

State of the Nation Address for the Year 2009

President James A. Michel

Speaker of the National Assembly,

Leader of the Opposition

Honourable Members of the National Assembly

Invited guests, Excellencies,

Dear Seychellois brothers and sisters,

When I meet a family having difficulty in paying for their housing loan, their electricity and water bills;

When I listen to the single mother asking for help because she cannot provide adequately for her children;

When I listen to the concerns of small businesses trying to get by despite difficulties;

When a father goes to the shop and can't afford the basic commodities for his family;

The state of our nation is indeed one of great difficulty. And our people feel this difficulty. We are feeling the effects of the economic storm which has hit the whole world. Nobody has been spared. Our challenges are great, but we are not standing still. We can't afford to do nothing.

It is not the first time we have faced hardship. We've been through storms before and we have emerged stronger than before. Now, more than ever, we must use this storm to make us stronger; to carry us forward. If we work together, we can achieve anything.

Today, the question is not- will it be a difficult year? We know it will be difficult. The question is what we are going to do to get out of these difficulties.

The Seychellois people do not need their government to explain their challenges- they are living them. The Seychellois people want solutions.

The time for cheap politics is over. It's time for action. It's time for unity of purpose. This is what our people deserve.

Our difficulties are not felt in isolation. The whole world is in economic crisis. As the President of the Republic, I have taken the decisions we have needed to take to survive this crisis. I am asking all of you to come together with me, to make the transformations a true success.

Let us ask ourselves the question. If we had not implemented our reform at the end of last year, where would we be today? Would there be enough foreign currency to ensure that the shops were stocked with essential goods? To import the fuel we need? Some have expressed their opposition to these reforms- that is their right. But it was the only way for us to guarantee our future.

If we had not undertaken this reform, things would have been much worse. We could no longer borrow money to make the country work. I put all potential political consequences aside and I acted. The greatest mistake I could have made would have been to have done nothing.

I would have liked to be able to offer a quick fix. But we have to be realistic. Results will not happen automatically. We are in a difficult stage, but our economic reforms, while sometimes painful, are putting us on the right track.

Recently I had the opportunity to exchange views with a group of young professionals and a teacher had this to say, "Our country is like a family. Our parents have done their best to provide for us, and it's now our turn to do our bit. Just as our country has given each of us the opportunity to arrive at a higher level of development, and today it is asking us to come together and make our contribution- for our own benefit and for our brothers and sisters who are still in need of support."

People of Seychelles, this is the reality of our situation.

We don't know for how long the international crisis will last; therefore we have to remain alert.

But we have not remained inactive. We took action when we needed to. The advantage we have is that in November last year we finished introducing almost all the measures we had to take. For as long as we preserve our harmony and are ready to support each other, we will succeed.

The IMF has just completed an evaluation of the performance in the first three months of the reform. The outcome so far is very positive. Our process of modernisation and transformation is on the right track.

We now have some 55 million dollars as reserves in the Central Bank compared to 41 million in December 2008. This is a big achievement of our reform. We now have foreign exchange that has been set aside to guarantee imports during this time of global crisis. As our situation

continues to improve we will also be entering into discussions with the Paris Club and other creditors. The need to make our debt sustainable is the primary focus of our negotiations.

Another indicator of the success of the reform is the stabilization of the rupee. There were predictions that it would be the end of our small country when we floated our rupee. But we persisted in our approach, and despite the difficulty, our rupee is regaining its value. The black market has been eliminated. Foreign Exchange is available in banks.

I appeal to the banks to also play their part well where it concerns commissions they charge when buying and selling foreign exchange. Indications are that most banks are applying charges on transactions which are above average compared to similar island jurisdictions. The local banks can do more to be more competitive and consequently help to bring about a reduction in the cost of living.

When we compare ourselves to many other countries trying to cope with the effects of the financial crisis- where millions have lost their jobs and thousands have lost their homes- our situation is not so bad. No one has lost the roof over their heads. Government remains committed to the principle of the citizen being at the centre of development. The success of our nation depends on the wellbeing of any one individual in our country.

The world is still not sure where or when the recession will end. We must remain realistic, responsible and resilient- particularly because we are so dependent on tourism. We need to change our thinking and come together to be able to survive.

In this period of uncertainty, our presence on the international scene is of particular importance. All my undertakings on the international stage are aimed at promoting the good image of our country and its reputation. I am very proud to announce today that the European Union has begun the ratification procedure to remove the visa requirement for all Seychellois citizens traveling to Europe. The procedures are expected to be finalized in the coming months.

We have also been active on the world stage to ensure that Seychelles is in a better position to benefit more from international trade negotiations. I have always campaigned, for increased revenue from tuna caught in our waters-- our blue gold. Our recent negotiations with the European Union have taken us one step in that direction. I take this opportunity to urge all Seychellois to unite in our national effort during negotiations on our resources. Let us all come together to work for Seychelles, and not against our country. We are stronger when we are united. We all benefit when we succeed.

So we have made progress on several fronts but, of course, there is so much more to do.

Despite the challenges, I am confident that we will succeed because I believe in the Seychellois people. I believe in their sense of responsibility, their sense of solidarity. As for me, I give you my guarantee that I will do everything in my power to make sure that our

reform works and is successful. In these difficult times, our approach is simple- Do everything we can to help every Seychellois family, while ensuring the success of the reform that guarantees our future.

The high cost of living is my primary concern. If you can't afford to go on a holiday or for shopping to Mauritius or Dubai- we all know this is not an absolute necessity. We can get by without such things. But when an average family struggles to make ends meet- we have to act. We have to ensure they are able to provide themselves with what they need to get by.

Amidst all the challenges of the international crisis and our economic reform, I will never neglect my commitment to the Seychellois people to fight for them. I will do whatever I can to make things easier. This is why I have given instructions to the Ministry of Finance and other agencies to leave no stone unturned in our quest to find ways of alleviating the pressure on our families. Tonight, I am announcing several immediate steps which I have directed my government to take to help people in these hard times:

Firstly, the Welfare agency remains our first line of defense for families who are the worst affected. I have instructed the agency to revise the 'weights' that determine the assistance received by applicants. This change means in certain cases that for example a single mother of three can get an increase of SR750 on the assistance currently received. This adjustment will also help parents who are working hard but are still struggling to make ends meet.

Next, the cost of living is a reality we are all living with. We have already made tax adjustments on essential imported commodities to provide some relief. But now, - we must do more. We are implementing the following measures immediately:

- STC is reducing the costs of 11 of its basic commodities
- As we review our tax structure, we are providing derogation on GST applied on animal feed and day old chicks produced by STC. This will allow local farmers to produce chicken at a much more competitive price
- The same derogation applies on all pesticides, fertilisers and seeds that local farmers use to boost agricultural production
- It will also apply on medicines. We trust that private sector suppliers will ensure to pass on the benefits to their clients. As we progress with our reform, we will continually review the methods by which we can pass on any benefits to the population
- The Agricultural agency will also launch a training programme in districts to encourage people to plant at home. We want to build on our traditions so that families that choose to can provide for more of their own needs.

These measures contribute to reduce the cost of living and ensure our food security.

Our reality is that there is also significant increase in the interest rates on home loans. Such increases are very hard to bear but are a reality in any such reform. The local banks are announcing the first interest reduction since the beginning of the reform. As things progress, the rate of reduction could also accelerate. Many commercial banks are also offering the possibility to their clients of restructuring their loans over longer periods to make them affordable in the interim.

The Government is doing its bit to lighten the interest burden for those most affected. Government will provide a subsidy to HFC to ensure that those who are struggling to pay their home loans are assisted. This support is key to the effort of mitigating the effects of the cost of living.

I am very conscious that the increases in the cost of electricity and bus prices are heavy for our citizens. The pre-reform prices represented prices that were subsidized and unsustainable.

With regards to bus prices, even after the reform has been implemented we have maintained support of SR 1 million per month from the Social Security Fund to maintain a free service for pensioners and free and reduced fares for school children.

I take the opportunity to call on SPTC to also make every effort to ensure efficient service. The cost of the bus service is already a significant pressure on the average workers budget. A professional and on-time service goes some way towards helping to begin and end the working day well!

I have given instructions to the Ministry of Finance to undertake an immediate performance and financial audit of PUC and SPTC with the aim of providing a better quality and more affordable service to their clients.

The price of petrol and LPG is reducing gradually. For such products where parastatal companies are the main trader, we have ensured that as soon as things have stabilized, that reduced costs are passed on to the consumer. Fuel costs particularly have an effect on many other products and services. We also expect therefore that gradually a number of businesses that have raised their prices due to fuel prices will also bring down their prices as fuel prices continue to reduce.

Unfortunately, some are trying to profit unreasonably on the reform process we have undertaken. It is not acceptable for companies to sell construction materials at prices that defy all reason! It is not acceptable for certain contractors to charge rates that put the cost of building a house out of reach from most Seychellois. It is not acceptable that many merchants continue to charge exorbitant prices with no sense of conscience or attempt to provide competition.

In the coming weeks, my Government will present a draft law on fair trading to this assembly. This law will give us a tool to fight against unreasonable pricing and strengthen the hand of consumers. We cannot put up with cartels in this country. After all, we must all have a conscience. How can certain traders lie easy at night knowing that they have been ripping off someone who has been struggling to make ends meet?

Dear Seychellois brothers and sisters,

Our situation is difficult, but not insurmountable. We are also putting a number of measures in place designed at business enhancement and job creation.

Firstly, we have doubled the funding available for loans at the Government run Concessionary Credit agency. We are also increasing the maximum amount available from SR 200,000 to SR 300,000. We will maintain the interest on these loans at only 4%. I have also issued instructions to SENPA to freeze rents at their current rates on SENPA owned premises.

Secondly, we are enhancing existing training opportunities. As from next month SIBA will be offering introductory training for the offshore and financial sectors at SIM. This training will be free of charge for young persons currently seeking employment as well as for people who have taken voluntary departure. The financial services sector still has many perspectives for future development. We have an educated population very capable of seizing these opportunities. We will continue to invest in training as a means of boosting the Seychellois shareholding in the sector.

For many years, job opportunities have been in abundance in Seychelles. There are still many opportunities, although the world recession will make things much harder. The number of people seeking employment has gone up from as low as 1% in November 2008 to 3.6% at the end of last month. We are working constantly with the tourism sector and with the private sector in general to ensure that those who need jobs find employment. We note for example the encouraging project launched by Eden Island to employ up to 200 young persons to provide for their future needs.

Fellow Seychellois- those that can work must work hard. We must remain a productive nation. It is through our work that we create wealth for our country for our future.

Our tourism industry remains the key sector which supports our entire economy. Already we are seeing a drop of 15% in visitor arrivals from the start of 2009. According to forecast, revenue from tourism may go down by 25% this year because of the crisis in the visitor markets. Some of the projects being undertaken by foreign investors in Seychelles are experiencing a slowdown. Others are being shelved for the time being.

We have to be vigilant. We all have to do whatever is within our power to protect our tourism industry, even as the world economic crisis weighs heavily on tourism everywhere. Every Seychellois has a role to play in this.

I have taken the decision to postpone to a later date the announced GST increase in the tourism sector. This is in recognition that 2009 will be a difficult tourism year. In return I am appealing to all tourism operators to apply the service charge so that Seychellois employed in the industry could earn more from the sector. Hotels that have already introduced the system are seeing the many benefits. The standard of service, for example, has improved and is more efficient. These hotels are also performing better and are well-positioned to prevail over the difficulties.

We also feel that many tourism operators have to do more to offer good value for money. Our industry has to become even more competitive during this time. Is it acceptable for a hotel to charge R75 for a bottle of water and R175 for a beer? These are to me examples where a lot more effort is required towards giving a better service and a better product. We have to become more competitive. We have no choice.

Seychelles is a dream destination. It is a brand that is up-market and exclusive. We have to ensure that we continue giving our Seychelles its true value.

Seychellois brothers and sisters,

The situation in the world has rendered things difficult, but has also brought home the message that the reform was essential, if not indispensable. As for me, I cannot postpone to another time, things we need to get right. If we had not taken the measures we have we would have been in greater difficulties. I say it again today, with every conviction- that there is no better solution.

There will always be politicians who would say that things could have been done in a different way. Tomorrow they would say what they could have done yesterday. But they would not say what they would do tomorrow.

Let us not wait for tomorrow to share ideas. Nobody has the monopoly on ideas. In my style of government, I have always gone to the people for consultations, to exchange views and share experiences. I took in a lot of the suggestions that came from the first series of consultations in the districts in 2005. I have implemented them in my programme since 2006.

I have always asked that I am judged by my actions. Let us also not wait until tomorrow to act. Let us not sit with our arms crossed. I believe that a lack of action would be irresponsible and dangerous.

Now that we are going through difficult times, I think all our country's leaders should engage in increased consultations with the people. I am launching a new series of consultations, and

these will be on the future of our country. It is important during these difficult times to exchange ideas and engage ourselves in extensive discussions on what we can do to better overcome the difficulties we are facing. What can we do to better help each Seychellois family, in spite of constraints?

I am still not satisfied with the level of service that government offers- and this is echoed by many others. The consultations will give us the opportunity to address such issues. We should be more responsive to the needs of the people, from the secretary up to the minister's level.

I am launching the first consultation next month. Our consultations will take us to every single district of our country once again. I will ask the ministers and district leaders to be present. I also invite all the National Assembly members in each district to join me in these discussions with our people, a great exercise in democracy.

This consultation will enable us to reflect on the type of Seychelles each one of us wishes for the future. We will come together and exchange ideas.

Let us come together as Seychellois to talk about the future of our Seychelles! We all have a contribution to make. The future is in our hands. We must act. The greatest mistake we can make is to do nothing.

I have always done everything I can to promote unity in our country and enhance our democracy. It is in this spirit that I am also proposing a high level forum where I will meet officially as President with the Leader of Government Business and the Leader of the Opposition to discuss issues of national importance on a regular basis.

Fellow Seychellois,

It is important that we have a strong direction and strategy which looks to the future. I have always shared my vision with you. Changes in the international situation may force us to adapt our strategy, but our overall vision remains valid and relevant.

In 2004, I shared my vision with you of creating a modern Seychelles- based on social justice, democracy, transparency, good governance; on the need to overcome our economic challenges. I will always strive to ensure that this vision is translated into action. It represents a commitment to my people.

Today, I restate this commitment that we will succeed! Yes, we will succeed! We will work hard! We will work together and we will emerge stronger than ever.

Let us all give our commitment as a nation. Let us not forget that we are travelling the same path. We all need to play our part. We must come together and look to the future.

Tonight, I thank the Seychellois people once again. I commend you for your determination to work together in unity and with the hope and patriotism that is needed to take our country forward.

May God continue to bless our Seychelles.

Thank you.