Public Finance Management Performance Report, Seychelles, 2011

Based on the Public Expenditure Financial Accountability Framework (PEFA)

Final Report

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List of Abbreviations

ADB	Asian Development Bank
AfDB	African Development Bank
AG	Auditor General
AGA	Autonomous government agencies
ASYCUDA	Automated System for Customs Data
BAS	Business Activity Statement
BDBs	Budget dependent entities
BSO	Budget Strategy and Outlook
CEO	Chief Executive Officer
CoA	Chart of Accounts
COFOG	Classification of Functions of Government
COMESA	Common Market for Eastern and Southern Africa
CMS	Client Management System
CPI	Consumer Price Index
CSDRMS	Commonwealth Secretariat Debt Recording and Management System
DG	Director General
DICT	Department for Information and Communication Technology
Dim	Dimension
DPA	Department of Public Administration
DPL	Development Policy Loan
E/g	Exempli gratia
ECD	European Commission Delegation
EU	European Commission
EUR	Euro
FAB	Forecasting and Analysis Branch
FPAC	Finance and Public Accounts Committee
FPCD	Financial Planning and Control Division
FY	Fiscal year
GBS	General budget support
GDP	Gross Domestic Product
GFS	Government Finance Statistics
GFSM	GFS Manual
GIT	Grants in transit
GoS	Government of the Republic of Seychelles
GPL	General Purpose Loans
GST	Goods and Services Tax
HRIS	Human Resource and Information System
HRM	Human Resource Management
IAD	Internal Audit Division
IAP	Internal Audit Plan

IMF	International Monetary Fund
Incl.	Inclusive
INTOSAI	International Organisation of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
IT	Information Technology
ITC	Information and Technology Communication
LIT	Loans in transit
LPO	Local Purchase Order
MDAs	Ministries, Departments and Agencies
MEFP	Memorandum of Economic and Financial Policies
Mln	Million
MoE	Ministry of Education
MoF/MOF	Ministry of Finance
MoH	Ministry of Health
MoND	Ministry of National Development
n/a	Not available
NBS	National Bureau of Statistics
NGO	Non-Governmental Organisation
OAG	Office of the Auditor General
PAC	Public Accounts Committee
PDS	Public Debt Section
PE	Public enterprise
PEMD	Public Enterprise Monitoring Division
PEFA	Public Expenditure and Financial Accountability
PFM	Public Finance Management
PIT	Personal Income Tax
POU	Public Oversight Unit
PS	Permanent Secretary
PUC	Public Utilities Corporation
S.I.	Statutory Instrument
SBA	Stand-By Arrangement
SBC	Seychelles Broadcasting Corporation
SBN	Seychelles Business (Registration) Number
SCAA	Seychelles Civil Aviation Authority
SCCI	Seychelles Chamber of Commerce and Industry
SCCSP	Seychelles Climate Change Support Programme
SCR	Seychelles Rupee
SDP	Seychelles Democratic Party
SEPEC	Seychelles Petroleum Company
SLA	Seychelles Licensing Authority
SN	Sub-national
SNP	Seychelles National Party
SOE	Stated-Owned Enterprise
SPPF	Seychelles' People's Progressive Front
SRC	Seychelles Revenue Commission
SR	Seychelles Rupee
TIN	Tax Identification Number
TSA	Treasury Single Account

UN	United Nations
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
USD	United States Dollar
VAM	Visual Accounts Mate (accounting software)
VAT	Value Added Tax
Viflex	Vulnerability Flex
WB	World Bank

Fiscal year: 2011
(for PI-1, 2, 3 and 25: 2007, 2008 and 2009)

Exchange rate:
SCR 11.97599 per 1.00 US Dollar

Preface

This assessment was commissioned by the European Commission in close collaboration with the Seychelles' authorities and other development partners of the Republic of Seychelles. In view of the increased emphasis on budget support as the preferred aid modality, the development partners are interested in the improvement of the public finance management systems applied by the Government of the Republic of Seychelles (GoS). Given the numerous reforms in the domain of public finance management since 2008, the GoS is especially interested in the assessment as a tool to evaluate the effectiveness of the reforms and, if necessary, to modify the PFM reform agenda.

The assessment adopts the widely accepted Public Expenditure and Financial Accountability (PEFA) methodology issued by the PEFA multi-donor programme in June 2005 (www.pefa.org). This assessment of the central government's public finance management (PFM) is the second one to be carried out. The first PEFA was carried out in 2008 and covered the fiscal years 2004, 2005 and 2006. This report covers the fiscal years 2007, 2008 and 2009 for those performance indicators that require reference to audited financial statements (PI-1, PI-2 and PI-3). For other indicators, the current state of play (till February 2011) has constituted the basis for the assessment. Being a repeat assessment, this report provides an opportunity to map the progress that has been made over time by comparing the ratings scored in 2011 with 2008.

The assessment was carried out in February and March 2011 and experienced support and cooperation of the institutions of the Government of Seychelles that are involved in PFM operations. It is based upon a careful consideration of the demonstrated public financial management (PFM) systems, procedures and practices of the GoS at the time of the assessment as observed by means of direct interviews with Government officials and reviews of (official) documents and reports.

The PEFA report presents the performance of the 31 high-level indicators of the PEFA Performance Measurement Framework. This report, by design, neither articulates specific recommendations for PFM improvements nor details an action plan. It is anticipated, though, that the results, which establish areas of both strength and weakness, shall assist the GoS in further defining its PFM reform priorities and the subsequent reform activity sequence. Further, the report is expected to support the on-going dialogue between the government and its development partners on aid delivery modalities and arrangements for continuing support to PFM reform. Further, it should serve separately as a useful tool to development partners for supporting dialogue in providing harmonised donor support to the GoS's PFM reform efforts.

Summary assessment

I. Integrated Assessment of PFM Performance

Table 0.1 shows the scores on 28 high level indicators that describe the performance of the Government of the Republic of Seychelles (GoS) on six critical domains of Public Finance Management.[1] These are (-) credibility of the budget, (-) comprehensiveness and transparency, (-) policy based budgeting, (-) predictability and control in budget execution, (-) accounting, recording and reporting, and (-) external scrutiny and oversight.

In addition, three indicators assess the practices of donors that make funds available to the GoS. This is important as donor's practices may have an impact on the performance of the country system.

Credibility of the budget

With four 'D' scores, budget credibility in the fiscal years 2004-2006 was weak. The lack of fiscal discipline reflected by the low level of budget credibility was among the factors leading to the debt default in 2008. Compliance to the Economic Recovery Plan adopted by the GoS in collaboration with the IMF has fundamentally revised this weakness as reflected by C-scores in PI-1 and PI-2. Among others, the Plan has substantially improved the management of payments arrears as reflected in PI-4. Especially, the fiscal year 2009 shows a high level of budget credibility. An 'A' score would even have been justified if the PEFA methodology would not base the rating on the last three fiscal years. As the fiscal year 2007 is also included in this assessment, the rating 'C' underestimates current performance. However, it illuminates that the GoS still has to demonstrate sustainability in maintaining a high level of budget credibility.

The underestimation of performance is not the case for budget credibility with regard to revenue out-turns. Although the rating has increased to a 'C', the performance of the GoS reflects only a small margin above the PEFA thresholds for a D-rating. Deficiency in correctly forecasting non-tax revenues is at the origin of this rating.

Comprehensiveness and transparency

The comprehensiveness and transparency of the budget documents has also further improved. For the comprehensiveness (PI-6) and completeness (PI-7), the GoS achieves maximum scores maximum scores. Also with regard to transparency to the public (PI-10) a satisfactory score is achieved. Room for improvement remains in the classification of the budget (PI-5) that so far lacks a functional and programme classification and the

[1] Full information on the framework, the performance indicators and the scoring methodology is available at the website of the PEFA Secretariat 'www.pefa.org'.

oversight of fiscal risks (PI-9). Notwithstanding significant reforms in the latter domain, a consolidated overview of fiscal risks associated with public enterprises is not prepared by the GoSR.

Policy-based budgeting

Annual budget preparation performs better than multi-annual budgeting. Some improvements in the annual budget preparation have been implemented. The documentation accompanying the budget circular includes a ceiling for recurrent expenditure per administrative unit which is approved by Cabinet (PI-11). The process is orderly and results in timely budget approval (PI-11). Unfortunately, line ministries are not always given enough time to prepare their budget submissions.

The challenges in budget preparation largely remain in the multi-annual perspective (PI-12). As the Government's national reform priorities in the last three years focused on macroeconomic stabilisation following the crisis in 2008, less attention has been paid to the link between fiscal planning and multi-annual policy development. As the Government transitions out of this crisis recovery, there is potential to develop a more conventional National Development Plan and associated multi-annual sector strategies.

Predictability and control in budget execution

Predictability and control in budget execution has improved across the entire scope of this domain. In the domain of revenue collection, the transparency of taxpayers' obligations and liabilities has improved as a result of a clearer legislative framework clearer with discretionary powers being removed and a tax appeal system set up (PI-13). Also PI-14 has benefited from the legislative changes due to the introduction of penalties for non-compliance with registration and declaration obligations. However, tax payer registration and tax audit could improve tax collection. Effectiveness of tax collection has received a low score due to low collection rates from the stock of tax arrears and incomplete scope of reconciliation methods (PI-15).

Liquidity management is currently at a high level. As bottlenecks with forex liquidity have been resolved due to the convertibility of the Seychelles Rupee, cash management allows predictability in the availability of funds of at least a quarter (PI-16). Also, introduction of a new Public Debt Management Act has resulted in more transparent procedures for contracting loans and issuance of guarantees. Further, the introduction of a Treasury Single Account leaving only a few bank accounts out of the consolidation of government's bank balances (PI-17).

In the domain of expenditure controls, the procurement system was significantly strengthened through introducing a new legal framework for public procurement which makes open tender a default procurement method, requires more transparency in respect to public procurement and established a procurement objections mechanism (PI-19). No changes were observed in the effectiveness of expenditure controls in the payroll (PI-18). Room for improvement is mostly observed in the commitment control system governing the non-salary expenditures (PI-20). Especially, the procedures for commitment control in capital projects are not integrated in the financial system.

Internal audit figures as one of the areas that has slipped in the performance compared to 2008. Lack of sufficient trained auditors explains that internal audit is currently no longer a very effective tool for improving GoS's financial and performance management.

Accounting, recording and reporting

Practices in the domain of accounting, recording and reporting appear to be less advanced. Both in banking reconciliation and the clearance of advances and suspense accounts more rigor should be applied (PI-22). No longer does the accounting system generate routine information on the resources allocated and received by health clinics in the health sector (PI-23). In-year budget reports do still only report on cash transactions and do not contain commitments. Also the annual financial report has not improved in recent years. The main weakness is that no internationally recognised accounting standards are being used.

External scrutiny and audit

The most important actor in the domain of external scrutiny and audit is the Office of the Auditor General (OAG) which operates appropriately for a small island public institution. The newly adopted Auditor General Act provides room to improve its operations even further in the coming years.

The role of the Parliament is, in contrast, more limited. Although, Parliament has become actively and timely involved in the approval of supplementary budgets, its role in budgetary affairs is limited. Most important bottleneck is the limited time in which it has to scrutinize the annual budget in December. Although, the Public Accounts Committee has taken an active stance with regard to the scrutiny of audit reports, it has so far never issued a formal report.

Donor practices

Progress has been made since the previous PEFA-assessment. Budget support has been provided during 2009 and 2010. As a consequence, the share of aid that was managed by national procedures increased as budget support, by default, uses national procedures (D-3). Unfortunately, for various reasons delay in disbursement occurred and forecasts were not always provided in time to be included in the budget estimates (D-1). However, the delay was in most cases quite limited. For project support, the practice of donors has been less ambitious. Donors do not provide information aligned to the fiscal year and do not report quarterly on disbursements, nor does the GoS ask for this information (D-2).

Table 0.1 Overall summary of PFM Performance Scores

PFM Performance Indicator		Scoring Method	Dimension Ratings i.	ii.	iii.	iv.	Overall Rating
A. PFM-OUT-TURNS: Credibility of the budget							
PI-1	Aggregate expenditure out-turn compared to original approved budget	M1	C				**C**
PI-2	Composition of expenditure out-turn compared to original approved budget	M1	C	A			**C+**
PI-3	Aggregate revenue out-turn compared to original approved budget	M1	C				**C**
PI-4	Stock and monitoring of expenditure payment arrears	M1	A	B			**B+**
B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency							
PI-5	Classification of the budget	M1	C				**C**
PI-6	Comprehensiveness of information included in budget documentation	M1	A				**A**
PI-7	Extent of unreported government operations	M1	A	A			**A**
PI-8	Transparency of inter-governmental fiscal relations	M2	Not applicable				
PI-9	Oversight of aggregate fiscal risk from other public sector entities	M1	C	n.a.			**C**
PI-10	Public access to key fiscal information	M1	B				**B**
C. BUDGET CYCLE							
C(i) Policy-Based Budgeting							
PI-11	Orderliness and participation in the annual budget process	M2	B	B	A		**B+**
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	M2	C	A	D	D	**C**
C(ii) Predictability and Control in Budget Execution							
PI-13	Transparency of taxpayer obligations and liabilities	M2	B	A	B		**B**
PI-14	Effectiveness of measures for taxpayer registration and tax assessment	M2	D	B	C		**C**
PI-15	Effectiveness in collection of tax payments	M1	D	A	D		**D+**
PI-16	Predictability in the availability of funds for commitment of expenditures	M1	A	B	B		**B+**
PI-17	Recording and management of cash balances, debt and guarantees	M2	A	B	A		**A**
PI-18	Effectiveness of payroll controls	M1	B	A	A	B	**B+**
PI-19	Competition, value for money and controls in procurement	M2	B	B	C	B	**B**
PI-20	Effectiveness of internal controls for non-salary expenditure	M1	C	C	C		**C**
PI-21	Effectiveness of internal audit	M1	C	B	C		**C+**
C(iii) Accounting, Recording and Reporting							
PI-22	Timeliness and regularity of accounts reconciliation	M2	D	C			**D+**
PI-23	Availability of information on resources received by service delivery units	M1	B				**B**
PI-24	Quality and timeliness of in-year budget reports	M1	C	A	A		**C+**
PI-25	Quality and timeliness of annual financial statements	M1	B	A	C		**C+**
C(iv) External Scrutiny and Audit							
PI-26	Scope, nature and follow-up of external audit	M1	B	B	B		**B**
PI-27	Legislative scrutiny of the annual budget law	M1	C	B	D	C	**D+**
PI-28	Legislative scrutiny of external audit reports	M1	D	A	D		**D+**
D. DONOR PRACTICES							
D-1	Predictability of Direct Budget Support	M1	A	D			**D+**
D-2	Financial info provided by donors for budgeting/reporting on project/program aid	M1	D	D			**D**
D-3	Proportion of aid that is managed by use of national procedures	M1	C				**C**

II. Tracking Performance over Time

Reform efforts in the period 2008 - 2011

The Government of Seychelles has embarked on a PFM reform programme in October 2009 as part of the IMF programme. The reform programme is not formulated as a separate document, but an Action Plan for PFM reforms for the period of 2009-2011 exists is included in the government's MEFP that is agreed with the IMF. The MEFP is signed by the vice-president and the central bank governor. However, its status is not augmented by Parliamentary approval.

The reform programme is built on the six PEFA dimensions and the scores of the 2008 PEFA assessment were considered as basis for setting performance targets and as baseline for measuring performance over time. The MEFP includes also a timeframe for the reform measures that are envisaged. However, the underlying rational for the inherent sequencing is not explicitly formulated. The PFM reform has also not been costed (although, some measures are included in the Budget Estimates).

Overall oversight for implementation of the reforms is vested in the Minister of Finance. Responsibility for daily implementation lies with the deputy Comptroller General of the MoF. Weekly meetings between the Minister of Finance, PS and the deputy director of FPCD take place to take stock of the implementation of the programme and discuss how to deal with eventual bottlenecks. The PFM reform programme has political championship at the very highest levels fact which is reflected by the pace of the PFM reforms over the last years.

Donor coordination

There is no formal mechanism to coordinate the assistance from development partners to the implementation of the reform programme. Many development partners provide assistance to PFM related areas (e.g. ADB, EU, IMF, WB, COMESA, Australian government etc), but at the moment agreements on assistance are mostly done on a bilateral basis and are not necessarily coordinated among donors. There is a risk that if not coordinated assistance may not necessarily be optimal. An example might serve the Strategy for Customs reforms; two separate strategies were developed with the assistance of two development partners. It is not clear to what extent these two strategies (besides that they cover different time period) are consistent with each other and which is the core strategy guiding the reform efforts of the SRC.

Achieved results

There have already been a number of PFM reforms that have been implemented, many of which have already shown measurable impact on PFM performance. These include:

- A new organizational structure for the Financial Planning and Control Division has been designed and became effective in October 2009. The post of Comptroller General and Deputy was introduced. Furthermore a unit for asset management was introduced. The public budget management section is divided into two units: one for planning and execution and one for review;
- Higher transparency and comprehensiveness of the budget documentation due to the introduction of elements from the GFS 2001 and the preparation of Budget Strategy

and Outlook including a multi-annual fiscal perspective (prepared by the new Forecasting and Analysis Branch);
- Reduction of the stock of payment arrears through rescheduling the debt stock and an incidental exercise to clear other payment arrears;
- New regulations, policies and institutions for the monitoring of public enterprises and autonomous government agencies;
- Strengthening the tax administration through tax policy reforms, modernisation and harmonisation of the legal framework underpinning revenue collections and administration and most importantly establishment of the Seychelles Revenue Commission as the body responsible for revenue collection and administration;
- Strengthening management of public debt in particular as result of a new legislative framework for managing public debt and rescheduling of the public debt;
- Introduction of the Treasury Single Account facilitating control and cash management;
- Improvement of the procurement process through establishment of the National Tender Board, the Procurement Oversight Unit and the mechanism for procurement objections through the procurement Review Panel;
- New Auditor General Act giving more independence and creating the room for involvement in performance audit.

Changes in comparative strengths and weaknesses

The PEFA framework provides a basis for tracking PFM performance progress over time and for reviewing the effectiveness of PFM reforms. Table 0.2 compares the performance as reported by PEFA (2008) with the assessment provided in this report (PEFA, 2011). However, to enable a correct comparison between the practices in 2008 and 2011, it is important that the scores in 2008 adequately reflect the practices at that time. In cases that the scores in 2008 did not correctly reflect the actual practices at that time, the comparison with 2011 could give a wrong indication of the actual change in PFM performance in the period between 2008 and 2011. During the implementation of this assessment, most of the scores of PEFA (2008) could be validated. However, for some indicators, the team of consultants has been provided with evidence that is inconsistent with the score given by PEFA 2008. In these cases, Table 0.2 provides a recalibrated score for 2008.

Credibility of the budget	Budget credibility with regard to expenditures has improved over the period 2007-2009. The main explanatory factor is increased budget discipline enforced by the IMF arrangement that came into place after the debt default in June 2008 and the Economic Recovery Program endorsed by the GoS. Also, the substantial improvement in the management of payments arrears as reflected in PI-4 has contributed to more credible expenditure budget. Especially, the fiscal year 2009 shows a high level of budget credibility. An ‘A’ score would have been justified if not the PEFA methodogy includes the last three fiscal years. As the fiscal year 2007 is also included in this assessment, the rating ‘C’ underestimates current performance. However, it illuminates that the GoS still has to demonstrate sustainability in maintaining a high level of budget credibility. No change in performance is observed in the credibility of the revenue budget. Although the rating has increased to a ‘C’, the performance of the GoS reflects only a small margin above the PEFA thresholds for a D-rating. Continuing deficiency in forecasting non-tax revenues is at the origin of this rating.
Comprehensiveness and transparency	Except for indicator PI-6, the scores in the domain ‘comprehensiveness and transparency’ have remained constant compared to the PEFA 2008. However, this does not reflect the ongoing reform efforts being undertaken by the GoS. Except for indicator PI-7, reforms have taken place in each of the indicator areas: • For budget classification, the Ministry of Finance is working on further alignment with GFS 2001; • Oversight of fiscal risk from public sector entities has improved by the adoption of the Public Enterprise (Monitoring) Act, a new classification policy for autonomous government agencies and the set up of the Public Enterprise Monitoring Department (PEMD); • More (four out of six) fiscal documents are available to the public now in comparison to the previous PEFA-assessment as contract awards are published. The most prominent improvement is in PI-6. The comprehensiveness of the budget documentation for the fiscal years 2010 and especially 2011 benefited especially from the new Budget Strategy and Outlook that was prepared by the newly established Forecasting and Analysis Branch (FAB) in the MoF.

Policy-based budgeting

Though not reflected by better scores, the Government of Seychelles did make significant progress in the budget preparation process. Ceiling for recurrent expenditure per administrative unit the documentation have been included in the budget circular. Also, a multi-year perspective has been introduced for the first time in the budget for the fiscal year 2010. The improvements are not reflected in the aggregate rating as slight deterioration was observed in other sub dimensions of this domain, such as the adherence to the budget calendar and the existence of costed sector strategies.

Predictability and control in budget execution

In the domain of revenue collection, improvements in transparency of taxpayers' liabilities have resulted from making the legislative framework clearer including the removal of tax exemptions and other discretionary powers. A tax appeal system of transparent administrative procedures is completely set up and functional, but it is too early to assess its effectiveness. Also, the effectiveness of taxpayer registration and tax assessment has improved due to the introduction of penalties for non-compliance with registration and declaration obligations.

In the domain of liquidity management, the predictability in the availability of funds has been significantly improved as result of the elimination the commitment ceiling in Forex which were decided on a weekly basis. Also, the management of public debt was improved with the introduction of a new Public Debt Management Act Extent which in particular resulted in more transparent procedures for contracting loans and issuance of guarantees. Further, consolidation of the Government's cash balances has improved as result of the establishment of a Treasury Single Account.

In the domain of expenditure controls, the procurement system was significantly strengthened through introducing a new legal framework for public procurement which in particular make open tender a default procurement method, requires more transparency in respect to public procurement and established a procurement objections mechanism. No changes were observed in the effectiveness of expenditure controls in the payroll and the non-salary expenditures.

To the downside, the performance in the domain of internal audit has slipped slightly downwards. Lack of sufficient trained auditors is at the roots of this deterioration.

Accounting, recording and reporting	In the domain of ‘accounting, recording and reporting’, no progress has been made. The scores for reporting have remained unchanged as in-year budget reports are still only reporting on cash transactions and do not contain commitments. Also for the annual financial report, the score has not changed. The main weakness is that no internationally recognised accounting standards are being used. In contrast, two indicators in this domain had to be downgraded. The practice in accounts reconciliation (PI-22) has slipped in scoring for two reasons. First, the Treasury has not yet modified its systems in alignment with the revised reporting system by the Central Bank leading to significant delays in bank account reconciliation. Second, the number of uncleared suspense accounts has increased following the establishment of the Single Treasury Account. The availability of information on resources received by service delivery units has also slipped as it is no longer practice to break down the financial reports to the separate health clinics limiting the reporting information in the health sector.
External scrutiny and audit	In comparison with PEFA 2008, there is no change in the score for each of the indicators. The Office of the Auditor General (OAG) has continued to operate appropriately for a small island public institution. The newly adopted Auditor General Act provides room to improve its operations even further in the coming years. The role of the Parliament has remained largely unchanged. The exception is its role in the approval of supplementary budgets. Since 2009, the Parliament is actively and timely involved in the approval of supplementary budgets.

Table 0.2 Performance over time by comparison between the PEFA (2008) and PEFA (2011)

PFM Performance Indicator	2008 original	2008 Recali-brated	2011	Direction
A. Credibility of the Budget				
1. Aggregate expenditure out-turn	D		C	↑
2. Composition of expenditure out-turn	A	D+	C+	↑
3. Aggregate revenue out-turn	A	D	C	↑
4. Stock and monitoring of expenditure payment arrears	D		B+	↑
B. Comprehensiveness and Transparency				
5. Classification of the budget	C		C	↔
6. Comprehensiveness of information included in budget	D		A	↑
7. Extent of unreported government operations	A		A	↔
8. Transparency of Inter-Governmental Fiscal Relations	not applicable			
9. Oversight of aggregate fiscal risk from other public sector entities.	C		C	↔
10. Public Access to key fiscal information	B		B	↔
C (i) Policy-Based Budgeting				
11. Orderliness and participation in the annual budget process	B		B+	↑
12. Multi-year perspective in fiscal planning, expenditure policy and	C		C	↔
C (ii) Predictability and Control in Budget Execution				
13. Transparency of taxpayer obligations and liabilities	B	C+	B+	↑
14. Effectiveness of measures for taxpayer registration and tax	B	D+	C	↑
15. Effectiveness in collection of tax payments	C+	D+	D+	↔
16. Predictability in the availability of funds for commitment of	C+		B+	↑
17. Recording and management of cash balances, debt and guarantees	C+		A	↑
18. Effectiveness of payroll controls	B+		B+	↔
19. Competition, value for money and controls in procurement	D+	D	B+	↑
20. Effectiveness of internal controls for non-salary expenditure	C		C	↔
21. Effectiveness of internal audit	B		C+	↓
C (iii) Accounting, Recording and Reporting				
22. Timeliness and regularity of accounts reconciliation	B+		D+	↓
23. Availability of information on resources received by service	A		B	↓
24. Quality and timeliness of in-year budget reports	C+		C+	↔
25. Quality and timeliness of annual financial statements	C+		C+	↔
C (iv) External Scrutiny and Audit				
26. Scope, nature and follow-up of external audit	B		B	↔
27. Legislative scrutiny of the annual budget law	D+		D+	↔
28. Legislative scrutiny of external audit reports	D+		D+	↔
D. Donor Practices				
D-1 Predictability of Direct Budget Support	n.a.		D+	↔
D-2 Financial information provided by donors for budgeting and reporting on project and program aid	D		D	↔
D-3 Proportion of aid that is managed by use of national procedures	D		C	↑

III Impact of strengths and weaknesses on the budgetary outcomes

The previous section shows that the reform efforts of the last three years have significantly strengthened performance in most of the six critical dimensions of the public financial management system of the GoS. Consequently, these reforms have an impact on the three budgetary objectives of aggregate fiscal discipline, strategic allocation of resources and operational efficiency (or support to efficient service delivery).

Foremost, the reforms in recent years have significantly contributed to achieving fiscal discipline. The strong performance in the domain of budget credibility of the budget demonstrates that the GoS is capable of maintaining fiscal discipline. This capability is supported by improvements in the budget preparation and the adequate monitoring of the financial position of the GoS (both in terms of short term cash and long term debt). Also, the introduction of appropriate procedure for supplementary budgets is important in this respect. Although the current performance of the GoS is unmistakably satisfactory, the achievement of fiscal discipline would benefit from enhanced attention for more effective revenue collection and the fine-tuning of the commitment control system. In both domains, upgrading the current IT systems could provide more support.

On the basis of improved fiscal discipline, the GoS is well placed to achieve further improvements in the strategic allocation of resources and efficient service delivery in the coming years. In both objectives, the PFM system of the Seychelles has room for improvement.

The allocative efficiency can still be improved by strengthening the multi-year perspective in the budgetary process. Especially, the link between sector strategies and the fiscal allocations is currently weak. Also, the procedure for the allocation and execution of the capital budget could be made more transparent. Further development of the budget classification (in terms of a functional or programme classification) would support a more policy-based budget. More involvement of the Parliament in strategic allocation would also be desirable in this respect as well as a stronger role of the Auditor General in performance audits to inform decision making on budget allocation.

The efficient use of budgetary resources is expected to improve as a consequence of the recent reforms in the procurement procedures. They will prove to be beneficial once they will be more embedded in the daily practice. Also the longer horizon of cash availability supports efficient service delivery. Further improvement in this domain may be realised by stronger emphasis on other key control mechanisms. In the current practice, weaknesses have been observed in the use of the internal audit function and other internal controls (e.g. asset management), the delays in the reconciliation procedures and clearance of suspense accounts, the lack of reporting at the level of service delivery units in the health sector and the incapability of Parliament to exert effective oversight on the Executive.

1 Introduction

1.1 Background

Recent history

By October 2008, Seychelles' economy was weakened to such an extent that the country was facing an acute balance of payment crisis, a depletion of its international reserves and unsustainable public debt levels (151% of GDP), which led to standard default on its foreign debt. The Government recognised the need for significant macroeconomic and financial reforms and sought the assistance of the IMF under a two-year Stand-By Arrangement (SBA) of USD 24 M to support a comprehensive Economic Reform Program. One of the elements of the Program was constituted by reinforcing Public Finance Management (PFM) reforms and strengthening economic and financial governance. The GoS has put significant efforts in the Economic Reform Program in general and has initiated various reforms in the domain of public financial management.

Donor support

The renewed rigour in managing public finances has induced a number of international donors (EC, WB and AfDB) to support the GoS by means of budget support since 2009. Especially, the EC is committed to the increased use of general and sectoral budget support to support the GoS. Although there is no automatic link between the appraisal of the Public Finance Management system and eligibility to budget support, the Commission recognizes that the effectiveness of such budget support is conditional upon the effective management of public finances by the GoS. Commitment of the GoS to the strengthening of national accountability and sound and transparent management of public finances by the GoSR is an important consideration for continuous budget support.

PEFA

The Public Expenditure Framework Analysis (PEFA) is widely acknowledged as the appropriate tool to diagnose the quality of national Public Finance Management system. A previous assessment of the PFM system of the Seychelles on the basis of PEFA was conducted in 2008. Given the economic and institutional changes which occurred in Seychelles following the implementation of the economic and financial reform program by the end of 2008, this second PEFA assessment will serve to highlight changes in the various areas of public financial management since the first PEFA assessment was carried out in 2008.

Objectives

The PEFA 2011 assessment entails three objectives:

i. In the short-term, the PEFA assessment may be used as baseline data, and a basis for information and monitoring so as to:

- (i) facilitate and update the dialogue on PFM between Government and all the donors;
- (ii) help donors assess the eligibility of a country for a new general budget support (GBS) programme, or to verify whether general or specific PFM conditions of an ongoing GBS programme have been met;

ii. In the medium-term, the PEFA assessment may feed the reflection on:
   - (i) the preparation or revision of a PFM reform strategy (and related action plan);
   - (ii) the preparation or revision of a PFM capacity development programme, in coordination with the government.

1.2 Process of preparing the report

This PEFA was sponsored by the Delegation of the European Commission (ECD) in Mauritius and was fully supported by the Ministry of Finance (MoF) of the Government of the Republic of Seychelles (GoS). Through a bidding process via an EC Framework contract, a team of consultants from the Dutch-based international consultancy firm ECORYS was selected.

There was no PEFA steering committee established. The Consultant was facilitated by the Ministry of Finance which ensured full cooperation of other stakeholders. In fact, the Consultant experienced no instances of non-cooperative behaviour from staff members representing the GoS or other stakeholders involved in the PFM domain.

The field mission took place in the period February 16 – March 4. The Consultant's field mission started off with an introductory workshop at February 16 and was closed with an 'exit workshop' at March 7. In the intervening period, numerous staff member of the GoS and various representatives of the donors have been interviewed. Annex 3 and 4 list the interviewees and the workshop's participants. In addition, the most crucial stakeholders (Budget Department, Treasury, Revenue Commission, Office of the Auditor General) were asked to prepare a self-assessment for those indicators that were in their domain of responsibility. Follow up meetings were conducted to compare the preliminary scores of the Consultant with the self-assessment and to discuss any divergence of views.

The draft report was sent on 31 March 2011 to the EC, the PEFA Secretariat in Washington and the GoS for comments and suggestions for improvement. Their responses were received in the end of April and the first week of May and were largely incorporated in the final report. At 16th of June 2011, the GoS informed the assessment team that it had no further comments on the report.

1.3 Structure of the Report

The Executive Summary comprises (i) an Integrated Assessment of weaknesses and strength linking the various performance indicators and PFM domains, and (ii) an analysis of Progress over Time comparing the assessment results of this report with the PEFA assessment carried out in 2008.

The basis for this Integrated Assessment and the Track of Performance over Time is laid in the following chapters:

- Chapter 2 provides background information and the economic, fiscal and legal context for the assessment;
- Chapter 3 provides the arguments underlying the scores for the 31 individual performance indicators;
- Chapter 4 describes the past, current and upcoming government's reform programme in the PFM domain.

A series of appendices provide more detailed reference information, including detailed budget out-turns (Annex 1 and 2), a list of the stakeholders interviewed by the Consultant (Annex 3), a list of the participants in the introductory and exit workshops (Annex 4) and a list of documentation reviewed (Annex 5).

2 Country background information

2.1 Economic situation

The Republic of Seychelles is a Small Island Developing State with a population of 87,000 inhabitants, 96% of whom live on Mahe, the largest island. Seychelles is ranked amongst the upper middle-income countries with a GDP per capita estimated at US$ 10,615 (2008; National Statistics Bureau). The main economic sectors contributing to GDP are tourism and fisheries, with a share of 25.5% and 8.4%, respectively (Table 2.1). A combination of greater demand on the local market and improved access to foreign exchange allowed the manufacturing sector (in particular fisheries) to improve from 2010 onwards. One-off increases in FDI and economic activity associated with a large construction project led to brisk growth in 2010.

Table 2.1 Share of total GDP by sector and economic activity in 2009

Sector	2009
Tourism	25.5
Fisheries	8.4
Economic activity	**2009**
Accommodation and food service activities	18.2
Manufacturing	12.6
Real estate activities	11.7
Wholesale and retail trade; repair of motor vehicles and motorcycles	9.3
Transportation and storage	8.1
Financial and insurance activities	6.7
Construction	5.3
Public administration and defence; compulsory social security	5.2
Information and communication	3.2
Administrative and support service activities	2.9
Agriculture	1.6
Other	15.2

Source: National Bureau of Statistics (NBS) Seychelles; National Accounts 2004-2009

The GoS was faced with severe foreign exchange shortages in 2008. These shortages, combined with long-standing macroeconomic imbalances from expansionary fiscal and monetary policies, Seychelles experienced a balance of payments and debt crisis in 2008. At the end of 2008, Seyechelles was facing a depletion of its international reserves and unsustainable public debt levels, which led to standard default on its foreign debt.

With the assistance of the International Monetary Fund (IMF), the GoS started significant macroeconomic and financial reforms under a two-year SBA of USD 24 million. The main components of the comprehensive economic reform program were:

i. achieving full convertibility of the Seychelles Rupee (SCR) and introducing a market-determined floating exchange rate;
ii. adopting a comprehensive debt restructuring strategy;
iii. reducing the role of the State in economic activity, through a public sector reform program and promoting private sector development, and
iv. reinforcing Public Finance Management (PFM) reforms and strengthening economic and financial governance.

The Government's macroeconomic and financial reform program, which was launched in October 2008, brought a rapid and notable turnaround to the country's macroeconomic environment. In December 2008, the Government passed the Public Debt Management Act and in April 2009 reached a debt restructuring agreement with the Paris Club on US$160 million bilateral debt. Agreements have been signed with most other bilateral creditors (Algeria, Libya, Malaysia, Kuwait, China).

Real GDP in 2009 and 2010 and the stable exchange rate and a steady rise in reserves have boosted domestic confidence.

Table 2.2 Economic indicators for 2006-2011

Economic indicators	2006	2007	2008	2009 (prel)	2010 (proj)	2011 (proj)
Output and prices						
Real GDP growth (percentage change)	9.3	9.6	-1.3	0.7	6.2	4.3
CPI (annual average)	-1.9	5.3	37.0	31.9	-2.2	2.5
Real effective exchange rate, average, % change	-9.7	-18.3	-7.1	-6.6	n/a	n/a
Terms of trade (- = deterioration)	-0.2	-1.2	1.2	-3.2	n/a	n/a
External sector						
Current account incl official transfers (% of GDP)	-13.2	-20.8	-48.9	-36.3	-47.1	-27.3
Exports of goods and services	59.4	85.8	107.8	104.4	88.1	95.3
Imports of goods and services	99.4	102.9	152.8	133.2	127.6	118.2
Total stock of arrears (millions of USD; 2010 = End Nov. figure)	123.5	160	317	251	33.3	n/a
Total public external debt outstanding (millions of USD; incl. CBS)	521.0	710	759	732	425	448
Gross official reserves (end of year, millions of USD)	113	10	51	169	218	253
In months of imports, c.i.f.	1.3	0.1	0.6	1.7	2.3	2.7

Source: IMF, Country Report, No 09/208, July 2009. IMF, Country Report, No 11/5, January 2011.

2.2 Description of the budgetary outcomes

The fiscal year of Seychelles runs from January 1 to December 31. Table 2.3 shows the main fiscal indicators.

The fiscal indicators reflect the acute debt crisis that Seychelles experienced in 2008. The build-up of imbalances led to the erosion of the fiscal position of the Seychelles and reliance on external borrowing. Public sector debt ballooned to 152% of GDP in 2007.

The analysis of the fiscal indicators also shows the increasing capacity of the GoS to raise tax revenues. Increasing tax revenues combined with a decrease in primary current expenditure (both recurrent and capital expenditures) has led to a turnaround in the fiscal balance, which became positive from 2009 onwards. While recurrent expenditures remain stable at the new lower level, capital expenditures are expected to rise again in coming years.

Table 2.3 Central Government Finances as % of GDP (source: IMF Article IV Consultation, July 2008; January 2011)

	2007	2008	2009	2010 Proj	2011 proj
Total revenue and grants	**32.4**	**36.6**	**38.8**	**37.0**	**40.5**
Total revenue	32.2	32.9	35.4	35.5	36.5
Tax	27.8	28.2	30.9	31.2	32.5
Non tax	4.4	4.7	4.4	4.3	4.0
External grants	0.2	3.7	3.5	1.5	4.0
Total expenditure and net lending	**41.2**	**40.0**	**33.8**	**34.3**	**37.8**
Current	36.6	28.7	31.0	29.3	27.4
Wages and salaries	10.3	7.9	7.1	6.1	7.6
Goods and services	7.3	5.6	6.7	8.2	8.1
Transfers	12.2	7.9	7.3	8.2	9.2
Social program of central govt	2.4	2.2	2.7	2.0	2.3
To public sector from central govt	5.5	2.5	1.9	3.1	3.5
Benefits of Social Security Fund	4.3	3.2	2.7	3.1	2.8
Benefits of Pension Fund	n/a	n/a	n/a	n/a	0.6
Interest	6.7	7.2	9.8	6.7	2.4
Foreign	3.2	3.9	4.0	3.6	1.4
Domestic	3.5	3.3	5.7	3.1	1.0
Capital expenditure and net lending	5.5	2.1	5.7	8.4	10.4
Overall balance, commitment	**-8.7**	**-3.4**	**5.0**	**2.7**	**2.7**
Primary balance	**-2.1**	**3.9**	**14.8**	**9.4**	**5.0**
Overall balance (excl. grants)	**-9.0**	**-7.1**	**1.6**	**1.2**	**-1.3**
Net financing	**7.9**	**3.0**	**-5.9**	**-2.3**	**-2.7**
External (net)	6.0	2.7	-1.6	0.6	1.1
Domestic	-0.3	-0.8	-6.6	-4.7	-5.6
Public Sector Debt	**151.9**	**135.4**	**128.6**	**76.1**	**71.7**
Central Government Debt					
External	69.8	82.8	92.6	53.6	45.3
Domestic	66.4	53.9	36.0	30.8	25.5

2.3 Description of the legal and institutional framework for PFM

2.3.1 Political context

Seychelles has a two-party system since 1991 after sixteen years of one-party rule. The most recent presidential elections, held in July 2006, were won by 54% by the candidate of the Seychelles People's Progressive Front (SPPF), James Michel, also the incumbent. The opposition Seychelles National Party (SNP) received 46% of the votes. In the May 2007 National Assembly elections, SPPF won 56% of votes and SNP in coalition with Seychelles Democratic Party (SDP) received 44%. This gave SPPF 18 directly elected seats plus 5 nominated, total 23 seats with the SNP/DP coalition taking 7 directly elected plus 4 nominated, total 11 seats. Presidential elections will be held again in May 2011.

2.3.2 Legal framework for public finance management

Chapter XII of the 1993 Constitution of the Seychelles sets out the foundations for PFM in the Seychelles. This includes the presentation of estimates before Parliament, the operation of the Consolidated Fund, the establishment of other funds, the imposition of taxation and the broad mandate and independence of the Auditor General.

The Public Finance Act 1996 (Act no. 22 of 1996) and its associated Financial Instructions from July 1997 provide for the control and management of the public finances of the Seychelles. The Act of 1996 repeals the original Public Finance (control and management) Act of 1991 (Chapter 188 of the Laws of Seychelles). However, statutory instruments made under chapter 188 continue in force, if they are not withdrawn or amended by the 1996 Act.

The Public Finance Act and its associated Financial Instructions regulates, among others:

i. the powers and duties of the Minister of Finance;
ii. the powers and duties of the Principal Secretary;
iii. the duties and responsibilities of the Accounting Officers;
iv. the establishment of various funds (consolidated fund, contingencies fund, development fund) and procedures to establish other funds;
v. procedures for procurement and payments from the funds;
vi. procedures for collection and receipt of revenue;
vii. procedures for advances, imprests (loans), deposits and suspense accounts;
viii. the custody of public money;
ix. the custody and control of other assets.

In recent years, the Government of Seychelles amended and drafted a substantial number of acts. The most important PFM-related acts that have been revised are the following:

- Auditor-General Act, 2010
- Public Enterprises (Monitoring) Act, 2009
- Public Procurement Act, 2008
- Public Debt Management Act, 2008

Also the legal framework for revenue collection and administration has been revised in recent years. The following acts make up the framework for revenue collection. Only the Goods and Services Act has remained unchanged as it will be repealed after the introduction of the Value Added Tax (VAT) in 2012:

- Value Added Tax Act, 2010;
- Income & Non-Monetary Benefits Tax Act, 2010;
- Social Security Act, 2010;
- Business Tax Act, 2009;
- Excise Tax Act, 2009;
- Good and Services Tax Regulations, 2003;
- Revenue Administration Act, 2009;
- Seychelles Business Number Act, 2009;
- Seychelles Revenue Commission Act, 2009;
- Social Security Act, 2008;
- Trades Tax Schedule 2009.

The legal framework is completed by the separate act for each Public Enterprise (PE) and Autonomous Government Agency (AGA), e.g. the Public Utilities Corporation Act 1985 for the PUC.

2.3.3 Administrative framework

Government administration

There is no sub-national government administration on the Seychelles. The central government consists of 21 bodies (offices, ministries and departments):

1	President's Office
2	Ministry of Investment, Natural Resources & Industry
3	Ministry of Finance & Trade
4	Department of Defence
5	Department of Legal Affairs
6	Department of Information & Public Relations
7	Ministry of Education, Employment & Human Resources
8	Ministry of Foreign Affairs
9	Ministry of Home Affairs, Environment & Transport
10	Ministry of Health
11	Ministry of Social Development & Culture
12	Ministry of Land Use & Habitat
13	Department of Information, Communication & Technology
14	Department of Public Administration
15	Ministry of Community Development, Youth & Sports
16	Office of the Ombudsman
17	Constitutional Appointments Authority
18	Office of the Public Service Appeals Board
19	The Judiciary

20	Office of the Auditor General
21	National Assembly

In addition, the GoS has a number of Autonomous Government Agencies (AGAs). Based on the policy note 'Application strategy on the reclassification and standardization of budget dependent bodies in the Seychelles', AGAs are grouped in three categories:

1. Public bodies providing essential government services;
2. Regulatory bodies;
3. Public bodies providing non-government services
   a. Public bodies with a social function;
   b. Public bodies with a development function;
   c. Public bodies providing a communication and education function.

The following AGAs are included in the first category 1 of 'public bodies providing essential government services':

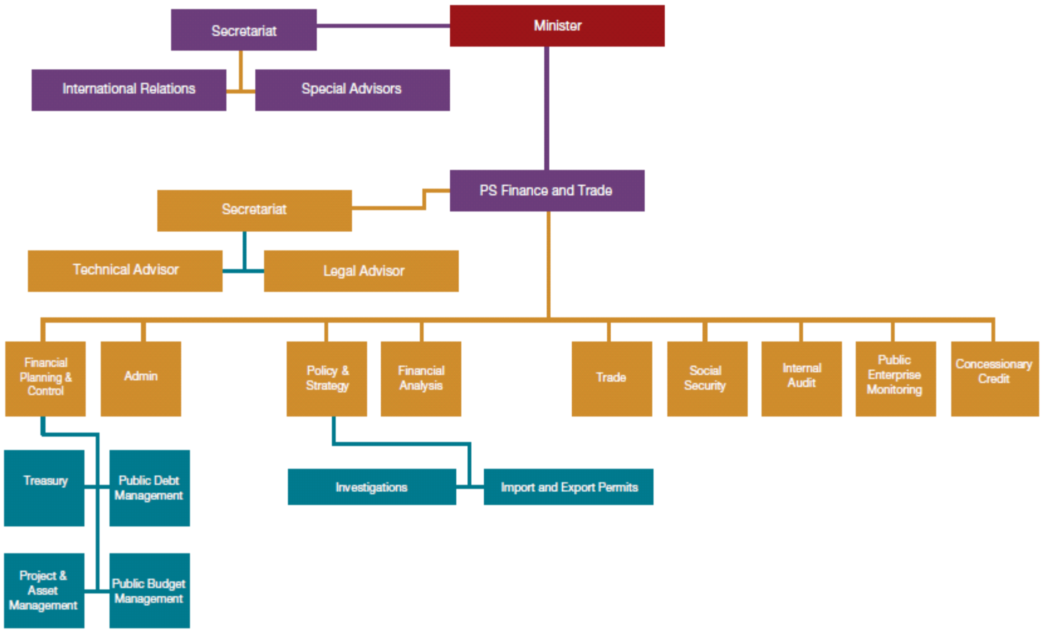
Seychelles Fire & Rescue Services Agency
Social Welfare Agency
National Human Resources Development Council
Landscape & Waste Management Agency
Seychelles Agricultural Agency
Office of the Mayor of Victoria
Seychelles Land Transport Agency
Small Enterprise Promotion Agency

More detail on the AGAs and Public Enterprises is included in the narrative of Performance Indicator 9.

Ministry of Finance

The Ministry of Finance comprises the departments pictured below.

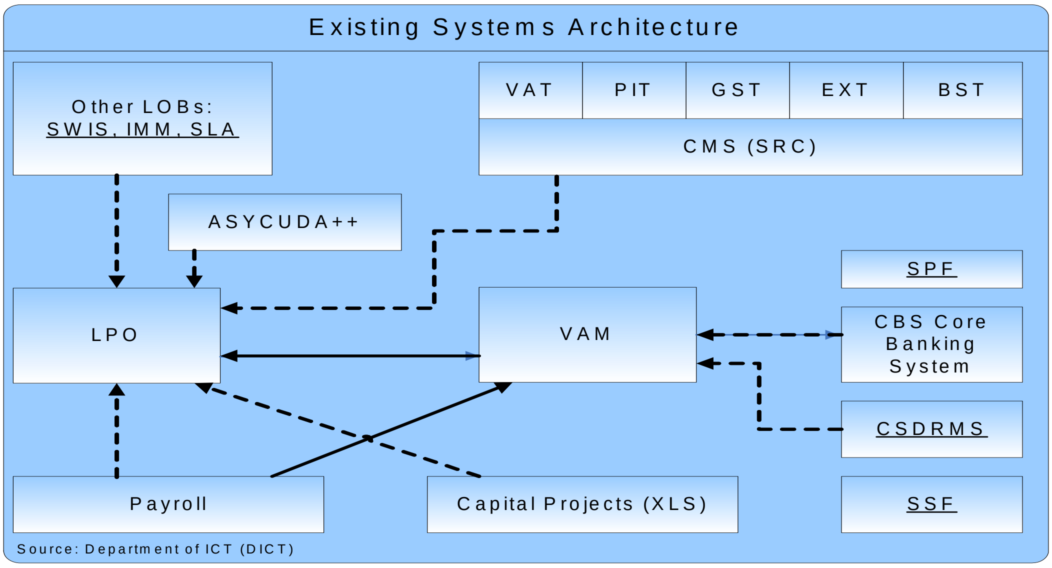
Figure 1 Organisational scheme of the Ministry of Finance



Financial Management and Accounting Systems on Seychelles

Seychelles uses a number of various system for management and accounting of its public resources (see the figure below). The core systems used for accounting and financial management have been customised in-house and comprise VAM, LPO and Payroll systems.

Figure 2 Architecture of relevant financial management IT systems



The *VAM (Visual Accounting Mate) system* is a core accounting system which supplies information to the General Ledger. The main modules are: General Ledger, bank reconciliation, accounts receivable, accounts payable.

Local Purchase Order (LPO) system is a separate software which is used for recording revenues and expenditures. The LPO system has three modules: expenditure, revenues and virament modules. The LPO system is capable of network interface with VAM; data exchange being electronic, but can also be used as a stand alone system in which case the data has to be exported to VAM through a pen drive. MoF runs its own system for capital projects. Information is recorded in an Excel spreadsheet and uploaded monthly into the LPO system. These two systems have different entries and are not linked to each other. The DICT is working at the moment on the design of a new integrated LPO system for all types of expenditure which should be able to allocate capital expenditure ceiling for multiple years as opposed to one year only. It is expected that the architecture of the new system will be finalised by the need of 2011 and the testing will be done in 2012 so that the new enhanced system could be introduced in 2013.

Seychelles ahs a stand alone centralised *Payroll system* which is directly interfaced with the VAM system. The payroll is centralised but some MDAs manage their own payroll with Treasury mainly doing the payments; while for other MDAs the Treasury manages the payroll but the MDAs supply the data. The Treasury acts mainly as a data centre. The management of the overall nominal (personnel) roll is under the responsibility of the Department of Administration (DPA) but some management responsibilities are delegated to MDAs. The nominal roll system is independent from the payroll system and the reconciliation between these two is not electronic and considered rudimentary. There are also some inconsistencies between the guiding legal framework for the payroll and the nominal roll. In managing the payroll the Treasury is guided by the Financial Act while for the management of the nominal roll the DPA is guided by the Public Service Act. There are ongoing efforts at the moment to introduce a new nominal roll system HRIS (Human Resources Information System) which should be fully integrated with the payroll system. The system has been already developed and deployed in few organisations for piloting and testing.

Other systems which are used for management public resources include the following:

- Client Management System (CMS) system for management of tax revenues by the Seychelles revenue Commission (SRC) including modules for Value Added Tax (VAT), Personal Income Tax (PIT), Goods and Service Tax (GST), Excise Tax (EXT), Business sale Tax (BST). A separate system ASYCUDA++ (Automated System for Customs Data) is used for management of customs revenues. The CMS and ASYCUDA++ are not directly linked with the VAM system. The SRC has its own revenue terminals and summary reports are manually entered into the LPO revenue module from where the data is transferred automatically to the VAM system.
- Line of Business Systems (LOB) for management of other non-tax revenues e.g. Social Welthfare Information System (SWIS); IMM system, Seychelles Licensing Authority (SLA). The government is thinking of moving to a single window system for overall revenue management (including revenues which do not have a specific business line) with a universal cashier module in the CMS module which would make possible to upload records directly to the LPO revenue module.
- CSDRMS (Commonwealth Secretariat Debt Recording and Management System) for recording and management of external public debt which is not directly interfaced with the General Ledger.

- Core Banking System of the Central Bank which is not directly interfaced with the VAM system.

Further, there are a number of stand alone systems including the SPF (Seychelles Pension Fund) and SSF (Social Security Fund) through which a significant part of public money is being managed. These systems have no links with the VAM system and are not integrated in the overall systems. In some cases some information is passing through (e.g. PIT and SPF) but there are no control mechanisms built in the system to assure the integrity of data.

3 Assessment of the PFM systems, processes and institutions

3.1 Budget credibility

Good practice in public financial management emphasizes the importance of the budget being credible so that planned government policies can be achieved. Budget credibility requires actual budgetary releases to be similar to voted budgets and requires appropriate fiscal discipline to be in place. The indicators in this group assess to what extent the budget is realistic and implemented as intended, particularly by comparing actual revenues and expenditures with original approved ones, and analyzing the composition of expenditure outturn. Table 3.1 below summarises the assessment of indicators relating to budget credibility.

Table 3.1 Assessment of performance indicators in the domain of Budget Credibility

No	Performance indicators	2008	2008 recalibrated	2011
1	Aggregate expenditure out-turn compared to original approved budget	D		C
2	Composition of expenditure out-turn compared to original approved budget	A	D+	C+
3	Aggregate revenue out-turn compared to original approved budget	A	D	C
4	Stock and monitoring of expenditure payment arrears	D		B+

More details are outlined in the sections to follow. The table shows that the original indicators PI-2 and PI-3 of PEFA 2008 are recalibrated. The reason is that the PEFA methodology has been revised in 2010 (see www.pefa.org). The recalibration has resulted in degrading the original ‘A’ scores into ‘D’ scores. With four ‘D’ scores, budget credibility in the fiscal years 2004-2006 was highly weak. The GoS considers this starting position to be a correct reflection of the state of affairs in that time.

Budget credibility with regard to expenditures has improved over the period 2007-2009. The main explanatory factor is increased budget discipline enforced by the IMF Stand-By Arrangement that came into place after the debt default in June 2008 and the Economic Recovery Program endorsed by the GoS. Also, the substantial improvement in the management of payments arrears as reflected in PI-4 has contributed to more credible expenditure budget. Especially, the fiscal year 2009 shows a high level of budget credibility. However, as the PEFA methodogy requires this indicator to be scored on the last three fiscal years (for which the annual report is available) and the fiscal year 2007 is also included in this assessment, the rating ‘C’ underestimates current performance. However, including the last three years shows that the improvements are still ‘young’ and it illuminates that the GoS still has to demonstrate sustainability in maintaining a high level of budget credibility.

The underestimation of performance is not the case for budget credibility with regard to revenue out-turns. Although the rating has increased to a ‘C’, the performance of the GoS reflects only a small margin above the PEFA thresholds for a D-rating. Deficiency in correctly forecasting non-tax revenues is at the origin of this rating.

3.1.1 PI-1 Aggregate expenditure out-turn compared to original approved budget

This indicator assesses the difference between actual *primary* expenditure and the originally budgeted *primary* expenditure. It reflects the government’s ability to implement the budgeted expenditure which is an important factor in supporting the government’s ability to deliver public services in line with policy statements.

Primary expenditure, consistent with the PEFA definition, is generically defined as total expenditure less debt service payments and donor-funded projects. Both categories are excluded as they are beyond the control of the government. Out-turns for debt service payments may differ due to changes in interest and exchange rates. Out-turns for donor funded projects may differ due to management decisions which are typically under the control of the donor agencies.

The years that are considered for calculation are 2007, 2008 and 2009. For 2010, the financial statements have not been prepared by the Auditor General upon writing of this report.

The format of the budget documentation of Seychelles distinguishes two categories of expenditure:
- Recurrent expenditure that is allocated via the Consolidated Fund;
- Capital expenditure that is allocated via the Development Fund.

Donor-funded capital expenditures are excluded from the calculation. However, most capital expenditure is domestically-funded (96 % in 2007, 88 % in 2008, 47 % in 2009, 78 % in 2010).

The following table, based on the Budget Estimates and the audited Annual Financial Statements, shows the results of the calculation. It should be noted that the sharp increase in absolute expenditures in 2009 were a result of the devaluation of the Seychelles Rupee following the floating of the currency.

Table 3.2 Aggregate budget out-turns (2007, 2008, 2009)

		2007	2008	2009
Approved budget	Recurrent expenditure	1,496	1,698	2,694
	Development grants	34	55	68
	Domestically-funded capital expenditures	175	201	212
	Total	1,705	1,954	2,974
Out-turns	Recurrent expenditure	1,761	1,805	2,340
	Development grants	26	33	120
	Domestically-funded capital expenditures	329	125	150
	Total	2,116	1,963	2,610
Total expenditure out-turn compared to total original approved budget		124,1%	100,4%	87,8%

Table 3.2 shows that the primary budget was overrun in 2007. This overrun was a continuation of the practices identified earlier in the previous PEFA (see Table 3.3). In these years, it was common practice to increase budget ceilings during budget implementation (without supplementary vote) to adjust for under estimated costs in the recurrent budget estimates and to allow for additional development expenditure.

Table 3.3 Deviation between estimates and outturns in the period 2004 – 2010

2004	2005	2006	2007	2008	2009
19.6 %	11.8 %	20.8 %	24,1 %	0,4 %	-/- 12.2 %
PEFA 2008: 'D', in two years, the deviation is more than 15 %			PEFA 2011: 'C', in only one year (2007), the deviation is more than 15 %		

The year 2008 showed a significant deviation from this trend with a balanced budget, while in 2009 the budget recorded an overall surplus for the first time. An obvious explanation for the stricter discipline in managing the budget in 2008 and 2009 is the economic reform programme backed up by the agreement with the IMF following the debt default in August 2008. It appeared that the GoS demonstrated the ability to implement the budget within the original estimates.

Although less detrimental to fiscal discipline than over-spending, the under-spending with more than 10 % in 2009 is also not considered to be good practice. However, it must be noted that this under-spending was caused by the inclusion of a budget line on the requirement of IMF for 'contingencies' of SR 300 million which was not appropriated during budget execution (less than 1 per cent).[2] In case this provision for contingencies is excluded from the calculation, the aggregate expenditure out-turn would be 97.5 per cent which would raise the rating for PI-1 to an 'A' score.

[2] In this way, the methodology penalises programs designed with some margins for expenditure, which may be considered 'unfair' in circumstances where capital upgrading is necessary but can only be envisaged if the budget is on track.

PI	Dim	Indicator/dimension	Score		Justification
			2008	2011	
1	Aggregate expenditure out-turn compared to original approved budget		D	C	See dim (i)
	(i)	The difference between actual primary expenditures and the originally budgeted primary expenditures during the last three years	D	C	Actual expenditure deviated from budgeted expenditure by an amount equivalent to more than 15 % in only one year: 2007. In 2009, expenditure deviation amounted more than 10 per cent which did not allow for a 'B' score.

3.1.2 PI-2 Composition of expenditure out-turn compared to original approved budget

Predictability of the budget is undermined when the composition of actual expenditure across budget heads varies considerably from the original approved budget. In those circumstances, the budget is not a useful statement of policy intent and budget agencies cannot plan for service delivery with confidence that they will receive the resources budgeted for. This indicator measures expenditure out-turns against the budget at a sub-aggregate level across the main administrative headings.

> *Modification in PEFA methodology*
> In 2010, the PEFA methodology has been modified by the PEFA secretariat in order to include more rightly the issue of contingency votes in the calculations. The revision has resulted into two new dimensions. The first dimension measures the extent to which reallocations between budget heads during execution have contributed to variance in expenditure composition. This dimension is calculated without taking the contingency vote into consideration. The use of a contingency vote (which is considered to be harming budget credibility if it exceeds certain thresholds) is the subject of the second dimension.

i. Extent of the variance in expenditure composition during the last three years, excluding contingency items

The methodology to calculate the variance in expenditure composition has been changed compared to PEFA 2008. The new calculation looks whether the relative budget shares that are being allocated to each administrative head are changed during budget implementation compared to the originally approved budget.[3]

For a proper comparison, this dimension is also re-calculated for the period 2004-2006. The detailed calculations per administrative head are included in Annex 1. Table 3.4 shows the overall results of this calculation.

[3] The previous methodology distracted aggregate expenditure deviation from the composition variance. This is no longer been done in the revised methodology.

Table 3.4 Composition variance in budget out-turns (2004 - 2009)

2004	2005	2006	2007	2008	2009
15.9 %	9,6 %	15,7 %	17,0 %	11,4 %	6,0 %
PEFA 2008: 'D' as variance in expenditure composition exceeded 15 % in at least two of the three fiscal years under consideration.			PEFA 2011: 'C', variance in expenditure composition exceeded 15 % in only of the three fiscal years under consideration and exceeded 10 % in two years.		

The explanation of the variance in expenditure composition primarily relies in the variance in the domestically-funded capital expenditures. Table 3.5 shows the extent of composition variance in case of recurrent expenditure without domestically-funded capital expenditures. The performance would then allow for a rating 'B' both for the fiscal years 2004-2006 and the years 2007-2009.

Table 3.5 Composition variance in budget out-turns excluding domestically funded capital expenditures (2004 - 2009)

2004	2005	2006	2007	2008	2009
9.7 %	9,6%	4.4 %	12,8%	5,5%	1,8%
PEFA 2008: 'B', variance in expenditure composition exceeded 5 % in more than one of the three years under consideration.			PEFA 2011: 'B', variance in expenditure composition exceeded 10 % in only one and exceeded 5 % in two of the three years under consideration.		

ii. The average amount of expenditure actually charged to the contingency vote over the last three years

Up till 2009, a contingency vote was never included in the budget. In those years, the GoS allowed itself flexibility in its expenditures by increasing the expenditure ceilings without Supplementary Budgets in case such needs were felt.

Following the requirements of the IMF, a contingency vote was included in the budget 2009. In the budget estimates a provision of 300 mln SR was included of which 2.8 was actually expended during the year. The small size of the contingency vote clearly did not affect budget credibility in that year.

PI	Dim	Indicator/dimension	Score		Justification
			2008	2011	
2	Composition of expenditure out-turn compared to original approved budget		D+	C+	Scoring method M1 (weakest link)
	(i)	Extent of the variance in expenditure composition during the last three years, excluding contingency items	D	C	Variance in expenditure composition exceeded 15 % only in 2007 and 10 % in 2008.
	(ii)	The average amount of expenditure actually charged to the contingency vote over the last three years	A	A	A contingency vote was never included in the budget up till 2009. The expenditures from the contingency vote in 2009 was less than 1 %.

3.1.3 PI-3 Aggregate revenue out-turn compared to original approved budget

This indicator assesses the quality of revenue forecasting by comparing actual domestic revenue collection with the estimates in the original approved budget.

Modification in PEFA methodology
In 2010, the PEFA methodology has been modified by the PEFA secretariat. In addition to the existing thresholds for under-realization of revenue returns, it also includes now thresholds for over-realization. Behind the inclusion of such a threshold is the consideration that underestimation of revenues results in expenditure decisions following unexpected additional revenues that are not subjected to close scrutiny of the budget process.

Recalibration of PEFA 2008 and scoring for PEFA 2011

Domestic revenues are referred to as recurrent revenues in the GoS budget documents. In line with GFS budget classification, the budget system of the GoS distinguishes between tax revenues and non tax revenues. Table 3.6 recalls the revenue outturns for the years 2004, 2005 and 2006 that formed the basis for the PEFA rating in 2008.

Table 3.6 Revenue out-turns 2004 - 2006 (source PEFA 2008)

	2004			2005			2006		
	Est	Actual	%	Est	Actual	%	Est	Actual	%
Total Tax Revenue	1,372.9	1,333.6	97.1%	1,306.5	1,290.1	98.7%	1,232.4	1,325.5	107.6%
Tot Non tax Revenue	736.9	551.2	74.8%	677.1	822.5	121.5%	691.3	993.1%	143.7%
TOTAL	**2,109.7**	**1,884.8**	**89.3%**	**1,983.7**	**2.112,6**	**106.5%**	**1,923.7**	**2,318.6**	**120.5%**

Indicator 3 was rated an 'A' in the 2008 PEFA report. This rating was based on the old PEFA methodology. Once the revised PEFA methodology is applied retrospectively to the fiscal year 2004, 05 and 06, the rating would fall to a 'D'. That is because also the 20 per cent excess revenue in 2006 is considered to be at the cost of aggregate budget credibility.

Table 3.7 provides the relevant figures to determine the rating for PEFA 2011. A detailed analysis of all revenue categories is provided in Annex 3.

Table 3.7 Revenue out-turns 2007 - 2009

	2007			2008			2009		
	Est	Actual	%	Est	Actual	%	Est	Actual	%
Total Tax Revenue	1,534.2	1,563.7	101.9 %	1,796.8	2,084.7	116.0 %	2,802.5	2,950.6	105.3 %
Tot Non tax Revenue	703.0	496.5	70.6 %	600.2	722.0	120.3 %	804.5	680.0	84.5 %
TOTAL	**2.237.2**	**2,060.1**	**92.1 %**	**2,397.1**	**2.806.7**	**117.1 %**	**3,607.0**	**3,630.6**	**100.7 %**

The table shows that revenue collection fell below 97% in 2007, while in 2008 there was excess revenue of more than 16%. In 2009, total collected revenue was almost in par with the estimate. Based on the revised scoring methodology, the credibility of the budget with reference to revenue forecasting is rated a 'C'.

The increase in the PEFA rating suggests an improved practice. However, it should be noted that 2007 was revenue out-turn was just above the threshold of 92 %. If the shortfall would have been slightly higher, the overall score of PI-3 would have turned into a 'D'. Also, the almost 100 % score in 2009 reflects the balance between over-collection of tax revenues and under-collection of non-tax revenues and not so much the credibility of the budget estimates.

Further analysis of the figures of the period 2004-2009 shows that the low credibility relies primarily in the estimates for non-tax revenues which in the Seychelles are relatively important in the total revenue collection.[4] The following table show the largest deviations in the out-turns for non-tax revenues.

Table 3.8 Detailed differences in non-tax revenue out-turns 2007 - 2009

Year	Total deviation in non-tax revenues out-turns (in mln SR)	Main differences	
		Revenue source	Amount
2007	Shortfall: - 206.8	Rents and Royalties	- 109.8
		Dividends, interests	- 73.0
		Miscellaneous	- 59.2
2008	Surplus: +121.7	Fees and fines	100.7
		Dividends, interests	56.9
		Rents and royalties	- 53.5
2009	Short fall: - 124.5	Other revenue: Land lease and sale*	- 194.4

From the table, it can be derived that structural problems exist especially in the estimate of the revenue line 'land lease and sale' and 'rents and royalties'[5]. These non-tax revenues are forecasted by the Financial Planning and Control Division (FPCD) in the Ministry of Finance (MoF) on the basis of the estimates of the Ministry of National Development (MoND).[6] Incidental developments, such as the global financial crisis, have affected the realisation of the estimates as a number of large investment projects did not materialise.

PI	Dim	Indicator/dimension	Score		Justification
			2008	2011	
3	Aggregate revenue out-turn compared to original approved budget		D	C	See dim (i)
	(i)	Actual domestic revenue collection compared to domestic revenue estimates in the original approved budget	D	C	Actual revenue collection was between 92% and 116% of budgeted revenue in two of the last three years (2007 and 2009). Only in 2008, revenue collection did not meet these thresholds

4 Around 30 % of total revenues originate from non-tax sources.
5 The budget line 'land lease and sale' was first introduced in the budget 2009. Prior to 2009, 'land lease and sale' was part of 'rents and royalties'
6 In 2007, the Ministry of Land Use and Habitat.

Ongoing reforms

In the last years, the process of tax revenue forecasting by the Seychelles government has undergone significant reform. Before 2009 revenue forecasting was conducted primarily by the Seychelles Revenue Commission (SRC) which based their forecasts primarily on historical extrapolation modified for actual developments in tax rates and economic developments.

The year 2009 was a transitional year in which revenue forecasts was basically managed by the IMF. In that year, the Seychelles government also established the Forecasting and Analysis Branch (FAB) with the support of the Australian government. As part of the Australian Partnership Agreement, technical assistance of Australian Treasury on revenue forecasting was given and situated in the FAB. Initially, the FAB was part of the SRC and focused on tax forecasting. Eventually, when the FAB got involved in the forecasting of macro-economic variables, such as GDP, and got more involved in budget preparation, it got located in the Ministry of Finance.

Currently, FAB produces forecasts for the preparation in the annual budget estimates and for the mid-term review that took place for the first time in 2010. It also provides input for the monthly fiscal reports prepared by the Financial Planning and Control Division (FPCD), and for revenue projections used in the weekly cash flow forecasts.

It is likely that the reform will contribute to an increase in the rating for PI-3 in the future. Also, the implementation of of the GFSM 2001 which involves a reclassification of the non-tax revenue items is likely to lead to improvements.

3.1.4 PI-4 Stock and monitoring of expenditure payment arrears

This indicator considers to what extent the stock of arrears is a concern as well as to what extent it is addressed and consequently controlled:

i. Stock of expenditure payment arrears (as a percentage of actual total expenditure for the corresponding financial year) and any recent change in the stock;
ii. Availability of data for monitoring the stock of expenditure payment arrears.

ii. Availability of data for monitoring the stock of expenditure payment arrears

The availability of data on expenditure payment arrears by the government of Seychelles varies among the expenditure categories: debt payments (interest only), payroll and goods and services.

Debt interest arrears were a significant part of total expenditures in 2008 and have led to the debt default in 2008.[7] Based on the reliable information in the government's monthly debt reports, it can be established that there are no longer arrears with multi-laterals and members of the Paris Club as a result of a debt rescheduling exercise following the debt default in 2008. The only arrears in debt interest are with bilateral donors such as Abu

[7] PEFA 2008 notes that the debt interest arrears represented in 2008 22% of total estimated expenditure for 2008 (SCR 2,278 million excluding debt servicing).

Dhabi, Algeria, China and the First Gulf Bank. The government is currently in negotiation to clear these arrears.

No arrears have been identified in the payroll by the Treasury, who manage the payroll on behalf of the ministries.

With regard to arrears on payments for goods and services, the MoF employs the IMF threshold that an unpaid claim becomes an arrear after 30 days. Information on arrears can not be retrieved from the VAM-system. Nevertheless, information on arrears is collected annually as part of the budget preparation process.[8] There is no check on the reliability of the information provided, which can therefore be incomplete.[9] Moreover, the MoF does not consolidate the information in order to construct a government-wide overview of the stock of arrears. Up till 2008, the MoF has included a provision for payment arrears. In 2009, a comprehensive exercise was conducted to clear outstanding arrears. Since 2011, the MoF relies on the effectiveness of the commitment controls included in the LPO-system and has no longer included a separate provision for arrears. Nevertheless, it continues to monitor the payment arrears via the budget preparation process.

In 2009 and 2010, a budget line of respectively SR 226 million and SR 100 million was included in the budget estimates to clear all payment arrears. An amount of SR 220 million has been expensed primarily for foreign currency invoices that were built up during the years before the floating of the Seychelles Rupee. Also, significant amounts were used for settling creditors from Seychelles Marketing Board and Seychelles Tourism Board.

Although, the MoF relies on the effectiveness of the commitment controls included in the LPO-system, arrears can built up as the commitment control through the LPO-system may not always be effective (see PI 20). The most obvious area where commitment controls may currently not be fully effective are utility expenses. Such services are provided without the need to prior issue a Local Purchase Order (LPO) in the VAM-system. Moreover, the Public Utilities Corporation (PUC) providing such services is not likely to cut off public institutions from electricity and gas in case of late payment of the invoices. Invoices that remain unpaid for more than 30 days are therefore not unusual for this kind of expenditures.

The second potential reason for payment arrears is not supposed to happen in theory. Any purchase should be preceded by a LPO to be retrieved from the VAM-LPO system which rejects the request if spending for the item has already reached the expenditure ceiling. However, in practice, MDAs can incur payment liabilities outside the VAM-LPO system. Such cases occur if the supplier provides its services on credit and settlement of the payment needs first a virement to increase the budget ceiling of the particular budget line.

8 In its budget circular, the MoF requires the line ministries to specify their payment arrears by filling the ‘creditors schedule form’.

9 Although, line ministries will be critically received by the Mof when they request payment for arrears that were not included in the creditors’ schedule.

Although this practice is not widespread and may differ across MDA, interviewees indicate this it does occur.[10]

i. Stock of expenditure payment arrears (as a percentage of actual total expenditure for the corresponding financial year) and any recent change in the stock;

The previous section has indicated the various sources of expenditure arrears. Based on the various sources of information, Table 3.9 estimates the total stock of payment arrears:

Table 3.9 Estimation of the share of payment arrears in total expenditures 2010

Category	Source	Amounts (in SR million)
Debt arrears	Monthly debt reports nov 2010	38.5
PUC outstanding bills	Interview PUC[11]	15.0
Late payments other than PUC	Creditor's schedule MoE	2.5
	Creditor's schedule MoH	2.7
	Other MDAs (estimate)	10.0
Total estimated stock of arrears in 2010		68.7
Total expenditures in 2010 (as per budget)		3,726.5
Share of arrears in total expenditures		1.8 %

PI	Dim	Indicator/dimension	Score 2008	Score 2011	Justification
4		Stock and monitoring of expenditure payment arrears	D	B+	Scoring method M1 (weakest link)
	(i)	Stock of expenditure payment arrears (as a percentage of actual total expenditure for the corresponding fiscal year) and a recent change in the stock	D	A	The stock of payment arrears has been reduced significantly by clearing most of the debt interest arrears and the exercise in 2009 for other expenditure arrears. The current stock is estimated to be a bit below 2 %
	(ii)	Availability of data for monitoring the stock payment arrears	D	B	A comprehensive exercise to clear arrears has been conducted in 2009. The annual procedure of filling the creditors schedule generates information annually but may not always be complete for recurrent expenditures in utilities and goods/services.

10 For example, the MoH estimates the percentage of invoices that are paid with a delay of more than 30 days at around 10 % of the budget line goods and services. However, it must be noted that this figure is speculative and not formally confirmed.

11 PUC indicates that in 2010, unpaid invoices after 60 days amounted SR 13 million which was reduced to SR 5 million by the close of the year. In the first two months of 2011, the total sum of unpaid invoices after 60 days have increased already to SR 9 mln.

3.2 Comprehensiveness and transparency

The indicators in the Comprehensiveness and Transparency dimension of PFM assess to what extent the budget and fiscal risk oversight are comprehensive, as well as to what extent fiscal and budget information is accessible to the public. The table below summarises the assessment of indicators in this domain.

Table 3.10 Assessment of performance indicators in the domain of Comprehensiveness and Transparency

No.	Performance Indicators	2008	2011
5	Classification of the budget	C	C
6	Comprehensiveness of information included in budget documentation	D	A
7	Extent of unreported government operations	A	A
8	Transparency of inter-governmental fiscal relations	not applicable	
9	Oversight of aggregate fiscal risk from other public sector entities	C	C
10	Public access to key fiscal information	B	B

Except for indicator PI-6, the scores in the domain 'comprehensiveness and transparency' have remained constant compared to the PEFA 2008. However, this does not fully reflect the ongoing reform efforts being undertaken by the GoS. Except for indicator PI-7, which has maintained unreported extra-budgetary expenditure and unreported donor funded projects at an insignificant low level, reforms have taken place in each of the indicator areas:

- Regarding PI-5, the Ministry of Finance is working on further alignment with GFSM 2001;
- Oversight of fiscal risk from public sector entities has improved by the adoption of the Public Enterprise (Monitoring) Act, a new classification policy for autonomous government agencies and the set up of the Public Enterprise Monitoring Department (PEMD);
- As contract awards are published, more (four out of six) fiscal documents are available to the public now in comparison to the previous PEFA-assessment (three out of six). However, given its definition, the score has remained at the same B-level.

The most prominent improvement is in PI-6. The comprehensiveness of the budget documentation for the fiscal years 2010 and especially 2011 benefited especially from the new Budget Strategy and Outlook. This document was prepared as collaborative effort of the newly established Forecasting and Analysis Branch (FAB) and the Financial Planning and Control Division in the MoF.

More details are outlined in the sections to follow.

3.2.1 PI-5 Classification of the budget

The budget classification system provides the conditions to track government spending. The international standards for classification systems are the Government Finance

Statistics Manual (GFSM 2001) and the Classification of Functions of Government (COFOG) which provides the framework for economic and functional classifications.

Classification of recurrent expenditure

The Government of Seychelles presents the recurrent budget estimates for the fiscal years 2007-2009 as well as the financial statements for the fiscal years 2007-2009 (2010 has not yet been published) in an administrative and economic classification. As Seychelles was selected as a pilot country by the IMF for adoption of GFSM 2001, the government has been receiving technical assistance for two years to move from the GFSM 1986 to GFSM 2001. The social security fund has been included in the budget (since 2011 and 2009, respectively). The budget is not classified following the UN-supported Classification of Functions of Government (COFOG) or any other functional classification. The Ministry of Finance is however able to produce information according to COFOG standards since 1998 in the data it reports to the IMF. The Treasury uses Excel-sheets with auto-generated Chart of Accounts codes and manually adds a COFOG code to each of the accounts to be able to report according to the main COFOG functions. The Treasury reports to the IMF based on the functional classification on an annual basis as part of its annual cash-based GFSM 2001 reporting exercise.

There is no sub-functional or programmatic classification in place. The following box provides as summary overview of the current classification:

Head 10				Ministry of Education, Employment & Human Resources Development			
	Div 83				Seychelles Institute of Technology		
		Item 70				Personnel emoluments	
		Item 80&90				Goods and Services	
			81				Office running costs
			82				Repairs & maintenance
			83				Transportation costs
			84				Other costs
			85				Specific costs
			90				Minor capital outlays
	84				National Institute of Education		
		70				Personnel emoluments	
		80&90				Goods and Services	

Classification of capital expenditure

Capital expenditure is a separate chapter in the budget ("Estimates of Revenue and Expenditure") and is classified by ministry/department and by project. The total project cost, estimated cost to completion, estimated cost in the budget year, and financing for the budget year through borrowing and/or grants is included in the tables. The classification of the capital expenditure does not make use of the classification as in the recurrent budget.

PI	Dim	Indicator/dimension	Score		Justification
			2008	2011	
5	Classification of the budget		C	C	See dim (i)
	(i)	The classification system used for formulation, execution and reporting of the central government's budget	C	C	The Budget Estimates are presented in economic and administrative classification. Even though Budget Estimates are not reported in functional classification, the GoS can produce the 10 main COFOG functions and reports to IMF accordingly.

Ongoing activities

The GoS has received technical assistance to move towards full implementation of GFSM 2001 in March 2011. The Treasury is able to generate a monthly budget execution report with financing data in GFSM 2001 format (by instrument and residence). The Treasury is developing an autogenerated link between the accounts and the COFOG classification with the Department for Information and Communication Technology (DICT).

The GoS is in the process of upgrading the Chart of Accounts (CoA) to address some current limitations and to fully include the budget dependent bodies. Budget dependent bodies previously held commercial bank accounts and the balances were transferred to suspense accounts when the TSA was introduced.The GoS did not succeed to adopt the new CoA in November 2010 for the 2011 budget, as was originally planned as one of the structural benchmarks 2009-2010 under the IMF program. The Government of Seychelles aims to introduce the new CoA in the 2012 budget.

3.2.2 PI-6 Comprehensiveness of information included in budget documentation

In order to be considered complete, the annual budget documentation as submitted to the legislature should, in addition to the detailed information on revenues and expenditures, include information on the following elements:

i. Macro-economic assumptions, including at least estimates of aggregate growth, inflation and exchange rate.
ii. Fiscal deficit, defined according to GFS or other internationally recognized standard.
iii. Deficit financing, describing anticipated composition.
iv. Debt stock, including details at least for the beginning of the current year.
v. Financial Assets, including details at least for the beginning of the current year.
vi. Prior year's budget outturn, presented in the same format as the budget proposal.
vii. Current year's budget (either the revised budget or the estimated outturn), presented in the same format as the budget proposal.
viii. Summarized budget data for both revenue and expenditure according to the main heads of the classifications used (ref. PI-5), including data for the current and previous year.
ix. Explanation of budget implications of new policy initiatives, with estimates of the budgetary impact of all major revenue policy changes and/or some major changes to expenditure programs.

The budget documentation that is presented to the Parliament of Seychelles currently consists of a single document: “Estimates of revenue and expenditure”. The annual budget documentation is submitted to the Parliament in November each year for the next fiscal year. The fiscal year coincides with the calendar year. Table 3.11 presents the tables included in the budget documentation.

Table 3.11 Table of contents of the “Estimates of revenue and expenditure” FY2011

Section 1 – Presentation Address by the Minister of Finance
Section 2 – Assumptions and Objectives
Section 3 – Appropriation bill
Section 4 – Estimates of revenue and expenditure for the FY ending 31st December 2011 and forecast for 2012-2013
Part 1 – Summary of actual 2009, 2010 fiscal outcome, estimates for 2011 and forecast for 2012-2013 (incl. actual, budget and forecasts for recurrent and capital expenditure) Part 2 – Summary of revenue and expenditure for actual 2009, budget 2010, and forecasts 2011-2013 Part 3 – Detailed estimates of revenue for actual 2009, budget 2010, and forecasts 2011-2013 per ministry Part 4 – Detailed estimates of expenditure for actual 2009, budget 2010, and forecasts 2011-2013 per ministry and per item (personnel emoluments, goods & services etc), for recurrent and capital expenditure Section 5 – Detailed estimates of revenue and expenditure of budget dependent entities of Category 2 and 3
Detailed estimates of expenditure for actual 2009, budget 2010, and forecasts 2011-2013 by entity and per item (personnel emoluments, goods & services etc) Section 6 – Detailed capital budget estimates
Capital project expenditure by ministry for coming fiscal year Capital outlays to parastatal organizations and contingency (development grants) Compensation for land acquisition Financing of capital project cost per ministry per project for budget 2011 Section 7 – Statutory statements in accordance with Article 154 of the Constitution
External and domestic debt stock by type of debt (domestic, external: multilateral, bilateral, commercial, bond) per end of fiscal year for past 13 years and provisional for the current year

Table 3.12 gives an overview of our assessment of the budget document “Estimates of expenditure and revenues” (hereafter referred to as “(Budget) Estimates”).

Table 3.12 Elements of information included in the Budget documentation FY2011 of GoS

Elements of Budget documentation	Included?	Notes
Macroeconomic assumptions, incl. at least estimates of aggregate growth, inflation and exchange rate	Yes	The Estimates includes macroeconomic assumptions: estimates of real GDP growth for 3 years ahead, annual inflation rate estimate for the coming year, and the exchange rate. It should be noted that the exchange rate is given in the budget documentation for FY2010 but that there is no explicit

		statement in the budget documentation FY2011. In the latter, only reference to calculations by the NBS is made.[12]
Fiscal deficit, defined according to GFS or other internationally defined standard	Yes	The Estimates includes a summary of fiscal outcome (for FY2011, Section 4, part 1), defined on the basis of international standards
Deficit financing, describing anticipated composition	Yes	The Debt Management Strategy includes an annex with the borrowing plan, including detailed composition of financing (for FY2011, Section 2 part 3).
Debt stock, incl. details at least for the beginning of the current year.	Yes	The estimates include the composition of public and publicly guaranteed external and domestic debt until Oct 30st of the year prior to the fiscal year, and the two years prior to that (for FY2011, Section 2, part three). The document also contains external and domestic debt stock by type of debt (domestic, external: multilateral, bilateral, commercial, bond) per end of fiscal year for the past 14 years and provisional for the current year (section 7).
Financial Assets, incl. details at least for the beginning of the current financial year.	No	AFS includes overview of financial assets (cash and bank balances, remittances, investments, advances and imprest) for the foregoing and current year. The Estimates do not include this information.
Prior year's budget outturn, presented in the same format as the budget proposal.	Yes	The Estimates give detailed estimates of revenue and recurrent expenditure for actual 2009, budget 2010, revised budget 2010, and forecasts 2011-2013, per ministry or department. A summary of capital expenditure, and grant and loan receipts are given for the same years.
Current year's budget (revised or estimated outturn), presented in the same format as the budget proposal	Yes	The Estimates give detailed estimates of revenue and recurrent expenditure for actual 2009, budget 2010, revised budget 2010, and forecasts 2011-2013, per ministry or department. A summary of capital expenditure, and grant and loan receipts are given for the same years.
Summarised budget data for both revenue and expenditure according to the main heads of the classification used, incl. data for current and previous year.	Yes	The Estimates give summarised recurrent expenditure for actual 2009, budget 2010, revised budget 2010, and forecasts 2011-2013, according to administrative classification but not mentioning the heads. Summarised revenue estimates are included for actual 2009, budget 2010, revised budget 2010, and forecasts 2011-2013. A summary of capital expenditure, and grant and loan receipts are given for the same years but only the aggregate.
Explanation of budget implications of new policy initiatives, with estimates of the budgetary impact of all major revenue policy changes, and/or major changes to expenditure programs.	Yes	Section 1 of the Estimates addresses all new policy initiatives. Budget implications are included in the Estimates, given in % of GDP.

[12] However, as it is argued that any reference to a specific value of the exchange rate would carry speculative risk as the exchange rate is market determined and the CBS is committed not to intervene (as stipulated in the MEFP), the PEFA team did not lower the rating.

PI	Dim	Indicator/dimension	Score		Justification
			2008	2011	
6	Comprehensiveness of information included in budget documentation		D	A	See dim (i)
	(i)	Share of the above listed information in the budget documentation most recently issued by the central government (in order to count the full specification of the information benchmark should be met)	D	A	The budget documentation as submitted to legislature for FY2011 includes the 8 components listed above.

3.2.3 PI-7 Extent of unreported government operations

In order to achieve efficient allocation of resources, annual budget estimates, in-year execution reports, year-end financial statements should cover all budgetary and extra-budgetary activities of the central government. Transparency and comprehensiveness is reduced in case that unreported government operations are significant. The extent of un-reported government operations is assessed against two dimensions:

i. unreported extra-budgetary expenditure;
ii. income/expenditure information on donor-funded projects included in fiscal reports.

i. Unreported extra-budgetary expenditure

Unreported extra-budgetary expenditures were not identified. All budget dependent entities (BDBs) are on budget. Category 1 entities are included in the summary and detailed estimates of expenditure (Section 4, parts 2 and 4 of the Budget Estimates FY2011). Section 5 of the Budget Estimates for FY2011 gives detailed estimates of revenue and expenditure of budget dependent entities of categories 2 and 3.

The annual financial statement reflects a number of funds in the CoA. The Sinking Fund collects all privatisation receipts; the Consolidated Fund collects all revenues. The Contingency Fund for disasters – established under the Public Finance Bill Amendment – was established to cover emergency expenditure. The account holds 25 million Rupees and is replenished annually. If money is withdrawn for the Contingency Fund, the MoF is required to provide an explanation to Parliament what the funds were spent on. The Contingency Fund is reported on in the annual financial statements and in the speech in the budget documentation. The Contingency Fund is not to be mistaken with the contingency in the Budget Estimates. The contingency was included in the Appropriation Bill since the 2010 budget. Pension Fund contributions and Social Security Fund are included in the budget (since 2011 and 2009, respectively). The former has the status of a public enterprise and is therefore only included in the budget for reporting purposes.

All internal revenues are included in the budget. The Central Bank of Seychelles notifies the MoF if any of the ministries holds commercial bank accounts. Prior to 2009, agencies did have separate bank accounts, and not all revenues were included in the Consolidated Fund. Since the reclassification policy, budget dependent entities are no longer allowed to hold bank accounts, except for specific purposes (i.e. related to operational issues, e.g. temporary account related to training) and with approval of the Ministry of Finance.

Revenues of category 3 budget dependent entities go to suspense accounts instead of the Consolidated Fund and are therefore recorded in the Annual Financial Statements. These entities use the Treasury Single Account if they receive more than 50% of their recurrent cost from the Government.

ii.Income/expenditure information on donor-funded projects included in fiscal reports

Donor-funded project support is reported in the budget estimates under the heading “Total revenue and grants / Grants”. Capital projects are classified in the Budget Estimates by project and by ministry/department, for the current year.

If ministries/departments or budget dependent entities receive funding from a donor, the Ministry of Finance is notified. The Auditor General identified one donor-funded project which was not included in the Development Fund, a UNDP-financed project to support NGoS. Against its normal policy of using national procedures, UNDP provided direct financing in this case due to the large number of stakeholders involved in the project.

The Budget Estimates include Capital projects by grant financing (cash grant or benefit in-kind), loan financing, and domestic financing for the foregoing 2 years, the current year and the two outer years (Section 4, part 2). All receipts from donors (loans and grants) are included in the Development Fund. The Annual Financial Statements include the Development Fund’s aggregate balance, receipts, movements in grants/loans in transit accounts, and expenditure per project. Three projects were identified that did not appear on the budget in FY2010 (see Table 3.13 below). These projects – that are agreed upon between the Ministry of Health and the donor – are included in the budget in FY2011 and amount to 0.2% of total planned capital expenditure in 2011.

Table 3.13 Unreported capital projects

Projects with commercial bank accounts	Donor	Total project cost (in 1,000 Rupee)	Estimated project cost 2011 (in 1,000 Rupee)	On budget?
Ministry of Health - Phime project	Phime	4,000	1,500	2010: no. 2011: yes.
Ministry of Health – Child Development Study	Rochester University	900	500	2010: no. 2011: yes.
Reproductive Health Study	UNFPA	1,500	500	2010: no. 2011: yes.
Share of total capital budget FY2011			**0.2%**	

PI	Dim	Indicator/dimension	Score		Justification
			2008	2011	
7	Extent of unreported government operations		A	A	Scoring method M1 'weakest link'
	(i)	Level of unreported extra-budgetary expenditure	A	A	No extra-budgetary expenditure was identified.
	(ii)	Income/Expenditure information on donor-funded projects	A	A	For FY2011, all donor-funded projects were included in fiscal reports.

3.2.4 PI-8 Transparency of inter-governmental fiscal relations

Not applicable as the Republic of Seychelles has no sub-national government.

3.2.5 PI-9 Oversight of aggregate fiscal risk from other public sector entities

Given the political responsibility for financial default, central government has an oversight role in relation to other public sector entities, such as sub-national (SN) government, autonomous government agencies (AGA) and public enterprises (PE). Central government's monitoring of these fiscal risks should enable it to take corrective measures arising from actions of these other public sector entities in line with the accountability arrangements. This indicator assesses:

i. the extent of central government monitoring of AGAs and PEs;
ii. the extent of central government monitoring of SN governments's fiscal position.

i. Monitoring of the fiscal position of AGAs and PEs

Public Enterprises
In September 2009, the GoS passed the Public Enterprise (Monitoring) Act, and established the Public Enterprise Monitoring Division (PEMD). The PEMD has four staff members (the director, three senior auditors and the office assistant). Establishing a PEMD was one of the benchmarks included in the Memorandum of Economic and Financial Policies (MEFP) as a part of the Stand-By Arrangement with the IMF (which started late 2008). In 1999, MoF established a department overseeing parastatals but this department was cancelled after a few years. Public enterprises were not bound by any law on reporting requirements before the PE Act, which made it difficult for the GoS to control PEs.

According to the law, the functions of the PEMD are:

- to monitor and review the fiscal affairs and budget of each public enterprise (PE) on a regular basis;
- to establish for each PE a performance target based on periodic reviews of its operational, performance and financial reports;
- to identify problems of any PE in producing its accounts and budgets and assist in providing or arranging for technical assistance to such PE;

- to submit from time to time to the Cabinet a report on the past performance and future plans of each PE.

The major PEs in the Seychelles are the Public Utilities Corporation (PUC), the Seychelles Petroleum Company (SEPEC), and the Seychelles Civil Aviation Authority (SCAA). Regarding the state-owned bank – Seychelles Savings Bank and Nouvobanq –, the Government is expected to formulate a privatization strategy by the end of June 2011 (announced in the Budget Estimates 2011).

Reporting requirements of PEs and of PEMD are included in the law. PEs should submit:
- a statement of corporate intent within one month after the commencement of the fiscal year (incl. objectives, scope of activities, ratio of shareholders' funds to the value of the total assets of the PE, performance target, estimated dividends, estimated commercial value of Government investments and when this value is reassessed);
- an annual report, within three months after the end of its financial year, together with annual audited accounts as well as any audit reports, to the Minister of Finance, the responsible minister and the PEMD. Annual reports will be laid before the National Assembly;
- a monthly report to the PEMD within fifteen days after the end of the month, including details of debt performance;
- estimates of profit and loss, capital expenditure, cash flow and balance sheet projections in respect of the next financial year, when requested by the PEMD;
- The PEMD submits to the responsible minister a report on the past performance and future plans of the PE.

The table below gives an overview of compliance with fiscal reporting by PEs and budget dependent bodies. About 90% of public enterprises submit the year-end annual report including audited accounts and audit reports to PEMD, who sends it through to the National Assembly.

Table 3.14 Last audited accounts sent to the PEMD (per February 2011)

	Public enterprises	**Last Audit Financial Statement received**
1	Public Utilities Corporation (PUC)	2009
2	Seychelles Petroleum Company Ltd. (SEPEC)	2009
3	Seychelles Civil Aviation Authority (SCAA)	2009
4	Air Seychelles Ltd.	2009
5	Development Bank of Seychelles	2009
6	Housing Finance Company	2009
7	Island Development Company	2009
8	*Property Management Corporation*	*n/a*
9	Seychelles Public Transport Corporation	2009
10	Seychelles Trading Company	2009
11	Seychelles Pension Fund	2009
12	*Seychelles Port Authority*	*2008*
13	Praslin Transport Corporation	2009

Source: PEMD.

PEMD does not yet fully comply with its functions as set out in the law. It has not been able to provide a consolidated report of fiscal risk issues of PEs and budget dependent bodies since its establishment. An annual report was produced in 2009, but this did not include all PEs and budget dependent bodies. PEMD is currently working on the Annual report – the “Handbook” – for 2010.

Besides PEMD, the Ministry of Finance also has a Fiscal & Management Audit Specialist (FMAS), who reports directly to the (Vice-) President. The FMAS performs the audits of PEs, submits his reports to the (Vice-) President.[13] The report is presented to the Board of the PE, and PEMD monitors implementation of recommendations. In one case, of the Seychelles Land Transport Authority, corrective actions were taken after fiscal risk issues were identified.

Budget Dependent Bodies

The PEMD is also responsible for oversight of some budget dependent bodies (BDBs). The latter have been reclassified according to the ‘Application strategy on the reclassification and standardization of budget dependent bodies in the Seychelles’, which is included in Section 2 of the Budget Estimates for FY2011. Budget dependent bodies are grouped in three categories. PEMD is responsible for monitoring of category three BDBs:

1 Public bodies providing essential government services;
2 Regulatory bodies;
3 Public bodies providing non-government services
   a Public bodies with a social function;
   b Public bodies with a development function;
   c Public bodies providing a communication and education function.

All budget dependent entities (BDBs) are on budget. Category 1 entities are included in the summary and detailed estimates of expenditure (Section 4, parts 2 and 4 of the Budget Estimates FY2011). Section 5 of the Budget Estimates for FY2011 gives detailed estimates of revenue and expenditure of budget dependent entities of categories 2 and 3. Budget dependent bodies are monitored based on the Public Finance Monitoring & Control Act, as well as individual act per body. AOG performs audits on categories 1 and 2. Since most bodies were set up in the past 2 years, they are not yet fully established. The regulatory framework is not uniform on provisions. The OAG 2009 report identified delays in the production of audited financial statements (Seychelles International Business Authority, National Emergency Foundation), outstanding debt (Seychelles Heritage Foundation), and accounting errors (Seychelles Tourism Board). Table 3.15 gives an overview of the main budget dependent bodies.

[13] According to PEMD, the FMAS is not a part of the PEMD team as his responsibilities are beyond PEs only, e.g. to advise the Vice-President in the field of: Combating corruption and bribery of Public Officials, Auditing the Hotel & Resort Financial Results; Auditing of the Parastatal Companies, Public Departments, Councils; Development of a Hospitality Industry Management Institute.

Table 3.15 Last audited accounts sent to the PEMD (per February 2011)

	Main budget dependent body	Last Audit Financial Statement received
14	*Landscape and Waste Management Agency*	*n/a*
15	Seychelles Land Transport Agency	2009
16	*Seychelles Fishing Authority*	*n/a*
17	Seychelles National Parks Authority	2008
18	Seychelles Tourism Authority	2006
19	Seychelles Bureau of Standards	2008
20	*National Drugs Enforcement Agency (Authority)*	*n/a*
21	National Youth Council	2009
22	National Sports Council	2006
23	Seychelles Broadcasting Corporation	2008

Source: Application Strategy on the Reclassification and Standardization of Budget Dependent Bodies in Seychelles, PAR Programme, December 2010; Public sector organisations directory, Department of Public Administration, June 2008.

ii. Monitoring of sub-national governments

Not scored.

PI	Dim	Indicator/dimension	Score 2008	Score 2011	Justification
9		Oversight of aggregate fiscal control	C	C	Scoring Method M1: weakest link
	(i)	Extent of central government monitoring of AGAs/PEs	C	C	Most major PEs submit audited financial statements on an annual basis. The GoS does not consolidate fiscal risks into a report.
	(ii)	Extent of central government monitoring of SN government's fiscal position	n.a.	n.a.	

3.2.6 PI-10 Public access to key fiscal information

Transparency will depend on whether information on fiscal plans, position and performance of the government is easily accessible to the general public or at least interested groups. Public access to the following elements of information is considered to be essential: (i) annual budget documentation; (ii) in-year budget execution reports; (iii) year-end financial statements; (iv) external audit reports; (v) contract awards; and (vi) resources available to primary service units.

Table 3.16 summarises the public access of the various elements of information.

Table 3.16 Availability to the public of government's fiscal information

	Elements of information	PEFA-norm	Public Access
(i)	Annual budget documentation	A complete set of documents can be obtained by the public through appropriate means when it is submitted to the legislature	Yes. The entire budget documentation sent to Parliament can be obtained from the Ministry of Finance. The MOF used to send hardcopies to all ministries, CBS, NBS, development partners and IMF and WB. In the first year under the IMF program (which started in October 2008), there was high demand for the budget estimates. About 140 were printed and available for about 150 Rupees. In 2010, there were no requests. The 2011 budget documentation is currently being printed. The budget speech is published in a national newspaper in Creole and available on request. The budget is extensively discussed on TV (e.g. news, interviews with government officials) and in newspapers.
(ii)	In-year budget execution reports	The reports are routinely made available to the public through appropriate means within one month of their completion	Partially. The MOF started to publish monthly and quarterly reports since 2010 but not all reports were published. Monthly and quarterly reports – if published – are put on the website within 15 and 30 days, respectively. Not routinely.
(iii)	Year-end financial statements	The statements are made available to the public through appropriate means within six months of completed audit	Yes, Annual Financial Statements are available as soon as they are audited.
(iv)	External audit reports	All reports on central government consolidated operations are made available to the public through appropriate means within six months of completed audit	Yes, all audit reports are available to the public within six months of completed audit. The AOG issues an Annual Report, as well as in-year reports of MDAs. The reports are for sale at printing cost, and the Annual Reports 2008 and 2009 are available on www.oag.sc.
(v)	Contract awards	Award of all contracts with value above approx. USD 100,000 equiv. are published at least quarterly through appropriate means	Yes, the Procurement Oversight Committee publishes awards of all contracts above 150,000 Rupees in the national newspaper Seychelles Nation every 2 months. This is a legal requirement (Public Procurement Act, 2008). Awards are not yet published on GoS website but this is forthcoming.
(vi)	Information on resources for primary service units	Information is publicized through appropriate means at least annually, or available upon request, for primary service units with national coverage in at least two sectors (such as primary schools or health clinics).	Partially. The GoS publishes the school budget for all schools in the Budget Estimates since the 2011 budget. Schools receive this information from the Ministry of Education. Health care clinics do not receive this information.

PI	Dim	Indicator/dimension	Score		Justification
			2008	2011	
10	Public access to fiscal information		B	B	See dim (i)
	(i)	Number of the above listed elements of public access to information that is fulfilled (in order to count the full specification of the information benchmark must be met)	B	B	The GoS makes available four of the 6 listed types of information.

3.3 Policy-based budgeting

The indicators in this group assess to what extent the central budget is prepared with due regard to (medium term) government policy. The table below summarises the assessment.

Table 3.17 Assessment of performance indicators in the domain of Policy-based budgeting

No	Performance indicators	2008	2011
11	Orderliness and participation in the annual budget process	B	B+
12	Multi-year perspective in fiscal planning, expenditure policy and budgeting.	C	C

Though not reflected by better scores, the Government of Seychelles did make significant progress in the budget preparation process: the documentation accompanying the budget circular includes a ceiling for recurrent expenditure per administrative unit and a multi-year perspective has been introduced for the first time in the FY2010 budget.

The challenges in budget preparation largely remain in the multi-annual perspective. As the national development plan is being revised and sector strategies still need to be updated and costed, the multi-year policy perspective of the budget is currently little developed. Also, the recurrent implications of capital projects are mostly not yet taken into account. Another challenge is observed in the annual budget preparation. The budget calendar has been improved but line ministries have not always received enough time to prepare their budget submissions and, as a result, some delays were experienced in recent years.

More details are outlined in the sections to follow.

3.3.1 PI-11 Orderliness and participation in the annual budget process

This indicator reflects the organisation of the annual budget process. While the Ministry of Finance drives the annual budget formulation process, it is considered to be important that MDAs as well as political leadership fully participates. Dimensions to be assessed are:

i. existence and adherence to a fixed budget calendar;
ii. clarity/comprehensiveness of and political involvement in the guidance on the preparation of submissions (budget circular or equivalent);
iii. timely budget approval by the legislature or similarly mandated body (within the last three years).

i. Existence and adherence to a fixed budget calendar

The Financial Planning and Control Division of MoF starts annual budget preparation with a budget circular which contains a clear calendar including the main dates and milestones. Table 3.18 shows the calendar for the preparation of the Budget Estimates 2011. Line ministries confirm that the calendar is clear.

Table 3.18 Budget Calendar fiscal year 2011

Dates	Activities
April	Annual Policy Review: bilateral meetings with each line ministry
April	Policy decisions by Cabinet of new policies to be effected in the next year's budget
April	Calculation of economic assumptions
1st week of June	Seek Cabinet approval of Budget Strategy including Policy document
June	Each ministry's budget ceiling is established
End of June	Issue the budget circular and the ministry's budget ceiling
End of July	Ministries submit the allocations of their budget ceilings
August	Review ministry's allocation and organized Budget review meeting: bilateral meetings with each line ministry if necessary
Early September	Prepare 1st Draft: Review by Principal secretary and discuss with Minister of Finance
Mid September	Prepare 2nd Draft and discuss with Minister
Late September	Final Draft: seek President's approval
Mid October	Present the budget to the Cabinet
November	Finalization of the budget
Mid November	Gazette the budget (15 days prior to the presentation to the National Assembly)
1st week of December	Presentation of the budget by Minister of Finance to Parliament

The budget circular for the FY2011 and the two outer years 2012 and 2013 was sent out by the Ministry of Finance to line ministries and budget dependent bodies on 30 July 2010. The calendar should allow the MDAs 4 weeks for submission of budgets. However, the deadline for MDAs to deliver their budget estimates was 20 August 2010, which allowed the MDAs only 3 weeks to prepare their budget submission. The letter attached to the circular also states that the MoF expects that budget discussions with ministries, departments and parastatal organisations will take place in September, whereas the budget calendar for FY 2011 refers to August for budget discussions.

In practice, line ministries anticipate on the budget calendar and therefore start budget preparation prior to the reception of the budget circular. For example, the Ministry of Education sends the budget format to their institutions with an end-June deadline, to be able to submit their budget to the MoF end of August. Budget submissions by line ministries are however delayed by two to three weeks, in particular submissions by the Ministry of Health and the Ministry of Education.

ii. Clarity/comprehensiveness of and political involvement in the guidance on the preparation of submissions (budget circular or equivalent)

Since the budget preparation for FY2011, line ministries receive the budget circular with in the accompanying email a ceiling for one year for recurrent expenditure, and are asked to prepare budget estimates for the coming budget year and two out years. The ceiling that is communicated to line ministries is approved by Cabinet. Prior to 2010, budget institutions received the ceiling at a later stage. The budget circular does not include a ceiling for capital expenditure. For the capital budget, line ministries are asked to submit draft estimates of all capital expenditures for the budget years and three out years, for ongoing and new projects.

The budget circular for FY2011 mentions that the capital expenditure program will be presented to the National Assembly for its approval. Since FY2010, the National Assembly approves the capital budget on a project level and recurrent expenditure estimates per ministry/department.

Line ministries receive the list with approved projects, as included in the budget estimates. Throughout the year, projects can be deferred if needed, after discussion with the MoF and the line ministry. The Ministry of Education received the capital funds in the past three years according to the list.

iii. Timely budget approval by the legislature or similarly mandated body (within the last three years)

Seychelles has a majority government, which makes the approval procedure in Parliament a rather swift process. The approval of the budget by the Parliament was before start of the fiscal year in the past three years.

PI	Dim	Indicator/dimension	Score		Justification
			2008	2011	
11		Orderliness and participation in the annual budget process	B	B+	Scoring Method M2: average of scores
	(i)	Existence of and adherence to a fixed budget calendar	B	B	A clear annual budget calendar exists, with some delays in its implementation. For instance, in FY2011, ministries/ departments were only given three weeks to complete their detailed estimates. Some large ministries submitted the budget estimates to MOF with a delay of two to three weeks.
	(ii)	Clarity/comprehensivenesss of and political involvement in the guidance on the preparation of budget submissions	D	B	The budget circular is clear and comprehensive and includes a ceiling for recurrent expenditure per administrative unit that has been approved by Cabinet prior to the circular's distribution.[14]
	(iii)	Timely budget approval by the legislature (within the last three years)	A	A	The approval of the budget by the Parliament was before start of the fiscal year in the past three years.

14 The lack of similar ceiling for capital expenditures in the budget circular per administrative head is not considered by the PEFA Secretariat sufficient reason to degrade the rating into a 'c'.

3.3.2 PI-12 Multi-year perspective in fiscal planning, expenditure policy and budgeting

This indicator looks at the link between budgeting and policy priorities from the medium term perspective and the extent to which costing of the implications of policy initiatives are integrated into the budget formulation process. In particular, it assesses the following:

i. Preparation of multi-year fiscal forecast and function allocations;
ii. Scope and frequency of debt sustainability analysis;
iii. Existence of sector strategies with multi-year costing of recurrent and investment expenditure;
iv. Linkages between investment budgets and forward expenditure estimates.

i. Preparation of multi-year fiscal forecast and function allocations

The Ministry of Finance introduced a multi-year perspective for the first time in the FY2010 budget. Forecasts of fiscal aggregates are prepared for the two out years and are included in the budget documentation following the budget's administrative/economic classification.

In the last three years, GoS has maintained a multi-year fiscal strategy as outlined in the MEFP. The MEFP has outlined the Government's multi-year fiscal commitments, its multi-year reform program, and its sectoral and reform priorities. As the Government's national reform priorities focused on macroeconomic stabilisation following the crisis in 2008, the MEFP embodied the core of the governments' development strategy. As the Government transitions out of this crisis recovery, it will adopt a more conventional National Development Plan or Medium Term Development Strategy.

Although the budget speech refers to multi-year programs, the Ministry of Finance does not yet clarify in the budget documentation the reasons behind deviations from the forecast and the budget estimates, and the links between multi-year estimates and subsequent setting of annual budget ceilings are not explained.

ii. Scope and frequency of debt sustainability analysis

The IMF has carried out debt sustainability analyses since 2008. The first debt sustainability analysis, annexed to the Art. IV Consultation published in December 2008, covers public domestic and external debt and concludes that "Seychelles' public debt is unsustainable. The analysis argues that this remains the case even if a strong and sustained fiscal adjustment is implemented. A comprehensive public debt restructuring is critical for restoring debt sustainability. Nevertheless, Seychelles is likely to remain highly vulnerable to a wide variety of shocks for an extended period of time. Against this background, engagement in constructive good-faith discussions with all external creditors is critical."

The DSA was regularly updated by the IMF. The first review under the Stand-By Arrangement, published in April 2009, annexes an updated DSA covering external and domestic debt. The third review under the Stand-By Arrangement, published in January 2010, updates the DSA for external and domestic debt. The most recently DSA, updated for both external and domestic debt and annexed to the Article IV consultation published in January 2011, concludes that "debt sustainability analysis indicates that as a result of the restructuring of most external debt (including a substantial reduction in NPV terms) and strong fiscal adjustment under the program, public debt appears to have a long-run downward path toward sustainability."

Domestic debt declined from 74.1 % of GDP to 30.8% of GDP in 2010 (projection). External debt was projected to decline from 77.9% of GDP to48.3% of GDP in March 2011 (preliminary estimate).

iii. Existence of sector strategies with multi-year costing of recurrent and investment expenditure

The Seychelles Strategy 2017 outlines the strategic objectives for the tourism sector, the fisheries sector and the financial market sector. The Strategy also gives a half page description of the objective in the other sectors. Line ministries have prepared strategies based on the 2017 Strategy. As the 2017 was drafted in 2007, the economic reform programme adopted in 2008 reduced the validity of the sector strategies. The current sector strategies are neither updated nor costed.

Both the Ministry of Health and the Ministry of Education are working on revised sector strategies, the latter in combination with an education sector reform programme. The EU is providing technical assistance to develop a Medium Term Expenditure Framework in the education sector. A realistic macroeconomic and fiscal framework is a necessary precondition for the implementation of costed sector strategies. The country is currently addressing the issues of debt sustainability with positive outcome and is putting in place the appropriate fiscal and monetary policies for the development of a realistic fiscal / macroeconomic framework.

iv. Linkages between investment budgets and forward expenditure estimates.

The Ministry of Finance is aware of the implications of capital expenditure on the recurrent budget. In the last budget circular, line ministries were asked to submit draft estimates of all capital expenditures for the budget years and three out years, including the implications of the projects on the future year's recurrent budget.

In practice however, line ministries do not yet take into account implications of capital projects on the recurrent budget. As a result, recurrent cost estimates of capital projects are in general not included in the recurrent budget. The main sectors in which capital expenditure takes place are the health sector, education sector and infrastructure sector (e.g. roads). After the construction of housing, the Housing Finance Company takes over and provides the recurrent costs. The Defence Coast Guard investment in vessels was announced just before the budget was presented and therefore no linkage to the recurrent budget was made.

PI	Dim	Indicator/dimension	Score		Justification
			2008	2011	
12		Multi-year perspective in fiscal planning, expenditure policy and budgeting	C	C	Scoring Method M2: average of scores
	(i)	Multi-year fiscal forecast and functional allocations	D	C	Forecasts of fiscal aggregates are prepared for the two out years. Deviations from the forecast and the budget are not explained in the budget documentation.
	(ii)	Scope and frequency of debt sustainability analysis	A	A	A DSA covering domestic and external debt has been undertaken by the IMF during the last three years.
	(iii)	Existence of costed sector strategies	C	D	No costed sector strategies exist or are out-dated as the economic recovery program started which in 2008 reduced the validity of the overall long term vision Seychelles Strategy 2017.
	(iv)	Linkages between investment budgets and forward expenditure estimates	D	D	Recurrent cost estimates of capital projects are in general not included in the recurrent budget.

3.4 Predictability and control in budget execution

The domain of 'predictability and control in budget execution' contains a set of indicators to assess whether the budget is implemented in a predictable manner and there are arrangements for the exercise of control and stewardship in the use of public funds. Table 3.19 summarises the assessment of indicators in this domain.

Table 3.19 Assessment of performance indicators in the domain of 'predictability and control in budget execution'

No of PI	Performance indicators	2008	2008 recalibrated	2011
13	Transparency of tax payer obligations and liabilities	B	C+	B+
14	Effectiveness of measures for taxpayers registration and tax assessment	B	D+	C
15	Effectiveness in collection of tax payments	C+	D+	D+
16	Predictability in the availability of funds for the commitment of expenditures	C+		B+
17	Recording and management of cash balances, debt and guarantees	C+		A
18	Effectiveness of payroll controls	B+		B+
19	Competition, value for money and controls in procurement	D+	n.a.	B
20	Effectiveness of internal controls for non-salary expenditure	C		C
21	Effectiveness of internal audit	B		C

In the domain of revenue collection, improvements in transparency of taxpayers' obligations and liabilities have resulted from making the legislative framework clearer and more comprehensive including the removal of tax exemptions and other discretionary powers. A tax appeal system of transparent administrative procedures is completely set up and functional, but it is too early to assess its effectiveness. Also, the effectiveness of taxpayer registration and tax assessment has improved due to the introduction of penalties for non-compliance with registration and declaration obligations. No change in the overall performance related to effectiveness in collection of tax was identified as the debt collection ratio of the stock of collection arrears has decreased. The scores of all three indicators in the revenue domain were recalibrated based on the available evidence that PEFA 2008 has scored each of these dimensions too positively.

In the domain of liquidity management, the predictability in the availability of funds has been significantly improved as result of the elimination the weekly commitment ceilings in Forex and closer coordination between the CBS and the Treasury. Also, the management of public debt was improved with the introduction of a new Public Debt Management Act Extent which in particular resulted in more transparent procedures for contracting loans and issuance of guarantees. Further, consolidation of the Government's cash balances has improved as result of the establishment of a Treasury Single Account.

In the domain of expenditure controls, the procurement system was significantly strengthened through introducing a new legal framework for public procurement which in particular make open tender a default procurement method, requires more transparency in respect to public procurement and established a procurement objections mechanism. No changes were observed in the effectiveness of expenditure controls in the payroll and the non-salary expenditures.

To the downside, the performance in the domain of internal audit has slipped somewhat. Lack of sufficient trained auditors is at the roots of this deterioration.

3.4.1 PI-13 Transparency of taxpayer obligations and liabilities

The process of mobilising revenues from economic activities in the country starts with defining the liabilities of taxpayers and ensuring involvement and cooperation of taxpayers. Their contribution to ensuring overall compliance with tax policy is encouraged and facilitated by a high degree of transparency of tax liabilities, including transparency of legislation and administrative procedures, access to information in this regard, and the ability to contest administrative rulings on tax liability. This indicator assesses the transparency of tax administration by reviewing:

i. Clarity and comprehensiveness of tax liabilities;
ii. Taxpayer’s access to information on tax liabilities and administrative procedures;
iii. Existence and functioning of a tax appeals mechanism.

Revenue administration on Seychelles is the responsibility of the Seychelles Revenue Commission (SRC) which was established in 2009. Domestic revenue from taxes in the Seychelles constitutes about 90% of total government domestic revenue. The main sources of domestic tax revenue are the Goods and Services Tax (GST), Traders Tax and Business Tax which account for about 78% of the tax revenue and contribute correspondingly with about 42%, 16% and 20% of domestic tax revenues.

i. Clarity and comprehensiveness of tax liabilities

Revenue administration on Seychelles is guided by the following main legislation and regulations:

- Seychelles Revenue Commission Act, 2009 and 2008
- Revenue Administration Act, 2009
- Business Tax Act, 2009 (1987)
- Income & Non-Monetary Benefits Tax Act, 2010
- Value Added Tax (VAT) Act 2010, Act 35 of 2010
- Good and Services Tax Act (2001) and Regulations (2003)
- Excise Tax Act, 2009
- Trades Tax Schedule (2009) and Regulations (1997)
- Seychelles Business Number Act, 2009
- Social Security Act, 2010, 2008 and 1987

The legislation is comprehensive and covers all major taxes. The Customs operates under the Trades Tax Act (1997) and its Regulations. However, a new Customs Management Act, is expected to be introduced. Other ongoing activities include the move from ASYCUDA ++ to ASYCUDA World.

Most of the regulations have been modified in the last years. The shortcomings of the old system which was characterised by many differentiated rates of tax, high overall tax rates for businesses, a significant number of exemptions, distortions and inefficiencies have encouraged a fundamental tax reform which was launched in 2009. The reforms efforts were guided by a reform strategy which was prepared and implemented with the assistance from the IMF. The modernisation of the legal framework included the introduction of a new business tax code (which included broadening of the business tax base by removing exemptions and sectoral preferences); introduction of excise tax in 2010; a personal income tax which was introduced in 2010 (to improve transparency, efficiency, and fairness), and the approval of the VAT legislation in 2010 (to improve the efficiency of the indirect tax system and external competitiveness) which will become effective in 2012. While major upgrades were on the tax policy side, significant changes were also on the revenue administrative side. Most important is the introduction in December 2009 of the Revenue Administration Act governing all administrative issues surrounding legislation administered by the SRC. In particular it established a tax appeal system and ensured removal of many discretionary powers.

Given that tax regulations have undergone fast modernisation, government authorities and representatives of the private sector and Association of Seychelles Accountants recognise that the tax legislations as result of which few acts were rushed and there are still a number of errors (though not major) and inconsistencies in the legislation/regulations which are currently being dealt with. An example of such inconsistency is the different interpretation by the taxpayers of the requirement for mandatory self-assessment to the Business Tax. The Business Tax Law (sections 57, 58) do not explicitly state that the self-assessment is mandatory and gives room for different interpretation. A SRC circular however emphasises that the self-assessment is mandatory. Further, the self-assessment form is not yet adapted to all industries. The legislation does not specify the time period within which the SRC has to refund back the taxpayers when applicable. LUNGOS and SCCI expressed some concerns about SRC being late with refunding after assessment has been done at the end of the year. While the changes which took place during the last two years are overwhelming for the taxpayers, it is believed that the new legal framework is clearer despite the few inconsistencies which are being dealt with.

The responsibility to administer domestic taxes is vested in the Revenue Commissioner. The Revenue Administration Act gives the Revenue Commissioner *fairly limited* discretion. This is mainly in respect to extension of time to serve notice of an objection (section 15) and extension of time to pay revenue due or permission to pay revenue due in instalments (section 22); remit any additional tax payable for failure to furnish a return (section 45); penalties for failure to register or improper use of TIN (section 49). The Business Tax Act gives the Minister's discretion in respect to exemption of income from tax (section 12) and transfer pricing (section 54) when administering the Act. The GST Act limits discretionary powers except in the area of the application of penalties where only broad guidelines are provided. Minimum penalties and fines are set but these may be discretionary (section 69 and 136). Further, while the penalty for late payment is predetermined, the GST act allows the Commissioner to remit a penalty or additional tax at his own discretion (section 39). While there are some discretionary powers provided to SRC in the waiving of penalties these in practice are guided by internal policy documents and procedures.

ii. Taxpayer access to information on tax liabilities and administrative procedures
There is good access to information on the laws, regulations and procedures to facilitate the taxpayer to comply with his obligations. The SRC has established a reform unit which deals with *tax payer education*. It organises tax education campaigns regularly using television and radio, newspapers to educate the taxpayers. For example, the SRC is allocated a slot in the national newspaper each Friday to address specific issues considered important for the education of the taxpayers. In 2010 it organised an Open Day, two meeting for customs agents and importers and various other workshops in Victoria, Praslin and La Digue. One of the main sources of information is the SRC *website* which was launched in 2009 and incorporates information on major tax laws.

There are four *Advisory Centres* at the moment which provide assistance to the taxpayers. Two centres are located in Victoria and respond to general inquiries but also assist the tax payers with registering their business, settling their tax liabilities (e.g. payments with Business Activity Statement (BAS) Form) and provides electronic services which allow organisations to manage their accounts (e.g. submit monthly their payroll in electronic form). There is also one Advisory Centre on Praslin Island and one on La Digue, whereby taxpayers can settle their tax liabilities and also seek advice on general tax enquiries. Further, in addition to educational campaigns, in 2010 the SRC established a Forum to consult and discuss the new tax legislation and proposed changes with broader group of relevant stakeholders including non-government and civil society. Most recently SRC requested comments on the VAT legislation and the New Company's act. It is premature however to judge to what extent the SRC will include take into consideration the received comments. The SRC launched at the end of 2010 a customer survey (questionnaire) which should assist SRC to measure the satisfaction levels of the taxpayers. Until now the response rate was low and the deadline for submission of questionnaires was extended to March 2011.

All information on tax laws and procedures is available to public only in English. For non-English speaking taxpayers assistance is provided on demand. The RSC made an attempt to publish articles and other educational materials in Creole but found it difficult to translate professional terminology in Creole. Given the small size of the country and the limited number of taxpayers who do not comprehend English, however, providing assistance in Creole on demand is considered to be manageable and effective. None of the representative from the civil society and private sector reported this as deficiency.

iii. Existence of tax appeal mechanism
There is a clearly established and hierarchical mechanism for dealing with objections and appeals. The objections and appeal process is set out in the Revenue Administration Act (Part IV). The appeal process is comprised of four appeal levels. These are objection to the Revenue Commissioner, appeal to the Revenue Tribunal, the Supreme Court and the Court of Appeals. A taxpayer may object a decision of the Revenue Commissioner in writing within 60 days of the decision notice. The act does not specify however the timeframe within which the Revenue Commissioner shall take a decision on the objection. If the taxpayer is dissatisfied with the objection decision he may further apply to the Revenue Tribunal within 30 days after decision notice. The legal framework does not specify the timeframe within which the authorities should take a resolution on the

objection. The Revenue Tribunal is established by the Revenue Administration Act (Part XII) and is independent in terms of its organisational structure and appointments of its members. The members of the Revenue Tribunal are nominated by the Minister but the Chairman, a Judge of the Supreme Court, is appointed by the Chief Justice. If still not fully resolved then the objecting taxpayer may appeal further to the Courts.

The table below present an overview of the number of objections received and dealt with by the Revenue Commission during the last three years. The figures show that the objections system works rather effectively. The SRC reports that objections are resolved fairly quickly for the most part. There are at the moment 5 appeal cases which are with the Court. SRC authorities report that two of these cases have been with the Court for longer than 2 years now. Apparently the Court is lacking capacity and tax cases are not considered to be a priority. There are no specialised Tax Courts on the Seychelles.

Table 3.20 Statistics on Tax Objections (number of cases) received by the Revenue Commissioner

	20080	2009	2010
Nr. of objections at the beginning of the year	14	38	21
Nr. of objections received	41	36	36
Nr. of objections dealt with	17	53	23
Nr. of objections outstanding at year end	38	21	34

Source: SRC.

The Revenue Tribunal was established only in 2010 and consequently there were no cases put forward for its examination. Consequently, no comments can be made about the functionality and effectiveness of the Revenue Tribunal.

PI	Dim	Indicator/dimension	Score		Justification
			2008	2011	
13		Transparency of taxpayers obligations and liabilities	C+	B+	Scoring Method M2: average of scores
	(i)	Clarity and comprehensiveness of tax liabilities	C[15]	B	Legislative framework for major taxes is generally clear and comprehensive. As result of the recent changes in the tax framework some of the changes are still not very clearly and consistently reflected in the legislation and regulation (e.g. transfer pricing). While there are some discretionary powers provided to SRC (e.g. in the waiving on penalties) these are not strictly limited but are in practice are guided by internal policy documents and procedures.

15 Justification for change in score: Given the extensive number of exemptions and discretionary powers which existed back in 2008, the authors consider that a C score for this sub-indicator would be a true reflection of the situation in 2008. Since then, revenue administration has been strengthened in particular as result of making the legislative framework more clear and comprehensive, setting up a appeal mechanism and tax policy measures including the removal of tax exemptions and other discretionary powers (e.g. the exemption on interest income by companies; repeal of all discretionary exemptions in the Trade Tax and Business Tax Acts).

PI	Dim	Indicator/dimension	Score		Justification
			2008	2011	
	(ii)	Taxpayer access to information on tax liabilities and administrative procedures	B	A	Tax payers have ready access to comprehensive and up to date information on tax obligations and administrative procedures. Advisory centres have been established in 2009 on the main islands i.e. Mahe, Praslin and La Digue.
	(iii)	Existence and functioning of a tax appeals mechanism	C	B	Tax appeal comprises three main levels: objection, appeal to the Revenue Tribunal and the law courts. Data on objections demonstrate the objectives system to be rather effective. A tax appeal system of transparent administrative procedures is completely set up and functional, but it is too early to assess its effectiveness.

3.4.2 PI-14 Effectiveness of measures for taxpayer registration and tax assessment

Effectiveness in tax assessment is ascertained by an interaction between registration of liable taxpayers and correct assessment of tax liability for those taxpayers. Effectiveness is determined by reviewing the following elements:

i. Controls in the taxpayer registration system;
ii. Effectiveness of penalties for non-compliance with registration and declaration obligations;
iii. Planning and monitoring of tax audit and fraud investigation programs.

i. Controls in taxpayer registration system

There are three ways to register as a taxpayer. First, any business may be registered with the Seychelles Licensing Authority (SLA) and apply for a Seychelles Business Registration Number (SBN). With the introduction of the new Licensing Act not all new businesses need to register with the SLA[16] fact that undermines the comprehensiveness of the active businesses and consequently possibility to assess to what extent all eligible taxpayers fulfil their obligations. SLA updates its records on a monthly basis. Taxpayers can voluntarily register with the SRC by applying for a Tax Identification Number (TIN). This number is generated by computer and is unique. Finally a taxpayer may register with a line ministry which is responsible for collection of special revenue.

At this time there are no links managed between the main tax registration databases (e.g. SBN and TIN) neither with any of the other government registration systems that involve elements of taxable turnover and assets e.g. vehicle registration, driver’s license or financial sector databases. Efforts are ongoing to establish some links with the Pension

[16] Note that the SLA has confirmed in a communiqué to the SRC that all taxpayers are required to register with SLA. However, the consultants did not manage to find such evidence and the information available on the government website, contradicts this and the.

Fund accounts but this is still work in progress. At the moment of writing this report a MOU has been signed for SRC to take full ownership of SPF compliance.

ii. Effectiveness of penalties for non-compliance

Revenue Administration Act (section 41) prescribes penalties for failure to pay revenue in time, failure to furnish returns in time, failure to issue tax invoice, failure to pay revenue by due time and for using a false TIN. Penalties are generally sufficiently high and vary with seriousness of fault:

- A taxpayer who fails to pay revenue in time will be liable for interest on amount to be paid which is three percentage points above the CBS interest rate.
- A taxpayer who fails to furnish a return is liable for additional tax which depends on the size of the business. This is SR 500; SR 1,000 and SR 5,000 for respectively small (and any other cases), medium and large size business plus 10% for each week that the return is not finished.
- An additional tax of 10% of unpaid revenue will be due in case of the unpaid revenue for extend due date.
- In case of using false TIN the fine is between SR 10,000 and 1 million and imprisonment between 1 month and one year.

If the taxpayer fails to comply with the above; he is considered to be guilty of an offence and is liable to a fine equal three times the determined amount. Penalties for late payment are considered effective given that the interest is higher than the CBS interest rate and should act as an effective disincentive.

The legal framework gives the Commissioner discretion to waive penalties. The SRC is guided by an internal policy document for application of penalties. There is no computerised system for administration of penalties. Penalties raised are posted in the system while their remit is registered in another journal. The system for administration of penalties is not consistently administered.

iii. Planning and monitoring of tax audit and fraud investigation programs

There is a dedicated tax audit department in the RSC dealing with tax audits. In 2010 the department was reorganised based on functional type rather than tax type of audits. The department includes dedicated units dealing with large and small size taxpayers. These units are responsible for carrying tax audits and comprises 20 auditors (10 for small, and 5 correspondingly for large and medium size taxpayers) against the 26 establishment posts. Available capacity is a feature that influences the coverage of tax audits. Annual audit work plans are prepared and determine the number and type of audits to be completed during the FY. The plan targets taxpayers in the three categories (small, medium and large) for which two type of audits are considered (full audit or desk audit). Tax assessments and audits are not yet planned on a (full) risk assessment basis even though some random risk selection features are considered in the selection process (e.g. industry type). A Research and Risk Analysis Unit was created in September 2010 and year 2011 will be the first year when SRC will assess risks on returns received.

One of the objectives of the Customs reform strategy and plan 2010-2012 is to implements a post-clearance audit. A post-clearance audit unit has been created under the Customs division to deal with post-clearance audits but it is too early too make any comments on its effectiveness.

The SRC does not carry out any fraud investigations. There is a Financial Intelligence Unit (FIU) at Central Bank which deals with fraud investigations. These are undertaken at the request of the government.

PI	Dim	Indicator/dimension	Score		Justification
			2008	2011	
14		Effectiveness of measures for taxpayer registration system	D+	C	Scoring Method M2: average of scores
	(i)	Controls in taxpayer registration system	C[17]	C	Taxpayers are registered for all major individual taxes (Traders tax, GST and Income Tax) using a unique Tax Identification Number maintained in a database. However, these databases are not fully and consistently linked. There are no linkages to other relevant government registration systems (e.g. vehicle registration and drivers' license databases) and financial sector databases.
	(ii)	Effectiveness of penalties for non-compliance with registration and declaration obligations	C	B	Penalties for most relevant areas of no-compliance exist and are set sufficiently high to act as disincentives for non-compliance. There is no clear regulation on transfer pricing. The penalties are not consistently administered.
	(iii)	Planning and monitoring of tax audit and fraud investigation programs	D[18]	D	Tax audits are carried out in accordance with annual audit work plans. While some risk assessment criteria are incorporated into the selection of audit cases the audit programs are not based on *clear* risk assessment criteria. The SRC does not carry out fraud investigations. These are undertaken on the request of the government by the Central Bank.

Recent and ongoing reforms efforts

The Seychelles Revenue Commission has created a Research and Risk Analysis Unit in September 2010. There are ongoing efforts to introduce risk assessment criteria. Year 2011 will be the first year to assess its effectiveness.

[17] Justification for recalibration of the score: The previous assessment has assumed existence of some linkages which are required for a B score but which were and still are inexistent e.g. financial sector, licensing, pension fund etc).

[18] Justification for recalibration of score: The SCR reported that there are no fraud investigations undertaken at the moment and there were none undertaken at the time of the previous PEFA assessment. Therefore a D score would be a true reflection of the situation back in 2008.

3.4.3 PI-15 Effectiveness in collection of tax payments

The ability of the revenue agencies to actually collect the tax liabilities is critical for the effectiveness of the revenue collection. Accumulation of tax arrears may undermine credibility of the tax assessment process. Furthermore, the prompt transfer of the collections to the treasury is essential for ensuring that the collected revenue is available to the Treasury for spending. To ensure the credibility of the data, transfers need to be regularly reconciled.

Effectiveness in collection of tax payments is determined by reviewing:

i. collection ratio for gross tax arrears (percentage of tax arrears at the beginning of a fiscal year, which was collected during that fiscal year);
ii. effectiveness of transfer of tax collections to the Treasury by the revenue administration;
iii. frequency of complete accounts reconciliation between tax assessments, collections, arrears records and receipts by the Treasury.

i. Collection ratio for gross tax arrears

Since January 2011 statistics on arrears are kept in the new Client Management System for the main taxes i.e. business tax, GST and withholding tax. Until 2010 SRC was recoding debtors in the old tax business module and only since 2011 statistics on arrears is recorded separately by tax type. Note that during the transition from one system to the other the data from the old system could not be migrated to the new system and SRC has still to assess two modules separately. As for the collection of customs arrears, at the present time no statistics is being monitored and analysed while this is available from the ASYCUDA system. SRC report that customs arrears are very insignificant. SRC does not maintain a record of arrears debt age profile.

The stock of arrears represents about 4% of total collections while the debt collection ratio in the past two years was 28% and 41% correspondingly (see Table 3.21). It should be noted that the figures exclude the Social Security Contribution arrears which amounted to SCR 927,633 at the end of 2010.

Table 3.21 Collection and stock of arrears from Income Tax and VAT (Seychelles Rupee)

	Amount of Tax Arrears	Amount of Tax Arrears	Number of cases	Number of cases
	2009	2010	2009	2010
Arrears outstanding on first day of year	73,752,362	124,249,958	335	603
Business tax	55,261,736	90,928,940	303	489
GST	13,112,557	22,139,546	22	104
Witholding tax	5,378,069	11,181,473	10	10
New tax arrears arising during the year	71,515,092	138,419,141	275	726
Business tax	56,684,699	115,391,477	186	637
GST	9,026,989	9,026,989	82	82
Withholding tax	5,803,404	14,000,676	7	7

	Amount of Tax Arrears	Amount of Tax Arrears	Number of cases	Number of cases
	2009	2010	2009	2010
Arrears collected during the year	21,017,496*	50,403,082	na	314
Business tax	na	46,159,034	na	242
GST	na	3,840,413	na	65
Withholding tax	na	403,634	na	7
Arrears outstanding on last day of year	124,249,958	212,266,018	603	1.015
Business tax	90,928,940	160,161,382	489	884
GST	22,139,546	27,326,121	104	121
Withholding tax	11,181,473	24,778,515	10	10
Debt collection ratio	28%	41%		

Source: SRC. Note (*) - Collection includes Business Tax, GST, Withholding Tax. These figures include Disputes, Normal Recovery, and Court Cases.

There is a dedicated Enforcement and Intelligence Unit at SRC comprising a group of 9-10 recovery officers who are responsible for monitoring and collection of revenue arrears. They have to report to Commissioner on a monthly basis on the revenue arrears collected and due.

ii. Effectiveness of transfer of tax collections

The SRC does not maintain a separate bank account. All tax collected on Mahe Island is stored safe over night and paid in next day to the TSA. Transfer receipts are sent to the Accountant General supported by copies of bank deposit slips from the Central Bank of Seychelles where the TSA is held. All taxes collected on Praslin and La Digue Islands are paid in on a weekly basis to the TSA. These collections are insignificant in respect to the overall collections and are estimated to represent less than 1% of total collections. In the case of Customs, duties collected are transferred on a daily basis to the TSA.

iii. Frequency of complete accounts reconciliation

Data for tax assessments, collections, and arrears is available in the system but is not reconciled and no reports are correspondingly produced. Complete reconciliation including assessments and arrears is not carried out. The only reconciliation takes place between collections and deposits into the TSA; these are reconciled on a monthly basis. Treasury statements are sent to the SRC within 10 days from the end of the month and it takes up to two weeks for the SRC to reconcile their records with the Treasury records.

PI	Dim	Indicator/dimension	Score		Justification
			2008	2011	
15		Effectiveness in collection of tax payments	D+	D+	Scoring Method M1: weakest link
	(i)	Collection ratio for gross tax arrears, being the percentage of tax arrears at the beginning of a fiscal year, which was collected during that fiscal year	C	D	While the overall stock of arrears appears to have decreased from about 8% of total collections in 2007 to about 4% in 2010, the collection rates decreased from 64% in 2007 to 28% and 41% in 2009 and 2010 correspondingly. This explains a change of score from C to D. To qualify for a C score the debt collection ratio should be within the range 60-75%.
	(ii)	Effectiveness of transfer of tax collections to the Treasury by the revenue administration	B	A	Tax collections are transferred on a daily basis to the Central Bank except for the collections from Praslin and La Dique which are transferred on a weekly basis. Given that the amount transferred from Praslin and La Dique is about 1% of total transfers, an A score might be legitimate.
	(iii)	Frequency of complete accounts reconciliation between tax assessments, collections, arrears records and receipts by the Treasury	D[19]	D	Reconciliation of tax assessments, collections, arrears records do not take place while the information could in principle be extracted from the system. Reconciliations between collections and bank statements are done on a monthly basis and is finalised within one month of end of the month.

Recent and ongoing reforms efforts

The Seychelles Revenue Commission is developing a Client Management System (CMS) to manage the revenue collection more effectively and comprehensively. As part of this efforts, attention will be also paid to the full migration of the data from the old business tax module to the new CMS.

3.4.4 PI-16 Predictability in the availability of funds for commitment of expenditures

Budget execution is more effective when there is a reasonable degree of predictability in the availability of funds. This indicator therefore assesses:

i. The extent to which cash flows are forecasted and monitored;
ii. Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure commitment;

[19] Justification for recalibration of the score: There is no change in performance under this sub-indicator since the previous assessment. The SRC confirmed that complete reconciliation was not undertaken at the time of the previous PEFA assessment. Therefore, a D score would reflect the true situation at the 2008 assessment.

iii. The frequency and transparency of adjustments to budget allocations above the level of management of MDAs.

i. Forecast and monitoring of cash flows

The Appropriation Act appropriates the public funds by administrative divisions while the National Assembly has to approve the appropriations down to the budget line items. The divisions include also constitutional bodies e.g. Office of the Auditor General, National Assembly, the Judiciary etc. After the Appropriation Act has been passed by the National Assembly, MoF issues a Financial Warrants (one for recurrent expenditures and one for capital (projects) expenditures) which authorise administrative divisions to incur expenditures in line with the appropriated amounts. The Financial Warrants are informed by the monthly pro-forma cash flows requirements which are submitted to the MoF by the spending MDAs at the beginning of the fiscal year and are updated quarterly. The cash-flow pro-forma submitted by MDA are not comprehensively based on commitment and procurement plans. Not all MDA have procurement plans and even when they are in place they are not necessarily comprehensive. The cash flow requests are therefore only to a certain extent informed by elements of procurement planning. MoF updates the commitment ceilings on a monthly basis to reflect actual cash outflows (as presented in the updated cash-flow pro-forma, actual revenue profile, debt services).

ii. In-year information on ceilings for expenditure commitments

Once the budget estimates are approved MDAs have two weeks to submit their cash requirements pro-forma. The MoF issues the first warrant within 2 weeks from the Appropriation Act. MDAs cannot incur spending until the warrant is issued. Given that the Appropriation Act is passed before the start of the FY, the delayed warrant does not seriously affect the operation of the MDAs. The subsequent updated quarterly warrants are issued before the start of the quarter. While in principle MDAs receive indicative commitments ceiling for the whole year; MDAs can commit expenditure only for one quarter. While Financial Warrants are issued/updated quarterly, project (capital) expenditures are demand driven and are therefore requested and approved ad-hoc by the Ministry of Finance.

The warrants set monthly commitment ceilings for administrative budget heads and line items. These ceilings are announced to MDAs and then introduced by the Treasury in the VAM financial management system. MDAs exercise the commitment control for recurrent expenditures directly in VAM system. For the capital expenditures, MDAs get a copy from VAM for their internal commitment control. Commitment control for capital expenditure is centralised at the Assets Management Unit of the MoF. The Unit keeps an excel worksheet in which it records and controls commitments. The information from the spreadsheet is uploaded into VAM monthly by this unit. All payments are centralised and are done by the Accountant General.

iii. Adjustment to budget allocations above the level of management of MDAs

On Seychelles, virements between divisions can be done only with the ex-ante authorisation of the National Assembly through Supplementary Budget procedures. The formal mechanism for in-year budget adjustments is specified in the Constitution (Chapter XII, Art. 154). When the amount appropriated by the Appropriations Act is insufficient or no budget head has been appropriated, a supplementary estimate should be laid before the National Assembly. The Constitution does not emphasise that the Supplementary Budget needs to be approved ex-ante. This led to multiple authorisations ex-post. This practice has changed since 2009 when the MoF issued an addendum to clarify that a supplementary budget needs to be approved ex-ante. Since 2009 two supplementary budget procedures are allowed: one in May and one in October. In 2009 and in 2010 three and two supplementary procedures took place correspondingly. The Report of the AG on the accounts of the financial year 2009 identifies withdrawals from the Consolidated Fund without appropriation. However, the amount that was involved was insignificant in relation to total expenditure (less than 1 percent). In case of budget surplus in line with the IMF requirements, only half of the surplus can be spent on repayment of public debt or used for capital expenditures which were included in the budget submissions but not approved.

PI	Dim	Indicator/dimension	Score		Justification
			2008	2011	
16	Predictability in the availability of funds for commitment of expenditures		C+	B+	Scoring Method M1: weakest link
	(i)	Extent to which cash flows are forecasted and monitored	A	A	A cash flow forecast is prepared for the fiscal year and updated monthly on basis of actual cash inflows and outflows. Commitments ceilings are by administrative budget heads and line items.
	(ii)	Reliability and horizon of periodic in-year information to Line Ministries on ceilings for expenditure commitment	C	B	MDAs are provided quarterly information on commitment ceilings for recurrent expenditures and can commit expenditure for the respective quarter. Expenditure commitment ceilings are provided within two weeks from the beginning of the year; while for the next quarters prior to the start of the quarter.[20] The performance under this sub-indicator has improved with the elimination from practice of the Forex commitments which were decided on a weekly basis.
	(iii)	Frequency and transparency of adjustment to budget allocations, which are decided above the management of Line Ministries	B	B	Significant in-year adjustments are managed via the procedure for supplementary budgets and are not very frequent. In 2009 and in 2010 three and two supplementary procedures took place correspondingly. According to the Auditor General withdrawals from the Consolidated Fund took place in 2009 but these did not follow the supplementary budget procedure.

[20] While commitments ceilings are provided in the same way for capital expenditures additional authorisation is required by the MoF prior to incurring capital expenditures. This authorisation is demand driven and therefore is considered to affect (at least theoretically) the reliability and predictability of capital expenditures to be undertaken by MDAs. In practice, however, since commitment control for capital expenditure is under the responsibility of MoF, this control mechanisms is not considered as affecting the planning of MDAs and therefore a score B was assigned.

3.4.5 PI-17 Recording and management of cash balances, debt and guarantees

Debt management in terms of contracting, servicing and repayment of loans should contribute to low debt service costs while avoiding significant fiscal risks. Unnecessary borrowing should be reduced by proper cash management. Critical to debt management performance is also proper recording and reporting of government issued guarantees. This indicator assesses:

i. the quality of debt recording and reporting;
ii. the extent of consolidation of cash balances;
iii. the systems for contracting loans and issuing guarantees.

i. Quality of debt recording and reporting

Significant changes took place since 2008 in terms of public debt management. A Public Debt Management Act was approved in December 2008. With the introduction of the new Public Debt Management Act a medium-term public debt strategy is formulated and updated on a yearly basis. It aims at achieving an optimal trade-off between cost and risk of public debt and consistent with long-term debt sustainability. The debt strategy is included in the budget documents submitted to the National Assembly. Further the new act and its amendments strengthen the rules governing provision of government guarantees and give the minister of finance alone the power to raise debt on behalf of the republic.

The primary responsibility of debt management lies with the Public Debt Section (PDS) of the Ministry of Finance. This section is responsible for managing government and government-guaranteed debt as well as monitoring all non-guaranteed public enterprise debt with a view to assess the macroeconomic impact of existing and new borrowing. The off the shelf debt management software such as the Commonwealth Secretariat Debt Recording and Management System (CSDRMS) is used for the recording of the external debt and domestic loans. For securities an Excel spreadsheet is being employed by the Central Bank. Information is updated on a daily basis. Comprehensive records on domestic and external debt are compiled and are updated *monthly*. Reconciliation with the treasury records takes place monthly, while with the creditors' statements as the statements come in. Further, internal reconciliation, consistency checks and balances are undertaken at disbursements stage when information on disbursements is received from lending institutions. Information on external debt and domestic debt is complete.

Comprehensive management and statistical reports are produced regularly. Summary reports are prepared on a monthly basis for external debt; these are distributed to the Central Bank, IMF as well as Budget department and the PS of Finance. Monthly reports are also prepared on flow and transactions, debt arrears. Under the IMF programme the government of the Seychelles is not allowed to incur any debt arrears. Note that there are still debt arrears on principle and interest on five loans which are not yet formally restructured while negotiations are ongoing. More detailed reports on debt stock and debt service are prepared annually. Debt information is also provided to the Budget department for the end of year execution reports. Comprehensive statistical reports providing information on debt stocks, debt service and debt management operations are also prepared quarterly and distributed to the WB, Central Bank. Information to the general public is mainly available on debt stock but not debt servicing.

ii. Extent of consolidation of cash balances

Cash management is the responsibility of the FPCD of MoF. Calculation of cash balances serves as an important input for managing budget allocations to the MDAs as well as for managing borrowings carried out by the Ministry of Finance. The cash balances are calculated by the Treasury. Seychelles utilises a centralised payments system. All payments for government expenditures are done from the Treasury Single Account (TSA). The TSA balance is calculated daily and information is sent to the MoF on a daily basis. These are 22 other government controlled bank accounts held at the CBS. These are mainly accounts for donor funded projects. These accounts are reconciled and reported on a monthly basis. The FAB provides on a weekly basis revenue forecasts to FPCD. So the overall picture (excluding donor funded projects accounts) is consolidated and calculated on a weekly basis. Meetings to discuss liquidity position take place on a weekly basis and include representatives from FAB, Treasury, CBS and FPCD including public debt section. The Social Security Fund has its own bank account and financial management system. Cash balances on its account are not calculated and reported to the MoF although MoF may have presumably access to this information through CBS.

The Debt Management Unit monitors all domestic and external debt. It reports comprehensively on debt stock levels, debt maturity profiles, and creditor, rate and currency compositions. The Debt Management Unit prepares monthly updates of its debt position based upon bank statement reconciliations.

iii. Systems for contracting loans and issuing guarantees

The gross external borrowing requirement is set out in the debt strategy. All statutory bodies that contract loans require a Government guarantee. Prior to the new Public Debt management Act the minister of finance was the sole authority to contract loans and issue guarantees. This responsibility was not always respected in practice. The new Act establishes transparent and sound procedures in the commitment of public debt obligations and seeks to minimize the cost and risk of the public debt portfolio. There are two main bodies involved in contracting of loans and issuing of guarantees, the National Debt Committee (composed of PS Finance, PS Foreign Affairs, Attorney General, Governor of the CBS, DG of the Treasury section of MoF and Director of FPCD of MoF) and the Technical Committee comprising senior technical staff from the same institutions. The Technical Committee examines all new loans and proposed government guarantees and provides advice the National Debt Committee in order for it to endorse a loan or a guarantee. The National Debt Committee has direct authority over debt issuance.

PI	Dim	Indicator/dimension	Score		Justification
			2008	2011	
17	Recording and management of cash balances, debt and guarantees		C+	A	Scoring Method M2: average of scores
	(i)	Quality of debt recording and reporting	B	A	Domestic and foreign debt records are reconciled on a monthly basis. Comprehensive management reports are produced monthly and cover debt stock, debt service and operations.
	(ii)	Extent of consolidation of the Government's cash balances	C	B	The payments system utilises the TSA for all payments on Government expenditure (except for a number of donor funded project accounts). This facilitates a monitoring mechanism that reports and reconciles the TSA on a daily basis. Calculation on all other accounts is available on monthly basis. To summarise, most cash balances are calculated and consolidated weekly but some accounts may remain outside the arrangement e.g. donor funded projects (monthly) and Social Security Fund.
	(iii)	Systems for contracting loans and issuance of guarantees	C	A	Central government's contracting of loans and issuance of guarantees are made against transparent criteria and fiscal targets set in the Debt Management Strategy. Contracting of loans and government guarantees is always approved by a single responsible government entity, the National Debt Committee.

3.4.6 PI-18 Effectiveness of payroll controls

As a major component of expenditure, effective control of the payroll is an important indicator of sound public financial management. The assessment looks in particular at:

i. degree of integration/reconciliation between personnel and payroll databases;
ii. timeliness of changes to personnel records and the payroll;
iii. internal controls of changes to personnel records and the payroll;
iv. existence of payroll audits to identify control weaknesses and ghost workers.

In Seychelles the government employs ca 7,600 employees. Note that at the time of previous assessment this amount was 13,455. The significant decrease reflects reforms of the public sector reforms and outsourcing of the non-core activities to the private sector. There are three main institutions which are involved in the management of payroll: Department of Public Administration (DPA), the Treasury and the corresponding MDAs.

i. Degree of integration/reconciliation between personnel and payroll databases
Each organisation has an establishment list which in Seychelles coincides with the nominal roll. DPA is responsible for management of the overall government nominal roll while MDAs manage their internal nominal roll. For posts above SG9, it is DPA who can

create a post and issue a unique post number in the establishment following a request from a ministry or department. DPA employs a Human Resource and Information system (HRIS) for management of the nominal roll. Payroll is under the responsibility of the Treasury and line ministries. Some MDAs (e.g. ministry of education, Social Welfare, NSC, SAA, Fire Brigade, Police, Security, SBC, SBS etc) manage their own payroll while the payments are done by the treasury. The payroll of these MDAs represent about 20% of the total government payroll. For other ministries and departments (e.g. health etc), the management of payroll and payments are the responsibility of the Treasury. In this case the corresponding MDAs have to supply the Treasury with the information on staff movements and make consistency checks after the information has been uploaded into the patrol system.

At the moment there is no link between the nominal roll and the payroll and the nominal roll does not necessarily match the payroll. Reconciliation between the nominal roll and the payroll is done manually based on hard copies. Each organisation is doing the reconciliation between its internal personnel roll and the payroll on a monthly basis. Note however that reconciliation is done based on the personnel records in the possession of the corresponding MDA rather with the consolidated nominal roll records from the DPA who is responsible for the management of the overall nominal roll. While the overall nominal roll needs to be reconciliated monthly with the internal personnel rolls managed by the MDAs it does not happen correspondingly and there are significant delays as result of delayed submission of staff movements by the MDAs. The existing regulations (DPA Circular of 1980) require MDAs to submit to the DPA staff movements on a monthly basis. However in practice not all MDAs comply with this requirement. In some cases this is reported semi-annually or even annually, except for posts above SG9 level for which approval of DPA is required. Line ministries report that the dalys in submission of information to MDA is mainly caused by limited capacity. The amounts of changes are reported to be huge especially s result of the new wage bill and the existing capacity is not sufficient to deal with that.

ii. Timeliness of changes to personnel records and the payroll

Each MDAs is responsible to check changes in the payroll against the nominal roll. Any changes and updates to the payroll management databases are done monthly. The changes are almost always within the next pay period (an estimate of about 90% has been provided by payroll officers at the treasury) and there is rarely the need for retroactive adjustments. Some Line Ministry officials and other stakeholders admit that this problem does occur on occasion but that it is not frequent and when it does occur rarely. Such adjustments are most probable when as result of internal transfers the entitled allowances are not adjusted. When overpayments are discovered, however, these are recovered by offsets against later payments. Transfers within the same institution are less problematic than from one institution to another. Since the individual systems are not interfaced, changes in one organisation are not necessarily timely and consistent with changes in the other organisation's records. So as one moves from one payroll to another payroll discrepancies might occur resulting in overpayment or double payments of staff. Again authorities report that while such discrepancies happen these are incorporated in the nominal roll and payroll within 2 months. Secondments are employed rarely. In the case of resignations, the corresponding records are deleted from the payroll when a letter of resignation is received. When absent without notice the person will be suspended from the payroll of the next month. The extent to which this is complied with in practices however will depend on the supervisor. If the supervisor will report absence with delay then adjustments to the payroll might be delayed. Temporary and casual workers follow the same control procedures. A post number is needed for casual/temporary worker.

iii. Internal controls of changes to personnel records and the payroll

There is an audit trial for both nominal roll and payroll. Within the treasury restricted amount of people have password protected access to the payroll system e.g. IT staff and three payroll officers. For those MDAs for which the treasury manages their payroll, MDAs provide information on changes and the treasury inputs the data into the system. Once the changes are uploaded the treasury sends a copy of the payroll analysis to the corresponding MDAs for consistency checks. In MDAs which manage their own payroll the access to the system is limited to IT staff who upload the changes (input data) into the system but the changes need to be accompanied and documented by supporting document approved by the responsible authorities.

iv. Existence of payroll audits to identify control weaknesses and ghost workers

The external audit reports do not include any direct physical payroll audits. Without any direct payroll audits it is difficult to discern whether there are significant losses that occur as a result of delays in updates to the personnel database to reflect actual changes in the status of personnel. The Auditor General audits the payroll every year as part of its statutory audit. Its reports contain findings on payroll such as overpayments, advances and other payments made to employees salaries.

PI	Dim	Indicator/dimension	Score		Justification
			2008	2011	
18	Effectiveness of Payroll Controls		B+	B+	Scoring Method M1: weakest link
	(i)	Degree of integration and reconciliation between personnel records and payroll data	B	B	Personnel data and payroll data are not directly (electronically) linked. Payroll is however supported by full documentation for all changes made to internal to MDAs personnel records each month.[21]
	(ii)	Timeliness of changes to personnel records and the payroll	A	A	Internal changes to the nominal roll and the payroll are done generally on a monthly basis, in time for the following's month payroll. Retroactive payroll changes are insignificant and normally included in the payroll within two months. [22]
	(iii)	Internal controls of changes to personnel records and the payroll	A	A	Authority to change personnel records and payroll is restricted and results in an audit trail.

21 It has to be noted however that the reconciliation of the internal MDAs personnel records with the consolidated personnel roll managed by the DPA does not take place regularly. Staff changes within MDAs are transmitted to the DPA with long delays mainly due to capacity constraints. While representing a weakness in the payroll system, this reconciliation element however cannot be directly captured by the PEFA indicators and therefore a B score has been assigned.

22 An A score is assigned considering only the payroll and the internal nominal roll. In case also the consolidated nominal roll is included in the assessment, a D score could be assigned as there is often a delay of more than three months to include changes.

PI	Dim	Indicator/dimension	Score		Justification
			2008	2011	
	(iv)	Existence of payroll audits to identify control weaknesses and /or ghost workers	B	B	Payroll is audited as part of the statutory audits. A payroll audit covering all central government entities has been conducted at least once in the last three years (in stages). No physical payroll audits to identify ghost workers have been carried out during the period under review. However, none of the interviewed stakeholders reported ghost workers as problem in Seychelles. Due to its small size and cultural characteristics, personnel changes are brought into light by the society itself.

Recent and ongoing reform efforts

Public service reforms started in late 2008. As result of these reforms non-core functions (e.g. cleaning and security services etc.) were removed from the government responsibility and were outsourced to the private sector through performance contracts and retirement schemes. The Public Service Order was revised in early 2011. A manpower exercise was introduced for the first time in 2008; this involves DPA, MOF, MDAs and allows to decide on the personnel and taken these into account in the preparation of the budget submission by individual MDAs. There are ongoing efforts (with WB assistance) to integrate the personnel management system (HRIS) with the payroll system. This is expected to be completed by June 2011.

3.4.7 PI-19 Transparency, competition and complaints mechanisms in procurement

Significant public spending takes place through procurement processes. A well-functioning public procurement system ensures that money is used effectively for achieving efficiency in acquiring inputs, for, and value for money in, delivery of services by the government. This indicator looks at the following elements of the procurement system:

i. Transparency, comprehensiveness and competition in the legal and regulatory framework
ii. Use of competitive procurement methods
iii. Public access to complete, reliable and timely procurement information
iv. Existence of an independent administrative procurement complaints system

i. Transparency, comprehensiveness and competition in the legal and regulatory framework

Public procurement in Seychelles is at the moment guided mainly by the Public Procurement Act which became effective on 29 December 2008. Draft procurement regulations are not yet in place. Regulations have been developed but are awaiting vetting by the Attorney General and subsequently by the Cabinet. The regulations have been also distributed to various stakeholders for comments. The POU is the regulatory body and is responsible for formulating procurement policies and monitoring the compliance with the procurement legislation. The table below summarises the key elements of the procurement legislation.

Table 3.22 Performance on the various dimensions covering the legal and regulatory framework for procurement

Dim	Minimum requirements	Status
The legal and regulatory framework should:		
(i)	be organised hierarchically and precedence is clearly established	The procurement act delineates clearly the roles and responsibilities of various players and their hierarchical positioning in the procurement mechanism. Institutional structure for the procurement systems are set out in Part IV of the act. The first layer in the procurement system are the procuring entities comprising procurement units and procurement committees. *Procurement Units* (section 36) are responsible for the execution of procurement functions and are managing the procurement activities of a procuring entity. *Procurement Committees* (section 32) should ensure that all procurement of a procuring entity are conducted in accordance with the law. The *Public Oversight Unit* is accountable to MoF and is responsible for formulating procurement policy and oversees that implementation of procurement takes in line with the legislation. The *Tender Board* is responsible for reviewing recommendations of a bid evaluation committee and approving the award of the contract for tenders above the open tender threshold. Tender Board includes public officers and representatives from LUNGOS, SCCI and professional associations. The act establishes the procedures for making the decision relating to procurement and the stages of the procurement process. **Requirement fully met.**
(ii)	be freely and easily accessible to the public through appropriate means	The Public Procurement act has been gazetted and is available at the POU office. Procurement act is not yet available on national websites. POU website is currently under development and it is expected to be on line in March 2011. procurement act is however available on COMESA portal for the Seychelles. **Requirement fully met.**
(iii)	apply to all procurement undertaken using government funds (excl. SOE)	Section 3 of the Procurement Act set the extent of its application. The act specifies cases for which other procurement procedures may be applied e.g. related to security and disclosure of state secret, conciliation services, financial instruments, SBC services, museum objects etc. It has to be noted that although not clearly specified in the Procurement act, the exceptions relate to the award procedures but not to the procurement procedures (this will be described in the regulations which are under development). The exceptions are considered reasonable though. **Requirement partially met**.
(iv)	make open competitive procurement the default method of procurement and define clearly the situations in which order methods can be used and how this is to be justified	Procurement Act adopts open tender as default procurement method (section 42) and allows alternative methods only with the approval of the POU. Alternative procedures are clearly delineated in part VII. The act includes a procurement thresholds matrix that separately addresses consultancy, goods and services, and works. **Requirement fully met.**

(v)	Provide for public access to all of the following procurement information: government procurement plans; bidding opportunities; contract awards; and data on resolution on procurement complaints	The procurement act requires only publishing of the bidding opportunities and contract awards. Local bidding notices and contract award notices should be published at least three times in a local newspaper, and internet when possible incl. government website (Section 51). In case of international bidding this should be published in international media. The Minister may prescribe the rules for the publication of notices (Section 75). The procurement entity should publish contract awards which exceed procurement threshold in appropriate media (Section 84). Procurement Act requires the Tender Board to periodically publish contract awards (section 16). In respect to procurement plans, the law does not require that they are published but it requires that each entity to prepare a procurement plan (section 71) and that this is submitted to the MoF (Section 69P).The act does not require resolutions on procurement complaints to be published. P.S. The new regulations will make provisions for making public procurement plans and resolutions. **Requirement partially met.**
(vi)	Provide for an independent administrative procurement review process for handling procurement complaints by participants prior to contract signature	Part IX challenges, review and appeal. Section 99 established a Review Panel consisting of representatives from Attorney General, non-government welfare commission, and fair trading commission. The members are appointed by the president; he can terminate their contract under certain conditions. **Requirement fully met.**
	Number of requirements met	**4 - fully; 2 - partially**

ii. Use of competitive procurement methods

The legislative framework adopts competitive bidding as preferred method of public procurement (section 42) and describes the situation for which other methods may be applied given proper justification (section 63). Under the procurement act, the tender board has the authority to approve the award of tenders when the estimated value exceeds the threshold of SR 500,000 for goods and services, SR 750,000 for civil works and SR 150,000 for consultancies. While section 50 of the procurement act requires that a procuring entity shall maintain records of all procurement proceedings, the ministries which were interviewed expressed that they do not keep a log on the contracts awarded, value and the procurement method used. It was therefore not possible to assess to what extent this is complied with in practice.

The National Tender Board provides POU with an annual report of their activities including detailed information on tenders, types of tenders awarded, bidding methods used as well as the number of suppliers and contractors participating in different tenders. However, this information does not allow to assess the extent to which justification is provided when other procurement methods are used. During 2009 the Tender Board has publicly opened 87 tenders of which 79 used open bidding and 8 selective bidding methods.

It is the POU who has to approve any deviation from the law and is expected to monitor the application of the open competition. According to the law, POU should present a yearly report to the Minister on overall functioning of the procurement system (section 10). The POU maintains a list of all contracts it endorsed above the open tender threshold. The list indicates the ministry or department who initiated the procurement, the recipient of the contract award, the procurement method applied and the amount of the contract. A review of the list suggests that there was procurement undertaken above the open tender threshold but which did not follow the open tender procedures. POU reports that it received in almost all cases a justification for another procurement method. This information however cannot be checked based on the existing information.

That being said, the audit report highlights on a number of irregularities which were observed and deviate from formal procedures. Interviews with LUNGOS and SCCI did not point at any severe issues in this respect. They consider that procurement is done in a fair, competitive and transparent manner.

iii. Public access to complete, reliable and timely procurement information

Local bidding opportunities above the threshold value are advertised weekly in the national newspaper *Seychelles Nation*. The newspaper allots every week special pages for publishing bidding opportunities. Also bidding opportunities below the competitive bidding threshold are published; this are mainly related to community development opportunities. International bidding opportunities are announced on the government website as well as on COMESA website. Contracts awards are published in the same newspaper. These include information on the project and contractor awarded with the contract but not the contract value.

Government procurement plans are not made available to the public. Note that while the law require that they are presented to the Minister it does not require that they are published. Not all MDOs have proper procurement plans. POU reports that some procurement plans are identical to budget estimates divided equally across 12 months. While POU requested all ministries/department to submit their procurement plans, not all did so. The law does not specify any sanctions if procurement plans are not delivered. In terms of resolution of procurement complaints; the law does not require to make this available to the public and it is not done in practice.

All ministries/departments are encouraged to publish procurement information on the notice boards. For instance, POU reports that ministry of community development issues information within various districts on small country projects. Further, in view of increasing the awareness and public access to information, the POU involves the government authorities, broader public and civil society in the discussion around the new legislation/regulations through quarterly meetings. Most recently, draft Procurement Regulations were circulated to government entities for comments. A new website is under construction and is expected to be on line in March 2011. The website will improve the access of public to procurement information.

iv. Existence of an independent administrative procurement complaints system

The procurement objections and appeal mechanisms consists of two stages: Chief Executive Officer in the procuring entity and the Review Panel. The decision letters at each stage will indicate in case of disagreement where further objections could be laid and within what timeframe. Normally the CEO will have to provide an answer within one week. An objection shall be submitted to the Review Panel within 10 days. For the year 2011 as of early March, the Review Panel has already received two cases for examination. The procurement complaints system complies with six out of seven criteria established by the PEFA methodology including two on its independence (see Table 3.23 for more details).

Table 3.23 Compliance with the criteria for the procurement complaints system

Dim	Minimum requirements	Status
Complaints are reviewed by a body which:		
(i)	Is comprised of experienced professionals, familiar with the legal framework for procurement, and includes members drawn from the private sector and civil society as well as government	The Review Panel consists of four members who are appointed by the President. These include a Chairperson, a representative of the Attorney General, and representative of Fair Trading Commission and non-governmental consumer welfare organisation. The procurement act (section 99) requires that the members of the Review Panel have experience in legal, economics, financial, engineering, scientific or technical matters. **Criterion met.**
(ii)	Is not involved in any capacity in procurement transactions or in the process leading to contract award decisions	Members of the Review Panel are independent form the procurement transaction leading to the contract award. **Criterion met.**
(iii)	Does not charge fees that prohibit access by concerned parties	There are no fees charged by the Review Panel. The Act states that fees may be prescribed (section 100) but in practice there are not fees prescribed and/or charged. **Criterion met.**
(iv)	Follows processes for submission and resolution of complaints that are clearly defined and publicly available	The process for submission and resolution of complaints is clearly established in the Public Procurement Act (section 100) which is publicly available. The POU reports that a rejection letter to an unsuccessful bidder will specify where he may object and within what timeframe. **Criterion met.**
(v)	Exercises the authority to suspend the procurement process	The procurement act (section 100) sets out that the Review Panel can suspend the procurement proceedings until the appeal is heard. **Criterion met.**
(vi)	Issues decisions within the timeframe specified in the rules/regulations	The procurement act (section 100) establishes the timeframe within which the Review Panel shall make a decision i.e. within 30 days of the submission of the application for review. In practice this time framework is complied with exception being when members left the review panel and new members shall be nominated. **Criterion met.**
(vii)	Issues decisions that are binding on all parties (without precluding subsequent access to an external higher authority)	The procurement act does not require that decisions are binding. While the decision is at the moment not biding in practice it is considered binding. The Procurement Regulations which are under development will establish the biding of the

		decision of the Review Panel. **Criterion not met.**
	Number of criteria met	6

The final scores for sub-indicators and the overall score for the indicator are presented in the table below.

PI	Dim	Indicator/dimension	Score		Justification
			2008[23]	2011	
19	Competition, value for money and controls in procurement		D+	B	Scoring Method M2: average of scores
	(i)	Transparency, comprehensiveness and competition in the legal and regulatory framework	n/a	B	The legal framework meets fully 4 and partially 2 of the six requirements. The procurement act covers in principles all public funds but allows some exceptions e.g. security, immovable. The act does not require the publication of procurement plans and resolution on procurement complaints.
	(ii)	Use of competitive procurement methods	n/a	B	The MDAs do not keep a log on the procurement tenders, value of the contracts and the type of the procurement methods uses. POU records and monitors this kind of information. Nevertheless based on this information it is difficult to asses the legitimacy of applying other procurement methods for procurement which is above the open tender threshold. The Auditor General reports highlight some irregularities in the application of the open tenders. The POU reports that for the contracts with a value above the threshold but which are awarded by methods other than open competition justification is available in most of the cases. There were some deviations in the beginning when people were not yet fully acquainted with the legal framework but compliance has increased enormously and according to POU is above 80% which is the threshold for scoring a B.
	(iii)	Public access to complete, reliable and timely procurement information	n/a	C	Only two key procurement information i.e. bidding opportunities and contract awards are made available to the public through the national newspaper. The law does not require to make public the procurement plans and resolutions of procurement complaints. POU reported that the Regulations will require that these two are published too.

[23] The methodology for scoring this indicator has been reviewed in 2010. Therefore the results under current assessment cannot be directly compared with the previous assessment.

PI	Dim	Indicator/dimension	Score		Justification
			2008[23]	2011	
	(iv)	Existence of an independent administrative procurement complaints system	n/a	B	Six out of seven criteria which shall be complied with by the procurement complaints system are met including i and ii criteria reflecting its independency.

Reforms efforts

Procurement reforms are implemented with the assistance from various development partners including ADB, COMESA, WB and IMF. Procurement Regulations have been developed but have not bee endorsed yet by the Attorney General and cabinet. A new POU/Tender Board website is under development and is expected to get on line in March 2011.

3.4.8 PI-20 Effectiveness of internal controls for non-salary expenditure

Controls concerning revenue, debt and payroll management have been discussed under PI-14, PI-15, PI-17 and PI-18. This indicator assesses the internal control mechanisms that govern non-salary expenditure and include prevention and detection of mistakes and fraud in transactions and asset management. The commitment control system is singled out as a separate dimension due to the importance of such controls for ensuring that the government's payment obligation remains within the limits of cash availability.

The indicator includes the following three dimensions:

i. the effectiveness of expenditure commitment controls;
ii. comprehensiveness, relevance and understanding of other internal control rules/procedures;
iii. degree of compliance of compliance with rules for processing and recording transactions.

i. Effectiveness of expenditure commitment controls

According to the Public Finances Act (section 10) and Financial Instructions (chapter 2), internal control within a ministry or department is the responsibility of the Accounting Officer who has to ensure that internal procedures and internal control measures are in place. Further he or she must provide reasonable assurance that all expenditure is necessary, appropriate, paid promptly and is adequately recorded and reported. Further, the Chief Accountant is additionally responsible for all financial transactions and accounts of the government, for the control and operations of the treasury and for exercising general management and supervision of all accounting operations (Financial Instructions, Chapter 2).

The budget execution is initiated by the MoF's approval of the commitment ceilings based upon annual cash flow projections of the ministries and departments. These projections are updated quarterly by the MoF. Commitment ceilings are uploaded into the system by the treasury. Commitment control is effective and limits expenditure to available cash unless the system is bypassed. Commitment control is exercised with the LPO system which is directly with the VAM system.

Virement procedures are established in the Financial Instructions. Formally, all non-salary expenditure transactions should occur under a commitment control process and payment shall be made if and only if the complete expenditure cycle (authorisation, raising LPO, payment voucher and delivery of goods/services, inspection of the delivered goods) is properly executed. During interviews various officials reported the possibility of deviation from the formal expenditure cycle mainly through first paying the suppliers and then delivering the goods. While this information is anecdotic and cannot be supported by solid evidence it may reflect the possibility to bypass the formal commitment control system. This anecdotal evidence is supported by unpaid electricity bills whose payment can be delayed by not introducing them into the commitment control system.

As mentioned earlier (see PI- 16) commitment control for projects is undertaken through an Excel worksheet managed by the Project and Assets Management Section of the MoF. This is not directly linked to the LPO system but information from the Excel worksheet is updated monthly to the LPO system. Further, while MDAs may initiate project expenditure only with the authorisation of the projects and assets management section, in interviews officials reveal that such expenditure may be initiated by the MDA without prior approval of the MoF. Given the separation of the commitment control for project expenditures, effectiveness of the commitment control for project expenditures is questionable.

ii. Comprehensiveness, relevance and understanding of other internal control rules/procedures

The internal expenditure control rules and procedures are described in the Financial Instructions, the Accounting Manual and various circulars. Interviews with various officials suggest that these rules and procedures are generally clear and accessible. However, given the findings revealed in the most recent Auditor's General report regarding non-compliance with certain rules and procedures (see below), one may conclude that either the rules are not understood or they are not properly complied with. MoF suggest that there is need to revise key documents including the accounting manual, financial instructions and the Financial Management Act. There is an internal guidance on the use of the VAM system however not all ministries and departments report to have received a copy of it. The expenditure procedures have appropriate documented control procedures employing effective separation of authorities. There is no formal training organised for new accounting officers in ministries and departments. New staff members get on-job training.

iii. Degree of compliance of compliance with rules for processing and recording transactions

Evidence from Auditor General's reports show that several errors or mistakes are made regarding compliance for processing and recording of expenditure transactions. This indicates either ignorance of rules and procedures or lack of applied rules at the operational levels. It is difficult to assess however to what extent this is a common practices across all institutions or specific practice within certain institutions. Nevertheless, non-compliance to the rules and regulations is extensively mentioned in the Auditor's General Report (2009). A number of examples are presented below.

Section 7 (3) of the Public Finances Act (1996) requires financial warrants authorising withdrawals from the Development Fund to be issued under the Minister's hand. However, according to the most recent Auditor General's report (2009), withdrawals from the Fund over the years have been made on the basis of financial warrants issued by various finance officers without proper authorisation, which is in breach with the above mentioned requirement.

The Public Debt Management Act (section 28) has kept the requirement that borrowing with the authority of the National Public Debt Committee shall not be valid unless the particulars of the loans are published in the Official Gazette through a Statutory Instrument (S.I.). The Auditor's General report (2009) reports that despite similar comments in previous reports, it was unable to sight the relevant S.I. in respect of 19 loans included in the public debt statement with a total liability of Rupee 1,507.6 million as at end of 2009.

Further for many institutions the Auditor General concludes that applicable procedures for fixed assets management and transport functions are not being consistently followed fact which raises concerns on the effectiveness of the system. Assets registers are not properly maintained; monitoring and movement of assets is deficient in many cases. Further, the report emphasises that in many cases inadequate controls are exercised over the use of fuel coupons and vehicle log books. Finally other non-compliance issue reported in the Auditor General report include absence of payment documents such as invoices, payment vouchers and cash memos; absence of cash books; lack of supervisory checks and controls on invoices submitted.

PI	Dim	Indicator/dimension	Score		Justification
			2008	2011	
20	Effectiveness of internal controls for non-salary expenditure		C	C	Scoring Method M1: weakest link
	(i)	Effectiveness of expenditure commitment controls	C	C	Expenditure commitment control for recurrent expenditures is undertaken through the LPO system which is directly linked to VAM system and is generally considered to be effective except in cases when LPO system is bypassed. Such exceptions are considered insignificant. In terms of the overall volume of transactions. Expenditure commitment control for project expenditure is included in LPO system but is managed on a daily basis in a separate Excel worksheet with uploading information in the LPO system on a monthly basis. Officials report that ministries and departments may initiate expenditure under projects beyond the corresponding commitment ceilings. The separation of control commitments for project expenditures may not comprehensively cover all expenditures or they may occasionally be violated.

PI	Dim	Indicator/dimension	Score		Justification
			2008	2011	
	(ii)	Comprehensiveness, relevance and understanding of other internal control rules/ procedures	C	C	Other internal control rules and procedures are set in Financial Instructions and Accounting Manual and consist of a basic set of rules for processing and recording transactions. The interviewees suggest that these rules and procedures are generally understood by those directly involved in their application, but non-compliance in certain cases raises concerns over how widely they are understood. The findings of the Auditor General reveal that some controls may be deficient in areas of minor importance.
	(iii)	Degree of compliance with rules for processing and recording transactions	C	C	Rules are complied with in a significant majority of transactions, but use of simplified/emergency procedures in unjustified situations is reflected as a concern in the Auditor's General Reports.

3.4.9 PI-21 Effectiveness of internal audit

Internal audit can provide regular and adequate feedback to management on the performance of the internal control systems. This function should be focused on reporting on significant systematic issues in relation to (-) the reliability and integrity of financial and operational information; (-) effectiveness and efficiency of operations; (-) safeguarding of assets; and (-) compliance with laws and regulations.

i. Coverage and quality of the internal audit function
ii. Frequency and distribution of reports
iii. Extent of management response to internal audit findings

i. Coverage and quality of the internal audit function

Internal audit is organised as a centralised division within the Ministry of Finance (Internal Audit Division, IAD). Currently the internal audit function has no specific legal mandate. The Chief Internal Auditor derives her mandate from section 8 of the Public Finance (Control and Management) Act of 1996. The section (part 1) entitles the PS of the MoF to inspect all offices, information, moneys and property so far as may be necessary for the purpose of ensuring compliance with any regulation that supports the intentions of the Act. In accordance with part two of the section, the PS has delegated these powers to the Chief Internal Auditor.

Although the purpose, authority, and responsibility of the internal audit activity are not formally defined in a charter, the mandate of the Chief Internal Auditor encompasses all government entities. In practice, the mandate is not met due to capacity constraints including the recruitment and retention of qualified staff. Although the organizational structure allows for 18 posts, only 9 staff are currently employed by the division. It is noted that the shortage of staff is primarily caused by the tight labour market and less a problem of available funds. In 2010, 24 audits were published covering a selection of MDAs.

Due to the shortage of staff, the Internal Audit Division is not able to fully conduct its audit work plan. Although the annual work plan identifies the 'systems audit; as the dominant task of IAD allocating around 50 per cent of time to systems audit in the domain of the major cost items such as payroll, procurement and fixed assets, the Internal Audit Plan 2011indicates that the capacity devoted to such system audits in 2010 has dropped to around 20 per cent as in 2010 most capacity was used for so-called specialised investigations on request of the P.S. focusing on incidental issues such as the occurrence of a burglary or theft. In 2010, the IAD was also commissioned by the Finance and Public Accounts Committee (FPAC) of the Parliament to conduct audits to the Department of Risk & Disaster Management, and the Seychelles Land Transportation Agency

With regard to audit standards, an Internal Audit Manual is being drafted, but due to lack of capacity it has remained in draft form for a few years. However, the audit reports that were reviewed by the PEFA mission (see annex) demonstrate sufficient adherence to audit standards.

ii. Frequency and distribution of reports

The Chief Internal Auditor prepares annually an audit programme which in the end of the year is followed by an Annual Audit Report. Due to lack of staff, the preparation of these guiding documents has staggered. At the time of writing in February 2011 the audit plan for 2011 was yet to be finalised. The last Annual Work Plan that was presented to the mission dates back to 2007.

However, during the course of the year, the IAD regularly issues reports for the audited entities. In 2010, 24 audits (excluding follow up audits) were issued. The IAD reports are send to the auditee, the PS of the MoF and the Auditor General.

iii. Extent of management response to internal audit findings

The Chief Internal Auditor sends the findings, conclusions and recommendations to the auditee for comments. The auditee is given 28 days to reply. In the limited number of cases that the auditee does not respond within this term, the Chief Internal Auditor will involve the PS of the MoF. The promptness of action by management varies among the different ministries. Managerial action upon the audit recommendations is tested by the Chief Internal Auditor through follow-up audits that are planned to take place six months after finalisation of the audit. The follow up audit reports show that action is taken, although in a few cases rather slowly. In 2003, a National Audit Committee was set up to monitor the implementation of audit recommendations. However, this Committee ceased operating at the start of 2008 as the value added was questioned because both the Chief Internal Auditor and the Auditor General manage the follow-up of the implementation of their recommendations themselves. Internal audit staff note that the dissolution of the Audit Committee has reduced the promptness and comprehensiveness of management response to audit findings. In July 2010, the Ministry of Finance has issued a circular (no. 6 of 2010) notifying the renewed establishment of an Audit Committee. The effectiveness of the new Committee needs yet to be demonstrated in the coming years.

PI	Dim	Indicator/dimension	Score		Justification
			2008	2011	
21	Effectiveness of internal audit		B	C+	Scoring Method M1: weakest link
	(i)	Coverage and quality of the internal audit function	B	C	Internal audit is operational for the majority of MDAs and meets professional standards. Due to lack of staff and requests for special investigations, the capacity devoted to system audits has been reduced to around 20 % of staff time.
	(ii)	Frequency and distribution of reports	B	B	24 Reports have been issued in 2010 which can be considered to be ‘regular’. The IAD-reports are distributed to the audited entity, the PS of the MoF and the auditor general.
	(iii)	Extent of management response to internal audit findings	B	C	Although action is taken by managers, its degree has come down from being ‘prompt’ and ‘comprehensive’ to ‘fair’. The dissolution of the Audit Committee in 2008 provides part of the explanation.

3.5 Accounting, recording and reporting

A PFM system should ensure that adequate records and information are produced, maintained and disseminated to meet decision-making control, management and reporting procedures. In this section, the performance of the GoS is assessed against a set of four indicators. A summary of the scores is tabulated below.

Table 3.24 Assessment of performance indicators in the domain of 'accounting, recording and reporting'

No	Performance indicators	2008	2011
22	Timeliness and regularity of accounts reconciliation	B+	D+
23	Availability of information on resources received by services delivery units	A	B
24	Quality and timeliness of in-year budget reports	C+	C+
25	Quality and timeliness of annual financial statements	C+	C+

In the domain of 'accounting, recording and reporting', little progress has been observed. The scores for reporting have remained unchanged as in-year budget reports are still only reporting on cash transactions and still do not contain commitments. Also for the annual financial report, the score has not changed. The main weakness is that no internationally recognised accounting standards are being used.

In contrast, two indicators in this domain had to be somewhat downgraded. The practice in accounts reconciliation (PI-22) has slipped in scoring mainly due to the substantial delay in the reconciliation of bank accounts at the time of the assessment. Also, an increase in uncleared suspense accounts following the establishment of the Single Treasury Account was observed. The availability of information on resources received by service delivery units has deteriorated as it is no longer practice to break down the financial reports to the separate health clinics limiting the reporting information in the health sector.

More details are outlined in the sections to follow.

3.5.1 PI-22 Timeliness and regularity of accounts reconciliation

Reliable reporting of financial information requires constant checking and verification of the recording practices of accountants. This is an important part of internal control and a foundation for good quality information for management and for external reports. Timely and frequent reconciliation of data from different sources is fundamental for data reliability.

This indicator focuses on two critical types of reconciliation:

i. regularity of bank reconciliations;
ii. regularity of reconciliation and clearance of suspense accounts and advances.

i. Regularity of bank reconciliations

The Ministry of Finance operates a Treasury Single Account held with the Central Bank of Seychelles. The reconciliation of the TSA is undertaken on a daily basis and prior to December 2010 was completed within half day. The reconciliation of the other (about 20, mainly donor funded projects) treasury managed bank accounts is done on a monthly basis and is usually completed within 2 days. This practice results in an A score which reflects that monthly reconciliation is completed in more than 4 weeks of end of period.

However, the Central Bank moved to core banking system close to the year end of 2010. As a consequence, the reconciliation of back statements has become more time-consuming for the Treasury. While reconciliation is still undertaken on a daily basis it takes more than 1.5 days to complete it. On the 1st March 2011 accounting officers were finalising the reconciliation of bank statement for December 2010. This reflects a delay in completing reconciliation of more than 8 weeks from the end of the period fact that justifies a D-score. Following the PEFA methodology, the rating of this dimension is done as at the moment of the assessment and therefore implies a D-score. These problems, however, are likely to be temporary until a structural solution will be in place and therefore it is expected that the performance will return A-score once this problem will be fixed.

ii. Regularity of reconciliation and clearance of suspense accounts and advances

There are about 20 other Central Bank accounts managed by the Treasury mainly for donor funded projects which are called grants/loans in transit. The suspense and advance accounts are reconciled monthly and reconciliation is usually completed within 2 days of the end of the month. For most of these accounts uncleared balances are being brought forward.

There is no provision in the Public Finances Act, 1996 for making advances. According to the Auditor general, however, some advances comprising general and parastatal advances have been made over the years under Section 17 (1) of the previous Public Finances and Management Act. A number of general advances brought forward from 2008, which could have been better classified as parastatal advances in that year, were reclassified during 2009 under parastatal advances. The car loans and general purpose loans (GPL) made to public servants over the years, net of repayments, amounted to 7.5 million Rupee at the end of 2008. Given that these accounts serve as loan facilitation accounts rather than advance accounts in the common sense, the requirement to clear balances is not applicable.

The Treasury maintains a number of suspense accounts for various purposes which are categorised into three categories:

- general suspense accounts;
- trading/operating suspense accounts;
- grants/loans in transit (GIT/LIT).

Based on the last audited Annual Financial Statements (2009), the net credit balance at the end of 2009 for these three categories of suspense accounts was of 50.4 million; 10.9 million and 15.6 million Rupee correspondingly which results in an overall net credit balance of about Rupee 77 million. This represents about 3% of the actual total expenditure out-turn.

Compared to the situation encountered by the PEFA 2008, the number of suspense accounts in the category ‘general suspense’ has further increased. As a result of the introduction of the Single Treasury Account, the balances of about twenty five project bank accounts have been transferred to the main Treasury account and being labelled as suspense account. Since 2009 to the date of the assessment, no decision has yet been taken whether or not to clear these accounts.

PI	Dim	Indicator/dimension	Score		Justification
			2008	2011	
22	Timeliness and regularity of accounts reconciliation		B+	D+	Scoring Method M2: average of scores
	(i)	Regularity of Bank reconciliations	A	D	The reconciliation of the TSA is done on a daily basis and until recently was being completed within half day which would result in an A score. Since December 2010 however with the introduction of the core banking by the Central Bank, daily reconciliation takes about 1.5 days. On March 1st the Treasury was reconciling the statements for the 28th of December. The reconciliation of the other (about 20, mainly donor funded projects) treasury managed bank accounts is done on a monthly basis and is usually completed within 2 days. Given that the rating id done as at the time of the assessment, this practice results in a D score which reflects that monthly reconciliation is completed in more than 8 weeks of end of period.
	(ii)	Regularity of reconciliation and clearance of suspense accounts and advances	B	C	Reconciliation of suspense and advance accounts take place monthly and as a rule is completed within 2 days of the end of the month. A significant number of accounts have uncleared balances brought forward. Due to the introduction of the single treasury account, the number of uncleared suspense accounts has further increased.

3.5.2 PI-23 Availability of information on resources received by service delivery units

Problems can arise in front-line service delivery units providing services (such as schools and health clinics) at the community level in obtaining resources that were intended for their use. Such front-line service delivery units, being furthest in the resource allocation chain, may be the ones to suffer most when overall resources fall short of budget estimates. Tracking of such information is crucial in order to determine if the PFM-systems effectively support front-line service delivery. This indicator is assesses:

i. Collection and processing of information to demonstrate the resources that were actually received (in cash and kind) by the most common front-line service delivery units (focusing on primary schools and primary health clinics) in relation to the overall resources available to the sectors.

In the Seychelles, before 2009, both the ministries of education and health prepared monthly reports on resources received and expenditure incurred at the service delivery level. This information was used by management at the central level and would also be distributed to service delivery units. Since then, the information for the 34 primary school and 10 secondary school facilities has been made even more transparent by including them as separate administrative heads in the detailed budget estimates. This development precedes the intention of the Ministry of Education to provide the schools and school councils more autonomy. Except for payroll (which remain centralised in the MoE), it is envisaged that the schools will move to the LPO system so they can process their own transactions. Monthly reports on the expenditures are sent to the schools and school councils.

In contrast to the education sector, no progress has been identified in the health sector. In contrast, since 2009, the Ministry of Health does no longer provide the various clinics and hospitals with their detailed budgets, but maintain only the aggregate budget line ‘community health care’ and ‘hospital services and support’. Allegedly, the reason for this reduced level of transparency is that individual clinics would tend to request most of their annual budget in the first months of the fiscal year. For accounting purposes, each clinic and hospital do have their own codes, so that expenditure can be tracked if necessary. However, reports are no longer issued on the detail of individual clinics.

PI	Dim	Indicator/dimension	Score		Justification
			2008	2011	
23	Timeliness and regularity of accounts reconciliation		A	B	See dimension (i)
	(i)	Availability of information on resources received by service delivery units	A	B	Reliable information on resources received is available to primary schools by monthly reports. For primary health clinics such information is no longer available since 2009 and is the reporting system focused on aggregate expenditure for clinics and hospitals.

3.5.3 PI-24 Quality and timeliness of in-year budget reports

Timely and regular information on actual budget performance is required to monitor performance and, if necessary, to identify new actions to get the budget back on track. The indicator focuses on the ability to produce comprehensive reports from the accounting system on all aspects of the budget. In particular, the indicator assesses:

i. the scope of reports in terms of coverage and compatibility with budget estimates;
ii. the timeliness of the issue of reports;
iii. the quality of information.

i. Scope of reports in terms of coverage and compatibility with budget estimates

In the Seychelles, in-year budget reports are produced separately for recurrent and capital budget.

For the recurrent budget, expenditure reports are prepared monthly by economic expenditure type. Within each expenditure type, the reports disaggregate further into administrative/departmental basis. The reports allow for direct comparison to the budget. However, the information is only provided for actual expenditure and not commitments. As part of the Action Plan, it was envisaged to allow for reporting on commitments, but no capacity could be made available by the Department of Information, Communication and Technology (DICT) as a higher priority was given to the introduction of the VAT.

For the capital budget, expenditure reports are also prepared on a monthly basis. The reports disaggregate per administrative/departmental head and show the expenditures per project versus the amount warranted. As the amounts warranted are not the same as the budget estimates, no direct comparison with the budget is possible. Like recurrent expenditures, the figures do only show actual expenditure and do not show commitments.

ii. Timeliness of the issue of reports

Both the reports on the recurrent and the capital expenditures are prepared monthly within two weeks. The treasury is closing 5 days after the end of the month and will sent the expenditure reports to the Financial Planning & Control Division of the MoF. The Treasury reports constitute the basis for the reports on recurrent expenditure.

For the reports on capital expenditure, the Treasury reports are reconciled with the registration held by the unit Project and Asset Management. This unit administers the capital budget transactions separately in an excel sheet. The reports on capital expenditures are derived from this excel sheet.

Both for recurrent and for capital expenditure, the monthly reports are produced within two weeks after the end of the month on the 15th of every month.

iii. Quality of information

Quality of the information is retained by monthly reconciliation:

- between Treasury and the Line Ministries for recurrent expenditures;
- between Treasury and the Ministry of Finance for capital expenditures.

The monthly reconciliation between Treasury and MDAs for recurrent expenditure is completed by the 22nd of the month. Treasury suspends payments for those MDAs that did not complete their reconciliation procedures.

The reconciliation of capital expenditures is also done monthly and completed by the MoF (Project & Asset Management). Although, no material concerns about the quality of the data were raised by the MoF and the Auditor General, the PEFA mission notes that the reconciliation between the MDAs and the MoF on capital expenditures is stagnating. It is acknowledged that the main reconciliation occurs between Treasury and the MoF. However, the information should ideally also be reconciled with the registration at MDA level. Although, the MoF ensures that expenditure reports are sent on a monthly basis to the MDAs, interviewees at MDA level experience the practice differently.[24]

[24] The MoH indicates that capital expenditure reports were not received at all. The MoND would normally receive such reports only quarterly but the last quarterly report (from December 2010) was not yet received.

PI	Dim	Indicator/dimension	Score		Justification
			2008	2011	
24	Quality and Timeliness of in-year budget reports		C+	C+	Scoring Method M1: weakest link
	(i)	Scope of reports in terms of coverage and compatibility with budget estimates	C	C	The classification allows full direct comparison to the budget for the recurrent expenditures. For capital expenditures only at aggregate level. For both recurrent and capital expenditures, the reports only include payments and no commitments.
	(ii)	Timeliness of the issue of reports	A	A	Reports for both recurrent and capital expenditures are prepared on a monthly basis and issued within two weeks of the end of the month.
	(iii)	Quality of information	A	A	There are no material concerns regarding data accuracy.

3.5.4 PI-25 Quality and timeliness of annual financial statements

Consolidated year-end financial statements are critical for transparency in the PFM system. The ability to prepare year-end financial systems in a timely fashion is a key indicator of how well the accounting system is operating and the quality of records are maintained.

The dimensions to be assessed are:

i. completeness of the financial statements;
ii. timeliness of the submission of the financial statements;
iii. accounting standards used.

i. Completeness of the financial statements

A consolidated set of financial information is prepared annually and consists of the following statements:

- Statement of assets and liabilities;
- Abstract account of revenue and expenditures;
- Notes to the Financial Statements (including some disclosure of accounting policies);
- Recurrent revenue details;
- Recurrent expenditure details;
- Details of assets and liabilities:
- Statement of outstanding public debt;
- Statement of outstanding guarantees.

The financial statements do not disclose statements on revenue and expenditure arrears. Also, there is also no statement on fixed assets owned by the GoS.

ii. Timeliness of the submission of the financial statements
The Constitution (art. 154.8) requires the Ministry of Finance to Minister to submit financial statements within ninety-one days after the end of each financial year.

In the last three years, the Treasury submitted draft financial statements for audit to the Auditor General on the following dates:
- Annual Financial Statements – 2007: 15 March 2008;
- Annual Financial Statements – 2008:24 March 2009;
- Annual Financial Statements – 2009: 15 March 2010.

iii. Accounting standards used
The financial statements neither follow International Public Sector Accounting Standards (IPSAS) nor are there corresponding national standards at Seychelles that have been applied. For the last three years, the financial statements are presented in the same format.

The Notes to the Financial Statements disclose some of the accounting policies relating to:
- Cash basis of accounting;
- Moveable assets and stocks in hand;
- Valuation of foreign currency balances.

PI	Dim	Indicator/dimension	Score		Justification
			2008	2011	
25	Quality and timeliness of annual financial statements		C+	C+	Scoring Method M1: weakest link
	(i)	Completeness of the financial statements	B	B	A consolidated government statement is prepared annually. They include with few exceptions, full information on revenue, expenditure and financial assets and liabilities.
	(ii)	Timeliness of submission of the financial statements	A	A	Draft accounts are shared with the Auditor General within 3 months after the closure of the year.
	(iii)	Accounting standards used	C	C	The annual financial statements are presented in a consistent format over time and some of the accounting standards are disclosed.

3.6 External scrutiny and audit

This set of indicators looks at the arrangements for scrutiny of public finances quality and whether follow up by executives are operating. Table 3.25 shows the scores on the three performance indicators measuring this domain.

Table 3.25 Assessment of performance indicators in the domain of 'external scrutiny and audit'

No.	Performance indicators	2008	2011
26	Scope, nature and follow-up of external audit	B	B
27	Legislative scrutiny of the annual budget law	D+	D+
28	Legislative scrutiny of external audit reports	D+	D+

In comparison with PEFA 2008, there is no change in the score for each of the indicators. The Office of the Auditor General (OAG) has continued to operate appropriately for a small island public institution. The newly adopted Auditor General Act provides room to improve its operations even further in the coming years.

The role of the Parliament has remained largely unchanged. The exception is its role in the approval of supplementary budgets and extending the Parliament's oversight to capital budgets. Since 2009, the Parliament is actively involved in the approval of supplementary budgets before appropriations can be made. Other than that, the role of Parliament in budgetary affairs is limited. It has less than three weeks to approve the annual budget in December.

With regard to the scrutiny of audit reports, the Public Accounts Committee has taken an active stance. It is deeply involved in hearings following the annual reports of the Auditor General. However, due to capacity constraints, no formal reports have so far ever been issued.

More details are outlined in the sections to follow.

3.6.1 PI-26 Scope, nature and follow-up of external audit

A high quality external audit is an essential requirement for creating transparency in the use of public funds. Dimensions to be assessed are:

i. scope/nature of audit performed (incl. adherence to audit standards);
ii. timeliness of submission of audit reports to the legislature;
iii. evidence of follow-up on audit recommendations.

i. Scope/nature of audit performed (incl. adherence to audit standards)

In the Seychelles, the appointment, mandate and responsibilities of the Auditor General (AG) is set out in the Constitution (1993). Chapter XII (section 158) provides for an AG appointed by the President based on candidates proposed by the Constitutional Appointments Authority. Article 158 of the Constitution requires the AG to audit the accounts of the Cabinet Office, the National Assembly, all government departments and offices, all courts and those related to moneys withdrawn from the Consolidated Fund, all the accounts of any statutory corporation or such other body as may be specified by or under an Act. The duties and powers of the AG were further elaborated in the Audit Act (1972), but this act was repealed in 2010 and replaced by the Auditor General Act (Act 9 of 2010).

The new Act has further strengthened the independence of the AG and increased the scope of the activities of the AG. The main modifications are:
- Higher degree of financial independence from the Executive as the Parliament's Financial and Public Accounts Committee (FPAC) has explicitly voting rights on the allocation to the Office of the Auditor General;
- Operational independence has increased as employment contracts of auditors are now directly with the AG;
- More room for reporting to the FPAC beyond the annual report on the financial statement;
- Mandate for performance audit is included.

Although the new mandate allows for performance audit, such audits have not yet been conducted. The AG expects to receive technical assistance from the EU and additional manpower (3 staff members) to take up this task. Also, the AG has so far not used its mandate to issue additional reports during the financial year.

Up to 2010, the main report of the AG has been issued together with the audited financial statement. The report is based on a financial audit of the governments' statement of assets and liabilities and the accounts on revenue and expenditures. In addition, the report contains the results of a number of ministry audits that focus on the regularity of revenue and expenditures. The AG lacks capacity to cover all ministries every year and currently carries out no performance audits. However, audit coverage for the annual audit of the Financial Statement 2009 is assessed to be at 82 % of total expenditures.

The AG strives to adhere to the International Organisation of Supreme Audit Institutions (INTOSAI) auditing standards for guidance. The mission has reviewed the AG report and a sample of the underlying management letters and confirms that the reports show a focus on significant and systemic issues in line with INTOSAI auditing standards.

ii. Timeliness of submission of audit reports to the legislature
The Constitution (chapter XII, 158-5) requires the AG to submit the audit report regarding the Annual Financial Statement within 12 months of the end of the financial year. This provision has been recalled in the new Auditor General Act. In the last three years, the AG has complied with this provision and delivered the report in November of the year following the audited fiscal year.

By interview, the AG states that the term of submitting the audit report can be accelerated. For example for the audit of the financial statement 2010, a large part of expenditures has already been covered by interim audits. However, the audit report is traditionally tabled in the same period as the new budget estimates are presented to the National Assembly in November/December.

iii. Evidence of follow-up on audit recommendations
For each audit, the AG holds an exit meeting with the auditee within 2 weeks after the closure of the audit. The issues identified by the audit are then verbally explained and discussed. The auditee will respond to each of the issues and indicate its follow up.

Within 4 weeks after closure of the audit, the AG will conduct a follow up audit and review the implementation of the recommendations as discussed during the exit meeting. Any issues that are not acted upon in a satisfactory manner will be included in the management letter that will be sent within 6 weeks after closure of the audit. A formal response is not always received. Only in case the auditee disputes the audit conclusions a formal letter is received. In other cases, the AG takes non-response to mean concurrence with the audit conclusions and will conduct follow up within the next annual audit cycle.

The AG does not keep systematic track of the implementation of his recommendations per MDA through a so-called audit action lists.

PI	Dim	Indicator/dimension	Score		Justification
			2008	2011	
26		Scope, nature and follow-up of external audit	B	B	Scoring Method M1: weakest link
	(i)	Scope/nature of audit performed (incl. adherence to auditing standards)	B	B	The annual report attached to the financial statements is based on financial and regularity audit in line with Intosai standards. The regularity audit covers more than 75% of total expenditure and all MDAs are covered in a two-year cycle. No performance audits are yet carried out.
	(ii)	Timeliness of submission of audit reports to the legislature	B	B	In the last three years, the AG has received the draft Financial Statements for audit end of March and has submitted the associated audit report in November (thus within eight months).
	(iii)	Evidence of follow-up on audit recommendations	B	B	The audited entity replies on audit findings in a timely manner during the exit meeting two weeks after the closure of the audit. The AG keeps track of implementation of recommendations during follow up audits but does not prepare a systematic audit action list.

Ongoing reforms
The EU has allocated funds to support the OAG with technical assistance in the domain of performance audit.

3.6.2 PI-27 Legislative scrutiny of the annual budget law

The power to give the government authority to spend rests with the legislature, and is exercised through the passing of the budget law. If the legislature does not rigorously examine and debate the law, that power is not being effectively exercised and will undermine the accountability of the government to the electorate. In-year budget amendments constitute a common feature of annual budget processes and can undermine the significance of the original budget without adequate rules for the executive.

Dimensions to be assessed are:

i. scope of the legislature's scrutiny;
ii. extent to which the legislature's procedures are well-established and respected;
iii. adequacy of the time for the legislature to provide a response to budget proposals;
iv. rules for in-year amendments to the budget without ex-ante approval by the legislature.

i. Scope of the legislature's scrutiny

Art 74 (2) of the Standing Orders 2009 of the National Assembly of Seychelles indicates that the estimates shall be appended to the Appropriation Bill and that a copy of these estimates shall be sent to the Legislature seven days before the Bill is being presented to the Assembly.

In 2010, the Assembly has received the estimates for 2011 on the first of December as the Minister of Finance presented his budget speech on December 7th. The Assembly was provided with the following information:

- Address by the Minister of Finance;
- Budget Strategy and Outlook including Annual borrowing plan supported by the medium term debt strategy;
- Appropriation Bill
- Estimates of Revenue and Expenditures (summary and details);
- Detailed Capital Budget Estimates;
- Statutory Statements

The Standing Orders and the Rules of Procedures for Committees do not define specialised Committees for the scrutiny of the Budget Law. The Terms of Reference of the Finance and Public Accounts Committee (FPAC) only refer to the scrutiny of the Financial Statements and audit reports. Therefore, once the estimates have been presented, the Assembly may go into committee mode only in case a motion with this request is adopted by the Assembly. In that case, the Speaker of the Assembly will allot the number of days as the Speaker thinks fit for discussion of the estimates in Committee. In practice, such a motion has not been adopted in the last years and the estimates were only further discussed by the whole Assembly.

ii. Extent to which the legislature's procedures are well-established and respected

The legislature's procedures for scrutinizing the annual budget law are laid down in the Standing Orders 2009 of the National Assembly of Seychelles. These rules have been respected, but as indicated above, the procedures are simple and do not contain much detail on scrutiny at Committee level.

iii. Adequacy of the time for the legislature to provide a response to budget proposals

As indicated, the National Assembly of Seychelles receives the Appropriation Bill and the detailed estimates in the beginning of December. As the voting for the Bill needs to be finalised before the end of the year and given the Christmas break, the Assembly is not allowed to dedicate more than three weeks to the scrutiny of the budget proposals.

iv. Rules for in-year amendments to the budget without ex-ante approval by the legislature

Rules for in year budget amendments without the ex-ante approval by the Assembly do exist:

- Virements between budget lines of a MDA have to be approved by the MoF and are, in principle, not allowed between personnel emoluments and other expenditure or between capital and recurrent expenditure.
- Virements within a budget line at more detailed level can be done by the MDA without the ex ante approval of the MoF.

According to the Constitution, in-year amendments that will change the votes included in the Appropriation Bill (such as expansion of the budget, re-allocations between MDAs or between recurrent and capital expenditure) need to be approved by the Assembly through a supplementary appropriation. The rules do not set strict limits on the extent and nature of such amendments. The rules may allow extensive administrative reallocation (which is unlikely to happen in practice) as well as expansion of total expenditure (which may happen in practice).

Up till 2008, procedures for supplementary appropriation did only take place afterwards and the approved budget had been exceeded without legislative approval. A first request for ex ante approval of a supplementary appropriation was made to the Assembly in May 2008. During the year 2009, three such supplementary appropriations were approved ex ante by the Assembly and in 2010, another two.[25]

PI	Dim	Indicator/dimension	Score		Justification
			2008	2011	
27	Legislative Scrutiny of the Annual Budget Law		D+	D+	Scoring Method M1: weakest link
	(i)	Scope of the legislature's scrutiny	C	C	The legislature reviews may cover in principal fiscal policies and mid term priorities as well as the detailed revenue and estimates. However, the draft estimates are only presented to them when the detailed proposals have been finalized.
	(ii)	Extent to which the legislature's procedures are well-established and respected	B	B	Simple procedures exist for the legislature's budget review and are respected.
	(iii)	Adequacy of time for the legislature to provide a response to budget proposals (time allowed in practice for	D	D	The legislature does not see the estimates until the first week of December and therefore has a maximum of three weeks to review if the Appropriation Bill is to be passed before the start

25 The Report of the AG on the accounts of the financial year 2009 identifies withdrawals from the Consolidated Fund without appropriation. However, the amount that was involved was insignificant in relation to total expenditure (less than 1 percent).

PI	Dim	Indicator/dimension	Score		Justification
			2008	2011	
		all stages combined)			of the year.
	(iv)	Rules for in-year amendments to the budget without ex-ante approval by the legislature	D	C	Clear rules exist for in-year budget amendments by the executive and are usually respected, but they allow for extensive administrative reallocations as well as expansion of total expenditure

3.6.3 PI-28 Legislative scrutiny of external audit reports

The legislature has a key role in exercising scrutiny over the execution of the budget that it approved. A common way in which this is done is through a legislative committee or commission that examines external audit reports and questions responsible parties about the findings of the report. The committee may also recommend actions and sanctions to be implemented by the executive. This indicator assesses:

i. timeliness of examination of audit reports by the legislature (for reports received within the last three years);
ii. extent of key hearings on key findings undertaken by the legislature;
iii. issuance of recommended actions by the legislature and implementation by the legislature.

i. Timeliness of examination of audit reports by the legislature (for reports received within the last three years)

The Rules and Procedures for Committees of the National Assembly of Seychelles (2009) establish a Standing Committee on Finance and Public Accounts (FPAC) with the following functions:

- To consider the financial accounts (referred to in Article 158 of the Constitution) in conjunction with the Auditor General's report;
- To report to the Assembly on any excess of authorised expenditure; and
- To propose any measures it considers necessary to ensure that the funds of Government are properly and economically spent.

The FPAC is functioning. It is not chaired by the Leader of the Opposition which is common in many other countries, but it has a representation reflecting the composition of the National Assembly.

The FPAC has examined the Financial Accounts of 2008. After the AG has presented its report on the accounts in December 2009, the FPAC has started its scrutiny per 15 March 2010 with a meeting with the AG and conducted its last meetings in December 2010.

ii. Extent of key hearings on key findings undertaken by the legislature

In its scrutiny of the accounts 2008, the FPAC has conduced 56 meetings/hearings with responsible (accounting) officers from the audited entities (irrespective of the receipt of a qualified or adverse opinion).

iii. Issuance of recommended actions by the legislature and implementation by the legislature

The review by the PAC of the financial accounts has, so far, not resulted in a FPAC report to the Assembly. This finding applies to the period 2004 – 2006 under consideration for PEFA 2008 and for the period 2007 to date.[26]

Consequently, no recommendations have been issued by the Assembly. The ability of the FPAC to publish a report is limited by lack of technical (lack of financial expertise) and administrative support (delay in the preparation of 'verbatims') is emphasized.

PI	Dim	Indicator/dimension	Score		Justification
			2008	2011	
28	Legislative scrutiny of external audit reports		D+	D+	Scoring Method M1: weakest link
	(i)	Timeliness of examination of audit reports by legislature (for reports received with the last three years)	C	D	Examination of the audit report of the AG usually takes place within 12 months, but it has, so far, never been finalised in terms of a final report from the FPAC to the Assembly
	(ii)	Extent of hearings on key findings undertaken by legislature	A	A	When the committee meets, hearings take place with responsible officers from most audited entities irrespective of whether they receive a qualified or adverse opinion.
	(iii)	Issuance of recommended actions by the legislature and implementation by the executive	D	D	Till date, the FPAC has not issued a report to the Assembly. Consequently, no recommendations have been issued by the Assembly.

26 This is reason for the current PEFA team to recalibrate the score on dimension i from a 'C' to a 'D' as it takes usually more than 12 months to complete the examination of audit reports.

3.7 Donor practices

The domain of donor practices captures elements of donor practices which impact on the performance of the country PFM system. These practices belong to the responsibility of the donors and are outside the authority of the government. The table below shows the assessment of three indicators in this domain.

Table 3.26 Assessment of performance indicators in the domain of 'donor practices'

No.	Donor practices	2008	2011
D-1	Predictability of Direct Budget Support	n/a	D+
D-2	Financial information provided by donors for budgeting and reporting on project and program aid	D	D
D-3	Proportion of aid that is managed by use of national procedures	D	C

Progress has been made since the previous PEFA-assessment. Budget support has been provided during 2009 and 2010. As a consequence, the share of aid that was managed by national procedures increased as budget support, by default, uses national procedures (D-3). Disbursement often took place later than originally planned due to several reasons. Forecasts were not always provided in time to be included in the budget estimates (D-1). However, the delay was in most cases quite limited. For project support, the practice of donors has been less ambitious. As in 2008, donors do not provide information aligned to the fiscal year and do not report quarterly on disbursements, nor does the GoS ask for this information (D-2).

3.7.1 D-1 Predictability of Direct Budget Support

Direct budget support constitutes an important source of revenue for central government in many countries. Poor predictability of inflows of budget support affects the government's fiscal management in much the same way as the impact of external shocks on domestic revenue collection and can have serious implications for the government's ability to implement the budget as planned.

This indicator assesses:

i. Annual deviation of actual budget support from the forecast provided by the donor agencies at least six weeks prior to the government submitting its budget proposals to the legislature;

ii. In-year timeliness of donor disbursements.

i. Annual deviation of actual budget support from the forecast provided by the donor agencies

During 2009-2010, the GoS received General Budget Support from the European Union (EU), the African Development Bank (AfDB) and the World Bank (WB). No Budget Support was provided in 2007 and 2008. Table 3.27 gives an overview of the Budget Support Programmes.

Table 3.27 Overview of the budget support programmes

Donor	BS	Grant or loan	Total amount (EUR)	Period
EU	Seychelles Economic Reform Programme, consisting of - EUR 7.5million from the NIP - EUR9 million from the Vulnerability Flex allocation A	grant	16,500,000	2009-2012
EU	Seychelles Climate Change Support Programme SCCSP	grant	2,000,000	2009
AfDB	Economic Governance Reform Program	loan	15,000,000	2009-2010
WB	Development Policy Loan	loan	6,400,000	2009-2010
WB	Development Policy Loan 2	loan	6,600,000	2010

Forecasts of disbursements were included in the budget estimates, except in the case of the first disbursement of the EU, under the Vulnerability Flex allocation A (Viflex). This tranche was negotiated with the Ministry of Foreign Affairs. The Ministry of Finance was informed after the preparation of the budget estimates. The tranche was therefore not included in the budget estimates for FY2009. This is visible in the budget estimates for FY2009: the grant component in the original budget is Rupee 20 million, but the revised and actual budget includes the Viflex grant component of EUR 8 million (SR 120 million).

Table 3.28 Budget estimates fiscal year 2009

Budget Estimates in 1,000 Rupees	Budget 2009	Revised 2009	Actual 2009	Budget 2010	Revised 2010
grants linked to BoP	20,000	309,420	316,811	317,174	169,799
Program/Budget support	210,000	203,500	118,819	207,336	331,788
Information from MoF/donors in 1,000 Rupees	**Planned 2009**		**Actual 2009**	**Planned 2010**	**Actual 2010**
Total grant per year	121,264		121,264	41,732	40,049
Total loan per year	210,696		113,685	189,814	275,971

Sources: Budget Estimates FY2011. Interviews EU, WB, AfDB. Exchange rate (end of period) IMF: 1EUR = SR15.16 (2009) and 1EUR = SR13.46 (2010). The Budget Estimates refer to GBS grants as “grants linked to BoP” and GBS loans as “Program/Budget support”.

In 2009, actual budget support outturn fell short of the forecast by 29%, due to a delayed disbursement of the first Development Policy Loan (DPL). As the delayed tranche was disbursed in the first quarter of 2010, the outturn in that year was significantly higher than anticipated in the budget estimates: 137% (see Table 3.29).

The non-disbursement of the EUR 6,400,000 (SR 97 million) DPL is also visible in the budget estimates. The actual 2009 outturn shows a downward revision by exactly that amount, from SR 210 million to SR 114 million. The 2010 budget does not yet include the DPL, but the revised budget 2010 does.

In 2010, the variable tranche of the EU – SERP support was partly disbursed due to unfulfilment of one of the five indicators, related to the delayed development of a social programme for prostitutes and alcohol/drugs addicts. EUR 2,375,000 was disbursed instead of the anticipated EUR 2,500,000. As a result, 99.7% of anticipated budget support was received during 2009-2010, although not always timely disbursed. The second dimension looks into the timing of disbursement in more detail.

Table 3.29 Budget support out-turns (2009, 2010)

	2009		2010	
In 1,000 euro	**Planned amount**	**Actual Amount**	**Planned amount**	**Actual Amount**
EU – SERP	8,000	8,000	2,500	2,375
EU – SCCSP	-	-	600	600
AfDB	7,500	7,500	7,500	7,500
WB – DPL 1	6,400	-	-	6,400
WB – DPL 2	-	-	6,600	6,600
Total year	**21,900**	**15,500**	**17,200**	**23,475**
Share of planned	**71%**		**136%**	
Share of planned 2009-2010	**99.7%**			

ii. In-year timeliness of donor disbursements

Table 3.30 states the planned and actual amounts as well as the planned and actual timing of disbursement for all budget support tranches during 2009 and 2010. In 2009, GOS received all budget support with a delay of one quarter. In 2010, 57% of all budget support disbursements were delayed by one quarter. The following reasons were identified for the delays in the budget support disbursements:

- EU – SERP: the second fixed tranche and the first variable tranche of EUR 1,250,000 to be disbursed in August 2010 were disbursed in October 2010 due to late submission of the request for disbursement by the MoFA. The Financing Agreement stipulated that this request should have been sent in June, but it was sent in August;
- AfDB: the first tranche was only disbursed in the fourth quarter of 2009 due to a delay in legal procedures. The second tranche was disbursed in December 2010 instead of in the third quarter of that year as the GoS required additional time to meet the required conditions for disbursement;
- WB: the first DPL was delayed due to late submission of the documentation needed to declare the project effective as well as the internal World Bank procedures that had to be followed to process a Euro dominated loan.

Table 3.30 Planned and actual disbursements of Budget Support

	2009				2010			
In 1,000 euro	**Planned amount**	**Actual Amount**	**Planned quarter**	**Actual quarter**	**Planned amount**	**Actual Amount**	**Planned quarter**	**Actual quarter**
EU – SERP	8,000	8,000	Q4	Q4	2,500	2,375	Q3	Q4
EU – SCCSP	-	-	-	-	600	600	Q4	Q4
AfDB	7,500	7,500	Q3	Q4	7,500	7,500	Q3	Q4
WB – DPL 1	6,400	-	Q4	Q1 2010	-	6,400	-	-
WB – DPL 2	-	-	-	-	6,600	6,600	Q4	Q4
Total year	**21,900**	**15,500**			**17,200**	**23,475**		
Delayed	13,900		1 quarter		10,000		1 quarter	
Weighted delay	**63%**				**58%**			

PI	Dim	Indicator/dimension	Score		Justification
			2008	2011	
D1	Predictability of direct budget support (BS)		n/a	D+	Scoring Method M1: weakest link
	(i)	Annual deviation of actual BS from the forecasts provided by the donor agencies at least 6 weeks prior to the government submitting its budget proposals to the legislature	n/a	A	In 2008, no budget support was provided. The annual deviation in 2009 was 29%. In 2010, budget support disbursements were higher than the forecast (136% of anticipated disbursements). Forecasts were not always provided in time to be included in the budget estimates.
	(ii)	In-year timeliness of donor disbursements (compliance with aggregate quarterly estimates)	n/a	D	In 2008, no budget support was provided. In 2009, 63% of budget support disbursements were delayed by one quarter. In 2010, 57% of all budget support disbursements were delayed by one quarter.

3.7.2 D-2 Financial information provided by donors for budgeting and reporting on project and program aid

Predictability of disbursement of donor support for projects and programs affects the implementation of specific line items in the budget. The government through its spending units should be able to budget and report on aid transferred in cash. Donor reports are important for reconciliation between donor disbursement records and government project accounts.

The dimensions to be assessed are:

i. Completeness and timeliness of budget estimates by donors for project support;
ii. Frequency and coverage of reporting by donors on actual donor flows for project support.

i. Completeness and timeliness of budget estimates by donors for project support;
Following the receipts mentioned in the most recent Annual Financial Statements, the major project support donors in 2009 were Japan Social Fund, China, UN Organisations and the European Union. Japan and China provided in-kind support.

The MoF does not require from donors to provide budget estimates for disbursement of project aid for the coming fiscal year. Donors providing in-kind support send the MoF reports before the start of the project with an estimate of the project cost and estimated duration of the project. Donors providing project support agree on a project with the line ministry. Based on these agreements, the MoF makes estimates to include in the budget based on a number of assumptions (e.g. previous disbursements). This sometimes leads to revisions during the year when project support is not disbursed (see table below). For instance in 2010, the revised budget shows a significant reduction in grant financing compared to budgeted as information became available that Abu Dhabi would not disburse project support during 2010.

Table 3.31 Donor Project support: estimates, revisions and actuals (2009, 2010)

	2009 budget	2009 revised	2009 actual	2010 budget	2010 revised
Capital projects	280,570	454,425	481,148	591,000	595,543
Grant financing	20,000	309,420	316,811	268,920	121,414
Cash grant	-	-	152,859	102,500	35,720
Benefit in kind	-	-	163,952	166,420	85,694

ii. Frequency and coverage of reporting by donors on actual donor flows for project support

In case of project support, the GoS managing the Programme estimates have to report to the donors on the utilisation of funds (e.g for the EU Landfill project and the EU's Technical assistance facility). UNDP has set up a project coordination unit in the Ministry of Environment for the projects it supports in the Department of Environment. This unit makes a disbursement plan for the duration of the project and reports on disbursements under the project to UNDP. The latter decides on the basis of these reports if the next tranche can be disbursed. UNDP prepares a combined delivery report that is sent annually to the Project implementation unit. For in-kind support, the Ministry of Finance receives a information from donors when the contractor is paid. For example in the case of Chinese in-kind support, after completion of the project, the site is visited by the donor and the GoS and handed over to the GoS. The Government of China then informs the GoS on the total actual cost of the project.

As in the case of budget estimates for disbursement of project aid, the MoF does not ask for quarterly reporting on actual disbursement by donors.

PI	Dim	Indicator/dimension	Score 2008	Score 2011	Justification
D2		Financial information provided by donors for budgeting and reporting on project and program aid	D	D	Scoring Method M1: weakest link
	(i)	Completeness and timeliness of budget estimates by donors for project support	D	D	The Ministry of Finance includes estimates of project support if information is available before the start of the fiscal year. Donors do not provide information aligned to the fiscal year.
	(ii)	Frequency and coverage of reporting by donors on actual donor flows for project support	D	D	Donors do not report quarterly on disbursements. GoS reports to donors on utilisation of funds. For in-kind projects, MoF receives information on actual project cost after the completion of the project.

3.7.3 D-3 Proportion of aid that is managed by use of national procedures

The use of national procedures means that the banking, authorization, procurement, accounting, audit and reporting arrangements for donor funds are the same as those used for government funds. This should be stimulated to avoid that national authorities use different (donor-specific) procedures for the management of aid funds and, by so doing, diverting capacity away from managing the national systems. Conversely, the use of national systems by donors can help to focus efforts on strengthening and complying with the national procedures for domestic operations. This indicator assesses: *"the overall proportion of aid funds to central government that are managed through national procedures (banking, authorisation, procurement, accounting, audit, disbursement and reporting)"*.

The Development Fund records all donor receipts (including Budget Support, loans, and domestic receipts) that the Government of Seychelles receives. The table below provides the disbursed amounts of donor project support in 2009 as reported in the Annual Financial Statements 2009. The major project support donors in 2009 are listed in this table. Together, they provided 96% of donor project support to GoS in 2009.[27]

Table 3.32 Donor support following national procedures in 2009

In 1,000 Rupee	Disbursed	payment/ accounting	procure-ment	audit	financial reporting
Donor					
EU/EDF	5,726	no	no	no	no
UN Organisations	12,762	yes	yes	yes	yes
China	30,939	no	no	no	no
Japan Social Fund	139,771	no	no	no	no
Total project support largest donors	**189,198**				
Amount of project support through national procedures	12,762				
Share of project support through national procedures	7%				
Total Budget Support	**234,949**	yes	yes	yes	yes
GRAND TOTAL	437,052				
Share of project + budget support following national procedures	**59%**				

Source: Annual Financial Statements 2009: Head 25 – Summary of Development Fund. Agreements on Budget support EU, WB and AfDB. Interviews with UNDP, Chinese Embassy, EU, AfDB, WB. Exchange rate follows Annual Financial Statements (1EUR = SR15.99).

In 2009, 7% of donor support followed national procedures (projects funded by UNDP). China and Japan provided all aid in-kind, and therefore use their own procedures. Before and after the completion of a project, China reports to the MoF on the payments to

[27] Excluding budget support and bank loans listed in the Development Fund Summary.

contractors. The EU project support follows EDF procedures; hence audit does not follow national procedures.

By default, all budget support follows national procedures. Largely due to the substantial share of budget support in 2009, the total share of donor support following national procedures in 2009 was 59%.

PI	Dim	Indicator/dimension	Score		Justification
			2008	2011	
D3	Proportion of aid that is managed by use of national procedures		D	C	See dimension (i)
	(i)	Overall proportion of aid funds to central government that are managed through national procedures	D	C	The total share of donor support (budget support and project support) following national procedures in 2009 was 59%.

4 Government reform process

4.1 Description of recent and on-going reforms

Reform Context

The Government of Seychelles has embarked on a PFM reform programme in October 2009 as part of the IMF programme. The reform programme is not formulated as a separate document, but an Action Plan for PFM reforms for the period of 2009-2011 exists is included in the government's MEFP that is agreed with the IMF. The MEFP is signed by the vice-president and the central bank governor. However, its status is not augmented by Parliamentary approval.

The reform programme is built on the six PEFA dimensions and the scores of the 2008 PEFA assessment were considered as basis for setting performance targets and as baseline for measuring performance over time. The MEFP includes also a timeframe for the reform measures that are envisaged. However, the underlying rational for the inherent sequencing is not explicitly formulated. The PFM reform has also not been costed (although, some measures are included in the Budget Estimates).

Overall oversight for implementation of the reforms is vested in the Minister of Finance. Responsibility for daily implementation lies with the deputy Comptroller General of the MoF. Weekly meetings between the Minister of Finance, PS and the deputy director of FPCD take place to take stock of the implementation of the programme and discuss how to deal with eventual bottlenecks. The PFM reform programme has political championship at the very highest levels fact which is reflected by the pace of the PFM reforms over the last years.

Achieved results

There have already been a number of PFM reforms that have been implemented, many of which have already shown measurable impact on PFM performance. An overview of the most recent reform efforts and achievements are presented in Table 4.1.

Table 4.1 Recent reform efforts in various PFM areas

Rationale	Measures undertaken and remarks on implementation status
Comprehensiveness and transparency	
To enhance transparency and coverage of public finance	• Fiscal statistics were published on April 23, 2010. • Ongoing reform with IMF support to adopt Government Financial Statistics Manual 2001. • A Budget strategy document for the 2011 budget was presented to cabinet and included in the budget documents. • A fiscal report for the 1st quarter of 2010 was published on the MOF website. Unfortunately no other reposts were published so far.
To improve oversight over public enterprises and reduce fiscal risks	• A *Public Enterprise Monitoring and Control* act was approved by the Parliament on September 28, 2009. • The Public Enterprise Monitoring Division (PEMD) of MoF was created in June 2009. The • PEMD's role is to monitor financial affairs, budgets and performance targets of public enterprises. • A new policy on the reclassification of budget dependent agencies was introduced in 2010. The classification policy established 3 groups of budget-dependent public bodies and sets out the operational and budget arrangements for each group. This resulted in inclusion of two groups in the budget documents.
Policy-based budgeting	
Improve orderliness and participation in the budget process	• The *Budget Strategy and Outlook (BSO) document*, which set the fiscal context and established the government's priorities was introduced in the preparation of 2011 budget. • A new budget calendar was issued in January 2010. • A standard template for submission of budget proposals for 2011 was introduced.
Improve medium term perspective in fiscal planning	• 2011 Budget has moved to a medium-term budgeting framework, presenting the government's fiscal and economic projections over a three-year horizon. • A dedicated branch within the MoF has been established (to strengthen) macroeconomic and revenue forecasting capacity. FAB is fully operational.
Predictability and control in budget execution	
Improve tax administration	• The organisation of SRC has moved away from organisational structure based on type of tax; a Large Taxpayer Unit was created. The newly created unit will segregate its staff to particular sectors to ensure better understanding of sector-trends, allowing for more targeted use of the Audit Team. • SRC is undertaking efforts to introduce a new client management system. • The legal basis for tax administration was reviewed and amended and include in particular the following: - The Revenue Commission Act 2009 was adopted - The Business Tax Act was amended in December 2009 - A Personal income Tax (PIT) was introduced in July 2010 - A VAT will be effective as from January 2012.

Rationale	Measures undertaken and remarks on implementation status
	• The Customs Reform Strategy and implementation plan was approved by the Cabinet on March 17, 2010.
Improve information on funds availability	• MOF has been preparing cash flow projections on a weekly basis as from 2009
Improve the management of cash balances	• A Treasury Single Account (TSA) was introduced in 2009
Strengthen public debt managements systems	• The Public Debt Management Act was enacted in December 2008. • A Technical Debt Committee and a National Debt Committee were established to oversee the management of public debt, contracting of loans and issuance of government guarantees. A new guideline for Government Guarantees has been introduced. • The first Debt Management Strategy was presented to the National Assembly together with the Budget 2010. The Debt Management Strategy is updated annually.
Strengthen the public procurement system	• The new Public Procurement Act was adopted by the NA in December 2008 which in particular establishes the National Tender Board, the Procurement Oversight Unit and the mechanism for procurement objections through the procurement Review Panel.
Accounting, recording and reporting	
To ensure proper *classification* and increase efficiency of the budget as a policy tool and to support improved decision-making on the allocation of resources	• A new Chart of Account for the 2011 budget was adopted. • Further efforts are undertaken to further revise the CoA for 2012 budget.
Improve accounting, recording and reporting procedures	• The accounting officers were provided with a new job description as from • January 2010. • Efforts are planned to be undertaken in 2011 to revise the Financial Instructions and Accounting Manual.
Strengthen internal control/audit	• A new audit committee was set up in May 2010
External scrutiny and audit	
Strengthen the external audit function	• A new Auditor General Bill has been enacted in July 2010. It provides for • more independence of the AG and introduces performance audits in addition to financial audits, in line with INTOSAI's guidelines.
To strengthen public finance management	• Cabinet approval of a new *Public Finance Bill* extending the National Assembly's oversight on capital expenditure budget.
Overall PFM	
	• Efforts are planned to revise the Financial Instructions and Accounting Manual by June 2011. • Also amendments to PFM Bill are planned to be made. The Bill is expected to be submitted to Cabinet for approval by the end of September 2011. The amendments shall reflect recent operational improvements in PFM i.e. legal framework, transparency, accountability, medium-term perspective and budget performance; but also extend its coverage to budget formulation and budget execution processes; and extend the National Assembly's oversight of the budget to include the capital

Rationale	Measures undertaken and remarks on implementation status
	expenditure budget, in addition to current expenditures.
Capacity building	
	• Training of staff from MoF, ministries and departments is undertaken on a regular basis. • MoF undertakes capacity building to analyze capital expenditure proposals, which will facilitate improved allocation of the capital expenditure budget. Department budget officers receive budget management training.

4.2 Institutional factors supporting reform planning and implementation

Government leadership and ownership

The PFM reform programme has political championship at the very highest levels fact which is reflected by the pace of the PFM reforms over the last years. While not formalised there are certain institutional arrangements for implementation of the PFM Reform in place. Overall oversight for implementation of the reforms is vested in the Minister of Finance. Responsibility for daily implementation lies with the deputy Comptroller General of the MoF. Weekly meetings between the Minister of Finance, PS and the deputy director of FPCD take place to take stock of the implementation of the programme and discuss how to deal with eventual bottlenecks.

Coordination across donors

There is no formal mechanism to coordinate the assistance from development partners to the implementation of the reform programme despite that many development partners provide assistance to PFM related areas (e.g. ADB, EU, IMF, WB, COMESA, Australian government etc). At the moment agreements on assistance are done on a bilateral basis and are not necessarily coordinated among donors. There is a risk that if not coordinated assistance may not necessarily be optimal. An example might serve the Strategy for Customs reforms; two separate strategies were developed with the assistance of two development partners. It is not clear to what extent these two strategies (besides that they cover different time period) are consistent with each other and which is the core strategy guiding the reform efforts of the SRC.

Sustainability of the reform process

The previous section shows that the GoS has achieved significant progress in improving the government's PFM system. Also, the GoS appears to be committed to further reforms in the PFM domain in the coming years. However, this is no reason for complacency. The GoS has still to prove that the implemented reforms are sustainable. There are a number of factors that pose risks to the sustainability of the PFM reform efforts in Seychelles.

A large risk to the PFM reform agenda appears to be the rather severe capacity constraints that are challenging the GoS. The MoF has currently already pressing issues of the day job leaving little capacity to deliver on PFM reforms and to manage their implementation. While the implementation of the PFM reform programme has proven to be very successful since its launch, this success is based on individual efforts rather than on sustainable arrangements which are in place. Such a situation is not necessarily sustainable and does not guarantee a continuing success.

Further, it should be noted that so far most of the reform efforts were centred on the MoF activities that still need to be rolled out to all line ministries and departments to become effective. The sustainability of some reforms and their effectiveness will depend on the extent to which the line ministries and departments are able to institutionalize the reforms in their practices.

Finally, the sustainability of the PFM reform efforts needs to be ensured by sufficient financial and human resources allocated to their implementation. Although some measures have been included in the Budget Estimates, most of the PFM reform have not been costed and are consequently not reflected in budgetary allocations. The sustainability of the PFM reforms would be supported by a comprehensive costing of the various reforms within a multi-year perspective so that corresponding budget provisions can be ensured. Such a single funding framework would also allow closer coordination of donor support of PFM reforms and could consequently greatly enhance the impact of PFM reform.

Annex 1 Budgetary out-turns: expenditures

The following table provide the budgetary out-turns per budget head for the fiscal years 2004 – 2009 based on the revised PEFA methodology for performance indicator 1 and 2.[28] The figures for 2004 2006 provide the basis for the recalibrated score for PEFA 2008. The figures for 2007 – 2009 constitute the basis for the PEFA 2011 score.

[28] Notes to the tables:
1. The 'development grants' in the budget are part of the primary surplus.
2. The 'centralized head' includes transfers to social programs of central Government.

Fiscal year 2004

administrative or functional head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Presidents office	16.295	25.008	19.488	5.519	5.519	28,3%
Min of environment and nat resource	67.584	67.064	80.829	-13.765	13.765	17,0%
Dept of transport	71.559	72.709	85.583	-12.874	12.874	15,0%
Dept of finance	22.378	25.296	26.764	-1.467	1.467	5,5%
Ministry of Defence	73.726	90.204	88.175	2.029	2.029	2,3%
Dept of legal affairs	4.658	5.051	5.571	-520	520	9,3%
Min of Local govt, sports + culture	58.368	59.058	69.807	-10.748	10.748	15,4%
Vice Presidents office	1.621	3.236	1.939	1.298	1.298	66,9%
Min of Edn and youth	157.264	165.837	188.084	-22.248	22.248	11,8%
Min of foreign Affairs	10.600	11.618	12.677	-1.059	1.059	8,4%
Min of social affairs+ employment	24.063	22.728	28.779	-6.051	6.051	21,0%
Ministry of Health + social services	158.530	176.425	189.598	-13.173	13.173	6,9%
Min of Land Use & Habitat	16.960	15.924	20.284	-4.360	4.360	21,5%
Min of Industries + Int business	4.145	2.081	4.957	-2.877	2.877	58,0%
Dept of Public Admin	24.146	23.182	28.878	-5.696	5.696	19,7%
Dept of Police	53.891	63.278	64.452	-1.174	1.174	2,2%
Min of Econ Planning	19.217	17.161	22.983	-5.822	5.822	30,3%
Dept of internal affairs	14.202	16.285	16.985	-700	700	4,9%
Office of Ombudsman	695	716	831	-115	115	16,6%
Office of Public Service Appeals Boa	201	218	240	-23	23	11,3%
Dept of Judiciary	5.535	9.055	6.620	2.435	2.435	44,0%
Office of the Auditor General	2.308	2.001	2.760	-759	759	32,9%
National Assembly Secretariat	2.148	2.780	2.569	211	211	9,8%
Office of the Electoral Commissioner	927	926	1.109	-183	183	19,7%
Centralised payments	422.114	485.420	504.839	-19.419	19.419	4,6%
Dev fund - local resources	50.000	122.757	59.799	62.959	62.959	125,9%
Dev fund - dev grant (to parastatals)	7.500	57.551	8.970	48.581	48.581	647,8%
allocated expenditure	1.290.635	1.543.571	1.543.571	0	246.064	
contingency	0	0				
total expenditure	1.290.635	1.543.571				
overall (PI-1) variance						19,6%
composition (PI-2) variance						15,9%
contingency share of budget						0,0%

Fiscal year 2005

administrative or functional head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Presidents office	16.608	27.920	18.568	9.351	9.351	50,4%
Min of environment and nat resource	60.279	66.749	67.394	-645	645	1,0%
Dept of transport	37.789	45.784	42.250	3.534	3.534	8,4%
Dept of finance	28.812	31.404	32.213	-809	809	2,5%
Ministry of Defence	69.000	81.120	77.145	3.975	3.975	5,2%
Dept of legal affairs	5.197	5.141	5.810	-670	670	11,5%
Min of Local govt, sports + culture	54.222	78.725	60.622	18.103	18.103	29,9%
Dept of ICT	14.043	14.014	15.701	-1.686	1.686	10,7%
Min of Edn and youth	164.446	173.933	183.857	-9.924	9.924	5,4%
Min of foreign Affairs	10.135	10.261	11.331	-1.071	1.071	9,4%
Ministry of Health + social services	176.184	185.675	196.981	-11.306	11.306	5,7%
Min of Land Use & Habitat	17.196	20.000	19.226	774	774	4,0%
Dept of Public Admin	11.055	15.036	12.360	2.676	2.676	21,7%
Dept of Police	60.000	64.094	67.082	-2.989	2.989	5,0%
Min of Econ Planning + Employment	9.509	9.552	10.631	-1.080	1.080	11,4%
Dept of internal affairs	13.000	13.429	14.535	-1.106	1.106	8,5%
Office of Ombudsman	733	733	820	-87	87	11,8%
Office of Public Service Appeals Boa	201	201	225	-24	24	11,8%
Dept of Judiciary	6.999	6.935	7.825	-890	890	12,7%
Office of the Auditor General	2.600	1.981	2.907	-926	926	35,6%
National Assembly Secretariat	2.516	2.684	2.813	-129	129	5,1%
Office of the Electoral Commissioner	927	1.044	1.036	8	8	0,9%
Centralised payments	431.059	441.839	481.941	-40.102	40.102	9,3%
Dev fund - local resources	160.000	190.326	178.886	11.439	11.439	7,1%
Dev fund - dev grant (to parastatals)	11.000	35.880	12.298	23.581	23.581	214,4%
allocated expenditure	1363510	1524458	1.524.458,4	0,0	146.885,8	
contingency	0	0				
total expenditure	1363510	1524458				
overall (PI-1) variance						11,8%
composition (PI-2) variance						9,6%
contingency share of budget						0,0%

Fiscal year 2006

administrative or functional head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Presidents office	28.000	37.780	33.834	3.946	3.946	11,7%
Min of environment and nat resource	61.299	67.519	74.071	-6.552	6.552	8,8%
Dept of transport	29.138	28.872	35.209	-6.337	6.337	18,0%
Dept of finance	32.812	43.810	39.648	4.162	4.162	10,5%
Ministry of Defence	77.297	87.851	93.402	-5.551	5.551	5,9%
Dept of legal affairs	6.338	5.988	7.659	-1.670	1.670	21,8%
Min of Local govt, sports + culture	68.442	91.461	82.702	8.760	8.760	10,6%
Dept of ICT	14.000	17.110	16.917	193	193	1,1%
Min of Edn and youth	181.000	200.534	218.711	-18.178	18.178	8,3%
Min of foreign Affairs	10.400	11.591	12.567	-976	976	7,8%
Ministry of Health + social services	184.000	205.737	222.336	-16.600	16.600	7,5%
Min of Land Use & Habitat	18.500	20.296	22.354	-2.058	2.058	9,2%
Dept of Public Admin	13.000	14.768	15.709	-941	941	6,0%
Dept of Police	70.000	77.477	84.585	-7.108	7.108	8,4%
Min of Econ Planning + Employment	10.000	9.763	12.084	-2.321	2.321	23,2%
Dept of internal affairs	14.379	15.856	17.375	-1.519	1.519	10,6%
Office of Ombudsman	753	751	910	-159	159	21,1%
Office of Public Service Appeals Boa	217	217	262	-45	45	20,9%
Dept of Judiciary	8.506	7.912	10.278	-2.366	2.366	27,8%
Office of the Auditor General	2.660	2.843	3.214	-371	371	14,0%
National Assembly Secretariat	2.839	3.092	3.431	-339	339	11,9%
Office of the Electoral Commissioner	1.067	1.019	1.289	-271	271	25,4%
Centralised payments	500.088	543.508	604.282	-60.774	60.774	12,2%
Dev fund - local resources	179.005	346.443	216.301	130.143	130.143	72,7%
Dev fund - dev grant (to parastatals)	37.000	31.641	44.709	-13.068	13.068	35,3%
allocated expenditure	1.550.740	1.873.837	1.873.837	0	294.407	
contingency	0	0				
total expenditure	1550740	1873837				
overall (PI-1) variance						20,8%
composition (PI-2) variance						15,7%
contingency share of budget						0,0%

Fiscal year 2007

administrative or functional head	budget	actual	adjusted budget	deviation	absolute deviation	percent
01 President's Office	29.942.000	31.991.710	37.147.723	-5.156.013	5.156.013	13,9%
02 Ministry of Environment	64.800.000	64.532.952	80.394.512	-15.861.560	15.861.560	19,7%
03 Department of Transport	32.041.000	29.903.694	39.751.860	-9.848.166	9.848.166	24,8%
04 Ministry of Finance	44.486.000	46.126.642	55.191.825	-9.065.183	9.065.183	16,4%
05 Ministry of Defence	77.000.000	111.365.028	95.530.516	15.834.512	15.834.512	16,6%
06 Department of Legal Affairs	6.523.000	6.654.225	8.092.799	-1.438.574	1.438.574	17,8%
07 Ministry of Arts, Culture and Sp	43.285.000	53.023.179	53.701.797	-678.618	678.618	1,3%
09 Department of Information and	6.485.000	6.344.344	8.045.654	-1.701.310	1.701.310	21,1%
10 Ministry of Education	185.000.000	190.139.803	229.521.369	-39.381.566	39.381.566	17,2%
11 Ministry of Foreign Affairs	15.239.000	15.499.638	18.906.358	-3.406.720	3.406.720	18,0%
12 Ministry of Employment and So	31.312.000	26.974.378	38.847.422	-11.873.044	11.873.044	30,6%
13 Ministry of Health	180.000.000	201.331.437	223.318.089	-21.986.652	21.986.652	9,8%
14 Ministry of Land Use & Habitat	22.353.000	19.651.703	27.732.385	-8.080.682	8.080.682	29,1%
15 Ministry of Investment, Industrie	17.734.000	15.238.566	22.001.794	-6.763.228	6.763.228	30,7%
16 Department of Public Administr	13.000.000	16.558.927	16.128.529	430.398	430.398	2,7%
17 Department of Police	80.241.000	83.331.335	99.551.482	-16.220.147	16.220.147	16,3%
19 Ministry of Community Develop	45.000.000	53.697.545	55.829.522	-2.131.977	2.131.977	4,7%
20 Department of Internal Affairs	17.195.000	17.762.750	21.333.081	-3.570.331	3.570.331	20,8%
216 Department of Judiciary	9.077.000	8.145.767	11.261.435	-3.115.668	3.115.668	34,3%
22 Centralised payments	563.573.000	750.787.933	699.200.252	51.587.681	51.587.681	9,2%
21 (= sum of rest)	12.036.000	11.735.500	14.932.536	-3.197.036	3.197.036	26,6%
Development grants	34.000.000	25.828.000	42.182.306	-16.354.306	16.354.306	48,1%
Domestic financing capital projects	175.000.000	329.093.000	217.114.809	111.978.191	111.978.191	0,639875379
allocated expenditure	1.705.322.000	2.115.718.056	2.115.718.056	0	359.661.566	
contingency	0	0				
total expenditure	1.705.322.000	2.115.718.056				
overall (PI-1) variance						24,1%
composition (PI-2) variance						17,0%
contingency share of budget						0,0%

Fiscal year 2008

administrative or functional head	**budget**	**actual**	adjusted budget	deviation	absolute deviation	percent
01 President's Office	25.368.000	24.957.774	25.472.625	-514.851	514.851	2,0%
02 Ministry of Environment	124.653.500	123.810.999	125.167.608	-1.356.609	1.356.609	1,1%
04 Ministry of Finance	30.876.460	30.854.745	31.003.804	-149.059	149.059	0,5%
05 Ministry of Defence	77.000.000	102.523.210	77.317.571	25.205.639	25.205.639	32,6%
06 Department of Legal Affairs	7.369.000	7.441.097	7.399.392	41.705	41.705	0,6%
08 Department of Risk and Disaste	3.285.000	3.193.155	3.298.548	-105.393	105.393	3,2%
09 Department of Information and	6.638.000	6.643.866	6.665.377	-21.511	21.511	0,3%
10 Ministry of Education	207.676.727	210.123.920	208.533.247	1.590.673	1.590.673	0,8%
11 Ministry of Foreign Affairs	20.819.000	21.956.882	20.904.864	1.052.018	1.052.018	5,0%
13 Ministry of Health and Social De	242.463.000	263.970.737	243.462.989	20.507.748	20.507.748	8,4%
14 Ministry of National Developme	42.298.000	35.282.298	42.472.449	-7.190.151	7.190.151	16,9%
16 Department of Public Administr	17.689.000	19.209.611	17.761.955	1.447.656	1.447.656	8,2%
17 Department of Police	96.167.820	96.955.507	96.564.444	391.063	391.063	0,4%
18 Ministry of Employment and Hu	9.885.000	9.426.617	9.925.769	-499.152	499.152	5,0%
19 Ministry of Community Develop	85.037.313	84.419.681	85.388.032	-968.351	968.351	1,1%
20 Department of Internal Affairs	18.817.000	18.397.746	18.894.607	-496.861	496.861	2,6%
216 Department of Judiciary	9.437.295	9.469.273	9.476.217	-6.944	6.944	0,1%
217 Office of the Auditor General	3.727.000	3.644.095	3.742.371	-98.276	98.276	2,6%
218 National Assembly Secretariat	3.988.092	4.338.937	4.004.540	334.397	334.397	8,4%
22 Centralised payments	661.686.436	725.475.947	664.415.425	61.060.522	61.060.522	9,2%
21 (= sum of rest)	2.933.000	3.061.094	2.945.097	115.997	115.997	4,0%
Development grants	54.950.000	32.524.000	55.176.630	-22.652.630	22.652.630	41,2%
Domestic financing capital projects	201.400.000	124.543.000	202.230.633	-77.687.633	77.687.633	38,6%
allocated expenditure	1.954.164.643	1.962.224.191	1.962.224.191	0	223.494.840	
contingency	0	0				
total expenditure	1.954.164.643	1.962.224.191				
overall (PI-1) variance						0,4%
composition (PI-2) variance						11,4%
contingency share of budget						0,0%

Fiscal year 2009

administrative or functional head	**budget**	**actual**	adjusted budget	deviation	absolute deviation	percent
01 President's Office	34.220.768	30.535.214	33.378.289	-2.843.075	2.843.075	8,5%
02 Ministry of Environment	166.841.602	160.860.321	162.734.140	-1.873.819	1.873.819	1,2%
04 Ministry of Finance	41.761.505	39.863.014	40.733.381	-870.367	870.367	2,1%
05 Ministry of Defence	109.211.348	109.206.749	106.522.681	2.684.068	2.684.068	2,5%
06 Department of Legal Affairs	10.522.720	9.478.239	10.263.662	-785.423	785.423	7,7%
07 Seychelles Revenu Commissio	34.119.303	33.419.200	33.279.322	139.878	139.878	0,4%
08 Department of Risk and Disaste	4.552.000	3.808.761	4.439.935	-631.174	631.174	14,2%
09 Department of Information and	7.955.000	7.885.966	7.759.156	126.810	126.810	1,6%
10 Ministry of Education	235.580.687	229.222.007	229.780.942	-558.935	558.935	0,2%
11 Ministry of Foreign Affairs	37.936.024	37.936.024	37.002.080	933.944	933.944	2,5%
13 Ministry of Health and Social De	311.551.000	304.518.939	303.880.947	637.992	637.992	0,2%
14 Ministry of National Developme	49.505.113	46.406.041	48.286.350	-1.880.309	1.880.309	3,9%
16 Department of Public Administr	23.695.000	19.870.266	23.111.654	-3.241.388	3.241.388	14,0%
17 Department of Police	129.485.939	128.183.934	126.298.134	1.885.800	1.885.800	1,5%
18 Ministry of Employment and Hu	15.872.000	13.123.065	15.481.248	-2.358.183	2.358.183	14,9%
19 Ministry of Community Develop	85.000.000	79.493.251	82.907.391	-3.414.140	3.414.140	4,0%
20 Department of Internal Affairs	30.909.315	29.297.074	30.148.361	-851.287	851.287	2,8%
216 Department of Judiciary	14.978.000	13.620.083	14.609.258	-989.175	989.175	6,6%
218 National Assembly Secretariat	8.646.934	8.336.068	8.434.056	-97.988	97.988	1,1%
22 Centralised payments	1.032.976.396	1.024.478.297	1.007.545.621	16.932.676	16.932.676	1,6%
21 (= sum of rest)	8.521.000	7.870.449	8.311.222	-440.773	440.773	5,2%
Development grants	67.750.000	120.498.000	66.082.067	54.415.933	54.415.933	80,3%
Domestic financing capital projects	212.070.000	149.928.000	206.849.063	-56.921.063	56.921.063	26,8%
allocated expenditure	2.673.661.654	2.607.838.962	2.607.838.962	0	155.514.199	
contingency	300.000.000	2.800.000				
total expenditure	2.973.661.654	2.610.638.962			PI 1 without continger	97,538%
overall (PI-1) variance						12,2%
composition (PI-2) variance						6,0%
contingency share of budget						0,1%

Annex 2 Budget out-turns: recurrent revenues

fiscal year 2007				
Revenue sources	**estimate**	**actuals**	**difference**	**in %**
8200 Trades tax	260.000.000	265.218.843	5.218.843	2,01%
8200 Goods and Service Tax	810.000.000	801.024.279	-8.975.721	-1,11%
8300 Income/Business Tax	316.000.000	360.810.377	44.810.377	14,18%
8400 Other Indirect Tax	148.210.000	136.624.709	-11.585.291	-7,82%
9200 Other revenu / Contribution social fun	0	0	0	0,00%
Total tax revenue	**1.534.210.000**	**1.563.678.208**	**29.468.208**	**1,92%**
8500 Fees and fines	67.584.000	107.944.157	40.360.157	59,72%
8600 Fees and charges	102.862.000	83.790.175	-19.071.825	-18,54%
8700 Rents and Royalties	256.486.000	146.672.748	-109.813.252	-42,81%
8800 Income of public services	9.200.000	10.150.350	950.350	10,33%
8900 Dividends, interests	168.734.000	95.755.108	-72.978.892	-43,25%
9000 Reimbursements	32.218.000	45.450.573	13.232.573	41,07%
9100 Miscellaneous	65.944.000	6.694.355	-59.249.645	-89,85%
9200 Other revenue: Land lease and sale	0	0	0	0,00%
9200 Other revenue: asset sales	0	0	0	0,00%
Total non tax revenue	**703.028.000**	**496.457.466**	**-206.570.534**	**-29,38%**
Total recurrent revenue	**2.237.238.000**	**2.060.135.674**	**-177.102.326**	**-7,92%**

fiscal year 2008				
Revenue sources	**estimate**	**actuals**	**difference**	**in %**
8200 Trades tax	360.000.000	409.566.279	49.566.279	13,77%
8200 Goods and Service Tax	920.000.000	953.404.813	33.404.813	3,63%
8300 Income/Business Tax	359.100.000	521.077.905	161.977.905	45,11%
8400 Other Indirect Tax	157.710.000	200.636.685	42.926.685	27,22%
9200 Other revenu / Contribution social fun	0	0	0	0,00%
Total tax revenue	**1.796.810.000**	**2.084.685.682**	**287.875.682**	**16,02%**
8500 Fees and fines	77.609.000	178.343.094	100.734.094	129,80%
8600 Fees and charges	34490000	36830125	2.340.125	6,78%
8700 Rents and Royalties	256.441.000	202.983.815	-53.457.185	-20,85%
8800 Income of public services	9.800.000	11.025.684	1.225.684	12,51%
8900 Dividends, interests	182.878.000	239.792.309	56.914.309	31,12%
9000 Reimbursements	31.218.000	46.303.575	15.085.575	48,32%
9100 Miscellaneous	7.812.000	6.693.578	-1.118.422	-14,32%
9200 Other revenue: Land lease and sale	0	0	0	0,00%
9200 Other revenue: asset sales	0	0	0	0,00%
Total non tax revenue	**600.248.000**	**721.972.180**	**121.724.180**	**20,28%**
Total recurrent revenue	**2.397.058.000**	**2.806.657.862**	**409.599.862**	**17,09%**

fiscal year 2009				
Revenue sources	**estimate**	**actuals**	**difference**	**in %**
8200 Trades tax	575.000.000	437.097.287	-137.902.713	-23,98%
8200 Goods and Service Tax	1.442.000.000	1.347.774.506	-94.225.494	-6,53%
8300 Income/Business Tax	551.000.000	800.889.902	249.889.902	45,35%
8400 Other Indirect Tax	213.500.000	349.519.752	136.019.752	63,71%
9200 Other revenu / Contribution social fun	21.000.000	15.316.363	-5.683.637	-27,06%
Total tax revenue	**2.802.500.000**	**2.950.597.810**	**148.097.810**	**5,28%**
8500 Fees and fines	0	0	0	0,00%
8600 Fees and charges	165.100.000	182.114.512	17.014.512	10,31%
8700 Rents and Royalties	45.139.000	23.549.810	-21.589.190	-47,83%
8800 Income of public services	3.100.000	56.892.040	53.792.040	1735,23%
8900 Dividends, interests	193.894.000	214.860.065	20.966.065	10,81%
9000 Reimbursements	65.000	65.000	0	0,00%
9100 Miscellaneous	2.902.000	4.007.375	1.105.375	38,09%
9200 Other revenue: Land lease and sale	390.220.000	195.815.215	-194.404.785	-49,82%
9200 Other revenue: asset sales	4.098.000	2.672.693	-1.425.307	-34,78%
Total non tax revenue	**804.518.000**	**679.976.710**	**-124.541.290**	**-15,48%**
Total recurrent revenue	**3.607.018.000**	**3.630.574.520**	**23.556.520**	**0,65%**

Annex 3 List of interviewees

Name	Position	Organisation
Mr. Danny Faure	Minister of Finance	Ministry of Finance
	PS Finance	Ministry of Finance
Ms. Sitna Cesar	Comptroller-General	Financial Planning, Monitoring and Control Division, Ministry of Finance
Mr. Patrick Payet	Deputy- Comptroller-General	Financial Planning, Monitoring and Control Division, Ministry of Finance
Mr. Damien Thesee	Director Public Budget Management	Financial Planning, Monitoring and Control Division, Ministry of Finance
Mr. Joseph Kanjiraparambil	Director Project Planning	Financial Planning, Monitoring and Control Division, Ministry of Finance
Ms. Elizabeth Charles	Director Technical Coopetation	Ministry of Finance
Mr. Brian Charlette	Director Public Debt	Financial Planning & Control Division, Ministry of Finance
Ms. Nicholle Belle		Public Debt Management
Mr. Bertrand Belle	Director	Forecasting and Analysis Branch , Ministry of Finance
Mr. Bryn Battersby	Macroeconomic Adviser, Forecasting and Analysis Branch	Forecasting and Analysis Branch
Ms. Ginny Elizabeth		Forecasting and Analysis Branch
Mrs. Gretel Quatre	Chief Accountant	Treasury
Mr. Danny Labonté		Treasury
Ms. Patricia Ernesta	Payroll Officer	Treasury
Ms. Ursula Nougal	Assistant Accountant TSA	Treasury
Mrs. Georgette Pillay	Deputy Revenue Commissioner	Seychelles Revenue Commission
Mr. Ronald Cafrine	Assistant Commisioner	Customs Division, Seychelles Revenue Commission
Mr. Anthony Gedeon	Deputy	Internal Audit
Mr. Adrian Pillay	Senior auditor Banking & Investment	Public Enterprise Monitoring Division
Mr. Alex Etienne	Senior auditor Commercial Public Entities	Public Enterprise Monitoring Division
Ms. Jessie Esparon	PS	Dept. of Public Administration
Mrs. Georgette Pillay	Deputy Revenue Commissioner	Revenue Authorities
Mr. Anderson		Ministry of National Development

Nourrice		
Ms. Marie-Alise Dine	Personnel manager, HRM	Ministry of Health
Ms. Lisianne Laporte	Assistant Accountant, Finance section	Ministry of Health
Mr. Raymonde Bellard	Accounts supervisor, Finance section	Ministry of Health
Ms. Daphne Belle	HRM officer, HRM section	Ministry of Health
Ms. Philomena Rosette	Assistant Accountant, Payroll section	Ministry of Health
Mr. Elvis Simeon	Procurement officer, Procurement Section	Ministry of Health
Mr. Terence Morel	Financial Comptroller	Ministry of Health
Ms. Marie-Nella Nancy	Director	Procurement Oversight Unit
Mr. Pierre Laporte	Governor	Central Bank of Seychelles
Ms. Caroline Adel	Deputy-Governor	CBS
Mr. Brian Commettant	Acting head of division, Policy, market operations & Statistics	CBS
Mr. Naddy Marie	Economist, Policy division	CBS
Mr. Naadir Hassan	Director, Financial services supervision	CBS
Mr. Christophe Edmond	Head of division, Banking services	CBS
Mr. Marc Benstrong	Auditor General	Office of the Auditor General
Mr. Gamini		Office of the Auditor General
Ms. Alice Labonté	PS	Ministry of Education
Ms Merida Delay	Accountant Finance Section	Ministry of Education
Ms. Shirley Marie		Ministry of Education
Mrs. Lanka Dorby	Director IT	Department of ICT
Mr. Benjamin R. Choppy	PS	Department of ICT
Ms. Lauretta Port-Louis	Director software development	Department of ICT
Ms. Nazrah Ramdin	Partner	BDO
Ms. Laura Ah-time	Director	NSB
Mr. Steve Lalande	CEO	LUNGOS
Mr. Bernard Elizabeth	Chairman	LUNGOS
		Seychelles Chamber of Commerce & Industry
Mrs. Mina Crea	Chief Executive Officer	National Tender Board
Mr. Terrence Mondon	Public Accounts Committee Chairman	PAC
Mr. Robert Stravens	CEO	PUC

Mr. Joel Valmont	Deputy-CEO	PUC
Mr. Sawkut Rojid	Economist	The World Bank
Ms. Marie-Hélène Bricknell	Country Program Coordinator	The World Bank
Mr. Arunsingh Ramduny	Project manager	Delegation to the EU to the Republic of Mauritius, for the Union of the Comoros and the Republic of Seychelles
Ms. Cécile Tassin-Pelzer	Premier Secrétaire	European Union
Mr. Liu Tielin	Director of Economic Affairs	Chinese Embassy
Ms. Shirley Chinien		African Development Bank
Ms. Peninah Kariuki		African Development Bank
Mr. Richard Walker	Senior Economist	African Development Bank
Mr. Carlos Santiso		African Development Bank
Mr. Roland Acindor	Programme Manager	UNDP

Annex 4 Workshop

Name	Institution
Mrs. Marie-France Fanchette	Seychelles Revenue Commission
Mr. Ronald Cafrine	Sychelles Revenue Commision
Ms. Marie-Ange Lucas	Treasury Department
Ms. Marie-Annette Rosalie	Treasury Department
Ms. Veronique Adeline	Treasury Department
Mrs. Gretel Quatre	Treasury Department
Ms. Francis Andrade	Treasury Department
Mr. Danny Labonte	Treasury Department
Mr. Naddy Marie	Central Bank
Ms. Jenny Monnaie	Central Bank
Mr. Anthony Gedeon	Internal Audit
Ms. Marie-Anette Onezime	Internal Audit
Mr. Adrian Pillay	PEMD
Mr. Bertrand Belle	FAB
Mr. Bryn Battersby	FAB
Mr. Gamini Herath	Office of the Auditor General
Ms. Helen Jacques	Office of the Auditor General
Ms. Ruth Fanchette	Office of the Auditor General
Mr. Antoine Barbe	Ministry of Foreign Affairs
Ms. Marie-Nella Nancy	Procurement Oversight Unit
Ms. Luisa Way-Hive	National Assembly
Ms. Sitna Cesar	Financial Planning & Control Division
Mr. Patrick Payet	Financial Planning & Control Division
Mr. Damien Thesee	Financial Planning & Control Division
Ms. Annie Dugasse	Financial Planning & Control Division
Ms. Nicholle Belle	Financial Planning & Control Division
Mr. Joseph Kanjiraparambil	Financial Planning & Control Division
Mr. Dereck Rioux	Financial Planning & Control Division
Mr. Patrick Course	Financial Planning & Control Division
Mr. Anderson Nourrice	Ministry of National Development
Mr. Terrence Morel	Ministry of Health
Mrs. Melinda Malbrook	Ministry of Education
Ms. Alice Labonte	Ministry of Education
Mrs. Noella Shamlaye	Department of Public Administration
Ms. Floria Cesar	Department of Public Administration

Annex 5 List of Documents

Legislation, Regulations, Agreements

- Public Finances Act, (Act No 22 of 1996), Supplement to Official Gazette, 19 December 1996
- MoF, Accounting Manual, July 1997
- MoF, Financial Instructions, July 1997
- Public Debt Management (amendment) Act, 2009 (Act 31 of 2009), Supplement to Official Gazette 30 December 2009
- Auditor General Act (Act 9 of 2010), Supplement to Official Gazette, 7 July 2010
- The Public Enterprises (Monitoring) Act (Act No. 19 of 2009)
- Republic of Seychelles, Public Service Orders, January 2011
- Republic of Seychelles, Public Service Procedures Manual, January 2011
- Public Procurement Act, Supplement to Official Gazette, 29 December 2008
- Revenue Administration Act (Act 27 of 2009), Supplement to Official Gazette, 30 December 2009
- Seychelles Revenue Commission Act (Act 26 of 2009), Supplement to Official Gazette, 30 December 2009
- Value Added Tax Act, (Act 35 of 2010), Supplement to Official Gazette, 31 December 2010
- Traders Tax Regulations, 1997
- Excise Tax Act (Act 25 of 2009), Excise Tax (Amendment of Schedules 1 and 2) Regulations 2009, Supplement to Official Gazette, 30 December 2009
- Business Tax Act, (Act 28 of 2009), Supplement to Official Gazette, 30 December 2009
- Goods and Services Tax Act (Act 10 of 2001), Goods and Services Tax Regulations, 2003
- Income and Non-Monetary Benefit Tax Act (Act I0 of 2010), Supplement to Official Gazette, 5 July 2010
- Seychelles Business Number Act, (Act 24 of 2009), Supplement to Official Gazette, 30 December 2009

Ministry of Finance

- Republic of Seychelles, Estimates of Revenue and Expenditure for the fiscal year ending
  - 31st December 2011
  - 31st December 2008
- MoF, Estimates of revenue and expenditure and appropriation bill for the 2011 budget
- MoF, Estimates of revenue and expenditure and appropriation bill for the 2010 budget

- MoF, Circular No 6 of 2010, Establishment and functions of the audit committee, 8 July 2010
- MoF, Circular No 04, Bilateral Policy Review meetings towards the preparation of the 2011 budget, 5 April 2010
- MoF, Circular No 03, Annual Budget Formulation Calendar, 5 March 2010
- MoF, Seychelles Annual Budget Formation Calendar for Fiscal Year 1st January to 31st December
- MoF, Circular No 02 of 2010, Assets and Inventory Registers, 10 February 2010
- MoF, Circular No 07 of 2010, Draft estimates of current receipts for the financial year 2011, 2012, 2013, 30 July 2010
- MoF, Circular No 08 of 2010, Draft estimates of revenues, expenditures and financial requirements for the fiscal year 2011 to 2013, 30 July 2010
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