

W. 9604-SC

Republic of Seychelles
Ministry of Finance, Trade & the Blue Economy

The Minister

22nd January, 2016

Mr. Mark R Lundell,
Country Director, Seychelles, Comoros,
Madagascar, Mauritius and Mozambique Africa Region

Dear Mr. Lundell,

In reference to the First Regional Development Policy Operation for the Accelerated Program for Economic Integration (APEI) with the view to harnessing foreign investment, creating enhanced employment opportunities and fostering higher economic growth and investment flows Malawi, Mauritius, Mozambique, Seychelles and Zambia, have agreed to accelerate their economic integration process and competitive edge.

In this respect, the Government of Seychelles would like to request a regional development policy operation to support the afore mentioned in the amount of US\$ 5 million. The development objective of the operation is aimed at improving the policy environment for trade in APEI countries.

Through the provisions of invaluable technical assistances and support through the regional DPO will contribute significantly to the participating countries collaborative effort in spearheading forward the implementation of this five likeminded APEI countries as agreed in March 2013. This will also further facilitate Seychelles financial undertakings in meeting the criteria's that some of these reforms require.

The development policy operation will assist the process of trade liberalization of trade in services and enhance the trade environment. The reform directly supports Seychelles strategic effort in fostering economic prosperity through regional integration through diversification of products and markets.

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With the support of the IMF and other development partners the Seychelles authorities have been able to maintain strong fiscal performances, as witnessed by an annual average fiscal primary surplus. This has allowed us to continue to bring down public debt to more sustainable levels, following debt restructuring agreed by our creditors in 2009 with a goal of reducing over the medium term our debt to 50% of GDP. During that period we have also maintained a prudent monetary policy that has helped bring inflation down to low single digits. The Central Bank has also continued to accumulate gross official reserves to above 4 and a half months of imports.

Despite uneven global growth, the Seychelles economy has remained buoyant. Economic activity for 2015 has picked up compared to 2014. It is estimated that in 2015 the economy has grown by 4.3 per cent compared to the initial 3.0 per cent forecast at budget. The upward revision is attributed to more favorable outcome from tourism activity as well as continued growth in the 'Information and Communication' sector. Tourism activities have picked up this year with visitor arrivals growing by double digits since the start of the year. By the end of July, visitor arrivals increased by 17 per cent compared to the same period last year. The growth is being strongly supported by the traditional European market as well as the new emerging Asian market showing growth of 11 per cent and 39 per cent respectively. Following the strong performance in 2015, activities are expected to be less buoyant in 2016. It is estimated that the economy will grow by 3.3%. Hence Seychelles strongly believes that its macroeconomic framework for 2014–16 is adequate for development policy lending.

Besides the initiative being created as a response to the call for more rapid reforms and economic integration it is also aimed at building on the APEI countries regional commitments and the principles of variable speed and geometry adopted by SADC and COMESA which other countries are equally welcome to join in the future. The APEI is founded on the approach of collective action and most importantly peer to peer accountability to drive the reforms. Seychelles expects economic linkages to be strengthened by the improvement of the business regulatory environment, eliminated trade barriers and better collaboration through peer to peer learning and knowledge sharing.

The countries have engaged in this program because they recognized the benefit from working together to address the common challenges they face. We are grateful for the technical assistance provided by the World Bank and other development partners in supporting the APEI.

In line with promoting trade in services, the reform program focuses on facilitating the movement of persons. Seychelles facilitates so via the introduction of temporary entry permit that allows non citizens to undertake gainful economic activities for relatively short periods of time with few restrictions. Visitors are generally granted a 30 day stay in the first instance, following which three-month extensions can be sought for up to 12 months. Mobility of skills and professionals is vital for economies in Africa and other emerging markets from the development perspective.

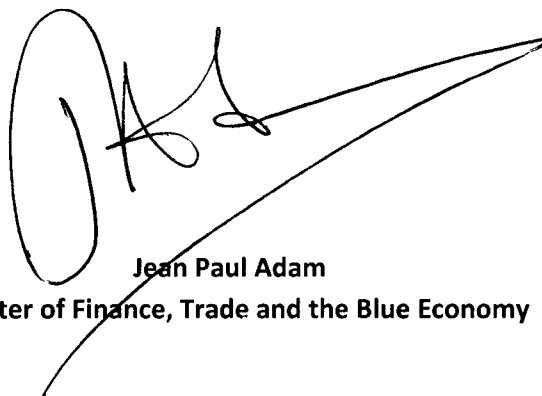
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It is also important to note that Seychelles recently amended its export permit list to only products that are considered sensitive. Moreover Seychelles licensing authority announced the launch of its licensing E-service accessible via the government of Seychelles main e service portal, aimed at improving the performance of services and facilitating trade transactions. The portal offers taxation, import and export permit, business registration. To complement this initiative for more transparency, our customs department also continues to improve its operation and to accelerate clearance time by the introduction of ASYCUDA world.

Finally we would like to express our deepest gratitude and acknowledge your continued support to the accelerated program for economic integration that we are executing along with other reform oriented countries namely, Mozambique, Malawi, Mauritius and Zambia. Recognizing the need for higher cooperation in the region is essential to the achievement of development goals. We hope that our joint efforts translates into fruitful outcomes thereby pressing on the overall integration process.

With Highest Consideration,

Yours sincerely,

A handwritten signature in black ink, consisting of a large, stylized 'J' and 'A' followed by a long, sweeping horizontal line that extends to the right.

Jean Paul Adam
Minister of Finance, Trade and the Blue Economy