



## IMF Staff Reaches Staff-Level Agreement with Seychelles on a Resilience Sustainability Fund (RSF) Program and a new Extended Fund Facility (EFF) Arrangement

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.

- IMF staff and the Seychellois authorities reached a staff-level agreement on a successor 36-month Extended Fund Facility (EFF) and a new Resilience and Sustainability Facility (RSF) program to support Seychelles' economic policies and reforms. Seychelles is the second African country to reach a staff-level agreement to access the Resilience and Sustainability Trust (RST).
- Performance under the current EFF has been strong. Economic recovery, fiscal consolidation and debt reduction continued in 2022, resulting in public debt declining to 69.9 percent of GDP at end-2022 (11 percentage-points reduction since end-2021). The new EFF and RSF will support the authorities' efforts to maintain macroeconomic stability, advance structural reforms, including climate adaptation and mitigation, and insure against downside risks.
- According to the agreement--which is subject to approval by the IMF Executive Board--Seychelles will have access to SDR 42.36 million (about USD 56.96 million) under the EFF and SDR 34.35 million (about USD 46.19 million) under the RSF.

**Washington, DC – March 29, 2023:** An International Monetary Fund (IMF) mission led by Calixte Ahokpossi, Mission Chief for Seychelles, visited Victoria March 16-29, 2023, to discuss the authorities' request for support under an Extended Fund Facility (EFF) arrangement and a Resilience Sustainability Facility (RSF) program.

At the end of the mission, Mr. Ahokpossi issued the following statement:

"The Seychellois authorities and an IMF staff team reached a staff-level agreement on policies and reforms under a new 36-month Extended Fund Facility arrangement and a Resilience and Sustainability Facility program, with a requested access of 185 percent of quota under the EFF (SDR 42.36 million) and 150 percent of quota under the RSF (SDR 34.35 million). The new EFF would support the authorities in their efforts to build on the progress in

macroeconomic, fiscal, and financial reforms started under the EFF that was approved in July 2021. The RSF financing will help the authorities advance their efforts in building resilience against climate change. The agreement is subject to approval by the IMF Management and Executive Board. Consideration by the Board is tentatively scheduled for May 2023.

“On the economic front, tourism recovered strongly in 2022 with arrivals reaching about 87 percent of pre-pandemic levels, notwithstanding a challenging global environment. As a result, GDP growth accelerated to 9 percent, from 5.4 percent in 2021. The economy is expected to grow at a slower pace of 4.3 percent in 2023. This outlook is, however, subject to downside risks related to tourism, given the challenging international environment.

“Inflation in Seychelles was relatively low in 2022 reflecting the lagged effects of currency appreciation as well as base effects. After averaging 9.8 percent in 2021, inflation declined to 2.6 percent on average in 2022. For 2023, inflation is expected to keep moderating and decline to 1.4 percent on average in 2023.

“Seychelles recorded a primary fiscal surplus of 0.7 percent of GDP in 2022, in contrast with a deficit of 3.2 percent in 2021 and 15.2 percent in 2020. This also represents an overperformance relative to the projected primary fiscal deficit of 1.1 percent of GDP for 2022, as both current and capital expenditures were under-executed. Higher spending is expected in 2023 and the primary balance would reach a deficit of 0.4 percent of GDP.

“The government has made significant progress in implementing policies and reforms set out in the current IMF-supported EFF program and in restoring macroeconomic balances. Quantitative performance has been strong and the broader structural reform agenda has also proceeded at a good pace. The current program is expected to be cancelled and replaced by the new one.

““The Central Bank of Seychelles (CBS) has maintained an appropriately accommodative monetary policy. The CBS stands ready to act if inflationary pressures materialize. The CBS will continue its efforts to strengthen its monetary policy framework and will monitor closely financial sector soundness to reinforce banks’ ability to support the recovery.

“Discussions on reform under the EFF focused on creating fiscal space for priority capital and social spending and strengthening the fiscal and monetary policy frameworks. The aim of the reforms is to maintain macroeconomic stability, while undertaking structural reforms to deliver more inclusive, resilient, and sustainable growth.

“The RSF-supported reforms will help the authorities advance measures to integrate climate-related considerations in the design of macroeconomic policies and frameworks, enhance climate-related risk management for financial institutions, strengthen the disaster risk reduction and management framework, and address adaptation and mitigation needs. While Seychelles has a well-advanced climate agenda, it needs to further strengthen its institutions to deliver and monitor its ambitious climate objectives and to mobilize additional resources to achieve them.

“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 with President Ramkalawan, Minister for Finance, National Planning and Trade Hassan, Governor of the Central Bank of Seychelles Abel, the other Technical and Financial Partners, and other senior government officials as well as representatives of the private sector.

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