

**ADDRESS TO THE NATION  
ON THE SEYCHELLES MACRO-ECONOMIC REFORM PROGRAMME  
BY PRESIDENT JAMES A MICHEL**

**Friday 31 October, 2008**

Dear Seychellois brothers and sisters,

Good evening.

On 14 April 2004, I invited all Seychellois to share a vision. Four years later, even though circumstances on the international and local scenes have changed, this vision remains valid. It is a vision in which:

- We build upon our socio-economic *acquis*, based on the principle of social justice where the Seychellois people are always at the centre of development;
- A solid democracy, marked by transparency and good governance, prevails;
- The public sector is at the service of the people while the private sector creates economic prosperity; spiritual and moral values flourish, and social well-being is present; every citizen enjoys his/her rights and also discharges his/her responsibilities; and every able-bodied person works, contributes and enjoys the fruits of his/her labour;
- We overcome the present economic difficulties and integrate ourselves fully in the world economy in such a way that we can continue to enjoy a good quality of life.

In 2006 we renewed our confidence in this vision. Once again, I made a commitment that I would work hard and with discipline for all Seychellois.

You entrusted me with a mandate to make our country progress and to seek the best for us all. I have always been realistic, frank and honest. I have worked thus because I believe that frankness is the best way to face challenges.

At a time when the world financial and economic crisis is wreaking havoc, here in Seychelles, faced with our own challenges, we have to adopt certain measures which will allow us to develop our economy into a modern one. Our nation needs to be **responsible**, **resilient** and **realistic** to progress to the next stage of its development.

People of Seychelles,

I am addressing you on the economic reforms that we are undertaking with the support of several multinational and bilateral partners. The thrust of my speech will be on salaries, the new taxation system, the restructuring of the public service, our debt, the protection of those who are the most vulnerable and other issues.

There is no denying the fact that the cost of living has risen throughout the world. Poverty is being felt everywhere, including in America and in Europe. Recently, we saw on our television screens people queuing up in Australia to buy certain commodities.

Seychelles has not been spared. Fortunately, though, our social programme is protecting the most vulnerable to a certain degree. We do, however, need a more comprehensive programme to guarantee economic growth, the social development of our country and the management of our debt.

We are engaging with the international community, in particular, with the IMF, the World Bank, the African Development Bank, the European Union, our bilateral partners and certain friendly countries with a view to acquiring their support for our reform programme. I am pleased to note that the IMF and the World Bank are offering us technical assistance at the highest level to ensure the success of our programme.

I would like to take this opportunity to thank them all for their support during this defining moment of our history.

If we work together and with determination we can overcome all the challenges. Let us bear in mind that Seychelles is a member of a number of regional organisations and, consequently, we have an obligation to harmonise and modernise our economy.

### **1) Putting order where necessary**

This is an opportunity for us to put, once and for all, order where necessary. We have to do away with wastage and abuse. We have to adopt a new mindset. This reform programme calls for a culture of hard work. We all wish to see a country where every able-bodied Seychellois works; where tolerance is not mistaken for laissez-faire attitudes; where privileges are not arrogated as rights; where compassion does not degenerate into abuse...It is an opportunity – in spite of our differences of opinion – to stop blaming the past, to turn a new leaf and work to modernise Seychelles.

I admit that, initially, the implementation of our reform programme will not be easy. Let us have no illusions about that. It would be highly irresponsible of me not to take the appropriate measures. It would be highly irresponsible of me to engage in cheap politics at this point in time. I shall never put in jeopardy the future of the people of Seychelles.

### **2) Our economic situation**

When our development gathered pace in the 80's, Seychelles received much foreign aid. We progressed because this aid was utilised judiciously. Subsequently, Seychelles no longer qualified for aid; we were not considered as a poor country. But we had to undertake a new phase in our development and, to do so, we had to borrow at commercial terms.

The people of Seychelles needed support. We progressed as a nation and we stand tall today. We cannot be accused of having invested too much in the education and the health of our people. Likewise, we cannot be accused of having spent too much in housing, otherwise many families would not be enjoying today the comfort of their own homes.

Since last year, the price of essential commodities, such as food and fuel, has risen dramatically on the world markets. We have been tremendously affected. Fortunately, prices have begun stabilise and we do pray that they will go down further.

Today, though, the world is facing another crisis: the financial crisis. Europe, the source of most of our tourists, is being badly affected. Already we are experiencing a drop in figures. Revenue from tourism is on the decrease. At this point in time, three European countries with infinitely more resources than us are being bailed out by the IMF.

The IMF is confident that Seychelles can surmount the present economic difficulties if we adhere rigorously to our programme. In the past, the IMF had the reputation of imposing a structural adjustment programme which was not necessarily in agreement with the social principles which we have always upheld. But, to its credit, the IMF has evolved and they now share our conviction that we need to preserve our social achievements whilst we reform our economy.

In a number of major conferences, Seychelles has assumed a leadership role in insisting that special and differential treatment be afforded to small island developing States, precisely because we do not want to compromise on our social achievements.

We are proud that our voice has been heard.

### **3) Reform of the public sector**

Throughout the world, the financial and economic crisis is compelling governments to take appropriate measures.

A good seafarer knows that in a storm, one should not force the boat's engine. One should slacken the pace.

Government should lead by example. All departments should control their expenditure. This means that that a number of national projects will have to be slowed down or postponed for later. Above all, we have to guarantee food, health services, education and fuel. We have to establish our priorities. All government departments have to manage their budgets efficiently and in transparency. In this context, a series of audits will be carried out in government departments and parastatal companies. It is vital that we do away with abuse and wastage. Our reform programme also aims at promoting good governance, transparency and openness. It will transform our country, making it dynamic with and open and performing economy.

#### **4) Redistribution of human resources**

Government has already undertaken an exercise to reduce the number of public servants in order to enhance its efficiency. This exercise is underpinned by a “voluntary departure” scheme which offers substantial benefits to those who wish to take up available opportunities in the private sector or set up their own business.

The redistribution of human resources is one of the most important components of our reform programme. Government is reinforcing its role as facilitator. Our aim is to reduce the public service by about 12.5%. The voluntary departure scheme is central to this.

The private sector is looking for more people to engage in productive work. They are currently employing over 8,000 foreigners. This is the time to seize all available opportunities.

We shall be putting at the disposal of the Council for Human Resources a fund which the private sector will be able to use to impart new skills to government employees desirous of joining the private sector. We consider re-training and work as a partnership between the private sector, civil society and Government.

In Seychelles, there is ample work; there are sufficient opportunities for every Seychellois who wants to work.

#### **5) Taxation reform**

We are reviewing our taxation system and our fiscal practices. Economic activities multiplied in the last ten years at an impressive rate. As we set out to grow, we introduced a series of concessions to promote development in one sector or another.

We are now implementing a modern taxation system that is uniform and simple. Government has to be able to also increase its revenue as it reduces its expenditure.

We have consulted the private sector on all the taxation issues. And we are calling on all people to understand that taxes that are collected are for the functioning of the country and are for the benefit of the entire nation.

One of the main measures that we will adopt to facilitate the review of our taxation system is the auditing of the biggest companies operating in Seychelles. It will allow us to have points of references by which we will know if those companies are making correct declarations of their revenue. We will also be able to have a good indication of the strong and weak points in our economy. The auditing can contribute to the promotion of the partnership between government and the private sector.

There is a lot of money that is generated in our economy but is sent overseas. Every business that is making money in our country has to contribute to the development of Seychelles. It is unacceptable that you cut the hand that feeds you.

## **6) Subsidies**

In all that we do, we should never forget the people who are the most vulnerable in our society. I am referring mostly to the single parents, the elderly and our children.

One of the ways we have been helping people is through subsidies. But as we open up our economy and liberalise it, it has been ascertained that subsidising certain basic commodities and services is not necessarily the best way to help those most in need of assistance. When government provides a subsidy, for example R4 on milk, it is not doing it only for the single mother and her children. Government is also paying for businessmen, for the tourists staying in the hotels, for the restaurants and all the foreign workers. It is worth noting that subsidies amounted to R175 million this year.

The removal of subsidies also means that GST will now be applied on goods and services not affected before, for example on cooking gas. The costs of certain services, such as public transportation, will also go up. Details will be announced in the budget.

Our new welfare programme will target only those people who need assistance. Therefore all subsidies will be eliminated and the most vulnerable of our citizens will be assisted by the new welfare agency and other means such as increases in salary.

## **7) Salary increases**

We are very much aware that this programme of reform will not be easy.

As I said before, my Government will ensure that those who are really in need and most vulnerable will get more protection. I also believe that a human being should be working to live in dignity.

My Government has decided on salary increases for the public sector as follows: R500 for people presently earning below R3000 a month, and R450 for all others who are earning above R3000 a month. This will take effect on 1 November 2008.

This measure will not apply to the President, Vice-President, Ministers, Members of the National Assembly and constitutional appointees.

The private sector has indicated that it, too, will award salary increases based on productivity and performance. In order to give the private sector the incentive to award salary increases, Government has decided that there will be no social security deduction on bonuses employers give to their workers. I am pleased to note that currently in the tourism sector there is the potential for employees to earn a good salary.

Their basic salaries are improving. On top of that, hotels are introducing service charges which are then passed on directly to the staff. I have had the opportunity to talk to several young people who are making the most of the opportunities available in the tourism industry. I am convinced that tourism is a sector that will acquire a new dimension with this reform programme.

The minimum salary prescribed by law will also increase, from R14.50 per hour to R15.50 per hour. This measure will also take effect on 1 November 2008.

Every Seychellois will have to take his or her responsibility and establish his or her priority properly. He or she will have to manage the home budget in a responsible way. It is important that consumers have access to as much information as possible to enable them to make the right purchases. I appeal to the traders to have a social conscience and not to charge unreasonable prices for their goods.

### **8) The new social welfare agency**

A new social welfare agency has been established and its CEO appointed recently. The role of this agency is to apply the law and administer the new policies on how we help the citizens who are really in need of assistance. The Means Testing Act has been replaced by the Welfare Agency Act which is already in effect. People who were on means testing will continue to get assistance. We now have to eliminate abuse wherever it exists. The new system will be more efficient, more effective and respond faster.

Our elderly citizens will continue to enjoy their retirement benefits. I am pleased to announce that Government will award an increase of R350 in old age security payment. Other social security benefits will also increase by 20%. These measures will take effect on 1 November 2008.

The Home Care programme is undergoing a review with the aim of reducing abuse and encouraging the participation and contribution of families. The new welfare agency will ensure that the person who is truly in need of home care will get assistance. The Minister who has portfolio responsibility for this programme was in the National Assembly this morning to give details about the review.

I am fully aware that those who are not willing to work will use the economic reform programme as an excuse to engage themselves in illegal and immoral activities. This is a challenge we all have to face and we need the support of all the sectors of society.

## **9) Education policy**

Free education is guaranteed.

But our education system has to readapt itself to better meet emerging needs and respond to the challenges of our economy. The education review committee is already working on the recommendations.

Many teachers and other members of staff at the schools show a lot of compassion during their work and sometimes they even use their own money to help a child in need of assistance. It is for this reason that I have decided to make available, from the Children's Fund, a sum of R25,000 to each primary and secondary school to help the most needy children. This will take effect in January 2009.

## **10) Primary health care**

Our policy which provides for free primary will be maintained. However, we are looking at ways to increase our resources and to better utilise the available infrastructure to enable the public to benefit from a higher standard of care. Reorganisation of the health care services has started.

## **11) Strategy on debt reduction**

We are in discussions with the lending institutions and we will agree on a new plan of debt payment which is sustainable, based revenue collected. Our current external debt is approximately US\$ 800 million. We have received the assurance from friendly countries and lending institutions that a large part of our bilateral and multilateral debts will be cancelled and the balance restructured.

We are introducing a new law that will lay out all the conditions that must be adhered to when taking new loans either on behalf of Government or requiring a Government guarantee.

## **12) Review of the monetary and banking system**

In this new economy we must comprehensively revise our monetary and banking system. A shortage of foreign exchange at this time remains our primary constraint.

The situation with which we are faced should not be allowed to continue indefinitely. There are many businesses which are generating profits in foreign exchange. There is foreign exchange coming into our country. Despite our economic challenges, our economy, driven by the private sector, has continued to grow.

The question which begs itself then is why are we in this situation when foreign exchange continues to flow into the country?

We cannot continue to have a situation where foreign exchange is entering our economy but people are still called on to make sacrifices.

We want a durable solution, and it is my responsibility, my mandate, and my commitment to find this solution.

Government has decided to float the rupee as from 1st November. This means that the value of the rupee will be determined by the market in relation to other major currencies and on demand. All commodities and all services will be paid for in rupees. We are confident that there is enough foreign currency entering our economy to be able to undertake this exercise in a sustainable manner. We have also been working with institutions to ensure that we have sufficient reserves in the Central Bank to make a float possible. In addition, we have had discussions with individuals and companies that have large amounts of money in the banking system to urge them not to exchange all their money in one go but to do it gradually.

We are removing all legal controls that still exist on the purchase and sale of foreign currency in our country. It will open a number of new business opportunities, including possibilities for more exchange bureaus.

I believe that all Seychellois have confidence in the capacity of our country to attract foreign exchange. We can all see the evidence of foreign exchange circulating in our economy on a daily basis. The new system once implemented will however allow a more equitable distribution of currency throughout the economy. Through the confidence that we show and through our hard work, it is ourselves, the Seychellois people, that will give our currency its value.

Every discussion I have had on this subject - be it with the IMF or with our own private sector - has reflected this confidence that our rupee will be stable. After the floatation, more currency will be entering the banking system. But that does not mean that we should run to the banks; the rate of exchange depends on demand. Patience will be rewarded with a more favourable rate.

To implement these reforms the Central Bank needs a new direction. I have decided to appoint a young Seychellois currently holding a key post at the IMF to take up this responsibility. He will be in post as of Monday.

## **Conclusion**

Seychellois brothers and sisters,  
The moment has arrived for us to take the necessary measures to ensure our survival. We all have a part to play. We all have to do our bit. We are called upon to do our patriotic duty.

If you are someone with SR10,000 in savings in the bank and you are earning interest of SR450 per year, your country is asking you for a contribution of just SR 45 per year.

If you are someone who for many years has been renting out accommodation without having to pay tax, your country is asking you today to make a contribution of 15%.

Is this unreasonable? If someone is against these proposals then they are failing to put the needs of their country first.

These are measures which help many other democracies to function.

We have to choose not only what is best for ourselves as individuals, but also what is best for our country.

In this defining moment of our history, we have to be able to establish our priorities. We have to choose between that which we would like to do and what we would like to have, and that which we can do and can have based on resources at our disposal and at the disposal of the state. For example, we need to decide between whether we want to have a motorable road right up to our house, or whether we want to maintain free education for our children, and free accessible healthcare for when we are sick.

We are embarking on new phase of our development. I am not promising that it will be easy. We will have to work harder, be more productive and innovative; we have no choice.

We must all do our part to build and create. A citizen who is strong and capable who does not want to work has to examine his conscience and realise that he cannot depend on the hard work of others paying their taxes and social security. This reform will not allow it. There is work in Seychelles for every Seychellois who wants to work.

There is no room for stealing, crime and dishonesty. Let us maintain our dignity. There is work in this country.

For the youth of Seychelles, this reform represents the future. It represents hope and opportunity. Anything that is worth something, does not come easy. We cannot advance without sweating. Discipline, confidence, patriotism and a sense of justice are qualities of our youth which will serve our country well. The future of our country is already in your hands.

With regards to our senior citizens, I am counting on your wisdom and experience in counselling and educating those that are younger. I am placing my confidence in your fortitude in the face of adversity.

I have a special message for the Seychellois workforce, both in the private and public sector. We have to be more productive, responsible, realistic and resilient. I will be with you throughout this journey. When the initial storm clouds have blown away, the Seychelles economy will be more robust, we will see a new Seychelles.

We will have to distinguish between propaganda and the truth. I think that for too long politics have been such that when things go well, everyone wants to be involved. We all want the credit. But when we are faced with challenges, all responsibility lies with Government. When things do not work out to the interest of some, we see criticisms of the country and distortions of the truth. Seychelles is our country and in the good times we all benefit. In times of difficulty we must look to support her.

In this moment where Seychelles needs all its children, let us stand together as Seychellois. Let us ensure that this programme of reform is successful. Let us ensure that we put forward a message of peace and stability. We do not need division, there is no room for conflict or hatred. It is only through peace and understanding that we can build on our credibility as a country with a solid economy.

The moment of change has already begun. We cannot wait. We have the courage to do what needs to be done. Let us do what needs to be done. Let us be the example, let us show the world that a small country of 85,000 inhabitants has the courage to stand and face a challenge of global proportions.

I am determined. I am not simply working towards the next election. My mandate is to work for what's best for my people, my nation. I am working with you for a more prosperous Seychelles.

As a Seychellois, it is my moral duty to do what is best for our country. Seychelles is embarking on a new direction. A new way of doing things. We have to face new global realities. This reform plan offers us positive results in the long term.

I call on all leaders in our country - in politics, religious organisations and others- to continue to pool our efforts. I am always optimistic.

May God continue to bless and guide our country.

Thank you.