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WELCOMING REMARKS BY

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SEYCHELLES FORUM

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**Your Highnesses,
Excellencies,
Ladies and Gentlemen, good morning.**

On behalf of the people of Seychelles, I would like to extend to you a very warm welcome to our country. I would also like to thank you, along with the institutions which you represent, for accompanying us during this most important of events.

In November last year, we undertook reforms to transform our economy, and build the resilience needed to face the challenges of the 21st century global economy.

The extent of these reforms has no parallel in our history. But we have been able to implement them, thanks to the courage of the Seychellois people. The reforms are difficult. The reforms challenge many preconceptions.

But, as a people, we are undertaking these reforms because we are committed to the future of our country. We may not agree on everything amongst ourselves. But we all share a belief that Seychelles can overcome the challenges in front of it.

We have shown that through unity we can achieve a lot. The year 2009 is dedicated to unity, where we ask all Seychellois to come together.

This forum is another occasion where we come together once again with friends and partners from around the world. So as we say in Seychelles- 'Nou'n koste'.

We are coming together to share views on what we have accomplished so far- and just as importantly- what we have planned for the months and years ahead. We look forward to a candid exchange of opinions.

This reform has been based on consultation. The Seychelles government has met with multiple stakeholders on numerous occasions. I am also currently undertaking consultation visits to every district of our country to ask for the input of our people. Every Seychellois must have a say in what we are doing. There is no monopoly on ideas.

Over the last 6 months we have shown the will and desire to make things happen. The support of the IMF has meant that we have been able to transform this will into action. Throughout the process we have benefited from a coordinated approach between the IMF the World Bank and the ADB, and it is through such synergies that this event has been made possible.

Many other partners also expressed their support in various ways. We are indeed most grateful.

You are all invaluable partners and allies in this great project of ours, and we are eager to tap into your expertise and learn from your experiences in other parts of the world.

At the heart of our reforms lies the recognition that Seychelles is a highly vulnerable economy. Our small size, our distance from other markets, our import dependency, our lack of natural resources mean that our vulnerability is inherent. We are also overwhelmingly dependent on tourism and fisheries for wealth creation- industries that are also often highly volatile.

The security risks posed by the sudden upsurge in acts of piracy in the Indian Ocean have added a new dimension to our vulnerability. Piracy is perhaps the biggest immediate threat to our economy. I strongly believe that enhanced coordination will play a key role in the fight against this scourge. I ask all our partners to bear this in mind over the course of our discussions.

I have always believed in the possibility of changing challenges into opportunities. I am convinced that with your support, we will succeed.

Over the years, Seychelles may have seemed to be a development paradox.

While we had a high human development index and an expanding economy, we also struggled with acute foreign exchange shortages. We struggled with the imbalances present in our economy. As these imbalances worsened, and without access to cheap credit, we resorted to extended borrowing from external creditors, often at high commercial rates to meet our development goals.

The recent crisis in the world economy brought these imbalances to a head. Our economy had become unsustainable. As the storm of the world financial crisis was about to hit- we knew we had to act.

We requested support from the IMF to help solve these imbalances and safeguard the development goals we had already achieved. This support was quickly granted. Seychelles's two-year Stand-By Arrangement was approved by the IMF's Executive Board in mid-November 2008.

As a small island nation, we have often struggled to make our voice heard in the international arena. We have always sought better understanding of our specificities.

The stand-by arrangement is for us, an example of how the instruments that govern the global economy can be adapted to meet the needs of a smaller partner.

Today is another occasion where we stand before our friends and we ask that our specificities be understood. Over the last six months we have worked hard to prove the viability of our economy and ensure its sustainability.

We were determined to act and Seychelles' opted for a heavily front-loaded programme. In fact, the centrepiece of the reforms – the floating of the Seychelles Rupee – took place shortly before the approval of the Stand-By Arrangement.

We have also adopted a strong fiscal stance centred on downsizing and streamlining public expenditure. This has necessitated very tough actions on the part of my Government, including the reduction of the public workforce by 17%. We have substantially reduced universal subsidies which were creating distortions in our economy.

Our reforms will ensure our sustainability in the long term. Our fiscal reforms are also anchored by structural reforms such as the Public Procurement and a Public Debt Acts. The latter will strengthen procedures for contracting new borrowings, and serve as the basis for an effective and transparent medium-term debt strategy.

The Central Bank of Seychelles has effectively contained the inflationary effects of the liberalisation of the rupee by adopting a tight monetary stance. We are very confident that our revamped monetary framework will provide the basis for increased confidence in the rupee and stability in the banking sector.

I am pleased to note that the rupee has stabilised at just over SR 14 to the dollar. This is a significant reduction from the highs of SR18 to the dollar in November last year.

Interest rates on treasury bills have dropped 11 percentage points in the last four weeks. We are also starting to see a reduction in market interest rates. This will benefit businesses as well as mortgage holders and lead to benefits throughout the economy.

We have negotiated a 45% write-off of our Paris Club debts and re-scheduling of the remainder over 18 years at sustainable rates of interest. We understand that this exceptional agreement is unprecedented for a country such as Seychelles. This milestone, marks the confidence that the international community has in our reforms and the level of transparency with which we have addressed the process of debt reduction. As we enter discussions with our private creditors, we appreciate the understanding of all partners in this process.

The fact that several partners, including the EU, are moving towards budget support for Seychelles as the main assistance mechanism is a further mark of confidence in our reforms. We are gratified that our commitment to transparency is recognised in this way. It is also a symbol of understanding the specificities of small islands.

Although we still have much to accomplish, the tangible results are already beginning to appear.

Ladies and gentlemen,

These are turbulent times around the world. And every Seychellois knows that the best way to ride this storm is to come together and offer each other support. The vast majority of our population has come to realise that continuing with our old ways was simply not an option for us. Change had to come. We have had the strength and courage to unite behind a single vision.

Social cohesion is essential. We have prided ourselves that we have always sought to invest in our people. Maintaining investment in the social sectors is a key component of our reform. We have established a social welfare agency to offer targeted assistance where needed. We have injected increased funds into concessionary loans provided to small businesses- the majority of them run by women.

We aim to continue investing in our health and education systems. Despite our resource constraints, we must continue investing in our people. Investment in social capital holds the key to the creation of meaningful and productive jobs. This is crucial in the context of drastically reduced state intervention in the economy.

There is much work still ahead. We are ready for it. We are already working on the next generation of reforms on our tax structure. We plan to formally request a successor IMF programme in this context.

The Seychelles Forum is a gathering of friends. We want to share experiences. Share ideas. The private sector is here with us today to also share their perspectives.

Whenever and wherever ideas are shared, understanding is increased.

Your insights and expertise will help all of us gain a better understanding of what we have done well, and of what we can do better.

We will always seek to do better.

Thank you