

# CPIA Detailed Report

## Country: Seychelles

Exercise Year: CPIA Exercise 2023

Currency: Seychellois Rupee (SCR)

City: Victoria

Income Group: High income

Lending Category: IBRD

**Final CPIA Score: 4.28**

## (A) Economic Management

Cluster Score: 4.333

### 01. Fiscal Policy

Criteria Score: 4.5

#### 1. Fiscal Policy

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5
Second Draft Score	4.5
Final Score	4.5

#### Country Notes:

The objective of Seychelles' Fiscal Policy has been ensuring fiscal primary surpluses and attain the medium-term debt target of reducing the total public debt to GDP ratio to less than 50% by 2021 (a target

date that was originally set at 2018), though that had to be rescheduled again due to the COVID 19 pandemic to 2026. In terms of **Fiscal policy**, Seychelles maintained fiscal discipline over the 2016-2019 period by achieving an overall fiscal surplus of between 0.2% and 0.9% of GDP. In 2020, Seychelles implemented an expansionary fiscal policy in response to the COVID-19 pandemic, resulting into a huge fiscal deficit from a modest fiscal surplus before the pandemic and In 2020, the budget balance deteriorated to an overall fiscal deficit of -18.5% resulting in an increase in the public debt. This was because tax collections declined significantly by almost a quarter leading to a tax-to-GDP ratio of 27%, compared to an average of 32% over the previous five years, while public spending rose to almost 50% of GDP in 2020. The fiscal deficit narrowed to 6.8% in 2021 and to 3.6% in 2022 owing to improvements in revenue collections. It is projected to decline to 1.6% and 0.4% of GDP in 2023 and 2024, respectively, driven by tourism recovery (AfDB statistics, April 2023).

Macroeconomic management in 2021 and 2022 continued to be sound, anchored on the IMF-supported arrangement under the new Policy Coordination Instrument (PCI), which ensured a continued commitment to consolidating macroeconomic stability and implementation of extensive structural reforms. Seychelles was also the first country to successfully undertake a debt-for-climate swap aimed at marine conservation. As a result of its success in macroeconomic reform and programs and climate resilience strategies, the country is now also the second African country, after Rwanda, to access the IMF's Resilience and Sustainability Facility (RSF)—funding aimed at helping countries with limited room in their budget address long-term challenges, such as climate change and pandemic preparedness.

In terms of public debt: Seychelles had planned to reduce its total public debt to below 50% of GDP by 2018 (a target date later pushed to 2021) through good public financial management practices and fiscal discipline. Total public debt declined to 76.8% of GDP in 2021 from 89.5% in 2020 and further to 75.0% of GDP in 2022. The IMF projects public debt to fall below 70% of GDP in 2023, and the June 2022 joint IMF and World Bank public debt sustainability analysis (DSA) of Seychelles shows that debt is on a sustainable path (IMF, 2023). Fitch Affirmed Seychelles ratings at 'BB-' in March 2023 with a stable outlook. Fitch Ratings has also affirmed Seychelles' Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'BB-' with a Stable Outlook (Fitch ratings).

## 02. Monetary Policy

**Criteria Score: 4.5**

### 2. Monetary Policy

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5
Second Draft Score	4.5
Final Score	4.5

### Country Notes:

The objective of monetary policy remains anchored on the principles of ensuring price stability, ensuring stable and predictable currency and sustainable economic growth. In 2021 and 2022, the Central Bank of Seychelles (CBS) maintained an accommodative monetary policy to reduce the cost of credit and boost economic activity. Because of the lagged pass-through of price changes from commodities mostly imported by the Seychelles Trading Company (STC), with its core business being imports, storage, and distribution of essential and basic foods, inflation declined to 1.2% in 2020 from 1.8% in 2019. Government fiscal and social protection measures also contributed to this. However, inflation significantly rose to 9.8% in 2021 due to global supply chain disruptions amid the pandemic in 2020. Inflation declined in 2022 to 2.8% as supply chain disruptions eased but remained higher than pre-COVID period. It is projected to increase again to 4.3% and 4.4% in 2023 and 2024, respectively, amid the continued global uncertainty (AfDB statistics data).

Exchange rate stability has also been a key policy objective for the CBS under the country's floating exchange rate regime. The CBS uses foreign exchange auctions for the purchase and sale of foreign currency to ensure availability of foreign exchange and enhance liquidity management, but the exchange rate is mainly linked to performance of tourism. With a contraction of tourism earnings and increased demand for imports, the exchange rate depreciated significantly to 21.2 SCR/USD in December 2020 from around 14 SCR/USD a year earlier. However, with improved tourism, it appreciated back to an average of 16.9SCR/USD in 2021 and further to 13.5SCR/USD in 2022 (IMF and GoS data).

The fiscal deficit narrowed to 6.8% in 2021 and to 3.6% in 2022 owing to improvements in revenue collections. It is projected to decline to 1.6% and 0.4% of GDP in 2023 and 2024, respectively, driven by tourism recovery.

Being an import-dependent Small Island State, Seychelles' current account continues to register large deficits, implying high vulnerability to external shocks (Chart 7). The current account deficit deteriorated to 14.6% in 2020 (from 3.2% in 2019), before narrowing to 10.8% in 2021 and 7.0% in 2022 amid continued improvement of tourism performance (AfDB statistics). The current account is projected to narrow to 5.4% and 4.9% in 2023 and 2024, respectively, as tourism earnings remain buoyant and global energy prices stabilize (AfDB data). Gross international reserves stood at around 4.4 months of imports in 2021 and 2022, comparable with the authorities' target of 4.0 months and 3.0 months in 2021 and 2022 respectively.

## 03. Debt Policy

Criteria Score: 4

### 3. Debt Policy

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0

Second Draft Score	4.0
Final Score	4.0

### Country Notes:

In 2008, the country adopted a target of reducing total public debt below 50% of GDP by 2018, though the target date was changed to 2021, but with COVID 19 new reality and the Government's new debt commitments due to the pandemic, a new debt reduction strategy will be designed, which necessitated the need to revisit the target date and amount of debt in the post COVID 19 period. Public domestic debt decreased from 36.8% of GDP to 25.5% between 2016 and 2019, while over the 2010-2019 period external debt decreased from 171% to 107.3%. On the other hand, the debt service to exports ratio decreased to 4% from 8.5% in 2016 and is projected to slightly rise to 4.5% in 2020.

Against this background, the Government has already taken several measures to bring the debt level back into its sustainable level. These measures include: i) Debt restructuring through a liability management operation (LMO) which includes changing the composition of debt profile while keeping the debt stock consistent and switching short term maturities to long term ones; ii) ongoing discussions and negotiations with multilateral finance institutions for concessional loans; and iii) discussions ongoing for restructuring the Euro Bonds.

Total public debt declined to 76.8% of GDP in 2021 from 89.5% in 2020 and further to 75.0% of GDP in 2022. The IMF projects public debt to fall below 70% of GDP in 2023, and the June 2022 joint IMF and World Bank public debt sustainability analysis (DSA) of Seychelles shows that debt is on a sustainable path. Fitch Affirmed Seychelles ratings at 'BB-' in March 2023 with a stable outlook. Fitch Ratings has also affirmed Seychelles' Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'BB-' with a Stable Outlook.

3.5

## (B) Structural Policy

Cluster Score: 4.222

### 04. Policies and Institutions for Economic Cooperation, RI and Trade

Criteria Score: 4.833

#### 4.a. Regional Integration and Economic Cooperation

Score Type	Value
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Draft Score	5.0
Reviewed Score	5.0
Second Draft Score	5.0
Final Score	5.0

### Country Notes:

Seychelles signed the African Continental Free Trade Area (AfCFTA) in 2018, and ratified it in 2021. The country is also a member of the Common Market of East and South Africa (COMESA), the Southern African Development Community (SADC), and joined the World Trade Organization (WTO) in 2015. The 2019 African Regional Integration Index (ARII) ranks Seychelles as high performer with an overall integration score of 0.393 (compared to the continental average of 0.32) and ranked number 11 (out of 54 countries) with strong performance in clusters of regional infrastructure and free movement of people. The Africa Visa Openness Index has ranked Seychelles first since 2016 as the country with the most liberal visa regime, as policy which has greatly enhanced the country's accessibility as a tourist destination. For goods trade, Seychelles' exports are valued at USD 0.7 billion (2021) and concentrated on a narrow range of products mostly fish and fisheries products (85%), reflecting the country's limited product diversification and vulnerability to market shocks. The main markets are France, Japan, United Kingdom, Mauritius and Italy. Diversifying its export basket can help the country tap benefits of regional integration and trade, including those offered by the Africa Continental Free Trade Area (AfCFTA).

Macroeconomic convergence (MEC) is one of the essential conditions to fostering regional integration, such as the outcome desired in the SADC region. Currently, SADC monitors a total of nine MEC indicators of which three are primary indicators (inflation, the budget deficit and public debt) and six are secondary indicators (current account deficit, economic growth, external reserves, central bank credit, domestic savings and domestic investment). Under the SADC's MEC program, member states were and are expected to meet the targets of primary indicators at three points in time over the period of ten years from 2008 to 2018. Seychelles has consistently been on track in achieving all the three primary indicators of MEC over the last several years, though due to the COVID 19 pandemic, progress on the debt indicator is derailed since last year. This section will assess Seychelles' performance against some of MEC criteria. For example, Inflation: SADC member states agreed to restrict annual inflation rate to low and stable levels (less than 3%). Seychelles had a relatively low and stable inflation. Due to its tight monetary policy stance, the Central Bank of Seychelles has managed to keep inflation below 5% over the last few years, and in 2021. Inflation in Seychelles is projected to be around 3% and 2.7% respectively in 2021 and 2022.

- Fiscal deficit: SADC member states agreed to restrict fiscal deficit as a percentage of GDP to a low level (less than 3%). Overall, fiscal balance in Seychelles has been a surplus over the last few years before COVID 19, but it turned into a deficit of 5% in 2020 due to the pandemic. However, the deficit is projected to narrow down to around 1% in 2021 and 2022. Seychelles is therefore within the required achievement in this criterion.

The country is also part of the UK-ESA economic partnership agreement that was notified to the WTO in 2020 via a document referenced WT/REG427/N/1 and came into force in January 2021.

Seychelles officially became the 161st member of WTO on 26th April 2015. Seychelles has effectively participated in WTO trade in services and notified her services liberalization commitments to the WTO Members on 14 September 2022 in document reference S/C/N/1108.

Seychelles has on-going projects on review of the SADC rules of origin and regional cooperation on trade facilitation.

Seychelles became a Member of the African Regional Intellectual Property Organization (ARIPO) on 1 October 2021 through the Harare Protocol to facilitate innovation and economic transformation through creative industries and protect intellectual property of international trade as part of her National Development Plan (2019-2023).

#### 4.b. Trade restrictiveness

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5
Second Draft Score	4.5
Final Score	4.5

#### Country Notes:

The Seychelles has an open trade policy and is amongst the lowest tariff rates in Sub Saharan Africa with an effectively applied tariff weighted average (customs duty) of 2.09% and the most favored nation (MFN mfn) weighted average tariff of 6.59% much lower than the 6.74% and 8.7% for Sub-Saharan Africa respectively (Ministry of Finance dialogue mission, 20219).

The Seychelles does not impose specific taxes on exports but all goods imported into or manufactured in Seychelles are subject to VAT set at 15% except those exempted as specified in the 'Value Added Tax (Amendment of schedules) Regulations 2014".

Excise tax is applied on four goods imported or locally manufactured in the Seychelles including: Alcohol, Cigarettes and Tobacco, Motor Vehicles and Petroleum Products, The Excise Tax regime is governed by the 'Excise Tax Act 2009'.

The country has introduced levies on certain items imported into the Seychelles including Vehicles, PET bottles and plastic bags so as to protect its delicate environment.

Seychelles merged the Fair-Trading Commission Act 2009 (FTCA 2009) and the Fair Competition Act 2009 and the Consumer Protection Act 2010 to form the Fair-Trading Act 2022 (FTA 2022), which came into force on 1 August 2022, to cater to Seychelles' current and future competition landscapes. The policy offers business tax exemption to farmers and fishermen as per government order 2021 (Seychelles Revenue Commission, 2023). Similarly in the services sector, the government introduced some regulations like Accommodation Turnover Tax recently came into operation on 1 January 2023 and the Environment Protection (Tourism Environmental Sustainability Levy) Regulations, 2023 for the tourism sector.

Relative to other countries in Africa, Seychelles has fewer trade barriers according to the Global Competitiveness Report (GCR) 2019 report. The country performs well for indicators relating to trade openness including: 'prevalence of non-tariff barriers' with a score of 4.5 out of 7, 'complexity of tariffs 5.1 out of 7. The World Bank Doing Business report 2020 ranks the Seychelles 98th out of 190 countries globally in term of Trading Across Border, performing better than comparator economies with the exception of Mauritius (72nd) this however is a worsening in rank from 2018 where it ranked 88th out 190. Seychelles does not impose major barrier to trade, in fact the GoS has continued to encourage international trade through various trade facilitation tools including tax incentives for the tourism industry, streamlining of customs procedures at ports, upgrading port facilities and expansion of submarine cable links with the rest of the world. However, some barriers to international trade remain including customs duties, especially for fisheries, which are comparatively high and inadequate infrastructure. The NTBS currently affecting trade in Seychelles with other countries include those related to SPS and licencing issues. For example, the most common NTBs in SADC to which Seychelles is a member include sanitary and phyto-sanitary restrictions (SPS), nonautomatic licensing requirements, export restrictions and technical regulations (Kalaba and Kirsten (2012)). Most of these SPS measures apply to agricultural products, which the Seychelles, as a small and vulnerable island state must ensure are respected in its agricultural imports, and it should also ensure that its exports adhere to these measures. According to an UNCTAD study (UNCTAD/ITCD/TAB/73)m In terms of products, the most common application of NTMs appears to be to fruits (over 400 measures), meat (over 250), and dairy products (over 200). For goods trade, Seychelles' exports are valued at USD 0.7 billion (2021) and concentrated on a narrow range of products mostly fish and fisheries products (85%), reflecting the country's limited product diversification and vulnerability to market shocks. The main markets are France, Japan, United Kingdom, Mauritius and Italy. Diversifying its export basket can help the country tap benefits of regional integration and trade.**4.5**

#### **4.c. Customs/trade facilitation**

Score Type	Value
Draft Score	5.0
Reviewed Score	5.0
Second Draft Score	5.0
Final Score	5.0

**Country Notes:**

Seychelles has fully complied with the Category A WTO TFA obligations since agreement came into force in February 2017. The RMC has instituted all the required trade facilitation structures but anticipates an extension to complete some Category B and Category C commitments by mid-2024. Outstanding projects such as Post Clearance Audit, Authorized Operators and Single Window experienced delays due to the pandemic

Seychelles is undergoing review of significant Trade Tax Regulations and draft a new Customs Management General Regulations (CMR) to capture those provisions since 2021 and is expected to be completed by December 2023.

The Seychelles deposited its instruments of accession to become the 160th contracting party to the Harmonized Commodity Description and Coding System. This has solidified the nations commitment to participate in the development and maintenance of the global trade infrastructure. Seychelles is in the process of upgrading to the 2022 version of the Harmonized Commodity Description and Coding System to classify goods imported and exported to apply tariffs from the HS 2017 version used since 1 April 2018 (WTO data).

Seychelles visa openness policy has enabled the country to substantially grow tourism revenues and foreign direct investment. The openness policy has also facilitated FDI inflow into the country as the country does not impose major barriers on trade. Rather, the Government continues to encourage international trade through tax incentives for the tourism industry, reduction in customs procedures at ports, investment in port facilities and expansion of submarine cable links with the rest of the world. However, customs duties, especially for fisheries, are comparatively high and with inadequate infrastructure they constrain international trade and travels. The government anticipates leveraging public-private partnerships to implement priority sector projects in energy, seaports and shipping, aviation sector, and eco-tourism.

According to the 2020 WB doing business report, in terms of the 'Trading across border' indicator which is a measure of a nation's trade competitiveness, Seychelles performed well above the Sub-Saharan Africa's average with a rank of 98th and better than comparator countries except Mauritius (72), this however is a notable worsening in ranking from 95th in the previous year. Although it performs better than the SSA

average across all indicators, compared to other high-income countries it falls behind. Perceptions on the 'Burden of Customs Procedures' has also worsened in the last decade from 4.40 in 2012 to 3.90 in 2017 according to data from the world Economic Forum Executive Opinion Survey.

## 05. Financial Sector Development

**Criteria Score: 4.333**

### 5.a. Financial stability

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5
Second Draft Score	4.5
Final Score	4.5

#### Country Notes:

Seychelles' financial sector is reasonably well developed and adequately capitalized. However, limited access to finance remains a major bottleneck to Private sector Development. To fully exploit its potential and expand into new business areas, the private sector also requires capacity and sufficiently skilled labor, as well as a more enabling environment with enhanced access to finance and affordable energy. The Banking sector has considerable potential to support economic growth in Seychelles in a way that does not impact on the environment, helps diversification and promotes the creation of highly skilled employment.

The Seychelles financial sector is essentially driven by commercial banks. These are generally overseen by the Central Bank of Seychelles (CBS). The Securities Exchange (MERJ Exchange Limited) was created in 2011 to boost the capital market. By 31 December 2017, other institutions forms were also contributing to the domestic financial sector, including the Seychelles Development Bank, a cooperative bank (Seychelles Credit Union), the Housing Finance Company, four insurance companies and 25 currency exchange offices. The local currency is the Seychelles Rupee (SCR)

According to the CBS's 2018 financial stability report, the financial sector is threatened by the debt burden of state-owned enterprises; and the withdrawal of correspondent bank relationships in the domestic financial sector. Initiatives were taken by the Central Bank and other stakeholders in order to strengthen the overall governance framework of the financial sector and regulatory provisions to combat money laundering. Seychelles' Financial Sector Development Implementation Plan (FSDIP) was approved in November 2014 by the government to establish a common roadmap aimed at strengthening the contribution of the financial sector to the country's development.

Despite the tightening of monetary policy in 2018, the domestic banking sector has been relatively healthy. The sector's total assets increased, credit risk decreased, and profitability remained positive, despite a slight rise compared to 2017. Indeed, the sector's return on assets (ROA) and return on equity (ROE) were 3% and 29% respectively in 2018. The level of non-performing loans stood at 3.4% of the total credit portfolio, a 2.9% drop compared to 2017. The sector also had a capital adequacy ratio of 21% in 2018, well above the regulatory 12%. However, due to the liberalization of the foreign exchange market, domestic banks are increasingly exposed to currency risk incurred by the volume of loans granted in foreign currency which represented on average over 20% of the domestic credit portfolio between 2014 and 2018.

Whilst there has been remarkable improvement in the financial system landscape, the Seychelles' financial market is still exposed to several risks including operational, settlement, liquidity, credit and systemic risk. Such risks are not conducive to the initiative to further develop and modernise the financial system. The modernization of the payment systems infrastructure by acquiring an automated transfer system (ATS) – a modern hybrid system that provides both Real-Time Gross Settlement (RTGS) and Automated Clearing House (ACH) functionality within a single application platform will improve the efficiency of financial intermediation, enhance the management of systemic risks, and improve liquidity.

**Strengthening Payment Systems Infrastructure.** Settlement and interbank payment foundation, including an Automated Transfer System (ATS) which will significantly improve the national payment system needs to be put in place. The ATS systems include the Real Time Gross Settlement System (RTGS) and an Automated clearing House (ACH) with functionalities that support the clearing and settlement of both high-value and retail payments. Through the RTGS module, high-value transfers (in particular inter-bank transfers, and transfers between the banks and the Central Bank, including monetary policy operations) are settled in central bank money, and in real time, reducing liquidity and credit risks in the system. The ACH module clears low-value (retail) payments and includes several clearing cycles during the day and provides for settlement in the RTGS component. Retail payments (such as credit transfers and direct debits) enhance efficiency and secure processing, compared to the existing manual system for credit transfers operated by Central Bank of Seychelles. The ATS system can also support e-government, as it has the capability to handle large value and low value transactions emanating from the government in a safe and efficient manner.

The NPLs ratio increased slightly from 3.3 percent at end-December 2020 to 5.1 percent as of May 2021. The capital adequacy ratios increased from 17.1% at the end of Dec. 2020 to 19.9 percent at the end of May 2021 (the prudential limit is 12 percent). This is mainly due to a reduction in risk adjusted assets and a recently appreciation of the domestic currency .

#### 4.5

#### 5.b. Sector's efficiency, depth, and resource mobilization strength

Score Type	Value
Draft Score	4.0

Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

### Country Notes:

Structure of the banking market - At end-December 2018, the Seychelles banking market comprised eight banks including one engaged in offshore banking activities. The combined assets of the banking sector grew by 10% compared to 2017, reaching SCR 21.7 billion (USD 1.7 billion) - equivalent to 99% of GDP in the same year. The banking sector is still highly concentrated with the country's three largest banks hold approximately 80% of sector assets, deposits and loans to the economy.

Structure of loans and deposits - Outstanding loans to the economy remained at a relatively stable level between 2017 and 2018 due the decline in bank lending to public institutions: they rose by only 0.1%, reaching SCR 11.9 billion (USD 0.93 billion) in 2018. Loans to the private sector have risen by 12% to SCR 696 million (USD 54.5 million). Households and non-profit organizations (23%), tourism (16%) and the construction sector constitute the primary contributors to domestic lending. Deposits are the main source of financing for domestic banks, amounted to SCR 18.5 billion (USD 1.04 billion) in 2018.

According to the World Bank, the Banking credit to the private sector as percent of GDP increased from 37.08% in 2019 to 49.95% in 2020. Nevertheless, we can notice a weak growth of bank credit to private sector that started in April 2021. This slowdown was accompanied by two successive reductions of the policy rate by 100 bps in the second quarter and the third quarter of 2021. IMF Country Report No. 21/184, August 2021. It can also be noted that according to « The Global Competitiveness Report 2019 », Seychelles scored 34.6 on a 0 to 100 scale for the depth of its financial system, which placed it 84th out of 141 countries assessed.

Size and reach of financial and capital markets approaching adequate levels for economies of similar size and sophistication. Interest rate spreads somewhat high but falling and the private sector credit (share of GDP) is moderately adequate for the economy's size and sophistication.

**3.0**

### 5.c. Access to financial services

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5

Second Draft Score	4.5
Final Score	4.5

### Country Notes:

According to Insight2Impact data, the financial inclusion rate, measured by the number of people holding a bank account, stood at 94% in 2016. 70% of the population held an account in a non-bank financial institution and only 2.8% of the population was excluded from the formal financial system. With the support of the African Development Bank (AfDB), the CBS and the Financial Services Authority (FSA) conducted a national study in 2016 on financial literacy leading to the adoption of a national financial education strategy from 2017 to 2020. The objective of this strategy is to improve the financial capacities of the population and to encourage responsible financial behavior. It targets four population groups: adults working in the formal sector, SME owners and employees, young people and economically vulnerable populations.

In 2016, a national survey was also launched to identify the challenges that SMEs face in their development. The survey showed that SMEs suffer from a limited supply of financing, and a dearth of non-financial support measures and skilled human resources. They also face crippling financing costs and considerable administrative delays in accessing credit. Measures are being implemented by the central bank, in collaboration with commercial banks, the World Bank and domestic financial institutions. These measures include, in addition to special SME loan program, provisions aimed at strengthening the national system of credit by integrating unregulated financial organizations, including agencies specializing in the promotion of entrepreneurship. According to CBS's 2018 data, 42% of local SMEs obtain financing from the Seychelles Development Bank (SDB) which applies preferential interest rates. Of these, 15% use commercial banks and 43% are financed through grants and f agencies that specialize in supporting SMEs. According to the World Bank, the Number of ATMs per 100,000 adults.increased from 83.91% in 2017 to 89.99% in 2019.Source:

Payment and clearance systems and credit reporting systems moderately developed and functional. Sizeable share of the population has access to formal sector financial services. SMEs have moderate access to finance. Legal and regulatory framework supports access to finance.

## 06. Business Regulatory Environment

Criteria Score: 3.5

### 6.a. Regulations affecting entry, exit, and competition

Score Type	Value
Draft Score	3.5
Reviewed Score	3.5

Second Draft Score	3.5
Final Score	3.5

### Country Notes:

Seychelles' private sector significantly contributes to GDP and employment but is constrained by several factors. The private sector accounts for 60% of the country's GDP and approximately 65% of formal employment covering activities in tourism, fisheries, farming, oil drilling, manufacturing, financial services, and ICT. The main challenges include cumbersome licensing and regulatory frameworks, high labour costs, access to finance, shortage of skilled labour and low productivity that all negatively impact the business environment.

In its efforts to streamline its private sector activities and improve the business environment, Seychelles is paradoxically constrained by cumbersome licensing and regulatory frameworks that negatively impact the costs and ease of doing business. The country has a fully-fledged competition agency that regulates the competition environment in the country against entities engaging in anti-competitive practices. This agency – the 'Fair Trading Commission', is an autonomous statutory body established under the Trading Commission Act 2009 and Consumer Protection Act 2010. The commission has wide ranging powers directed at promoting competition in the country, which involves both investigating and preventing anti-competitive practices. The Fair Trading Commission is now operating under a new Fair Trading Act that came into effect on 1 August 2022. The Act further strengthened the Commission to advocate for more equitable market competition and consistent application of the principles of competition in the country. The Act features new provisions such as the ability to carry out market inquiries and the conduct of in-depth research in the various sectors of the economy to detect and address any anti-competitive practices. The goal is to continually advise the Government with a view to eliminating consumer harm and provide redress accordingly. The Fair-Trading Commission has also adopted a Corporate Immunity Policy that significantly penalizes violators while incentivizing reporting on the existence of cartels. These robust laws embolden the Commission to vigorously promote, maintain, and enforce competition in the market. The regulation of commercial banks and other commercial lending institutions falls under the purview of the Central Bank of Seychelles (CBS), whilst the Financial Services Authority (FSA) regulates non-bank financial institutions including insurance companies.

The country is ranked within the top ten best business climates in Africa ranking 10th in 2020 by the WB doing business report[1]. The country also ranked 27th out of 180 countries in the 2020 Transparency International's corruption perception index with a score of 66 out of 100, the highest ranked country in Africa; while it ranked 3rd on the Mo Ibrahim Index for Good Governance in Africa in 2020. Seychelles joined the Fisheries Transparency Initiative (Fiti) in 2020 and its first Fiti report is due in 2021. However, to date, a sizeable component of Seychelles' fisheries-related produce is exported in un-beneficiated form.

The Seychelles is generally open to FDI although it has in place regulatory mechanisms to streamline the type of FDI it attracts, which has successfully channeled FDI to the tourism and financial sector. The country also has an open trade economy and policies, current tariff regime provides for 83% of tariff lines in the tariff nomenclature at 0% Customs Duty with the remaining 17% concentrated mostly on the following products: alcohol, tobacco, motor vehicles, fruits, and vegetables.

[1] Discontinued in September 2021 <https://www.worldbank.org/en/news/statement/2021/09/16/world-bank-group-to-discontinue-doing-business-report>

## 6.b. Regulations of ongoing business operations

Score Type	Value
Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

### Country Notes:

The Seychelles Chamber of Commerce and Industry (SCCI) has approximately 1,000 members of which 300 – 400 are regarded as “active”. The SCCI mandate includes trade facilitation and negotiations; economic analysis; advocacy; advisory services; networking; arbitration; market intelligence; social and labor policy. The SCCI mediates in policy dialogue and supports MSME start-up assistance through capacity development programmes in conjunction with the Government and Youth Entrepreneurship Board. It has strong links with the Trade Division, the Seychelles Licensing Authority and Fair-Trading Commission. This facilitates its role in arbitration and dispute resolution. At the onset of the COVID-19 pandemic in the year 2020, the private sector, through the SCCI presented its recovery and prosperity plan to the Government of Seychelles (GoS). The plan championed Private Public Partnerships (PPPs) to re-build the economy and focused on capacity and infrastructure development (notably water, electricity, digitization) and connectivity between the islands.

Seychelles' labour market is beset by rigidities. Certain sectors of the economy (e.g., tourism, ICT, finance) are highly dependent on foreign labour. Obtaining credit is challenging. This is particularly true for small and medium-sized enterprises (SMEs), start-ups, and technology-related businesses. The informal sector employs 15.9% of the total labor force, most of whom are engaged in agriculture, manufacturing, and construction. The SCCI's informal estimate was that more than 90 percent of businesses in the Seychelles are MSMEs with most of those in the informal sector not always licensed. Within the private sector, the tourism sector and other related activities accounted for 19% of employment, followed by the construction industry, which contributed about 12% of overall employment. Although Seychelles' ratio of female to male labour force participation is high at 0.9, the recent Bank's Country Gender Profile report, highlighted the distinctly different roles played by men and women in the economy, with a marked segmentation along gender lines. This is apparent in the informal sector which employs 15.9% of the total labour force, of which 72% are males. Most informal workers are engaged in agriculture, manufacturing, and construction –the workforce in these sectors are predominantly men. In the formal sector, women are well represented throughout in the public and the services sectors. The largest category of female employment is in public administration and social security, suggesting that the public

sector offers the best combination of work opportunities, benefits, and flexibility for women, allowing them to combine economic activity with domestic responsibilities.

There exists a significant wage gap, where men earn a wage premium of 16 percent relative to women after controlling for sector and education level. This may in part reflect the fact that time-based work and more flexible work arrangements are rare, impeding employment access and earnings for women given their greater childcare and domestic work responsibilities.

Data on domestic work burdens and how they are divided between men and women, are not currently available for Seychelles but several factors indicate that the burden of household and economic work falls disproportionately on women. This is in part due to rigid working hours (8 a.m. to 4 p.m.) - a disconnect with school hours (8 a.m. to 2 p.m.) where alternative day care services need to be arranged for at least 2 hours; limited maternity leave (16 weeks); limited and expensive day care facilities; and new regulations governing day care facilities, which limit the number of babies under 6 months old per facility.

### 6.c. Regulations of factor markets (labor and land)

Score Type	Value
Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

#### Country Notes:

The private sector faces eight key challenges and constraints in terms of factor inputs – Seychelles is a geographically-remote, small island developing state (SIDS); an un-diversified economy and unemployment; cumbersome legal and regulatory frameworks; a small national population characterized by high labor costs, shortages of quality labor, skills gaps, low productivity, and poor work ethic. The sector also faces poor access to credit with financial institutions increasingly risk-averse, post COVID-19 and facing reputational risks for its non-banking financial services arising from anti-money laundering and related regulatory concerns. The country also faces severe infrastructure gaps and selective adoption of technology; dependency on few foreign markets for exports and Gross National Product and growing national debt despite its high-income status. Seychelles is also exposed to risks arising from climate change, including global warming, rising sea levels, and coral bleaching.

Seychelles suffers from a lack of arable land, low organic soil content, and increased water salinity, in marshland areas. The country has mountainous terrain, and roughly half of its landmass is afforded some degree of environmental protection. Seychelles has experimented with land reclamation to boost agricultural production and increase food security. This is expensive, however. Attention has turned to

sustainable precision farming, hydroponics, vertical farming, alternative proteins, and natural ingredients. To address land scarcity foreigners are able to lease land from the government (for a period of 60-99 years) or buy/lease land from the private sector. Land tenure is also highlighted as a major constraint to investment in agriculture, leases are for a minimum of 40 years, and they can be repealed on the basis of non-performance. The Seychelles has improved the process of attaining construction permits by streamlining internal processes, leading to an improvement in ranking to 106th out of 190, an improvement from 2018 (131) but a worsening from 48 in 2015. The length of time of the process has also improved to 113 days and 16 procedures compared to 151 days and 17 procedures in 2018, the same holds true compared to the regional average of 145.5 days and 15.1 procedures in 2020.

Access to credit is challenging particularly for MSMEs, start-ups, and technology-related businesses. Financial institutions in Seychelles are said to be increasingly risk-averse, post COVID-19. Reputational risks to Seychelles' non-banking financial services (NBFS) sector arising from anti-money laundering (AML) and related regulatory concerns appears to have abated, although this will continue to require robust supervision, in the future. To mitigate the effects of the COVID-19 pandemic, starting the year 2020, the Central Bank of Seychelles (CBS) implemented an array of policy and relief measures to assist financial institutions and the private sector. The most significant ones were the establishment of Private Sector Relief Credit Line Facilities and moratorium and debt restructuring measures which were phased out starting March 2022. The CBS also established the Private Sector Micro, Small & Medium Enterprises (MSMEs) Relief Scheme to finance eligible (MSMEs) with an annual turnover not exceeding Seychellois Rupee (SCR) 25 million that were affected by the COVID-19 pandemic. The CBS also provided SCR500 million as credit line facility under the Private Sector Relief Scheme to finance MSMEs earning up to SCR25 million per annum impacted by COVID-19.

The country has severe infrastructure gaps and is dependent on fossil fuels to generate more than 90 percent of its national energy needs. As a sea-locked nation, it is vital for Seychelles to have a well-functioning and reliable transportation system, notably maritime and air transport. Seychelles' active mobile penetration rate of 92/100 inhabitants is well above the world average (75/100)[1]. The Government has invested in two submarine fibre optic cables (EASSy, and PEACE), and a third cable is due to be completed in the year 2023. Selective adoption of technology has led to a dual economy and competitiveness gaps between sectors that attract foreign direct investment (FDI) [e.g., tourism and related sectors]; and sectors reserved for local participation. The Seychelles Investment Board (SIB) is actively working to reposition Seychelles' tourism offerings by sourcing markets to Africa, Asia, and the United Arab Emirates (UAE). SIB launched a sports tourism initiative in 2022, and it is now looking at event-related tourism. SIB attested to investment potential in Seychelles' financial services sector, in anticipation that technology constraints (slowness of adoption) are overcome. This also applies to ICT, FinTech, e-Commerce, e-Government, and the digital economy. SIB launched an aquaculture promotion drive during 2021, and private investors have shown considerable interest.

Recruitment of Seychellois is given a priority, and a new labor policy that regulates the recruitment and employment of foreigners in certain sectors was expected to be launched this year. The Government in 2022 reduced the number of gainful occupational permits (GOPs) issued to non-resident workers and this has impacted Seychelles' tourism sector[2]. New components of the policy will include a requirement that organisations with 25 or more employees employ a human resource officer as well as draw up salary structures that are in line with ILO's concept of 'equal pay for work of equal value.' Also, it will be mandatory for employers recruiting foreign workers to register in the skills development and My First Job programmes. It will also restrict foreigners from changing employment, and quota systems will also be introduced in the construction sector.

Skills shortage and poor work ethics still remains a challenge for businesses in the country. In recognition of the importance on the 18th of December 2018, Government of Seychelles launched a 5-year Policy and Strategy on Human Resources Development (HRD) to support its Sustainable Development Strategy. This will include amongst others interventions for education, employment, training and development focused on managerial, technical and professional areas in all sectors of the economy; the development of a mechanism for tooling, re-skilling and lifelong learning to cater for changes in the labor market and the integration of HRD in all aspects of national, social and economic development. An urgent need exists to educate and train the Seychellois labor force and migrate labor from the informal to the formal sector. Seychelles' labor market is very small and there is an acute shortage of professionals (e.g., in the health sector). If Seychelles is to realize its full potential, it must develop local skills, foster entrepreneurship, and promote local involvement, participation, and ownership. Technical and vocational training (TVET) will be fundamental, going forward.

[1] International Telecommunications Union (ITU): Digital Trends in Africa 2021 - ITU Publications Africa.

[2] 2022 AfDB interview with Seychelles Hospitality & Tourism Association (SHTA).

## (C) Policies for Social Inclusion/Equity

**Cluster Score: 4.56**

### 07. Gender Equality

**Criteria Score: 4.167**

#### 7.a. Promotion of equal access for men and women to human capital development opportunities

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5
Second Draft Score	4.5
Final Score	4.5

#### Country Notes:

Seychelles has excellent social indicators. Seychelles still holds a high classification in the high human development group in the UNDP Human Development Report The country is ranked 62 out of 189

countries on the United Nations Development Program 2023 and has moved 5 steps a head from 2019 where it ranked 67. The country still compares favourably to other small island states. Seychelles now ranks 2nd out of 54 African countries according to the African Gender Equality Index (AGI), developed by the AfDB and UNECA in 2023 and has moved 3 steps a head from 2018 where its rank was 5th. Seychelles has the highest gross domestic product (GDP) per capita in Africa, at \$ 15.8 billion (2022). Its economy is highly dependent on tourism and fisheries, and climate change poses long-term sustainability risks. While the country scores very well on the social dimension of the index (1.071), as well as the economic dimension (0.832), it scores comparatively poorly on the empowerment and representation dimension (0.451), bringing its overall score down.

The constitution and the country's development goals give equal access to opportunities for both men and women. The state boosts universal access to health in addition to free primary health care. The infant mortality rate for Seychelles in 2022 was 10.056 deaths per 1000 live births, a 1.99% decline from 2021 where it was 10.260 deaths per 1000 live births, also with a 1.96% decline from 2020; the maternal mortality rate in 2020, was 3 deaths per 100,000 live births. It gradually fell from 38 deaths per 100,000 live births in 2001 and from 53.0 deaths per 100,000 live births in 2017; and 99.5 % of births were attended by skilled health staff in 2020 from 98.8 % previous year and 99.0% in 2012. Life expectancy at birth is 77.24 years. Education is fully subsidized from pre-primary to secondary levels. Parity between boys and girls in primary education has been achieved and gender disparities in secondary education have been reduced, gender parity index (GPI) in Seychelles was reported at 1.0561 % in 2021, according to the World Bank. However, girls are less likely than boys to progress to higher education, particularly in science and technology. However, initiatives are being taken to encourage young girls to study STEM, such as active recruitment of women and girls by Seychelles Marine.

Despite providing equal access to human capital opportunities to both women and men, both the SDG Country Profile and the AfDB's Country Gender Profile (AfDB CGP) for Seychelles indicate that inclusion remains a challenge. There are still some attitudes, beliefs and practices that serve to exclude women in Seychellois society and play a part in determining men's and women's roles and responsibilities, capacities, opportunities, and decision-making. In varying ways, these factors permeate all aspects of life in Seychelles and have a negative impact on women's agency, and their ability to contribute equitably to, and to benefit equitably from, Seychelles' growth and prosperity. Of particular concern is that boys are not raised to shoulder family responsibilities or share in domestic work, leaving these responsibilities and burdens to the girls. The AfDB CGP also raised the issue of restrictive regulations governing the establishment and operations of childcare centres, thereby limiting the ability of care providers in adequately meeting the high demand for such services.

Though the 2016 National Gender Policy hasn't been revised, the National Development strategy for 2019 to 2023, emphasizes the need to extend the concept of equality to reduce gender imbalances and provide optimum chances of success to both genders at all levels of schooling. The old Policy's objective to mainstream gender in all information, communication, electronic media, and media policies, strategies and laws; and increase programs for, by and about women and challenge gender stereotypes in the media is still emphasized despite the reported financial and human resources limitation .

Seychelles is recognized as a country which has made great strides towards gender equality. Nonetheless, the country continues to face challenges regarding the availability of sex-disaggregated data and gender-specific statistics, including data on access to prenatal healthcare, family planning services and the informal sector. Several exercises undertaken in 2020 and 2021 (portfolio review, completion reports and COVID-19 response) all raise the sex-disaggregated data dearth, which is a serious impediment for understanding gender issues in Seychelles. In the latest AfDB CGP, it was recommended

that the GoS strengthens the capacity of the National Bureau of Statistics (NBS) and other agencies to generate and analyze sex-disaggregated data, and to incorporate both data and analysis in policy and programming

TO BE UPDATED UPON RECEIPT Seychelles has excellent social indicators. Seychelles is classified in the high human development group in the UNDP Human Development Report. The country is ranked 67 out of 189 countries on the United Nations Development Program 2019 Human Development Index (UNDP HDI 2019) and compares favourably to other small island states. Seychelles ranks 5th out of 54 African countries according to the African Gender Equality Index (AGI), developed by the AfDB and UNECA in 2018, with an overall score of 0.738. While the country scores very well on the social dimension of the index (1.071), as well as the economic dimension (0.832), it scores comparatively poorly on the empowerment and representation dimension (0.451), bringing its overall score down. The constitution and the country's development goals give equal access to opportunities for both men and women. The state boosts universal access to health in addition to free primary health care. Infant mortality was 12.3 per 1,000 live births in 2019; the maternal mortality rate was 53.0 deaths per 100,000 live births in 2017; and 99.0 percent of deliveries are estimated to be assisted by skilled health workers (no data since 2012). Life expectancy at birth is 74 years. Education is fully subsidized from pre-primary to secondary levels. Parity between boys and girls in primary education has been achieved and gender disparities in secondary education have been reduced. However, girls are less likely than boys to progress to higher education, particularly in science and technology. Despite providing equal access to human capital opportunities to both women and men, both the SDG Country Profile and the AfDB's Country Gender Profile (AfDB CGP) for Seychelles indicate that inclusion remains a challenge. There are still some attitudes, beliefs and practices that serve to exclude women in Seychellois society, and play a part in determining men's and women's roles and responsibilities, capacities, opportunities, and decision-making. In varying ways, these factors permeate all aspects of life in Seychelles and have a negative impact on women's agency, and their ability to contribute equitably to, and to benefit equitably from, Seychelles' growth and prosperity. Of particular concern is that boys are not raised to shoulder family responsibilities or share in domestic work, leaving these responsibilities and burdens to the girls. The AfDB CGP also raised the issue of restrictive regulations governing the establishment and operations of childcare centres, thereby limiting the ability of care providers in adequately meeting the high demand for such services. The 2016 National Gender Policy includes objectives to increase access to quality education and training programs to build a productive work force, free of gender stereotypes. The Policy also includes an objective to mainstream gender in all information, communication, electronic media, and media policies, strategies and laws; and increase programs for, by and about women and challenge gender stereotypes in the media. Despite being a strong gender policy, the latter faces key implementation challenges: the National Gender Plan of Action 2019-2023, which followed the launch of the Policy, does not benefit from adequate financial and human resources. Seychelles is recognized as a country which has made great strides towards gender equality. Nonetheless, the country continues to face challenges regarding the availability of sex-disaggregated data and gender-specific statistics, including data on access to prenatal healthcare, family planning services and the informal sector. Several exercises undertaken in 2020 and 2021 (portfolio review, completion reports and COVID-19 response) all raise the sex-disaggregated data dearth, which is a serious impediment for understanding gender issues in Seychelles. In the latest AfDB CGP, it was recommended that the GoS strengthens the capacity of the National Bureau of Statistics (NBS) and other agencies to generate and analyse sex-disaggregated data, and to incorporate both data and analysis in policy and programming.

#### 4.5

### 7.b. Promotion of equal access for men and women to productive and economic resources

Score Type	Value
Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

### Country Notes:

Although Seychelles' ratio of female to male labour force participation is high at 0.9, the recent Bank's Country Gender Profile report, highlighted the distinctly different roles played by men and women in the economy, with a marked segmentation along gender lines. This is apparent in the informal sector which employs 15.9% of the total labour force, of which 72% are males. Most informal workers are engaged in agriculture, manufacturing, and construction –the workforce in these sectors are predominantly men. In the formal sector, women are well represented throughout in the public and the services sectors. The largest category of female employment is in public administration and social security, suggesting that the public sector offers the best combination of work opportunities, benefits, and flexibility for women, allowing them to combine economic activity with domestic responsibilities.

There exists a significant wage gap, reported at 19%, available data by ILO 2018 indicate that men are more likely than women to secure higher paying jobs. Higher paid jobs favor men, while women are mostly present in low paid jobs such as home carers (estimated at 2500)<sup>17</sup> and other service industries. This may in part reflect the fact that time-based work and more flexible work arrangements are rare, impeding employment access and earnings for women given their greater childcare and domestic work responsibilities.

While women are largely responsible for the household food production and preparation, women don't have access to the same resources as men in agriculture. Women's access to land, finance, training, inputs and equipment is limited. This affects their effective contribution to the agriculture sector. Only about 6% of Seychellois farmers are women. Women are further limited by access to time and labor-saving technologies, access to extension services and access to agricultural land<sup>[1]</sup>.

Data on domestic work burdens and how they are divided between men and women, are not currently available for Seychelles but several factors indicate that the burden of household and economic work falls disproportionately on women. This is in part due to rigid working hours (8 a.m. to 4 p.m.) - a disconnect with school hours (8 a.m. to 2 p.m.) where alternative day care services need to be arranged for at least 2 hours; limited maternity leave (16 weeks); limited and expensive day care facilities; and new regulations governing day care facilities, which limit the number of babies under 6 months old per facility.

1. Revisiting Gender Equality in the Seychelles, March 2023<sup>[1]</sup>

TO BE UPDATED Although Seychelles' ratio of female to male labour force participation is high at 0.9, the recent Bank's Country Gender Profile report, highlighted the distinctly different roles played by men and women in the economy, with a marked segmentation along gender lines. This is apparent in the informal sector which employs 15.9% of the total labour force, of which 72% are males. Most informal workers are engaged in agriculture, manufacturing, and construction –the workforce in these sectors are predominantly men. In the formal sector, women are well represented throughout in the public and the services sectors. The largest category of female employment is in public administration and social security, suggesting that the public sector offers the best combination of work opportunities, benefits, and flexibility for women, allowing them to combine economic activity with domestic responsibilities. There exists a significant wage gap, where men earn a wage premium of 16 percent relative to women after controlling for sector and education level. This may in part reflect the fact that time-based work and more flexible work arrangements are rare, impeding employment access and earnings for women given their greater childcare and domestic work responsibilities. Data on domestic work burdens and how they are divided between men and women, are not currently available for Seychelles but several factors indicate that the burden of household and economic work falls disproportionately on women. This is in part due to rigid working hours (8 a.m. to 4 p.m.) - a disconnect with school hours (8 a.m. to 2 p.m.) where alternative day care services need to be arranged for at least 2 hours; limited maternity leave (16 weeks); limited and expensive day care facilities; and new regulations governing day care facilities, which limit the number of babies under 6 months old per facility.

#### 7.c. Men and women equal status and protection under the law

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5
Second Draft Score	4.5
Final Score	4.5

#### Country Notes:

Seychelles is a signatory to the major international gender-focused treaties and conventions. The country acceded to the Convention on the Elimination of all forms of Discrimination against Women (CEDAW) in 1979, and ratified it in 1992. It ratified the Protocol of the African Charter on Peoples' and Human Rights on the Rights of Women in Africa (Maputo Protocol) in 1986, and acceded to the Convention on the Rights of the Child (CRC) in 1990. It is also party to the SADC declaration on gender and development.

Seychelles has a legal framework that guarantees equal rights and protections for men and women. There would appear to be few, if any, gender-specific obstacles in formal laws and regulations governing

business, a finding that is confirmed by Women, Business and the Law (WBL) data. Indeed, compared with neighbouring countries, Seychelles, along with South Africa, have the fewest legal obstacles facing women in business and the workplace. Notwithstanding, business women in Seychelles are more likely to face problems in accessing finance, both because they are "not taken seriously," and because they have fewer assets or other resources to provide as collateral.

The social protection system appears to contain some contradictory incentives, that act as both a help and a hindrance to women. Most applicants are single mothers (84 percent), seeking benefits for their children. There is no provision (or requirement) that the father of the child be identified. The perception among several stakeholders is that men frequently father children with several women, and then return to these women to benefit from what they get from Social Protection. Men in this category can simply ignore or disavow their children and the entire burden for their care remains with the mother. This dynamic has inter-generational effects, and impacts productivity. According to the latest figures from the NBS, the percentage of children born out of wedlock from January to June 2021 was 79 percent. According to general census 2022 more than a half of households at Seychelles are women headed.

Other areas where improvements could be made are in requiring equal pay for equal work, avoiding discrimination based on gender and marital status in accessing finance, and putting in place additional workplace protections through legislation on sexual harassment in the workplace. The country does not have a designated Ministry of Gender or Women's Affairs in Seychelles. Instead, gender and women's issues are part of the mandate of the Ministry of Social Development and Culture. Despite their high levels of education, women remain less represented in the legislature whereby, only 21% of the elected and nominated members of the National Assembly are women and only make 25% of the Cabinet for Ministers. The NGOs are active in promoting and implementing gender equality programmes in Seychelles.

Seychelles is a signatory to the major international gender-focused treaties and conventions. The country acceded to the Convention on the Elimination of all forms of Discrimination against Women (CEDAW) in 1979, and ratified it in 1992. It ratified the Protocol of the African Charter on Peoples' and Human Rights on the Rights of Women in Africa (Maputo Protocol) in 1986, and acceded to the Convention on the Rights of the Child (CRC) in 1990. It is also party to the SADC declaration on gender and development. Seychelles has a legal framework that guarantees equal rights and protections for men and women. There would appear to be few, if any, gender-specific obstacles in formal laws and regulations governing business, a finding that is confirmed by Women, Business and the Law (WBL) data. Indeed, compared with neighbouring countries, Seychelles, along with South Africa, have the fewest legal obstacles facing women in business and the workplace. Notwithstanding, business women in Seychelles are more likely to face problems in accessing finance, both because they are "not taken seriously," and because they have fewer assets or other resources to provide as collateral. The social protection system appears to contain some contradictory incentives, that act as both a help and a hindrance to women. Most applicants are single mothers (84 percent), seeking benefits for their children. There is no provision (or requirement) that the father of the child be identified. The perception among several stakeholders is that men frequently father children with several women, and then return to these women to benefit from what they get from Social Protection. Men in this category can simply ignore or disavow their children and the entire burden for their care remains with the mother. This dynamic has inter-generational effects, and impacts productivity. According to the latest figures from the NBS, the percentage of children born out of wedlock from January to June 2021 was 79 percent. The 2013 Household Budget Survey indicates that 58 percent of households are female-headed. Other areas where improvements could be made are in requiring equal pay for equal work, avoiding discrimination based on gender and marital status in accessing finance, and

putting in place additional workplace protections through legislation on sexual harassment in the workplace. The country does not have a designated Ministry of Gender or Women's Affairs in Seychelles. Instead, gender and women's issues are part of the mandate of the Ministry of Family Affairs.

4.0

## 08. Equity of Public Resource Use

Criteria Score: 4.167

### 8.a. Poverty Measurement

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

#### Country Notes:

**to be updated** Seychelles has achieved four of the Sustainable Development Goals (SDGs) and is on track to achieve the remaining 13 SDGs. The Seychelles' 2019 baseline assessment report shows that the country has already achieved the following SDGs: Goal 1 - End poverty; Goal 3 - Good health and wellbeing; Goal 4 - Quality education; and Goal 13 - Climate change. Extreme poverty, defined as people living with less than US\$ 1.90 (Purchase Power Parity) per day, is low at 1.1% (2019). Acknowledging that poverty is a multifaceted phenomenon that goes beyond a simple income measure, the MPI Report of May 2020 shows a score/rating of 0.04 in the third quarter of 2019. Further, the report highlighted that poverty incidence is higher for female-headed households at 12.9%, compared to male-headed households at 10.4%; and those living in the largest households are more likely to experience multidimensional poverty (with a headcount ratio of 31.15%), than those living in the smallest households (with a headcount ratio of 4.89%). The degree of income inequality is relatively low in Seychelles at a Gini index of 28 in 2017/2018 according to a Poverty Profile Survey. Seychelles is a high income country with a high GNI per capita of more than USD 15,000 in 2018 and a high Human Development Index (HDI) of 0.797. It is now ranked 2nd for the HDI in Africa, having been overtaken by Mauritius in 2017. Poverty virtually is nonexistent in Seychelles, and access to services is also among the highest in Africa. Seychelles has attained almost universal access to electricity (99.5%), basic education, and portable water (93%). EPoverty is low, at 0.04 (2019) as defined by the Seychelles' Multidimensional Poverty Index (MPI), and the degree of income inequality is relatively low with a Gini index of 28% in 2017/2018. Despite Seychelles' strong health system, the 2019 Global Health Security Index points to major weaknesses in the system's capability to address biological threats such as the COVID-19. Acknowledging that poverty is a multifaceted phenomenon that goes beyond a simple income measure, the MPI Report of May 2020 shows a score/rating of 0.04 in the third quarter of 2019. Further, the report highlighted that poverty incidence is

higher for female-headed households at 12.9%, compared to male-headed households at 10.4%. As regards spatial distribution, the island of Mahé has a higher poverty incidence with an MPI of 0.041 with other islands having a lower MPI of 0.022. Top contributors to the MPI include youth not in education, employment or training and informality. Seychelles became a high-income economy in 2015. Its GNI per capita reached US\$ 16,400 in 2019 up from US\$ 11,130 in 2008. The Seychelles' 2019 baseline assessment report shows that the country has already achieved the following SDGs: Goal 1 - End poverty; Goal 3 - Good health and wellbeing; Goal 4 - Quality education; and Goal 13 - Climate change. Extreme poverty, defined as people living with less than US\$ 1.90 (Purchase Power Parity) per day, is low at 1.1% (2019). Acknowledging that poverty is a multifaceted phenomenon that goes beyond a simple income measure, the MPI Report of May 2020 shows a score/rating of 0.04 in the third quarter of 2019. Further, the report highlighted that poverty incidence is higher for female-headed households at 12.9%, compared to male-headed households at 10.4%; and those living in the largest households are more likely to experience multidimensional poverty (with a headcount ratio of 31.15%), than those living in the smallest households (with a headcount ratio of 4.89%). The degree of income inequality is relatively low in Seychelles at a Gini index of 28 in 2017/2018 according to a Poverty Profile Survey. Access to education at primary and secondary levels is at 100%. The country has attained almost universal access to electricity (99.5%) and potable water (93%). Despite such a positive evolution, the country faces unique development challenges related to its insularity, notably a small domestic market, geographical remoteness, and insufficient diversification - challenges that have led to the country's significant vulnerability to external economic and environmental shocks.

#### 8.b. Public Expenditures: Priorities and strategies

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5
Second Draft Score	4.5
Final Score	4.5

#### Country Notes:

The government is prioritizing its expenditures in the key sectors according to the National Strategic Development Plan. It is important that government expenditure is well targeted, which will result in more benefits for our people, encourage more economic growth, and ensure a good future for all. The consolidated level of spending on social protection appears adequate, but allocation should be improved to enhance human capital and better target the most vulnerable. Government spending on social protection is spread across budget lines and a comprehensive assessment evaluates it at around 6.6 percent of GDP in 2022. This is slightly below the average for such spending public social protection expenditure (excluding health protection) in Asia and the Pacific (7.3 percent of GDP) but much higher than the average for Africa (3.4 percent of GDP).

It would be useful to note that 13% of the budget spending for 2023 is allocated to the Health Sector compared to 11.7% in 2018, while 16% has been earmarked for the Education and Human Resources sector compared to 13.4% in 2018. On healthcare spending, the authorities are continuing efforts to tackle the longstanding issue of substance abuse. In 2021, the Seychelles government integrated the Agency for the Prevention of Drug Abuse and Rehabilitation (Apdar) into the Ministry of Health to streamline treatments and programs. On pension, the sustainability of the retirement pension has also been improved through the increase in retirement age from 63 to 65 years in January 2023. The home care agency was recently created to encourage the professionalization of care giving and to improve the efficiency of this benefit that accrues to around 12 percent of the population.

However, there are gaps in the coverage of the most vulnerable population in Seychelles and the targeting of social programs should be improved. The authorities plan to create a social registry by end-March 2024 to better understand the profile of beneficiaries and to improve targeting.

In an effort to achieve the objectives of its Vision 2033 towards a sustainable and inclusive future Seychelles is implementing a series of three five-year National Development Strategies (NDS), beginning with the first NDS for 2019-2023. The National Development Strategy will help set priorities that guide the allocation of budgetary resources, policy decisions and institutional improvements. This should include a sharp prioritization of public investment. The country needs a robust monitoring and evaluation system to track progress on programme implementation and the impact of the efforts

In 2018 budget titled “Working towards shared prosperity for the People” focuses on sustainable development, human capital growth, and creating additional employment opportunities. It would be useful to note that 11.7% of the budget spending for 2018 is allocated to the Health Sector and 13.4% has been earmarked for the Education and Human Resources sector. However, more recently, in response to COVID-19 pandemic the Government, issued a revised 2020 budget amendment bill on 7 April 2020, showing a primary fiscal deficit of -14% which will lead to an increase in the public debt. This is because tax collections are projected to decline by 24% leading to a tax-to-GDP ratio of 27%, compared to an average of 32% over the past five years. The Government has committed approximately US\$ 70m to guarantee salary payment of all employees until June 2020, as extended to December 2020 for Seychellois employees only. In addition, corporate social responsibility tax, tourism marketing tax, and business tax due for April, May and June have been postponed to September 2020. Including the health costs of the COVID-19 pandemic, public spending is projected to rise to 48.5% of GDP in 2020, from the original 2020 budget estimate of 40.2%.

### 8.c. Regressive Tax

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

## Country Notes:

Seychelles tax system is regressive with consumption-based taxes (e.g., a VAT) and excise taxes are a major source of revenue, while the income tax base is relatively narrow.

Seychelles tax revenues are among the highest in the region estimated at 36% of GDP in 2023, with indirect taxes (customs duties, VAT, and excise taxes) represent about 59.7% of the total tax revenues in 2023, with VAT taxes dominating compared to 57% in 2020. Direct taxes (comprise Business Tax, Personal Income Tax, and Corporate Social Responsibility Tax) which are more equitable represent 37% of the total taxes, while other taxes and departmental fees represent 6% of total tax.

While VAT (introduced in 2013 to replace the Good and Services tax) is the major source of revenue, a wide range of exemptions are in place for basic commodities (food stuffs); infant food and products; and other essential supplies including fuel, utilities, health insurance, transport, newspapers, etc.

The main regressive taxes are the income tax which is 14% in 2023, compared to 16% in 2020. However, the government provides a benefit/ income supplement to the people and families living below a certain threshold.

Efforts are underway to eliminate the numerous tax exemptions and scaling down the concessional business tax regime, which would significantly improve revenue performance, efficiency, and equity of the tax system. These include (i) streamlined VAT exemptions, notably for digital services, with prospective amendments to the VAT law by December 2023 (structural benchmark) and (ii) higher business and excise tax collections thanks to the ongoing digitalization agenda.

TO BE UPDATED Seychelles tax system is regressive with consumption-based taxes (e.g., a VAT) and excise taxes are a major source of revenue, while the income tax base is relatively narrow. Seychelles tax revenues are among the highest in the region estimated at 36% of GDP in 2020, with indirect taxes (customs duties, VAT, and excise taxes) represent about 57% of the total tax revenues in 2020, with VAT taxes dominating. Direct taxes (comprise Business Tax, Personal Income Tax, and Corporate Social Responsibility Tax) which are more equitable represent 37% of the total taxes, while other taxes and departmental fees represent 6% of total tax. While VAT (introduced in 2013 to replace the Good and Services tax) is the major source of revenue, a wide range of exemptions are in place for basic commodities (food stuffs); infant food and products; and other essential supplies including fuel, utilities, health insurance, transport, newspapers, etc. The main regressive taxes are the income tax which is 16 in 2020%, the pension contribution at 0.05% of gross salary and across all grades of workers. However, the government provides a benefit/ income supplement to the people and families living below a certain threshold. In 2020 the tax revenue collected was approximated at Seychelles rupees 6.4 billion which represented a 14% decrease from the Seychelles rupees 7.4 billion collected in 2019 due to COVID-19 pandemic. This was a result of low collections of VAT and business tax. Efforts are underway to eliminate the numerous tax exemptions and scaling down the concessional business tax regime, which would significantly improve revenue performance, efficiency, and equity of the tax system.

## 09. Building Human Resources

Criteria Score: 4.667

### 9.a. Health and nutrition services

Score Type	Value
Draft Score	5.0
Reviewed Score	5.0
Second Draft Score	5.0
Final Score	5.0

#### Country Notes:

Seychelles is a high performer with regard to human development indicators. The country has attained universal access to health care with an 80% coverage index. Seychelles still tops the list of African countries on health care according to the Mo Ibrahim index of governance 2020 with a score of over 80%. Health services are provided free at point of use in public health facilities, with most of the population living within 15 to 30 minutes of a health facility. Financing for health care has gradually increased with the total health expenditure as a percentage of nominal gross domestic product (GDP) increasing from 4.2% in 2019 to 4.45 in 2022 against a target of 6%. Spending on healthcare as a percentage of GDP was higher in 2020 and 2021 (5.8% and 5.5%) potentially as results of additional expenditure due to the covid-19 pandemic. Spending on health care as a percentage of total government expenditure has generally increased from 9% over the last decade to 13% in 2022, although it still falls short of the Abuja declaration of 15%. The country's work force to population density has surpassed the WHO recommendation with a doctor to population density of 2.43 per 1000 population and nursing/ midwives ratio of 62.7 per 10,000 population.

The regulatory framework for delivery of health care exists with the right to health being anchored in the constitution and supported by the Health Act. The Ministry of Health established a new National Health Strategic Plan (2022 – 2026) which replaces the previous plan. The new strategy has four goals (i) Increase life expectancy and healthy life expectancy, (ii) Achieve and sustain all dimensions of Universal Health Coverage (UHC), (iii) Prevent, prepare for, detect and respond to health emergencies, (iv) Promote healthy populations. To improve efficiency, the government has continued to adopt new strategies such as performance program-based budgeting with allocations linked to key performance indicators, and a primary health care package approved in 2022 which defines packages of interventions under five new programmes – Adolescent and Youth Health, Home-based Care, Healthy Ageing, Men's Health and Palliative Care. These programs are essential to help address existing challenges such as high teenage pregnancies and to prepare for an increasingly aging population which will require increased health care and social services. According to the 2022 Seychelles Annual Health Performance report, adolescent fertility rate dropped by nearly half from 89 per 1000 girls aged 15 – 19 years in 2019 to 46. Despite the drop, the teenage pregnancy rate remains unacceptably high compared to the global average and comparator countries such as Mauritius (25). Policies and strategies are needed to address teenage pregnancies in Seychelles.

As a result of its investment in health, Seychelles has made significant progress towards attainment of sustainable development goal 3 (SDG 3), with data on key indicators such as maternal and child mortality being lower than the SDG 3 targets. Neonatal mortality is at 8.7/ 1000 live births against SDG target of 12, while under five mortality is at 17.4/ 1000 live births against SDG target of 25/ 1000 live births. Despite the high performance against SDG targets, the country is yet to achieve its own ambitious national targets on child mortality (

Non-communicable diseases (NCDs) remain the major cause of mortality in Seychelles accounting for 52% of all deaths in 2022. The top three NCDs with the highest mortality are cardiovascular disease, cancers, and diabetes. The rate of overweight and obesity, which is a risk factor for NCDs has shown a steady increase among children aged 9 to 16 years since 1998 reaching 18% for girls and 15% for boys in 2022. The government is however putting in place several measures to reduce risk factors associated with NCDs among the population, through the Seychelles Strategy for the prevention and control of NCDs (2016 – 2025). The strategy's target is to reduce the overall mortality from NCDs by 25%. The GoS has put in place legislation to support implementation of the strategy such as a sugar tax of SCR 4 per liter on all sugar sweetened beverages (SSB) with more than five grams of sugar per 100 ml which came into force on 1st April 2019. A regulation on food content labelling for effective implementation of sugar tax was also gazette in 2019. An alcohol drinks bill was also published in 2019 to control the growing advertising of alcoholic drinks. The Tobacco Act was also amended in 2019 to increase exercise tax on all tobacco products. Seychelles also ratified a protocol to eliminate sale of illicit tobacco as part of WHO FCTC which came into effect in April 2020. With regards to communicable diseases, leptospirosis, pneumonia, and HIV/AIDS are among the leading causes of mortality in Seychelles.

COVID-19 exerted pressure on the Seychelles health system like it did global health systems. The pandemic had both positive and negative results for the health system. As a response to the pandemic in 2020, the country expanded access to PCR testing for the general population from one to five laboratories and to over 30 health centers for rapid antigen tests at the point of contact. Seychelles equally expanded its capacity to manage severe and acute COVID infections by constructing a new facility which increased the country's bed capacity. Seychelles led African countries with regards to COVID-19 vaccination by having a high vaccination rate including booster vaccines. Despite the capacity built during the pandemic, the global health security index shows that many countries including Seychelles still have inadequate capacity to prevent, detect and respond effectively to future global health emergencies such as the covid-19 pandemic. Seychelles scored 31.8% on the 2021 global health security index and ranks 120 out of 195 countries.

The country continues to record strong performance against its social indicators with a High Human Development Index (HDI) ranking in Africa in 2022 at 0.785. Despite a slight decline (-0.008) from 2019/20, Seychelles has the second highest HDI in Africa after Mauritius (0.802) and ranks 72 out of 189. According to the 2021 Mo Ibrahim index, Seychelles tops on human development in Africa at 78%. This demonstrates strong performance in access to education, health care, life expectancy and standards of living. The GoS seeks to promote family values and encourages healthy lifestyle and harmony in the society as an investment. It created the Ministry of Family Affairs as a new ministry in 2017 with the objective to take care of the welfare of the people and allocated a sum of SR 17.9 million from the 2018 budget. The budget provides special attention to families falling into the low-income bracket, particularly women and children.

## **9.b. Education, ECD, training and literacy programs**

Score Type	Value
Draft Score	5.0
Reviewed Score	5.0
Second Draft Score	5.0
Final Score	5.0

### Country Notes:

Seychelles education system is ranked among the top in Africa by the World Education Forum and second best after Mauritius in 2019 by the Mo Ibrahim Index, with a score of 80. The country has attained universal access to education through its free education policy for the first 10 years of schooling including early childhood development, except for tertiary and university. Investment in the Education Sector continues to be one of the priorities for Government and averages 10% of total government budget. As a result, literacy rates in Seychelles are at 95.4% while net enrollment across all levels of basic education is above 80%. The human capital index is higher than the average of Sub-Saharan Africa at 0.63, meaning that a child born in Seychelles today will be 63 percent productive with full education and health. Performance in science, technology, engineering and mathematics (STEM) related subjects is however low, with only about 50% of secondary students scoring grade C and above in STEM related subjects in the country's International General Certificate of Secondary Education (IGCSE) examinations. As a mitigation measure, the National Institute of Science, Technology and Innovation (NISTI) is promoting establishment of science clubs in secondary schools and has also launched a national STEM program to sensitize students on technology that is relevant for the fourth industrial revolution. The government approved a strategy to promote digitization in education as part of the key lessons emanating from the covid-19 pandemic and the need to ensure education is relevant to the growing digital economy and the fourth industrial revolution.

For tertiary education, the system incorporates tertiary non-university education and training through professional centers, and tertiary university education. Although tertiary education is not free, the government provides various benefits for post-secondary school students including accommodation, transport subsidies and allowances. The government also provides scholarships for overseas studies the agency for national human resource development. In 2023, the government launched a new financing scheme where it provides a guarantee to commercial banks to provide low-interest rate loans for higher education to individuals seeking to further their education, especially overseas. Seychelles has had a longstanding youth unemployment challenge for over a decade. Youth unemployment (13.6%) is nearly 3.5 times higher than general/national unemployment (3.9%). To strengthen skills development and partly address the challenge on youth unemployment, the Government has embarked on strengthening technical vocational education and training (TVET) through the development of a TVET policy and strategy which is expected to be completed by the end of 2023. The Government is also in the process of establishing a technical school to improve skills. The regulatory framework for implementation of education and training exists.

The National Human Resource Development Policy 2018 – 2022 ended and has been replaced by the of Ministry of Education's Strategic Plan (2021-2024) which aims to build a coherent and comprehensive system of quality education and training reflecting universal and national values. The Strategic Plan (2021-2024) has six priorities (i) Governance and Leadership - Lead the autonomy transition hence promote the

establishment of autonomous institutions. (ii) Teaching - Facilitate an enriching and professionally secured environment for teachers and support providers (iii) Learning and Attainment - To lift aspirations, raise achievements and promote worthwhile learning outcomes (iv) Ethos and Culture - Promote and facilitate a value-based education model (v) Information technology - Transform the education system in Seychelles into a technology-enabled system (vi) Partnerships and Networks - Enthuse the organizations and individuals to contribute and actively participate in educational programs and projects. The education Act 2004 is close to a decade old and may need a review considering all the global changes including the Covid-19 pandemic and technological advancements. Whereas Seychelles has a tertiary education Act and is currently working on a TVET Policy, there may be need to consider a TVET Act in future. The Ministry of Education in collaboration with the Ministry of Health and Ministries responsible for youth should consider a policy and strategy to reduce teenage pregnancies since these may be having an implication on retention, transition rates and education outcomes in general.

### 9.c. Prevention and treatment of HIV/AIDS, tuberculosis, and malaria

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

#### Country Notes:

Tuberculosis (TB) and malaria are under control in Seychelles, although the incidence of new and recurrent TB cases have increased from 9 in 2020 to 17 in 2022. HIV prevalence per 1000 population is low at 0.78, however, the country is yet to achieve the SDG target on eradicating HIV/AIDS. New HIV infections dropped consistently between 2018 and 2021 from 120 to 59 but increased to 72 in 2022. Incidence is concentrated among heterosexuals (56%), key populations such as injecting drug users (14%), and men who have sex with men (24%). Unlike in most countries where the HIV burden is higher among women, in Seychelles the burden is more than double among males compared to females. The GoS has made antiretroviral (ART) therapy available, with 81% of people living with HIV on ART. This is higher than the 72% target set in the health sector strategic plan but lower than the UNAIDS target of 90% of people living with HIV (PLHIV) on ART. The country launched its third strategic plan for control of HIV, AIDS and Viral Hepatitis (2019 – 2023) in 2019. The strategy commits to the 90-90-90 targets of UNAIDS which seeks to increase testing, treatment and efficacy by having 90% of PLWHIV knowing their HIV status; 90% of PLHIV with known status on ART; 90% of PLHIV who are on ART achieving viral load suppression. The strategy further commits to have 90% of key populations accessing HIV prevention services and addressing discrimination.

## 10. Social Protection and Labor

Criteria Score: 4.8

## 10.a. Social safety net programs

Score Type	Value
Draft Score	5.0
Reviewed Score	5.0
Second Draft Score	5.0
Final Score	5.0

### Country Notes:

Seychelles has one of the most comprehensive social protection measures within the African region and quite competitive globally with nearly 18% of the population receiving at least one form of social support. Approved benefits and programs of the Social Security Fund constituted 7% of the GDP in 2019, with a 1% growth over the previous year. These include; a) thirteen programs under statutory benefits such as injury, sickness, retirement and maternity benefits; b) four schemes which include (i) Foster Care allowance, (ii) Foster Parent allowance, (iii) Inter-Island Transport – Pensioners: Subsidized travel for pensioners, (iv) Supplementary which is an assistance paid to an individual or household who has experienced a natural disaster or calamity.; c) Social welfare assistance for any Seychellois citizen above the age of 18 years and eligible resident whose means are insufficient to meet his or her basic household needs. The programs are administered by the Agency for Social Protection (ASP) and governed by the Agency for Social Protection Act 2011. These benefits exclude other social protection measures under education such as bursaries, school feeding, subsidized transport costs, reskilling programs within the ministry of employment and free health care at point of use in public health facilities.

The comprehensive coverage of social assistance programs by the GoS played a key role in cushioning vulnerable groups and workers against the effects of the COVID-19 pandemic. The social assistance budget in the 2020 amended budget increased from 7.3% of the GDP to 14% in response to COVID-19. This ensured job protection for over 38,000 workers in the formal and informal sector.

Social protection is the third largest spender on government expenditure after education and health. Seychelles however requires a concrete social protection strategy that is sustainable. The key concern remains on the affordability and sustainability of the measures, appropriateness of the incentives, targeting and efficiency. To address these concerns, the government is planning to undertake a comprehensive review of the social protection measures in 2024. The government is also looking into digitalization of the systems to improve targeting and coordination between the various schemes. ASP has also created a benefits fraud unit and clients' charter to promote transparency.

The government of Seychelles has an overall strategy for social protection and a well-designed set of safety net programs; financing is sufficient to reach most poor and vulnerable groups, and leakage is low. Performance monitoring systems are being used to improve implementation. Seychelles has one of the most comprehensive social protection measures within the African region and quite competitive globally

## 10.b. Protection of basic labour standards

Score Type	Value
Draft Score	5.0
Reviewed Score	5.0
Second Draft Score	5.0
Final Score	5.0

### Country Notes:

The Seychelles became a member of ILO in 1977 and has ratified 37 international labour conventions, which include the eight core conventions on fundamental principles and rights at work. Out of the 37 ratified conventions, 23 were in force by 2022 including the 9 core conventions and 2 priority conventions on governance[1]. The core convention on the protection of workers against discrimination, trafficking and violation of other rights is yet to be fully domesticated and implemented. The ILO together with the GoS developed a second decent work program (2019 - 2023) with three priorities: i) creation of decent and productive employment, ii) strengthening of social dialogue and tripartite institutions, iii) effective implementation of international labour standards. It is expected that through effective implementation of these priorities, the country will enforce most of the outstanding labour laws.

Seychelles became the first in the world to ratify convention number 182 on worst forms of child labour. The country has also ratified all six key international conventions on child labour by the ILO, UN CRC and the Palermo protocol on trafficking of persons. Conflicts have however been observed regarding laws and regulations on children. While the Constitution of the Seychelles sets the minimum age for work at 15 and the Conditions of Employment Regulations (1991) state that children under 18 may not engage in work at night in the entertainment and tourism industries, the regulations do provide that children between 15 and 17 can work in these industries with the consent of a competent officer. This provision created a loophole for children to be involved in the worst forms of labor such as sexual exploitation. In 2016, the GoS funded a program to raise awareness on sexual exploitation and trafficking of children although its efficacy is unknown. There is need to reconcile the national and international laws to ensure safety and protection of children.

[https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:11200:0::NO::P11200\\_COUNTRY\\_ID:103090](https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:11200:0::NO::P11200_COUNTRY_ID:103090)

## 10.c. Labour market regulations

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5

Second Draft Score	4.5
Final Score	4.5

### Country Notes:

The employment laws and regulations are contained in three laws: the Employment Act (1995, amended in 2008), the Industrial Relations Act (1993) and the Occupational Health and Safety Decree including six regulations. The Employment Act was amended to allow for the creation of an Employment Tribunal which functions as a quasi-judicial court. To encourage employment of locals, the government has set low limits on the percentage of foreign workers allowed to gain employment. In addition, the foreign workers have to obtain work permits, called 'Gainful Occupation Permits. The GoS collects employment data on a quarterly basis and this can provide a good basis for policy decisions and improvement. The government is reviewing the employment Act with a view to making it more responsive to the needs of the labour market and private sector. The Ministry of Employment, with support from ILO, is undertaking a study to understand and address the informal sector, with a view to formalizing it.

Overall unemployment rate in Seychelles is relatively low and was recorded at 3.9 in 2022. There was however a general decrease in employment in 2020 with quarter four of 2020 recording the highest decline at 6% due to the effects of COVID-19 pandemic. attributed to the COVID-19 pandemic which caused a major recession in the country's economy. The key concern for Seychelles remains the high rate of youth unemployment that is nearly three times (13.6%) the overall unemployment rate as well as the high rate of youth not in employment, education, or training at 19.8%. This is potentially due to inadequacies in the tertiary education system to meet the labour market demands. Seychelles' overreliance on tourism continues to expose it to external shocks such as COVID-19. Investing in skills to promote diversification of economic activities is therefore critical. The Government of Seychelles (GoS) and ILO are currently implementing a decent work country program (2019-2023), which is expected to stimulate the creation of decent and productive jobs. The Government is also working towards the establishment of a new TVET school which is to be operational by 2024. The main objective of the new school is to better prepare students to gain the knowledge and competence to better integrate into the country's economy. The Department of TVET is also working to establish a national TVET policy and strategy to guide implementation of TVET, including mainstreaming of entrepreneurship in the curriculum.

The government is putting in place mechanisms to improve human resource planning and development. The function of human resource planning and development has been moved from the ministry of education to the ministry of employment and social affairs to improve alignment between skills development and the needs of the labour market. The Ministry of Employment is leading the development of a human resource development strategy, in collaboration with a multisectoral committee. The human resource strategy is expected to be completed by 2024 and will be implemented through a training plan. The human resource planning will be critical to ensure availability of adequate skilled personnel who can drive transformation in the priority sectors. Labour market regulations in Seychelles are well-designed and effectively enforced. Active labour market programs (e.g., retraining, public works) are effective and reach a significant proportion of the unemployed.

#### 10.d. Community driven initiatives

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5
Second Draft Score	4.5
Final Score	4.5

#### Country Notes:

The government is centrally managed overall, further to the small size of the population and the Government generous welfare systems, there are no community-driven public works programs per se. While there are no formal community work programs, several initiatives exist in the area of conservation (building sand banks, managing catchment areas and public clean ups), particularly on the main island of Mahe which is made up of 25 districts, some with varied geography and accessibility. The initiatives aim to enable people take an active involvement in the management of natural resources and environmental protection. Annually the government provides resources towards small community projects in the districts. National consultations are held at district level to garner views from stakeholders. Regarding the provision of social security, ASP and Labour office personnel are allocated by district and are intermediaries between the community and the central agencies for assistance.

In addition, the social programs include programs that are aimed at empowering different segments of the community especially the youth and Micro Small and Medium Enterprises (MSMEs). These include the unemployment relief scheme which was increased from SCR 10 million to SCR 20 million in 2020 to support reskilling of workers and to avoid redundancies from COVID-19, the MSME scheme that provides loans to MSMEs, Agriculture development fund to support MSMEs, Youth Entrepreneurship Scheme to support young entrepreneurs, Youth Employment Scheme as an incentive for employers to recruit youth, housing finance scheme for first time home owners and a land tribunal.

The Government of Seychelles has a clear policy of community involvement in development initiatives, with systematic community involvement in planning, and significant allocation of resources to the community level.

**4.0**

#### 10.e. Pension and old age savings programs

Score Type	Value
Draft Score	5.0
Reviewed Score	5.0
Second Draft Score	5.0

Final Score	5.0
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**Country Notes:**

The GoS allocates a substantial amount of resources towards benefits for citizens aged above 65 years. The Retirement Benefits constituted 51% of the SCR 1.5bn allocation to the Social Security Fund in 2020. The various programs include old age pension (for persons above 65 that have resided in the Seychelles for 5 years prior to retirement); old age benefit (age 60 to 65 and have had 10 years continuous contributions to the security fund); old age settlement (if the pensioner does not qualify for old age benefit having been unemployed); and migration allowance (paid if the pensioner permanently leaves the country). In addition, the Government provides allowances for old age pensioners towards transport allowance and home care arrangements. To ensure financial sustainability, the government has mandated that all employed people contribute towards a Pension Fund so that they will not in future draw from the SSF when they reach the age of 63 years+.

Other provisions for the elderly include the home improvement/re-roofing scheme where pensioner's benefit from an interest free loan for renovations up to SR 50,000 while re-roofing projects are supported up to SR 100,000. Pensioners also stand to benefit from the Land Compensation Tribunal which was set up in 2018 to review all outstanding cases with regards to land which the Government has taken from the Public since 1993. The Government established the National Council for the Elderly (NCE) in 2018 to advise the government on all matters of the elderly and to develop standards for care of the elderly. The proportion of persons aged 65 years and above has been growing in Seychelles and is currently estimated at 11% and is expected to increase further, owing to improved life expectancy. Consequently, the government in December 2022, introduced an amendment to the Seychelles Pensions Act 2005 through the Seychelles Pension Fund (Retirement) Regulations, 2022 in the National Assembly to increase the retirement age to from 63 to 65 years effective January 2023. The amendment is meant to ease the potential pressure on the retirement benefits funds.

Pensions and old age savings systems in Seychelles provide income security to a high share of the population inside and a growing share outside of the formal sector. Program administration in most areas is efficient, and benefit levels are consistent with long-term financial sustainability.

**5.0**

**11. Environmental Policies and Regulations**

**Criteria Score: 5**

**11. Environmental Policies and Regulations**

Score Type	Value
Draft Score	5.0
Reviewed Score	5.0

Second Draft Score	5.0
Final Score	5.0

### Country Notes:

Seychelles is a Small Island Developing State (SIDS) made up of 115 islands. The country is considered an important biodiversity area of the world, due to its unique and rich forests, birds and marine species. Seychelles is proactive in preserving and protecting its environment and natural resources and was the first country in the Western Indian Ocean Region to designate marine protected areas. More than 47% of the country's total land area is under legal protection. Seychelles is also home to two of UNESCO's World Heritage Sites.

According to a UN International Strategy for Disaster Reduction (UNISDR) report, Seychelles is vulnerable to storms, floods, and landslides. The Seychellois Ministry of Agriculture, Climate Change and Environment (MACE) manages key climate policies. Seychelles' 2020 National Climate Change Policy created the National Climate Change Council chaired by the vice president to coordinate all climate change actions. The council must report on the implementation status of all national and international climate change obligations to the cabinet of ministers and the National Assembly.

In November 2021, at the Conference of Parties 26 (COP 26), the Government of Seychelles pledged to reduce its greenhouse gas emissions to 26.4 percent of the business-as-usual scenario 2030 value. To achieve this target, the government plans to reform in its energy, refrigeration and air conditioning, transport, and waste sectors. Details of the reforms for each sector will be included in the country's updated National Climate Change Strategy and the Nationally Determined Contribution (NDC) implementation plan. Seychelles has a long-term strategy to make its energy supply solely based on renewables as outlined in its 2010-2030 energy policy by focusing on the development of offshore wind and photovoltaic technologies.

The government expects private sector contributions to reform the energy and transport sectors and to develop the aquaculture sector. While the contributions for the energy and transport sectors will be detailed in upcoming sectoral blueprints, the Ministry of Fisheries and Blue Economy has created an aquaculture department. The government offers tax incentives in the form of value-added tax exemptions on imported goods that (a) conserve, generate or produce renewable or environment friendly energy sources; (b) conserve of fresh or potable water resources or re-use or recycle wastewater; and (c) recycle, reduce or re-use solid waste. There is a purchase rebate plan to incentivize businesses to resort to rooftop photovoltaic equipment for power generation.

Policies to preserve biodiversity include: (a) regulating coastal planning and infrastructure at the national and local level to prioritize the consideration of "blue" nature-based solutions for climate resilience; (b) protecting at least 50 percent of its seagrass and mangrove ecosystems by 2025, and 100 percent of seagrass and mangrove ecosystems by 2030; (c) establishing a long-term monitoring program for seagrass and mangrove ecosystems by 2025 and including the greenhouse gas sink of Seychelles' blue carbon ecosystems within the national greenhouse gas inventory by 2025; and (d) committing to the implementation of its adopted marine spatial plan and the effective management of the 30-percent marine-protected areas within the country's Exclusive Economic Zone.

Public procurement policies in Seychelles do not currently include environmental and green growth considerations such as resource efficiency, pollution abatement, and climate resilience. (Cf. US Department of State, 2023 Investment Climate Statements: Seychelles .

The impact of development on the environment in the Seychelles: As the Republic of Seychelles continues to experience rapid economic and social growth, the environment in turn faces several risks. These include the increased use of chemicals such as food processing industry chemicals, petroleum and allied products, industrial and domestic cleaning agents, manufacturing chemicals which if not properly disposed of, end up causing harm to the environment through land and water pollution which can degrade coral reefs and affect fish stocks. The Government of Seychelles has in place the Environmental Protection Act, the Health and Safety Act and Regulations respectively to deal with the sustainable management and safe disposal of chemicals and waste. According to the Ministry of Environment, Energy and Climate Change, Seychelles is estimated to produce an average of 70,000 tonnes of waste a year. Due to the limited availability of landfills in the country, disposal of this waste is increasingly becoming a challenge to the Government. To address this increasing challenge, the Government introduced the Seychelles National Waste Policy 2018-2023. This policy has made provision for the development of waste management plants to generate energy from solid waste, hence reducing the need for increased landfills. Urbanization and construction of tourist hotels and resorts has also resulted in increased soil erosion especially in areas where there are steep slopes, disturbance of wildlife especially during periods of nesting, loss of vegetation cover and increased sewage disposal which causes water pollution. To effectively manage water resource in the country, the Government has developed an Integrated and Comprehensive Sanitation Master Plan (ICSMP) with support from the African Development Bank, which ensures proper management of water and sanitation services, including the re-use of treated wastewater. Seychelles also has in place the Environment Protection (Impact Assessment) Regulations which regulate developments that could affect ecologically sensitive or protected areas. Agricultural land in the Seychelles is scarce, making the country a net importer of food as local food production is minimal. As such the agricultural sector has minimal impact on the environment although there is the risk of runoffs from agricultural land containing fertilizers or pesticides into freshwater bodies. In a bid to reduce the use of fossil fuels for electricity generation, the country intends to increase its share of renewable energy to 15% by 2030 and has put in place an Energy Policy 2010-2030 which provides for the increased use of renewable energy from sources such as solar PV, micro-hydro, wind and municipal solid waste. The Seychelles Public Transportation Corporation (SPTC), the country's only public transport provider also seeks to diversify from the use of diesel. From 2021, it will introduce 22 electric buses. As of 2020, the Government of Seychelles is only procuring hybrid and electric vehicles for its use.

Seychelles' Environmental Policy and Legal Framework: To effectively safeguard its environment, Seychelles has put in place various laws, policies and regulations in place. The key policies, legislations and regulations governing environmental management included:

The Constitution of the Republic of Seychelles: The Constitution of Seychelles is the supreme law of the land and makes provisions for environmental protection. Article 38 accords citizens the right to a clean, healthy and ecologically balanced environment. The Government also undertakes to protect, preserve and manage the country's environment and natural resources. Article 40 bestows the fundamental duty to preserve and protect the environment upon all citizens.

The Environment Protection Act 1992, revised in 2016, 2020 and 2023: The Environment Protection Act No 18 of 2016 sets the broad framework for the protection, improvement and preservation of the environment and for the prevention, control and abatement of environmental pollution. The Act requires any development to be undertaken in Seychelles to under-go an Environmental Impact Assessment before it can be authorized. The Act also provide measures to ensure sound management of all types of wastes (solid, liquid and hazardous) as well as control and management of pesticides and other agro-chemicals. The main implementing entity of this Act is the Ministry of Energy, Environment and Climate Change.

In 2020, the government issued Environmental regulations to introduce levies on PET, Plastic and Glass bottles and Cans, to encourage collection, recycling and reduced use of these products. The government has in 2023 established the Tourism Environmental Sustainability levy which is founded on the Environmental protection act. The levy is targeted towards financing of waste management activities which cost approximately 290million per

year, to implement. Animal and Plant Biosecurity Act No 10 of 2014: This Act was established to protect and preserve the environment through preventing, controlling and regulating the entry, movement and spread of plant and animal pests and diseases in Seychelles. Fisheries Act No of 2014: This Act was established to regulate the effective and efficient management and sustainable development of the fisheries sector in line with international standards and practices. It also provides for an ecosystem approach to the fisheries sector. The Act also makes provision for protection of all marine mammals and designates both Shell and Fisheries reserves where only licensed fishing can take place. Town and Country Planning Act, 1972, updated in 2012: This Act provides the basis for land use planning in Seychelles, and factors in environmental protection. The Act is supported by various development plans such as the Anse Commercial Development Plan, Anse Royal Redevelopment Park and the Seychelles Strategic Land Use and Development Plan 2040, which guide both current and future development plans. There are also District Land Use Planning Guidelines for all 25 districts, which were finalized in 2013. Whereas the Town and Country Planning Act is still in place, it is considered as outdated. In this regard, the Physical Planning Bill has been developed, pending approval by the National Assembly. The main implementing entity of this Act is the Seychelles National Planning Authority. Nature Parks and Nature Conservancy Act, 1969: This Act is the primary legislation for protected areas in Seychelles and most of the relevant protected areas in Seychelles have been set up under this Act. It regulates the establishment, management, use and development of protected areas in the country. There have been instances where the Protected Areas Act, 1967 has been used to designate a protected area for environmental reasons, although the Act is primarily used for national and internal security purposes. The Wild Animals and Birds Protection Act, 1966: This Act, together with associated regulations, makes provisions for the establishment of Nature Reserves to protect land and sea species. It also provides for the protection of key species such as native bird species, turtles, giant tortoises and whale sharks. Environment Protection (Impact Assessment) Regulations, Cap 71: These regulations govern the procedures for conducting an Environmental Impact Assessment for projects and developments whose locations are in ecologically sensitive areas. The impacts of these projects are then weighed and considered by relevant authorities as to whether they should be pursued or forfeited. The Seychelles National Waste Policy 2018-2023: This policy was approved in December 2018 and the aim of it is to manage waste in a sustainable manner so as to protect the country's environmental integrity and improve quality of life in the Seychelles. Similar to other small island developing states, waste management and plastic pollution is a major issue. Seychelles generates about 95,000 tons per year of solid waste at a growth rate of 6% per year. With the country's high economic growth performance in recent decades, its per capita municipal solid waste (MSW) generation is about 2.45 kg/day, far higher than the global average and is a large source of methane, a powerful GHG that is particularly harmful. To address this issue of waste, the Government is seeking to improve the existing waste management system, by implementing waste reduction and recovery strategies, constructing new infrastructure, and upgrading waste frameworks in line with best practices and the country's National Waste Policy 2018-2023 and Solid Waste Master Plan 2020-2035. The Government is also prioritizing circular economy projects through recovery of solid waste into secondary raw materials by small and medium-sized enterprises (SMEs), and help create jobs for women and youth, while boosting the national economy. The government had considered a Waste-to-Energy plant, but based on research, it was determined that this is not the best technology. The government is shifting to a zero landfilling solution based on EU circular economy principles, and is planning an investor forum in September 2023 for investors to present potential solutions and opportunities to the waste problem. Seychelles Wetland Policy and Action Plan, 2019-2022: This policy replaced the Seychelles National Wetland Conservation and Management Policy of 2005 and seeks to conserve and protect wetlands in Seychelles. Seychelles National Water Policy and National Integrated Water Resource Management (IWRM) Plan, 2017: This policy was approved by Cabinet in June 2017 and seeks to provide a guiding framework for the management of water resources in the country. There are also plans to develop a new National Water Act to provide a new Integrated Water Resource Management legal framework. Seychelles Protected Areas Policy, 2013: This policy seeks to coordinate and guide the planning, management and assessment of existing and future protected areas, including monitoring, surveillance and research. It also seeks to provide opportunities and shared benefits for all, that come from the sustainable use of the country's natural resources. It replaced the Conservation Policy in the Seychelles of 1971 and its

implementation is overseen by the Ministry in charge of Environment. Seychelles National Development Strategy (NDS 2015-2019) Seychelles' national development agenda is spelled out in its National Development Strategy (NDS 2015-19), which focuses on the four 'key results areas' of Governance, Economic Development, Social Development, and Environment and Energy. The National Development Strategy is predicated on the Blue Economy concept, which focuses on a sustainable development of the country's oceanic resources. In order to implement the Blue Economy concept, the Government is developing the National Blue Economy Roadmap that identifies a range of future development opportunities. The concept emphasizes the economic potential of Seychelles' vast Exclusive Economic Zone, a marine area of 1,374,000 km<sup>2</sup> (the 2nd largest in Africa), for inclusive growth. The purpose of the Blue Economy Roadmap is to set the broad direction for future investment in and development of a sustainable ocean-based economy in Seychelles and is implemented by the Blue Economy Department in the Office of the Vice President. The University of Seychelles has also established the Blue Economy Research Institute to support research on environmental science, specifically on issues relating to the blue economy. While there is no universally accepted definition for the Blue Economy, for Seychelles the notion of the Blue Economy refers to those economic activities that directly or indirectly take place in the ocean and coastal areas, use outputs from the ocean, and place 'goods and services' into ocean's activities, with the contribution of those activities contributing to economic growth and social, cultural and environmental well-being of the Seychellois. The scope of the Blue Economy covers activities that: i) explore and develop ocean resources; use ocean and coastal space; ii) protect the ocean environment; iii) use ocean products as a main input; and iv) provide goods and services to support ocean activities. While these focus areas are not new, the core principle of the Blue Economy is the synergy created by all components coming together to support the ultimate goal of sustainable development for the Seychellois current and future generations.

#### Seychelles National Development Strategy (NDS 2023-2027)

The current Seychelles Vision 2033 aims to achieve *"A resilient, responsible and prosperous nation of healthy, educated and empowered Seychellois living together in harmony with nature and engaged with the wider world"*. The latest National Development Strategy (NDS 2023-2027) recognizes environment sustainability and climate change resilience as a key priority area, and identifies priority areas across the Tourism, Agriculture, and Fisheries & Blue economy sectors as important for economic diversification. Key considerations identified in the NDS 2023-2027 include: Costing of environmental and climate actions and bridging the Financing Gap; Mainstreaming of climate change across all policies; Renewable energy and drive for efficiency; Sustainable agriculture; The Circular economy and waste management; Conservation and restoration of ecosystems; Climate adaptation; and Education and awareness-raising. Seychelles Conservation and Climate Adaptation Trust Act 2015, amended in 2022

This Act establishes the Seychelles Conservation and Climate Adaptation Trust for the purpose of regulating debt swap transactions and establish funds intended to provide a sustainable flow of funding to support the long-term management and expansion of the Seychelles system of protected areas and other activities which contribute substantially to the conservation.

#### Seychelles Climate Change Related Policies and Strategies

The Government of Seychelles is also cognizant of the country's vulnerability to climate change, being a small island developing state. In 2019, the country developed the Seychelles National Climate Change Strategy (SNCCS) to support sustainable development through development of mitigation and adaptation policies. Measures to adapt and mitigate climate change are further outlined in Seychelles Sustainable Development Strategy 2012-2020 and the Nationally Determined Contribution (NDC). Five strategic objectives have been proposed to enable Seychelles adapt and build resilience to climate change: (i)

advance understanding of climate change, its impacts and appropriate responses; (ii) develop measures to adapt, build resilience and minimize vulnerability to climate change impacts; (iii) achieve energy security while reducing GHG emissions from the energy sector; (iv) mainstream climate change into national policies, strategies and plans; and (v) build capacity and social empowerment at all levels to adequately respond to climate change.

Through its NDC, Seychelles also commits to reduce gross economy wide GHG emissions by 122.5 ktCO<sub>2</sub>e by 2015 and 188 ktCO<sub>2</sub>e by 2030. Specific measures include switching to renewable energy, improving energy efficiency and promoting use of electric cars, improving solid waste management, and implementing waste-to-energy programs. The updated Nationally Determined Contribution (NDC 2021) of Seychelles outlines priority investments that will enable the country to transition to a low-carbon economy while meeting its target of 15% energy from renewable sources by 2030. The country has committed to reduce economy-wide absolute Greenhouse Gas emissions by 26.4 % by 2030, and also outlines its long-term commitment to achieve a decarbonized net-zero emissions economy by 2050. This is to be achieved through interventions in the Energy, Transport and Waste sectors which are responsible for 95% of emissions.

As identified in the NDC and relevant sector plans and policies, the following are the key priorities for the government related to environment and climate change:

- Electricity - diversification to renewable energy.
  
- Transport – uptake of green mobility, and development of a modern transport framework with proper legislation. This would also require a study on grid demand impact of e-mobility and a cross-sector steering committee.
  
- Consumer activities – better understanding of demand side energy management, and energy efficiency.
  
- Waste management and circular economy.

Already, the country is investing in a floating utility scale Photovoltaic power plant. The recent amendments to the Environment Protection (Ozone) Regulations (in force since 1 January 2020) already imposes levies on imported refrigerant gas/equipment that exceed 100 Global Warming Potential. Proposed adaptation measures include construction of the Grand Anse Dam, implementation of the Coastal Management Plan 2019, and enhance understanding of climate change and risk forecasting.

Seychelles was the first pilot country which completed a Climate Change Policy Assessment (CCPA, jointly conducted by IMF and World bank) in 2017. PIMA and Climate-PIMA assessments were conducted in early 2023, which along with CCPA and Nationally Determined Contributions (NDC) results served as the basis for the design of Resilience and Sustainability Facility (RSF) reform measures. The Climate Public Investment Management Assessment (C-PIMA) adds a climate-responsive dimension into the PIMA framework and assesses countries' capacity to manage climate-related infrastructure. The C-PIMA helps governments identify potential improvements in public investment institutions and processes to build low-carbon and climate-resilient infrastructure.

As part of its policy development process supported by the Bank, the government of Seychelles has made great progress on creating the enabling environment for climate action and green investments through the following key policy changes:

- Approval by the Cabinet of a strategy outlining short to medium term electricity generation options, including on renewables;
- Revision of the Feed-in tariff policy for renewable energy;
- Mainstreaming of climate change policies/actions by Government sectors following guidance by the National Climate Change Council;
- Establishment of a Committee to oversee the Nationally Determined Contributions (NDCs) validation process;
- Approval by the Cabinet of a policy paper on solid waste recycling procedures and an Extended Producer Responsibility Framework.

The following policy changes are proposed in the next phase of Bank-support:

- Approval by Cabinet of the following regulations: (i) Distributed Generation System Regulations; and (ii) Independent Power Producer Regulations;
- Approval by Cabinet of the following regulations: (i) Electricity Tariff Setting Regulations; and (ii) Licensing regulations;
- Approval by the Cabinet of policy paper on Extended Producer Responsibility Framework; and Water Resource Management Bill;
- Cabinet approval of legislation/ regulations on climate resilience investment management and green procurement by SOEs.

On climate finance, the NDC targets have a 600m funding target and no fiscal space to finance NDC activities. There is a key drive between now and 2030 to address the funding gap. The Government plans to adopt a Climate Finance Strategy and Roadmap to establish and prioritize how best to incentivize domestic investments and how to direct funding from international public, private and sources for use in different project preparation and financing stages. It plans to identify financing mechanisms to support its NDC implementation e.g., through multilateral and bilateral funds, and other innovative financing mechanisms. Through a Commonwealth program, as of September 2020, the Commonwealth Climate Finance Access Hub (CCFAH) has been providing technical assistance to the Government of Seychelles aimed at developing a pipeline of bankable projects for funding, support enhancing coordination of climate finance mobilization efforts as well as strengthening capacities within Government departments and related agencies. The Commonwealth National Climate Finance Adviser (CNCFA) is contributing to the development of Measuring Reporting and Verification Framework and supporting in building capacity to advance the National Adaptation Planning process in the Seychelles.

Challenges to implementation of environmental policies and regulation in the Seychelles: The GoS intends to continue its serious stance on Environment issues. It for example allocated a total of SR 36 million to the Environment Sector for the year 2018 to undertake a number of projects including allocation for ongoing works from the Disaster Task Force, ongoing Coastal Rehabilitation projects, and construction of a building to house the Ministry of Environment, Energy and Climate Change and the Seychelles National Parks Authority. However, implementation of environmental management and conservation measures face a number of challenges including inadequate policy and legislative framework, lack of institutional and human capacity to coordinate and implement the various provisions, and inadequate financial resources.

Within the Seychelles Public Enterprise Monitoring Commission (PEMC), there is a realization that State entities have a role to play in achievement of Climate change Commitments and reporting priorities in Renewable energy; Pollution reduction and control; Asset preservation and Natural resources conservation. As an example, public entities with infrastructure development along coastal areas should consider raising their infrastructure levels to take into account sea level rise, e.g, the Port entity and Airport. There is also need for training and awareness/sensitization, for example among the Industrial estates on energy efficiency and for agricultural companies to adopt greenhouse agriculture with a changing climate. PEMC aims to be more proactive in helping State entities in their role in the achievement of Climate change Commitments and reporting priorities.

While the Seychelles has institutionalized several environment-related laws and regulations, many of these laws and regulations need to be updated to reflect current priorities and address certain shortcomings. For instance, while recent legislations have been orientated toward environmental management, such as pollution control and environment impact assessments, they are not strong on conservation. Furthermore, enforcement of environmental legislation remains a serious issue at all levels and presents a major obstacle to implementation of environment policies. Surveillance of poachers in remote islands, for instance, remain a serious challenge. There is need to build capacity of regulatory agencies to enforce their respective mandates in a coordinated manner. There is need for training of technical staff to enable better understanding of local and international environmental policies and to enhance implementation of environmental laws and regulations.

Seychelles also lack adequate financial resources to implement environmental management, blue economy and climate change adaptation and mitigation activities. Many of the adaptation and mitigation measures, for instance, are yet to be implemented due to lack of budgetary resources. The country is therefore looking to international financial institutions and agencies to finance some of these programs. However, there is also lack of capacity within Seychelles to develop proposals that can attract financing from international environmental and climate funds. There is need hence to build the capacity of public and private agencies to access financing from international environment and climate funds. There is also need to further build capacity on blue economy if the country is to realize its desire to develop ocean resources.

According to a recent report on the development of Seychelles' updated 2021 NDC, led by the Climate Change and Energy Department of the Ministry of Agriculture, Climate Change and Environment, it was noted that despite the current global challenges, related to COVID-19 pandemic, Seychelles remains committed in updating and submitting its NDC in July 2021, in line with the five-year revision requirement under the Paris Agreement. The report further stresses that Seychelles new key contributions to climate change adaptation under this NDC include the following commitments and targets, focused on safeguarding the Blue Economy and Blue Carbon ecosystems: i) Seychelles intends for coastal planning and infrastructure to be regulated at the national and local level to prioritize the consideration of "blue" Nature-based Solutions (NbS) for climate resilience. ii) Seychelles will protect its blue carbon ecosystems, i.e., at least 50% of its seagrass and mangrove ecosystems by 2025, and 100% of seagrass and

mangrove ecosystems by 2030; iii) Seychelles will establish a long-term monitoring programme for seagrass and mangrove ecosystems by 2025 and include the GHG sink of Seychelles' blue carbon ecosystems within the National Greenhouse Gas Inventory by 2025; and iv) Seychelles commits to the implementation of its adopted Marine Spatial Plan and the effective management of the 30% marine protected areas within the Seychelles' Exclusive Economic Zone; In addition, Seychelles commits to continue integrating climate change considerations into plans and strategies across all key sectors by 2030 through the following priority actions:

4.5

## (D) Public Sector Management and Institutions

Cluster Score: 4.23

### 12. Property Rights and Rule-based Governance

Criteria Score: 4.5

#### 12.a. Legal basis for secure property and contract rights

Score Type	Value
Draft Score	5.0
Reviewed Score	5.0
Second Draft Score	5.0
Final Score	5.0

#### Country Notes:

The rule of law and governance frameworks remain strong. The country maintained its 1st ranking in sub-Saharan Africa for the fifth consecutive year in a row on the 2023 Transparency International Corruption Perceptions Index (TI-CPI). It also ranked 23rd globally with 70 points, compared to 28th and 35th, respectively, in 2018 and 2017, indicating significant improvement. It ranked 2nd out of 54 African countries in the 2022 Mo Ibrahim Index of African Governance (IIAG) with an overall score of 73.4 compared to 73.2, 72.1 and 71.5 in 2017, 2016 and 2015, respectively (Chart 1). In this regard, Seychelles had the highest score in the area of 'Human Development' with 78.0 points and the lowest score in the Foundations for Economic Opportunity category with 61.8 points.

2018, Seychelles' rank regarding registering property improved from 78 to 62 from 2015 indicating that a continued policy response to improve the business environment in this area was getting positive results, but the ranking in this area in the 2020 DB slightly worsened to 65th with a score of 70.8. The rankings under this category are still lower than those of the 2012 where the country was ranked 55th and this is mainly due to the number of days being so high at 915, thus still reflecting the need to do more to get comparable results with other peers. With regard to enforcing contracts, however, the country's rank slightly improved to 128 in 2020 from 130 in 2018, though still worse than its rank on the same of 103 in 2015. There have been attempts since 2013 to further develop the necessary capacities in contract enforcement and in 2014, there were several reforms including on courts' fees and filing legislation; and harmonization of fees to remove any incentives to file in magistrate courts. Further capacity augmentation was also undertaken at the supreme court to address the backlog of cases.

The property rights index -- which measures the degree to which a country's laws protect private property rights and the degree to which its government enforces those laws -- shows that between 2018 (61) and 2020 (68), Seychelles has experienced gains on this front. Out of 53 African countries, Seychelles is currently ranked in the top 3. The present score of 68 indicates that there is a good degree of legal protection of property and decent degree of judiciary independence. The Government of Seychelles (GOS) has measures in place to enforce intellectual property rights (IPR) but awareness of Intellectual Property Rights is limited and enforcement is weak. I give an upward adjusted score of 4.5 to reflect the improvements in protection of property rights and intellectual property rights between 2018 and 2019 (Global Competitiveness Report)

#### 12.b. Predictability, transparency, and impartiality of laws affecting economic activity

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5
Second Draft Score	4.5
Final Score	4.5

#### Country Notes:

**Efforts Towards Transparency and Accountability:** The government of Seychelles has shown significant strides towards enhancing transparency and accountability in its operations and dealings. This includes the launch of a new electronic ID system, establishment of a digital platform for auction sales of government goods, the enactment of the Public Enterprise bill, and other legislative frameworks such as the Freedom of Information Act, which ensure the availability and accessibility of governmental information to the public. **Engagement in Budgeting and Legislation:** There's evident inclusivity and public engagement in budget preparation with stakeholders and enhanced legislative debates on the government budget. Furthermore, availability of budget documents, regulatory frameworks, and legal documents on online platforms like the official gazette signifies a commitment to transparency. **Anti-Corruption Initiatives:** Anti-corruption initiatives, such as the establishment of the Anti-Corruption Commission and regular audits by the Auditor General's Office, underscore a commitment to safeguarding the nation's wealth and ensuring

lawful transactions within governmental processes. Involvement in Regulatory Processes: The availability of laws and regulations to the public, the enactment and implementation of laws like the Freedom of Information Act, and the appointment of informational personnel across ministries signal a step towards regulatory transparency. Public Enterprise Oversight: The establishment of the Public Enterprise Monitoring Commission (PEMC) to supervise state-owned enterprises indicates a move towards safeguarding public financial resources and ensuring efficiency in public enterprises. Points of Consideration: Issues with Transparency in Privatisation: Despite the notable improvements, issues persist with transparency, particularly in the privatisation and allocation of government-owned land and businesses, indicating that while steps have been taken to improve overall governmental transparency and security of assets, there are areas that still require attention and refinement. Continual Improvements Needed: The numerous advancements towards transparency, accountability, and protection against crime and violence indicate a robust system; however, to attain a score of 5, it will be imperative for the state to further refine and ensure the absolute efficacy of these systems, alongside enhancing citizen's faith and expectation in their continual improvement and stability. The 2020 Doing Business Report indicates that Seychelles' ranking with respect to enforcing contract slightly improved from 130 in 2018 to 128, mainly due to the improvement is not good enough to offset the worsening ranking from 103 in 2015, mainly due to the high number of days it takes, at 915 in 2020.

To address these and other challenges in this area, the government has expanded the jurisdiction of the lower courts, i.e. Magistrates court, in order to decrease the time taken to review commercial cases. In 2014, the government harmonized the court and filing fees between Supreme and Magistrates courts. As part of the Judicial reform the Supreme Court in March 2012 launched two new computerized systems, the Computerized case administration system of the Seychelles (CCASS) and the Seychelles Legal Information Institute (Seylii). The systems were expected to enable the courts to improve on record management and enable the on-line publication of legislation and case laws in the Seychelles.

Recognizing the limitation in skills availability, the government reviewed the Legal Practitioners Act to consider allowing foreign nationals to undertake commercial cases (with Seychellois partners). The new companies Act (2012) provides for the same process of business registration for local and foreign businesses, thus reducing the presence of companies taking advantage of "tax haven" provisions. Transparency of regulations is not perceived to be a hindrance as the procedures; however, the time it takes for the case to proceed through court is cumbersome. According to the 2020 Mo Ibrahim index, the ranking of judiciary independence remained the same as that of 2018.

Proposed laws and regulations, as well as final laws, are published in the Official Gazette on a monthly basis. Regulatory transparency has improved with the new administration which has proposed several new laws, including a Freedom of Information Act. Additionally, ministries are now required to submit white papers and consult with stakeholders before legislation is adopted. These have all translated into an improvement on key metrics such as judiciary independence, efficiency of legal framework in challenging regulations and in settling disputes, and incidence of corruption (Global Competitiveness Report, 2019).

### 12.c. Difficulty in obtaining business licenses

Score Type	Value
Draft Score	4.0

Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

### Country Notes:

**Digitalisation Efforts:** The government of Seychelles has showcased a commitment to enhancing the business environment by incorporating digital platforms for business registration and license application. The migration towards a fully digitised registration process, which is projected to be completed in June 2022, and the initiation of online platforms for business licenses applications as of December 2021 indicate a move towards streamlining the business establishment process. However, some aspects such as fee payment still require in-person interaction, which slightly hampers the smoothness of the process.

**Regulatory Updates:** The transition from the 2017 version of the harmonised system of classification to the 2022 version, alongside the ongoing review of the 1972 Companies Act, demonstrates an effort to align the business regulatory environment with contemporary needs and global standards. The development of an investment portal also signals a further commitment to easing investment-related processes.

**Support Mechanisms:** The provision of post-investment support by the SIB, which offers consultancy regarding laws, regulations, and guidelines without charge, and the ESA's role in assisting SMEs, illustrate an ecosystem supportive of business development.

**Speed of Processes:** Despite the efforts towards ease, the duration required for obtaining business essentials like a certificate of incorporation (8 days) and a business license (14 days), might still be seen as time-consuming, especially for investors used to swifter processes.

**Points of Consideration:**

The business environment in Seychelles remained relatively challenging. This is evidenced in the average time it takes to register a business which is higher than the SSA regions average as well as all its regional neighbors such as Mauritius, Madagascar and Comoros. As a result, the country's ranking has regressed from 127 in 2015 to a record worst rank of 141 in the DBR 2018. However, some improvements were registered with regard to the average cost of getting construction permits on the basis of reduced cost of getting the permits (as % of income per capita). The government initiated in 2013 measures to enable the registration of businesses online by establishing a one-stop shop for electronic registration of businesses, acquisition of land permits, request for construction and service permits and contracts to resolve the delays. A high level government committee that was tasked to review legislation and processes of business registration is fully functional. The Seychellois government committed to improving the business environment through measures such as using public-private partnerships (PPP) to upgrade the country's infrastructure. The government announced a draft PPP law in 2018. As of March 2021, the National Assembly had not yet voted on the measure. In March 2021, the Cabinet of Ministers approved the migration from the 2017 version Harmonized System of classification to the 2022 version. It is anticipated that this change will come into effect in February 2022. The government is also currently reviewing the Companies Act of 1972. Seychelles is ranked 100th in the World Bank's 2020 Ease of Doing Business Report. On average, it takes eight days to obtain a certificate of incorporation and 14 days to obtain a business license

#### 12.d. Crime and violence as an impediment to economic activity

Score Type	Value
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Draft Score	4.5
Reviewed Score	4.5
Second Draft Score	4.5
Final Score	4.5

**Country Notes:**

The rule of law and governance frameworks remain strong. The country maintained its 1st ranking in sub-Saharan Africa for the fifth consecutive year in a row on the 2023 Transparency International Corruption Perceptions Index (TI-CPI). It also ranked 23rd globally with 70 points, compared to 28th and 35th, respectively, in 2018 and 2017, indicating significant improvement. It ranked 2nd out of 54 African countries in the 2022 Mo Ibrahim Index of African Governance (IIAG) with an overall score of 73.4 compared to 73.2, 72.1 and 71.5 in 2017, 2016 and 2015, respectively (Chart 1). In this regard, Seychelles had the highest score in the area of 'Human Development' with 78.0 points and the lowest score in the Foundations for Economic Opportunity category with 61.8 points.

Seychelles ranks amongst the top 5 countries in Africa, with regard to safety and rule of law according to the Mo Ibrahim Index in 2018, with national security ranking very high at 99.9. However, the country scores fair worse with regard to perception of the business costs of crime, violence, and terrorism according to the Global Competitiveness Index.

The country's scores for personal safety, rule of law and accountability have also dropped. The main causes of this could be the increased piracy in the region, which affected the country in 2009/11 and perceptions are yet to clear and recently, there have been increased business-related crimes and increased drug activities. The establishment of an anti-piracy command center in 2013 should assist combatting the perceived problem of piracy. The police strengthened intelligence and sensitization since 2014.

### 13. Quality of Budgetary and Financial Management

**Criteria Score: 4.25**

#### 13.a. Comprehensive and credible budget

Score Type	Value
Draft Score	5.0
Reviewed Score	5.0
Second Draft Score	5.0

Final Score	5.0
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**Country Notes:**

The budget information submitted to Cabinet and National Assembly (NA) for approval is comprehensive and contains both quantitative and qualitative information as well as performance indicators that enable regular monitoring of the targets. The government forecasts of key macroeconomic indicators and the underlying assumptions are included in budget documentation submitted to the legislature. These forecasts are updated at least once a year. The forecasts cover the budget year and the two following fiscal years. This multiple year forecast ensures a longer term perspective and alignment of the budgetary process with the priorities of the development strategy, notably sustainable growth, resilience and continued focus on higher level of achievement on social indicators including job creation and poverty. The Budget Information is available on the Ministry Website. The GoS has fully rolled out the Programme Performance Based Budgeting (PPBB) in all MDAs. The PPBB is part of a larger results-based management reform being implemented with three other pillars including a) Medium-Term National Development Strategy (MTNDS) and associated sector and MDA Strategic Plans; b) Performance Monitoring and Evaluation (PME); and c) Performance Management System (PMS) to assess individual performance. This has improved the Government's ability to plan, prioritise, allocate, manage, control, account, and report on public funds and the achievement of its objectives since 2019. The MDAs now have more discretion at the finalization stage of budget preparation. In-year internal and public reporting is based financial information as well on progress towards the achievement of the targeted results, which has further strengthened the government's ability to monitor and evaluate policy implementation and outcomes. In turn, the National Assembly are provided with better information that links the budget to performance during budget approval and budget oversight. However, the budget estimates and realizations in the financial statements are presented according to administrative and economic classifications without functional classification. There is also need for institutionalizing the planning functions across MDAs and improvement in the availability of necessary data for economic analysis as well as building capacity to set up national consistency framework in order to improve forecasting and monitoring. The Government is working towards enhancing the PPBB framework to improve expenditure forecasting and will be rolling out the Zero-Based Budgeting for the budget process 2024-2026, which will show a clear link with an MDA's strategic priorities, interventions, activities and budget. However, the Bank's Country Fiduciary Risk Assessment (2022) assessment noted that the level of participation in the annual budget process is still low.

5.0

**13.b. Effective financial management systems**

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5

Second Draft Score	4.5
Final Score	4.5

### Country Notes:

The PFM system is characterized by a strong fiscal discipline and sound financial controls, including budgeting, cash management and financial reporting. These practices are underpinned by two information technology (IT) platforms—VAM (Visual Account Mate) and TIS (Treasury Information System), and solid external audit institutions. Although recent reforms have strengthened PFM institutional frameworks, including internal controls and accountability mechanisms, the fiduciary risks highlighted in the Bank's CFRA 2022 still persist. These include lack of an integrated system, weak risk management strategies, and low IT capacity of staff. To improve the efficiency of public spending, the first phase of the legal framework for public procurement was finalized through the enactment of the Public Procurement (Amendment) Act, 2022 in December 2022. The Government with the support of the IMF is reviewing the consistency in provisions of the Public Procurement Act and the PFM Act for possible amendments due to the ongoing digitalization of public services. To enhance the transparency in the SOEs sector, the Authorities, beginning August 2023, started publishing the SOEs Annual Report that incorporates their audited financial performance. The creation of the Cash Flow Unit (CFU) within the Ministry of Finance, National Planning and Trade (MoFNPT) is reinforcing cash flow forecasting practices. The Government started recently to update its fixed asset registers across all MDAs as a precursor to the development of a government-wide Fixed Asset Management System. The framework for the implementation of an Integrated Financial Management Information System (IFMIS) has been finalized together with an implementation plan. The continuous strengthening of Seychelles' PFM system has played a central role in facilitating fiscal consolidation and improving the delivery of government services. The Government is planning to undertake Public Expenditure and Financial Accountability Assessment (PEFA) in the first quarter of 2024 to provide a deeper analysis of the overall performance of the PFM systems, and follow-up on progress since the PEFA 2017 assessment to further support the development of a new PFM reform.

4.5

### 13.c. Timely and accurate fiscal reporting

Score Type	Value
Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

### Country Notes:

The Accounting Manual (2020) provide comprehensive procedures and guidelines as to format, content, movement and recording of Government accounts, with a view to better manage and control the public finances of Seychelles. The manual is compliant with mandatory reporting requirements of International Public Sector Accounting Standards (IPSAS) and provides guidance where the cash-basis IPSAS provides options between different accounting treatments. The Government Financial Statements (GFS) are prepared in accordance with IPSAS, reporting on the consolidated financial transactions and balances of government and all its entities. Financial reports for budgetary central government are prepared annually and they are comparable with the approved budget. They contain full information on revenue, expenditure, financial and tangible assets, liabilities, guarantees, and long-term obligations, and are supported by a reconciled cash flow statement. The certified GFS are submitted well within the prescribed completion deadlines. The accounting framework for the Public Enterprises have been transitioning from the Seychelles GAAPS to the IFRS since 2016 and the process has not been fully completed. The Ministry of Finance has stepped up its efforts to produce better quality GFS. However, more needs to be done to ensure that the GFS are fully compliant with IPSAS framework and are produced timely to enable auditing of the same by the statutory deadline . The PFM Act (2012) provides for new accountability arrangements, in that accounting officers are personally accountable to the National Assembly through the Finance and Public Accounts Committee. The Government Expenditure and Payment Policy, 2017 and the Visual Account Mate (VAM) system which is the Government accounting and payment system ensures the efficient processing of MDA's payments, and the production of timely annual financial statements. However, the VAM and TIS are now reaching a stage of obsolescence and hamper further progress in PFM reform due to limitations in the two systems towards establishing modern, transparent, accountable, and automated processes in PFM. PFM functional processes in the GoS follow typical PFM processes but many of the individual stages in the PFM processes are executed outside of TIS and VAM, or without proper system support at all. Several deficiencies exist in the current PFM IT platforms with regards to support to critical PFM functions in virtually all functional areas, including budget preparation and management, procurement, budget execution (revenue and expenditure), payroll administration, debt management, cash planning and management, accounting, and reporting. In addition, the use of modern payment facilities as well as interoperation with the Central Bank of Seychelles (CBS) is very low leading to low efficiency and manual processes with regards to payment processes and bank account reconciliation. The GoS is aiming at installing a comprehensive new IFMIS platform by January 2025 to strengthen capacities to manage public finance business processes that will interface with the national payments platform under development as spearheaded by the CBS .

The Office of the Auditor General (OAG) has appropriately adopted the International Standards for Supreme Audit Institutions (ISSAIs) in the conduct of public sector audits. In regard to resolution of external audit issues and follow-up, the Auditor General reported that many matters raised in audit management letters are dealt with satisfactorily. While a Government Audit Committee was put in place to review the audit reports there is limited authority to deal with lapses and recommendations made. A Public Accounts Committee in the National Assembly, headed by the leader of the opposition, was formed in 2013 with a mandate to ensure that the government has implemented the recommendations of the OAG reports and follow up actions are made. However, further strengthening is needed to follow up on actions. The OAG has undertaken to provide the GAC all audit management letters and certified financial statements of public bodies for review and timely follow up.

### 3.5

#### 13.d. Clear and balanced assignment of expenditures and revenues to each level of government

Score Type	Value
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Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

**Country Notes:**

In Seychelles, traditionally, the budget is centrally operated, and expenditures are made through government except for a number of statutory bodies and state-owned enterprises. Revenues and expenditures are clearly assigned, with revenue-making bodies having to provide income to a centralized account. Main budget lines are well presented annually with the social sector allocations being the largest and most important budgetary items in each fiscal year.

To streamline tax efficiency, further tax reforms have been introduced following the GoS consultations in 2017 with various groups of the society across the country to hear from the people on the needed areas of revenue collection issues. Stakeholders consulted included business community under the umbrella of the national chamber of commerce(SCCI), tourism sector, offshore practitioners, fishermen, farmers, SMEs, accountants, auditors, and tax consultants, members of the public.[SS1]

Before the onset of COVID-19 pandemic, the authorities had planned to maintain annual primary fiscal surpluses at 2.5% of GDP. The overall budget objective of attaining fiscal surplus could not be maintained due to the ravages of the coronavirus pandemic on the economy. Previously, fiscal strategy incorporated in budget outturn aimed at achieving the fiscal surplus, that includes explicit time-based quantitative fiscal goals and targets together with qualitative objectives for 2018, 2019 and 2020. However, it is expected that budget credibility will continue to be attained by maintaining fiscal discipline.

Most of the envisaged expenditure reduction is driven by current expenditures. COVID 19-related expenditures represented a significant part of transfers in 2020. Their reduction has already started in 2021 (from 6.7 percent of GDP in 2020 to 0.9 percent in 2021). The Government of Seychelles (GOS) has also introduced further expenditure-saving measures in the 2021 budget. New recruitments are expected to be limited to key positions in certain ministries and departments (savings of SCR 38.3 million, about 0.2 percent of GDP). A public service reform is expected to yield savings of SCR 279.1 million (1.2 percent of GDP), by capping salaries and allowances. The GOS is reviewing services currently being outsourced to identify areas of savings. The GOS is also negotiating with landlords for reductions on rental and office accommodation costs of 25 percent (savings of SCR 36 million, about 0.2 percent of GDP). Finally, the authorities intend to optimize the use of virtual meetings to reduce travel costs (savings of SCR 34.2 million, about 0.2 percent of GDP).[SS2]

**4.0** [SS1 likely to be updated [SS2]To be updated

## 14. Efficiency of Revenue Mobilization

Criteria Score: 4

### 14.a. Tax policy

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

#### Country Notes:

The introduction of VAT in 2013 has improved tax collection and revenue figures, resulting in VAT being the biggest contributor to total revenues in the FY2019 accounting for 31% of total revenues collected for that year followed by Business Tax and Excise Tax at 17% and 16%, respectively. Other major contributing tax lines include Personal income tax, Customs Duties and Corporate Responsibility Tax. The government collects other revenues categorized as "other taxes". The main constituents of "Other Tax are "Road Tax", "Telecommunications Licenses" and "Stamp Duty". These five components account for more than 95 per cent of "Other Tax Revenues". The regulation and collection of these tax lines involves a range of administrative entities that are not part of the Seychelles Revenue Commission.

Efforts have continued to be made to facilitate tax payments since 2014. These include reducing VAT registration threshold to SCR2000 million from SCR3000 and splitting Corporate Social Responsibility and Tourism Taxes to reduce ambiguity. The reforms also include introducing a Presumptive Tax, continuing with the roll-out of e-tax filing, and introducing the e-payment systems. The GoS has introduced further reforms that have improve efficiency in revenue administration. Furthermore, efforts have continued to be made to enhance tax administration with the introduction of amendments to the Revenue Administration Act in 2015 to usher in provisions related to double-taxation arrangements.

The authorities are committed to expenditure rationalization and enhancement of revenue collection. A recent Tax Policy review by the Organization for Economic Cooperation and Development (OECD, 2020) highlighted areas of reforms to make the tax system fairer and more sustainable. These include: (i) reducing the heavy tax burden on the 30 companies, which currently bear the tax burden; (ii) rebalancing the business tax system by creating a more level-playing field to re-align business tax rates across sectors; (iii) broadening the business tax base by better targeting tax incentives and continuing aggressive fight against corporate tax avoidance by introducing measures in line with the base erosion and profit shifting (BEPS) project; (iv) enhancing the design and functioning of other taxes, including broadening the value-added tax base, modernizing the personal income tax and strengthening environmentally related taxation, through the introduction of a low-rate, broad-based carbon tax; and (v) improving tax administration as a key to collecting adequate revenues, while easing the burden on tax payers. These recommendations continue to inform budget discussions in order to evolve a modern, fair and transparent

tax system in line with international standards.

COVID 19 has affected the tax collection, while it increased public expenditure for social services to reduce the impacts of the pandemic. According to the IMF Country Report (August 2021), tax revenue as a percent of GDP would contract from 31.8 percent of GDP in 2020 to 28 percent in 2021, due to deferred losses in business taxes, abolishment of Corporate Social Responsibility (CSR) tax, and the amnesty program. Revenues are projected to pick up again from 2022, based on the recovery of the economy and tangible measures to strengthen revenue administration. The authorities are in the process of adopting a Medium-Term Fiscal Framework (MTFF) to bolster the credibility of the planned post-program fiscal targets. Authorities have also started technical discussions with IMF staff and an expert from AFRITAC SOUTH. They are committed to start work immediately on supporting reforms such as strengthening fiscal forecasting, reporting, budget institutions, fiscal risk analysis, and enforcement of budget ceilings.

**4.0**

#### 14.b. Tax administration

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

#### Country Notes:

The Seychelles Revenue Commission is responsible for collecting most revenues. It uses multiple channels to provide taxpayers with easy access to comprehensive and up-to-date information on the main revenue obligation areas and on rights including, as a minimum, redress processes and procedures. The SRC is responsible for collecting about 85% of revenues. It uses a structured and systematic approach for assessing and prioritizing compliance risks for all categories of revenue with a focus on VAT, business tax, income tax and specific attention to large and medium-sized taxpayers. The entity undertakes audits and fraud investigations based on the audit strategy and reported on in the Annual Report. Strengthening and modernization of the Seychelles Revenue Commission (SRC) which began in 2012 have continued. The authority's ability to administer tax payments is rated as satisfactory with a compliance rate of over 90%. The aim of the administration is to ensure taxpayers are self-regulating with limited intervention in follow up actions. The priority of Government is to further modernize the tax administration. The government has proposed a number of tax and customs reforms. These include improving the effectiveness of the Value Added Tax (VAT) and Goods and Services Tax (GST) and eliminating numerous tax exemptions, scaling down of the extensive concessional business tax regime, and implementing the ASYCUDA World system to strengthen internal controls in customs. The SRC has now introduced the use of VISA Debit Card (Plastic Money) to facilitate tax payment and limit the amount of cash transactions being undertake. An online registration platform was designed to cater for International Business Companies (IBCs) registration processes, though there is poor uptake for e-filing and improvements in e-services that aimed to promote

voluntary compliance due to non-rigorous implementation. The SRC has continued to use a paper-based administration due to inadequate support from Client Management System (CMS) to its operations as well as the underlying shortcomings and weaknesses in the system. The Automated System for Customs Data has been upgraded with new modules of Express Courier and e-Manifest for Courier is making custom clearance more effective while improving data sharing and transparency across MDAs. Other modules under development include the Excise Warehouses, e-Payment, e-Government, and Single Window. The adoption of Customs Management (Tariff and Classification of Goods) Regulations 2022 has enabled the alignment of the national regulations with the most recent international developments including those related to the African Continental Free Trade Area (AfCFTA). Moreover, the oversight mechanisms in the SOEs sector by the Public Enterprises Monitoring Commission (PEMC) has also been strengthened following the enactment of the Public Enterprises Act, 2023, which came into effect on 1 June 2023. The Act will enhance governance of SOEs through closer monitoring by the PEMC of their performance in a harmonized and coherent framework. The new law will give momentum to enhancement of the governance of SOEs such as Air Seychelles, which in May 2022, underwent operational restructuring to achieve operational improvements and efficiencies. The Public Procurement (Amendment) Act, 2022 was enacted in December 2022 and is helping to improve the efficiency of public sector spending and is expected to undergo further amendments to incorporate ongoing reforms in the Government's digitalization space. .

The COVID-19 pandemic continues to affect tax revenue collection from all types and sources due to the predicted economic recession. According to the Mid-Year Economic and Fiscal Outlook Report for Financial Year 2021 and 2022 Outlook, total Government revenue is now estimated at SR 8bn, SR 242m less than initial Budget, given the more favourable macro assumptions. The estimated total tax revenue for FY 2021 was revised upwards by about 6.8 per cent to amount to SR 6.6bn while the non-tax revenue and Grants was revised significantly downwards by about SR 660m in aggregate. On the other hand, total primary expenditure has been revised downwards by about SR 1.2bn, attributing mainly from reductions in 'capital expenditure' and 'wages and salaries'. Paying taxes is relatively less cumbersome in Seychelles. According to the 2020 Doing Business Report by the World Bank, Seychelles ranks good at 36th, out of 190 countries globally, with a score of 84.7, which remained same as that of 2019.

Revenue collection in 2020 and 2021 was much less than 2019 because of the impacts of the pandemic that resulted into disruptions in economic activities, notable in the contraction of the Tourism sector which was hardest hit, and yet the major component of GDP. Tax Administration generally is good, though there is a need to ensure wider coverage, as currently there is a significant share of the MSMEs that are not covered.[SS1]

#### 4.0

[SS1]Governance colleagues to update

## 15. Quality of Public Administration

**Criteria Score: 3.833**

## 15.a. Policy coordination and responsiveness

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

### Country Notes:

to be updated

The country maintained its 1st ranking in sub-Saharan Africa for the fifth consecutive year in a row on the 2023 Transparency International Corruption Perceptions Index (TI-CPI). It also ranked 23rd globally with 70 points, compared to 28th and 35th, respectively, in 2018 and 2017, indicating significant improvement. It ranked 2nd out of 54 African countries in the 2022 Mo Ibrahim Index of African Governance (IIAG) with an overall score of 73.4 compared to 73.2, 72.1 and 71.5 in 2017, 2016 and 2015, respectively (Chart 1). In this regard, Seychelles had the highest score in the area of 'Human Development' with 78.0 points and the lowest score in the Foundations for Economic Opportunity category with 61.8 points.

The Department of Public Administration (DPA) is responsible for the development and administration of an efficient and effective public service. Although improvements in public management have been recognized over the past few years in the Seychelles, according to the 2018 Mo Ibrahim African Governance report, this area was one of the weakest with low governance indicators. The country ranked 13th in 2018 (an improvement from 31st in 2014) in public management with a score of 52.2. Even though the score in 2018 was relatively higher than the average for Africa (44.9) at that time, the score was less than one of Seychelles' comparators, Mauritius that scored 68.3 out of 100 in 2018. This sub-indicator has been the country's lowest sub-category rank although there was an improvement by 18 places from the 2014 scores. According to the just released the 2020 Mo Ibrahim Index (launched on Nov. 16, 2020), Seychelles is listed in as one of only eight countries in Africa which have managed to improve their governance in the past decade, and it stands third in 54 African countries for overall good governance. This contrasts with the overall assessment by the report that delivers a clear warning: "Governance progress in Africa has slowed since 2015 and declines for the first time in 2019. Deterioration in participation, rights, rule of law and security threatens improvements achieved in economic opportunities and human development. This is particularly concerning with the COVID-19 pandemic set to increase existing challenges and reduce hard-won gains.". The only eight countries managed to improve in all four categories over the decade are Angola, Chad, Côte d'Ivoire, Ethiopia, Madagascar, Sudan, Togo, and Seychelles.

The DPA has been implementing a Public Administration and Public Sector (PAPS) Reform program since 2009. Regarding policy coordination, a Secretariat has been formed to oversee the reform, while a functional review of all public service agencies is ongoing to ensure that the agencies are responsive to the current needs. Public Administration policies as well as specific sectoral policy reforms that need to be

implemented by the various DPAs are communicated directly through the main ministries and their staff. Each DPA further articulates the detailed procedures and mechanisms of implementing the policies and reforms to their staff.

The 2017 Public Expenditure and Financial Accountability (PEFA) assessment indicated that the performance of the Government has been improving since the previous evaluation in 2011. To further enhance the PFM systems, the Government, in August 2020 launched Seychelles' National Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) Strategy whose measures it aims to fully implement by the end of 2022. The country has also targeted to implement a series of additional reforms to address public sector governance, including: (i) the alignment of institutions with policy and service delivery mandates, (ii) the completeness and transparency of budget execution and procurement, (iii) the reduction of the number of parastatals and improving their monitoring/management, and (iv) redefining the accountability structure between the government agencies responsible for service delivery.

#### 15.b. Service delivery and operational efficiency

Score Type	Value
Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

#### Country Notes:

Government inefficiency and bureaucracy are only two of the areas identified by the private sector as hindrance to doing business in the Seychelles, according to the Global Competitiveness Report (GCR) 2014. The 2018 GCR the country is ranked at 52nd in terms of Institutions with a score of 57.1, well below Mauritius that scored 38th with a score of 62.8. Within this pillar, in terms of reliability of police services, the country is ranked 64th, in 2018.

Launched in 2019, the Seychelles' NDS 2019-2023 under the new Vision 2033 became the blueprint that will kick-start the process to transform the country's economy and enhance overall efficiency in public services delivery and innovation. The NDS 2019-2023 was prepared through a broad-based consultative process with diverse cross section of Seychellois society and is based on six pillars, namely: (i) Good governance, transparency and accountability; (ii) People at the Centre of development; (iii) Social cohesion; (iv) Innovative economy; (v) Economic transformation; and (vi) Environmental sustainability and resilience. The NDS 2019-2023 incorporates global and continental commitments such as the United

Nations (UN) Agenda 2030, the SDGs, the Paris Declaration of Aid Effectiveness, and the African Union's Agenda 2063. It aims to help Seychelles to overcome several challenges, including upgrading infrastructure for sustainable social-economic development, transforming education system to embrace science and technology, improve productivity and innovation, and overcoming barriers to structural economic transformation and climate resilience.

#### 15.c. Merit and ethics

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

#### Country Notes:

Seychelles ranks moderately with regard to perception on merit and ethics, as there have not been any serious concerns raised repeatedly in this area. According to the most recent GCR 2019, the country ranks 68th out of 141 countries with a score of 57, in terms of Conflict of interest regulation, an indicator that is part of the corporate governance pillar, and which is relatively good compared with other countries in Africa. Moreover, according to the same report, indicators related to meritocracy are also relatively good on which the country ranks 44th overall. In this regard, the country ranks 45th out of 141 in terms of Reliance on professional management. As indicated in the previous CPIA exercise, the GCR 2014 indicated that the rank for the perception of favoritism in decisions of government officials was 57/144 which is moderate, and it is quite likely that the situation did not change much (though the recent GCR does not have the same indicator that can be compared with those of earlier reports). Moreover, according to the latest IIAG 2020 report, Seychelles ranks 14th out of 54 African countries with a score of 59 and in improvement by 10.9 in absolute terms in score since 2010.

Seychelles ranks moderately with regard to perception on merit and ethics. According to the GCR 2014, the rank for the perception of favoritism in decisions of government officials has declined from 38/148 countries to 57/144. However, Public Management (which includes merit and ethics) score in the IIAG shows an improvement by 7.9 over the last 5 years. Under the PAPS, regular compliance audits are being carried out, with inspection visits to MDAs to help improve administrative practices and management of public records and ensure that recruitment and promotions are merit-based.

#### 15.d. Pay adequacy and management of the wage bill

*No score data available for this subcriteria.*

## 16. Transparency, Accountability, and Corruption in the Public Sector

Criteria Score: 4.567

### 16.a. Accountability of the executive to oversight institutions

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5
Second Draft Score	4.5
Final Score	4.5

#### Country Notes:

The country has a 3-tier executive system, with parliament, government and judiciary. Several institutions exist to ensure that executive functions are accountable, such as the Office of Auditor General, the Judiciary, The Public Oversight Committee, the Government audit committee, the Public Ethics Commission, the Ombudsman and the Public Accounts Committee.

The PEFA (2017) assessment report showed that the legislative scrutiny of the budget law and external audit reports was low with rating of D+. As part of the PFM Action Plan, efforts have been made to strengthen the oversight mechanism particularly that of the Public Accounts and Finance Committees in their role of scrutinizing Government spending. In general, the results of financial and compliance audits of Ministries, Departments, Divisions, Offices and Agencies (statutory bodies) are more or less similar and recurring. These are mainly the issues of non-compliance with prescribed financial procedures and instructions: breach of procurement regulations in the procurement of goods and services in public bodies: and in some instances, the essential accounting records and documents were either not kept or not updated timely, particularly, in the areas of stores, transport and fixed assets. This has impacted negatively on effective management of day to day operations and maintenance of proper and timely accounting records of many statutory bodies. In regard to implementation of internal audits and reporting, the PEFA 2017 observed that substantive audit work is not carried out across all the MDAs and that less than the majority of the audit programme is completed with an issued final audit report, hence a "D" score. The Division plans to extend the internal audit work Program to include Government capital expenditure and oversees missions and units as well as conducting targeted investigations. The availability of experienced internal auditors with matching skills set remains a challenge. The Internal Audit Services is under restructuring, with the aim of improving the capacity of the Division to match the challenges. Improvements also remain necessary in the domains of internal and external controls, essentially to move towards a performance audit instead of regularity audit and improve the efficiency of public services delivery.

The rule of law and governance frameworks remain strong, and the country has maintained its ranking as 1st in sub-Saharan Africa for the fifth consecutive year in a row on the 2023 Transparency International's Corruption Perceptions Index (TI-CPI). A continued effort to strengthen institutional capacities at all levels,

and addressing the insufficient availability of skilled manpower (despite the high level of the country's HDI), will remain key in this regard.

#### 16.b. Access of civil society to information on public affairs

Score Type	Value
Draft Score	4.7
Reviewed Score	4.7
Second Draft Score	4.7
Final Score	4.7

#### Country Notes:

The PEFA (2017) showed that public access to key fiscal information was satisfactory, with the country having an overall rating of B. Under the PFM action plan reforms, in 2014, there has been more participation in the budget cycle - drafting, legislating, implementing and auditing. The government has since increased the amount of time for parliament's scrutiny of the budget prior to presentation to 4 weeks from 2 weeks.

The public have very good access to public documentation and decisions and to the budget prior to it being designed and passed. Once the budget is passed, access to information is ensured by the Government through a "peoples budget" published in the local papers, revealing information of procurement contracts after their award, and daily news on economic matters by the public broadcasters.

In general, and particularly more recently people get information from various sources including the internet, websites of most Government offices, and social media. Additionally, there are specific websites and portals by different institutions where citizens can get real time access to information that are updated very frequently. Almost all public institutions (Ministries and Agencies) as well as corporations, Banks and other service providers have websites with up-to-date information. CSOs also get information through visits to the public institutions as necessary and they claim that in most cases they get access to such institutions, though this may take time, for example, to secure an appointment with the officials that they think are most relevant and they mentioned that they need to do several attempts to succeed. For example, the Ministry of Finance, the Central Bank and the office of the parliament have frequently updated websites with the key information on what is going on in the policy and political environment in the country, and the Office of the President also has a website on the daily activities undertaken by the office such as policy briefings, meetings with the economic and social sector stakeholders in the country with the issues raised and decisions made, discussion and approvals of policy changes or amendments, etc. on a daily basis.

### 16.c. State captured by narrow vested interests

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5
Second Draft Score	4.5
Final Score	4.5

#### Country Notes:

The country is ranked moderately with regard to perception of corruption in the public sector on a global level but is at the top in Africa. According to the most recent report by Transparency International (2020), Seychelles has earned the highest mark in the sub-Saharan region in its Corruption Perception Index survey of 2019. The country is ranked 27th on the new Index with a score of 66 points out of 100, the same as in the 2018 Index when it was ranked 28. The index measures perception of corruption in the public sector using a scale of 0 to 100, where 0 is highly corrupt and 100 is very clean. According to the 2020 Index, while Seychelles struggles with issues of money laundering, which is not measured by the CPI, several anti-corruption laws have helped strengthen the country's anti-corruption framework. Seychelles was ranked 40th among 168 countries, with a score percentile of 52% out of 100%. This was a marked improvement overtaking Mauritius and Rwanda that are ranked as the 45th and 44th respectively as out of 168 countries. According to the GCR (2014), corruption is the seventh most problematic factor to doing business in the Seychelles. The country ranked 51 out of 148 countries in 2013 for irregular payments and bribes.

The existence of the Ethics Commission ensures that the public service orders are observed, which reduces the risk of corruption. Reviews of the composition of boards of the main state-owned enterprises were undertaken in 2014 to reduce corruption and conflict of business interests. The existence of a number of weekly and daily papers by the opposition also ensures that corrupt practices are well reported and thus thwarted. A new private radio station was opened in 2014 thereby increasing access to information and adding a new voice to dialogue.

## (E) Infrastructure and Regional Integration

Cluster Score: 3.709

### 17. Infrastructure Development

17.a. Sector strategy/policy

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

**Country Notes:**

Seychelles ranks among the top in the Africa Infrastructure Development Index and transport connectivity is good, but challenges remain. Seychelles ranks among the top five countries in the Africa Infrastructure Development Index (AIDI), most recently updated in 2018. However, there are numerous challenges: first, transport services are not sufficiently diversified in terms modes of transport. Moreover, there is no transportation masterplan (TMP) although the Department of Transport (DoT) is cognizant of the need for one. Also, road traffic accidents are on the increase and Seychelles has a relatively high number of fatalities per 100,000 population, The Government is working towards full compliance with road safety initiative which requires national legislation on key road safety risk factors

The main infrastructure sectors in the Seychelles are transport (road, port, and air, marine), energy, water and sanitation. Most Seychelles' key infrastructure sectors are in need of modernization, particularly water supply and sanitation, transport, energy, and information and communication technology (ICT). Seychelles estimates that almost 99.54% of the population has access to electricity, while it suffers from the dependence on the imported heavy fuels for electricity generation; and the energy sector has presented itself as the immediate potential priority with solid demand increase and has also been identified as one of the most in need of replacement and up-grading of old de-rated power generation sets (Gen sets). Despite the recent move towards alternative sources of energy by the Government, the current over dependence of electricity generation on imported heavy fuels and the ageing generators continue to have serious implications on the Government's fiscal and current account positions (depending on international oil price trends), the environment (due to significant emissions), as well as energy efficiency (due to significant losses resulting from ageing generators and energy infrastructure). As the energy sector is crucial to enhance competitiveness of the economy and ensuring that economic activities in key productive sectors are bolstered going forward, there is a need for a diversified energy mix with increasing renewable energy capacity in the country to reduce the impact of fossil fuel generation. In addition, the Energy policy 2010 – 2030 has set a modest target to improve the renewable energy mix up to 5% by 2020 and 15% by 2030 Govt. does not have a plan of action to diversify the energy mix But, the current Bank support for the development of Sector Integrated resource plan study will facilitate in having a robust energy sector development plan for short to medium term period.

Since 2021, one can see several buildings mostly privately owned in Victoria and Providence area. In July this year 2021, the minister responsible for lands and housing, talked about how the scarcity of land and housing is still a big challenge while answering some questions in the National Assembly. There are

currently 1,594 applicants for a plot of land in the land bank scheme and 2,850 applicants for a house in the different projects which include condominiums, self-finance and social housing, the minister shared. The minister also remarked on that day that however, as per the national budget, government has allocated to the ministry funds to build around 190 housing units and open up about 100 plots of land during this budget year. The aim is to make the housing system more sustainable. The ministry is also conducting an inventory on state land, and exploring the potential for development. The Seychelles government is intensifying its efforts to develop infrastructure in different districts across the two main islands of Mahé and Praslin to ensure that artisanal fisheries remain an important pillar in the island nation's economy. To note Statista is a German company specialising in market and consumer data. According to the company, its platform contains more than 1,000,000 statistics on more than 80,000 topics from more than 22,500 sources and 170 different industries. An Energy Act was passed in 2012 (leading to regulatory body establishments) and an Energy Policy 2010-2030 exists to guide investments in the sector. However, the established Energy Commission (SEC) does not presently function as an independent regulator in the public interest and is solely reliant on the Government for budgetary support. And also, there is not much progress in mobilizing private investments in the power sector despite provisions in the Energy Act 2012 allowing electricity generation by independent power producers (IPPs). However, the GoS has recently reached an agreement with French independent power producer (IPP) Qair for the development of the 5.8 MWp floating solar power plant in Lagoon, near Mahé. The company has just signed a power purchase agreement (PPA) with the Public Utilities Corporation (PUC). Recently approved Energy Regulatory Bill-2022 and Electricity Bill-2022 will enhance the mandate of the SEC as an energy regulator and set clear demarcation of the electricity generation, transmission, and distribution activities that create opportunities for sector reform including unbundling the generation, transmission, distribution etc. and entry of the private sector in the energy sector businesses.

There are no transport sector policies in place; however, a Transport Master Plan has been proposed and with support from a TA, the first infrastructure action plan (to look at policy and financing) has been drafted. Human and institutional capacity is limited (in the Seychelles more broadly) and the regulatory environment to support private sector intervention is largely not available. While there are private players in some sectors, the development of a general PPP framework is underway after the Seychelles received a grant from the African Development Bank to fund the technical assistance (TA) project for the development of a legal, regulatory and operational framework for PPPs. The Government of Seychelles is committed to improving the business environment through measures like using PPPs to upgrade the country's infrastructure. The PPP law was finalized, the GoS announced the draft PPP law in 2018 and hopefully, it will be approved by the National Assembly before end of 2021. A Water Development Plan, designed in 2009, led to the establishment of the Water Sector Master plan up to 2030. However, the plan did not address sanitation sector in-depth and did not integrate climate-resilient water capture methods. An Integrated and Comprehensive Sanitation Master Plan (ICSMP) was prepared, with financing from the Africa Water Facility, and was validated in April 2018. It recommended a number of interventions on the islands to address the sanitation and waste-water treatment gaps that were identified. Development partners, including the Bank, are constantly engaging with the GoS to explore the next steps in realizing the ICSMP's recommendations. This will be the next area of potential engagement and intervention within the infrastructure space in the country.

While water supply remains one of the greatest concerns for the country, the ongoing Bank funded Mahe Sustainable Water Augmentation Project (MSWAP) will go a long way in addressing the water challenges on Mahe Island. The construction works on the dam has been completed and handed over at the end of July 2023. This kick started the defects liability period which is to go on up to end of August 2024. A few ongoing final touches to address stability and seepage control on the main embankment and the south saddle dam. Due to financial shortfalls the accompanying water treatment plant was referred to a future project. It will limit the loss of an estimated 95% of runoff freshwater on the Mahe island that were lost into

the sea due to catchment and storage capacities . Lack of adequate raw fresh water is a hindrance to economic activities, especially in tourism, agriculture and manufacturing. The country hither to relied on the limited freshwater and the expensive desalination plants to meet its water needs. The govt is currently reviewing its priorities for subsequent financing and the outcome will guide the follow up business development missions to explore the next water sector investments.

The MSWAP is currently the single largest investment by the Bank in Seychelles, contributing more than 80% of the Bank’s portfolio in Seychelles.

Overall, Seychelles ranks top in infrastructure related indicators among most African countries and the GoS, cognizant of the need to provide more efficient services in this area to sustain growth, has been investing in infrastructure development through a series of sector specific strategies enveloped in its vision 2033 and the National Development Strategies.

The Government of Seychelles is committed to improving the business environment through measures like using PPPs to upgrade the country’s infrastructure. Seychelles has set clear targets to diversify its energy mix and increase the share of renewable energy in the energy supply to 15% by 2030. In terms of energy production, Seychelles stepped up efforts over the previous years by accelerating the transition to renewable sources of power through the introduction of renewables (wind & solar) and energy efficiency schemes for domestic homes and for commercial purposes, and more recently the adoption of the renewable energy policy. The recently approved Energy Regulatory Bill-2022 and Electricity Bill-2022 will enhance the mandate of the Seychelles Energy Commission (SEC) as an energy regulator and set clear demarcation of the electricity generation, transmission, and distribution activities.

The PPP law was finalized, GoS announced the draft PPP law in 2018 and hopefully, it will be approved by the National Assembly before end of 2021. Seychelles has put ICT as a priority in its economic diversification strategy. To accomplish this strategy, the national authorities have initiated various initiatives that aim at integrating the three dimensions of digital development: (i) infrastructure; (ii) uses; and (iii) ecosystem. As a result, the country has remained over the last years at the top of international rankings in terms of progress in the use and adoption of digital services. However, there are still challenges that limit the full potential of the digital transformation such as the slow internet connectivity for some internet packages and unlimited internet packages that remain unaffordable for many citizens

### 3.0

#### 17.b. Legal and regulatory frameworks for infrastructure

Score Type	Value
Draft Score	3.5

Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

### Country Notes:

There are specific agencies that oversee all the infrastructure areas, (transport- land, air, sea; water and energy) and are legally mandated to ensure implementation of government policies in these areas. However, the Acts that created them are in their primary state and have not been amended to keep up with economic developments and aspirations of the country.

Apart from the water, energy and aviation sectors, all the other sectors do not have the legal framework available for their future development and growth. The Energy policy 2012 provides for IPPs in the sector and has created the Seychelles Energy Commission in 2012, but the policy provisions have not subsequently implemented by timely formulating other pertinent acts and regulations. However, recently the GoS approved Energy Regulatory Bill-2022 and Electricity Bill-2022 and process underway for enactment of the Distributed Energy Generation System Regulations; and Independent Power Producer Regulations which have got Ministerial Cabinet approval. Also process underway for approval of the drafted (i) Electricity Tariff Setting Regulations; and (ii) Licensing regulations by the Cabinet end of September 2023. The country has begun to develop a framework for PPPs since 2014. The budget speech provides annually a plan for infrastructure development with capital expenditure taking approximately 8-10% of annual budgets. The government designed a Public Sector Investment Plan (PSIP) in 2013 that provided a planning document for the medium term. This will be linked to the MTF, PIM and the draft National Development Strategy going forward.

The development of a general PPP framework is close to finalization, through a grant from the African Development Bank to fund the technical assistance project for the development of a legal, regulatory and operational framework for PPPs, and a complementary ALSF financed support on the design of IPPs for the energy sector.

3.5

### 17.c. Public resource management and accountability in the infrastructure sector

Score Type	Value
Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5

**Country Notes:**

In 2013, the Government designed a Public Sector Investment Program (PSIP) as a planning document for infrastructure financing. Going forward, this will be linked to the MTFP, the PIM and the draft of the National Development Strategy all to be completed in 2014. A national infrastructure action plan was drafted and then validated at the end of 2014, which will give a basis of funding requirements in the infrastructure sector for the medium term. A technical committee composed of high ranking government officials was established in 2013 to review the design, cost and economic impact of major projects costing more than SCR 25 million. The 2015 budget allocated 8.82 Million USD to road related infrastructure that is to be allocated to roads in various districts, road maintenance, acquisition of road machinery and road upgrades.

Public procurement is regulated by the Public Procurement Act, 2008. The Act is generally consistent with international standards and it describes the institutional framework, methods of procurement, procedures, rules, and ethical behavior. The attendant Regulations were adopted in 2014, to complement and operationalize the Act. Standard bidding documents have prepared and are in use. The revision of Public Procurement Act is in progress and the proposed amendments, are scheduled for National Assembly approval during the course of 2022. The Procurement Oversight Unit (POU), established in 2009, is the procurement policy formulation and monitoring body. The Procurement Law prescribes the hierarchy of the various procurement actors which include from the Procurement Oversight Unit, the National Tender Body, Independent Review Panel, Procurement Committees and Procurement Units with clearly defined roles and responsibilities.

The Enterprise Seychelles Agency (Esa) now has a clearer focus and role in promoting entrepreneurship, with the restructuring of the agency and parent ministry, the Ministry of Investment, Entrepreneurship and Industry (MIEI). As the primary agency concerned with entrepreneurship, Esa has two main priority areas in delivering on its mandate. The agency implements policies and government strategies pertaining to micro, small and medium enterprises (MSMEs), through business development services such as capacity-building, events, promotions and services offered at its office. Furthermore, the agency is responsible for providing entrepreneurs and businesses with good and sound business intelligence, and in turn collect data to assist government in the formulation of policies based on the needs and demands of the market. Infrastructure of Seychelles: In Seychelles, 100% of the population has access to electricity. Seychelles has 14 airports nationwide. There are 247 internet hosts in Seychelles. The number of road motor vehicles per 1000 inhabitants in Seychelles is 149. Road network: The total road length in Seychelles is 508 km (316 miles). Out of them 0 km (0 miles) of roads are classified as motorways, freeways, or autobahns. Seychelles has maintained a positive trajectory in regard to procurement reforms. An assessment of the procurement and FM framework undertaken by the Bank in 2021, found the Country Procurement Systems to be acceptable.

**18.a. Movement of persons and labor and right of establishment**

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5
Second Draft Score	4.5
Final Score	4.5

**Country Notes:**

The 2019 African Regional Integration Index (ARII) ranks Seychelles as high performer with an overall integration score of 0.393 (compared to the continental average of 0.32) and ranked number 11 (out of 54 countries) with strong performance in clusters of regional infrastructure and free movement of people. The Africa Visa Openness Index has ranked Seychelles first since 2016 as the country with the most liberal visa regime, as policy which has greatly enhanced the country's accessibility as a tourist destination.

The Seychelles is a member of the Common Market for Eastern and Southern Africa (COMESA), Indian Ocean Commission (IOC) and the Southern African Development Community (SADC). According to the COMESA transposition study undertaken in 2012, the Seychelles does not yet observe the free movement of persons under the FTA. The country is reviewing the Protocol on Facilitation of Movement of Persons (2005) under SADC following a SADC taskforce visit in 2013. In April 2015, Seychelles acceded to the WTO.

Seychelles signed the African Continental Free Trade Area (AfCFTA) in 2018, and ratified it in 2021. The country is also a member of the Common Market of East and South Africa (COMESA), the Southern African Development Community (SADC), and joined the World Trade Organization (WTO) in 2015. The 2019 African Regional Integration Index (ARII) ranks Seychelles as high performer with an overall integration score of 0.393 (compared to the continental average of 0.32) and ranked number 11 (out of 54 countries) with strong performance in clusters of regional infrastructure and free movement of people. The Africa Visa Openness Index has ranked Seychelles first since 2016 as the country with the most liberal visa regime, as policy which has greatly enhanced the country's accessibility as a tourist destination. For goods trade, Seychelles' exports are valued at USD 0.7 billion (2021) and concentrated on a narrow range of products mostly fish and fisheries products (85%), reflecting the country's limited product diversification and vulnerability to market shocks. The main markets are France, Japan, United Kingdom, Mauritius and Italy. Diversifying its export basket can help the country tap benefits of regional integration and trade, including those offered by the AfCFTA. Seychelles signed the African Continental Free Trade Area (AfCFTA) in 2018, and ratified it in 2021. The country is also a member of the Common Market of East and South Africa (COMESA), the Southern African Development Community (SADC), and joined the World Trade Organization (WTO) in 2015. The 2019 African Regional Integration Index (ARII) ranks Seychelles as high performer with an overall integration score of 0.393 (compared to the continental average of 0.32) and ranked number 11 (out of 54 countries) with strong performance in clusters of regional infrastructure and free movement of people. The Africa Visa Openness Index has ranked

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According to the African Regional Integration Index (ARII) 2019, a multidimensional measure of a country's regional integration progression with regards to meeting commitments under the various pan-African integration frameworks including Agenda 2063 and the Abuja Treaty, Seychelles rank high within COMESA and SADC, as its scores are higher than the average score for the two Regional Economic Communities (RECs). Overall, the ARII ranks Seychelles (score of 0.51) slightly higher than Mauritius (score of 0.47). Seychelles also outperformed Mauritius in all the clusters, except the clusters of trade integration. Seychelles poor performance in trade integration (score 0.22), which measures the ease with which goods flow across borders within the continent, is not unconnected with its location in an island space. It also reflects its limited export basket and the fact that its main trading partners, notably European Union (EU) countries, are outside the continent.

Trade and regional integration are facilitated by openness policy of a country with the outside world. In this context, Seychelles visa openness policy has enabled the country to substantially grow tourism revenues and foreign direct investment. This is a pointer to the benefits which the implementation of other business friendly reforms could offer. The openness policy has also facilitated FDI inflow into the country (see paragraph 86). Seychelles does not impose major barriers on trade. Rather, the Government continues to encourage international trade through tax incentives for the tourism industry, reduction in customs procedures at ports, investment in port facilities and expansion of submarine cable links with the rest of the world. However, customs duties, especially for fisheries, are comparatively high and inadequate infrastructure still constraints international trade and travels. Moreover, most of the tourist arrivals originate from the Eurozone and the bulk of its manufactured goods ((canned Tuna) are exported to Europe and the middle east, thereby making the country's economy too vulnerable to external economic shocks from these regions. Diversifying its trading partners and market access to the mainland Africa is one key priority that the country needs to work on and expand benefits from Regional Integration.

## 18.b. Regional financial integration

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0
Final Score	3.0

### Country Notes:

Studies on COMESA and SADC in 2012 show that there were no movements towards financial integration by the Seychelles. This was due to limited financial integration at the national level and different, yet limited, banking products domestically. However, with Seychelles recent accession to the WTO and re-activation of SADC membership and application to the FTA in May 2014, as well as establishment of an inter-ministerial coordination committee to improve overall coordination, financial integration is improving

Against this background, the country is also pursuing reforms to modernize the financial sector. A Financial Sector Development Plan (FSDIP) was adopted in 2014 as well as a CBS five-year strategic plan. These were among the reasons that facilitate the pace of financial integration in the country.

Seychelles' economic openness is high and has the potential of taking opportunities offered by its membership of free trade zones in the COMESA, SADC, and the African Continental Free Trade Area (AfCFTA).

The Seychelles' financial sector plays a crucial role in supporting the country's economy. The sector is well capitalized (with regulatory capital around 21 percent of risk-weighted assets in August 2022, according to the IMF). In total, Seychelles has nine commercial banks and five non-bank financial institutions with the banking sector being highly concentrated, as the country's three largest banks hold approximately 80% of the sector's assets, deposits, and loans. The authorities have endeavored to modernize the financial services sector to place it in a better position to provide more innovative and diversified products and to create new growth opportunities. According to NDS 2019-2023, Seychelles 'aspires to become a potential financial technology (FinTech) hub that will spur growth in FinTech start-ups, and in line with this, the regulatory frameworks are being developed".

Moreover, the recent national development strategy for Seychelles (NDS 2019-2023) aims to enhance value addition and contribution of financial and ICT related services to GDP, and improve competitiveness of all sectors. Cognizant of the mismatch between supply of, and demand for, locally specialized skills as one key constraint to further success on these areas, the NDS also prioritizes skills development, and all these, together with the country's efforts in enhancing regional integration and market access, will drive financial integration further