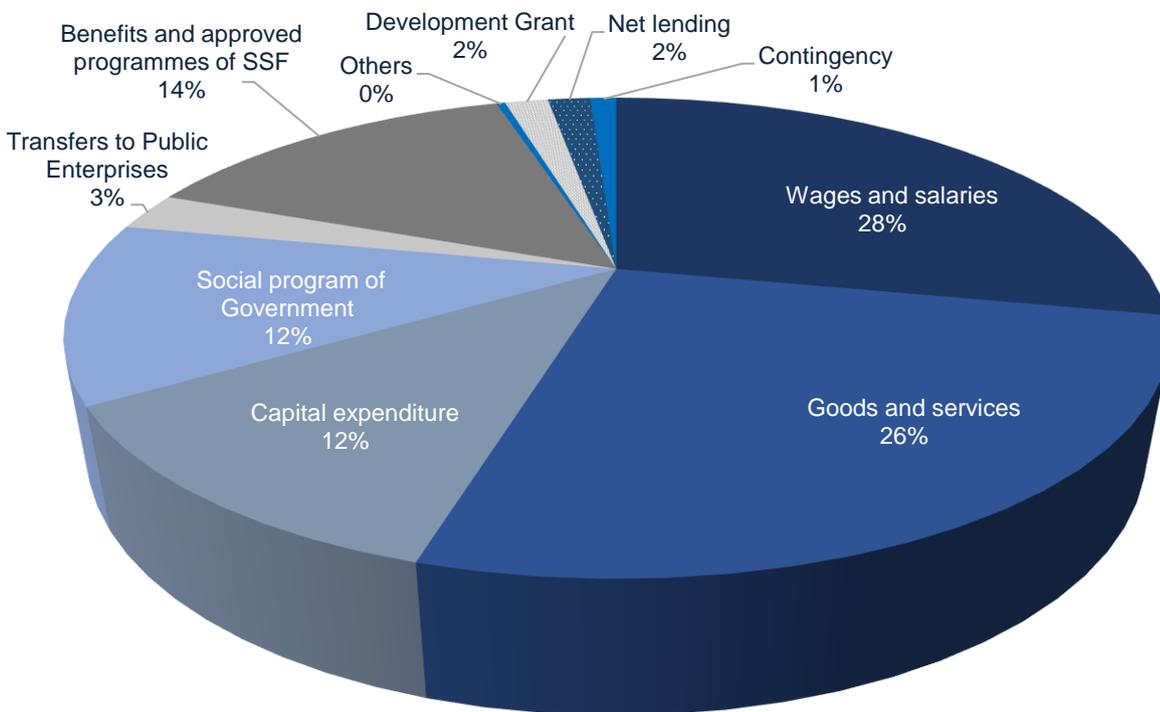
- Wages and Salaries decreases by 1.5 per cent
- Goods and Services decreases by 6.3 per cent
- Capital expenditure increases by 9.5 per cent
- The Social Programme of Government increases by 620.4 per cent
- Transfers to Public Enterprises increases by 72.2 per cent
- Benefits and Approved Programmes of the Agency for Social Protection increases by 3.6 per cent
- Other expenditures do not change

- Development Grants increases by 10.9 per cent
- Net lending decreases by 17.1 per cent, and
- Contingency decreases by 133.3 per cent

Expenditure distribution by main Budget allocation (excluding interest payments)

As illustrated in the diagram below, Wages and Salaries and Goods and Services remain as the two main drivers of Budget expenditure, both with shares of 28 and 26 per cent, respectively. This is followed by Benefits and approved programmes of SSF with a total share of 14 per cent of the total Budget allocation. Capital Expenditure and Social Programs of Government are both allocated 12 per cent of the total Budget expenditure.

Figure 11: 2020 Amendment Budget Allocation



Source: MoFTIEP, Financial Planning and Control Division estimates

Distribution by Portfolio

Table 24: Share of Recurrent Expenditure by Portfolio (%)

PORTFOLIOS	2020 Budget	2020 Amended
Designated Minister	18.3	17.9
Education and Human Resource Development	17.7	16.8
Employment, Immigration and Civil Status	1.4	1.3
Environment, Energy and Climate Change	5.7	5.7
Family Affairs	2.2	2.1
Health	16.8	17.3
Other Statutory Bodies	4.6	4.7
Tourism, Civil Aviation and Marine	3.3	3.2
President's Office	8.8	8.6
Vice-President's Office	4.0	4.8
Constitutional Appointees	2.8	2.7
Finance, Trade, Investment and Economic Planning	6.3	5.8
Fisheries and Agriculture	1.7	1.7
Habitat, Infrastructure and Land Transport	6.5	7.5

Source: MoFTIEP, Financial Planning and Control Division estimates

Current Expenditure

Wages and Salaries

A total sum of SR 2.94bn is being proposed for wages and salaries compared to SR 2.98bn initially estimated. This represents a slight decrease of SR 46.1m or 1.54 per cent compared to the initial Budget estimates. Compensation of employees remains a significant part of the Government Budget. Wages and Salaries represents 13.6 per cent of GDP. This reduces in the medium term to 12.3 per cent and 11.3 per cent of GDP in 2021 and 2022, respectively. The overall decrease under wages is attributed to the following measures;

- A freeze on recruitment has been imposed on all new recruitments. Based on the revised MBE including the freeze on recruitment, the sum of SR 54.3m has been removed from MDA's wages and salaries initial Budget allocation
- From April 2020 the allowances given to all Information Officers in Government will be removed and this has resulted in a saving of SR 3.4m in 2020 and SR 5.2m in 2021 and 2022, respectively
- As has been announced by the President, he will forego his salary for three months and this represents a savings of SR 0.27m
- Other wages has decrease by SR 14.5m. There is a decrease of SR 4.2m under constitutional appointees emoluments which is mainly attributed to the removal of 5 per cent wage grid increase which was initially budgeted for the constitutional appointees. There is a SR 10.3 m reduction under pension contribution payment, this is in line with the freeze in recruitment. The actual share of pension

contribution payment as a ratio of total actual wages payment in 2018 and 2019 was 1.98 and 2.34 per cent respectively. The 2020 amended budget pension contribution votes accounts to 2.43 per cent over the 2020 amended budget for wages and salaries for MDA's.

- A sum of SR 13.68 m has been added for a revision in the scheme of service for Nurses and Health Care Assistants from July 2020

Schemes of Service

The sum of SR 81m initially allocated for the scheme of service has been maintained in the 2020 amended Budget. The revisions are aimed at improving the salary packages of the different cadres as part of the Government's effort to retain its employees.

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

Goods and Services

A sum of SR 2.7bn has been allocated towards Goods and Services in the amended 2020 Budget. This represents 25 per cent of the total expenditure and net lending and 12.7 per cent of GDP. The Goods and Services expenditure has decreased by SR 184.4m in comparison to the initial Budget estimates. Ministries and Departments' Goods and Services have decreased by SR 44.5m whilst Agencies have increased by SR 132.3m. "Other Goods and Services" category has decreased by SR 7.5m.

In light of the current situation, Government has taken several expenditure measures; this has resulted in the amended allocation for goods and services to decrease. The measures have been applicable on the balances of MDA's Budget as at mid of March. Some of the measures are cross cutting which means it is applicable to all MDA's and they are as follows;

- A 100 per cent cut on overseas airfares and overseas allowance in view that the President has announced a ban on all overseas travel. This has resulted in a decrease of SR 52.4m
- A 50 per cent cut has been applied on the balance of previously allocated minor capital outlays Budget. This excludes all payments of contract or service agreement which was paid under these votes by MDA's. This measure has enable Government to save SR 27.1m
- A cut of 25 per cent on printing and stationary in view that the operation of many MDA's has changed, following the COVID-19 pandemic. This has resulted in a deduction of SR 8m
- A cut of 75 per cent on the hospitality Budget has been applied and this has saved a sum of SR 6m
- A cut of 100 per cent on the facilities for events in view that no events such as workshops and conference will be organised for the remaining of the year. This has resulted in a decrease of SR 10.3 m from the initial 2020 Budget.
- In light of the several sacrifices that Government has put in place, a decision has been taken to postpone the increase for Board and Committees members allowance from April 2020. This has resulted in savings of SR 18.2m for 2020. From April 2020 onwards all Board Members and Members of Committees will be paid based on the old rate.

The sum mentioned above has not been applicable to MDAs who are heavily involved in the fight of the COVID-19 pandemic. These MDAs are the Ministry of Health, the Health Care Agency, the Department of Disaster & Risk Management, the Department of Police, the Department of Defense and the Seychelles Fire and Rescue Services Agency. The following MDAs will use the funds previously allocated under these expenditure to cater for extra expenditure under other expenditure line, in other words the funds will be vired within the same appropriation heads to cater for extra expenditure before accessing the allocation from the contingency. This amounts to SR 22m.

In addition, Government has taken some other measures, which are specific to some MDAs as follows;

- Cancellation of the following National or international events; this has resulted in the following savings;
 - La Digue Creative Day (July) a saving of SR 131.6k
 - Francophonie Day (June) a saving of SR 87k
 - Fete Afrique a saving of SR 155k
 - Praslin Creative Day (July) a saving of SR 158k
 - Jazz and Blue (August) a saving of SR 477k
 - Mahe Creative Day (November) a saving of SR 311k
 - Expo 2020 (October) a saving of SR 2k
 - Biennial des Arts (April) a saving of 220.5k
 - Annual HIV AIDS colloque a saving of SR 1m
 - Ministerial Conferences (Tourism) a saving of SR 508k
 - National Day Celebration a saving of SR 11m
 - Festival Creole a saving of SR 5m
 - 250th Anniversary a saving of SR 2.5m
 - Aids Colloque a saving of SR 1m
 - Olympic Game Seychelles Participation a saving of SR 0.5m, and
 - FINA competition SR 5m has been cut (SR 2m under STB and SR 3m under NSC)

Furthermore, in view that many sports events and activities have been cancelled or put on hold, the Budget initially allocated for the following sporting events have been reduced by half;

- IOIG Preparation a decrease of SR 454k
- Francophonie (Overseas -August) a decrease of SR 750k
- Table Tennis Championship (July) a decrease of SR 200k
- Zwe Lespwar (Local-August) a decrease of SR 600k, and
- Regional Sailing Competition (July) a decrease of SR 180k

Other measures that the Government has taken, which have resulted to a further decrease in the goods and services Budget initially allocated to MDAs are as follows;

- The postponement of the National Census to 2021. This has resulted in savings of SR 6.2m
- The social activities at community level have been reduced and as such the community life programme Budget has been reduced by SR 2.6m, taking into account a 25 per cent reduction in activities

- Government will delay the opening of the Home Care Secretariat to July 2020 which results in savings of SR 1.5m
- A savings of SR 1.3m under NISTI rent, in view that the agency will not be moving to the previously e-marked location
- With the current situation around the world, it is uncertain when the lock down or restrictions imposed by many countries will be uplifted, hence, the Government has taken a decision to postpone all new Scholarships to international Universities. The sum of SR 33.8m has been removed from the Agency of National Human Resources and Development. The sum of SR 15m has been maintained which will cater for expenditure relating to student who wish to pursue their studies at the University of Seychelles or those who opt for long distance study
- The sum of SR 1m has been removed from the ANHRD Budget for the public servant training

Additions in the Budget

The amended Budget also caters for certain expenditures, which were not previously allocated under the initial Budget and these are as follows;

- A sum of SR 3.3m has been added to cater for VAT payments for Rental of offices belonging to the Seychelles Pension Fund
- For 2021 and 2022 the sum of SR 9.5m has been added under SFRSA to cater for the replacement plan of fire tenders
- A sum of SR 5m has been provided under a central vote to cater for any necessary travel by MDAs after the post-corona period in view that the overseas airfares and subsistence allowance have been cut by 100 per cent

Transfers

Table 25: Summary of Total Transfers by Different Categories, SR' 000s

TRANSFER TYPE	2019 Actual	2020 Budget	2020 Amended	2021	2022
Social Programs of Government	162,186	175,344	1,263,122	179,866	189,869
Transfers to Public Enterprises	92,121	159,078	273,971	144,502	144,502
Benefits and approved programmes of SSF	1,357,635	1,457,787	1,510,616	1,497,087	1,594,638
Total Transfers:	1,611,942	1,792,209	3,047,709	1,821,455	1,929,009
% of GDP:	6.9	7.3	14.2	7.5	7.4

Source: MoFTIEP, Financial Planning and Control Division estimates

Transfers to Social Programs of Government

A sum of SR 1.3bn is being catered for under this category. This consists of Government's contribution towards a number of Non-Governmental Organisations, Councils and Funds created by Government, as well as schemes introduced by Government to incentivise targeted sectors or programmes aimed at providing

assistance to small entrepreneurs or to promote educational and social programmes and values to society. There has been a significant increase of SR 1.1bn or 620 per cent over the 2020 budget estimates. The increase relates to the wage grant assistance to the private sector which has been budgeted under this expenditure category. The provisions under the Social Programmes include the following:

Housing Finance Scheme

The Housing Finance Scheme was first introduced in 2014 with the intention of assisting first time home owners with a cash grant that would help bridge the gap between the loan they can afford and the cost of the house. The level of subsidy depends on the applicant's income and loan amount received. The provision of SR 18m has been maintained.

Home improvement/re-roofing scheme for pensioners

A provision of SR 5m has been catered for the Home Improvement and re-roofing scheme for Pensioners. Under the scheme pensioner's benefit from an interest free loan for renovations up to SR 50,000 while re-roofing projects are supported up to SR 100,000.

Land Compensation Tribunal

The Land Compensation Tribunal was set up in mid-2018 in order to review all outstanding cases with regards to land which the Government has taken from the Public since 1993. The Budget of SR 2.5m has been maintained.

Youth Employment Scheme

The sum of SR 5m has been maintained under the Youth Employment Scheme for 2020. Under the scheme Government will refund 40 per cent of the salary of youths aged between 15 and 25 years old to an employer for their first year of employment.

Youth Entrepreneurship Scheme

The amount of SR 1m catered for under the Youth Entrepreneurship Scheme is used to support the young entrepreneurs.

Contribution to Agricultural Development Fund

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

Small and Medium Enterprise Scheme

Government's contribution to the Small and Medium Enterprise Scheme is being maintain at SR 25m for 2020. Since 2014 to December 2019 a total of 2,256 loans have been approved under the Scheme for a total of SR 1.97bn.

250th Victoria Celebrations

Government contribution towards the 250th Anniversary has been reduced by SR 2.5m.

Wage Grant- COVID-19

A provision of SR 1.09bn has been made as a Salary Grant to assist businesses in the private sector towards payments of staff salaries to ensure no redundancies. A Committee has been appointed to approve requests from registered businesses. The sum of the wage grant related to Air Seychelles employees has been added under Air Seychelles Subvention allocation for a total sum of SR 109.5m.

Subvention to Public Enterprises

The Government is assisting the following State-Owned Enterprises (SOEs) with a total sum of SR 284m in the 2020 amended Budget, an increase of SR 115m or 72 per cent compared to the 2020 initial Budget estimates;

- **Air Seychelles:** The amount of SR 220m has been allocated to Air Seychelles, which includes USD 6m in terms of the 5 yearly transfers. Government will provide a guarantee to enable the issuance of a bank guarantee of the USD 30m worth of preference shares in favour of Etihad shareholder based on the current liabilities that Air Seychelles owes Etihad during the past years. In addition, Government has made a provision for the wage grant assistance for the total sum of SR 109.47 m to Air Seychelles
- **SPTC:** Total assistance to the Seychelles Public Transport Corporation (SPTC) is being maintained at SR 50m
- **Seychelles Postal Services Company:** Total Assistance to Seychelles Postal Services is being maintained at SR 4m

Benefits and Approved Programmes of SSF

The Agency for Social Protection (ASP) is mandated to provide social security coverage and protection against poverty through financial assistance as laid out under the Agency for Social Protection and the Social Security Benefit Act. The Agency is principally an agency that effects payment on behalf of Government for all the benefits and approved programmes of ASP. Benefits and Approved Programmes of ASP represent 7 per cent of GDP for the 2020 amended Budget and this represents an increase of 1 percentage point over the 2020 initial Budget. A sum of SR 1.5bn is being catered to finance the payment under the Approved Programmes of ASP. This represents an increase of SR 52.8m compared to the 2020 initial estimates.

Retirement, Invalidity and Disability Benefits

Government has allocated SR 770m, SR 114m and SR 104m for Retirement Benefits, Invalidity Benefits and Disability Benefits, respectively. The three benefits account for 65 per cent of the total Benefits and Approved Programmes of ASP or 4.6 per cent of GDP. The initial Budget for these benefits is being maintained.

Home Carers Scheme

The Budget of SR 292m under Home Carers Scheme is being maintained. The extra allowances for payments to Home Carers in view of the COVID-19, as announced by the President will be paid from the Contingency Budget.

Social Safety Net

Social Safety Net is the only discretionary assistance programme. In 2018, SR 71m was spent for welfare assistance and in 2019, the sum of SR 55m was spent. In light of the COVID-19, Government has seen the necessity to make an extra SR 30m provision for welfare assistance compared to the initial Budget estimates.

Emergency Housing Assistance Scheme

The sum of SR 1.5m has been maintained in 2020 for the Emergency Housing Assistance Scheme. The scheme is for the payment of temporary accommodation for victims of burnt houses until they are provided with a house.

Unemployment Relief Scheme

The Budget allocation for the unemployment relief scheme has been increased by SR 10m, to allow for re-skilling of workers, particularly those in the tourism sector. The 2020 amended Budget stands at SR 20m compared to the initial SR 10m estimates.

Day Care Scheme

The Budget allocation for the Day Care scheme has increased by SR 12.8m to cater for the financial assistance for all Parents with Children in a child minding facility from April 2020 onwards. The full impact of this assistance has been provided for in 2021 and 2022.

Public Sector Investment Programme

The new Central Government Investment Program for the period of 2020 to 2022 is budgeted to amount to SR 4.35bn. A total of SR 1.22bn worth of projects is to be financed from the 2020 Budget, representing 28 per cent of this medium term investment plan. The new amended Budget for 2020 gives an increase of 9.5 per cent as compared to the original 2020 Budget. Increases in Budget allocations are seen in both local and foreign loan financing (24 per cent increase and 20 per cent increase respectively) whilst the foreign grant allocation sees a decrease of 0.4 per cent.

In addition to the PSIP allocations, the Government provides funding through Net lending and Development grants to some Public Enterprises for their development projects. Public Enterprises receiving development funding from the Central Government in the year 2020 are the PUC for which a total of SR 60m has been budgeted, SPTC for which a total of SR 21.7m has been budgeted and the PMC for which a total of SR 92.8m has been budgeted. The table below shows the total PSIP allocations made across the medium term. The difference in Development Grants allocation in the amended Budget 2020 as compared to the original is an increase of SR 30m made available to PMC to cater for funding of some of its capital projects.

Table 26: Public Sector Investment 2018-2022, SR'000s

	2019 Actual	2020 Budget	2020 Amended	2021	2022
Central Government Projects	534,487	1,113,799	1,219,549	1,705,228	1,426,233
Net Lending	148,942	146,813	171,978	87,689	62,639
Development Grants	136,907	144,453	174,453	193,208	283,748
Total Allocation:	820,337	1,405,064	1,565,980	1,986,125	1,772,620
% of GDP:	3.5	5.7	7.3	8.2	6.8

Source: MoFTIEP, Financial Planning and Control Division estimates

2019 Overview

A total Budget of SR 884.7m was allocated towards the Central Government capital projects for the year 2019. However, due to delays in the implementation of several of these projects, the actual expenditure recorded in 2019 was SR 534.5m. The delays in the implementation were brought about by several factors including lack of internal capacity to implement and oversee the projects. In addition to this, unforeseen delays in the progress of projects have resulted in slow spending within this category of expenditure.

The main projects completed during 2019 includes housing projects such as the 64 housing units at the Ile Perseverance district completed during first quarter of 2019 at contracted cost of SR 40m and land bank projects such as Ed Hodoul land bank and Anse Corail Takamaka. There are also certain land infrastructure projects from the Seychelles Land Transport Agency including improvement to Agathine road at Takamaka and general renovation works across certain state schools including Baie Lazare, Belonie and Ile Perseverance.

2020 Outlook

The total Budget allocated towards Central Government investment projects for the year 2020 stands at SR 1.1bn. The new proposed PSIP Budget stands at SR 1.2bn representing a 9.4 per cent increase in the total allocation. This is represented by an increase in both budgetary allocations for local financing and foreign loan financing and a decrease in foreign grant financing.

A number of projects remain ongoing in 2020 as follows;

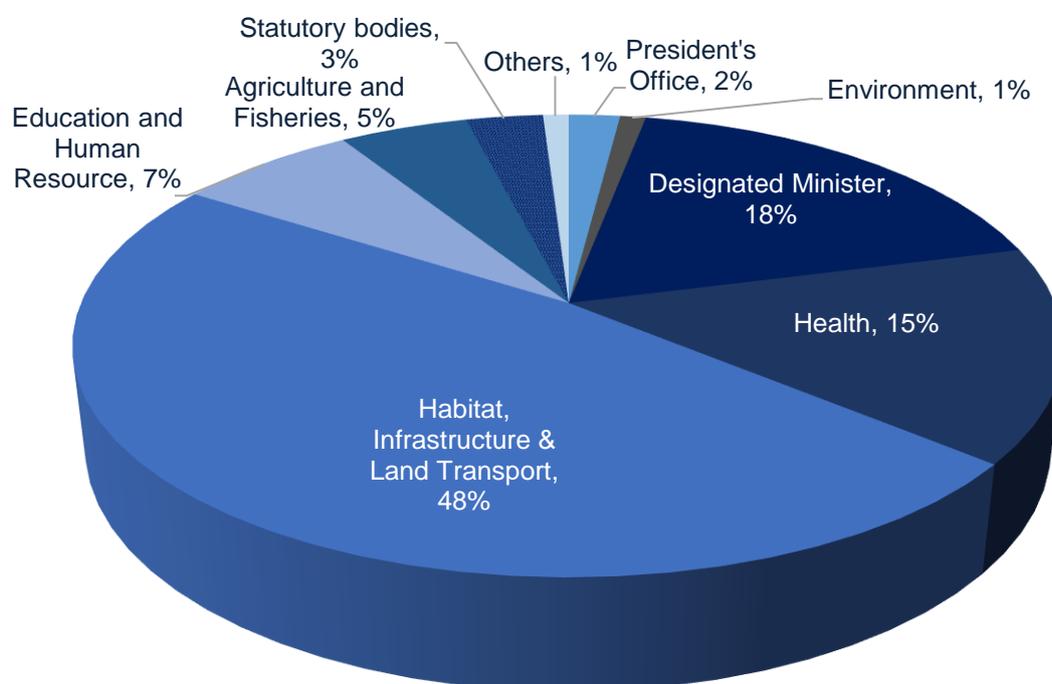
- Construction of day care projects in various districts including Anse Aux Pins and Glacis at a total cost of SR 5.39m
- Construction of new magistrate court at total cost SR 44.8m
- Construction of new classroom block at Belonie Secondary School at total cost of SR 24m
- Construction of new Anse Royale Creche at total cost of SR 15m
- New Police Headquarters building being financed from foreign grant from the Government of India with a total of SR 86.8m budgeted in 2020.
- Renovation of Male and Female medical ward at total cost of SR 7.46m
- Renovation of CSSD at the Seychelles hospital for the total sum of SR 2.76m

With the new PSIP Budget, the Budget allocation for several new projects that have not started implementation is being reallocated to outer Budget years 2021 and 2022 as means of diverting the Budget space to new identified project priorities in the health sector. These include construction of a new isolation facility with a public health lab at an estimated total cost of SR 40m and renovation to an existing military barrack to be used as a quarantine facility estimated at SR 4m.

Domestic Financing

Similar to the original 2020 Budget, the Habitat, Infrastructure and Land Transport Portfolio makes up the largest portion (48 per cent) of the total local financing of SR 521.4m. This is followed by the Designated Minister’s Portfolio 18 per cent, Health Portfolio 15 per cent and Education 7 per cent. The below graph shows the domestic financing allocation across the portfolios:

Figure 12: Domestic Financing



Source: MoFTIEP, Financial Planning and Control Division estimates

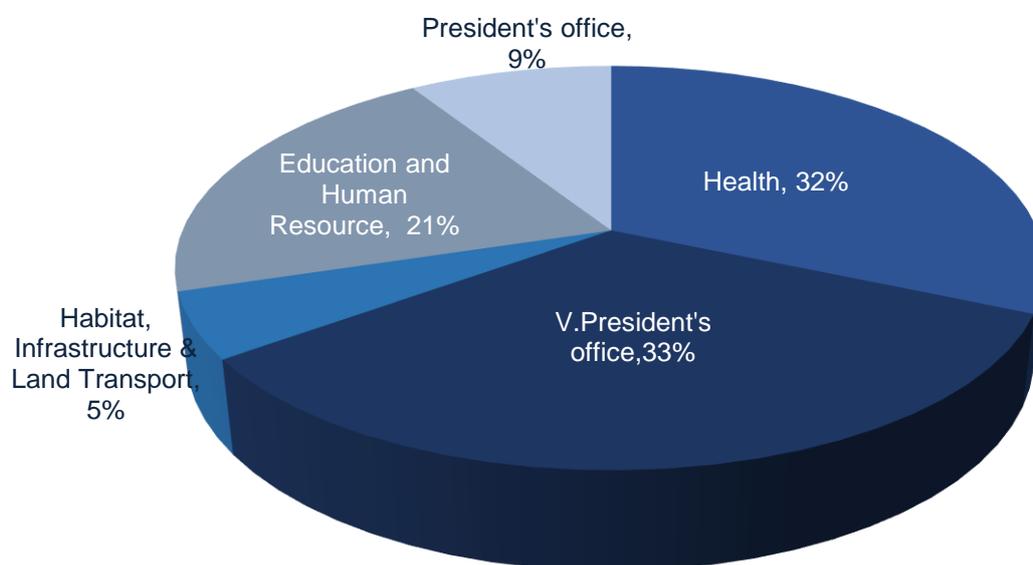
Loan Financing

A total of SR 159m of the capital projects for 2020 based on the new Budget is financed through Loans. The composition for the loan financing varies compared to Domestic Financing. For this, the largest allocation is for the Vice President’s office portfolio accounting for up to 33 per cent. The other main portfolios are Education & Human Resource Portfolio taking up to 21per cent and the Health Portfolio counting up to 32 % of total allocation.

Some of the key projects being financed from the loan financing includes the ongoing Swiofish project by the Word Bank/ GEF, the reconstruction of the La Rosiere primary school, the new infrastructure for the

Seychelles Institute of Agriculture and Horticulture as well as the Health Information system from the Health Care Agency. The graph below shows the distribution of foreign loan per portfolio:

Figure 13: Loan Financing



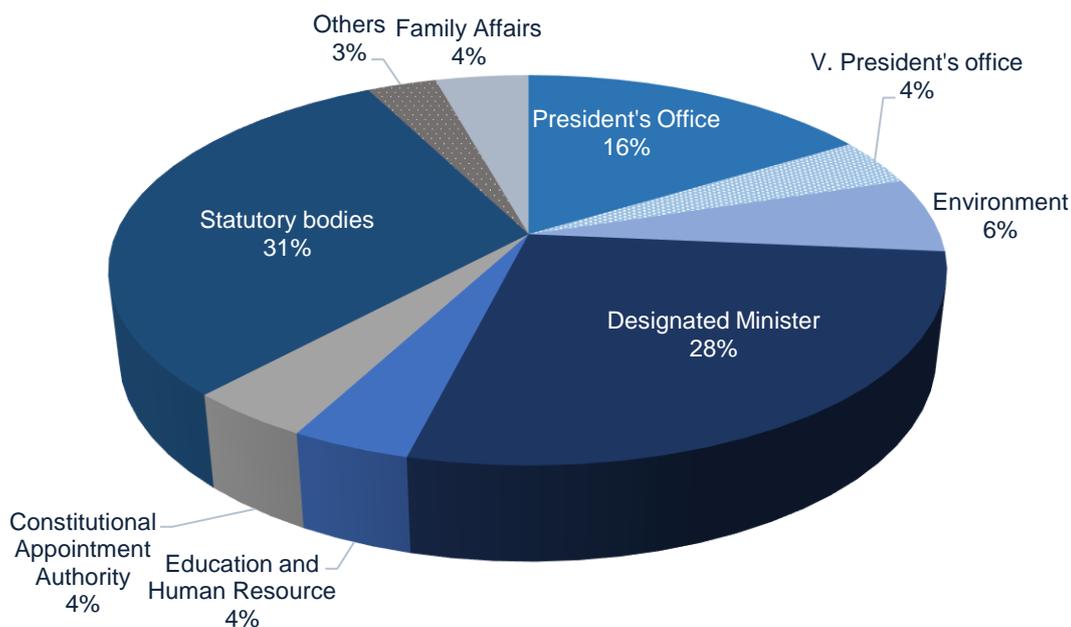
Source: MoFTIEP, Financial Planning and Control Division estimates

Grants financing

Grant financing accounts for the highest proportion of financing of the government's public sector investment program for the year 2020. Grant financed projects are mainly allocated towards Statutory bodies accounting for up to 31 per cent of the total allocation, the Portfolio of the office of the designated minister accounting for up to 28 per cent and the office of the President's portfolio summing up to 16 per cent of the total allocation.

The main difference in the grant Budget allocation for the new 2020 Budget as compared to the original is the exclusion of the previously budgeted figure for projects that were expected to be funded from Chinese Grant financing. These include the Budget allocation for the financing of selected projects within the Seychelles Victoria Hospital master plan totalling SR 35.3m and the construction of the SIAD / SBSA project for which a total of SR 24m had originally been budgeted. Given the current situation with the COVID-19 pandemic, these projects have seen delays in finalisation of the necessary formalities to allow implementation.

The chart below shows the allocation of grant financing per portfolio.

Figure 14: Grant financing


Source: MoFTIEP, Financial Planning and Control Division estimates

Planned Investment by Sector

Table 27: Financing allocation for 2019-2022, SR'm

SECTORS	2019 Actual	2020 Budget	2020 Amended	2021	2022
Defence	0	14,103	20,340	48,736	29,900
Housing	143,966	97,077	192,955	462,377	457,569
Land Transport	53,540	87,187	65,334	107,728	115,862
Economic	92,022	101,131	88,433	91,809	70,523
Fisheries & Agriculture	6,517	24,472	28,003	25,544	34,000
Health	15,156	97,748	131,532	263,843	201,987
Education	93,367	110,340	91,126	208,103	277,849
Community amenities	25,026	65,227	65,962	51,000	50,500
Public Order and Safety	26,471	248,745	251,030	265,608	13,489
Youth Sports & Culture	20,774	33,274	39,029	82,091	66,925
Social Affairs	953	23,750	26,615	34,694	9,558
Environment	25,782	34,569	38,827	46,805	41,162
General Public Services	30,914	176,176	180,364	16,890	56,910
TOTAL:	534,487	1,113,799	1,219,550	1,705,228	1,426,234

Source: MoFTIEP, Financial Planning and Control Division estimates

Development Grants to Public Enterprises

Total development grants being made available to Public Enterprises for the year 2020 has increased by SR 30m or 21 per cent. A total of SR 175m is budgeted for development grants to public enterprises. The larger

sum of this (88 per cent) is budgeted for allocation to the Public Utilities Corporation and the Property Management Company. The increase of SR 30m is under PMC allocation. This is to cater for expected works on several housing units managed by the PMC. The remainder of the allocation has been made available to the Seychelles Public Transport Corporation to aid in financing its periodic bus replacement plan. The Budget makes provision of budgetary allocations for the same three enterprises for the years 2021 and 2022.

For the year 2021 and 2022, a total of SR 20m has also been included to be made available to the Industrial Estate Authority to aid in financing its capital investment plan.

Net Lending

A total of SR 171.9m is being budgeted as net lending for the year 2020. This represents an increase as compared to the budgeted amount at the start of the year. The increase is largely explained by additional Budget allocations worth of SR 10m made to the PUC for compensation payment towards resolution of a dispute with a foreign company that was involved in the raising of the La Gogue Dam project and adjustments in foreign exchange worth of SR 11m for the same company.

In addition to the above, a total of SR 20m has been made available to the Seychelles Trading Company and the on lending payments from SNPA that was previously budgeted for has now been removed.

Contingency

An additional SR 60m has been added under the contingency fund to cater for various expenses of MDAs specifically for the COVID-19 impact. This makes provision for the Seychelles National Response Plan which is expected to cost SR 30.0m. In addition, the sum of SR 11.4m has been provided to cater for additional part time expatriate workers for HCA for six months. Furthermore, the sum of SR 1.4 m is being allocated to cater for the rental of the FSA warehouse by HCA to store the extra medical consumables and equipment. The sum SR 5.3m has been allocated to cater for extra expenditure which the Department of Police, Defence and DRDM will have to incur in relation to the COVID- 19 pandemic. The sum of SR 10.2m has been allocated for the payment of the special allowance for the front line workers and home carers. Lastly, a sum of SR 1.7m has been catered for SOEs who might face some financial difficulties resulting from the negative impact of the COVID-19.

Debt Outlook

Debt Outlook

At the end of December 2019, the total government and government guaranteed debt amounted to SR 13.3bn representing about 57 per cent of GDP. The total debt stock was mostly comprised of domestic debt, which accounted for about 56 per cent of the debt stock. As can be seen in Table 30 below, the total stock of Domestic debt amounted to SR 7.5bn whilst the external debt stock amounted to about SR 5.86bn.

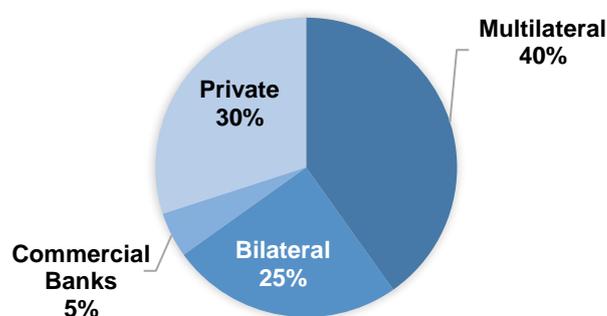
2019 External Debt Stock

The external debt is defined as the outstanding amount of those actual current, and not contingent, liabilities that require payment(s) of principal and/or interest by the debtor at some point(s) in the future and that are owed to non-residents by residents of the Seychelles economy.

At the end of December 2019, the total stock of external debt amounted to about SR 5.86bn representing an equivalent of 25 per cent of GDP. As shown in Figure 15, debts owed to multilateral creditors accounts for the largest share of the total external debt stock at 40 per cent of the total external debt. Private and Bilateral debts made up for 30 per cent and 25 per cent of the total external debt stock respectively. Debts owed to commercial banks accounts for the smallest share of the total external debt at only 5 per cent.

Figure 15: External debt by Creditor category

CREDITOR CATEGORY	EXTERNAL DEBT STOCK
Multilateral	2,356
Bilateral, (of which);	1,457
Paris Club	752
Non-Paris Club	705
Commercial banks	287
Private	1,758
Total	5,858



Source: MoFTIEP, Debt Management Office

As indicated by Table 28, loans and securities are the main types of instruments contained in the debt portfolio. Securities account for the largest share of the external debt stock at 58 per cent whilst loans accounts for 41 per cent. Other Debt Liabilities account for the smallest share of the external debt portfolio at 0.6 per cent.

Table 28: External debt by instrument type

	2019 (SR' m)	%
Loans	5,506	41
Securities	7,838	58
Other Debt Liabilities	86	0.6
Total Debt	13,430	100

Source: MoFTIEP, Debt Management Office

External debt repayments

The external debt repayments forecasted at SR 740m for the year 2020 have been revised to the previous approved Budget of 2020 amounting to SR 908m.

Table 29: External Debt Forecast by Year 2018-2021 (SR' m)

EXTERNAL DEBT	2018	2019	2020 Budget	2020 Amended	2021
Total Principal	445	440	508	626	515
Total Interest	226	239	233	282	216
Total: External Debt	671	679	740	908	731

Source: MoFTIEP, Debt Management Office

2019 Domestic Debt Stock

The stock of domestic debt comprises of all debt liabilities owed to residents of Seychelles economy. As of December 2019, the total domestic debt amounted to SR 7.5bn. Loans and Securities are the main components of the domestic debt, with loans accounting for about 18 per cent and securities 80 per cent of the domestic debt stock. The securities category mostly comprises of treasury bills, which accounts for 68 per cent of the total domestic debt.

Table 30: Domestic debt by instrument type

	2019 (SR' m)	%
Loans	1,378	18
Securities of which;	6,011	80
Treasury Bills	5,078	
Treasury Bonds	550	
DBS Bonds	300	
Deposits	38	
Notes	45	
Other Debt Liabilities	86	2
Total Debt	7,475	100

Source: MoFTIEP, Debt Management Office

Selected Economic Indicators

	2018	2019	2020 Budget	2020 Amended	2021	2022
National income and prices						
Nominal GDP (millions of Seychelles rupees)	22,019	23,303	24,447	21,518	24,281	26,164
Real GDP growth	4.10	3.39	3.5	-10.82	6.52	5.1
GDP deflator growth	3.10	1.27	1.8	3.94	2.70	2.5
CPI (annual average)	3.70	1.81	2.1	4.59	2.92	2.9
Government Budget (% GDP)						
Total revenue, including grants	38.5	36.4	39.8	34.5	34.8	33.0
Total revenue, excluding grants	37.3	36.0	37.2	31.5	31.4	30.9
Grants	1.3	0.9	2.6	2.9	3.4	2.1
Expenditure and net lending	38.5	36.1	40.4	51.2	42.4	39.1
Current expenditure	33.2	32.4	34.3	43.5	34.1	32.2
<i>Of which: interest payments</i>	2.5	2.4	3.0	2.8	2.3	2.4
Capital expenditure	3.7	2.3	4.8	5.7	7.0	5.5
Net Lending	0.5	0.6	0.6	0.8	0.4	0.2
Primary balance including grants	2.6	2.6	2.5	-14.0	-5.3	-3.8
Overall balance (accrual basis), including grants	0.0	0.2	0.3	-16.7	-7.7	-6.1
Overall balance (accrual basis), excluding grants	-1.3	-0.2	-2.5	-19.7	-11.0	-8.2
External sector (% GDP, unless otherwise indicated)						
Current account balance including official transfers	-17.9	-16.7	-17.6	-24.1	-21.8	-18.2
<i>Imports of goods (USD'm)</i>	1,188	1,136	1,259	846	1,023	1,111
<i>Imports of services (USD'm)</i>	670	696	562	413	532	540
<i>Exports of goods (USD'm)</i>	573	516	581	399	500	526
<i>Exports of services (USD'm)</i>	1,107	1,136	1,052	618	790	925
Primary Income, net	-105	-90	-96	-94	-97	-113
Secondary Income, net	1	-6	-17	-1	-1	-3
Foreign Direct Investment	9.4	14.7	15.3	5.8	13.5	15.0
Gross official reserves (USD'm)	548	580	540	322	348	429
In months of imports, c.i.f.	3.6	5.5	3.3	2.5	2.5	2.9
Total external debt outstanding (% of GDP)						
Total government and government-guaranteed debt	60.9	59.1	57.2	85.1	81.8	80.8
Domestic	32.3	32.1	29.9	49.2	51.1	51.5
<i>Of which: Monetary debt</i>	9.2	8.6	4.7	7.9	5.8	4.2
External	28.5	27.0	27.4	35.8	30.6	29.3

Source: MoFTIEP, IMF tables