



IMF and Seychelles Reach Staff-Level Agreement on a US\$ 107 Million Arrangement under the Extended Fund Facility (EFF)

FOR IMMEDIATE RELEASE

End-of-Mission press releases include statements of IMF staff teams that convey preliminary findings after a visit to a country. The views expressed in this statement are those of the IMF staff and do not necessarily represent the views of the IMF's Executive Board. Based on the preliminary findings of this mission, staff will prepare a report that, subject to management approval, will be presented to the IMF's Executive Board for discussion and decision.

- *The Extended Fund Facility arrangement supports the government's policy and reform efforts aimed at reinforcing the country's recovery from the pandemic, preserving macroeconomic stability, and sustaining inclusive long-term growth.*
- *Key policy actions under this program will focus on reducing debt sustainability risks following the necessary, but large, fiscal expansion implemented in 2020 to protect lives and livelihoods during the pandemic.*
- *Debt management and structural reforms are critical to fostering a sustainable private sector led growth.*

Washington, DC – July 7, 2021: In response to a request from the authorities, an International Monetary Fund (IMF) staff team led by Boriana Yontcheva, Mission Chief for Seychelles, carried out a mission from June 23 to July 6, 2021. Discussions were mainly virtual, but Ms. Yontcheva travelled to Victoria from June 29 to July 6.

At the end of the mission, Ms. Yontcheva issued the following statement:

"The Seychellois authorities and the IMF have reached a staff-level agreement on economic and structural policies that could be supported by IMF resources of SDR 74 million (about US\$ 107 million) under the [Extended Fund Facility](#) (EFF) for the duration of 28 months, over 2021-2023. The staff level agreement is subject to IMF management approval and Executive Board consideration."

"Tourism and its related sectors account for about two-thirds of Seychelles' GDP. As the COVID-19 pandemic affected the world in March 2020, global travel came to a halt, tourism receipts plummeted, and the Seychellois economy was badly hit. Real GDP contracted by about an estimated 13 percent leading to a deterioration in the external position and public finances. The authorities responded with exceptional measures to mitigate the economic fallout on businesses and households. The domestic primary balance swung from a surplus of 2.8 percent in 2019 to a deficit of 16.3 percent in 2020. Public debt burden indicators hit their highest levels in 2020, peaking at about 100 percent of GDP in 2020. Emergency financing

from the IMF through the [Rapid Financing Instrument](#) (US\$31.2 million) helped meet urgent balance of payments needs in 2020 ([see Press Release No: 20/212](#)).”

“The IMF team welcomes the progress made by the authorities in the fight against the COVID-19 pandemic. As Seychelles led the world in its vaccination effort and reopened its borders on March 25, 2021, tourists have returned, and economic activity has begun to revive. There was a recent flare-up in infections, but cases have peaked and are now going down. GDP is expected to grow by 7.7 percent in 2021. The current account deficit is expected to narrow to 22 percent of GDP in 2021 as tourist receipts resume. The 2021 budget addresses the lingering effects of the pandemic while setting the stage for the resumption of a declining path for public debt, after the surge caused by the economic impact of the pandemic. The 2021 primary deficit is expected to decrease to 9.7 percent to GDP.”

“The Seychellois authorities and IMF staff have agreed that the key objectives of the program will be to reduce fiscal and debt vulnerabilities while promoting economic growth and protecting the environment and the most vulnerable segments of the population. Governance and transparency commitments include the completion of an audit of COVID-19 emergency spending and related procurement, and improvements in the AML/CFT regime. The authorities’ reform efforts will be anchored by several key pillars: reducing risks to debt sustainability through an ambitious but realistic fiscal consolidation and liability management operation, tackling structural fiscal issues, including the implementation of a medium-term fiscal or budget framework, and strengthening debt and State-Owned Enterprise (SOE) management.”

“Recovering from the crisis while protecting lives remains the immediate priority but, as the pandemic abates and economic growth returns, an ambitious, growth-friendly fiscal consolidation is essential to put public debt on a firm downward trajectory. Policies agreed between the authorities and IMF staff will address the higher overall debt level and the heightened refinancing risks associated with a heavy reliance on short-term domestic financing during the COVID period. The authorities are committed to taking important steps to improve revenue performance, efficiency, and equity of the tax system by rationalizing tax exemptions and accelerating the digitalization of the tax administration. On the expenditure side, the reforms aim at containing current spending, limiting transfers to SOEs and improving the effectiveness of public expenditures.”

“The team would like to thank the Seychellois authorities for their close collaboration and the openness that prevailed during the discussions.”

The IMF team met President Ramkalawan, Minister for Finance, Economic Planning and Trade Hassan, Governor of the Central Bank of Seychelles Abel, other senior government and parliamentary officials, as well as representatives of the private sector.