to sustain economic prosperity

Academy. The project is estimated to cost SR98m and will be financed jointly through a loan from BADEA and a contribution from the Government of Seychelles.

r) Agriculture Laboratory

A provision of SR4m has been made for the construction of a soil laboratory for the Seychelles Agricultural Agency. This will help the Agency offer a better service to more farmers and members of the public in a bid to encourage local production.

s) Naval Base

A new base which cost USD15m has been completed on the Ile du Port. The project was funded by a grant from the Abu Dhabi Government.

t) Judiciary

The construction of the “Palais de Justice” has started and is expected to be completed in the first quarter of 2014. This project is being financed through a grant from the Chinese Government.

u) New landfill

The new Providence landfill is being financed by the European Union for a sum of 2.2m euros and the Government of Seychelles for SR15m. The landfill is due to become operational in the coming months.

v) Community projects

The 2012 budget makes provision for the allocation of SR30m for small projects in the districts to benefit the community at large. This is reflected in a 50% increase over the budget allocation in 2011.

7. Medium-term projections

The economic outlook for 2012 remains positive. Considering the uncertainties and prolonged recession in Europe, we are forecasting a growth rate of 4% next year. We forecast that our nominal GDP for next year will surpass 1 billion dollars.

Our inflation rate is forecasted to be at 3.5%. On the external sector, we forecast a reduction in our current account deficit to 20% of GDP. Gross international reserves are forecast to increase to USD283m, or the equivalent of approximately 2.6 months of imports.

Mr Speaker, despite these positive and encouraging forecasts, economic growth will be suppressed if the conditions in the Euro zone deteriorate further.

Mr Speaker, it is important to note that despite the Central Bank having increased International Reserves, our efforts to maintain a solid base of reserves must continue. We are currently still short of the three-month equivalent of imports that are recommended by international best practice.

Another threat with which we are faced is piracy. We need to be realistic and accept this to be a problem which will not be solved in the near future. The costs of surveillance and the costs for protection of the boats to the economy will remain for the medium term at least.

Despite the fact that Foreign Direct Investment has been changing, the main benefits are still seen in the tourism and retail sectors, with the increase in tourist numbers contributing significantly to the growth of these sectors.

and 2014. However, by virtue of being a small island state with an open economy, we will permanently remain extremely vulnerable to external developments.

8. Budget 2012

w) Principal objectives

The principal objective of Budget 2012 is to:

- Consolidate our fiscal position to attain a primary surplus of SR642m
- Consolidate the social programme of government
- Re-invest in infrastructure to support economic growth
- Invest in programmes and projects that will improve the lives of our citizens
- Honour our debt obligations, upon which interest payments alone will come to SR 381m in 2012

x) Main revenue lines

In 2012, Government forecasts collections of SR5 billion, exclusive of grants. This represents an increase of SR324m or 7% on the 2011 figures. This represents 36.8% of GDP. Revenues are collected primarily through tax. These taxes are as follows:

i. Income Tax

Mr Speaker, in 2012, we forecast collections of SR645.8m through income tax on all workers in the country. This tax, which is calculated based on a worker’s salary, is charged at a rate of 15%.

ii. Trades Tax

Trades Tax is greater than 0% on only 6% of the various types of products that can enter the country. 94% of items enter at a 0% rate. In 2012, we forecast a collection of SR446m through this tax.

iii. Excise Tax

This tax is levied on only four specific products: alcohol, cigarettes, fuel and vehicles. In 2012, we forecast collections of SR737.6m through this tax.

iv. GST and VAT

GST will only be in operation until the end of June 2012, at which point it will be replaced by VAT (Value Added Tax). In 2012, we anticipate collections of SR751m for GST and SR626m for VAT. Combined, these taxes will generate SR1.377 billion.

The main change in policy in this tax concerns the tourism sector which commencing November 1, 2011 is charging a 15% like other services. This change is anticipated to account for an extra SR150m in revenue in 2012.

v. Business Tax

Business Tax is one which is charged on the profits of a company. There is no significant change to the structure of this tax next year, and we are forecasting collections of SR778m.

vi. Other tax

This line covers taxes such as Road Tax, License Fees for business or industrial fishing vessels, Stamp Duty and numerous others. In 2012, we forecast that this line will bring in SR33m.

shares, such as Nouvobans, Sepec, STC and others.

9. Expenditure

y) Main areas

In 2012, we are proposing a budget of SR4.8 billion.

This represents an increase of SR232m or 5.1% above the revised 2011 budget numbers. The SR4.8 billion represents 35.3% of GDP.

I am proposing an allocation to the ministries and departments of SR1.5 billion 614 million 305 thousand rupees.

A sum of SR248.877m for Government agencies involved with the provision of services.

I propose the following allocations:

- SR314.581m for the Transfers to Social Programmes of Government which includes SR7m for the Children’s Special Fund
- SR20m for the Concessionary Credit Agency for small loans for small businesses
- SR475k for the Red Cross Society
- SR2m as the contribution to Religious organisation
- SR1m for Lunches
- SR2m for Care
- SR107.048m for Tertiary Education Training
- SR100.696m for the Social Safety Net
- SR11.908m for the NHRDC Training Fund
- SR1m for the Early Childhood Care and Education Trust Fund
- SR1.2m for the Chamber of Commerce and Industry
- SR4m for the Social Protection and Empowerment Programme
- SR882k for contributions towards Natcof
- SR20.548m for the Fuel Incentive Scheme for fishermen
- SR600k for the Seychelles Football Federation

I am proposing an allocation of SR727m 61k rupees as transfers to the Public Sector. This includes a sum of SR299.322m rupees to public entities with a regulatory function such as: Licensing Authority, Qualifications Agency, Human Rights Commission, Office of Fair Trading, Media Commission, Energy Commission, National Tender Board and others.

I am proposing an allocation of SR85.098m towards organisations with a social mandate such as the youth commission, Sports Council, Children’s Council, Children’s Home Foundation, Arts Council, Council for the Elderly, Council for the Disabled, Council for Nurses and Midwives, Aids Council.

I am proposing an allocation of SR70.783m as contributions towards organisations with a development mandate such as: Tourism Marketing Fund (STB), Praslin Development Fund, La Digue Development Fund.
will be to support Air Seychelles between the period of January to March 2012. A portion of the funds will cover their operating costs and another portion costs for their redundancy packages.

There are a number of projects in Government’s plans that have been temporarily sidelined in an effort to have sufficient funds to assist Air Seychelles.

I propose an allocation of SR370.843m towards payments for Benefits and Approved Programmes of the Social Security Fund which include:

- Benefits for citizens aged 63 or above - a sum of SR203.590m
- A sum of SR41.156m for Home Carers Scheme
- A sum of SR3.5m for the Specialised Treatment Scheme for Children under the age of 12
- A sum of SR3.829m for post-secondary student allowances
- A sum of SR20.660m to cover SPTC transportation costs for old age pensioners and post-secondary students
- A sum of SR3.522m towards Dedicated Funds for Assistance to school students
- A sum of SR44.4m for workers who took early retirement under the Early Retirement Scheme at the age of 55. This sum is transferred directly to the Seychelles Pension Fund and is paid directly to beneficiaries.

2) Independent institutions

The fifth generation of the National Assembly continues with reforms to modernise this institution and to further the cause of democracy. A budget of SR18.2m is proposed to allow that the elected members will be provided with the means from the parliament to pay for rent of an office in their respective districts. This budget will cater for other related costs such as those of utilities.

Most importantly, the reforms have shown the necessity to cater for a Constituency Clerk in each district employed and paid by the National Assembly.

JUDICIARY

We are proposing SR31.5m for 2012 which represents an increase of 21.9% compared to the 2011 budget.

This will cover for legal aid and outsourcing of secretarial and documentation services to clear a built up backlog. There will be more manpower employed and a new scheme of service will be implemented.

Furthermore, an addition of SR2.5 million under judicial emoluments has been allocated to recruit three additional judges and three additional magistrates. Government is also financing three magistrate courts near the Palais de Justice. This project is forecasted to be completed by mid 2012.

Audit General’s Office

The European Union has allocated Euro 1 million for technical capacity. Approximately 50% of the grants will be used in building capacity of the Audit General’s Office.

bb) Goods & services

The total allocation under Goods and Services is 1.08 billion rupees compared to 1.02 billion for the revised 2011. This represents an increase of 5.4 percent.

The increase in utility tariff will cost Government an additional SR15.5 million in 2012.

Department of Defence will receive an increase of SR12.5 million mainly of the recurrent implication of the additional grants received in 2011. These are the naval base, ships helicopter and aero plane.

Ministry of Education, Employment and Human Resources will be allocated a total of SR127.4 million under Goods and Services which represents an increase of SR12.2 million or 10.6 percent on the revised 2011 budget.

Ministry of Health is receiving the highest increase under Goods and Services. A total of SR239.1 million which represents 22.2% of the total Goods and Services allocation compared to only 20.4% of the total Goods and Services allocation for the 2011 revised budget.

The increase will be needed for the recurrent implication of the Diagnosis Centre and Wellness centre. Furthermore Ministry of Health has seen an increase of haemodialysis patients from 86 in 2008 to 98 in 2011 and spending of SR13.2 million per year on average for haemodialysis supplies.

Thus a total allocation of SR93.2 million has been allocated for the procurement of drugs, haemodialysis supplies, laboratory supplies anaesthetic costs, medical and radiology supplies compared to SR81.3 of the revised 2011 budget which represent 15% increase.

The Ministry of Foreign Affairs has seen a substantial increase of 38.3% in the 2012 budget compared to the 2011 revised budget. This is mainly to pay for the operational costs of foreign embassies.

10. Expenditure by large ministries

Mr Speaker, I will present details of two of the largest ministries

c) Education, Employment and Human Resources

Mr Speaker in the 2012 Government has provided a total of SR657 million to the education sector which represents 4.9% of GDP or 12.7% of the total expenditure 2012 budget.

ix. Wages and salaries

In 2012 we are proposing an allocation of SR269 million for wages and salaries. This represents an increase of SR23.7 million or 8.8% on the revised 2011 estimate. In 2010 we implemented a new teachers’ scheme of service and in 2012 in conjunction with the Department of Social Development, a new scheme of service for school counselors.

We are proposing additional scheme of service for education headquarters personnel, laboratory technicians and school librarians.

x. Goods and services

An allocation of SR127.4 which represents of the Goods and Services Budget has been proposed for this ministry.

Of this amount, SR74.9m or 58.9% will be taken specific costs such as:

- Purchasing of stationery in bulk SR8.2m
- Purchasing of uniforms SR7.5m
- Purchase of text books in bulk SR4.2m
- Exam costs SR6.8m
- Outsourcing of security, cleaning, staff and Youth Hostel SR35.1m
- Education reform SR4.5m

dd) Health

Mr Speaker in the 2012 Government is proposing a total of SR487.8m to the health sector which represents 3.6% of GDP or 9.4% of the total 2012 budget. This is an increase of SR33.3m compared to the revised 2011 budget.

xi. Wages and salaries

In the 2012 budget, we are proposing SR239.1m under wages and salaries which represent the total 2012 wages and salaries.

This is mainly for additional recruiting of posts and salary enhancements.

xii. Goods and services

Mr Speaker the Ministry of Health will receive the highest allocation under Goods and Services. We are proposing SR239.1m for Goods and Services which represent 22.2% of the total 2012 allocation of Goods and Services.

The allocation under specific cost is SR93.2m which represents 63% of the ministry’s Goods and Services and are mainly for the following:

- Medical supplies SR27.6m
- Anaesthetic supplies SR7.2m
- Drugs SR33.4m
- Laboratory supplies SR11.5m
- Haemodialysis supplies SR10.5m
- Radiology supplies SR3m
- Specialised Treatment Fund SR13.7m
- Outsourcing services of security, laundry, and food supplies SR29.3m

xiii. Infrastructure development

A total of SR60.8 has been allocated in 2012 which represents 7% of the total 2012 projects allocation. These projects will be financed by OFID, BADEA and the Government of Seychelles.

Government will start the procedures for the health centre at Ile Perseverance. Government is also allocating some funds for the main Anse Aux PINS and Les Mamelles head and the renovation of outpatient (old building of Anse Royale).