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AFRICAN DEVELOPMENT BANK

PROGRAMME: **ECONOMIC RESILIENCE AND GREEN RECOVERY SUPPORT PROGRAMME (ERGRSP) – PHASE II**

COUNTRY: **THE REPUBLIC OF SEYCHELLES**

STREAMLINED APPRAISAL REPORT

July 2025

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AFRICAN DEVELOPMENT BANK

RAPPORT D'ÉVALUATION DE PROGRAMME

ECONOMIC RESILIENCE AND GREEN RECOVERY SUPPORT PROGRAMME (ERGRSP) – PHASE II

THE REPUBLIC OF SEYCHELLES

RDGE/ECGF

July 2025

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Currency Equivalents

June 2025

1 UA	=	United States Dollar (US$)	1.35671
1 UA	=	European Euro (EUR)	1.19650
1 UA	=	Seychelles Rupee (SCR)	19.79711
1 US$	=	Seychelles Rupee (SCR)	14.59200
1 EUR	=	Seychelles Rupee (SCR)	16.54585

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/ Countering the Financing of Terrorism
bps	Basis Points
CBS	Central Bank of Seychelles
CDN	Country Diagnostic Note
COVID-19	Coronavirus Disease of 2019
MDI	Multidimensional Poverty Index
MIC TAF	Middle-Income Countries Technical Assistance Fund
MoACCE	Ministry of Agriculture, Climate Change & Environment
MoESA	Ministry of Employment and Social Affairs Seychelles
MoFBE	Ministry of Fisheries and the Blue Economy
MoFNPT	Ministry of Finance, National

	Planning and Trade
CPIA	Country Policy and Institutional Assessment
CPPR	Country Portfolio Performance Review
CRBS	COVID-19 Crisis Response Budget Support
CSD	Central Securities Depository
CSP	Country Strategy Paper
DBS	Development Bank of Seychelles
DPs	Development Partners
ERGRSP	Economic Resilience and Green Recovery Support Programme
FAPA	Fund for African Private Sector Assistance
FDI	Foreign Direct Investment
FIU	Financial Intelligence Unit
GDP	Gross Domestic Product
GNI	Gross National Income
GoS	Government of Seychelles
HDI	Human Development Index
ESA	Enterprise Seychelles Agency
ICT	Information Communication Technology
IFMIS	Integrated Financial Management System
IIAG	Ibrahim Index of African Governance
ILP	Indicative Lending Program
IMF	International Monetary Fund
MTFF	Medium-Term Fiscal Framework
M&E	Monitoring and Evaluation
MoIEI	Ministry of Investment, Entrepreneurship & Industry
MSMEs	Micro, Small, and Medium Enterprises
NBSS	National Bureau of Statistics
NDC	National Determined Contributions
NDS	National Development Strategy
NSO	Non-Sovereign Operations
OCL	Operational Country Limit
PEMC	Public 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
RTGS	Real-Time Gross Settlement
SCR	Seychelles Rupee
SDGs	Sustainable Development Goals
SFA	Seychelles Fishing Authority
TA	Technical Assistance
TVET	Technical and Vocational Education and Training
TYS	Ten Year Strategy
UA	Unit of Account
US$	United States Dollar
WDI	World Development Indicators

Programme 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, National Planning and Trade (MoFNPT)**

Financing plan

Source	Amount/Instrument (2024)	Amount/Instrument (2025)	Amount/Instrument (2026)
ADB	US$ 25 million/Loan	US$ 25 million/Loan	TBD
World Bank	US$ 23 million/ Loan	US$ 15 million/ Loan	US$ 15 million/ Loan
IMF	US$ 25 million/ Loan	US$ 16 million/ Loan	US$ 8 million/ Loan
TOTAL COST	**US$** 73 **million**	**US$ 56 million**	

Loan Terms

Loan Type	Fully Flexible Loan
Eligibility	1. Regional member countries (RMCs) classified as Blend or ADB countries and public sector entities with a sovereign guarantee from Blend or ADB countries. 2. Under the 2014 amendment to the Credit Policy, ADF countries accessing on a caseby-case basis ADB resources will use also the Fully Flexible Loan.
Loan Currency	United States Dollars (US$)
Tenor	Up to 25 years inclusive of Grace Period
Grace period	Up to 8 years
Average Loan Maturity*	Function of the maturity, grace period and amortization profile Up to 17 years
Repayments	Consecutive semi-annual and equal payments after grace period or customized
Payment Date	Standard Payment Dates on February 1 and August 1 or Any combination of the 1st and 15th of any month (excluding 1st January) in accordance with the payment frequency selected by the Borrower.
Interest Rate	Base Rate +Funding Cost Margin+ Lending Margin + Spread Adjustment Rate + Maturity Premium This Interest Rate will be floored to zero.
Base Rate	Floating Base Rate (Daily SOFR Compounded in Arrears for USD, Daily TONA Compounded in Arrears for JPY or 6-month EURIBOR for EUR reset each 1st February and 1st August; 3month JIBAR for ZAR resets each 1st February, 1st May, 1st august and 1st November) A free option to fix the Base Rate is available
Funding Cost Margin	The Bank funding cost margin as determined each 1st January and 1st July and applied to the Base Rate each 1 st February and 1st August
Lending Margin	80 basis points (0.8%) since 1st September 2016.
Spread Adjustment Rate	an adjustment to the Lending Margin expressed as a percentage per annum, as determined from time to time, by the Board of directors of the Bank and applicable from the beginning of the first Interest Period following approval by the Board.
Maturity Premium	- 0% if Average Loan Maturity ≤ 12.75 years - 0,10% if 12.75 < Average Loan Maturity ≤ 15 - 0,20% if 15 < Average Loan Maturity ≤ 17 years
Front-end fees	0.25% of the loan amount due at loan effectiveness and payable at the earliest of (i) up to 60 days from Loan Effective Date or (ii) at the time of first disbursement. If the loan is partially
	or fully cancelled after the Loan Effective Date, the Front-end fee is still due on the full loan amount and no refund is made. The borrower has the option to pay the Front-end Fee: (i) either from its own resources, or (ii) by deducting its amount from the loan proceeds at the first disbursement.
Commitment fees	0.25% of the undisbursed amount. Commitment fees start accruing 60 days from signature of the loan agreement and are payable on payment dates including during the grace period. The Commitment fee ceases to accrue upon full disbursement or full cancellation of the loan.
Option to convert the Base Rate**	In addition to the free option to fix the floating Base Rate, the borrower may reconvert the fix rate to floating or refix it on part or full disbursed amount. Transaction fees are payable.
Option to cap or collar the Base Rate**	The borrower may cap or set both cap and floor on the Base Rate to be applied on part or full disbursed amount Transaction fees are payable.

Option to convert loan currency *(Except for AGTF)* **	The borrower may convert the loan currency for both undisbursed or disbursed amounts in full or part to another approved lending currency of the Bank Transaction fees are payable.
Hedge unwinding or adjustment costs	Any costs incurred by the Bank in adjusting or terminating the conversions are passed to the borrower.
*A calculator is available to allow borrower to simulate different amortisation profiles and determine Average Loan Maturity. Please contact FIST2@afdb.org . ** All conversions are subject to market availability. Conversion options and transaction fees are subject to the Bank Conversion Guidelines available online here .	

Timeframe - Main milestones

Programme Appraisal	April/May 2025
Loan Negotiations	June 2025
Programme approval	July 2025
Loan Effectiveness	July 2025
Single Tranche Disbursement	August 2025
Completion	December 2026

Programme Executive Summary

2025 Programme Overview	*Programme name:* Seychelles - Economic Resilience and Green Recovery Support Programme II (ERGRSP-II). This is the second phase of a three-year programmatic operation covering 2024, 2025, and 2026. *Programme Goal and Objective:* Consistent with the initial programme approved by the Board of Directors on 30 September 2024, the overarching objective of the ERGRSP-II is to strengthen governance reforms for a resilient, inclusive, and green economic recovery. The programme will continue to support Seychelles' National Development Strategy (NDS) 2024-2028 and the Medium-Term Fiscal Framework (MTFF, 20242026) through three components: (i) Component 1: Advancing governance and economic management reforms; (ii) Component 2: Improving business competitiveness and economic diversification; and (iii) Component 3: Enhancing environmental and climate resilience and economic inclusivity. *Expected Outputs in 2025:* The key outputs of ERGRSP-II are: (i) Tax revenue performance improved; (ii) Efficiency of public spending and public service delivery strengthened; (iii) Resilience of financial sector enhanced; (iv) Economic diversification advanced; (v) Environmental resilience reinforced; (vi) climate change resilience strengthened and (vii) Economic inclusivity ensured. *Programme Cost:* This second phase of the three-year programmatic series will cost US$ 25 million. *Other Partners Involved:* The International Monetary Fund (IMF) and the World Bank.
2025 Country Context	Real GDP modestly increased in 2024 to 2.95% from 2.30% in 2023, with a projected growth of 3.50% in 2025 and 3.70% in 2026. Ongoing investments in the information and communications technology (ICT) sector, increased construction activities, and higher fishery output remain the key drivers to this growth. Significant risks to the growth outlook arise from a slowdown in global growth and rising uncertainties related to ongoing trade tensions and geopolitical conflict. The overall fiscal deficit is projected to range between 1.7% and 0.6% of GDP between 2025 and 2026, except for an estimated overall fiscal balance surplus of 0.2% in 2024. Public debt slightly increased from 58.5% of GDP in 2023 to 61.5% in 2024 but is expected to decline toward the government's goal of achieving a public debt-to-GDP ratio of 50% or lower by 2030. The IMF/World Bank's debt sustainability analysis (DSA) (June 2024) assessed public debt as posing a moderate risk of sovereign stress. Inflation rose from –1.0% (2023) to 0.3% (2024), driven by higher utility and fuel prices. The current account deficit grew from 7.4% of GDP in 2023 to 7.8% in 2024 and is likely to widen further to 9.0% of GDP in 2025 due to higher import costs and a probable decline in tourism revenues amid global economic uncertainties. Import coverage is expected to remain steady at about 3.6-3.8 months from 2024 to 2026. Over the medium term, the authorities seek to advance further diversification in key sectors of the economy, including tourism, fisheries, agriculture, finance, and the digital economy through high-value processing chains and trade and capitalize on regional economic opportunities. Emphasis is also placed on climate change mitigation and adaptation measures. The country remains committed to poverty reduction and inclusive growth, as evidenced by Seychelles' National Development Strategy (NDS) 2024-2028, which aims to promote economic transformation through a vibrant private sector and support inclusive and green growth. The government pursues structural reforms to tackle financial challenges. In its April 2025 fourth review under the Extended Fund Facility (EFF) and Resilience and Sustainability Facility (RSF), the IMF confirmed Seychelles has met all performance criteria to ensure stability while advancing reforms through strong fiscal discipline. The Bank's financing is crucial for helping Seychelles close the financing gap resulting from emerging fiscal risks, laying the groundwork for increased investments in priority sectors, and ensuring debt sustainability.
Lessons Learned	The lessons learned from the implementation of ERGRSP-I and from the Country Strategy Paper (CSP) 2021-2025 Completion Report (May 2025), which are incorporated into the design of this operation, include: (i) Strong country ownership is vital. The operation locks in significant reforms in the form of prior actions, which are country-owned and anchored in Seychelles' NDS 2024-2028 and other national strategies; (ii) It is necessary to provide technical assistance (TA) in strategic areas. The Bank's TAs in energy, education/entrepreneurship, tourism, and statistics are proving helpful in bridging capacity gaps and fostering momentum in implementing reforms; (iii) Coordination and harmonization are crucial. The Bank continues to engage the IMF and the World Bank to ensure coordination of interventions; (iv) Adequate pre-mission preparation is essential. Considering the government's limited capacity, thorough and adequate preparation, including receiving the government's inputs well in advance, is crucial for identifying and minimizing potential issues early on, enhancing quality at entry, and contributing to the timely completion of the appraisal process; (v) There is a need for flexibility. A programmatic approach should be accompanied by flexibility to fine-tune indicative triggers as the context changes; and (vi) Keeping dialogue with the authorities ongoing is crucial for the successful implementation of reforms. The newly recruited national economist based in Seychelles will continue facilitating effective dialogue with the authorities during the implementation of this operation (Technical Annex 4-3).

Contributions to Gender Equality and women's empowerment	Seychelles has made significant strides toward gender equality, as evident in its robust constitutional commitments, forward-thinking policies, and favorable global rankings. With an overall score of 0.738, Seychelles ranks 5th out of 54 African countries in the African Gender Equality Index (AGI). However, these advancements are at risk without a codified and institutionalized strategy for gender-responsive public financial management. As part of the new integrated Financial Management Information System (IFMIS), the gender component will be introduced in the chart of accounts by the end of 2025, as a first step towards integrating gender-responsive budgeting into the budgeting processes. Nevertheless, the policy focus of ERGRSP-II is to enhance fiscal performance and create fiscal space, enabling the Government to fund priority social spending and economic empowerment projects targeting the most vulnerable, including youth and women. Reforms aimed at business competitiveness and economic transformation will create decent job opportunities for women and youth.
Conditions for Continued Support	Seychelles continues to meet the eligibility conditions for budget support operations in line with the Bank Group Policy on Program-Based Operations (PBOs). The *Government remains firmly committed to poverty reduction and inclusive growth*. This commitment is evidenced by Seychelles' NDS 2024-2028 overarching goal, which aims to promote economic transformation through a vibrant private sector and support for inclusive and green growth. *Seychelles continues to maintain macroeconomic stability*; however, this is threatened by emerging risks from the external sector due to a weakening global economy. To sustain growth and manage fiscal and debt dynamics, the Government continues to implement its fiscal consolidation plan, laying the foundation for a sustained and green economic recovery over the medium term from 2024 to 2026. *Seychelles maintains political stability*. In October 2020, the opposition candidate Mr. Wavel Ramkalawan achieved victory in the presidential elections after five previous attempts, and the transition was peaceful. Political stability is projected to continue, with the next general elections tentatively scheduled for September 27, 2025. Furthermore, the *country's fiduciary risk is assessed as moderate* based on a 2024 Country Fiduciary Risk Assessment (CFRA) update of May 2025. Finally, the *framework for donor coordination is adequate*, with this operation being prepared in collaboration with the IMF and the World Bank (Annex 2).
Policy Dialogue Linked to Technical Assistance	The proposed operation provides a platform for deeper dialogue with the authorities, focusing on (i) consolidating fiscal sustainability; (ii) improving the enabling environment for private sector development; and (iii) enhancing environmental and climate resilience, as well as the inclusivity of economic growth. The supported reforms are closely linked to the Bank's technical assistance (TA) operations and advisory services. Additionally, the Bank will deepen dialogue regarding the availability of gender-disaggregated data.

ERGRSP-II Results Framework

RESULTS FRAMEWORK		
A		PROGRAMME INFORMATION
PROGRAMME NAME: Economic Resilience and Green Recovery Support Programme II (ERGRSP-II) **PROGRAMME CODE:** P-SC-K00-028		**COUNTRY:** Republic of Seychelles
PROGRAMME DEVELOPMENT OBJECTIVE: Strengthen Seychelles Governance Reforms for a resilient, inclusive, and green economic recovery.		
ALIGNMENT INDICATORS[1]: *(i) Gross domestic product growth (%) ;(ii) Primary balance (% of GDP); and (iii) Ibrahim Index of African Governance (scale, 0 Low — 100 High)*		
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: Governance and economic management improved					
OUTCOME INDICATOR 1.1: 'Business Tax' and 'Other Taxes' (incl. Tourism Environmental Sustainability Levy) to GDP ratio increased	x	Percentage	6.4 (2023)	8.0 (2026)	MoFNPT/IMF reports
OUTCOME INDICATOR 1.2: Expenditure and net lending (% of GDP) decreased	x	Percentage	37 (2023)	35.2 (2026)	MoFNPT/IMF reports
OUTCOME STATEMENT 2: Business competitiveness and economic diversification enhanced					
OUTCOME INDICATOR 2.1: Credit to the private sector (12-month % change, gender disaggregated)	x	Percentage	7.4 (43% women) (2023)	9.6 (50% women) (2026)	CBS/IMF reports
OUTCOME INDICATOR 2.2: Tourism revenue growth (12-month % change) increased		Percentage	-9.0 (2023)	3.0 (2026)	Tourism Department/ MoFNPT Budget Estimates reports//IMF reports
OUTCOME INDICATOR 2.3: Fisheries contribution towards the economy (% of GDP) increased		Percentage	2.6 (2023)	2.8 (2026)	MoFBE fisheries satellite account/ MoFNPT Budget Estimates reports
OUTCOME STATEMENT 3: Environmental and climate resilience and inclusivity of economic growth strengthened					
OUTCOME INDICATOR 3.1: CPIA score on Environmental Policy and Regulations	x	Score	4.0 (2023)	4.5 (2026)	AfDB CPIA rating
OUTCOME INDICATOR 3.2: Youth unemployment rate (15-24 years), *(gender disaggregated)*[2]	x	Percentage	16 (30% women) 2023	14 (25% women) 2026	MoESA/ NBSS reports
COMPONENT 1: ADVANCING GOVERNANCE AND ECONOMIC MANAGEMENT REFORMS					
OUTPUT STATEMENT 1: Tax revenue performance improved					
OUTPUT INDICATOR 1.1: Publish in the Official Budget Statement inventory of existing tax expenditures on VAT and business tax, and an estimate of annual revenue cost **(*)**		Yes/No	No (2024)	Yes (2025)	Letter from MoFNPT/ Budget Statement

OUTPUT INDICATOR 1.2: Completion of 50% of the 25 transfer pricing cases under ongoing risk review in April 2025		Yes/No	No (2025)	Yes (2026)	Letter from MoFNPT/ SRC reports
OUTPUT STATEMENT 2: Efficiency of public spending and public service delivery strengthened					
OUTPUT INDICATOR 2.1: Number of main public services with electronic delivery channels **(*)**		Number	7 (2023)	10 (2025)	Letter from MoFNPT/ DICT reports
OUTPUT INDICATOR 2.2: The 2025 Seychelles Public Expenditure and Financial Accountability with Gender and Climate Frameworks (PEFA++) Assessment is conducted, and the report is published		Yes/No	No (2024)	Yes (2026)	Letter from MoFNPT /Published PEFA++ assessment report

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

[2] In 2018, Seychelles' youth unemployment stood at 13% for males and 22% for females (AfDB news article: 'Seychelles launches new HR policy and strategy 2018-2022', 11 January 2019, available at: https://www.afdb.org/en/news-and-events/)

COMPONENT 2: IMPROVING BUSINESS COMPETITIVENESS AND ECONOMIC DIVERSIFICATION					
OUTPUT STATEMENT 3: Resilience of the financial sector enhanced					
OUTPUT INDICATOR 3.1: Cabinet approval of the Non-Bank Credit Granting Institutions (NBCI) Bill, 2025 **(*)**		Yes/No	No (2024)	Yes (2025)	Cabinet Decision/ FSA and FIU reports
OUTPUT INDICATOR 3.2: Full operationalization of the Central Bank Core Banking System and any one of the following two systems: (a) Central Securities Depository (CSD), and (b) Real-Time Gross Settlement (RTGS)		Yes/No	No (2024)	Yes (2026)	Annual CBS reports
OUTPUT STATEMENT 4: Economic diversification advanced					
OUTPUT INDICATOR 4.1: Cabinet approval and submission to the National Assembly of the Fisheries and Aquaculture Bill, 2025 (Bill No. 2 of 2025) **(*)**		Yes/No	No (2024)	Yes (2025)	Cabinet Decision/ Department of Fisheries reports
OUTPUT INDICATOR 4.2: Cabinet approval of the Report on Recommendations and Action Plan arising from the study to better understand the dynamics of the tourism sector		Yes/No	No (2024)	Yes (2026)	Cabinet Decision/ Department of Fisheries reports
COMPONENT 3: ENHANCING ENVIRONMENTAL AND CLIMATE RESILIENCE AND ECONOMIC INCLUSIVITY					
OUTPUT STATEMENT 5: Environmental and climate resilience reinforced					
OUTPUT INDICATOR 5.1: Cabinet approval of the Solid Waste Management Policy (20252030) **(*)**		Yes/No	No (2023)	Yes (2025)	Cabinet Decision/ MoACCE reports
OUTPUT INDICATOR 5.2: Cabinet approval of an Integrated Resource Plan (IRP) that outlines short to medium-term electricity generation options, demand side management (DSM), and transmission network expansion, including renewable energy		Yes/No	No (2024)	Yes (2026)	Cabinet Decision/Seychelles Energy Commission reports
OUTPUT STATEMENT 6: Economic inclusivity advanced					
OUTPUT INDICATOR 6.1: Cabinet approval of Employment (National Minimum Wage) (Amendment) Regulations 2025 **(*)**		Yes/No	No (2024)	Yes (2025)	MoESA reports
OUTPUT INDICATOR 6.2: Cabinet approval of the Employment Bill		Yes/No	No (2023)	Yes (2025)	Cabinet Decision/ MoESA reports

Notes: **(*)** Prior Actions. Other measures are tentative triggers 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 TO FINANCE THE SECOND PHASE OF THE ECONOMIC RESILIENCE AND GREEN RECOVERY SUPPORT PROGRAMME (ERGRSP-II) I. INTRODUCTION: THE PROPOSAL

1.1 Management submits the following Report and Recommendation on a proposed loan to the Republic of Seychelles of US$25 million to finance the Economic Resilience and Green Recovery Support Programme II (ERGRSP-II), which is the second in a 3-year programmatic series, for the years 2024, 2025, and 2026. The Bank Group's Board of Directors approved the ERGRSP-I on 27 September 2024, and the resources amounting to US$25 million (equivalent to UA 19 million) helped the Government bridge the financing gap in 2024 and implement the programme.

1.2 **Reforms aimed at advancing governance and economic management are yielding results.** 'Business Tax' and 'Other Taxes' increased from 6.4% of GDP in 2023 (baseline) to 7.5% in 2024. Between 2023 and 2024, 'Business Taxes' rose from 5.2% of GDP to 6.0%. However, the efficiency of public spending and public service delivery, represented by 'Expenditure and Net Lending' as a percentage of GDP, had limited movements at 33.6% in 2023 (baseline) and 34.9% in 2024, reflecting delays in execution of capital projects, bottlenecks in public procurement, and civil service recruitment delays. Looking ahead, 'Expenditure and Net Lending' (% of GDP) is estimated to rise to 35.6% in 2025 before declining to 35.2% in 2026. The limited variations in 'Expenditure and Net Lending' are due to prudent management of expenditure based on the medium-term expenditure objectives of the government.

1.3 **The supported reforms continue to enhance business competitiveness and economic diversification.** Overall, the Seychelles is considered to have a strong business operating environment; however, contract enforcement and access to credit remain hurdles. To overcome these challenges, the government unveiled two initiatives to increase the ease of doing business and advance the country's broader economic development agenda: (i) the Ease of Doing Business Portal; and (ii) the Government Business Service Centre. The two initiatives are designed to streamline investment procedures and reduce administrative hurdles for entrepreneurs and investors. A Joint Economic Forum was also established in May 2025 to envision as a permanent mechanism for dialogue and partnership between the public and private sectors, facilitating the real-time monitoring of reform progress and ensuring sustained momentum in the improvement of the country's business climate. Credit to the private sector (12-month % change) rose from the 2023 baseline of 7.4% to 10.0% in 2024, exceeding the target of 9.6% (2026). However, disaggregated gender data are unavailable, undermining critical policymaking processes to realize the rights of vulnerable groups. Leveraging the Public Expenditure and Financial Accountability (PEFA) assessment backed by the AfDB and World Bank, which includes a gender component, will enable Seychelles to introduce critical reforms for advancing gender equality. Tourism revenue (year-on-year (y/y), 12-month change) contracted significantly by 36% in 2024, down from a contraction of 9% in 2023 (baseline) due to large refunds due to numerous hotel constructions. This suggests that Seychelles must accelerate reforms to enhance the size and scope of its tourism sector.

1.4 **Reforms are enhancing environmental and climate resilience and promoting inclusive growth.** In 2023, Seychelles scored 5.0 on the CPIA score for 'Environmental Policy and Regulations', surpassing the 2026 target of 4.5. In the youth group aged 15 to 24, the unemployment rate in Q4 2024 was 8.2%, according to data from the Seychelles' National Bureau of Statistics, compared to the baseline of 16% in 2023. By maintaining the momentum of reforms, it is likely that the ERGRSP target of 14% youth unemployment by 2026 may be achieved or surpassed. Among the employed youth, females make up 50.5%, while males account for 49.5%. This differs from the ERGRSP-I's somewhat optimistic goal of reducing women's unemployment to 25% by 2026.

1.5 **The Bank's support through the ERGRSP since September 2024, along with the previous Governance and Economic Reforms Support Programme (GERSP) during 2021-2023, has significantly aided Seychelles' green and inclusive post-COVID-19 economic recovery.** GDP growth bounced back from a contraction of -11.7% in 2020 due to the pandemic and increased to 0.6% in 2021 and surged to 12.7% in 2022. In 2024, the economy exhibited a modest growth of 2.9%, slightly higher than the 2.3% experienced in 2023, with a projected 3.2% growth for 2025 and 3.2% in 2026. Seychelles' growth, however, has not returned to pre-pandemic levels, where real GDP growth averaged 7.4% between 2016 and 2019. The authorities also need to expedite reforms that will enhance the contribution of fishery product manufacturing to GDP, as progress in this area remains slow. Fisheries contribution to GDP fell from 4.0% in 2023 to 3.7% in 2024 and is expected to remain at to 3.7% in 2025, below the 4.0% target by 2026. The primary fiscal deficit reduced from its pandemic peak of 13.4% of GDP in 2020 to 3.1% in 2021, turning into a surplus of 1.0% in 2022 and 1.7% in 2023. The primary surplus was recorded at 0.2% in 2024 and is expected to range between 1.2% and 3.3% of GDP for the fiscal years 2025-2026. Additionally, Seychelles topped the 2024 Ibrahim Index of African Governance (IIAG) with an overall score of 75.3 in 2023, markedly up from 65.3 in 2014, reflecting consistent year-on-year improvements.

1.6 **The execution of ERGRSP-I has been satisfactory, achieving 85% (11 out of 13) of the outputs.** Significant progress has, however, been made in implementing the two remaining outputs: the full operationalization of systems[1] at the Central Bank of Seychelles (CBS) and an Employment Bill (see Paragraphs 3.2.11, 3.2.13 and Annex 3), which are reset as prior actions for the third operation under this programmatic series. Tax revenue performance was improved through a reform measure aimed at introducing the Seychelles' Tourism Environmental Sustainability Levy. This levy was implemented in 2023, leading to an increase in fiscal revenue of SCR 168 million in 2024. Projections suggest that this new revenue stream will bring in SCR 173 million and SCR 176 million in 2025 and 2026, respectively. To reinforce the efficiency of public spending, the authorities introduced, through a Budget Circular, the minimum criteria for use by all Ministries, Departments and Agencies (MDAs) to assess projects that will be included in the Medium-term Expenditure Strategy (MTES) 3-year Public Sector Investment Plans (PSIPs). The reforms regarding the PSIPs will take time to yield results, but they will ultimately lead to cost-effective planning for investment projects. The Bank-supported PEFA assessment 2025 will act as a crucial catalyst for reforms to enhance the efficiency of public spending and service delivery.

1.7 **The Virtual Asset Services Providers Bill's approval and its consequential amendments have strengthened the financial sector's health and resilience.** The Virtual Asset Service Providers Act, 2024 mandates the Financial Services Authority (FSA) to regulate virtual asset products and the licensing of virtual asset service providers (VASP), marking a key step in implementing the Financial Action Task Force (FATF) Standards. This is largely due to the successful implementation of several reforms supported by the Bank and other partners in the area of anti-money laundering and counter-terrorist financing (AML/CFT). In February 2025, Seychelles submitted its 5th re-rating request for consideration by the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) Task Force meeting, scheduled for August/September 2025. The re-rating request is for the remaining 5 of the 40 FATF recommendations, where Seychelles is rated as either Non-Compliant (NC) or Partially Compliant (PC).

1.8 **Reforms that seek to enhance economic diversification remain a priority.** Phase I of this operation supported the approval by the Cabinet of the Seychelles Made Bill and the enactment of the Licences (Amendment) Act, 2024 (Act 2 of 2024). The Seychelles Made Bill, 2025 (Bill No. 1 of 2025) was enacted in March 2025. Implementing this Bill, which seeks to authenticate and promote Seychellesmade products and produce in local and export markets through the issuance of 'Seychelles Made Certificates', has just begun. The enactment of the Seychelles Fisheries Authority Bill, 2024 (Bill No. 10 of 2024) was to foster organizational changes in the fisheries sector, culminating in establishing the Seychelles Fisheries Authority that will drive economic diversification in the industry. The 2014 IIAG shows that Seychelles lags in 'Absence of Illegal Exploitation of Fauna'. The country was ranked 14th in Africa, behind São Tomé and Príncipe (2nd), Mauritius (5th), and Cabo Verde (9th), with a score of 58.3% in 2023, up from 33.3% in 2014. This demonstrates weak policies regarding protected marine species and illegal, unreported, and unregulated fishing. The Authority has enhanced its initiatives for marine products, including aquaculture, while revitalizing its monitoring, control, and surveillance efforts and establishing a foundation for certifying potential Seychelles-specific fisheries. Seychelles needs to implement more comprehensive

[1] Central Bank Systems for Central Securities Depository (CSD), Real-Time Gross Settlement (RTGS) and CORE Banking System, which were expected to be fully operationalized by December 2024.

reforms in its fisheries sector to curb illegal and unregulated fishing, enhance the country's industrialization efforts, and strengthen growth resilience through economic diversification.

1.9 **Seychelles ranked first in the Africa Visa Openness Index (AVOI 2024) alongside Benin, Rwanda and The Gambia, offering visa-free access to all African citizens**. The country has strategically positioned itself within multiple free trade frameworks, joining COMESA (1994), SADC (2015), the World Trade Organization (2015) and the Africa Continental Free Trade Area - AfCFTA (2018). The country further strengthened its international trade relations by signing the interim Economic Partnership Agreement with the European Union in 2009, alongside Madagascar, Mauritius, and Zimbabwe. Despite these achievements, Seychelles' regional integration performance remains moderate, with a trade integration score of 0.22 indicating persistent barriers to seamless cross-border trade due to geographical constraints, elevated transport costs, and limited economies of scale. To enhance diversification of trade and capitalize on regional economic opportunities, the government is implementing strategic initiatives such as the upcoming AfCFTA Implementation Strategy in 2025.

1.10 **Seychelles continues to reinforce its environmental and climate resilience.** A key policy measure supported under the ERGRSP-I operation is integrating priority climate adaptation and mitigation objectives in the Nationally Determined Contributions (NDCs) in the NDS 2024-2028. The authorities' decision to include 'Environmental Sustainability and Climate Change Resilience' as one of the six priority areas of the NDS 2024-2028 marks a significant first step in ensuring climate action is prioritized at the national level. The 2024 IIAG shows that Seychelles' 'Environmental Policies & Regulations' score improved by 11.1 points, rising from 77.8% in 2014 to 88.9% in 2023, illustrating the country's progress. The country's scores in this area improved significantly, increasing from 77.8% in 2021 to 83.3% in 2022 and 88.9% in 2023, respectively, pushing Seychelles' 5th ranking in Africa behind Algeria (1st), Morocco (2nd), Rwanda (3rd), and Mauritius (4th). The country continues to develop the revised National Waste Policy (2025-2030), which is expected to incentivize changes in waste production and consumption, promote the effectiveness of the circular economy, and create new jobs.

1.11 **To promote economic inclusivity, the Bank supported a measure to ensure youth successfully transition into the job market.** By 30 June 2024, the Agency for Social Protection (ASP) had assisted 1,609 youths (51% females; 49% males) in its jobseeker re-skilling programme. Despite this, many youths remain 'Not in Employment, Education, or Training' (NEET). During Q4 2024, around 2,024 of the youth population were in this category, with 55.7% being males, a drop from the 62.8% males recorded in Q4 2023. The country has been implementing various strategies and efforts to encourage the economically inactive youth to enter the job market, comprising slightly more than one quarter of the economically inactive total population. The Bank has backed numerous policy changes, such as the ongoing efforts to amend the Employment Act and to offer technical assistance through the Building Technical and Vocational Education and Training (TVET) and Entrepreneurship project. Given the country's significant reliance on foreign labour, the authorities are implementing wage reforms to combat youth unemployment. Introducing a minimum wage for specific job categories is expected to draw more youth in the NEET category into the workforce while enhancing workers' livelihoods.

1.12 **The ERGRSP-II operation aims to consolidate and deepen the reforms initiated under the ERGRSP-I operation while ensuring effective sequencing of reforms.** It continues to support reforms that align with Seychelles' Vision 2033, the National Development Strategy (NDS) 2024-2028, and the Medium-Term Fiscal Framework (MTFF, 2024-2026). The programme's operational policy objectives remain: (i) enhancing tax revenue performance; (ii) strengthening the efficiency of public spending; (iii) enhancing financial sector resilience; (iv) advancing governance and economic competitiveness; (v) reinforcing environmental and climate resilience; and (vi) advancing inclusivity of economic growth. The proposed operation will continue supporting the Government to effectively implement structural reforms that will lead to a more efficient and sustainable use of public resources, economic diversification, and higher economic growth, a more conducive climate for entrepreneurs to operate job-creating, value-adding enterprises, advancing growth inclusivity, and sustaining environmental and climate resilience. This operation incorporates various lessons learned from the implementation of ERGRSP-I, including: aligning supported reforms with NDS 2024-2028 and other Seychelles strategies to ensure robust country ownership; offering technical assistance to enhance state capabilities in key strategic areas; maintaining coordination with the IMF and other development partners throughout the preparation phase; and planning to keep communication open with the authorities to secure implementation success (Technical Annex 4-3).

II. UPDATE ON COUNTRY ELIGIBILITY

2.1 Continued Commitment to Poverty Reduction and Inclusive Growth

2.1.1 **Seychelles has low poverty levels, unemployment, and income inequality.** In 2022/23, poverty was estimated at a mere 0.5%, supported by comprehensive social assistance programmes that effectively protect unemployed individuals and pensioners from extreme poverty, although benefit reviews could occur more frequently. Despite its robust social protection framework, the country's aging demographic has strained the pension system, prompting authorities to raise the retirement age from 63 to 65 starting in January 2023. The overall unemployment rate was 2.0% for Q4 2024, with 2.2% for males and 1.8% for females. The unemployment rate was highest among youth (ages 15 to 24), at 8.2% (7.3% for males and 9.1% for females), slightly improving from Q4 2023 when the rate was 8.6%. Paradoxically, these high youth unemployment figures coexist with an economy reliant on foreign workers, particularly in construction (38.6%) and hospitality services (38.4%). This disconnect partly results from a tertiary education system misaligned with labour market demands, leading to approximately 14.8% (Q4 2024) of youth neither employed, in education, nor training. Skills mismatches, poor work ethics, and substance abuse further complicate skills development. Recognizing these challenges, the NDS 2024-2028 prioritized two people-centered pillars: building a healthy nation and developing a modern education system aligned with future workforce needs.

2.1.2. **The reform measures supported by the ERGRSP-II continue to foster rapid and sustained economic growth while positively impacting the poor.** The new measures backed by the proposed operation will encourage inclusive growth and reduce poverty once fully implemented. In the medium term, they will facilitate higher economic growth and thus have a favourable effect on the country's poverty rate. Initiatives that promote macroeconomic stability, improve the business environment, and increase efficiency in public spending will eventually attract private investment and enhance economic resilience. Moreover, actions aimed at boosting economic diversification and private sector competitiveness are anticipated to contribute to greater inclusive economic growth. Additionally, the proposed operation endorses initiatives that tackle youth skills and unemployment, which are primary challenges outlined in Seychelles' NDS 2024-2028. Lastly, measures promoting climate change mitigation and environmental sustainability will lead to green, sustainable, and inclusive growth, while contributing to poverty alleviation and economic resilience.

2.2 Continued Political Stability

2. 2. 1. **Seychelles continues to enjoy a stable political environment marked by the peaceful power transfer.** In October 2020, opposition candidate Mr. Wavel Ramkalawan won the presidential elections, facilitating a peaceful democratic transition. Political stability is expected to persist, with general elections tentatively set for September 27, 2025. The country maintains its impressive status as the highest-ranked nation in sub-Saharan Africa on the 2023 Transparency International Corruption Perceptions Index, scoring 71 and ranking 20th out of 180 countries globally—an improvement from 27th in 2020. Additionally, Seychelles ranks first among all African countries in the 2024 IIAG, achieving an impressive overall score of 75 in 2023, which reflects continuous progress from previous years (65 in 2014; 72 in 2019; and 74 in 2020). This score significantly exceeds the African average of 49. The country particularly excels in 'Human Development' (80), 'Participation, Rights and Inclusion' (78), and 'Security and Rule of Law' (79), although there is room for improvement in 'Foundations for Economic Opportunity' (63). The Bank's Country Policy and Institutional Assessment (CPIA) ratings for Seychelles indicate steady advancements, climbing from an average score of 3.72 in 2014 to impressive scores of 4.40 in 2020 and 4.42 in 2023. The 2023 evaluation highlighted strong performance in 'Policies for Social Inclusion / Equity' (4.56), along with solid scores in

‘Economic Management’ (4.33), ‘Governance’ (4.24), and ‘Structural Policies’ (4.22). Although 'Infrastructure and Regional Integration' received a lower score (3.72), the overall trend remains positive. Further reinforcing Seychelles' advancement, the Bank's 2024 Country Resilience and Fragility Assessment (CRFA) indicates that the nation faces minimal pressure and can effectively address its challenges (Technical Annex 2-2).

2.3 Continued Macroeconomic Stability

2.3.1 **After posting a strong rebound from the COVID-19 pandemic, economic growth has moderated with global economic uncertainties—including potential 2025 US tariffs, Middle East conflicts, and climate change risks.** The economic performance in 2024 reflected a modest increase of 2.9% compared to 2.3% in 2023, with a projected 3.7% in 2025 (Table 1). The information and communications technology (ICT) and construction sectors show resilient growth, whereas tourism has slowed compared to earlier forecasts. Tourism performance did not meet expectations, registering only a 0.5% increase in arrivals and a 4.7% decrease in earnings in 2024, highlighting ongoing external vulnerabilities to changes in tourist spending. The manufacturing sector displayed mixed results, contracting in 2024 following the December 2023 explosion at the Providence Industrial Estate but expected to grow by 3% in 2025, driven by ongoing investments in the ICT sector, increased construction activities, and higher output in fisheries. Authorities forecast GDP growth to stabilize around 3.4% in the medium term due to robust ICT, construction, and tourism performance, alongside a manufacturing sector recovery.

2.3.2 The overall fiscal deficit is projected at approximately 1.2%-1.7% of GDP between 2023 and 2025, except for an estimated budgetary surplus of 0.2% in 2024 (Table 1). Furthermore, a primary surplus of between 1.2% and 3.3% of GDP is expected during this period. The 3.3% of GDP primary surplus in 2024 resulted partly from an additional revenue collection of Seychelles Rupee (SCR) 64.6 million and from reduced expenditure. A significant factor in these savings is the delays in implementing capital expenditure, which caused a decline from 3.3% of GDP in 2023 to 2.8% in 2024. The detrimental effects of insufficient investment can greatly hinder the long-term potential for economic growth. In 2025, a primary surplus of 1.2% is targeted, in line with efforts to execute capital projects more effectively. While government expenditure spiked to 45.9% of GDP in 2020 from 32% in 2019, it has now stabilized, showing only a modest increase from 31.5% of GDP in 2022 to 32.9% in 2023. The primary factor driving the positive trajectory in budget deficit reduction has been the government's successful implementation of expenditure rationalization and reduction initiatives.

Table 1: Key Macroeconomic Trends

	2023	2024	2025 (proj)	2026 (proj)	2027 (proj)
Real GDP Growth	2.3	2.9	3.5	3.7	3.8
CPI growth (average)	-1.0	0.3	2.0	2.6	2.5
CPI (end of period)	2.6	-2.7	1.2	3.0	3. 0
Primary Fiscal Balance (% of GDP)	1.7	3.3	1.2	1.5	2.2
Overall Fiscal Balance, inc. grants (% of GDP)	-1.2	0.2	-1.7	-0.6	-0.5
Current Account Balance (% of GDP)	-7.2	-7.8	-9.0	-8.0	-9.2
Gross Official Reserves (months of imports)	3.1	3.8	3.9	3.8	3.6
Total Public Debt (% of GDP)	58.6	61.5	61.5	60.8	59.1

Source: The AfDB Statistics Department, MoFNPT, the IMF, and Bank Staff Estimates

2.3.3 **Public debt slightly increased from 58.6% of GDP in 2023 to 61.5% in 2024 due to government guarantees for infrastructure project** (Table 1). The public debt services declined from 11.5% of GDP in 2023 to 10.7% in 2024. Aware of the need for debt sustainability to ensure economic resilience, the government has developed a debt management action plan to reduce the debt level to less than 50% by 2030. The IMF public debt sustainability analysis (DSA) for Seychelles (June 2024) assessed the country to be at a moderate risk of sovereign stress and the country’s debt to be sustainable with high probability. The total domestic debt represents 50.1%, while the external debt accounts for 49.1% of the total debt stock.

2.3.4 **Year-on-year (y/y) headline inflation increased from -1.0% in 2023 to 0.3% in 2024, primarily due to higher utility and fuel prices.** It is anticipated to rise to 1.2% and 3.0% by the end of 2025 and in 2026, respectively (Table 1), largely driven by higher utility costs and the prices of imports, particularly food and petroleum products. On May 13, 2025, the Central Bank of Seychelles (CBS) reported that annual inflation increased to 0.08% in April, up from -0.04% in March. This rise indicates the end of a two-month deflationary phase. Seychelles emerged from a year-long deflationary cycle in May 2024 when inflation was recorded at 0.57%. The CBS reduced the key lending rate from 2% to 1.75% in March 2024 to address the current low inflation conditions. This adjustment represented the first change in the interest rate since June 2021. Inflation is projected to remain below 3% in the medium term, likely allowing the CBS to maintain its accommodative monetary policy approach.

2.3.5 **The current account deficit increased from 7.4% of GDP in 2023 to 7.8% in 2024** (Table 1). It is expected to widen further to 9.0% of GDP in 2025 due to rising import costs and a projected decline in tourism revenues amid global economic uncertainties. The current account deficit is anticipated to be financed by foreign direct investment (FDI) inflows, which are expected to reach US$ 308 million (13% of GDP) in 2026, compared to US$ 382 million (18% of GDP) and US$ 279 million (13% of GDP) in 2024 and 2023, respectively. Recent FDI inflows have surged due to developments on Assumption Island, one of the 115 islands of the Seychelles archipelago. Gross international reserves rose to US$ 774 million in 2024 (3.8 months of imports) and are projected to exceed US$ 800 million in 2025. Import coverage is projected to remain steady at approximately 3.6-3.8 months from 2024 to 2026, at about the authorities' target of 4.0 months.

2.3.6 **Despite a positive medium-term economic outlook, significant downside risks remain.** Growth is projected at 3.7% in 2026 and 3.8% in 2027 (Table 1), driven by tourism, fisheries, ICT, and construction activities. However, global economic uncertainties will continue to hinder growth. Sources of uncertainty include a predicted slowdown in global activity and challenges arising from escalating trade tensions, tighter financial conditions, increased policy uncertainty, geopolitical conflict, and climate-related risks. Given the vulnerabilities in tourist spending and the likely rise in commodity and fuel prices, the authorities need to maintain fiscal prudence, reinforce financial controls, and deepen the implementation of economic reforms.

2.4 Fiduciary Risk Assessment

2.4.1 **Seychelles' Public Financial Management (PFM) systems are adequate for implementing Bank-financed operations.** The Bank's 2024 Country Fiduciary Risk Assessment (CFRA), updated in May 2025, concluded that the country's residual fiduciary risk was "Moderate with positive trajectory." The country's PFM systems are operating effectively, supported by an existing legal framework, and the PFM Act is currently under review. The CFRA provides detailed insights into various elements of the country's PFM systems (Technical Annex 1-3). Alongside the World Bank, the Bank is completing a PEFA assessment for Seychelles in 2025. Since the last PEFA assessment in 2017, notable enhancements have been made to the government's PFM systems, including adopting an accounting manual for 2020 that outlines all procedures for overseeing public finances. While financial transactions are recorded and reported manually, the government is implementing the Integrated Financial Management Information System (IFMIS) to bolster existing controls further. The Bank encouraged the government to ensure the project proceeds as scheduled, beginning in 2025. Additional initiatives to improve the government's Information Technology (IT) infrastructure include the introduction of e-Procurement and Human Resource Management Systems (HRMS); all these projects are anticipated to be concluded within the next few years. Although internal audit processes and a risk-based approach are in effect, the work remains manual, and the department lacks the necessary software to fulfill its mandate.

2.4.2 Financial reporting adheres to established deadlines, with the Government's financial statements submitted to the Office of the Auditor General (OAG) within three months after the financial year concludes. However, multiple revisions are made and communicated to the OAG following the initial submission. The OAG has consistently audited the government's financial statements over the last three years through 2023, and in April/May 2025, it was auditing the 2024 financial statements. The OAG independence is satisfactory, though their work could improve by filling up several structural vacancies. Strengthening follow-up on audit recommendations can be improved by establishing a secretariat to collaborate with members of the Government Audit Committee, providing essential technical support, and enhancing the execution of audit findings from internal and external audits. The legislature's external audit review has included audit reports up to 2022, with hearings for 2023 commencing in April 2025. Like the Internal Audit Department (IAD), the OAG must bolster its IT capabilities in 2025 and 2026 by developing personnel and acquiring audit IT infrastructure. This will enable effective auditing of the new IT-driven application that the government is implementing across the public sector. Consequently, support through technical assistance from development partners, including the Bank, to strengthen the institutional capacity of OAG and IAD for auditing the new public sector IT applications is an urgent priority.

2.5 Harmonization

2.5.1 **The Government of Seychelles requires that all interventions supported by Development Partners are aligned with the country's NDS 2024-2028.** In April 2025, the IMF and Seychelles reached a staff-level agreement regarding the fourth review of the Extended Fund Facility (EFF) and Resilience and Sustainability Facility (RSF) arrangements, which were approved on May 31, 2023. If approved by the IMF's Executive Board, this agreement will enable Seychelles to access financing of approximately US$ 13.4 million. The EFF/RSF-supported programs are designed to maintain macroeconomic stability, enhance climate resilience, and promote structural reforms in the context of ongoing external uncertainty and the forthcoming general elections. This marks the fourth of six scheduled reviews under the 36-month EFF/RSF arrangements, anticipated to conclude by mid-2026 (Annex 3). The World Bank is preparing the Seychelles Second Sustainable and Inclusive Growth Development Policy Operation, which is set for Board consideration in November 2025. This operation, with a commitment of US$ 15.00 million, aims to support the Government of Seychelles in (i) reinforcing financial stability and the business climate; (ii) advancing fiscal transparency; and (iii) improving environmental and social resilience. It builds on the operation's first phase, which the World Bank's Board approved on 27 November 2024, for a commitment amount of US$ 15 million. During the preparation mission, the AfDB engaged with the IMF, which was conducting its mission simultaneously. The policy matrix for this operation continues to be coordinated with the World Bank's upcoming operation. The AfDB and the World Bank carried out a joint mission during the appraisal of this operation. The team also coordinated with UNDP on the interventions under this operation. While the AfDB the World Bank, and the IMF have overwhelmingly provided both technical assistance and budget support operations to Seychelles, the UN agencies and bilateral partners have focused mainly on technical assistance and grants (Technical Annex 4-4).

III. YEAR 2025 PROGRAMME

3.1 Programme Goal and Purpose

3.1.1 **The goal of ERGRSP-II remains to strengthen the Republic of Seychelles' governance reforms for a resilient, inclusive, and green economic recovery.** Consistent with this goal, ERGRSP-II aims to create more and better opportunities for all Seychellois by: (i) improving tax revenue performance; (ii) strengthening the efficiency of public spending and public service delivery; (iii) enhancing the resilience of the financial sector; (iv) deepening economic diversification; and (v) promoting environmental and climate resilience while ensuring the inclusivity of economic growth. The ERGRSP-II operation is expected to contribute to Seychelles' medium-term objectives of creating jobs while conserving fiscal space and promoting debt sustainability. This will enable the Government to allocate its limited resources to priority projects and programmes that protect the vulnerable population. These results are supported by ERGRSP-II's Theory of Change, which remains unchanged from the initial programme design, including the underlying assumptions (Technical Annex 1-5). The operation remains economically justified. Its preparation was conducted efficiently and cost-effectively, leveraging a thorough, locally owned reform agenda. This agenda remains supportive of businesses and aims to foster a dynamic private sector that drives inclusive growth and promotes job creation for the youth. The selection of the PBO instrument continues to be suited for Seychelles due to its policy focus, opportunities for dialogue, and flexibility.

3.2 Programme Components

3.2.1 **ERGRSP-II maintains the same three mutually reinforcing and complementary components of ERGRSP-I**: (i) *Component 1: Advancing governance and economic management reforms; (ii) Component 2: Improving business competitiveness and economic diversification; and (iii) Component 3: Enhancing environmental and climate resilience and economic inclusivity.* The specific policy measures under these components are carefully selected to sequentially build on the achievements of ERGRSP-I, effectively attaining the overall strategic objectives of the programme. Furthermore, they strike a balance among various reforms, the capacity of government agencies, and complementary interventions and technical assistance supported by the Bank and other development partners. Enhancing environmental and climate resilience, along with inclusivity in economic growth (Component 3), fosters an enabling environment for business growth in key sectors such as tourism and fisheries, which are essential for sustaining greener growth (Component 2). A thriving business sector will improve the country's fiscal position (Component 1) and the overall welfare of the population (Component 3).

3.2.2 **Component 1: Advancing governance and economic management reforms**

3.2.3 **Through ERGRSP-I, the Bank facilitated reforms that improved tax revenue performance and strengthened the efficiency of public spending.** Reforms aimed at improving tax revenue performance supported the authorities' efforts to enhance business tax revenue mobilization by introducing a new Tourism Environment Sustainability Levy. This levy contributes to the country's tax mobilization efforts and provides funding for projects in the circular economy domain. The reforms strengthen the efficiency of public spending by supporting the issuance of a Budget Circular by MoFNPT to guide that (i) only projects with complete appraisal information will be included in the Medium-term Expenditure Strategy (MTES), and (ii) minimum criteria will be established to assess projects included in the MTES 3year Public Sector Investment Plans (PSIPs). This measure, which builds on the technical assistance provided by the IMF, has enhanced the appraisal processes of capital projects to address implementation bottlenecks while sustaining growth in the medium term (see Paragraph 1.7 for key achievements).

3.2.4 **ERGRSP-II will leverage the progress made in ERGRSP-I to advance governance and economic management reforms.** To further ***enhance tax revenue performance***, the authorities are implementing reform measures that have the potential to increase revenue mobilization by reducing tax expenditures. A key effort by the Government is related to streamlining the Value Added Tax (VAT) administrative process. To increase transparency about tax expenditures and ensure fiscal costs, the authorities have disclosed tax expenditures on VAT and business tax, along with their cost in terms of foregone revenue, in the upcoming Annual Budget Statements. The proposed operation intends to support this effort through **Prior Action #1**: Publish in the Official Budget Statement an inventory of existing tax expenditures on VAT and business tax, along with an estimate of the annual revenue cost (Table 3).

3.2.5 Furthermore, the proposed operation will support reforms that ***strengthen the efficiency of public spending***. To combat corruption, the government continues to implement an 'e-government' system that will enhance the efficiency of the current paper-based systems. This operation will bolster the authorities' efforts to reform the public service IT infrastructure to ensure better and more efficient delivery of public services to Seychellois while producing timely, relevant, and reliable financial data that will promote fiscal discipline and transparency. To support this initiative, the proposed operation encompasses **Prior Action #2**: The number of the main public services with electronic delivery channels increased from 7 in 2023 to 10 by the end of December 2024 (Table 3). The three new e-services are: (i) *License Application, Issuance & Renewals:* Two e-services were launched for licenses. One allows citizens to renew driving licenses online, integrating with the SeyID platform to store and access the Digital Driving License via the SeyID App. The other enables online application and issuance of business licenses, with certificates as digitally signed documents. (ii) *Application & Issuance of Civil Status Documents:* Citizens can apply electronically for civil status documents (Birth, Marriage, Death Certificates), pay for them, and receive digitally signed copies. This service connects with the National Digital Identity Platform (SeyID), allowing digital document storage in the SeyID App's wallet. (iii) *Business & Company Registration:* This service enables online registration of companies and businesses with a digitally signed Certificate of Incorporation.

3.2.6 **ERGRSP-III will build on the achievements of the proposed operation to deepen governance and economic management reforms.** The authorities are implementing reform measures that have the potential to increase revenue mobilization by addressing issues related to base erosion and profit shifting by multinational groups. The subsequent operation will, therefore, support the authorities' efforts to address tax avoidance strategies by multinational enterprises that exploit gaps and mismatches in tax rules to artificially shift taxable profits to other jurisdictions, through **Trigger #1:** Completion of 50% of the 25 transfer pricing cases under ongoing risk review by end-April 2025 (Annex 3).

3.2.7 With the support of the Bank and the World Bank, the authorities are conducting a PEFA assessment to inform the PFM reform agenda moving forward. This evaluation includes two supplementary PEFA assessments of the country's PFM systems: climate responsiveness and gender responsiveness. The recommendations from the PEFA assessment will guide the configuration of the proposed IFMIS that the government is implementing, which has the potential to enhance fiscal transparency. Once correctly configured and implemented, the IFMIS will enable the authorities to identify ('tagging') 'climate change' and 'gender equality' related expenditures across sectoral budgets. The proposed operation aims to support these efforts that will profoundly enhance public spending efficiency through **Trigger #2**: The 2025 Seychelles Public Expenditure and Financial Accountability with Gender and Climate Frameworks (PEFA++) Assessment is conducted, and the report is published (Annex 3).

Component 2: Improving business competitiveness and economic diversification

3.2.8 **The policy measures supported by ERGRSP-I have fostered a more resilient financial sector and deepened economic diversification.** The resilience and health of the financial sector were reinforced by supporting the authorities' efforts to establish a licensing regime for the Virtual Asset (VA) sector under the FSA. This was achieved through Parliament's approval of the Virtual Asset Service Providers Bill, 2024 (Bill No. 12 of 2024) and its consequential amendments (see Paragraph 1.8 for key achievements). Furthermore, the country's economic diversification initiatives were advanced through Parliament's approval of (i) the Seychelles Made Bill, 2025 (Bill No. 1 of 2025); and (ii) the Seychelles Fisheries Authority Bill, 2024 (Bill No. 10 of 2024), along with the enactment of the Licences (Amendment) Act, 2024 (Act 2 of 2024). The regulatory changes regarding the Seychelles Made Label and the licensing regime were intended to encourage creativity and experimentation in business, thereby fostering private sector growth. Additionally, the amendments introduced by the Seychelles Fisheries Authority Bill were designed to strengthen the development of the fisheries sector in line with international best practices (see Paragraph 1.9 for key achievements).

3.2.9 **The ERGRSP-II operation builds on reforms undertaken in ERGRSP-I to support further actions that enhance business competitiveness and diversify the economy.** Seychelles lacks a formal framework to license, regulate, and supervise Non-Bank Credit Granting Institutions (NBCIs), such as microfinance institutions. The country has two NBCIs: the Development Bank of Seychelles (DBS) and the Housing Finance Company Ltd. (HFCL). Both play significant roles in the local financial landscape, with DBS accounting for approximately 10% of business loans and HFCL providing about 30% of mortgage loans. Although the CBS holds supervisory authority over DBS and HFCL, it has not taken enforcement actions against them for failing to comply with regulatory and prudential standards. Previous on-site examinations revealed shortcomings in these institutions' governance, risk management, internal control, and audit functions. The government is developing the Non-Bank Credit Granting Institutions (NBCI) Bill, 2025, to address these issues, enhance oversight, and foster a stable financial system. This legislation will grant CBS the authority to license, regulate, and supervise credit-providing financial institutions that do not accept deposits, including the ability to enforce regulations when necessary. The World Bank is providing technical assistance for this initiative. This operation will support the authorities' efforts to improve the financial sector's resilience through **Prior Action #3:** Cabinet's approval of the NonBank Credit Granting Institutions (NBCI) Bill, 2025 (Table 3).

3.2.10 Seychelles, with a relatively small land area of 455 square kilometres, boasts a vast exclusive economic zone covering 1.4 million square kilometres in the Indian Ocean. Nevertheless, contributions from fishing and fishery product manufacturing to the GDP are consistently surpassed by other sectors like tourism and ICT. From 2019 to 2023, fishing averaged a growth contribution of 1.36%, while fishery product manufacturing averaged 3.38%. In contrast, tourism and ICT combined accounted for an average of 22.67% and 7.82%, respectively, during the same period. The Ministry of Fisheries and the Blue Economy has been very active in pursuing reforms to promote sustainable fishing, youth engagement in fishing, and investment in the industry to boost the sector's contribution to growth. The proposed operation aims to promote efforts to deepen reforms that will advance economic diversification and, therefore, will support the government's initiatives through **Prior Action #4:** Cabinet approval and submission to the National Assembly of the Fisheries and Aquaculture Bill, 2025 (Bill No. 2 of 2025). This Bill aims to encourage the sustainable development of fisheries and aquaculture activities in an environmentally friendly and climate-resilient manner while enhancing the contribution of fisheries and the blue economy to the country's economic growth.

3.2.11 **ERGRSP-III will further deepen reforms targeting improvements in business competitiveness and economic diversification in Seychelles.** Looking ahead, this operation will support the Government's efforts to enhance the capability of the CBS to address better the risks faced by the financial system through **Trigger #3:** full operationalization of the Central Bank CORE Banking System and one of the following two systems: (a) Central Securities Depository (CSD) or (b) Real-Time Gross Settlement (RTGS). The authorities are implementing complementary measures that will replace the existing goAML (Anti-MoneyLaundering reporting and analysis System) application to broaden access to the Seychelles Financial Intelligence Unit (FIU)'s central Beneficial Ownership (BO) database for financial institutions and reporting institutions with AML/CFT obligations. This will involve launching the new Beneficial Ownership Registry Technology System, which will be managed by the FIU. Another supported measure, aligned with the Bank's technical assistance in the tourism sector, is **Trigger #4**: Cabinet approval of the Report on Recommendations and Action Plan arising from the study to understand the dynamics of the tourism sector better. This study aims to assist the authorities in understanding the benefits of the tourism sector, its revenue potential, gender dimensions, and policy priorities (Annex 3).

Component 3: Enhancing environmental and climate resilience and economic inclusivity

3.2.12 **The ERGRSP-I operation helped the Government to advance environmental and climate resilience while deepening the economic inclusivity of growth.** First, the operation supported a measure to integrate priority climate adaptation and mitigation objectives outlined in the NDC into the NDS 20242028. This is an essential initial step in ensuring that climate action related to the country's transition to a low-carbon and climate-resilient economy is clearly defined among national priorities. Second, it included a measure to reinforce growth inclusivity. In this case, the number of youths who completed their on-thejob training through the Employment Skills Development Programme rose from 1,461 by 31 December 2023 (51% females; 49% males) to 1,609 (51% females; 49% males) by 30 June 2024 (see Paragraphs 1.10 and 1.11 for key achievements).

3.2.13 **Building on ERGRSP-I support, ERGRSP-II will further assist authorities in strengthening environmental resilience and promoting inclusive economic growth.** Seychelles produces an average of 90,000 tons of solid waste annually, growing at a rate of 6%, and generates approximately 2.45 kg of municipal solid waste (MSW) per person daily. Like other small island nations, Seychelles faces challenges in waste management due to the limited availability of land for landfills. The landfill in Providence Island, which was expected to last until 2024, is insufficient, and with increasing rainfall, rising sea levels, and storm surges, it risks spilling debris and leachate into the ocean and surrounding areas. Additionally, the landfill in Providence generates considerable methane emissions, a potent greenhouse gas (GHG) that has serious consequences. By implementing effective waste management practices, the Government plans to lower the yearly waste sent to landfills to approximately 88,000 tons by 2026, down from 86,690 tons in 2024 and 91,447 tons in 2023. In this framework, authorities have prepared the Hazardous Chemicals Bill, 2025, which will oversee the import, use, and disposal of hazardous chemicals following international conventions. To combat environmental pollution, foster sustainability, and enhance the circular economy, the authorities have also presented a revised National Waste Policy (2025-2030) to the Cabinet for approval (**Prior Action #5,** Table 3). The new policy aims to mitigate adverse environmental impacts, promote a healthy ecosystem, and encourage greater participation from the private sector in waste recycling.

3.2.14 The Bank has supported the government's efforts to foster economic inclusivity through the GERSP and ERGRSP-I operations and the Building Technical and Vocational Education and Training (TVET) and Entrepreneurship project. The aim is to support the authorities' reforms that address the factors disproportionately hindering youth access to work opportunities, including demand-side factors (e.g., labour market failures and lack of access to credit) and supply-side factors (e.g., educational and skills mismatch and social barriers). In 2024, about 2,024 youth were neither employed nor studying, with over half being males. The authorities' reform agenda in this regard is wide-ranging. There are efforts directed towards complementary measures in line with the Ministry of Education's TVET Strategic Plan (20242028) and the NDS (2024-2028) that aim to build a coherent and comprehensive system of technical and on the job training, capable of creating quality jobs for the youth.

3.2.15 A revised Employment Bill is currently being drafted to modify the 1995 Employment Act, aiming to lessen obstacles for youth entering the labour market. There are plans to investigate the factors affecting boys' education and employment, as their rates lag about 10 percentage points behind the nearly 100% rate for girls, which contributes to higher incidences of alcohol and drug abuse among men. In response to the national crisis involving youth drug use, teenage pregnancy, and educational shortcomings, authorities have established a policy framework catering to at-risk youth, which includes a social registry and an early warning system. To ease cost-of-living pressures and promote Seychellois participation in the labour market, which foreign workers primarily dominate, the Government has presented the Employment (National Minimum Wage) (Amendment) Regulations 2025 for Cabinet approval (**Prior Action #6**, Table 3). If approved, this will change the Employment (National Minimum Wage) Regulations of 2007, raising the hourly wage from SCR 38.27 to SCR 40.95 and increasing the minimum monthly salary to SCR 6,210.75 for a 35-hour workweek, while also raising casual workers' hourly wage from SCR 44.10 to SCR 47.19. The country's wage and salary expenditure as a percentage of GDP was recorded at 11% in 2024, an increase from 10% in 2023, and is projected to reach 11.3% in 2025, 10.7% in 2026, and 11.2% in 2027. Wages and salaries are projected to represent 32% of total expenditure in 2027, an increase from 10% annually during the 2023-2025 period.

3.2.16 ERGRSP-III will support the authorities in deepening reforms that promote environmental resilience and inclusive economic growth. The Bank's technical assistance in energy offers specific recommendations for achieving low carbon and climate resilience goals. This work is moved forward through **Prior Action #5**: Cabinet approval of an Integrated Resource Plan (IRP) that outlines short- to medium-term electricity generation options, demand-side management, and transmission network expansion, including renewable energy. Regarding support for inclusive economic growth, there is **Trigger #6**: Cabinet approval and submission to the National Assembly of the Employment Bill. This Bill, which revises the outdated Employment Act, 1995, aims to introduce reforms that will enhance labour market flexibility and promote business competitiveness to spur economic growth and create more jobs for the youth (Annex 3).

3.3 Programme Expected Results - Outputs and Outcomes

3.3.1 Satisfactory implementation progress has been made under ERGRSP-I, providing a basis for preparing the second phase of the operation by the Bank's PBO policy. By May 2025, of the thirteen carefully chosen output indicators, eleven were fully achieved or surpassed and significant progress has been made on the remaining two. These outputs will likely lead to substantial achievements by the programme's closure (Table 2(a)). Unsurprisingly, progress on outcomes is somewhat uneven, as these indicators are linked to measures in the three programmatic series under the ERGRSP operation rather than at a specific phase level. The Bank will continue to monitor progress on the outcome during the implementation of the proposed operation and reassess progress during the design of the next phase of this operation (Table 2(b)).

Table 2(a): Progress towards the achievements of outputs

Output	Achievements
Component 1: Advancing Governance and Economic Management Reforms	
Seychelles' Tourism Environmental Sustainability Levy **(*)**	**Achieved**. Seychelles' Tourism Environmental Sustainability Levy rose from SCR 60.4 million in December 2023 to SCR 78.8 million by 30 June 2024, reaching SCR 168.31 million in 2024.
Publish in Official Budget Statement inventory of existing tax expenditures on VAT and business tax and an estimate of annual revenue cost **(**)**	**Achieved**. To enhance transparency in tax expenditures and ensure fiscal accountability, authorities disclosed VAT and business tax expenditures with their foregone revenue costs in the 2025 Budget Statement. In addition to improving transparency, this has allowed for the evaluation of tax expenditure effectiveness against goals.
Budget Circular issued by MoFNPT to provide guidance that (i) only projects with full appraisal information will be included in the Mediumterm Expenditure Strategy (MTES) (ii) Minimum criteria to assess projects that will be included in the MTES 3-year Public Sector Investment Plans (PSIPs) **(*)**	**Achieved**. To enhance the efficiency of public investment spending, the Government has prioritized improving capital project appraisal processes to reduce implementation bottlenecks and sustain growth.

Number of main public services with electronic delivery channels **(**)**	**Achieved**. The percentage of main public services with electronic delivery channels rose from 35% in 2023 to 50% by December 2024. This increase will enhance public service delivery for Seychellois and provide timely, relevant, and reliable financial data to promote fiscal discipline and transparency while helping to combat corruption.
Component 2: Improving Business Competitiveness and Economic Diversification	
Cabinet approval and submission to the National Assembly of the Virtual Asset Services Providers Bill and its consequential amendments **(*)**	**Achieved**. The new law establishes a licensing regime for Virtual Asset (VA) providers under the FSA's purview. This has enhanced the health and stability of the financial system.
Central Bank Systems for Central Securities Depository (CSD), Real-Time Gross Settlement (RTGS), and Core Banking System are fully operationalized **(**)**	**On progress**. On May 12, 2025, the Central Bank of Seychelles (CBS) successfully launched its new Quantum CORE Banking System (QCBS), replacing the legacy platform in operation since 2010. This marks a significant step in the modernization of Seychelles' financial infrastructure and represents the culmination of a multi-year digital reform agenda aimed at enhancing the security, efficiency, and resilience of core financial operations. The Core Banking System is a back-end system that processes banking transactions and serves the bank's customers. For proper sequencing, the development of the CSD and RTGS advanced more slowly to first stabilize the Core Banking System development. Work on developing the RTGS and CSD is progressing well; the Go Live of these applications is expected in November 2025 and March 2026, respectively. After discussions with authorities, the Phase II Tentative Trigger is reset to Phase III of this programmatic series, providing the flexibility that the government seeks for this complex reform initiative.
Cabinet approval of the Seychelles Made Bill and enactment of the Licences (Amendment) Act, 2024 (Act 2 of 2024) **(*)**	**Achieved**. To encourage private sector growth after the recent approval of the Industrial Policy, the Ministry of Investment, Entrepreneurship, and Industry (MoIEI) has revised the relevant legislative frameworks. This has resulted in the issuance of these pieces of legislation.
Cabinet approval and submission to the National Assembly of the Seychelles Fisheries Authority Bill, 2024 (Bill No. 10 of 2024) **(*)**	**Achieved**. This Bill, necessary for finalizing the Fisheries and Aquaculture Bill, establishes an Authority to oversee sustainable management and development of the fisheries sector per international best practices.
Cabinet approval and submission to the National Assembly of the Fisheries and Aquaculture Bill, 2025 (Bill No. 2 of 2025) (**)	**Achieved**. The Cabinet approved the Bill, which was submitted to the National Assembly on 11 April 2025. Its goal is to support the sustainable development of fisheries and aquaculture in an environmentally friendly and climate-resilient way.
Component 3: Enhancing Environmental and Climate Resilience and Economic Inclusivity	
Integration of priority climate adaptation and mitigation objectives in the NDC in the NDS 2024-2028 **(*)**	**Achieved**. The authorities' choice to make 'Environmental Sustainability and Climate Change Resilience' one of the six key focus areas of the NDS 2024-2028 marks a significant initial step in guaranteeing that climate action is distinctly recognized as a national priority.
Cabinet approval of the Solid Waste Management Policy (2025-2030) **(**)**	**Achieved**. On May 21, 2025, the Cabinet approved the Solid Waste Management Policy (2025-2030). This reform seeks to enhance environmental resilience. The policy sets out a comprehensive framework for transitioning Seychelles to a sustainable, inclusive, and circular waste management system. The policy outlines strategic actions to modernise infrastructure, reduce landfill use, promote recycling, improve collection systems and composting, strengthen institutional capacity, and improve public awareness and financing mechanisms. Cabinet endorsed the priority actions identified in the policy, agreed to allocate necessary resources for its implementation.
Youths who have successfully completed their on-the-job training through the Employment Skills Development Programme (gender disaggregated, %) **(*)**	**Achieved**. Aligned to the Ministry of Education's Strategic Plan (2021-2024) and NDS (2024-2028), this action aims to build technical capacity and provide job training for youth, preparing them for the job market.
Cabinet approval of the Employment Bill **(**)**	**On progress**. A White Paper on the proposed amendments was presented to the National Consultative Committee on Employment and other stakeholders during several meetings in April and May 2024. The draft of the Employment Bill, revised based on stakeholder consultations, was approved by the Cabinet of Ministers on 12 February 2025. There is a consensus that the Bill requires further stakeholder engagement. However, time is tight, with general elections scheduled for 27 September 2025. Therefore, the Bill is expected to be submitted to the National Assembly in late 2025. After discussions with authorities, this Phase II Tentative Trigger is reset to Phase III of this programmatic series, providing the flexibility the government seeks for this crucial reform initiative.

Notes: **(*)** ERGRS-I Prior Actions. (**) Tentative Triggers for ERGRSP-II

Table 2(b): Progress towards achievement of outcomes

Indicator	Target	Status	Comments

Outcome 1: Governance and economic management improved			
'Business Tax' and 'Other Taxes' (incl. Tourism Environmental Sustainability Levy) to GDP (%)	8.0% (2026)	7.5% (2024)	**On track:** 2023 Baseline: 6.4%; 2024 Actual: 7.5%; and 2025 Estimate: 8.2%. Between 2023 and 2024, 'Business Taxes' rose from 5.3% of GDP to 7.5%, 'Environmental Sustainability Tax', which was introduced in 2023, increased to 0.5% of GDP, and 'Other Taxes' decreased from 1.0% to 1.1%.
Expenditure and net lending (% of GDP)	35.2% (2026)	37% (2024)	**On track:** 2023 Baseline: 37%; 2024 Actual: 37%; 2025 Estimate: 38.4%; and Projections: 34.6% (2026); 32.7% (2027). However, the target of 35.2% for 2026 is likely to be met, as 'Expenditure and net lending' is projected at 34.6% of GDP in that year.
Outcome 2: Business competitiveness and economic diversification enhanced			
Credit to the private sector (12-month % change) (gender disaggregated)	9.6% (50% women) (2026)	10% (2024)	**On track:** 2023 Baseline: 7.4 (43% women); 2024 Actual: 10%; and 2025 Estimate: 10.2%. Disaggregated gender data is not available.
Indicator	**Target**	**Status**	**Comments**
Tourism revenue (y/y, 12-month change)	3.0% (2026)	-36% (2024)	**Progress is mixed:** 2023 Baseline: -9.0%; 2024 Actual: -36%; and 2025 Estimate: 8.0%. There is a need to deepen reforms in this area once the Banksupported tourism study is finalized.
Manufacture of fishery products contribution towards the economy (% of GDP)	2.8% (2026)	2.9 (2024)	**Progress is mixed:** 2023 Baseline: 2.6%; 2024 Actual: 2.9%; and 2025 Estimate: 2.5%. The authorities will also need to expedite reforms that will boost the contribution of the manufacture of fishery products to GDP.
Outcome 3: Environmental and climate resilience and inclusivity of economic growth strengthened			
CPIA score on Environmental Policy and Regulations	4.5 (2026)	5.0 (2023)	**On track:** 2021 Baseline: 4.0; 2023 Actual: 5.0. The 2026 target is exceeded
Youth unemployment rate (15-24 years), (gender disaggregated)	14% (25% women) 2026	8.2% (50.5% females) Q4 2024	**There is good progress**, except at the gender level. 2023 Baseline: 16% (30% women); Q4 2024: 8.2% (50.5% females)

3.4 Progress on Triggers Outlined in the Previous Operation

3.4.1 Significant progress has been achieved in meeting the agreed Indicative Triggers (now Prior Actions for ERGRSP-II), as detailed in the original Programme Appraisal Report approved by the Board on September 27, 2024. Out of the six initial triggers, four have been fully implemented, while two new Prior Actions have been carefully chosen to replace triggers three and six, which were not fully achieved (see Table 3). These outstanding triggers are set to be addressed in 2026, providing the government with additional time to implement the necessary reform measures.

Component 1: Advancing governance and economic management reforms

3.4.2 ***Trigger #1: Publish in the Official Budget Statement an inventory of existing tax expenditures on VAT and business tax, along with an estimate of annual revenue cost.*** This measure has been achieved. The 2025 budget outlines existing VAT and business tax expenditures and provides a yearly revenue cost estimate.

3.4.3 ***Trigger #2: The number of primary public services with electronic delivery channels increases from 7 in 2023 to 10 by the end of December 2024.*** This measure has been achieved. The number of primary public services offering electronic delivery increased from 7 in 2023 to 10 by 2024. The three new e-services are: (i) License Application, Issuance & Renewals; (ii) Application & Issuance of Civil Status Documents; and (iii) Business & Company Registration (see Paragraph 3.2.5).

Component 2: Improving business competitiveness and economic diversification

3.4.4 ***Trigger #3: Central Bank systems for Central Securities Depository (CSD), Real-Time Gross Settlement (RTGS), and Core Banking System will be fully operational by December 2024.*** This measure has been reset as a trigger for Phase III in 2026 to provide the government with more time to achieve key milestones in enhancing the Central Bank of Seychelles' systems. The CORE Banking System (QCBS) launched on 12 May 2025, replacing the legacy platform in operation since 2010. The RTGS and CSD are expected to go-live in November 2025 and March 2026 respectively. Implementation is ongoing and four milestones were already completed. An alternative prior action related to improving financial stability is the submission of the Non-Bank Credit Granting Institutions (NBCI) Bill, 2025, to the National Assembly (see Paragraph 3.2.9 and Prior Action #3, Table 3).

3.4.5 ***Trigger #4: Cabinet approval and submission to the National Assembly of the Fisheries and Aquaculture Bill.*** This measure has been achieved. The Bill was approved by the Cabinet and submitted to the National Assembly on 11 April 2025.

Component 3: Enhancing environmental and climate resilience and economic inclusivity

3.4.6 ***Trigger #5: Cabinet approves the Solid Waste Management Policy (2025-2030).*** This measure has been achieved. Cabinet approved the Solid Waste Management Policy 2025–2030 on 21 May 2025, which sets out a comprehensive framework for transitioning Seychelles to a sustainable, inclusive, and circular waste management system. The policy outlines strategic actions to modernise infrastructure, reduce landfill use, promote recycling, improve collection systems and composting, strengthen institutional capacity, and improve public awareness and financing mechanisms. Cabinet endorsed the priority actions identified in the policy, agreed to allocate necessary resources for its implementation.

3.4.7 ***Trigger #6: Approval from the Cabinet and submission of the Employment Bill to the National Assembly.*** The development of the Employment Bill is progressing more slowly than expected, prompting a reset of this measure to serve as an indicative trigger for Phase III. The draft Employment Bill as amended based on stakeholders' consultations outcome were compiled and approved by the Cabinet of Ministers on 12 of February 2025. Submission to the National Assembly is planned for Quarter 4 of 2025. A related replacement measure for the phase II prior action is the Cabinet's approval of the Employment (National Minimum Wage) (Amendment) Regulations 2025 (see Paragraph 3.2.13 and Prior Action #6, Table 3).

3.5 Policy Dialogue

3.5.1 The proposed operation will continue providing the Bank with a platform for deeper dialogue with the authorities across all areas of reform: (i) consolidating fiscal sustainability; (ii) improving the enabling environment for private sector development; and (iii) enhancing environmental and climate resilience as well as inclusivity in economic growth. The supported reforms are closely linked to several technical assistance (TA) operations by the AfDB, the IMF, and the World Bank. On the Bank's side, the following TA projects are underway: Study for the Development of Integrated Resource Plan (IRP); Capacity Building for TVET and Entrepreneurship; Dynamics of the Tourism Sector and its Benefits to the Economy; Development of the Strategic Plan for Seychelles Ports Authority; and the Institutional Support Project for Statistical and Public Expenditure. The Bank will continue exploring opportunities to provide additional TAs and advisory services as necessary.

3.6 Loan Conditions

3.6.1 **Prior Actions for 2025 and Indicative Triggers for Phases III:** The Prior Actions in Table 3 and the Indicative Triggers for Phases III operation presented in Annex 3 were drawn from the policy matrix that was jointly agreed upon by the Government of Seychelles and the Bank during the programme appraisal mission. The authorities have fully implemented all the Prior Actions in Table 3, and the required evidence has been provided. The Indicative Triggers for Phases III operation are subject to modifications in 2026, if necessary, during the preparation of the respective streamlined programme appraisal report.

Table 3: Prior Actions and Required Evidence

Original Trigger (As in ERGRSP-I)	Prior Action Retailed for ERGRSP-II/ Reasons for Modification/ Status	Evidence Required
Component 1: Advancing governance and economic management reforms		
Indicative Trigger #1: Publish in the Official Budget Statement inventory of existing tax expenditures on VAT and business tax, and an estimate of annual revenue cost.	**Prior Action #1:** Publish in the Official Budget Statement the inventory of existing tax expenditures on VAT and business tax, and an estimate of annual revenue cost. • **No Change** • **Status: Achieved**	(i) Letter from MoFNPT confirming publishing in the Official Budget Statement inventory of existing tax expenditures on VAT and business tax, and an estimate of annual revenue cost; and (ii) A copy of the Official Budget Statement that publishes the inventory of existing tax expenditures on VAT and business tax, and an estimate of annual revenue cost.

Indicative Trigger #2: The Number of the main public services with electronic delivery channels increases from 7 in 2023 to 10 by the end of December 2024.	**Prior Action #2:** The Number of the main public services with electronic delivery channels increases from 7 in 2023 to 10 by the end of December 2024. • **No Change** • **Status: Achieved**	(i) letter from MoFNPT confirming that the number of main public services with electronic delivery channels increased from 7 in 2023 to 10 by the end of December 2024; and (ii) the supporting evidence regarding the additional number of public institutions that, by the end of December 2024, utilized digital technologies and digital services compared to those in 2023.
Component 2: Improving business competitiveness and economic diversification		
Indicative Trigger #3: Central Bank Systems for Central Securities Depository (CSD), RealTime Gross Settlement (RTGS), and Core Banking System are fully operationalized by December 2024.	**Prior Action #3:** Cabinet approval of the Non-Bank Credit Granting Institutions (NBCI) Bill, 2025. • **Replacement:** There is a delay in completing the CSD and RTGS, and thus, Indicative Trigger #3 for Phase II operation is reset as an Indicative Trigger for Phase III operation (Annex 3). There is no change in policy stance. The new measure also tackles challenges related to financial system stability. • **Status: Achieved**	(i) Letter from the Cabinet Secretariat confirming Cabinet approval of the Non-Bank Credit Granting Institutions (NBCI) Bill, 2025; and (ii) a copy of the supplement to the Official Gazette containing the Bill.
Original Trigger (As in ERGRSP-I)	**Prior Action Retailed for ERGRSP-II/ Reasons for Modification/ Status**	**Evidence Required**
Indicative Trigger #4: Cabinet approval and submission to the National Assembly of the Fisheries and Aquaculture Bill.	**Prior Action #4:** Cabinet approval and submission to the National Assembly of the Fisheries and Aquaculture Bill, 2025 (Bill No. 2 of 2025). • **No Change** • **Status: Achieved**	(i) Letter from the Cabinet Secretariat confirming Cabinet approval of the Fisheries and Aquaculture Bill; and (ii) a copy of the Supplement to the Official Gazette containing the Bill.
Component 3: Enhancing environmental and climate resilience and economic inclusivity		
Indicative Trigger #5: Cabinet approval of the Solid Waste Management Policy (2025-2030).	**Prior Action #5:** Cabinet approval of the Solid Waste Management Policy (2025-2030). • **No Change** • **Status: Achieved**	(i) Letter from the Cabinet Secretariat confirming Cabinet approval of the Solid Waste Management Policy (2025-2030); and (ii) a copy of the Policy.
Indicative Trigger #6: Cabinet approval and submission to the National Assembly of the Employment Bill.	**Prior Action #6:** Cabinet approval of Employment (National Minimum Wage) (Amendment) Regulations 2025. • **Replacement**: Indicative trigger #6 has been replaced and reset as Indicative Trigger for Phase-III operation (Annex 3). There is no change in policy stance. The new measure also tackles challenges related to labour market issues. • **Status: Achieved**	(i) Letter from Cabinet Secretariat Cabinet approval of the Employment (National Minimum Wage) (Amendment) Regulations 2025; and (ii) Copy of the Supplement to Official Gazette with the Regulations.

3.7 Financing Needs and Arrangements

3.7.1 ERGRSP will support Seychelles' financing needs through a US$ 25 million ADB loan to cover part of the financing gap arising from the adverse impact of a weakening global economy, multiple shocks, the intensification of regional conflicts, and domestic factors. The Government has requested the Bank to provide financing of US$ 25 million for each of the three fiscal years from 2024 to 2026. This is equivalent to about SCR 367 million and SCR 364 million of funding for 2024 and 2025, respectively (Table 4). In April 2025, the IMF staff completed the fourth EFF review, releasing US$ 13.4 million in funding for Seychelles. Additionally, the World Bank's Board will consider a US$ 15 million financing proposal for Seychelles in November 2025 under its Second Sustainable and Inclusive Growth Policy Operation.

Table 4: Projected Financing Requirements and Sources

		2024	2025	2026
		SCR (million)		
A	Total revenue and grants	10,880	12,112	11,999
	Of which: grants (excl. budget support)	*260*	*354*	*446*
B	Total expenditure	11,501	12,633	12,416
	Of which: interest payments	*954*	*895*	*930*
	Of which: capital expenditure	*1,494*	*1,930*	*1,721*
C	**Overall balance (cash basis)** (A - B)	**-621**	**-521**	**-417**
D	Accumulation of arrears	0	0	0
E	**Overall balance (commitment basis)** (C - D)	**-621**	**-521**	**-417**
F	External financing (net – minus ADB)	420	651	454
G	Domestic financing (net)	296	623	530
H	AfDB contribution	497	493	493
I	Scheduled amortization	-592	-1,246	-1,060
J	**Financing (F + G + H+I)**	**621**	**521**	**417**
K	**Financing gap** (-E -J), financed by: IMF & World Bank	**0**	**0**	**0**

* Tentative figures to be determined in 2026.

Source: MoFNP&T, IMF and Bank staff calculations

3.8 Application of Good Practice Principles on Conditionality

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

3.9 Application of Bank Group Policy on Sustainable Borrowing

3.9.1 **Seychelles is eligible to borrow from the ADB's non-concessional window.** However, downside risks remain elevated due to a weakening global economy, multiple shocks, the intensification of regional conflicts—especially in the Middle East—and climate risks. Building a sustainable and more resilient economy will depend on fully returning tourists and capital inflows to pre-pandemic levels, along with interventions that deepen economic diversification and structural transformation across major sectors of the economy. The proposed operation supports the Government's plans to mobilize non-concessional resources to finance its development needs, as articulated in the NDS 2024-2028, within the framework of its Budget Strategy and Outlook and its Debt Management Strategy 2024-2026. The structural reforms supported by this operation have a development focus, with the capacity to generate returns, create jobs, and enhance economic competitiveness, while helping Seychelles sustain its economic recovery momentum. This is achieved by fostering macroeconomic stabilization, enhancing fiscal space for increased development spending, and supporting reforms that improve the business climate, foster economic transformation, and mitigate risks to debt sustainability.

IV. OPERATION IMPLEMENTATION

4.1 Beneficiaries of the Programme

4.1.1 **The entire population of Seychelles continues to benefit from this operation.** The increased fiscal space generated will allow for greater spending on social programmes aimed at achieving the Sustainable Development Goals (SDGs) and Agenda 2063. 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 tax processes); (iii) domestic and foreign investors (through the maintenance of overall macroeconomic stability, an improved investment climate, and easier foreign trade); (iv) the Seychelles workforce (through greater employment opportunities in higher value-added sectors); and (v) the most disadvantaged members of the population, including those in outer islands (through increased fiscal space for social services and more effective service delivery). Beneficiaries also include the private sector in general and Micro, Small, and Medium Enterprises (MSMEs) in particular, through an 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 programme's activities. Direct beneficiaries include the Ministry of Finance, National Planning and Trade (MoFNPT), the Ministry of Investment, Entrepreneurship & Industry (MoIEI), the Ministry of Agriculture, Climate Change & Environment (MoACCE), the Ministry of Employment and Social Affairs Seychelles (MoESA), the Ministry of Fisheries and the Blue Economy (MoFBE), the Ministry of Education, the Central Bank of Seychelles (CBS), the Financial Intelligence Unit (FIU), the Seychelles Fisheries Authority (SFA), the Tourism Department, the Seychelles Energy Commission, and the Seychelles Revenue Commission.

4.2 Implementation, Monitoring and Evaluation

4.2.1 **Institutional Framework for Implementation:** The overall responsibility for implementing the programme will remain with the Ministry of Finance, National Planning and Trade (MoFNPT), the Ministry of Investment, Entrepreneurship & Industry (MoIEI), the Ministry of Agriculture, Climate Change & Environment (MoACCE), the Ministry of Employment and Social Affairs Seychelles (MoESA), the Ministry of Fisheries and the Blue Economy (MoFBE), the Ministry of Education, the Central Bank of

Seychelles (CBS), the Financial Intelligence Unit (FIU), the Seychelles Fisheries Authority (SFA), the Tourism Department, the Seychelles Energy Commission, and the Seychelles Revenue Commission.

4.2.2 **Monitoring and Evaluation Arrangements:** The National Planning Department (NPD) is responsible for National Strategic Planning (NSP) and, therefore, for the implementation of the NDS, including its monitoring, evaluation, and reporting to Cabinet, the National Assembly, sectoral partners, and the public. At the MoFNPT level, a dedicated AfDB Desk Officer, who possesses adequate training and capacity, also serves as the (M&E) officer for the ERGRSP operation. In collaboration with MDAs, the Desk Officer will regularly collect information, including gender-disaggregated data, to measure achievements against performance indicators. Under RDGE leadership, the Bank will conduct regular supervisions missions and progress reporting to utilize the indicators in the results framework to monitor performance and determine future actions to address any emerging challenges. Upon completion of the proposed programmatic series, a single Programme Completion Report (PCR) will be prepared to evaluate progress against outputs and outcomes and to draw lessons for subsequent operations.

4.2.3 **Gender:** The proposed operation is classified as Category 2 under the Bank's Gender Marker System and will contribute to inclusive and resilient economic growth (Technical Annex 2-1). The programme will support policy reforms that will generate positive gender outcomes. Seychelles has made considerable progress toward gender equality, supported by a strong constitutional framework, progressive policy environment, and high global rankings. However, these gains remain vulnerable without a codified and institutionalized framework for gender-responsive public financial management (GRPFM). To address this gap, the ongoing PEFA++ assessment includes a dedicated module on gender. Its findings will guide the integration of gender considerations into budgeting. As part of the broader IFMIS reform, the Government plans to embed a gender tagging feature in the chart of accounts by the end of 2025—marking the first concrete step towards institutionalizing gender-responsive budgeting in Seychelles. This reform will enable the Government to track and report gender-related expenditures across sectoral budgets, enhancing transparency, accountability, and more equitable resource allocation. While Seychelles has made notable progress for women, gender inequality also affects men and boys. Youth unemployment is disproportionately male—51.7% of unemployed youth are males compared to 48.7% females—and boys' educational attainment lags nearly 10 percentage points behind that of girls. These disparities contribute to heightened vulnerability among young men, including increased exposure to alcohol and drug abuse. The Government is responding through a new policy framework targeting at-risk youth, including the establishment of a social registry and early warning system, and the forthcoming Employment Bill, which seeks to reduce structural barriers for young people—particularly boys—entering the labour market (Trigger #6). To further inclusive growth, the Government has submitted for Cabinet approval the Employment (National Minimum Wage) (Amendment) Regulations 2025 (Prior Action #6). This measure is expected to directly benefit low-income workers, especially women, who are overrepresented in care work, domestic service, and hospitality. It will improve women's income security and help narrow the gender wage gap in low-wage sectors.

4.2.4 **Vulnerable groups:** The ERGRSP-II will positively impact poor and vulnerable groups, including the elderly, persons with disabilities, migrants, foreign workers, and low-income families. Reforms to enhance tax revenue will increase funding for social programmes such as healthcare, TVET, and social protection, benefiting these groups. Economic stability and growth resulting from ERGRSP-II will encourage both domestic and foreign investment, create jobs, and improve income for low-income families and migrant workers.

4.2.5 **Civil Society Engagement:** The country's civic engagement is active and coordinated, thanks to the Citizens Engagement Platform Seychelles (CEPS). Since 2014, CEPS has effectively bridged the information gap between the Government and CSOs. Initiatives like the Open Government Partnership have enhanced transparency and access to government policies. The implementation of the second National Open Government Partnership Action Plan for 2024-2025 is currently underway, with CSOs actively participating in the multi-stakeholder committee that oversees project implementation. This platform promotes citizen participation in governance and development processes.

4.2.6 **Environment and Social Safeguards:** The proposed programme interventions include governance and economic management reforms, improving business competitiveness, economic diversification, and enhancing environmental resilience and inclusivity. These are not expected to generate significant E&S risks necessitating mitigation actions. The Programme does not trigger any Operational Safeguards (OS); hence, the environmental and social risk classification is a Category 3, validated on 18 April 2025. This classification is aligned to the Seychelles' Environment Protection Act [Cap 71]. No additional environmental or social assessments or disclosures are required. Also, given the low E&S risks and limited impacts, the implementation agencies are not expected to possess in-house E&S safeguards capacity. Still, they must outsource it from the National Environmental Management Agency in case of any E&S issues arising during programme implementation.

4.2.7 **Climate Change and Green Growth:** The operation is Category 3 under the Bank's Climate Safeguards System, indicating its activities are not vulnerable to climate change. The National Development Strategy (NDS) 2024-2028 prioritizes environmental sustainability and climate resilience, focusing on sectors like Tourism, Agriculture, and Fisheries & Blue Economy for economic diversification. The Government has progressed in fostering climate action and green investments. Key policy priorities include: (i) PFM reforms with Climate Budget Tagging and Public Investment Management policies to assess climate risks; (ii) Review of Climate Change Policy and Strategy by December 2025 for the National Adaptation Plan; (iii) Draft Blue Carbon policy for Cabinet approval by end-2025; (iv) The Central Bank of Seychelles has issued Guidelines on Climate Related Financial Risk Disclosure, supporting ESG compliance to mobilize climate finance; (v) Diversifying electricity to renewable energy with a supportive legal framework for Public-Private Partnerships (PPPs); (vi) Waste management and circular economy initiatives to promote a circular economy for fish waste, and to promote sustainable management of hazardous and other wastes, therefore enhancing environmental outcomes and job creation.

4.2.8 The ERGRSP-II operation is consistent with the updated Nationally Determined Contribution (NDC 2025) of Seychelles which guides the country's climate actions from 2025 to 2030 and outlines priority investments that will enable the country to transition to a low-carbon, climate-resilient economy through interventions that enhance adaptation and mitigation actions. These include (i) integrating climate strategies into the NDS 2024-2028 for effective planning and coordination; (ii) supporting an Integrated Resource Plan for electricity generation strategy, including renewables; (iii) advancing improved waste management mechanisms. These actions will contribute towards achieving Seychelles' target to reduce GHG emissions by 26.4% below BAU by 2030, with the energy, waste, and transport sectors generating 95% of emissions in line with the country's NDC. This is because the 26.4% target is economy wide and the programme's interventions comprise some, but not all of the actions to get to the 26.4%. The programme aims to enhance adaptive capacity and resilience through sustainable resource management. It has been assessed using the Joint Multilateral Development Banks (MDB) Paris Alignment framework for Policy-based operations and is aligned with the objectives of the Paris Agreement (Technical Annex 2-3).

4.2.9 **Fragility and Resilience:** Seychelles enjoys political stability within an open civic space and ranks Africa's least corrupt country in Transparency International's 2024 Corruption Perception Index (CPI). Since 2022, its economy has shown resilience to external shocks, rebounding strongly in tourism after the COVID-19 recession. However, the Government struggles to diversify beyond tourism. Untapped opportunities exist in agriculture, manufacturing, financial services, ICT, fisheries, and the blue economy. Governance pressures are present, particularly in revenue mobilization and state-owned enterprise management. Weaknesses in the educational system, especially TVET, create a skills mismatch, lowering productivity and increasing reliance on foreign expertise. As a small island nation, Seychelles is vulnerable to the effects of climate change. The proposed budget support operation aims to enhance resilience through governance and economic management reforms, improving competitiveness, diversification, environmental resilience, and economic inclusivity (Technical Annex 2-2).

4.2.10 **Private Sector Development:** The ERGRSP-II initiative aims to enhance national competitiveness and private sector growth. In Seychelles, the private sector contributes 60% of GDP and 65% of formal employment across tourism, fisheries, agriculture, oil extraction, manufacturing, financial services, and ICT. Challenges include a small market size, limited MSME financing, high transportation and energy costs, low renewable energy adoption, a lack of skilled labour, insufficiently digitized public services, and minimal use of e-government services. These obstacles hinder public sector participation and limit job creation. The proposed operation will promote reforms in payment systems, e-government services, the digital economy, solid waste management, and renewable energy, advocating for legislative frameworks that support private sector growth. Better regulation for the green transition is essential for attracting PPPs and funding for green infrastructure projects. It will increase private investments in energy and waste management while creating new green jobs for youth.

4.3 Financial Management, Disbursement, and Procurement

4.3.1 **Financial Management, Auditing and Reporting:** The programme shall adhere to the existing government financial management and public procurement systems per the Bank Group's Policy on Programme-Based Operations (2012). The MoFNPT's financial management role will remain central to this operation, including overseeing the drawdowns, planning for the use of funds, related controls, reporting, as well as arranging for oversight. The loan proceeds will be credited to a designated account denominated in US$, which will be opened at the Central Bank of Seychelles, following ADB disbursement procedures. The Government of Seychelles will be required to acknowledge receipt of the funds and provide confirmation to the Bank that an amount equivalent to the loan proceeds in local currency has been credited to the Treasury Single Account (TSA) within thirty (30) days of the disbursement from the Bank. The programme will depend on the External Audit of the Government by the Office of the Auditor General (OAG), and the Government will be required to share a copy of the full audit of the consolidated fund within nine months after the end of the financial year in which the disbursement took place.

4.3.2 **Procurement:** In accordance with the Bank's Policy on PBOs, procurement under this programme will utilize country systems. The "Procurement Policy and Methodology for Bank Group Funded Operations" dated October 2015 and the Bank Group's Policy on Programme-Based Operations permit procurements to be conducted in compliance with the Seychelles Public Procurement Act, 2008, as amended in 2022, employing the country's oversight institutions.

4.3.3 **Disbursement Arrangements:** According to the Bank's PBO Policy, the US$ 25 million loan disbursement will depend on fulfilling agreed prior actions. After completing these actions, a single tranche disbursement is anticipated (Table 3). Streamlined Appraisal Reports for the next final operation, along with indicative triggers, will be presented to the Board in 2026. Following Board approval, funds will be deposited into a special account at the Central Bank of Seychelles. The equivalent local currency will then be transferred to the Government's General Bank Account (Treasury Single Account) for budgeted expenditures. The MoFNPT will, within thirty (30) days of receiving the funds, send a letter to the Bank confirming that the foreign currency amount has been credited to the Treasury Single Account, clearly indicating the exchange rate used.

V. LEGAL DOCUMENTATION AND AUTHORITY

5.1 Legal Documentation

5.1.1 The financing instrument for this General Budget Support Operation is an ADB Loan governed by a Loan Agreement between the Republic of Seychelles (the "Borrower") and the Bank for an amount of Twenty-Five Million United States Dollars (US$ 25,000,000) (the "Loan").

5.2 Conditions Associated with the Bank Group Intervention

5.2.1 **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.

5.2.2 **Prior Actions:** Before the proposal is presented to the Board for consideration, the Borrower shall have provided evidence, satisfactory in form and substance acceptable to the Bank, that the prior actions for the ERGRSP-II outlined in Table 3, in Section 3.6.1 above, have been fully fulfilled

5.2.3 **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.

5.3 Compliance with Bank Group Policies

5.3.1 **The ERGRSP-II complies with applicable Bank Group policies and guidelines**, including (i) the Policy and Guidelines on PBOs (2012 and 2013), (ii) Bank Group's Ten-Year Strategy 2024-2033, (iii) the Strategy for Economic Governance in Africa (SEGA); (iv) the Gender Strategy (2021-2025); (v) Strategy for Addressing Fragility and Building Resilience in Africa (2022-2026); (vi) Climate Change and Green Growth Action Plan (2021-2025); (vii) the Bank Group Strategic Framework and Action Plan for the Prevention of Illicit Financial Flows in Africa, (viii) the Bank Group Strategy for Jobs for Youth in Africa (2016-2025), and (iv) the Revised Staff Guidance on Quality at Entry Criteria and Standards for Public Sector Operations.

VI. RISK MANAGEMENT

6.1 The key risks are summarized in Table 5 below.

Table 5: Risk and Mitigation Measures

RISK CATEGORY	RISK DESCRIPTION	RATING	MITIGATION MEASURE	RATING OWNER
THE COUNTRY'S POLITICAL AND GOVERNANCE CONTEXT	**Risk #1: Policy uncertainty:** A global economic slowdown may intensify in the short term due to various shocks and escalating regional conflicts. Revenue and fiscal consolidation measures could face social and political resistance, considering the upcoming 2025 elections. Ensuring macro-fiscal resilience and boosting investor confidence are essential.	**MODERATE**	This operation enables the Bank to collaborate with partners such as the IMF and the World Bank to sustain reform momentum during the 2025 election cycle, which concludes in early October 2025.	Government of Seychelles
MACROECONOMIC	**Risk #2: Macroeconomic instability:** Seychelles' tourism industry is underperforming compared to prepandemic levels due to global economic uncertainties. Thus, the short-term economic outlook remains uncertain.	**HIGH**	The government is actively pursuing its economic reform programme, backed by the Bank, the IMF, and various other development partners (DPs).	Government of Seychelles
MACROECONOMIC	**Risk #3: Public Debt.** Public debt rose from 58.5% of GDP in 2023 to 61.5% in 2024, surpassing the Government's 50% target for 2030. Rising debt service costs results from increased foreign debt as international interest rates climb.	**MODERATE**	The Debt Management Strategy (2023-2026) aims to reduce the debt-to-GDP ratio to 50% by 2030. The budgets of the Bank and the World Bank will reduce reliance on domestic debt, which currently accounts for approximately 51.2% of total debt or 28.5% of GDP.	Government of Seychelles
CAPACITY OF THE IMPLEMENTING ENTITY	**Risk #4: Risk of capacity constraints:** Capacity constraints may hinder the timely implementation of the envisaged reforms.	**SUBSTANTIAL**	Seychelles' DPs, including the Bank, continue to provide technical assistance through the MIC grant facility.	Government of Seychelles

VII. RECOMMENDATION

7.1 Management recommends that the Board of Directors approve the proposed loan of US$ 25 million to the Republic of Seychelles for fiscal year 2025, utilizing the resources of the Bank in the form of General Budget Support for the purposes and subject to the conditions outlined in this report. Management invites the Board to note that this operation is the second in a three-year programmatic series, covering the fiscal years 2024, 2025, and 2026. A similar request for the third and final phase of the programmatic series will be processed in 2026.

VII. ANNEXES

Annex 1: Letter of Development Policy

The Minister

08th August 2024

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

LETTER OF DEVELOPMENT POLICY

Mr. President:

The Government of Seychelles is requesting assistance from the African Development Bank Group to accelerate governance reforms for a resilient, inclusive, and green growth. These reforms would in turn contribute to the Seychelles medium term objectives of enhancing revenue mobilization, boosting the efficiency of capital investment spending, and advancing diversification of the key sectors of the economy (tourism, fisheries, agriculture, financial, and the digital economy). Emphasis is also being paid to improving access to renewable energy, enhancing inclusive growth, and creating jobs, while conserving the fiscal space and debt situation, thereby allowing Government to allocate its scarce public funding to priority projects. Therefore, the Government of Seychelles kindly seek the Bank's assistance through a General Budget Support facility amounting to US$ 75 million for the period 2024-2026, in a three-year programmatic series of one disbursement of US$ 25 million annually. Considering the challenges stemming from the global pandemic, geopolitical shifts, and climate change, it is essential for our nation to showcase resilience as we persist in advancing our economic recovery and development agenda. This assistance will provide momentum for reform efforts.

I. Medium-Term Development Objectives

1. To further advance its development objectives the Government has recently launched its second National Development Strategy (NDS) for the period 2024-2028 which marks the beginning of the next phase to achieving Vision 2033. The NDS 2024-2028, which was prepared through a broad-based consultative process with diverse cross section of Seychellois society, is underpinned by six priority areas: (i) A Modern Public Service; (ii) A Transformative Economic Agenda; (iii) A Healthy Nation; (iv) Promotion of Law and Order; (v) A Modern Education System aligned with Future Needs; and (vi) Environmental sustainability and climate change resilience. The second NDS reaffirms commitments to Vision 2033, the

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Sustainable Development Goals (SDGs) and Agenda 2063. The NDS calls for better adoption of technology to improve public sector service delivery and enhance public sector accountability, a diversified economy that attains a higher and more sustainable growth, a healthy nation, and a modern education system that responds to the emerging needs of the job market. It also focuses on addressing capacity, planning, and financing gaps, the need to develop and diversify the economy at an accelerated rate for a higher growth path, the necessity to take a more proactive approach in addressing climate change needs of the country. In addition, the NDS 2024-2028 aims to promote economic transformation based on a vibrant private sector. Going forward, Government places substantial emphasis on prioritization of climate adaptation and mitigation objectives as outlined in the National Determined Contribution (NDC). As such, both the NDC and the NDS are regarded as guide to climate smart investment decisions going forward. This will further support the mainstreaming efforts of climate change in all policy considerations. Further to this, the launch of the NDS seeks to reinforce the planning function across government, as it will bring greater synergy between the medium-term budget framework and the portfolio-sector plans.

2. The country has benefitted substantial from the Bank's support under the Governance and Economic and Recovery Support Programme (GERSP) as evidenced by several outcomes. These include reforms under the following three mutually reinforcing and complementary components of the GERSP: Advancing fiscal sustainability; Improving the Business Environment; and Improving Climate Change and Environmental Resilience. Key reforms included enhancement of the tax revenue performance through upgrading ASYCUDA modules and revision in fundamental legislative framework. In turn, these aim to strengthen revenue mobilization and improve efficiency in public resource management. Additionally, it supported reforms in addressing challenges related to Seychelles' offshore financial sector. It further improved the business environment and promoted private sector-led economic growth. Further to this, the programme reinforced climate change responses and clean energy transition by supporting measures such as revision in policy and regulatory frameworks and extension of technical support to boost local capacity. These efforts were targeted to mitigate environmental and climate-related shocks and promote sustainable development. As a small island state vulnerable to external shocks and climate change, it remains critical for the Seychelles to maintain the build-up of buffers against shocks while protecting the most vulnerable people. We appreciate the Bank's technical assistance support that complemented the GERSP operation. These include support on the development of Integrated Resource Plan for the energy sector, capacity building to Blue Economy Micro, Small and Medium Enterprises, and support to enhance Technical and Vocational Education and Training (TVET) strategy. We look forward to the upcoming Bank technical assistance support that will help us had better understand the dynamics of the tourism sector and how the sector can be better integrated to the rest of the economy.

II. Economic Performance

Real GDP growth

3. For the year 2024, Seychelles' real GDP growth has been revised to 3.69 per cent, compared to the Budget forecast of 3.95 percent. Tourism arrivals growth is expected at 5 percent vis-à-vis 2023 and the overall tourism industry is also estimated to grow by about 5

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per cent. The ICT sector is predicted to remain strong with a growth of about 10 percent maintained, in line with the rapid increases in data traffic. Following the 7th of December disaster, the 'Manufacturing Other' sector is now expected to contract by about 5 per cent compared to the positive growth of 3 per cent that was initially forecasted. Construction on the other hand, is expected to grow by about 6 per cent in line with the anticipated construction activities surrounding the reconstruction of the Providence Industrial zone and the affected houses in the respective district. The Government remains committed in maintaining a resilient fiscal consolidation that will enable debt to continue on its downward trajectory. Debt to GDP ratio is estimated at 60 percent of GDP by the end of 2024, reflecting a slight increase compared to the 58.5 percent at the end of 2023, based on the financing needs and the extension of government guarantees.

Fiscal position

4. The Seychelles economy remains resilient and continues to grow, with economic activity almost returning to pre-pandemic levels. For the year 2023, the Government's primary fiscal position is expected to be near balance with favourable revenue streams coupled with a slight decline in projected overall spending due to under-execution and delays of capital projects. This outturn, combined with the relatively stable exchange rate will translate in a debt stock of about 64.4 per cent to GDP as at the end of the year.

5. For the Budget year 2024, the primary balance is expected to be positive at about SR 332m or 1.1 per cent to GDP. This is mainly attributed to stronger tax collection expected in line with continued economic growth, coupled with the introduction of revenue gaining policies in Business tax, VAT and Other tax. Additionally, primary expenditures are set to increase marginally by about 4.0 per cent, driven by sizeable double digit increase in capital expenditure.

Public debt

6. The Government remains committed in maintaining a resilient fiscal consolidation that will enable debt to continue on its downward trajectory. Debt to GDP ratio is estimated at 60 percent of GDP by the end of 2024, reflecting a slight increase compared to the 58.5 percent at the end of 2023, based on the financing needs and the extension of government guarantees. The budget support program from the African Development Bank and from other International Finance institutions (i.e., International Monetary Fund, the World Bank and OPEC Fund for International Development) will help fill the financing gap in the short to medium term. Guaranteed debt is anticipated to increase over the medium term as Government continues to provide guarantees to the Development Bank of Seychelles, by an average of about 0.7 percent annually, as well as for some major projects in the pipeline such as the Port extension. Albeit external risks still prevail, the Government remains committed towards achieving a debt target of around 50 percent of GDP by 2029. To better support planning of debt management operations, the Government is continuing with the formulation of the quarterly borrowing plan on a recurring basis, which was approved by the National Debt Committee. The Government has also published its Medium-Term Debt Management Strategy (MTDS) 2024-2026 along with the 2024 budget.

Monetary and external sectors

7. The Central Bank of Seychelles (CBS) maintained the Monetary Policy Rate (MPR) at 2.0 percent during 2023 and until the first quarter of 2024. The CBS lowered the MPR by 25 basis points to 1.75 percent for the second quarter of 2024. The interest rate on the Standing Deposit Facility (SDF) and Standing Credit Facility (SCF) declined to 0.25 percent and 3.25 percent, respectively. Gross International Reserves (GIR) amounted to US$736 million as at end-March 2024, which was an expansion of 7.8 percent compared to US$682 million as at end-December 2023. Net International Reserves exceeded the target of US$478 million by US$52 million, as at end-December 2023. The increase in GIR was mainly attributed to funds received as budget support, in addition to foreign exchange that was purchased from the market. The banking industry remained well capitalised as at end of January 2024 although nonperforming loans (NPLs) continued to be elevated. All banks held regulatory capital above the prudential requirement of 12 percent. The current account deficit worsened in value terms, from US$152 million in 2022 to US$155 million in 2023, on account of a widening of the trade balance. However, as a percentage of GDP, it improved from 7.4 percent to 7.2 percent over that period. Domestic prices declined for the most part of 2023 underpinned by the overall stronger domestic currency in annual average terms, and moderation in global commodity prices. In February 2024, year-on-year inflation rate was negative 0.3 percent whilst the 12-month average inflation rate stood at negative 1.5 percent. In December 2024, the year-on-year and 12-month average rate of inflation is forecasted at 1.6 percent and 1.2 percent, respectively.

III. The Reform Agenda

8. The keystone of our reform program remains accelerate governance reforms for a resilient, inclusive, and green growth. Key reform priorities include enhancing revenue mobilization, boosting the efficiency of capital investment spending, and advancing diversification of the key sectors of the economy (tourism, fisheries, agriculture, financial, and the digital economy). The Government is placing great emphasis on prioritization of climate adaptation and mitigation objectives as outlined in the National Determined Contribution (NDC). This would in turn contribute to the Seychelles medium term objectives of improving access to renewable energy, enhancing inclusive growth, and creating jobs, while conserving the fiscal space and debt situation, thereby allowing Government to allocate its scarce public funding to priority projects. Given Seychelles vulnerabilities to external shocks the Government remains committed to achieving its pre-COVID objective of reducing debt to 50 percent of GDP by 2029.

Consolidating governance and economic management reforms

9. Maintaining fiscal prudence remains a key priority of the Government. Over the medium term the Government will enhance its tax reforms to ensure domestic mobilization of resources. Major reform actions target the streamlining the administration of business taxes to improve tax revenue performance and the streamlining of the Value Added Tax (VAT) administrative processes both at collections and refund levels. Finally, to increase the transparency on tax expenditures and fiscal cost the Authorities have planned, as part of the annual budget process, measures that involve reporting of tax expenditures on VAT and business tax and their cost in terms of foregone revenue.

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10. Progress is being made to empower and enable taxpayers to timely meet their obligations through innovative and transparent processes by improving and diversifying its online services. The online portal is being finalized and will require the completion of the transaction data clean up exercise to be fully functional, as it intends to provide taxpayers with the ability to view their accounts online and better manage their debts. At present the E-Manifest modules and Express Courier modules have been completed and deployed. Additional measures being undertaken by the Seychelles Revenue Commission (SRC) to finalize the ongoing upgrade of the UNCTAD Automated System for Customs Data (ASYCUDA) is the completion of the E-Payment Module. Furthermore, the Seychelles Revenue Commission has acquired a license for the 'Transfer Pricing Database'. This will enable the SRC to conduct comprehensive economic analyses going forward. Additionally, to tackle challenges faced, the SRC is currently developing education and awareness programs, and utilizing computer-assisted audits and data analytics to identify instances of non-compliance.

11. The Seychelles Revenue Authority (SRC) is improving the system for Automatic Exchange of Information (AEOI) to be more efficient in exchanging tax information and in meeting OECD standards. The system is now working well for the automatic exchange of information (Common Reporting Standard (CRS)). SRC has also recruited a Technical Advisor (TA) to assist and provide guidance on practical audit casework including Transfer Pricing cases. The TA has worked closely with the Word Bank and the Ministry of Finance, National Planning, and Trade (MoFNPT) during the drafting process of the Transfer Pricing (TP) legislation and the 2 new TP regulations. Additionally, SRC is also receiving specialized Audit trainings from the African Tax Administration Forum, namely for the Telecommunications and Financial Sectors. The overall aim is to better understand the various business structures, tax planning schemes that are being applied by businesses and improve compliance in terms of accurate and complete reporting, consequently, contribute towards an increase in tax revenue in the medium to long-term.

12. With technical assistance provided by the IMF capacity, the Government has been working to strengthen capital expenditure frameworks for appraising and selecting capital projects which will culminate in legislative amendments to the Public Debt Management Act sometimes in 2015. Towards this end, MoFNPT recently issued a Budget Circular that mandates that only projects that are fully appraised will be included in the Medium-Term Expenditure Strategy (MTES). The Circular also outlines a set of minimum criteria to assess projects that go into the 3-year Public Sector Investment Plans (PSIPs). Furthermore, to enhance public spending efficiency and service delivery, the Government has embarked on a major digitization programme with the objective of ensuring that the main public services are delivered electronically. This effort is led by the Department of ICT (DICT) which is establishing digital platforms across the public sector. On its part, the Ministry of Finance, National Planning, and Trade has embarked a new Integrated Financial Management Information System (IFMIS) to enhance government efficiency and support digital economic reforms. It is envisaged that the core IFMIS modules will be operationalized and used in the preparation of the 2026 Annual Budget. Further, the implemented IFMIS will provide an effective tool for tracking gender disaggregated public expenditures while strengthening the linkages between the budget process and tagging of flows to SDGs and NDS. In support of the digital economy agenda, the Central Bank of Seychelles, is leading the implementation of the National Payment System Modernisation Plan, which promotes a national payment system that is

convenient, affordable, reliable, efficient and safe. In this regard, an action plan was launched in early 2023 to improve digital payment systems, focusing on raising public awareness, standardizing procedures, and transitioning towards a cashless economy. In line with improving public financial management practices, the Government has requested support from the African Development Bank, the World Bank, and other partners to conduct a Public Expenditure and Financial Accountability (PEFA) assessment to evaluate the current performance of the Public Financial Management (PFM) system and identify priority actions for improvement. Finally, amendments are planned for the Public Procurement Act and the Public Finance Management Act to incorporate legal and regulatory aspects of Public-Private Partnerships (PPPs) activities.

13. One of the fiscal measures recently introduced is the Tourism Environmental Sustainability Levy for visitors. Continued increase in visitor arrivals means that the tourist population often surpasses our local population. As such, Government introduced the Tourism Environmental Sustainability Levy in August 2023 by amending the Environment Protection Regulations, 2023. This levy is applicable per night per visitor. Seychelles thus seeks to identify alternative ways that visitors can contribute towards our environmental sustainability and climate change resilience goals.

14. Seychelles continues to make significant progress in terms of Debt Management. The publication of quarterly debt bulletins and quarterly borrowing and issuance plans has improved access to information for investors which is reflected through more stability in the domestic market conditions. Additionally, the improvement in reporting promotes accountability and transparency. With the current global economic environment, the foreign interest costs remain on the high side in comparison to 2022. The Government will conduct an assessment to determine the optimum debt model to align with the Medium-Term Fiscal Framework and pave the way in formalizing its Medium-Term Debt Management Strategy.

15. As part of modernizing its legal framework on public debt, the Government is revising the Public Debt Management Act in parallel with the Public Finance Management Act to provide more flexibility to debt management and promote debt sustainability.

16. The Government continues in its effort to develop the domestic market. It has diversified the domestic instruments being used which was primarily concentrated through T-Bills issuances to meet cashflow requirements. Government is now issuing T-Bonds on a quarterly basis which has helped to lengthen the weighted average maturity of the domestic debt stock and reduced refinancing risks. With the help of the IMF's Monetary and Capital Markets department (MCM), the Government aims to set-up a buy-back facility for trading of government securities through commercial banks.

Fostering Climate Change and Environmental Resilience

17. Seychelles seeks to promote an integrated and sustainable solid waste management system. The country faces a growing challenge with increasing volumes of solid waste and limited landfill space. The Providence landfill, the primary waste disposal site, is expected to reach full capacity by 2025, seven years earlier than initially projected, attributed to inadequate waste management practices over time. Currently, the country generates

approximately 90,000 tonnes of waste annually, with projections indicating an increase to 130,000 tonnes by 2035. This escalation poses significant risks to the environment, human health, safety, and even visitor perceptions. The government seeks to reduce waste levels to a more sustainable level by promoting the concept of the circular economy and establishing an Extended Producer Responsibility policy framework. This approach not only addresses environmental concerns but also presents opportunities for increased private sector involvement, the development of new industries, and job creation, contributing to overall productivity and fostering inclusive growth.

18. The government acknowledges the significant macroeconomic implications of climate change and has taken significant steps to achieve its mitigation and adaptation objectives identified in the updated Nationally Determined Contribution. This includes the target of reducing greenhouse gas emissions by 26.4 percent below business-as-usual levels by 2030, towards the goal achieving net-zero emissions by 2050. To this end, government has embarked on an energy sector reform aimed at promoting energy security and pursuing a clean and sustainable energy transition. The government has made progress on the adoption of policy reforms and enactment of bills and regulations, such as the recent approval of Multi -Sector Regulatory Bill, Electricity Bill, Independent Power Producer Regulations, and the Electricity Tariff Setting Regulations. These measures aim to improve the regulatory framework and set clear demarcation of the electricity generation, transmission, and distribution activities and create opportunities for sector competitiveness. Furthermore, the Bank is currently providing technical assistance for the development of an Integrated Resource Plan (IRP) which aims to establish a coordinated approach for the effective implementation of energy sector policies as well as identify the least-cost measures to meet growing electricity demand. It is also recognized that there is a need to promote Public-private partnerships to bridge funding gaps, especially in energy infrastructure development. In addition, Seychelles promotes the adoption of electric, energy efficient vehicles and is in the process of developing the vision for the Long-Term Low Emission Development Strategy (LT-LEDS). To build resilience against climate change, the Government is also pursuing multiple adaptation measures, which include the implementation of the Coastal Management Plan, the Marine Spatial Plan, the National Integrated Emergency Management Plan, and the Strategic Land Use Development Plan.

19. The Government seeks to scale up climate finance to support the implementation of NDC. However, it is estimated that approximately $670 million is required by 2030 to implement the necessary climate mitigation and adaptation measures identified in the NDC. This presents a substantial investment need that cannot be funded solely through domestic resource mobilization. The Government has thus committed to identifying and implementing sustainable, innovative financing mechanisms to fund its climate objectives. Furthermore, the government is in the process of developing a national climate finance mobilization strategy that comprehensively covers the financing instruments to scale up finance from public and private sources. With the aim of establishing institutional coordination mechanisms for access to climate finance for the implementation of Seychelles Nationally Determined Contributions (NDC), National Adaptation Plans and Long-Term Emission Development Strategy (LT-LEDS), a Climate Finance Technical Working Group has been set up comprising of representatives from key sectors.

20. The government seeks to mainstream climate considerations into the public investment management and budget processes. Following recommendation of the 2023 Public Investment Management Assessment (PIMA) and Climate PIMA (C-PIMA) Assessment by the IMF and the World Bank, the government has drafted an updated version of the Public Investment Management Policy to integrate climate change considerations into project selection criteria. As a first step, the government has integrated priority climate adaptation and mitigation objectives in the NDC in the NDS 2024-2028. In order to enhance transparency and improve monitoring and evaluation of public expenditure towards climate change, the Government is in the process of establishing a climate finance budget tagging and tracking system which shall form part of the broader National Monitoring Reporting and Verification (MRV) Framework.

Financial Sector Development

21. The National Assembly has recently approved a series of legislations to strengthen financial sector development, beginning with the National Payment System (Amendment) Act. The National Payment System (Amendment) Act (or NPS) seeks to amend the National Payment System Act. In making these amendments, it addresses certain deficiencies, which impeded, to some extent, its effective regulatory and oversight functions. As such, the amendments provide for addressing the deficiencies and aligning the legislation with international standards and best practices. The newly approved Act allows the Central Bank of Seychelles (CBS) to determine the use or acceptance of any form of payment instruments including the imposition of a limit on the value of transaction to be used. This is aligned with the CBS' plan to modernize the country's national payment system (NPS). Consistent with guidance issued by standard setting bodies, provisions in the Act exempts CBS from certain requirements as it discharges the functions of oversight and supervision in operating payment, clearing, and settlement systems. Likewise, in the absence of a national netting law, the Act makes provision for legal governance of reconciling and netting arrangements within the payments transactional cycle. The Act further puts forth amendments serving to align certain provisions relating to confidentiality, inspections, record keeping and archiving etc. with that of the Financial Institutions Act, 2004 as amended (FIA). Ultimately, the amendments aim to strengthen the Act, to ensure the safety, soundness, effectiveness, and efficiency of Seychelles' NPS.

22. In addition to the National Payments System (NPS), the National Assembly has also recently approved the Credit Reporting Act. The Act provides for the establishment, operation, regulation, and oversight of the Credit Information System with the objective of ensuring the safe, reliable, and efficient processing of information. It also provides for the functions and duties of the Central Bank in relation to its responsibilities, and the rights and responsibilities of data providers, data users, and data subjects. Finally, the CBS is in the process of implementing systemically important payment infrastructures, namely the Central Securities Depository (CSD), Real-Time Gross Settlement (RTGS) and CORE Banking System in an effort to enhance the operation of critical financial market and payment infrastructures. MONTRAN Corporation based in the United States (MONTRAN) was awarded the contract as best-evaluated vendor for the implementation of the CSD and RTGS systems in September 2023. These applications are expected go live by end-2024.

23. Lastly, the Data Protection Act 2023 was passed by the National Assembly, assented and is in force. It provides for the protection of individuals with regards to the processing of personal data. The Act recognizes the right to privacy envisaged in Article 20 of the Constitution and incorporates best international practices in relation to personal data protection. The Act also designates the body, the Information Commission, which will be administering it. This body has assumed responsibility of this role and is in the process of recruiting additional officers to be dedicated to this function. The Act also provides for a transitional period of 18 months for all existing data controllers and processors (at the time the act comes into force) to become compliant.

24. Modernization of the digital banking and improving access to financial services for key stakeholders, including women and MSMEs remains a priority of the government. The enactment of the Financial Consumer Protection Act, 2022, aims to stimulate the development of digital financial platforms and deepen internet usage, fostering innovation and introducing new financial services and products. Reforms in the country's National Payment Systems, Credit Reporting system, and oversight of virtual assets and their service providers will facilitate further modernisation in the financial sector.

Anti-Money Laundering/Countering the Financing of Terrorism (AML/ CFT)

25. We are committed to improving the effectiveness of our regime for anti-money laundering and combatting the financing of terrorism (AML/CFT). Work is ongoing to implement the recommendations of the Eastern and Southern Africa AML Group (ESAAMLG) in the 2018 Mutual Evaluation Report, where the country received 10 Low ratings in the 11 effectiveness criteria (Immediate Outcomes), including on AML/CFT supervision and entity transparency. A follow-up report was submitted for discussion in the ESAAMLG meeting in April 2023 detailing improvements in 5 of the 11 technical compliance shortcomings, for which an upgrade was received. The five Financial Action Task Force (FATF) recommendations (5,19, 25, 28 and 34) relates to Terrorist Financing offence, Higher-risk countries, Transparency and Beneficial Ownership of Legal Persons, Regulation and Supervision of Designated Non-Financial Business or Professions (DNFBPs) and Guidance and Feedback respectively. In October 2023, Seychelles has submitted to the ESAAMLG Secretariat another re-rating request for technical compliance with five of the FATF Recommendations for discussion at the April 2024 meeting, namely, Recommendations 4, 6, 7, 8 and 33. The remaining technical compliance shortcoming, being Recommendation 15, would be intended to be submitted for re-rating and discussion at the September 2024 ESAAMLG meeting. We have completed the second National Risk Assessment (NRA) on money laundering and terrorism financing. Tackling regulatory arbitrage of the activities involving Virtual Assets (VA) and Virtual Asset Service Providers (VASP) is another priority reform. In July 2022, the Government completed the National Risk Assessment of VA/VASPs in line with FATF Recommendation 15 to identify, assess, and understand the ML/TF risks from VA/VASPs. Consequently, the National AML/CFT Committee is finalizing the course of action that aims to tackle regulatory arbitrage and enable mandatory identification, registration and licensing of VASPs. It will also provide a risk-based supervisory approach to ensure that measures to prevent or mitigate ML/TF are proportionate with the identified risks. The policy framework for VASPs was approved by the Cabinet during the first quarter of 2024, whereas the legislative framework will be submitted to the Cabinet of Ministers during the second quarter of 2024. Additionally, Seychelles seeks to review the Beneficial Ownership (BO) Act to

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broaden access to the FIU's central BO database to financial institutions and reporting institutions with AML/CFT obligations. This aims to advance accuracy and accessibility of beneficial ownership information of entities created in Seychelles, including international business companies, limited partnerships, trusts and foundations.

Tourism Sector

26. With the support of the Bank, we are undertaking a tourism sector study that aim to investigate the sector's benefit to the economy and recommend measures that will deepen the development of emerging tourism products and tourism value chains. We expect this study to make key recommendations on how best we can integrate the tourism sector to the rest of the economy, and address issues relating to low product enhancement, and products diversification and differentiation in the sector. Furthermore, the government has launched the Seychelles National Tourism Platform (ParrAPI) which is business registration platform with the aim of growing the demand for higher value, lower impact tourism activities. These efforts are building on the Tourism Master Plan that the government is implementing. There are other actions, including those intended to develop new tourism products through the Seychelles Sustainable Tourism Label (SSTL) certification process, and developing human resource capacity in the sector.

Fisheries Sector and Blue Economy Sector

27. The fisheries sector remains a key one in our quest for economic transformation with the various potential it offers. Government initiatives in this sector include efforts to boost value addition and diversification, investment in essential fishing industry infrastructure, and promotion of diversified marine species, including marine aquaculture to deepen the contribution of the Blue Economy to growth. To enhance the environment for doing business environment, an allocation of SCR 45.9 million is included in the 2024 Annual Budget for the development of Ile Du Port infrastructure which is the designation zone for fish processing activities by the private sector. To deepen industrialization, in line with the recently approved Industrial Policy, the Ministry of Investment, Entrepreneurships and Industry is leading in the revision of relevant legislative frameworks such as the Seychelles Made Bill and enacted Licensing (Amendment) Act, 2024 which are key priorities that fosters growth in private sector activities. A Fisheries and Aquaculture Act was also recently enacted. This will ensure the long-term conservation, management and development of fisheries in Seychelles and genetic material derived from them, while safeguarding the marine resources, biodiversity, environment and ecosystems for sustainability, for the benefit of the people of Seychelles. The Fisheries and Aquaculture Act also seeks to provide for the sustainable management and development of fisheries, aquaculture, and related activities in all areas over which the Republic of Seychelles exercises jurisdiction and sovereign rights. It also aims to exercise effective control of fishing and related activities of Seychelles nationals in areas beyond national jurisdiction, including persons and vessels, for the implementation of regional and international obligations and standards.

Gender

28. The government is taking several measures to influence positive gender outcomes going forward. In addition to the planned actions for ensuring, that Programme Performance Based Budget (PPBB) and the upcoming IFMIS have proper functionalities to became effective tools for tracking gender disaggregated public expenditures we are also working towards strengthening TVET institutions as this will foster better achievement of gender balance in the education system while addressing social issues facing the boy child. Further, the seed capital grant scheme is in place which provide grants of up to SCR 200,000 for financing small start-up enterprises, where women are key beneficiaries. The government is also facilitating the delivery of a high performing tourism local workforce through training with key beneficiaries being women, and the youth in particular. The CBS is leading in putting in place a tracking system for access to mobile and internet banking transactions by women while another aim to track access by women to domestic credit provided to the private sector by banks.

IV. Conclusion

29. We are counting on the continued support of the African Development Bank Group to provide the required financial assistance to support implementation of the above-mentioned reforms in order to sustain the country's prudent growth performance.

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

Yours Sincerely,

MR NAADIR N. H. HASSAN
MINISTER

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Annex 2: IMF Country Relations Note

IMF Executive Board Completes the Fourth Reviews Under the Extended Fund Facility and the Resilience and Sustainability Facility Arrangements and Approves US$13.7 Million Disbursement for Seychelles, June 16, 2025

- The Executive Board of the International Monetary Fund (IMF) completed today the fourth reviews of Seychelles' economic performance under the Extended Fund Facility (EFF) and Resilience and Sustainability Facility (RSF) Arrangements. Completion of the reviews allows for an immediate disbursement of about US$13.7 million intended to strengthen macroeconomic stability, sustain growth, and reinforce fiscal and monetary policy frameworks, while also supporting efforts to strengthen resilience to climate change, exploit synergies with other sources of official financing, and catalyze financing for climate-related investments.
- Economic growth for Seychelles in 2024 is estimated at 2.9 percent, reflecting lower dynamism in the tourism sector. Inflation remained subdued and fiscal performance was tighter than budgeted, driven mainly by underspending on capital expenditure. For 2025, economic growth is projected at 3.2 percent, reflecting slower growth projected for Europe—Seychelles' most important tourism source market.
- Performance under the EFF has been strong with all quantitative targets and structural benchmarks for end-December 2024 met. However, two SBs scheduled for 2025 have encountered minor delays due to capacity constraints. Progress has been satisfactory under the RSF implementation, and the authorities remain committed to the programs' objectives.

Washington, DC: The Executive Board of the International Monetary Fund (IMF) completed today the fourth reviews of Seychelles' economic performance under the 36-month EFF and RSF Arrangements approved on May 31, 2023. The completion of the reviews allows for the authorities to draw the equivalent of SDR 6.1 million (about $8.3 million) under the EFF and SDR 3.9 million (about $5.3 million) under the RSF, bringing total disbursements to SDR 30.5 million (about $41.7 million) and SDR 13.3 million (about $18.2 million) under the EFF and RSF, respectively.

Economic growth for Seychelles in 2024 is estimated at 2.9 percent, slightly lower than earlier forecasts due to lower activity in the tourism sector. Year-on-year inflation reached 1.7 percent as of December, driven by an increase in utility prices and pass-through effects of currency depreciation. Fiscal performance was tighter than budgeted driven mainly by underspending on capital expenditure, with a primary surplus equivalent to 3.2 percent of GDP in 2024. The Central Bank of Seychelles has maintained an accommodative monetary stance. The current account deficit widened to 7.9 percent of GDP in 2024, but gross international reserves increased to $774 million, equivalent to 3.8 months of imports or 115 percent of the Assessing Reserve Adequacy (or ARA) metric.

EFF-supported program implementation has been strong. All quantitative program targets (QPCs) and structural benchmarks (SBs) for end-December 2024 were met. However, two SBs scheduled for the first half of 2025 have encountered minor delays due to capacity constraints. Progress has been satisfactory on RSF implementation. All reform measures (RMs) for March 2025 have been implemented. However, one component of an RM scheduled for April 2025 (related to energy pricing and the issuance of a new multi-year electricity tariff system) is delayed and expected to be completed in November. The authorities requested minor modifications for two RMs slated for December 2025.

The outlook suggests low but stable growth for 2025 and beyond but is subject to considerable uncertainty. Real GDP growth is projected at 3.2 percent for 2025 compared to 4.3 percent at the previous reviews. The downward revision reflects slower a weaker outlook for tourist activity on the back of slower growth in Europe (Seychelles' most important tourism source market). Year-on-year inflation is expected to moderate to 1.2 percent by end-2025 due to lower utility, fuel and food prices. Reserve coverage is expected to increase to 3.9 months of import cover in 2025. Near-term downside risks relate mainly to how slower global growth and higher uncertainty translate into tourism arrivals and spending.

Going forward, continuation of prudent macroeconomic policies is paramount for maintaining resilience. The authorities' near-term priorities are to support economic growth, strengthen fiscal and external positions, and maintain prudent monetary policy and a sound financial sector. In the medium-term, the authorities' aim to continue a steady fiscal consolidation to reduce the ratio of public debt to GDP, while simultaneously improving the efficiency of public spending. Building capacity with respect to public financial management and financial sector supervision is another key focus. The structural reform agenda emphasizes revenue administration, public financial and investment management, climate change resilience, and governance improvements, including digitalization and transparency.

Following the Executive Board's discussion, Mr. Bo Li, Deputy Managing Director, and acting Chair, issued the following statement:

"Seychelles has continued to demonstrate sound macroeconomic management and commitment to structural reforms. Lower than expected GDP growth for 2024 reflected lower tourism income and weakened performance in such sectors as accommodation, food services, and transportation. Fiscal outturns have been tighter than projected, reflecting delays in execution of capital projects, bottlenecks in public procurement, and civil service recruitment delays. Monetary policy remains accommodative in the face of low inflation. Good progress has been made on essential macrostructural reforms.

"For the fourth reviews, program performance under the EFF was strong, with all quantitative program targets and structural benchmarks through end-December successfully met. Progress has also been satisfactory on RSF implementation, with all RMs implemented through March and only one component of an RM scheduled for April has been delayed. The authorities continue to implement an ambitious reform agenda and prudent fiscal and monetary policies in the face of an increasingly challenging external environment.

"The authorities should remain vigilant with respect to near and medium-term risks as the outlook is subject to rising uncertainty. These include a slowdown in tourism activity due to slower growth projected for Europe—Seychelles' most important tourism source market. Commodity price volatility could also feed through inflation, while global trade tensions may reduce FDI and lead to tighter financial conditions. The EFF arrangement will continue to help protect macroeconomic stability and support stronger fiscal and external buffers, while advancing the authorities' structural reform agenda.

"The authorities are advancing with reforms under the RSF to enhance the climate-resilience of public investments, diversify financing, and strengthen assessment and disclosure of climate-related financial sector risk. Successful implementation of the reform agenda will enhance economic resilience and external financing risks by building institutional capacity for public investment in climate adaptation and diversifying Seychelles' power generation capacity—reducing its dependence on imported energy. Continued collaboration with the IMF and other partners will be important to help fill capacity gaps and to mobilize climate finance."

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Annex 3: Indicative Triggers for Phase III

Indicative Trigger	Evidence
Component 1: Advancing governance and economic management reforms	
#1: Completion of 50% of the 25 transfer pricing cases that were under risk that reviewed by end-April 2025.	Letter from MoFNPT confirming the completion of 50% of the 25 transfer pricing cases that were under risk that reviewed by end-April 2025.
#2: The 2025 Seychelles Public Expenditure and Financial Accountability with Gender and Climate Frameworks (PEFA++) Assessment conducted and the report published.	(i) Letter by MoFNPT confirming the PEFA++ Assessment conducted, and the report published. (ii) copy of the published PEFA++ Assessment report.
Component 2: Improving business competitiveness and economic diversification	
#3: The Central Bank CORE Banking System is fully operationalized and any one of the following two systems: (a) Central Securities Depository (CSD), and (b) Real-Time Gross Settlement (RTGS) and Core Banking System.	Letter from the Central Bank of Seychelles confirming the go-live of the Core Banking System and the CSD or RTGS.
#4: Cabinet approval of the Action Plan arising from the study to better understand the dynamics of the tourism sector.	(i) Letter by Cabinet Secretariat evidencing approval of the Action Plan arising from study to better understand the dynamics of the tourism sector. (ii) Copy of the Report and Action Plan arising from study to better understand the dynamics of the tourism sector.
Component 3: Enhancing environmental and climate resilience and economic inclusivity	
#5: Cabinet approval of an Integrated Resource Plan that outlines short to medium term electricity generation options, demand side management (DSM) and transmission network expansion including renewable energy.	Letter from Cabinet Secretariat confirming Cabinet approval of the Integrated Resource Plan and copy of the plan.
#6: Cabinet approval and submission to the National Assembly of the Employment Bill.	(i) Letter from Cabinet Secretariat Cabinet approval of Employment Bill (ii) Copy of the Supplement to Official Gazette with the Bill.

Note: The Indicative Triggers for Phases III are tentative and are subject to change during appraisal.

Annex 4: ERGRSP Three-Year Policy Matrix

Medium term policy objective	Policy measures (2024)	Policy measures (2025)	Policy measures (2026)	Outcome indicators	Alignment with CSP (2021-2025)
Component 1: Advancing governance and economic management reforms					
Objective 1.1: Improving tax revenue performance	Seychelles' Tourism Environmental Sustainability Levy increased from SCR 60.4 million in December 2023 to SCR 75.8 million by 30 June 2024 (*)	SRC to improve its capabilities for facilitating tax compliance: establish education and awareness programmes as well as tax interventions and use computer-assisted audits and data analytics to detect tax non-compliance (+++)		Ratio of Business Tax revenues (incl. Tourism Environmental Sustainability Levy) to GDP	Single Priority Area: "Fostering Resilience to Promote Economic and Environmental Sustainability" (Main Outcome 3 – Strengthened public service delivery capacity to foster higher productivity and accelerate structural transformation)
	Cabinet approves legislative amendments to streamline VAT exemptions (+)	MoFNPT publishes in Official Budget Statement inventory of existing tax expenditures on VAT and business tax and an estimate of annual revenue cost (**)		Ratio of Business Tax revenues (incl. Tourism Environmental Sustainability Levy) to GDP	
	To implement arm's length provisions on transfer pricing in the Business Tax Amendment Act (2022) enact: (a) Business Tax (Related Party Dealings) Regulations, 2023 that mandates legal declaration of related parties; and (b) Business Tax (Transfer Pricing Documentation) Regulations, 2023 that mandates preparation of documentation describing the organizational structure and operations for the relevant tax year (++)		Completion of 50% of the 25 transfer pricing cases that were under risk that reviewed by end-April 2025 (***)	Ratio of Business Tax revenues (incl. Tourism Environmental Sustainability Levy) to GDP	
Objective 1.2: Strengthening the efficiency of public spending	Budget Circular issued by MoFNPT to provide guidance that (i) only projects with full appraisal information will be included in the Medium-term Expenditure Strategy (MTES) (ii) Minimum criteria to assess projects that will be included in the MTES 3year Public Sector Investment Plans (PSIPs) (*)	Cabinet approval of a legislative amendments to the Public Debt Management Act to strengthen the framework for appraising and selecting capital projects (+)	The proportion of projects included in the MTES 3-year PSIP for period starting 2025 that are fully appraised following criteria mandated by MoFNPT	Expenditure and net lending (% of GDP)	
	MoFNPT launches tender for a new Integrated Financial Management Information System (IFMIS) as a way of enhancing Government's efficiency while deepening the digital economic reforms	Number of public institutions that leveraging digital technologies to enhance public service delivery (+++) (**)	The 2025 Seychelles Public Expenditure and Financial Accountability with Gender and	Expenditure and net lending (% of GDP)	

			Climate Frameworks (PEFA++) Assessment conducted and the report published (***)		
Component 2: Improving business competitiveness and economic diversification					
Objective 2.1: Building a more resilient financial sector	Cabinet approval and submission to the National Assembly of the Virtual Asset Services Providers Bill and its consequential amendments **(*)**	Cabinet approval of the Non-Bank Credit Granting Institutions (NBCI) Bill, 2025 (++) (**)	Launch of the new Beneficial Ownership Registry Technology System	Credit to the private sector (12–month percent change	Single Priority Area: "Fostering Resilience to Promote Economic and Environmental
			The Central Bank CORE Banking System is fully operationalized and any one of the following two systems:	Credit to the private sector (12–month percent change	

Medium term policy objective	Policy measures (2024)	Policy measures (2025)	Policy measures (2026)	Outcome indicators	Alignment with CSP (2021-2025)
			(a) Central Securities Depository (CSD), and (b) Real-Time Gross Settlement (RTGS) and CORE Banking System. **(***)**		Sustainability" (Main Outcome 3 – Strengthened public service delivery capacity to foster higher productivity and accelerate structural transformation)
	To strengthen the legal framework for the Financial Stability Committee, Parliament has approved the Financial Stability Bill 2023 (++)	Enact amendments to the CBS Act 2021 with the aim to strengthen governance of CBS including: (i) strengthening institutional autonomy; (ii) safeguarding financial autonomy; and (iii) addressing recapitalization needs (+)	Cabinet approval of draft Bank Resolution Bill aligned to provide CBS with an adequate institutional framework and effective powers for dealing with bank resolution and managing a crisis, thus contributing to financial stability (+)	Credit to the private sector (12–month percent change	
	Enact the Credit Reporting Act, 2023 (Act 20 of 2023) which governs the establishment, operation, regulation and oversight of the Credit Information System with the aim of ensuring the safe, reliable and efficient processing of information (++)	Enact Data Protection Act, 2023, to improve treatment of personal data and enhance the protection of consumer credit information	MoFNPT establishes a fully functional Credit Information System (operation, regulation, oversight, and responsibilities of the CBS, data providers, data users, and data subjects) with the objective of ensuring the safe, reliable and efficient processing of information	Credit to the private sector (12–month percent change	

	Issue revised Beneficial Ownership Guidelines that will enhance quality of data inputs to the FIU BO database	Enact amendments to the Beneficial Ownership (BO) Act to broaden access to the FIU's central BO database to financial institutions and reporting institutions with AML/CFT obligations. Aim to Advance accuracy and accessibility of beneficial ownership information of entities created in Seychelles (including international business companies, limited partnerships, trusts and foundations (+)	Seychelles is re-rated as fully compliant in most respects by the Eastern and Southern African AntiMoney Laundering and Countering the Financing of Terrorism (ESAAMLG) Task Force in September 2024 after enacting legislation that addresses major risks and the requirements of the Financial Action Task Force (FATF) Recommendations	Credit to the private sector (12–month percent change	
Objective 2.2: Advancing economic competitiveness	Cabinet approval of the Seychelles Made Bill and enactment of the Licencing (Amendment) Act, 2024 **(*)**	Cabinet approval and submission to the National Assembly of the Fisheries and Aquaculture Bill that proposes to strengthen fisheries sustainability and enhance development of the aquaculture businesses (**)	Cabinet approval of the Report on Recommendations and Action Plan arising from the study to better understand the dynamics of the tourism sector (***)	Growth in tourism revenue (y/y, 12-month change)	
	Cabinet approval and submission to the National Assembly of the Seychelles Fisheries Authority Bill, 2024 (Bill No. 10 of 2024) (*)		Progress on utilization of the allocation of SCR 45.9 million in the 2024 budget towards the development of Ile Du Port infrastructure a key area designated for fish processing activities	Fisheries contribution towards the economy (% of GDP)	

Medium term policy objective	**Policy measures (2024)**	**Policy measures (2025)**	**Policy measures (2026)**	**Outcome indicators**	**Alignment with CSP (2021-2025)**
Component 3: Enhancing environmental and climate resilience and economic inclusivity					
Objective 3.1: Enhancing climate	Issue a Budget Circular that identifies potential programs/sub-programs for climate related elements to improve clarity in monitoring public spending for climate adaptation and mitigation (++)	Cabinet approval of updated Public Investment Management Policy to include (i) the requirements for the use of methodologies to identify net GHG emission, emission reduction alternatives, and climate resilience of projects in ex-ante project appraisals; (ii) project selection criteria that is fully aligned with the NDC; and (iii) applies the updated project appraisal to at least two major infrastructure projects by end- September 2024 and all new major infrastructure projects going forward (+)	Cabinet approval of an Integrated Resource Plan that outlines short to medium term electricity generation options, demand side management (DSM) and transmission network expansion including renewable energy (***)	AfDB CPIA score on Environmental Policy and Regulations	Single Priority Area: "Fostering Resilience to Promote Economic and Environmental Sustainability" (Cross-cutting themes)

change and environmental responses	Integrate priority climate adaptation and mitigation objectives in the National Determined Contribution (NDC) in the National Development Strategy 20242028, to ensure that investment decisions are consistent with the outcomes expected in the NDC **(*)**	Public Private Partnership (PPP) Regulations adopted incorporating climate considerations (++)	As part of the FY2025 budget process MoFNPT: (i) identify climate-related expenditures, including those with positive and negative climate effects, in Program Performance Based Budget (PPBB) and report a summary climate statement in PPBB document, and (ii) conduct long-term fiscal sustainability analysis under different climate scenarios, assess the main discrete fiscal risks related to climate change (+)	AfDB CPIA score on Environmental Policy and Regulations	
	To strengthen the effectiveness of investment promotion and raise investors' interest in climateresilient projects, amend the Investment Act 2010 by clarifying the Seychelles Investment Board role to strengthen its ability to coordinate with the private sector and promote climate resilient investments (++)	Regulations adopted for implementation of the Electricity Act, 2023 on: (i) licensing to increase private sector engagement; (ii) Distributed renewable energy (++)		AfDB CPIA score on Environmental Policy and Regulations	
	To improve sustainability, energy conservation and efficiency, approved updated electricity, water, and sewerage tariffs that reflect production costs. (++)	(i) Regulation implemented to engage the private sector in the sustainable waste management sector; (ii) Legislation adopted to promote the circular economy through strengthening the Extended Producer Responsibility principle (++)		AfDB CPIA score on Environmental Policy and Regulations	
		Cabinet approval of the Solid Waste Management Policy (2025-2030) (**).	National TVET & Skills Development Council fully operational	AfDB CPIA score on Environmental Policy and Regulations	
	To promote circularity in solid waste management, establish the operational framework for the reuse of solid waste and a timeline for the compliance of waste pickers as formal suppliers (++)	Action Plan for the Implementation of the TVET (Technical and Vocational Education and Training) Policy and Strategy (2024-2028) that mainstreamed gender aspects, including, establish a technical school.			
Objective 3.2: Promote inclusivity of economic growth	Youths who have successfully completed their on-thejob training through the Employment Skills Development Programme increased from 1,461 by 31 December 2023 (51% female; 49% male) to 1,609	Cabinet approval of Employment (National Minimum Wage) (Amendment) Regulations 2025 (**).	Cabinet approval and submission to the National Assembly of the New TVET Act	Youth unemployment rate (15-24 years)	
Medium term policy objective	**Policy measures (2024)**	**Policy measures (2025)**	**Policy measures (2026)**	**Outcome indicators**	**Alignment with CSP (2021-2025)**
	(51% female; 49% male) by 30 June 2024. This covers the period 2019 to 30 June 2024 (*)	MoFNPT to ensure IFMIS and PPBB have proper functionalities to became effective tools for tracking: (i) gender	Cabinet approval of Employment Bill that revises the Employment Act, 1995 (***).	Youth unemployment rate (15-24 years)	

	2024 budget allocation of SCR 5 million for the seed capital grant scheme, a grant of up to SCR 200,000 for financing small start-up enterprises, to assist them in the first phase of their development to be managed by the Enterprise Seychelles Agency (ESA)	disaggregated public expenditures; (ii) spending on Sustainable Development Goals (SDGs)	Strengthen the linkages between the budget process and the SDGs within the Medium-Term Macro-Fiscal Framework. Review specific steps that can be taken to incorporate and track pro-poor and pro-gender SDG budget allocations. Once the IFMIS system is operational, begin tagging expenditures to monitor flows to SDG and NDS. Train budget officials on SDG tagging (+++)	Youth unemployment rate (15-24 years)	

Annex 5: Environmental and Social Compliance Note

A. Basic Information[2]			
Project Title: Economic Resilience and Green Recovery Support Programme (ERGRSP-II)		**Project SAP or TFMS code:** P-SC-K00-028	
Country: The Republic Of Seychelles	**Region:** RDGE	**Lending Instrument**: General Budget Support	
Project Sector Unit: Economic Governance		**Task Team Leader(s):** Mosllem A. ALAMIR	
Appraisal dates: 02 May 2025		**Estimated Approval Date**: July 16, 2025	
Environmental Safeguards Officer: xxxx			
Social Safeguards Officer: Annah Rutebuka Muja			
Environmental and Social Category: Category 3	**Operation type**: Program Based Operation	**Financial Intermediary**: No	
Categorization date: *April 18, 2025*	**Categorization in ISTS:** April 18, 2025	**Categorization in SAP:** April 18, 2025	
Is this project processed under rapid responses to crises and emergencies?			No
Is this project processed under a waiver to Integrated Safeguards System (ISS) requirement(s)?			No
B. Disclosure and Compliance Monitoring B.1 Mandatory disclosure			
Environmental Assessment/Audit/System/Others: [*specify including number*]			
Was/Were the document (s) disclosed ***prior to appraisal?***			NA.
Date of "in-country" disclosure by the borrower/client			*Click to set the date*
Date of receipt, by the Bank, of the authorization to disclose			*Click to set the date*
Date of disclosure by the Bank			*Click to set the date*
Resettlement Action Plan (RAP)[5]**:** [*specify including number*]			
Was/Were the document (s) disclosed ***prior to appraisal?***			NA.
Date of "in-country" disclosure by the borrower/client			*Click to set the date*
Date of receipt, by the Bank, of the authorization to disclose			*Click to set the date*
Date of disclosure by the Bank			*Click to set the date*
Stakeholder Engagement Plan (SEP): [*specify including number*]			
Was/Were the document (s) disclosed ***prior to appraisal?***			NA.
Date of "in-country" disclosure by the borrower/client			*Click to set the date*
Date of receipt, by the Bank, of the authorization to disclose			*Click to set the date*
Date of disclosure by the Bank			*Click to set the date*

[2] **Note**: *This ESCON shall be appended to project appraisal reports/documents before Senior Management and/or Board approvals.* [5] *Including Livelihood Restoration Plan*

Pest or Vector Management Plan (PMP/VMP): [*specify including number*]	
Was/Were the document (s) disclosed ***prior to appraisal?***	**NA.**
Date of "in-country" disclosure by the borrower/client	***Click to set the date***
Date of receipt, by the Bank, of the authorization to disclose	***Click to set the date***
Date of disclosure by the Bank	***Click to set the date***
Vulnerable Peoples Plan (VPP): [*specify including number*]	
Was the document disclosed ***prior to appraisal?***	**NA.**
Date of "in-country" disclosure by the borrower/client	***Click to set the date***
Date of receipt, by the Bank, of the authorization to disclose	***Click to set the date***
Date of disclosure by the Bank	***Click to set the date***
Riparian Communities Participation Plan (RCPP): [*specify including number*]	
Was the document disclosed ***prior to appraisal?***	**NA.**
Date of "in-country" disclosure by the borrower/client	***Click to set the date***
Date of receipt, by the Bank, of the authorization to disclose	***Click to set the date***
Date of disclosure by the Bank	***Click to set the date***
Emergency Preparedness & Response Plan (EPRP): [*specify including number*]	
Was the document disclosed ***prior to appraisal?***	**NA.**
Date of "in-country" disclosure by the borrower/client	***Click to set the date***
Date of receipt, by the Bank, of the authorization to disclose	***Click to set the date***
Date of disclosure by the Bank	***Click to set the date***
Hazardous/Medical Waste Management Plan (HWMP): [*specify including number*]	
Was the document disclosed ***prior to appraisal?***	**NA.**
Date of "in-country" disclosure by the borrower/client	***Click to set the date***
Date of receipt, by the Bank, of the authorization to disclose	***Click to set the date***
Date of disclosure by the Bank	***Click to set the date***
Riparian notification:	
Was the document disclosed ***prior to appraisal?***	**NA.**
Date of "in-country" disclosure by the borrower/client	***Click to set the date***
Date of receipt, by the Bank, of the authorization to disclose	***Click to set the date***

Date of disclosure by the Bank	*Click to set the date*
Environmental and Social Management Plan (ESMP) of the financing agreement[3]	
Was the document disclosed ***prior to appraisal?***	**NA.**
Date of "in-country" disclosure by the borrower/client	*Click to set the date*
Date of receipt, by the Bank, of the authorization to disclose	*Click to set the date*
Date of disclosure by the Bank	*Click to set the date*
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?	**NA.**
Have costs related to environmental and social measures, including for the running of the grievance redress mechanism, been included in the project cost?	**NA.**
Is the total amount for the full implementation for the Resettlement of affected people, as integrated in the project costs, effectively mobilized, and secured?[4]	**NA.**
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	**NA.**
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	**NA.**

C. Clearance

Is the project compliant with the Bank's environmental and social safeguards requirements, and can be submitted to Approval? **Yes**

Prepared by	***Name***	***Signature***	***Date***
Environmental Safeguards Officer:	**XXXX**		Click to set the date
Social Safeguards Officer:	**Annah Rutebuka Muja**		***May 21, 2025***
Task Team Leader:	**Mosllem A. ALAMIR**		***May 21, 2025***
Submitted by			
Sector Director:	**Abdoulaye Coulibaly**		**May 23, 2025**

[3] As referred to in section III.2.3 of the Bank's Environmental and Social Policy (ESP)

[4] *In case a resettlement action plan (RAP) are not required although ESIA is/are disclosed, attached the image/picture/photo of the area/site/landscape to evidence that it is free of any encumbrance (simple statement or letter from the borrower does not suffice), in addition to the statement by the borrower that it is a public-owned land.*

Cleared by			
Director SNSC:	**Maman-Sani Issa**		**27/05/2025**

Annex 6: Country Map