

AFRICAN DEVELOPMENT BANK



PROGRAM: GOVERNANCE AND ECONOMIC REFORMS SUPPORT PROGRAM (GERSP)

COUNTRY: THE REPUBLIC OF SEYCHELLES

APPRAISAL REPORT

June 2021

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AFRICAN DEVELOPMENT BANK



SEYCHELLES

GOVERNANCE AND ECONOMIC REFORMS SUPPORT PROGRAM (GERSP)

RGDE/ECGF

June 2021

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Currency Equivalents

June 2021

1 UA	=	United States Dollar (US\$)	1.44467
1 UA	=	Seychelles Rupee (SCR)	23.42475
1 US\$	=	Seychelles Rupee (SCR)	16.2146

Fiscal Year

1 January – 31 December

Weights and Measures

1 metric ton	=	2,204 pounds (lbs)
1 kilogram (kg)	=	2.205 pounds (lbs)
1 meter (m)	=	3.28 feet (ft)
1 millimeter (mm)	=	0.03937 inch (“)
1 kilometer (km)	=	0.62 mile
1 hectare (ha)	=	2.471 acres

Acronyms and Abbreviations

AfDB	African Development Bank
AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism
CBS	Central Bank of Seychelles
CDN	Country Diagnostic Note
COVID-19	Coronavirus Disease of 2019.
CPIA	Country Policy and Institutional Assessment
CPPR	Country Portfolio Performance Review
CRBS	COVID-19 Crisis Response Budget Support
CSP	Country Strategy Paper
DPs	Development Partners
FAPA	Fund for African Private Sector Assistance
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GNI	Gross National Income
GoS	Government of Seychelles
HDI	Human Development Index
GERSP	Governance and Economic Reforms Support Program
ICT	Information and Communication Technology
IIAG	Ibrahim Index of African Governance
ILP	Indicative Lending Program
IMF	International Monetary Fund
MTFF	Medium-Term Fiscal Framework, 2021-2023
M&E	Monitoring and Evaluation
MDI	Multidimensional Poverty Index
MIC TAF	Middle-Income Countries Technical Assistance Fund
MoACC&E	Ministry of Agriculture, Climate Change & Environment
MoFEP&T	Ministry of Finance, Economic Planning, and Trade
MPI	Multidimensional Poverty Index
MSMEs	Micro, Small, and Medium Enterprises
NDS	National Development Strategy
NSO	Non-Sovereign Operations
OCL	Operational Country Limit
PEMC	Public Enterprise Monitoring Commission
PBO	Program Based Operation
PFM	Public Financial Management
PPPs	Public-Private Partnerships
PUC	Public Utility Corporation
RDGE	East Africa Regional Development and Business Delivery Office
SCR	Seychelles Rupee
SDGs	Sustainable Development Goals
TA	Technical Assistance
TYS	Ten Year Strategy
UA	Unit of Account
US\$	United States Dollar
WDI	World Development Indicators

Program Information

INSTRUMENT	General Budget Support – Programme Based Loan
PBO DESIGN TYPE	Programmatic Operation

LOAN INFORMATION

Client's Information

BORROWER:	Republic of Seychelles
EXECUTING AGENCY:	Ministry of Finance, Economic Planning, and Trade

Financing plan

Source	Amount/Instrument (2021)	Amount/Instrument (2022)	Amount/Instrument (2023)
ADB	US\$ 20 million/Loan		
World Bank	US\$ 40 million/ Loan		
Other (IMF/Bilateral Partners)	US\$ 115 million/ Loan		
TOTAL COST	US\$ 175 million		

Loan Terms

Loan currency	United States Dollars (USD)
Type of Loan	Fully Flexible Loan
Tenor	Up to 25 years inclusive of Grace Period
Grace Period	Up to 8 years
Average Loan Maturity	TBD (function of the amortization profile)
Repayments	Consecutive quarterly payments after grace period
Interest Rate	Base Rate + Funding Cost Margin + Lending Spread + Maturity Premium
Base Rate	Floating rate based on 6-month LIBOR with free option to fix the base rate
Funding Cost Margin	The Bank funding cost margin as determined each 1 st January and 1 st July and applied to the Base Rate each 1 st February 1 st May, 1 st August and 1 st November
Lending rate	80 basis points (0.80%)
Maturity Premium	To be determined based on the Average Loan Maturity <ul style="list-style-type: none"> • 0% if Average Loan Maturity <= 12.75 years; • 10 bps (0.10%) if 12.75 < Average Loan Maturity <=15; • 20 bps (0.20%) if Average Loan Maturity >15 years
Front-end fees	0.25% of the loan amount payable no later than 60 days from the date of entry into force or at first disbursement, whichever is earlier
Commitment fees	0.25% of the undisbursed amount. Commitment fees start accruing 60 days after signature of the loan agreement and are payable on payment dates
Option to convert the Base Rate**	In addition to the free option to fix the floating Base Rate, the borrower may reconvert the fixed rate to floating or re-fix it in part or for the fully disbursed amount. Transaction fees are payable
Option to cap or collar the Base Rate**	The borrower may cap or set both the cap and floor on the Base Rate to be applied in part or to the fully disbursed amount. Transaction fees are payable.
Option to convert loan currency (Only for ADB loan)	The borrower may convert the loan currency for both undisbursed and disbursed amounts in full or in part to another approved lending currency of the Bank. Transaction fees are payable

Timeframe - Main milestones

Program Preparation	March 2021
Program Appraisal	April 2021
Loan Negotiations	May 2021
Program approval	July 2021
Loan Effectiveness	July 2021
Single Tranche Disbursement	July 2021
Completion	December 2022

Program Executive Summary

Program Overview	<p><u>Program name:</u> Seychelles - Governance and Economic Reforms Support Program (GERSP)</p> <p><u>Expected Outputs:</u> The key outputs are: (i) improved tax revenue performance; (ii) improved efficiency of public spending; (iii) improved governance in the public sector, including state-owned enterprises (SOEs); (iv) strengthened anti-money laundering and counter terrorism (AML/CFT) financing framework; (v) enhanced environment for doing business; and (vi) enhanced climate change responses and renewable energy and solid waste management frameworks.</p> <p><u>Overall timeframe:</u> July 2021 – December 2022 (the first of three operations in a programmatic series covering the period 2021-2023).</p> <p><u>Program cost:</u> US\$ 175 million, US\$ 100 million, and US\$ 175 million in 2021, 2022, and 2023, respectively.</p>
Program Outcomes	<p><u>Expected outcomes:</u> (i) advanced fiscal sustainability; (ii) improved business environment; and (iii) improved Seychelles’ climate change and environmental resilience.</p>
Alignment with Bank Priorities	<p>The operation is consistent with the Bank Group’s Ten-Year Strategy (particularly Governance and Accountability, Private Sector Development, and Regional Integration), High 5 priorities (particularly Industrialise Africa, Integrate Africa, and Improve the quality of life of the people of Africa) and other Bank Group strategies, including, the Strategy for Economic Governance in Africa, the Gender Strategy, the Framework and Action Plan for the Prevention of Illicit Financial Flows in Africa, and the Strategy of Climate Risk Management and Adaptation. The measures supported will advance the strategic priorities set in Outcome 3 of the Country Strategy Paper (CSP) 2021-2025 as regards strengthening public service delivery capacity to foster higher productivity and accelerate structural transformation and the cross-cutting themes under the CSP’s single Priority Area: “Fostering Resilience to Promote Economic and Environmental Sustainability”.</p>
Needs Assessment and Justification	<p>Seychelles’ macroeconomic performance is severely impacted by the COVID-19 pandemic. Real GDP growth that averaged 4.2% in 2016-2019 contracted by 12.9% in 2020. Overall fiscal surplus/deficit of between -1.4% and 0.7% of GDP over the 2016-2019 period has been turned to an overall deficit of -19.5% of GDP in 2020. Public debt that stood at 62.3% of GDP at end-2018 is now projected at 87.7% of GDP by end 2021. Further, the risks to the external sector remain elevated. To address the emerging financing and fiscal challenges while pushing ahead with structural reforms, the Government is seeking to re-profile its public debt, much of which is funded domestically at short maturities and hence is susceptible to rollover risk. The Bank loan of US\$20 million plus financing by the World Bank and the IMF are expected to contribute to bridging a financing gap of US\$ 175 million and finance structural reforms that will sustain growth and employment and at the same time, assist in the restructuring of the public debt portfolio to longer-term maturities.</p>
Harmonization	<p>The interventions supported by Bank and other development partners are aligned with the country’s National Development Strategy (NDS) 2019-2023. There is strong collaboration between the Bank, the IMF and the World Bank on macroeconomic reforms. This program is prepared jointly with the World Bank and the IMF including the policy reform measures that are supported. Consultations were also held with the United Nations Development Programme (UNDP) as part of the preparation of this operation. Broader aid coordination is, however, hampered by the fact that key development partners reside outside the country.</p>
Bank’s Added Value	<p>The Bank has vast experience in supporting policy reform measures in Seychelles in the areas of economic governance, public financial management, and private sector competitiveness. Through previous budget support, investment, and technical assistance operations the Bank has built mutual trust with the authorities and will continue to build on this trust by engaging in policy dialogue through the proposed PBO and complementary technical assistance operations.</p>
Contribution to Gender Equality and Women’s Empowerment	<p>A key policy focus of this operation is to support reforms that aim at addressing required actions to improve the business enabling environment. By supporting these reforms, the program will benefit Seychelles private sector organizations which are dominated by many small enterprises, mostly in the tourism industry where women dominate. The reforms envisage enhancing access to finance by small businesses and about half of this credit is expected to flow to women-owned businesses. By ensuring that such businesses stay afloat during these hard times, the operation will positively impact on the women and the youth while creating employment and equal opportunities.</p>
Policy Dialogue Linked to Technical Assistance	<p>The proposed operation will provide the Bank with a platform for deeper dialogue with the Authorities across all the areas of reforms: fiscal sustainability, business environment, climate change and environmental resilience. The reforms supported are closely linked to the Bank’s Seychelles’ Country Diagnostic Note (CDN) that was finalized in June 2020 and several past and upcoming technical assistance operations. For example, the reforms supported to address human capital development and job creation for the youth and access to finance for Micro, Small & Medium Enterprises (MSME) build on the Bank’s recent technical assistance (TA) to Seychelles that helped to formulate the country’s National Human Resources and MSMEs Development Strategies. Furthermore, there is a recent TA that is assisting in reinforcing aid management systems. Finally, plans are underway for two additional TAs, one focusing on options for renewable energy generation and the other on private sector developmental challenges across major sectors.</p>

Governance and Economic Reforms Support Program (GERSP). GERSP Results Framework

RESULTS FRAMEWORK

A	PROGRAM INFORMATION				
PROGRAM NAME: Governance and Economic Reforms Support Program (GERSP) PROGRAM CODE: P-SC-K00-022			COUNTRY: Republic of Seychelles		
PROGRAM DEVELOPMENT OBJECTIVE: Strengthen economic governance reforms that will sustain inclusive green growth and mitigate the adverse impact of the COVID-19 pandemic while reinforcing environmental and climate resilience.					
ALIGNMENT INDICATORS ¹ : (i) Primary deficit % of GDP; (ii) Debt-to-GDP ratio; (iii) Renewable energy (% total electricity produced); and (iv) Municipal waste per capita (kg/capita/day)					
B	RESULTS MATRIX				
RESULTS CHAIN AND INDICATOR DESCRIPTION	RMF INDICATOR	UNIT OF MEASUREMENT	BASELINE (Date)	TARGET AT COMPLETION (Date)	MEANS OF VERIFICATION
OUTCOME STATEMENT 1: Economic management and governance improved					
OUTCOME INDICATOR 1.1: Tax & Revenue Mobilisation score		Percentage	65.8 (2019)	75 (2023)	Ibrahim Index of African Governance (IIAG) ²
OUTCOME INDICATOR 1.2: Accountability & Transparency score		Percentage	56.4 (2019)	70 (2023)	IIAG
OUTCOME STATEMENT 2: Business environment improved					
OUTCOME INDICATOR 2.1: Time required for business start-up		Days	32 (2020)	15 (2023)	Registrar and the Ministry of Investment, Entrepreneurship and Industry /WDI ³
OUTCOME INDICATOR 2.2: Share of credit to MSMEs (of which women owned)		Percentage	30 (30% women owned) (2020)	60 (30% women owned) (2023)	Ministry of Investment, Entrepreneurship and Industry/Enterprise Seychelles Agency (ESA)/Development Bank of Seychelles reports
OUTCOME STATEMENT 3: Climate/ environmental management improved					
OUTCOME INDICATOR 3.1: Sustainable Environment score		Percentage	70.7 (2019)	80 (2023)	IIAG
OUTCOME INDICATOR 3.2: Reduce annual municipal solid waste		Tons	80,000 (2020)	60,000 (2023)	MoACC&E reports
Component 1: Advancing Fiscal Sustainability					
OUTPUT STATEMENT 1: Tax revenue performance improved					
OUTPUT INDICATOR 1.1: ASYCUDA system functionality upgraded ⁴ (**)		Yes/No	No (2020)	Yes (2022)	MFEP&T/Budget Statement /SRC reports
OUTPUT INDICATOR 1.2: Evaluation report of proposals to install 'Global Forum's Automated Exchange of Information' system application (*)		Yes/No	No (2020)	Yes (2021)	MFEP&T/Budget Statement /SRC reports
OUTPUT STATEMENT 2: Governance in the public sector, including state-owned enterprises (SOEs) improved					
OUTPUT INDICATOR 2.1: Approval by Cabinet the amendments on PEMC Act to strengthen oversight over SOEs operations by PEMC (**)		Yes/No	No (2020)	Yes (2021)	PEMC reports/Budget Statement
OUTPUT INDICATOR 2.2: Amended Public Procurement Bill approved by Cabinet (**)		Yes/No	No (2020)	Yes (2022)	Procurement Oversight Unit reports/Budget Statement
OUTPUT STATEMENT 3: Anti-money laundering and counter terrorism (AML/CFT) financing framework strengthened					
OUTPUT INDICATOR 3.1: Enact amendments to the AML/CFT Act (*)		Yes/No	No (2020)	Yes (2021)	Official Gazette
OUTPUT INDICATOR 3.2: Enact amendments to the Beneficial Ownership Act (*)		Yes/No	No (2020)	Yes (2021)	Official Gazette
Component 2: Improving the Business Environment					

¹ These indicators will measure alignment with the country priorities identified for the operation

² Mo Ibrahim Foundation: <https://mo.ibrahim.foundation/>

³ World Development Indicators (WDI), World Bank (<https://databank.worldbank.org>).

⁴ ASYCUDA stands for UNCTAD Automated System for Customs Data.

OUTPUT STATEMENT 4: Environment for doing business enhanced					
OUTPUT INDICATOR 4.1: Uptake of the credit line of SCR500 million under CBS' Private Sector Relief Scheme for MSMEs (<i>of which women owned</i>)		Percentage	11.5 (30% women headed) (2020)	90 (30% women owned) (2022)	Reports by Central Bank of Seychelles (CBS)/Development Bank of Seychelles
OUTPUT INDICATOR 4.2: Approval by Cabinet the policy paper on the draft amendments to the Companies Act (*)		Yes/No	No (2020)	Yes (2021)	MFEP&T/Budget Statement
OUTPUT INDICATOR 4.3: Installation of online platform for registration of Beneficial Owners of International Business Companies (IBCs) (*)		Yes/No	No (2020)	Yes (2021)	Financial Intelligent Unit (FIU) reports
OUTPUT INDICATOR 4.4: Abolish CSR tax to encourage entrepreneurship (*)		Yes/No	No (2020)	Yes (2021)	MFEP&T/Budget Statement
OUTPUT INDICATOR 4.5: Approval by Cabinet of National Entrepreneurship Education Policy and Strategy (2022-2026) (**)		Yes/No	No (2020)	Yes (2022)	MoEHRD ⁵ reports
OUTPUT INDICATOR 4.6: Approval by Cabinet the TVET Policy and Strategy (**)		Yes/No	No (2020)	Yes (2022)	MoEHRD reports

Component 3: Improving Climate Change and Environmental Resilience

OUTPUT STATEMENT 5: Climate change responses and renewable energy and solid waste management frameworks enhanced					
OUTPUT INDICATOR 5.1: Approval by the Cabinet of a strategy outlining short to medium term electricity generation options, including on renewables (**)		Yes/No	No (2020)	Yes (2022)	PUC/MoACC&E reports
OUTPUT INDICATOR 5.2: Feed-in tariff policy for renewable energy revised (**)		Yes/No	No (2020)	Yes (2022)	PUC/MoACC&E reports
OUTPUT INDICATOR 5.3: Government sectors that have mainstreamed climate change policies/actions following guidance by the National Climate Change Council (*)		Number	0 (2020)	3 (2021).	MoACC&E reports
OUTPUT INDICATOR 5.4: Establishment of a Committee to oversee the Nationally Determined Contributions (NDCs) validation process (*)		Yes/No	No (2020)	Yes (2021).	MoACC&E reports
OUTPUT INDICATOR 5.5: Approval by the Cabinet of a policy paper on solid waste recycling procedures and an Extended Producer Responsibility Framework (**)		Yes/No	No (2020)	Yes (2021)	MoACC&E reports

Notes: (*) Prior Actions;
(**) Indicative trigger for subsequent operation.

REPORT AND RECOMMENDATION OF THE MANAGEMENT OF THE ADB GROUP TO THE BOARD OF DIRECTORS ON A PROPOSED LOAN TO THE REPUBLIC OF SEYCHELLES FOR THE GOVERNANCE AND ECONOMIC REFORMS SUPPORT PROGRAM (GERSP)

I. INTRODUCTION: THE PROPOSAL

1.1 Management submits the following Report and Recommendation on a proposed loan to the Republic of Seychelles of US\$20 million to finance the Governance and Economic Reforms Support Program (GERSP). It aims to support Seychelles' post-COVID-19 economic recovery and is the first in a 3-year programmatic series, for the years 2021, 2022, and 2023. The program results from a request to the Bank by the Government of Seychelles in February 2021. The proposed GERSP deepens reforms that were introduced through the Seychelles' COVID-19 Crisis Response Budget Support Program that was approved in June 2020 for an amount of US\$ 10 million and will be completed in July 2021. The reforms supported by the GERSP are closely aligned to Seychelles' development objectives as set forth in its Vision 2033 and the National Development Strategy (NDS) 2019-2023 —mainly the need for economic transformation and achieving environmental sustainability—, and the Medium-Term Fiscal Framework (MTFF), 2021-2023. The design of the reforms in this program takes into account good practice principles on conditionality. Development partners (DPs)—including the International Monetary Fund (IMF), and the World Bank (WB), were extensively consulted, are supportive of the reforms the Government is undertaking and are preparing their own operations, which the GERSP is co-financing.

1.2 The overarching goal of the proposed program is to strengthen economic governance reforms that will sustain inclusive growth and mitigate the adverse impact of the COVID-19 pandemic while reinforcing green growth, and environmental and climate resilience. Its operational policy objectives are to: advance fiscal sustainability by supporting improvements in economic management and governance, improve the business enabling environment by supporting structural reforms, and enhance green growth, climate change and environmental resilience. Another dimension of the reforms is a partial re-profiling of short-term public domestic debt to mitigate roll-over risks and complement domestic financing. Expected program outcomes include: (i) enhanced tax administration; (ii) improved accountability and transparency in the public service; (iii) improved global competitiveness; expedited business start-up and export compliance procedures; (iv) enhanced access to credit by Micro Small and Medium Enterprises (MSMEs), most of which are women led; and (v) reduction in greenhouse gas (GHG) emissions. Eventually, the reforms envisaged will lead to a more efficient and sustainable use of public fiscal resources, an improved ability to compete in international markets and a more conducive climate for entrepreneurs to operate job-creating, value-adding enterprises. This operation builds on the Bank's vast experience in supporting budget support operations in Seychelles in the areas of economic governance, public financial management, and private sector competitiveness.

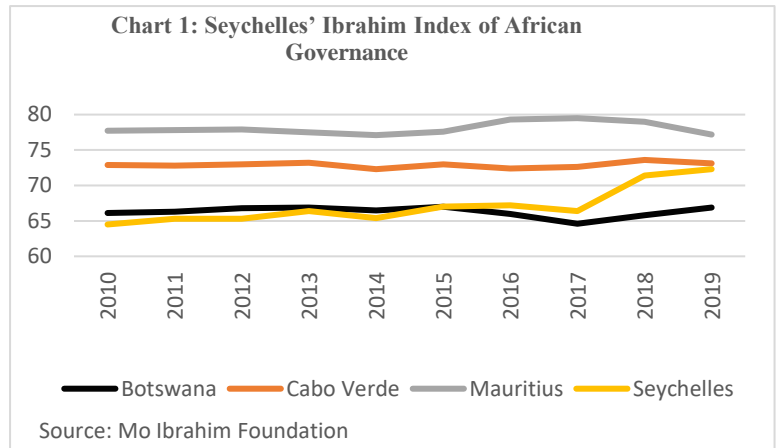
II. COUNTRY CONTEXT

2.1 Political Developments and Governance Context

2.1.1 **Seychelles has made remarkable progress on social indicators.** The country is an archipelago of 115 islands in the Indian Ocean with a small land mass (455 sq. km), a vast exclusive economic zone (1.4 million sq. km) and a population of less than 100,000. Seychelles attained high-income status in 2015 and its GNI per capita reached US\$15,600 in 2018. Seychelles continues to enjoy a stable political environment with peaceful transfer of power. The last presidential elections took place end-October 2020 and were won by the opposition candidate, Wavel Ramkalawan. With a score of 66%, the country is ranked 1st in sub-Saharan Africa on the 2020 Transparency International Corruption Perceptions Index and 27/180 countries globally, compared to 36/180 in 2017. It was ranked 3rd out of 54 countries in the 2020 Mo Ibrahim Index of African Governance (IIAG) with an overall score of 73.2 in 2019 compared to 71.4, and 66.4 in 2018 and 2017, respectively (Chart 1). In this regard, Seychelles had high scores in areas of 'Human Development' and 'Safety and Rule of Law' but scored weakly on 'Independence and Transparency of the Judicial Process'.

2.2 Recent Economic Developments, Macroeconomic and Fiscal Analysis

2.2.1 Economic growth is threatened by COVID-19 pandemic. Real GDP growth that averaged 4.2% in 2016-2019 was supported by strong performance in the tourism and information and communication technology (ICT) sectors. Growth is estimated to contract by 12.9% in 2020 because tourism, which is the mainstay of Seychelles' economy, has been the sector hardest hit by the COVID-19 pandemic, with tourist arrivals declining by 70.1% from 384,204 visitors in 2019 to only 114,858 visitors in 2020. Accommodation, food and administrative activities, which are part of the services sector whose share of nominal GDP averaged 82.2% over the 2010-2019 period, contracted by 65.0% in 2020. The Authorities expect GDP growth to recover to 6.9% in 2021 and 7.7% and 6.8% in 2022 and 2023, respectively, because of resumption of tourism on account of the ongoing worldwide vaccinations against the pandemic (Table 1).



2.2.2 The pandemic has worsened Seychelles' fiscal position. Despite maintaining an overall fiscal surplus/deficit of between -1.4% and 0.7% of GDP over the 2016-2019 period, the overall fiscal deficit is projected at 19.5% of GDP in 2020, while the primary deficit is expected to reach 16.3% of GDP in 2020 because of the fiscal measures that the Government introduced to contain the COVID-19 pandemic.

2.2.3 The public debt situation has deteriorated as well. As shown in Table 1, Seychelles' public debt stood at 62.3 of GDP at end-2018 and was projected to decline to below 50% of GDP by end-2021 in line with the authorities' public debt reduction strategy. Because of the pandemic, the end-2020 debt-to-GDP ratio has risen to 99.6% due to the widening of fiscal deficit and the depreciation of the Seychelles Rupee (SCR). By end-October 2020, the total debt amounted to SCR 18.1 million and was evenly balanced between external and domestic debt. Of the external debt that stood at SCR 9 billion by end-October 2020, about 50.0% was owed to multilateral institutions while 22.5% and 23.4 % were owed to bilateral and private lenders, respectively. The downside risks to debt will remain substantial, as debt reaches 87.7% of GDP in 2021 (Technical Annex 11). The IMF and the World Bank are conducting a public debt sustainability analyses (DSAs) for Seychelles whose outcomes will be known in due course.

2.2.4 Inflationary pressures remain elevated. To respond to the pandemic, the Central Bank of Seychelles (CBS) cut the Monetary Policy Rate (MPR) by 100 bps to 4% in April 2020 and further to 3% in June 2020. Supply side disruptions coupled with the depreciation of the SCR/US\$ exchange rate resulted in year-on-year inflation rising from 0.97% in July 2020 to 7.62% in January 2021. The SCR exchange rate averaged 21.35 per US\$ in February 2021 compared to a rate of between 13.5 and 14.1 over the 2016-2019 period.

2.2.5 The risks to the external sector also remain elevated. The current account balance as a percentage of GDP stood at a deficit of -18.9% in 2018 and deteriorated further to -29.6% in 2020. Gross international reserves stood at 5.2 months of imports in 2019, 4.5 months in 2020 and are projected at

	2018	2019	2020	2021 (proj)	2022 (proj)	2023 (proj)
Real GDP Growth	3.8	4.7	-12.9	6.9	7.7	6.8
CPI (average average)	3.7	1.8	1.2	10.0	3.7	3.2
Primary Fiscal Balance (% of GDP)	3.0	2.8	-16.3	-9.7	-6.5	-2.3
Overall Fiscal Balance (% of GDP)	0.7	-0.9	-19.5	-13.7	-9.3	-4.8
Current Account Balance (% of GDP)	-18.9	-16.1	-29.6	-25.9	-22.1	-19.8
Gross Official Reserves (months of imports)	3.7	5.2	4.5	4.6	4.4	4.3
Total Public Debt (% of GDP)	62.3	61.8	99.6	87.7	89.1	86.4

Source: Ministry of Finance, Economic Planning, and Trade and Bank Staff Estimates

4.3 months in 2023 (Table 1). In the short term, the huge current account deficit is financed by external borrowing as the pandemic has affected inflows of foreign direct investments (FDIs) that stood at 14.4% of GDP in 2019. In this regard, the country is seeking an arrangement under the IMF's Extended Fund Facility (EFF) to help address balance of payment imbalances.

2.3 Competitiveness of the Economy

2.3.1 Seychelles has so far achieved little structural transformation due to economic dependence on natural resource endowment. The services sector – of which tourism contributes about 25% of GDP – dominates the economy, with the value added in the sector increasing by an annual average of 4.5% over the 2010-2019 period, while those of the agriculture and industrial sectors increased by an average of only 0.1% and 0.3%, respectively. The nominal GDP share of services stood at 83.9% in 2019, while the shares for agriculture and industry remained very low at 2.8% and 13.3%, respectively, during the same period. Seychelles' private sector significantly contributes to GDP and employment but is constrained by a weak business environment that impedes its further growth and competitiveness. In 2018, the sector accounted for about 60.0% of GDP and employed about 65.0% of formal labour, an increase of 6.5% over the preceding year. The tourism sector accounts for the largest share of total employment at 19%, followed by the construction sector at 12%. Broadly, Seychelles private sector comprises of activities in tourism, fishing, farming, oil drilling, manufacturing, financial services, and information and communications technology (ICT). The ICT sector in Seychelles is relatively small but competitive with four operators in the market, and has opportunities for rapid growth in digitalized products and services. In the energy sector, independent power producers (IPPs) are permitted to engage in generating renewable energy, but their presence is limited to a recently awarded contract for development of a 4 MW floating solar farm and a few roof top solar power providers. Seychelles' NDS 2019-2023 places emphasis on strengthening import substitution strategy although no clear focus on this is in place. Through the new public-private partnerships (PPPs) regulatory framework that was developed with technical assistance support by the Bank, the Government is looking into deepening the private sector's role in accelerating industrial development in partnership with the public sector. Evidence from business surveys by the World Economic Forum, as contained in the Global Competitiveness Report 2015-2016, support the view that businesses in Seychelles face significant constraints including access to financing, poor labour ethics, inadequately educated workforce, poor supply of infrastructure, and inefficient government bureaucracy. As regards access to finance, private sector credit-to-GDP ratio remained almost constant at 30%-31% in 2017 and 2018, far below that of Mauritius and Cape Verde that were 78% and 60%, respectively. Unlocking access to finance for Micro, Small and Medium-sized Enterprises (MSMEs), and improving skills development and access to affordable and reliable infrastructure services, will help unleash the full potential of the private sector.

2.3.2 Seychelles aspires to become a financial technology (FinTech) hub that will spur growth in FinTech start-ups, but it needs to address existing regulatory framework challenges. The country's financial sector is reasonably well developed and capitalized, due to past technical assistance (TA) support by the Bank, the World Bank, and other partners. 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 assets, deposits, and loans. Since the 1990's Seychelles has registered over 180,000 International Business Companies (IBCs) but because of weak regulations and oversight, some of these corporations have been implicated in international scandals, leading to international banks withdrawing their correspondent banking relationship as a measure to "de-risk". To address this situation, remedial actions are being taken by the Central Bank of Seychelles, the Financial Services Authority, and the Financial Intelligent Unit including enhancing jurisdiction credibility and reinforcing risk-based approach to banking supervision under a new Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) strategy and maintenance of a Beneficial Ownership Database.

2.4 Public Financial Management

2.4.1 Over the last few years, the Government has implemented several reforms to improve public financial management (PFM) systems. These include procurement reforms that eliminated the duplication of services provided by different agencies, the issuance, in 2020, of a new Code of Governance

for State Owned Enterprises (SOEs), and strengthening of the financial sector by enhancing anti-money laundering and combating the financing of terrorism (AML/CFT) frameworks. As a result, the Bank's CPIA ratings for Seychelles have continued to improve, from an average score of 3.49 in 2013 to 4.0 in 2020, although the country was weighed down by a weakening debt situation. Seychelles' score and ranking on the 2020 IAG were weak in some areas, such as 'access to public and legislative information', 'provision of public services online', 'tax and revenue mobilization', and 'efficiency of customs procedures. The Global Competitiveness Index 2017-2018 highlighted the following top three most problematic factors for doing business in Seychelles: access to financing, tax rates, and corruption. According to the United Nations Conference on Trade and Development (UNCTAD), Seychelles' Insolvency Act of 2013 (Act 4 of 2013) imposes punitive provisions on insolvency that undermine company establishment process. Furthermore, Seychelles' low digitization of tax services undermines tax compliance.

2.4.2 Seychelles PFM Systems are adequate to implement Bank-financed operations. The Bank's 2020 Country Fiduciary Risk Assessment concluded that the country's residual fiduciary risk was "Moderate". Some of the areas where risks were assessed as substantial include: (i) inadequate institutionalization of the planning functions across Ministries, Departments and Agencies (MDAs); (ii) lack of an integrated system to capture projects being implemented by line ministries and agencies which affects project monitoring; and (iii) limited internal audit coverage of the control systems, risk management strategies and governance frameworks of the MDAs (Technical Annex 7). To mitigate these risks, there is need to automate the accounting for donor funded projects' transactions, and accompanying reporting systems, enhance the IT skills of accounting staff, and increase the pool of Certified Internal/Information Systems Auditors and Certified Public Accountants. 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 Combating the Financing of Terrorism (AML/CFT) Strategy, with measures it aims to fully implement by the end of 2022.

2.5 Inclusive Growth, Poverty and Social Context

2.5.1. Seychelles' Human Development Index (HDI) increased from 0.714 to 0.796 between 2000 and 2019 and the country is ranked second in Africa after Mauritius in 2020. The country, on track to achieve the Sustainable Development Goals (SDGs) (Technical Annex 1), has a female to male labour force participation ratio of about 90%, and everybody has access to education at primary and secondary levels. Since 2017 Seychelles has attained almost universal access to electricity (99.5%), basic education, and portable water (93%). Poverty level 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. However, the 2019 Global Health Security (GHS) Index points to major weaknesses in Seychelles' capability to prevent, detect, and respond to biological threats.

2.5.2 Although Seychelles' total unemployment rate was only 4% in 2020 up from 2.7% in 2019, youth unemployment remains high, exceeding 11.6% since 2019. In the fourth quarter of 2019, female unemployment rate was lower at 1.7% compared to males at 2.8%. In the same quarter, the unemployment rate was higher among the youth (15-24 years) at 7.4%. Surprisingly, the higher youth unemployment rates co-exist in an economy that relies on foreign workforce across many sectors. Most of the foreign labour is in the construction sector (38.6%) and accommodation and food services (38.4%). Contributing factors to this include a tertiary education system that does not fully respond to the needs of the labour market. As a result, about 19.8% of youth are not in employment, not in education, or other forms of training. The Bank in 2018 supported the development of the National Human Resource Development Policy and Strategy (2018-2022) whose vision is a workforce, especially youth, that is empowered with the necessary skills, attitudes, competencies, and work ethics to sustain the country's development. Skills mismatch, poor work ethics and substance abuse are among the main challenges to skills development in Seychelles and, in response, the NDS 2019-2023 puts people at the centre of the country's developmental agenda.

III. GOVERNMENT DEVELOPMENT PROGRAM

3.1 Government Overall Development Strategy and Medium-term Reform Priorities

3.1.1 **The proposed operation aims to support structural reforms that address Seychelles' development aspirations.** These are articulated in Vision 2033 and the NDS 2019-2023 —these prioritize the need to achieve economic transformation and environmental sustainability—, and the Medium-Term Fiscal Framework (MTFF), 2021-2023. The operation is aligned to strategic pillars 1 (good governance), 2 (people at the centre of development), 4 (innovative economy), 5 (economic transformation), and 6 (environmental sustainability and resilience) of the NDS 2019-2023, and supports Seychelles aspirations of achieving the following SDGs: Goals 6 (clean water and sanitation), 7 (affordable and clean energy), 8 (decent work and economic growth), 9 (industry innovation and infrastructure), and 13 (climate action).

3.2 Challenges to National/Sector Development Program

3.2.1. Seychelles faces several challenges that prevent it from further progressing to a higher level of development (Box 1). The country's overarching development challenge is to achieve structural transformation as a pathway to sustainable growth and economic resilience, and to overcome its vulnerability to climate change. This overarching development challenge is compounded by several underlying 'second-tier' development challenges such as inadequate infrastructure (notably energy, sewerage, and waste management systems), low productivity and value addition in key sectors, high costs of doing business, dependence on a few foreign markets, and extreme weather conditions in the context of rising vulnerability to environmental and climate change risks. Most of these challenges are captured in Box 1 below.

Box 1: Challenges to Realization of NDS (2019-2023) Goals

- *Slow economic transformation* leading to vulnerabilities to external shocks.
- *Youth unemployment* due to skills gap, characterized by a mismatch between labour demand and supply.
- *Vulnerability to climate change* notably through rising sea levels, marine degradation, and extreme weather.
- *Infrastructure bottlenecks* mainly in energy, sewerage, and waste management systems.
- *Inadequate access to finance* that remains a major impediment to MSMEs sector growth.
- *Geographical remoteness and small population size* increase costs of imports and exports and imposes a hidden tariff on trade.
- *Dependence on a few foreign markets — mainly in Europe—* leaves the economy exposed to adverse external shocks.
- *High cost of doing business* remains a major bottleneck to private sector growth.
- *Rising level of public debt* mainly due to the adverse impact of COVID-19 crisis.

3.2.2. **Seychelles' growth success story is underpinned by bold economic and financial reforms that the Government has undertaken since 2009.** This success is due to reforms that the country has implemented with the support of the Bank, the World Bank, and the IMF. To maintain the momentum on reforms during the pandemic, the Bank provided Seychelles with a US\$10 million (UA 7.27 million) CRBS whose closing date is 31 July 2021, while the IMF and the World Bank provided similar quick disbursing financial support amounting to US\$31.2 million and US\$15 million, respectively. This ADB/IMF/World Bank support aimed at helping the country confront its development challenges, in a context in which, beyond the contraction of growth, the human toll of the pandemic has been devastating, including loss of lives and livelihoods.

3.2.3. As the country's fiscal deficit continues to widen, the Government is left with limited room for flexibility to continue providing cost effective social safety net for the vulnerable groups. As of December 2019, Seychelles' public debt stood at 59.1% of GDP, of which 32.1% was domestic debt; while, in 2020, total debt as a percentage of GDP reached 99.4%, of which 44.6% was domestic debt (Technical Annex 11). The share of total debt maturing within one year has reduced from about 31% in 2019 to about 29% in 2020 because of the Government's new strategy that aims to increase the uptake of concessionary external loans and the issuance of the longer-term domestic debt instruments. In the short run, about SCR 5.7 billion of total debts is estimated to be due in 2021, of which about 86% is domestic debt, with the balance of 14% being external debt. **The additional foreign borrowing provided through this proposed operation will enable the Government to reduce public debt risks in line with ongoing discussions with the IMF.** The IMF and the World Bank are undertaking a Debt Sustainability Analysis (DSA) on

Seychelles public debt, and discussions are focusing on the need for Seychelles to mobilize substantial amount of long-term concessionary foreign loans to address the elevated fiscal and debt sustainability risks arising from reliance on short-term domestic debts. A key to these discussions between the Authorities and the IMF is the need for the Government to re-profile the short-term public domestic debt to mitigate roll-over risks and complement domestic financing. To mitigate risks posed by the short maturity of domestic debt, the Government intends to use the proceeds from the Bank's loan and those of other partners to restructure public debt during the fiscal years 2021, 2022 and 2023.

3.2.3. As an island state, Seychelles is vulnerable to several climate change and environmental risks (Technical Annex 9). Seychelles is ranked first in the Sub-Saharan Africa region, and 38th out of 180 countries, in the Environmental Performance Index (June 2020) that tracks 32 performance indicators on environmental health and ecosystem vitality. As regards global warming, historical observations show that Seychelles warmed by 0.33° C between 1977 and 2007, while annual rainfall anomaly remained on an increasing trajectory by 13.7 mm per year in the island of Mahé over the 1972-2006 period. Given the observed and projected climatic changes, the main impacts include changes in acidity and damage to marine ecosystems and increase in storms and storm surges. Seychelles generates about 80,000 tons of solid waste per year at a growth rate of 6%. 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. This is a large source of methane which is a powerful greenhouse gas (GHG) that is particularly harmful. Seychelles management infrastructure, notably the landfill at Providence, whose lifespan is until 2024, is inadequate and, in the context of increase in rainfall, sea level rise, and storm surges, it is poised to over spill debris and leachate into the ocean and the surrounding land. This is because, like other small islands states, Seychelles' waste management infrastructure is constrained by unavailability of land for landfills. In addition, being a small island developing state, there is no centralized storage facility that can receive and safely store hazardous waste. Through its Nationally Determined Contribution (NDC), Seychelles committed to reduce gross economy-wide greenhouse gas emissions by 122.5 ktCO₂e by 2015 and 188 ktCO₂e by 2030. The country also outlined actions that are required to reduce the GHG emissions in the energy and waste sectors, including switching to renewable energy, improving energy efficiency, bringing in electric cars, improving solid waste management and implementing the waste-to-energy programs. These targets are, however, unlikely to be achieved, as many of the adaptation and mitigation measures are yet to be implemented due to lack of resources, and the country is looking to international partners and agencies for funding.

3.3 Consultations and Participation Process

3.3.1 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. 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 on Aid Effectiveness, and the African Union's Agenda 2063. It aims to help Seychelles to overcome several challenges, including upgrading infrastructure for sustainable socio-economic development, transforming education system to embrace science and technology, improving productivity and innovation, and overcoming barriers to structural economic transformation and climate resilience.

IV. BANK SUPPORT TO GOVERNMENT STRATEGY

4.1 Link with the Bank Strategy

4.1.1 **The proposed operation is in line the Bank's strategic goals, including those in the Seychelles CSP.** The CSP 2021-2025 proposes a combination of instruments, including direct budget support, project investment lending, technical assistance, and advisory services to support the strategic objectives of the Government reform agenda, that is, the need for economic transformation and achieving environmental sustainability and promoting good governance. The CSP aims to support Seychelles' reform agenda that involves strengthening private sector competitiveness, enhancing the investment climate in green energy

technology, and sanitation services while fostering emerging digital and knowledge intensive sectors. The CSP is focused on a single Priority Area, which is “*Fostering Resilience to Promote Economic and Environmental Sustainability*”. The mix of lending and non-lending interventions envisaged by the CSP was developed after broad consultations not only with the Government, but also with a range of civil society organizations and representatives of the private sector and development partners. These consultations have underpinned the design of this proposed operation which is organized into three components which aim to deliver key outcomes of the CSP that relate to strengthening public service delivery capacity to foster higher productivity, accelerating structural transformation, and the cross-cutting themes (Technical Annex 14). The proposed GERSP operation serves as an important tool for delivering the CSP’s expected outcomes and will complement the on-going support by the Bank through the COVID-19 Crisis Response Budget Support. It is linked to NDS 2019-2023 pillars (i) Good governance, transparency and accountability; (ii) People at the Centre of development; and (iii) Environmental sustainability and resilience. The operation is consistent with the Bank Group’s Ten-Year Strategy (particularly Governance and Accountability, Private Sector Development, and Regional Integration), High 5 priorities (particularly Industrialise Africa, Integrate Africa, and Improve the quality of life of the people of Africa) and other Bank Group strategies, notably, the Strategy for Economic Governance in Africa (SEGA), the Gender Strategy, the Bank Group’s Strategic Framework and Action Plan for the Prevention of Illicit Financial Flows in Africa, the Bank Group’s Strategy for Climate Risk Management and Adaptation (CRMA), and the Strategy for Jobs for Youth in Africa.

4.2 Meeting the Eligibility Criteria

4.2.1 Seychelles fulfils the conditions of eligibility for budget support operations in line with the Bank Group Policy on PBOs. The Government remains strongly committed to poverty reduction and inclusive growth. This is evidenced by the Seychelles’ NDS 2019-2023 overarching goal, which is to promote economic transformation based on a vibrant private sector and support for inclusive and green growth. Nevertheless, the COVID-19 pandemic has devastated Seychelles’ economy and continues to pose *substantial risks to macroeconomic stability*. To turnaround this situation, the Government has put in place a fiscal consolidation plan that will lay the foundation for economic recovery over the 2021 to 2023 period. On a positive note, Seychelles continues to maintain *political stability*. Finally, the country’s *fiduciary risk is assessed as satisfactory* based on a Country Fiduciary Risk Assessment (CFRA) update of June 2020 (Technical Annex 8).

4.3 Collaboration and Coordination with Other Partners

4.3.1 All interventions supported by development partners are aligned with the country’s NDS 2019-2023. There is strong collaboration between the Bank, the IMF and the World Bank on macroeconomic reforms through co-financing of reforms and the on-going partnership on COVID-19 response. While the Bank, the World Bank and the IMF have overwhelmingly provided both technical assistance and budget support operations to Seychelles, the bilateral partners have focused mainly on technical assistance and grants (Technical Annex 6). Aid coordination is, however, hampered by the fact that key development partners reside outside the country. During the appraisal of this operation, the project team engaged the IMF and the World Bank on coordination of the three institutions’ respective interventions. The Government held technical discussions with the IMF in April 2020 for the Fund to support Seychelles’ reform agenda over the 2021-2023 period through an IMF EFF. The World Bank conducted its appraisal mission for the Seychelles Development Policy Operation (DPO) in March 2021. The Bank and the World Bank are harmonizing their support to create synergies across areas of reforms and to enhance efficiency of budgetary support over the 2021-2023 period. In this regard, they subscribe to a common policy reform matrix (Technical Annex 14). The World Bank’s DPO aims to support Seychelles’ reform agenda in the areas of fiscal sustainability, strengthening resilience, and advancing economic diversification. Several technical assistance operations and economic and sector works that have underpinned the proposed operation were undertaken by either the Bank, the World Bank, or the IMF. Consultations were also held with the United Nations Development Programme (UNDP) during the preparation of this operation.

4.4 Relationship with Other Bank Operations

4.4.1 As of 4 March 2021, the Bank’s approved and ongoing portfolio in Seychelles comprised six operations with a total commitment of UA 37 million (US\$ 53.2 million), of which five are in the public sector with a commitment of UA 31.7 million and one is a non-sovereign operation with a commitment of UA 5.2 million. In terms of sectoral distribution, the largest allocation of 44% is in water supply and sanitation sector followed by multi-sector at 42%, and communication at 14%. The June 2020 Country Portfolio Performance Review found the performance of the portfolio to be satisfactory, with an average score of 3.1. The cumulative disbursement rate stood at 56.6%, and the average age of projects in the portfolio was 4.4 years. There are no projects at risk nor red-flagged or outstanding project completion reports (Technical Annex 3). Challenges that continue to slow down project implementation include weak financial management capacity and delays in submission of annual audit reports and justification of overdue special accounts. To address these challenges the Bank approved in December 2020 a grant to reinforce aid management information systems in the Seychelles.

4.4.2 **This proposed operation aims to enhance efficiency in the public sector through reforms.** Beyond enabling the Bank-financed projects to realize desired outcomes, the envisaged reforms will create the fiscal space that will unlock investments in green infrastructure. This operation aims to deepen reforms in procurement laws, whose purpose is to reinforce safeguards in public spending, and this will enhance quality and transparency of the procurement process. Furthermore, the budget support aims to support the Government’s post COVID-19 recovery plans in key areas of reducing debt vulnerabilities and creating fiscal space for welfare spending for vulnerable groups. It is, therefore, consistent with the ongoing Bank support for the Government’s COVID-19 response program. **The budget support operation will be complemented by technical assistance (TA) and advisory services that will reinforce capacities in the Government.** There is an ongoing TA that is strengthening the Government’s aid management function and two additional technical assistance operations are envisaged: (i) private sector profile; and (ii) analysis of short- and medium-term electricity generation options. The lessons from the Bank’s previous operations in the country, and actions taken to integrate them into the program document, are outlined in Table 2 below and detailed in Technical Annex 15.

Table 2: Seychelles’ Lessons Learned from Previous Bank Operations in the Country

Key Lesson Learned	Action taken to integrate lesson into the Program
Strong Country ownership is important	GERSP’s design include critical reforms measures which were designed by the Government. The program’s policy matrix is fully agreed to by the Government.
Coordination and harmonization with development partners is critical.	The Bank had focused discussions with the IMF and the World Bank during the preparation of this operation. The policy measures are joint and coordinated.
To sustain reforms, there is need for technical assistance to cover capacity constraints.	This operation is complemented by TAs operations. The policy measures supported are targeted and critical in addressing development constraints in the country.
Programme design should start early so that the Bank can effectively contribute to the process.	Discussions with the Authorities on the strategic orientation of the reforms supported by this operation started during the preparation of the CSP 2021-2025.
Flexibility should be built in the program targets and triggers to cater for changes.	The operation uses a programmatic approach which introduces flexibility into the policy matrix for subsequent phases of the program.

4.5 Analytical Work Underpinnings

4.5.1 **The reform measures that are supported by the GERSP are underpinned by several analytical works.** A major economic and sector work that provides the rationale for this operation is the Bank’s Seychelles’ Country Diagnostic Note (CDN)⁶ that was finalized in June 2020. The CDN identifies the major constraints to Seychelles’ structural transformation agenda and outlines several recommendations that Seychelles could implement to attain inclusive and sustained growth that is climate and environmentally friendly (Table 3).

⁶ The CDN can be accessed at following link, using Google Chrome, <https://afdb.sharefile.com/d-s6af4d61c4f246789>

Table 3: Seychelles' PBO - Analytical Underpinnings and Alignment with CSP

Component / Reform Measures	Analytical Works
Component 1: Advancing Fiscal Sustainability <ul style="list-style-type: none"> • Tax revenue performance improved. • Expenditure streamlined and rationalised. • Debt sustainability enhanced • Governance in the public sector, including state-owned enterprises (SOEs) improved. • Public procurement framework strengthened. • AML/CFT framework strengthened 	<ul style="list-style-type: none"> • Bank's Seychelles' CDN (June 2020) • 2021 Budget Speech (16 February 2021) • MFEP&T Budget Strategy and Outlook 2021 • Debt Management Strategy, 2021-2023 • IMF – Seychelles' 2019 Article IV Consultation and Fourth (December 23, 2019) Review Under the Policy Coordination Instrument
Component 2: Improving the Business Environment <ul style="list-style-type: none"> • Trade facilitation enhanced. • Business facilitation enhanced. 	<ul style="list-style-type: none"> • Bank's Seychelles' CDN (June 2020) • 2021 Budget Speech (16 February 2021) • MFEP&T Budget Strategy and Outlook 2021 • Reports by the Central Bank of Seychelles • The Ibrahim Index of African Governance (IIAG) Reports • World Economic Forum's Global Competitiveness Reports • IMF – Seychelles' 2019 Article IV Consultation and Fourth (December 23, 2019) Review Under the Policy Coordination Instrument
Component 3: Enhancing Climate Change and Environmental Management <ul style="list-style-type: none"> • Renewable energy generation enhanced. • Municipal solid waste disposal enhanced. 	<ul style="list-style-type: none"> • Bank's Seychelles' CDN (June 2020) • 2021 Budget Speech (16 February 2021) • MFEP&T Budget Strategy and Outlook 2021

V. THE PROPOSED PROGRAM

5.1 Program Goal and Purpose

5.1.1 The overall goal of the proposed GERSP, is to strengthen economic governance reforms that will sustain inclusive green growth by reinforcing environmental and climate resilience and mitigating the adverse impact of the COVID-19 pandemic. It will also create more and better opportunities for all Seychellois by (i) conserving the fiscal space and reducing debt vulnerabilities, thus allowing the Government to allocate its scarce resources to priority projects and protecting the vulnerable population; (ii) removing the constraints for doing business, thus enabling local MSMEs to better engage in international trade; and (iii) improving access to renewable energy and better solid waste management practices, thus enhancing inclusive growth and environmental sustainability.

5.1.2 **To enhance economic governance, the program's activities will lead to better outcomes on tax revenue mobilization, accountability and transparency, and economic competitiveness.** It will also cut the time it takes to register a business and comply with export documentation and deepen access to finance for Micro, Small, and Medium sized Enterprises (MSMEs). To reinforce environmental and climate resilience, this operation will implement activities that will reduce greenhouse gas (GHG) emissions and municipal solid waste, and, therefore, contribute to improve Seychelles' standing on sustainable environment rankings. To achieve these outcomes, the proposed program will provide budgetary support financing that is complemented by technical assistance to reinforce the capacities in public institutions responsible for designing and implementing renewable energy policies. It will enable the Bank to engage in dialogue with the Authorities in partnership with other development partners. With the planned inputs, the operation is expected to deliver several outputs that will lead to improved tax revenue performance and public sector efficiency, strengthened governance and anti-money laundering and combating the financing of terrorism (AML/CFT) frameworks, enhanced business environment including skills development, strengthened renewable energy and solid waste management frameworks, and reinforced climate change responses.

5.2 Program Components

5.2.1 **Three complementary components underpin the GERSP supported activities:** (1) Advancing fiscal sustainability; (2) Improving the business enabling environment; and (3) Improving climate change and environmental resilience. The selection of program components strikes a balance between several reforms, the capacity of the Government, and complementary reforms and technical assistance supported by the Bank and other development partners (DPs). Improving climate change and environmental resilience

(component 3) fosters an enabling environment for business growth in key sectors of the economy, such as tourism and fisheries, and this is important to sustain greener growth. As such, the outcomes from component (3) will enable better outcomes in component (2). If the business sector is doing well, so will the country's fiscal position and the general welfare of the population through higher incomes from employment and dividends from enterprises. This, in turn, has beneficial impact on the country's fiscal position (component 1) as the Government can generate high tax revenues from individuals and businesses. By targeting the areas where the Bank and other DPs are directly engaged, and where the Government sees benefits from intensifying dialogue with DPs, the proposed program aims to strengthen Government leadership and commitment to reforms.

Component 1: Advancing Fiscal Sustainability

5.2.2 Challenges and Constraints: To attain the objectives of Vision 2033, the NDS 2019-2023 and the MTF, 2021-2023, the Government had put in place a plan to promote fiscal prudence. Over the period 2020-2022, the Authorities planned to achieve a primary fiscal surplus target of 2.5% of GDP through cost rationalization measures that were announced in the initial 2020 budget. Furthermore, total public debt was envisaged to fall below 50% of GDP by 2021 through good public financial management practices. However, the planned fiscal consolidation measures were derailed by the need for the Government to respond decisively to the pandemic. Due to the adverse shocks arising from the pandemic, the fiscal deficit and public debt situations have worsened. Furthermore, burdensome Government bureaucracy, due to overlapping mandates coupled with lack of online services, make the delivery of public services inefficient in several areas including tax and custom administration services. As regards the tax system over the 2018-2020 period, the cost of tax collection rose by about 47%, while the on-time filing of tax returns decreased by 37%. This is happening as the number of taxpayers with outstanding returns increased by about 45% over the same period. Over the years, despite the revision of tax policies and increase in the types of taxes collected, the number of tax officers have remained the same. As such, with 18,452 registered taxpayers, Seychelles Revenue Commission (SRC)'s Tax Division only has 22 Enforcement Officers in post, 2 legal officers, 3 officers dealing with objections and appeals, 35 Tax Auditors, 15 officers for processing of returns and 11 for business registration. The number of tax audits done in 2019 was 217 cases, but this number is expected to rise to 365 in 2021 as the newly launched tax self-assessment system has come into full force.

5.2.3 Weak oversight of the operations of State-Owned Enterprises (SOEs) perpetuate fiscal risks and increase the burden on taxpayers. Another challenge is weak public procurement practices that are amenable to inefficiency and corrupt practices. Furthermore, the growth of the financial sector is hampered by weak regulatory environment, especially in the offshore sector that is beset with compliance issues relating to the global transparency standards. It is noteworthy that in February 2020 the European Union declared Seychelles as non-cooperative tax jurisdiction, with France following suite by blacklisting the country for not providing sufficient information on its offshore entities. Seychelles maintains a comprehensive social protection system that comprises of about 30 programs including social welfare for the poor, programs for the orphans and people with disability, and a universal pensions scheme. However, the scheme absorbs only about 7% of GDP (2020) and is fragmented. This is because the elderly who represent about 22% of all the non-contributory beneficiaries take up 42% of total benefits. In addition, due to poor targeting, a significant part of the expenditure does not reach those who need it most, that is those living at the bottom 40% of the income distribution.

5.2.4 Recent Government Actions: To improve **Public Financial Management (PFM)** the Authorities have intensified oversight, through the Public Enterprise Monitoring Commission (PEMC), of the use of budgetary allocations (subventions and development grants) to State-Owned Enterprises (SOEs). Furthermore, a Code of Corporate Governance for Public Enterprises, an Ownership Policy, and a National Dividend Policy for SOEs were issued in 2020. Also in 2020, a full roll out of the program performance-based budgeting to all ministries, departments, and agencies (MDAs) was launched that has improved public spending practices. To enhance efficiency and effectiveness in the public service, President Ramkalawan announced in January 2021 a broad restructuring program in all Government agencies and the full implications of that initiative will be known at mid-year 2021 Budget review. The Government is

also amending the **Public Procurement Law** to close loopholes relating to, among others, inefficiency in the procurement process, corrupt practices, and conflict of interest in tenders across all MDAs. The Government also aims to reform the country's **offshore financial sector** that has in recent years faced pressures to comply with global transparency standards, leading to loss of correspondent banking relationships due to de-risking efforts by US and European banks. To achieve better targeting of **social welfare spending**, the World Bank is providing the Government with technical assistance that will reform Seychelles' social protection system to give it a better focus on the multi-dimensional causes of poverty and exclusion. To overcome current challenges in revenue mobilization to **improve tax compliance**, a new unit was created early this year in the Tax Division of the SCR —the Examination and Analysis Unit (EAU)— and the Government aims to fill all its 23 open vacancies. To **enhance the facilitation of trade** and reduce the cost and time it takes to import and export cargo, the Government intends to upgrade the functionality of the SCR's ASYCUDA⁷ application and install a cargo tracking system that will enable the identification of risks associated with specific cargo from their points of origin and which will facilitate expedited offloading of merchandise on arrival in Seychelles. To address the challenge related to the **unsustainable public debt**, the Government launched a Debt Management Strategy, 2021-2023 that envisages the implementation of several reform measures including more reliance on concessionary external borrowings. Another effort in this area aims to strengthen public debt transparency through annual publication of a debt bulletin, which will contain information on loans, debt service profile, interest and exchange rate fluctuations, and risk indicators. The Government envisages that actions in this area will lead to a reduction of debt service costs and decline of debt-to-GDP ratio to about 85% by 2023.

5.2.5 *Program Activities:* The Government remains strongly committed to implementing reforms that will enhance economic management despite the adverse impact of the pandemic. Tax administration reforms that will enhance revenue mobilization to address fiscal deficits and bring public debts back on a sustainable path are among the key measures that are supported by this operation and which the Government will be implementing over the medium term. In the 2021 Budget, the Government announced plans to commence the process of strengthening customs procedures at the Seychelles Revenue Commission (SRC) to enhance the facilitation of trade and reduce the cost and time it takes to import and export cargo. The development of additional risk-management methods, including introduction of the authorized economic operator status for traders, the implementation of the cargo targeting system as a risk assessment tool, an upgrade to the ASYCUDA application functionality, and the development of an e-single window that will complement other SRC's automation processes, will greatly enhance trading across borders. In addition to expediting custom revenue collection, these reforms will enhance trade competitiveness while making it easier for local businesses, including MSMEs, to engage in export trade. Currently, SRC does not have an electronic system to manage reporting by financial institutions under the 'Global Forum's Automatic Exchange of Information'. It is, therefore, likely that Seychelles' businesses that place deposits in financial institutions abroad do not declare related incomes in their tax returns. To move forward reform in this area, the Government aims to finalize the evaluation of proposals to install a system on 'Global Forum's Automated Exchange of Information' at SRC (prior action, Table 4).

5.2.6 This operation intends to support the Government's actions that aim to further strengthen accountability and transparency in the public sector. Greater attention is being focused on strengthening oversight of SOEs operations through an amendment to the PEMC Act to ensure that SOEs remain accountable to the Government and their mandates are closely aligned to national plans. The Government is also implementing reforms in Air Seychelles, which has been experiencing financial difficulties and is exerting major fiscal burden on the country's scarce resources. Seychelles is working through the Open Government Partnership to strengthen its e-government practices and in this regard has prepared its First Open Government National Action Plan 2019-2021 to focus its efforts in this area. To fight corruption, the Government will implement an 'e-government' system that will deliver public services online in an efficient and transparent manner. This will require the establishment of appropriate policies and structures to guide the operations of the 'e-government' system. The Government is also committed to strengthening the capacity of the Office of the Auditor General as regards methodologies, staffing, and equipment that are essential for audits in an "e-government" environment.

⁷ ASYCUDA stands for UNCTAD Automated System for Customs Data.

5.2.7 To address reputational challenges related to the Seychelles' offshore financial sector, this proposed operation is supporting the Government's initiative to enact amendments to the AML/CFT Act 2020 and the Beneficial Ownership Act 2020 (prior actions, Table 4, paragraph 5.4.1). This action is crucial as it will further strengthen the financial sector and enforce maintenance of an updated register of beneficial owners of offshore entities under the country's jurisdiction. In response to the Government's efforts that aim to reform the country's fragmented and weakly targeted social assistance system, this operation, working collaboratively with the World Bank, will support reforms that aim to reduce the abuse of the unemployment benefits scheme and ensure that only the vulnerable unemployed receive benefits.

5.2.8 **Subsequent operations under this programmatic series will support further actions to reinforce fiscal sustainability.** These will include: (i) upgrading of the functionality of the ASYCUDA system; (ii) amendment to the PEMC Act to strengthen its enforcement powers over SOEs operations; and (iii) finalization of an amended gender-responsive Public Procurement Bill.

5.2.9 **Policy measures to advance fiscal sustainability will result in:** (i) enhancing the tax and revenue mobilisation score in the IAG from 65.8% in 2019 to 75% by 2023; (ii) increasing the Accountability and Transparency score in the IAG from 56.4% in 2019 to 70% by 2023; and (iii) improving the Global Competitiveness Index (1 Low — 7 High) of WEF from 3.8 in 2019 to 4.2 by 2023.

Component 2: Improving the Business Enabling Environment

5.2.10 ***Challenges and Constraints:*** The Bank is supporting Seychelles with a technical assistance and capacity building project to develop MSMEs in the blue economy sector. This follows recent technical assistance to Seychelles that helped to formulate the country's MSMEs Development Strategy. Despite these efforts, MSMEs continue to face challenges related to access to credit due to scarcity of non-bank financial institutions and an underdeveloped domestic capital market. Private sector growth is impeded by weak environment for doing business in key areas of company registration, corporate insolvency, and low provision of public services online that is a major bottleneck in the business registrations and the process of lodging returns by foreign entities under Seychelles jurisdiction. The tax system is also targeted for reforms to enhance compliance. For example, the Corporate Social Responsibility (CSR) tax that was introduced in January 2013 is viewed by businesses as punitive and as not recognizing entrepreneurial efforts. This is because the CSR tax is levied on monthly company turnover at a 0.5 per cent rate on all businesses with a turnover of SR 1 million, irrespective of whether they are profitable or not. There is recognition that the employment ecosystem is fragmented and has not fully addressed the present, emerging, and future needs of the job market. Challenges cut across both demand and supply sides of the labour market. Youth unemployment has persisted, and the Seychelles economy has evolved into a dual economy that is split between, on the one hand, sectors that are dominated by foreign investors and, on the other, domestic entrepreneurs.

5.2.11 ***Recent Government Actions:*** To deepen the **access to finance** by MSMEs that are adversely affected by the pandemic, the CBS launched a Private Sector Relief Credit Line Facility of SCR500 million in May 2020 that targets MSMEs with a sales turnover of SCR25 million or less. This scheme is backed by amendments to the Central Bank Act (2020) and the Financial Institutions Act (2020) and is managed by commercial banks, the Development Bank of Seychelles (DBS), and Seychelles Credit Union (SCU)⁸. While MSMEs have already started benefiting from this facility, the uptake remains relatively low. To holistically deal with challenges relating to getting credit, the existing data sharing arrangements among banks and financial institutions is being expanded to include retailers' and utilities' transactions under a proposed and revamped credit information framework. There are also initiatives to develop regulations that will operationalize the Secured Transaction Act and to create a notice-based, modern, geographically unified electronic collateral registry. The Government also aims to **upgrade the iTax web-based system and infrastructure** to allow further automation and to make it more user-friendly to clients and enhance tax compliance. In recognition that higher tax rates reduce the incentives for entrepreneurs to expand their

⁸ The scheme is providing overdrafts or term loans at a fixed interest rate of 1.5% per year and a six-month moratorium and maximum repayment of 3 years for the term loans.

businesses, the Government announced in the 2021 budget that the Corporate Social Responsibility (CSR) levy was to be abolished from 1 April 2021. To **enhance the business climate** by expediting corporate insolvency resolution process, the Government plans to amend the Companies Act and the Insolvency Act. Finally, to expedite the business registration processes, there are proposals to change the Companies Act to remove the requirement of notarizing the memorandum of association.

5.2.12 The Government is taking several actions that will address the emerging challenges related to the **implementation of the Bank supported Seychelles' National Human Resources Strategy**. A new function was added to the Employment Department in January 2021 to coordinate re-skilling or training of job seekers based on their skills profile and labour market demand while taking into consideration gender-related concerns. Furthermore, since February 2021 the Employment Department is actively engaged in promoting job opportunities in the media, on website, and on social media, to inform job seekers of available vacancies. The Government is also working towards introducing a labour market information system to improve service efficiency in terms of job matching and production of labour market statistics. A major initiative that the Government aims to work on is to develop an entrepreneurship education policy and strategy which will be operationalized through the launch of two courses: (i) a Bachelor of Education (B Ed) in Entrepreneurship and Financial Education; and (ii) a Diploma in Careers Education and Guidance. In addition, there are initiatives that will mainstream digital competencies into training programs and fostering closer collaboration with the industry to ensure relevance and responsiveness to the needs of the emerging sectors. To this end, the Government has launched an initiative that will lead to reforms in the Technical and Vocational Education and Training (TVET) policies, strategies, and related infrastructure. In this regard, the Government is working on a TVET policy and strategy that will be gender-responsive and will ensure relevance and alignment of TVET to the emerging labour market needs.

5.2.13 **Program Activities: This operation aims to support Government's efforts that will enhance the business climate across several areas.** It supports the approval by the Cabinet of a policy paper on required amendments to the Company Act (prior action, Table 4, paragraph 5.4.1) and that aim to expedite the corporate insolvency resolution process. To expedite the registration processes, there are proposals to change the Companies Act to remove the requirement of notarizing the memorandum of association. This proposed operation also aims to support reforms that will extend digital services in the public sector to areas of business registration and the installation of online platform for registration of Beneficial Owners of IBCs (prior action, Table 4, paragraph 5.4.1). Furthermore, as higher tax rates reduce the incentives for entrepreneurs to expand their businesses, this operation will support the Government's plan to abolish the CSR tax from 1 April 2021 (prior action, Table 4, paragraph 5.4.1).

5.2.14 **The next phases of this programmatic series of operations will support additional actions that will improve the business environment including measures that** will address the human capital development needs to enhance productivity and to create jobs for the youth. Measures targeted for support include: (i) deepening the uptake of the credit line of SCR500 million under CBS' Private Sector Relief Scheme for MSMEs (of which 30% are women owned); (ii) development of a TVET Policy and Strategy; and (iii) formulation of a National Entrepreneurship Education Policy and Strategy (2022-2026). A major focus for the subsequent operations is to address the human capital development needs and enhance productivity and create jobs for the youth, while considering youth vulnerabilities due to gender, social background and geographical location.

5.2.15 **Policy measures to improve the environment for doing business will result in:** (i) cutting the time required for business start-up from 32 days in 2020 to 15 by 2023; increasing the share of credit to MSMEs from 30% in 2020 to 60% by 2023 (of which 30% are women owned); and (iii) reducing the time required for export documentary compliance from 44 days in 2020 to 20 by 2023.

Component 3: Promoting Climate Change and Environmental Resilience

5.2.16 **Challenges and Constraints: Seychelles' agenda on renewable energy and municipal solid waste management is constrained by a weak policy environment.** The country's uptake of renewable energy generation remains low, standing at 5% in 2020 against a target of 15% by 2030, showing the little progress the country is making to transition to a low carbon economy in line with its NDS 2019-2023

objectives. This is because of operational and implementation challenges relating to the Seychelles' Energy Policy 2010-2030 that guides sustainable energy development in the country. Although the Energy Act (2012) makes provision for Independent Power Producers (IPPs), there is no regulatory framework to guide its implementation and to create an enabling environment for robust private sector participation. There are also capacity constraints that limit the ability of the authorities to evaluate needs of infrastructure for clean technology transfers. Seychelles' municipal solid waste continues to grow at 6% per year. Yet, the country lacks a framework to guide solid waste recycling. Due to weak capacity and financial constraints, the country is making little progress to develop climate change mitigation strategies to meet its international obligations. Finally, despite past support by the Bank to develop a public-private partnership (PPP) framework, challenges remain relating to its implementation due to capacity constraints. There is also a need for further enhancement of regulatory frameworks and capacity building efforts in several other areas including the development of an Integrated Resource Plan (IRP), and a Renewable Energy and Energy Efficiency Strategic and Implementation Plan.

5.2.17 Recent Government Actions: The Cabinet recently approved the country's first national Climate Change Policy, whose key goals include guiding the country to transition to a low carbon economy and putting in place measures to adapt, build resilience, and minimize vulnerability to the impacts of climate change. The country submitted its Nationally Determined Contribution (INDC) in 2015 and ratified the Paris Agreement in 2016. In line with the United Nations Framework Convention for Climate Change (UNFCCC), countries were obliged to renew and upgrade their NDCs in 2020. The Government, with technical assistance from the European Union, is revising its NDC for submission to UNFCCC. With technical assistance from the Bank, the Government aims to reinforce the tariffs that the Public Utilities Corporation (PUC) pays for electricity generated from renewable sources (feed-in tariffs), and the tariffs paid by consumers to PUC. The objective of such review is to reform the tariffs system to create a conducive environment that will attract higher investment in renewables by providing favourable grid access conditions. To reduce adverse environmental impacts and promote a healthy natural environment, the Government with support from the Global Environment Facility (GEF) has recently developed a 'Waste Management Master Plan' that aims to increase private sector participation in recycling of waste. The Government also intends to introduce a policy framework that will mandate producers to take responsibility for the treatment or disposal of post-consumer products. To address air pollution in the transport sector, the Government aims to develop a policy framework for green transport to resolve the unique challenge of the country as a Small Island Developing State. This is by formulating a National Transportation Policy and Action Plan that cover hybrid and electric vehicles.

5.2.18 Program Activities: This operation aims to support the Government's efforts to lay the foundations for higher investments in renewable energy and improvements in solid waste management that are essential for achieving the SDGs. During this phase of this programmatic operation, the Bank plans to support Seychelles with a technical assistance (TA) operation that will enable the Government to develop a strategy that outlines short to medium term electricity generation options, including on renewables. The outcome of the TA will underpin reforms in the next phase of this operation. Those reforms will address the weak policy environment in place that curtails private sector participation. The Bank's technical assistance will also support the Government's plans to comprehensively review energy tariffs both from the demand and supply side. This review will lead to revision of the feed-in tariff policy for renewable energy to create a more conducive environment that will attract higher investment in the sector by providing favourable grid access conditions. Furthermore, this proposed operation supports the efforts of the recently established National Climate Change Council to mainstream climate policies and actions in public sector plans and to define adaptation and mitigation targets (prior action, Table 4, paragraph 5.4.1). Finally, another measure that is supported by this operation is the establishment of a Committee that will oversee the validation of the Nationally Determined Contributions (NDCs) report well ahead of the UNFCCC Conference of the Parties (COP) in November 2021 (prior action, Table 4, paragraph 5.4.1).

5.2.19 The Bank, in subsequent phases of this programmatic series of operations, will support additional measures to reinforce to climate change and environmental resilience. These include: (i) development of a strategy outlining short to medium term electricity generation options, including on renewables; (ii) revision of feed-in tariff policy for renewable energy; and (iii) development of solid waste recycling procedures and systems and an Extended Producer Responsibility Framework.

5.2.20 Policy measures to enhance climate change and environmental resilience will result in: (i) improving the IIAG Sustainable Environment score from 70.7% in 2019 to 80% by 2023; and (ii) lessening the annual municipal solid waste by 20,000 tons between 2020 and 2023.

5.3 Policy Dialogue

5.3.1 The Bank will engage the Authorities and country level stakeholders in dialogue on several issues during the implementation of this operation: (i) emerging challenges related to the impact of COVID-19 pandemic (including debt sustainability challenges); (ii) broad issues of macroeconomic surveillance; (iii) private sector development to support investment in key productive sectors; (iv) climate change mitigation and resilience and clean/green energy generation; (v) inclusive growth and youth employability and skills development in emerging sectors; and (vi) portfolio management issues.

5.4 Loan Conditions

5.4.1 Prior Actions for 2021 and indicative triggers for phase 2 of the operation: The Prior Actions in Table 4, and the Indicative Triggers for Phase II operation that are presented in Annex 4, were drawn from the policy matrix that was jointly agreed between the Government of Seychelles and the Bank during the program appraisal mission. The Prior Actions in Table 4 should have been met by the Authorities and evidence provided before this operation is presented to the Board for consideration. The Indicative Triggers for Phase II operation are subject to modification in 2022, if necessary, during the preparation of the streamlined program appraisal report.

Table 4: Prior Actions for Board Presentation

Measure	Evidence
Component 1: Advancing Fiscal Sustainability	
1. Evaluation report of proposals to install 'Global Forum's Automated Exchange of Information' system application.	Copy of duly approved evaluation report and accompanying letter of approval by the Procurement Oversight Unit of the MoFEP&T.
2. Enact amendments to the AML/CFT Act.	Copy of the Supplement to Official Gazette with amended AML/CFT Act.
3. Enact amendments to the Beneficial Ownership Act.	Copy of the Supplement to Official Gazette with amended Beneficial Ownership Act.
Component 2: Improving the Business Environment	
4. Approval by Cabinet of the policy paper on the draft amendments to the Companies Act.	Letter evidencing approval by Cabinet of the policy paper on draft amendments to the Companies Act.
5. Installation of online platform for registration of Beneficial Owners of IBCs.	Letter by the Financial Intelligence Unit evidencing installation of an online platform for registration of Beneficial Owners of IBCs and conduct of user acceptance tests.
6. Abolishment of CSR tax to encourage entrepreneurship.	Letter by MoFEP&T evidencing abolishment of CSR tax and accompanying Official Gazette.
Component 3: Improving Climate Change and Environmental Resilience	
7. Three (3) Government sectors have mainstreamed climate change policies/actions.	Letter by the Ministry of Agriculture, Climate Change and Environment enclosing action plans/reports of the following 3 Government sectors evidencing mainstreaming of climate change policies/actions: (i) environmental health (department of health); (ii) agriculture; and (iii) energy commission.
8. Establishment of a Committee to oversee the Nationally Determined Contributions (NDCs) validation process.	Letter by the Ministry of Agriculture, Climate Change and Environment evidencing existence of a Committee to oversee the Nationally Determined Contributions (NDCs) validation process and the accompanying draft NDC report.

5.5 Application of Good Practice Principles on Conditionality

5.5.1 The program design incorporates good practice principles on conditionality by: (i) aligning the program policy matrix with the Government's own reforms agenda to reinforce ownership; (ii) selecting prior actions and other measures that are critical for achieving results; (iii) using a programmatic approach to improve predictability of disbursements and reduce transaction costs; (iv) fostering mutual understanding of the objectives of the reforms with accompanying policy dialogue and technical assistance; and (v) closely coordinating the intervention with the World Bank and the IMF to ensure synergy and complementarities.

5.6 Financing Needs and Arrangements

Table 5: Government Fiscal Needs (millions of US\$, except as indicated)⁹

	2021	2022	2023
Revenue & grants	364.21	421.99	426.08
Expenditure & Net Lending	514.89	545.27	482.45
Overall balance (including grants)	-150.69	-123.28	-56.37
<i>As a % of GDP</i>	<i>-14.0</i>	<i>-8.2</i>	<i>-3.9</i>
Government borrowing requirements:			
Domestic financing	134.53	140.49	98.27
Foreign Financing:	175	100	175
Of which: AfDB	20	30	30
World Bank	40	40	40
IMF, Bilateral, etc	115	30	105
Memo Items:			
Primary current expenditure	342.44	398.42	385.52
Primary balance (including grants)	-116.51	-93.59	-23.72
<i>As a % of GDP</i>	<i>-9.7</i>	<i>-6.5</i>	<i>-2.3</i>
Nominal GDP	985.89	1,171.47	1,246.76
Debt to GDP ratio (%)	87.7	89.1	86.4
Source: Ministry of Finance, Economic Planning and Trade, Bank staff estimates			

5.6.1 The proposed GERSP loan will contribute to financing the fiscal gap due to declining fiscal revenues and increased spending while reducing the risks in the public debt profile. In the wake of the economic downturn emanating from the pandemic, revenues and grants in 2020 declined by 14% compared to 2019 (from SCR 8.4 billion in 2019 to SCR 7.2 billion in 2020). They are, however, expected to start recovering slowly from 2021 depending on how fast the pandemic is brought under control. On the other hand, because of decreased tax revenues and the Government's fiscal measures that were initiated in April 2020 to protect businesses and the citizens from the adverse impact of the pandemic, primary spending increased significantly by 43% in 2020 compared to 2019, from SCR 7.8 billion in 2012 to SCR 11.2 billion in 2020.

5.6.2 On account of the adverse effects of the COVID-19 pandemic, Seychelles has huge financing needs. The Government's medium-term budget framework has a financing gap of US\$ 175 million, US\$ 100 million, and US\$ 175 million in 2021, 2022, and 2023, respectively (Table 5). This gap totalling US\$ 450 million over the 2021-2023 budget period is expected to be bridged through domestic and external borrowing, with the Bank, the World Bank and the IMF leading on the external financing. The World Bank approved in March 2021 US\$ 30 million credit (of which US\$ 10 million is allocated to each year 2021, 2022, and 2023) that aims to strengthen the efficiency and effectiveness of social protection programs in the Seychelles. The World Bank is also preparing a DPO for an amount of US\$ 30 million for 2021, although the Government is seeking an increase of this amount. Discussions are ongoing regarding financing by the IMF, and the Government is also seeking support from bilateral partners. To mitigate risks posed by the short maturity of domestic debt, the Government intends to use the proceeds from the Bank's loan and those of other partners to restructure public debt during the fiscal periods 2021, 2022 and 2023.

5.7 Application of Bank Non-concessional Borrowing Policy

5.7.1 Seychelles is eligible to borrow from the ADB non-concessional window. Downside risks, however, remain elevated due to the pandemic with recovery depending on the return of tourists and capital inflows. The proposed operation supports the Government's plans to mobilize non-concessional resources to finance its development needs as articulated in the NDS 2019-2023, and within the framework of its Budget Strategy and Outlook and its Debt Management Strategy, 2021-2023. The structural reforms that will be supported by this operation have a development focus, with capacity to generate returns, create jobs and impact on economic competitiveness, while supporting Seychelles to prepare for post-pandemic

⁹ The exchange rate used for SCR conversion is that of the rate used for the 2021 Budget estimates which is US\$ 1 = SCR 22.6813 and for 2022 & 2023 US\$ 1 = SCR 20.14685. The foreign financing amounts are tentative only and under discussion with partners and therefore not confirmed at this stage.

recovery. This is by fostering macroeconomic stabilization, enhancing the fiscal space for increased development spending, and supporting reforms that enhance the business climate, foster economic transformation, and mitigate risks to debt sustainability.

VI. OPERATION IMPLEMENTATION

6.1 Beneficiaries of the Program

6.1.1 The beneficiaries will include the entire population of Seychelles, due to the broadness of the reform agenda and its impact on the entire public administration, economic growth, and environmental and climate resilience. The increased fiscal space generated will allow for greater spending on social programs oriented toward achieving the SDGs. Specific groups of beneficiaries will include: (i) users of publicly-provided social services (through more efficient budgeting and service delivery strategies); (ii) taxpayers (through a more judicious and efficient use of fiscal resources and efficient tax processes); (iii) domestic and foreign investors (through maintenance of overall macroeconomic stability, an improved investment climate and ease of foreign trade); (iv) the Seychelles workforce, including women employees facing layoffs due to the pandemic (through greater employment opportunities in higher value-added sectors); and, (v) the most disadvantaged members of the population, including outer islands (through increased fiscal space for social services and more effective service delivery). Beneficiaries include the private sector in general and the MSMEs, in particular, through improved business environment, access to finance, and climate resilience. Targeted interventions will be undertaken to ensure that women and youth are among the key beneficiaries of the program's activities. Direct beneficiaries are the Ministry of Finance, Economic Planning and Trade (MoFEP&T), Ministry for Investment, Entrepreneurship and Industry, Ministry of Agriculture, Climate Change and Environment, Ministry of Employment and Social Affairs, Public Utilities Corporation, Seychelles Energy Commission, and Seychelles Revenue Commission.

6.2 Impact on Gender, the Poor and Vulnerable Groups

6.2.1 The pandemic has exposed vulnerabilities of women. The persistent gender inequalities coupled with the pandemic crisis has affected women's health, livelihoods, and safety. The considerable loss of regular income left self-employed women, and those in the informal sector, in extreme dire conditions, particularly those involved in the tourism and services sectors. With most informal workers engaged in agriculture, manufacturing and construction, sectors heavily dominated by men, the male labour force was severely impacted. Women typically assume the responsibility of caring for sick family members, hence the pandemic has increased their burden of work as caregivers and put them at higher risk of contracting the infection themselves. The closure of schools and day-care facilities has compounded the situation, with a greater burden on single mothers, a common cultural occurrence in the country. Moreover, the pandemic has put a strain on available health care infrastructure with implications for sexual and reproductive health. Measures to contain the spread of COVID-19, such as lockdowns, have also increased gender-based violence, which is a significant problem in the country, both for men and women, though the latter are more severely impacted.

6.2.2 The program is expected to have a favourable impact on gender, as it puts emphasis on government entities committing to gender-responsive reforms, including revising their systems to capture gender statistics and introducing a gender-responsive Public Procurement Bill. Reforms to implement more efficient and effective delivery of public services will strengthen programs directly supporting women, including specialized health assistance, job re-training for those affected by the economic contraction and assistance for female micro-entrepreneurs. This proposed operation also improves access to credit to MSMEs, with a target of 30% for women-owned businesses. The ongoing transformation of the Seychelles economy is expected to create more and better income-generating opportunities for women and the youth. Women form a large portion of the workforce in the tourism industry; supporting existing businesses while developing higher value-added business opportunities in the tourism industry and elsewhere will offer women workers the change to transition into higher-skilled and higher-paid employment. Gender indicators are included in the Logical Framework to allow for concrete targeting of women as well as monitoring and evaluation throughout program implementation. **The proposed operation is classified as category 3 as per the Bank's Gender Marker System (Technical Annex 10).**

6.3 Impact on Environment and Climate Change

6.3.1 **The program is a Category 3 on the Bank’s Integrated Safeguards Systems.** It does not have environmental and social risk component that would require the preparation of an Environmental and Social safeguards Instrument. The project focuses on promoting solutions that will lead to advancing fiscal consolidation and creating fiscal space, strengthening public financial management, improving the business environment, and improving climate change and environmental resilience systems. The program activities leading to these outcomes are not expected to pose any adverse environmental and social risks and impacts, and no negative and site-specific undesirable environmental and social impacts are envisioned. The National Framework for the management of hazardous waste will be strengthened to anchor solid waste recycling strategy and procedures that would help prevent, monitor, and manage hazardous wastes against the backdrop of growing municipal solid waste levels (Technical Annex 12). **The program is also classified Category 3 on the Bank’s Climate Safeguards System.** This implies that the program will not have any adverse impact for which an environmental assessment is required, neither is it vulnerable to climate risks. Conversely, it will have positive impact on the environment by enhancing Government’s financial capacity to implement its environmental and climate change plans. Direct measures that are supported by this proposed operation, such as the strengthening of solid waste management practices and aligning Nationally Determined Contributions (NDCs) to the Paris Agreement, are direct efforts by the Government of Seychelles to reduce its national emissions and adapt to the impacts of climate change (Technical Annex 9).

6.4 Impact on Private Sector Development

6.4.1 **The proposed operation will contribute to improving overall good economic and financial governance in Seychelles and have a positive impact on the country’s competitiveness and private sector development.** By strengthening the regulatory framework, the private sector will have the required incentive to fully participate in the economy, particularly in the growth-enhancing and transformational investment opportunities in energy and solid waste management. These sectors have the greatest potential for attracting PPPs and this will enable Seychelles to raise needed financial resources for green transformative infrastructure projects.

6.5. Implementation, Monitoring and Evaluation

6.5.1 **Institutional Framework for Implementation:** The overall responsibility for the implementation of the program will remain with the MoFEP&T, in close collaboration with concerned line ministries, departments, and agencies, including the Ministry of Investment, Entrepreneurship and Industry, Ministry of Agriculture, Climate Change and Environment, and the Central Bank of Seychelles.

6.5.2 **Monitoring and Evaluation Arrangements:** The Principal Secretary, Economic Planning Department of the MoFEP&T will be the primary counterpart for the Bank in the country and will facilitate provision of the data and information required for monitoring the program. The Bank will semi-annually monitor actions and review progress on the implementation of the proposed operation in coordination with Seychelles’ main DPs. The quantitative indicators included in the program’s results framework are derived from the Policy Matrix developed collaboratively with the World Bank and agreed with the Government as priority measures for monitoring progress. These will be used for monitoring and evaluation (M&E) arrangements under this operation (Annexes 5 and Technical Annex 13). At the end of the program’s implementation, the Bank and the Government will prepare a joint Program Completion Report to evaluate program implementation, the outcomes achieved, and derive lessons that will inform future interventions.

6.6. Financial Management, Disbursement, and Procurement

6.6.1 **Country Fiduciary Risk Assessment (CFRA).** Seychelles’ **Public financial Management (PFM) system is reasonably adequate to support the proposed operation.** The Bank’s CFRA concluded that the country’s residual fiduciary risk was “Moderate” but also identified areas where risks were assessed as substantial, including lack of an integrated system to capture program activities (Technical Annex 8). The assessment also identified areas where the Government is deepening reforms in its PFM systems, including strengthening of the AML/CFT practices, aligning Government institutions with policy and

service delivery mandates, enhancing the transparency of public procurement, and improving monitoring of the operations of state-owned enterprises. In assessing the fiduciary risk, the Bank took note of the outcomes of the 2017 Public Expenditure and Financial Accountability Assessment (PEFA) and recent country policy documents, including the Program Performance-Based Budget Statements 2020, Office of the Auditor General Strategic Plan 2016-2020, and recent Report of the Auditor General 2018. The results of the PEFA 2017 indicated that the performance of the Government has been improving since the previous evaluations in 2011 and 2008, and is consistent in indicating a conducive PFM environment for the Program Based Operations.

6.6.2 Disbursement Arrangements: In line with the Bank’s PBO Policy, disbursement of the loan amount of UA 14 million (USD 20 million), for the proposed operation, will be subject to fulfilment of agreed prior actions. A single tranche disbursement is envisaged upon the fulfilment of agreed prior actions (Table 4, paragraph 5.4.1). Streamlined Appraisal Reports for the two subsequent operations in the programmatic series (for 2022 and 2023), together with indicative triggers, will be presented to the Board for consideration. Funds will be disbursed into a special account at the Central Bank of Seychelles following Board approval. The local currency equivalent of the funds deposited at the Central Bank of Seychelles will be transferred to the Government’s General Bank Account, which is the Treasury Single Account (TSA), to finance budgeted expenditures. The MoFEP&T, within a reasonable time, but not to exceed thirty (30) days of the receipt of the funds, will transmit a letter to the Bank confirming that the amount deposited in the foreign currency account has been credited to the TSA. The letter should clearly indicate the exchange rate used for the transaction.

6.6.3 Financial Management, Audit and Reporting Requirements: In line with the Bank Policy on PBOs, and the Paris, Accra and Busan declarations on aid effectiveness, the implementation, monitoring, and evaluation of the Program will follow the country’s systems, including audit arrangements. The Bank will rely on the External Audit Report issued by the Office of the Auditor General. The MoFEP&T will submit a copy of the audited Government of Seychelles consolidated financial statements to the Bank no later than six (6) months after the end of the fiscal year during which disbursement occurs. Given the country’s moderate PFM fiduciary risk level, the Bank will not require an audit of the flow of funds between the CBS and the MoFEP&T.

6.6.4 Procurement: In line with the Bank Policy on PBOs, procurement under this program will be undertaken using country systems. The “Procurement Policy and Methodology for Bank Group Funded Operations” dated October 2015 and the Bank Group’s Policy on Program-Based Operations, allow procurements to be carried out in line with the Seychelles Public Procurement Act, 2008 using the country’s oversight institutions.

VII. LEGAL DOCUMENTATION AND AUTHORITY

7.1 Legal Documentation

7.1.1 A Loan Agreement between the African Development Bank and the Republic of Seychelles.

7.2 Conditions Associated with the Bank Group Intervention

7.2.1 Conditions Precedent to Entry into Force of the Loan Agreement. The entry into force of the Loan Agreement shall be subject to the fulfilment by the Borrower of the provisions of Section 12.01 of the General Conditions Applicable to Loan Agreements of the African Development Bank.

7.2.2 Prior Actions: Before the Loan is presented to the Board for consideration, the Government of Seychelles shall have provided evidence to the Bank that the Prior Actions listed in Table 4 have been fully met.

7.2.3 Conditions Precedent to Disbursement of the Loan: The Loan will be disbursed in one tranche, subject to the entry into force of the Loan Agreement and the opening of a foreign currency special account at the *Central Bank of Seychelles* for the deposit of the proceeds of the Loan, in form and substance satisfactory to the Bank.

7.2.4 *Streamlined Appraisal Reports (SAR) for the second and third year of the programmatic series* (GERSP II and III) will be prepared at the end of phase I of the operation in 2022, and phase II of the operation in 2023, and presented to the Board for consideration. The SAR for the second year will indicate, inter alia, any applicable prior actions adopted before Board presentation and/or any conditions precedent to disbursement. A separate Loan Agreement shall be prepared for each phase of the programmatic operation.

7.3 Compliance with Bank Group Policies

7.3.1 **The GERSP complies with applicable Bank Group policies and guidelines**, including (i) the Policy and Guidelines on PBOs (2012 and 2013), (ii) the Bank Group TYS (2013-2022), (iii) the Strategy for Economic Governance in Africa (SEGA), (iv) the Gender Strategy (2021-2025) (v) the Bank Group Strategic Framework and Action Plan for the Prevention of Illicit Financial Flows in Africa, (vi) the Bank Group’s Strategy for Climate Risk Management and Adaptation (CRMA), (vi) the Bank Group Strategy for Jobs for Youth in Africa (2016-2025), and (vii) the Revised Staff Guidance on Quality at Entry Criteria and Standards for Public Sector Operations.

VIII. RISK MANAGEMENT

8.1 The risks and mitigation measures for this operation are presented in Table 6 and Annex 5.

Table 6: Risks and Mitigation Measures

RISK CATEGORY	RISK DESCRIPTION	RATING	MITIGATION MEASURE
COUNTRY’S POLITICAL AND GOVERNANCE CONTEXT	Risk #1: Policy uncertainty could arise from protracted global economic slowdown leading to social and political resistance to reforms	MODERATE □	This PBO provides a platform for the Bank to join other partners in continued dialogue with the Government.
MACROECONOMIC	Risk #2: Macroeconomic instability in the short-term due to the toll of the pandemic.	HIGH □	Vaccinations globally for long term protection of persons from COVID-19 will progressively revive tourism.
MACROECONOMIC	Risk #3: Rising level of public debt reached 99.4% of GDP in 2020 posing risk to debt sustainability	HIGH □	The Government has prepared a Debt Management Strategy, 2021-2023 that proposes measures to address this risk.
IMPLEMENTATION CAPACITY	Risk #4: Capacity constraints may derail timely implementation of reforms	SUBSTANTIAL □	Continued technical assistance support by development partners.

IX. RECOMMENDATION

8.1 Management recommends that the Board of Directors approve the proposed Loan of US\$ 20 million (UA 14 million) to the Republic of Seychelles for fiscal year 2021, from the resources of Bank, in the form of general budget support for the purposes, and subject to the conditions, stipulated in this report. Management invites the Board to note that this operation is the first part of a 3-year programmatic series, covering the fiscal years 2021 – 2023.

Annex 1: Letter of Development Policy



The Minister Ministry of Finance, Economic Planning and Trade

Republic of Seychelles
Liberty House, Victoria, Mahé

10th May 2021

Dr. Akinwumi Ayodeji Adesina
The President
African Development Bank Group
Avenue Joseph Anoma
01 BP 1387 Abidjan 01
CÔTE D'IVOIRE

SUBJECT: LETTER OF DEVELOPMENT POLICY

Mr. President:

1. This Letter of Development Policy outlines the recent socio-economic developments in Seychelles and the main challenges and the reforms that the Government is committed to implement over the 2021-2023 fiscal years and in pursuit of the development objectives as set out in Vision 2033, the National Development Strategy (NDS) 2019-2023 and the Medium-Term Fiscal Framework (MTFF), 2021-2023. The African Development Bank (AfDB) has played a pivotal role in Seychelles' development progress over the past decades. It is in this context that the Government of Seychelles is seeking the AfDB's budget support financing for the governance and economic reform program that will enable Seychelles' economy to emerge stronger from the COVID-19 economic crisis.

I. Background

2. As a young democracy, Seychelles continues to enjoy a stable political environment with sound governance indicators. The recent presidential elections that took place in October 2020 were won by H.E. Wavel Ramkalawan who then formed a new Government. Seychelles' rule of law and governance frameworks remain strong, ranking 3rd/54 in the 2020 Mo Ibrahim Index of African Governance Index, with high scores in 'Human Development' and 'Safety and Rule of Law' clusters. The country is ranked 27/180 globally on the 2021 Transparency International's Corruption Perceptions Index (CPI) for 2020 up from 36/180 in 2017 and maintains a first position ranking in sub-Saharan Africa. Seychelles has made impressive economic progress over the past decades, with the country's GNI per capita increasing from USD 2,080 in

1980 to USD 13,710 in 2015, thereby reaching high-income status. By 2019 the country GNI per capita reached more than USD 17,000 making Seychelles among the richest in Africa.

3. Despite these socio-economic gains, major challenges remains. A major challenge is the economy's high vulnerability to external shocks as demonstrated by the devastation of the economy due to the global impacts of the COVID-19 pandemic. Other challenges are infrastructure constraints, especially in renewable energy and sewerage and solid waste management systems. Further, as a small island state, Seychelles is highly vulnerable to climate change, notably marine degradation, and extreme weather conditions. Seychelles narrow economic structure that rely on tourism and fisheries and a few markets in Europe and the Middle East are other major challenges.

II. Medium-Term Development Objectives

4. To commence on the journey of tackling the constraints Seychelles is faced with, the Government launched in 2019, the Seychelles' National Development Strategy (NDS) 2019-2023 under the new Vision 2033 and which is underpinned by six pillars: (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, namely, the United Nations (UN) Agenda 2030, the Sustainable Development Goals (SDGs), and the African Union's Agenda 2063.

5. More recently, the Medium-Term Fiscal Framework (MTFF), 2021-2023 that the Government issued in February 2021 and the accompanying 2021 Budget outline several measures that the Government is committed to implement over the short-to-medium term. The measures will enable Seychellois to be in a better position to take opportunities that the global economy will present post COVID-19 crisis. Among the immediate priorities, as stated in the 2021 Budget, is for the Government's budget to become more sustainable. This calls for reduction in fiscal deficits and making a gradual transition towards making Government debt sustainable. Several measures are envisaged in this regard, including reducing Government spending, removing abuse and corruption in Government, and removing dependence on social assistance by those individuals who can work. Further, there is need for putting in place policies that will relaunch the economy in in key sectors of tourism, fisheries, agricultural, financial, and the digital economy.

III. Reform Track Record

6. Since 2009, Seychelles has embarked on broad structural reforms with the support of the AfDB, the World Bank and the International Monetary Fund (IMF). These reforms included enhancing the business environment and promoting effective fiscal and debt management practices. The IMF in January 2017 completed its fourth and fifth review of Seychelles' performance under its Extended Fund Facility (EFF) arrangement and commended the government for remaining on track on the agreed reform agenda to end-June 2016. More recently, in August 2020 the IMF issued an interim staff report on the performance of Seychelles under a three-year Policy

Coordination Instrument (PCI) that it had approved in December 2017 and that had undergone successful fourth review in December 2019. However, the IMF, in its September 2020 review noted that the heavy toll of the COVID-19 pandemic had pushed the fiscal target for end-June 2020 out-of-reach.

7. Seychelles is thankful of the support the AfDB has continued to provide across several sectors including water and sanitation. As regards budget support, the AfDB has supported Seychelles reform programs through a series of operations, namely the Economic Governance Reforms Program for an amount of UA 12.6 million that was fully implemented in June 2011, the Inclusive Private Sector Development (PSD) and Competitiveness Program I for an amount of UA 14 million that was closed in December 2014. The Government also continues to successfully implement reforms agreed with the Bank, the world Bank, and the IMF under the respective COVID-19 emergency response operations. Importantly, in 2008 when Seychelles defaulted on its international debt payments the Bank stepped in to support a debt restructuring initiative over the 2009-2013 period. This involved the AfDB issuing a policy Based Partial Credit Guarantee that enabled Seychelles to achieve major debt rescheduling objectives. The Government of Seychelles is also grateful for the several technical assistance projects that the AfDB has provided and continue to provide in many sectors of the economy. The Government will build on this success as we embark on the next phase of our reform agenda as outlined in the rest of this Letter of Development Policy.

IV. Economic Performance

Real GDP growth

8. Economic growth averaged 4.2% over the 2016-2019 period supported by strong performance in the tourism and the information and communication (ICT) sectors. Growth, however, contracted sharply in 2020 by 13.5% because of a decline in tourism activities due to the adverse effects of the COVID-19 pandemic. GDP growth is projected to recover in 2021 to 2.08% and by 3.5% in 2022, pegged on the recovery in tourism activities. This, however, depends on the success of the ongoing vaccinations efforts, globally. Looking ahead, the main sectoral drivers for growth will remain tourism, fisheries, financial services, and the digital economy as supported by Seychelles' ICT infrastructure that the AfDB has financially supported to develop.

Fiscal position

9. Before the pandemic, Seychelles maintained overall fiscal surpluses ranging between 0.2%-0.9% of GDP over the period 2016-2019. However, because of the devastating effects of the pandemic, the 2020 fiscal performance has deteriorated with the overall fiscal deficit being estimated at 15.3% of GDP in 2020. This is mainly because of the fiscal measures that the Government introduced to protect business and the people from the adverse economic shocks on the pandemic.

Public debt

10. The Government had put in place a strategy to reduce public debt to less than 50% of GDP by end-2021 and in line with this objective, public debt stood at about 60% of GDP at end-2018. However, because of the fiscal measures that were instituted

to protect the economy and the people from the pandemic, the debt-to-GDP ratio rose to 99% at end 2020. The end October 2020, public debt stood at to SCR 18.1 million and is expected to reach 108% of GDP in 2021. A substantial portion of the debt with short-term maturities is domestic debt. This poses major fiscal risks, but the Government is working with the IMF and the World Bank on a debt sustainability analyses (DSAs) and a package of reforms that will bring debt back to a sustainable path.

Monetary and external sectors

11. The Central Bank of Seychelles (CBS) has maintained an accommodative stance during this period of the pandemic. The CBS reduced the Monetary Policy Rate (MPR) by 100 bps to 4% in April 2020 and in June 2020 by a further 3%. Because of supply side disruptions and the depreciation of the SCR/US\$ to an average rate of 21.35 per US\$ in February 2021 from about 13.9 in 2019, the annual inflation rose from 0.97% in July 2020 to 7.62% in January 2021. The current account deficit was high at about -29.7% in 2020. Gross international reserves declined to about 4 months of imports in 2020. The Government is seeking an arrangement with the IMF under its Extended Fund Facility (EFF) to help protect the Seychelles external sector.

V. Cross-cutting Issues

12. Seychelles' private sector plays a major role in its contribution to growth and employment. In 2018, the private sector contributed to about 65% of employment and about 60% of GDP. Although independent power producers (IPPs) are permitted to engage in generating renewable energy, their presence is limited due to uncompetitive feed-in tariffs. Doing business surveys continue to rank Seychelles lowly in areas of access to financing, labour ethics, inadequately educated workforce, and supply of infrastructure, for example in energy. In particular there are issues relating to limited access to finance by MSMEs. Seychelles has potential to become a financial technology (FinTech) hub but the financial sector continue to face regulatory challenges for example as regards International Business Companies (IBCs).

13. Another challenge is unemployment among the youth which in 2019 was about 11.6% although total unemployment was relatively low at 2.7% though it has slightly risen to 4% in 2020. Despite the higher youth unemployment rates, the economy continues to rely on foreign workforce across many sectors. The pandemic has brought to the fore gender inequalities issues as women face considerably higher loss of regular income since they are the majority who derive their livelihood in the informal sector, particularly in the tourism. As small island state, Seychelles is vulnerable to the adverse impacts of climate change. Seychelles' per capita municipal solid waste (MSW) generation is high at about 2.45 kg/day. Finally, like other small islands states Seychelles' waste management infrastructure is constrained by unavailability of land for landfills. Seychelles remains committed to reducing the GHG emissions in the energy, waste sectors and the transport sector by for example increasing use of electric cars.

VI. The Reform Agenda

14. Over the 2021-2023 fiscal years, the Government's broad reforms agenda cover areas of climate change, public procurement, state owned enterprises, education reform, specifically technical and vocational training, debt management, and public

administration and results-based management. President Ramkalawan, in January 2021 launched a major restructuring program that ultimately will make the public sector, including state-owned enterprises (SOEs), be more efficient in the use of public resources. There are also reforms that aim to enable the private sector, including the micro and small medium enterprises (MSMEs) be more competitive in international markets so that they can capture the dividends of global value chains.

15. The reforms that underpin the MTF 2021-2023 cut across several areas but broadly aim to reinforce governance and economic management in the public sector including state-owned enterprises so as to sustain inclusive growth momentum while mitigating the adverse impacts of the COVID-19 pandemic. These include: (i) strengthening oversight over state-owned enterprises; (ii) reinforcing the financial sector by amending anti-money laundering and combating the financing of terrorism (AML/CFT) frameworks; (iii) making progress towards achieving fiscal and debt sustainability in the medium term; (iv) strengthening the efficiency and effectiveness of social protection programs; (v) strengthening the environment for doing business including expediting business start-up and export compliance procedures; (vi) improving tax administration and tax compliance; (vii) ensuring accountability and transparency is entrenched in the public service, especially in the area of public procurement; and (viii) reinforcing Seychelles' green growth agenda including environmental and climate resilience.

Achieving Fiscal Sustainability

16. **Maintaining fiscal prudence remain a key priority of the Government.** Over the medium term the Government aims to strengthen the operational efficiency of the Seychelles Revenue Commission (SRC) in areas of tax administration to enhance revenue collection. Major efforts in this area include the strengthening of customs procedure at the enhance the facilitation imports and export trade and reduce the cost and time it takes for Seychelles business, particularly MSMEs to engage in international trade transactions. At the SRC there will be reforms on major systems such as the ASYCUDA whose functionality need to be upgraded, the installation of a cargo tracking system, and the development of risk-management methods including introduction of the authorized economic operator status for traders. The Government also envisages to revamp the tax administration procedures at the SRC by implementing electronic services to replace the existing manual systems. This includes the installation of electronic filing of tax returns and systems and automating the linkage of the 'Global Forum's Automatic Exchange of Information' to SRC application to facilitated tax compliance procedures. Also, there are plans to improve the effectiveness of the SRC in tax administrative matters by introducing a common client/taxpayer database and improving the tax audit skills of its professionals.

17. Another aspect of the reform program aims to enhance accountability and transparency in the public sector. This includes reinforcing oversight over SOEs operations to ensure that they remain accountable to the Government. To achieve this, the Government aims amend the Public Enterprise Monitoring Commission (PEMC) to make PEMC accountable for overseeing the operations of SOEs. Seychelles continues to partner with the Open Government Partnership to strengthen its E-Government systems that the Government views as crucial in the fight against corruption in the public sector. Another aspect of the reform agenda involves making amendments to the

public procurement law to close gaps relating to inefficiency in the procurement process and corrupt practices. To strengthen Seychelles' offshore financial sector the Government in March 2021 enacted amendments to the AML/CFT Act 2020 and the Beneficial Ownership Act 2020. Other fiscal measures aim to reform the social protection program with technical support of the World Bank. A major measure in this regard is to implement reforms that aim to achieve better targeting of social welfare spending.

18. To make the level of public debt sustainable, the Government's Debt Management Strategy, 2021-2023 has proposed several measures that include lengthening maturity profile of domestic debt. This plus other measures including the implementation of fiscal consolidation measures that will rationalize public spending are being discussed with the IMF in the context of the Debt Sustainability Analysis. In the meantime, to enhance transparency over public debts, the Governments will be publishing an annual debt bulletin that will disclose information such as debt service profile and risk indicators.

Enhancing the Environment for Doing Business

19. To deepen MSMEs access to finance especially during this difficult period of the pandemic, the CBS launched a Private Sector Relief Credit Line Facility of SCR500 million in May 2020 that targets MSMEs with a sales turnover of SCR25 million or less. This scheme is managed by commercial banks, the Development Bank of Seychelles (DBS), and Seychelles Credit Union (SCU). However, the uptake of the credit line by MSMEs is low. This is going to improve, however, as the Government is working towards removing the challenges that MSMEs face in accessing credit. Efforts include strengthening data sharing arrangements that are in existence among banks and financial institutions to include retailers' and utilities' transactions. Other reform measures that will enhance the environment for doing business expediting corporate insolvency resolution process by amending the Companies Act and Insolvency Act, expediting the registration processes for new companies and extending digital services in the public sector in areas of business registrations and submission of returns by International Business Companies (IBCs). Another measure that was introduced in the 2021 Budget is the abolishment of the Corporate Social Responsibility (CSR) tax that was introduced in January 2013 and that is viewed by businesses as punitive and as not recognizing entrepreneurial efforts. The Government is also working on a Technical and Vocational Education and Training (TVET) policy and strategy to strengthen implementation of TVET and to ensure its relevance and alignment to the labour market needs. Efforts in this area also includes the development of a National Entrepreneurship Education Policy and Strategy for 2022-2026.

Fostering Climate Change and Environmental Resilience

20. The Government will be submitting the Seychelles revised Nationally Determined Contributions (NDC) to the United Nations Framework Convention for Climate Change (UNFCCC) in May 2021. These submissions will guide the Government's agenda on climate resilience across sectors and in particular infrastructure developments. Despite past support by the ADB Bank that led to development of a public-private partnership (PPP) framework, there are challenges in its implementation. Beyond basic capacity constraints that need to be addressed, Seychelles is also working towards enhancement of regulatory frameworks, for

example an Integrated Resource Plan (IRP), and a Renewable Energy and Energy Efficiency Strategic and Implementation Plan. There are also plans to develop a strategy that outlines short to medium term electricity generation. This will help address weak policy environment in place that hinder private sector participation. There are also measures to review energy feed-in tariffs to foster higher investments in renewables by providing favourable grid access conditions. In this regard, a paper will be presented to the Cabinet for approval to facilitate the move towards a cost-reflective tariff system. Finally, as regards municipal solid waste sector, major reforms include the establishment of solid waste recycling procedures and an Extended Producer Responsibility (EPR) policy.

VII. Conclusion

21. The Government is determined to continue implementing reforms to protect Seychellois and create jobs for the youth while preparing for post-COVID-19 recovery. We are counting on the African Development Bank to support the above-mentioned governance and economic reforms to minimize the impact of the pandemic and to enable that the economy returns to its fiscal prudence and sustainable growth performance.

Please accept, Mr. President, the assurances of my highest consideration.

Yours sincerely



MR NAADIR N. H. HASSAN
MINISTER

Annex 2: Assessment of Eligibility Criteria for PBOs

Prerequisites	Country Eligibility
<i>Government Commitment</i>	Republic of Seychelles has defined, in its Budget Strategy and Outlook towards 2023, the structural reforms and policy measures that are required to overcome the developmental challenges the country is currently faced with amid the downturn in economic activities due to the COVID-19 crisis. The country's commitment to poverty reduction and inclusive growth is underpinned by priorities stated in the National Development Strategy (NDS) 2019-2023, whose overarching goal is to promote economic transformation based on a vibrant private sector activity that supports inclusive, and green growth. Social sector spending in Seychelles is significantly high as demonstrated by the country's comprehensive social protection policies on the continent, with about 21% of the population accessing some form of social support. Moreover, Government has offered a comprehensive social protection response covering nearly the whole population. Sustaining the measures for a prolonged period may become a challenge if additional financing is not available. In this regard, government has increased allocation to the Social Protection Agency to expand safety nets to informal workers and other vulnerable groups, amidst competing expenditure priorities which has led to the widening of the budget deficit.
<i>Macroeconomic framework</i>	Macroeconomic stability is an integral part of the Government's reform agenda under the NDS 2019-2023. The underlying goal is diversification of the economy from primarily tourism is also sought in the medium run with further development of the fisheries sector, underwater resources exploitation (Blue Economy), and financial services sector. Seychelles economy is insufficiently diversified as the country heavily depends on two main sectors of the economy, namely tourism and fisheries that contribute to a combined 80% of GDP and employment. Real GDP growth has posted robust figures, averaging 5.6% during 2011-15, and around 4.4% during 2016-2018 in 2016 and 5.3% in 2017, though it slowed down to around 3.5 % in 2019, due to emerging challenges related to uncertainty over economic performance in the Euro Zone. Before the advent of COVID-19, the medium-term growth outlook was deemed 'favorable, with GDP projected to grow at 3.4% in 2020/21 period. With the pandemic, however, the projected economic performance has been revised to a contraction of GDP by about 13.5% for the 2020 period, as the main economic sector, tourism heavily suffers due to the pandemic. Public debt level is expected to spike with reduced domestic revenues and increased spending on social protection programs. In this regard, the net present value of Seychelles' public debt that stood at 60% of GDP at end-2018 is now projected to rise to 99%. A fiscal consolidation plan has been put in place to lay a foundation for economic recovery over the 2021 to 2023 period. The country's relations with the IMF remain strong. The IMF in January 2017 completed its fourth and fifth review of Seychelles' performance under its Extended Fund Facility (EFF) arrangement and commended for remaining on track on the agreed reform agenda to end-June 2016. More recently, in August 2020 the IMF issued an interim staff report on the performance of Seychelles under a three-year Policy Coordination Instrument (PCI) that it had approved in December 2017 and that had undergone successful fourth review in December 2019. The IMF noted that the heavy toll of the COVID-19 pandemic had pushed the fiscal target for end-June 2020 out-of-reach, but Seychelles continued to make progress on structural reforms. The IMF is currently discussing with the Government of Seychelles for a financing program under its EFF .
<i>Political stability</i>	The Republic of Seychelles has passed through a series of political configurations namely: a coalition government, one-party state and the reintroduction of multiparty politics. Major reforms of the political system, as well as economic and social policies were initiated since the early 1990s. Multiparty politics returned to the country's political landscape in 2016. The two main objectives of those reforms are to increase income per capita with the aims of improving living conditions of the Seychellois and to establish sustainable macroeconomic balances. Seychelles is a presidential system and its governance structure consists of three institutions as established under its Constitution: Executive, Legislature, and the Judiciary. Each institution is independent of each other and has its own strategic development objectives. Seychelles governance is characterized by an open, multiparty democratic system in which free and fair elections consistently allow for the transfer of power from one party to another. The country is characterized by political stability and absence of violence or terrorism. The last presidential elections took place from 22 to 24 October 2020 and were won with a score of 54.9 percent of valid votes cast, by the opposition candidate, Wavel Ramkalawan who was running for the presidency for the sixth time.
<i>Satisfactory fiduciary risk assessment</i>	In line with the Bank Group's Policy on Program-Based Operations (2012) and as part of the preparation of the COVID-19 Crisis Response Budget Support Program that was approved by the Boards in June 2020, the Bank updated its CFRA that was carried out in 2015 as part of the CSP (2016-2020). In assessing the fiduciary risk, the team made reference to the Public Expenditure and Financial Accountability Assessment (PEFA) of 2017, and recent developments captured in the country's policy

	<p>documents and reports including the Seychelles National Development Strategy (NDS) 2019-2023, Public Finance Management Action Plan (2017–2020), Program Performance Based Budget Statements 2020, Office of the Auditor General Strategic Plan 2016-2020, Report of the Auditor General 2018, among other documents. The overall conclusion, based on the assessment, is that the residual fiduciary risk is “Moderate”, and that Seychelles PFM Systems is adequate to implement Bank-financed operations. The results of the PEFA 2017 indicate that the performance of the Government has carried on improving since the previous evaluations in 2011 and 2008 and is consistent in indicating a conducive Public Financial Management (PFM) environment for the PBO</p>
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Annex 3: IMF Country Relations Note

Introduction: Seychelles became a member of the International Monetary Fund (IMF) on June 30, 1977 and has benefitted from a series of programs with the IMF since the 2008. The Authorities have remained committed in implementing sound macroeconomic policies and comprehensive structural reforms since then, notably in recent years under the last Extended Fund Facility (EFF) that ended in December 2017. On December 2017, the country became the first IMF member to have entered into a new 3-year IMF arrangement under the Policy Coordination Instrument (PCI) based on a non-financing Fund instrument that supports countries seeking assistance to develop and help monitor progress in a reform agenda.

Performance Under the PCI: Performance was strong until the onset of the economic fallout of the pandemic. The first four reviews under the PCI were concluded on time. All end-December 2019 quantitative targets for the 5th review were met: the floors on the primary fiscal surplus and net international reserves (NIR) at end-December 2019 were both exceeded by comfortable margins. The 12-month average inflation rate at end-2019 was well within the inner bound of the monetary policy consultation clause (MPCC). The authorities had not imposed any foreign exchange restriction in line with the continuous target under the PCI. Reform targets on the legal framework for a risk-based approach to AML/CFT supervision was implemented and the legal framework to strengthen entity transparency was partially implemented in March 2020, but the other 5th review RTs were delayed: operational and governance assessment of Air Seychelles; and a policy framework paper for Basel II pillar 1 and Basel III capital definition.

Addressing the COVID-19 Pandemic: On May 8, 2020 the IMF approved Seychelles' request for emergency financial assistance under the Rapid Financing Instrument (RFI) of about US \$31.2 million. This was equivalent to SDR 22.9 million (about US\$31.2 million, or 100 percent of quota) and the purpose was to meet the country's urgent balance of payment needs stemming from the COVID-19 pandemic. While approving the RFI, the IMF noted that: (i) the near-term economic fallout of the COVID-19 pandemic is expected to be severe. Restriction in travel will hinder tourism and weaken fiscal and external positions, creating large additional financing needs; and (ii) the authorities reacted swiftly by taking immediate measures of containment, including border closures, strengthening health policy responses and supporting households and firms. The IMF also assured that it will continue to monitor Seychelles' situation closely and remain in close dialogue with the authorities.

Extended Fund Facility (EFF): The IMF is currently discussing with the Government of Seychelles for a financing program under its EFF which is a co-financing element of the Bank and the World Bank's budget support operations.

Article IV Consultation:

The IMF has continued its periodic monitoring through Article IV consultations the latest of which was the 2019 Article IV Consultation that was conducted concurrently with the 3rd review under the PCI.

Source: International Monetary Fund

Annex 4: Indicative Triggers for Phase II

Measures	Evidence
Component 1: Advancing Fiscal Sustainability	
Upgrade of ASYCUDA ¹⁰ system functionality	Letter by SRC evidencing upgrade of ASYCUDA system functionality accompanied by user acceptance test results.
Approval by Cabinet of the amendments to PEMC Act	Letter evidencing approval by the Cabinet of amendments to the PEMC Act.
Approval by the Cabinet of the amended gender-responsive Public Procurement Bill	Copies of the Supplement to Official Gazette with amended Public Procurement Act
Component 2: Improving the Business Environment	
90% uptake by MSMEs of the credit line of SCR500 million under CBS' Private Sector Relief Scheme	Status report available on the Central Bank of Seychelles website showing the uptake by MSMEs of the credit facility under CBS' Private Sector Relief Scheme.
Approval by Cabinet the TVET Policy and Strategy	Letter evidencing approval by the Cabinet the TVET Policy and Strategy.
Approval by Cabinet of National Entrepreneurship Education Policy and Strategy (2022-2026)	Letter evidencing approval by the Cabinet of the National Entrepreneurship Education Policy and Strategy (2022-2026) and the accompanying publication.
Component 3: Improving Climate Change and Environmental Resilience	
Approval by the Cabinet of a strategy outlining short to medium term electricity generation options, including on renewables	Letter evidencing approval by the Cabinet of the strategy outlining short to medium term electricity generation options, including on renewables and the accompanying publication.
Approval by the Cabinet of a revised feed-in tariff policy for renewable energy	Letter evidencing approval by the Cabinet of revised feed-in tariff policy for renewable energy and the accompanying publication.
Approval by the Cabinet of a policy paper on solid waste recycling procedures and an Extended Producer Responsibility Framework	Letter evidencing approval by the Cabinet of a policy paper on solid waste recycling procedures and an Extended Producer Responsibility Framework

Note: These triggers are tentative and are subject to change during appraisal.

¹⁰ ASYCUDA stands for UNCTAD Automated System for Customs Data.

Annex 5: GERSP Risks and Mitigation Measures

RISK CATEGORY	RISK DESCRIPTION	RATING	MITIGATION MEASURE	RISK OWNER
COUNTRY'S POLITICAL AND GOVERNANCE CONTEXT	Risk #1: Risk of policy uncertainty: Global economic slowdown would deepen if COVID-19 pandemic crisis is not brought under control sooner. Risks could then arise related to the slow implementation of measures to enhance revenues and achieve fiscal consolidation due to social and political resistance.	MODERATE □	This PBO provide a platform for the Bank to join other partners, including the IMF and the World Bank in continued dialogue with the Authorities to sustain the implementation of planned reforms. Sustained developmental support from development partners is crucial at this time.	Government of Seychelles
MACROECONOMIC	Risk #2: Macroeconomic instability: Seychelles' vital tourism industry has been ravaged by the global crisis caused by COVID-19 pandemic. Consequently, short-term macroeconomic outlook is weak.	HIGH □	(i) Global vaccinations for protection of persons from COVID-19 disease will mitigate this risk; (ii) The Government has also stepped up its action to vaccinate most of the population; and (iii) the Bank and other partners have ongoing programs to mitigate adverse effects of the pandemic.	Government of Seychelles
MACROECONOMIC	Risk #3: Rising level of public debt: Seychelles' debt levels reached 99.4% of GDP in 2020, of which 49.9% is domestic debt and 50.1% is external debt. More than 85% of total debt amounting to SCR 5.7 bn that is due for redemption in 2021 is domestic. The rising levels is posing a risk to debt sustainability.	HIGH □	The Government has developed the Debt Management Strategy (DMS), 2021-2023 to address the risk to debt sustainability. The DMS outlines measures to bring down the redemption profile of total debt over the medium to long term to better align it with that of external debt which comprises of longer-term instruments. This PBO is supportive of the Government's debt restructuring plans	Government of Seychelles
CAPACITY OF IMPLEMENTING ENTITY	Risk #4: Risk of capacity constraints: Capacity constraints could derail timely implementation of the envisaged reforms.	SUBSTANTIAL □	Continued Technical Assistance support by Seychelles' Development Partners, including the planned TAs by the Bank that complement's this operation aims to address this concern.	Government of Seychelles

Annex 6: Environmental and Social Compliance Note

ENVIRONMENTAL AND SOCIAL COMPLIANCE NOTE (ESCON)



AFRICAN DEVELOPPEMENT BANK GROUP

A. Basic Information¹¹

Project Title: Governance and Economic Reforms Support Programme		Project "SAP code": P-SC-K00-022	
Country: Seychelles	Lending Instrument ¹² : DI <input checked="" type="checkbox"/> FI <input type="checkbox"/> CL <input type="checkbox"/> BS <input type="checkbox"/> GU <input type="checkbox"/> RPA <input type="checkbox"/> EF <input type="checkbox"/> RBF <input type="checkbox"/>		
Project Sector: Governance and Public Finance Management		Task Team Leader: Camille KARAMAGA	
Appraisal date: 15 th April, 2021		Estimated Approval Date: 16 th June 2021	
Environmental Safeguards Officer: xxxxx			
Social Safeguards Officer: Kingsley EJIM			
Environmental and Social Category: 3	Categorization date: 29 th , March 2021	Operation type: SO <input checked="" type="checkbox"/> NSO <input type="checkbox"/> PBO <input type="checkbox"/>	
Is this project processed under rapid responses to crises and emergencies?		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
Is this project processed under a waiver to the Integrated Safeguards System?		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	

B. Disclosure and Compliance Monitoring

B.1 Mandatory disclosure

Environmental Assessment/Audit/System/Others (specify:)		
Was/Were the document (s) disclosed <i>prior to appraisal</i> ?	Yes <input type="checkbox"/>	No <input type="checkbox"/> NA <input checked="" type="checkbox"/>
Date of "in-country" disclosure by the borrower/client	NA	
Date of receipt, by the Bank, of the authorization to disclose	NA	
Date of disclosure by the Bank	NA	
Resettlement Action Plan/Framework/Others (specify:)		
Was/Were the document (s) disclosed <i>prior to appraisal</i> ?	Yes <input type="checkbox"/>	No <input type="checkbox"/> NA <input checked="" type="checkbox"/>
Date of "in-country" disclosure by the borrower/client	NA	
Date of receipt, by the Bank, of the authorization to disclose	NA	
Date of disclosure by the Bank	NA	
Vulnerable Peoples Plan/Framework/Others (specify:)		
Was the document disclosed <i>prior to appraisal</i> ?	Yes <input type="checkbox"/>	No <input type="checkbox"/> NA <input checked="" type="checkbox"/>
Date of "in-country" disclosure by the borrower/client	NA	
Date of receipt, by the Bank, of the authorization to disclose	NA	
Date of disclosure by the Bank	NA	
If in-country disclosure of any of the above documents is not expected, as per the country's legislation, please explain why: NA.		

B.2. Compliance monitoring indicators



Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	Yes <input type="checkbox"/>	No <input type="checkbox"/>	NA <input checked="" type="checkbox"/>
Have costs related to environmental and social measures, including for the running of the grievance redress mechanism, been included in the project cost?	Yes <input type="checkbox"/>	No <input type="checkbox"/>	NA <input checked="" type="checkbox"/>
Is the total amount for the full implementation for the Resettlement of affected people, as integrated in the project costs, effectively mobilized and secured?	Yes <input type="checkbox"/>	No <input type="checkbox"/>	NA <input checked="" type="checkbox"/>
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	Yes <input type="checkbox"/>	No <input type="checkbox"/>	NA <input checked="" type="checkbox"/>
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	Yes <input type="checkbox"/>	No <input type="checkbox"/>	NA <input checked="" type="checkbox"/>

C. Clearance

¹¹ **Note:** This ESCON shall be appended to project appraisal reports/documents before Senior Management and/or Board approvals.

¹² **DI**=Direct Investment; **FI**=Financial Intermediary; **CL**=Corporate Loan; **BS**=Budget Support; **GU**=Guarantee; **RPA**=Risk Purchase Agreement; **EF**=Equity Financing; **RBF**=Results Based Financing.

Is the project compliant to the Bank's environmental and social safeguards requirements, and to be submitted to the Board? Yes No

<i>Prepared by:</i>	<i>Name</i>	<i>Signature</i>	<i>Date</i>
Environmental Safeguards Officer:	xxxx		
Social Safeguards Officer:	Kingsley EJIM		May 10 th , 2021
Task Team Leader:	Camille KARAMAGA		May 10 th , 2021
<i>Submitted by:</i>			
Sector Director:	Abdoulaye COULIBALY		May 11 th , 2021
<i>Cleared by:</i>			
Director SNSC:	Maman-Sani ISSA		11/05/2021

Annex 7: Country Map

