Seychelles Climate Finance Mapping Report

Report:

Seychelles Climate Finance Mapping

Contents

Acronyms

ACCF	African Climate Change Fund
AF	Adaptation Fund
AFD	Agence Française de Développement
AfDB	African Development Bank
AFOLU	Agriculture, Forestry, and Other Land Use
ASAP	Adaptation of Smallholder Agriculture Program
BDBs	Bilateral Development Banks
CCNRMD	Climate Change and Natural Resources Management Department
CDM	Clean Development Mechanism
CER	Certified Emission Reduction
CIF	Climate Investment Funds
CO_2	Carbon dioxide
CO_2e	Carbon dioxide equivalent
COP	Conference of Parties
COVID	Coronavirus disease
CTF	Clean Technology Fund
DAC	Development Assistance Committee
DFIs	Development Finance Institutions
EBRD	European Bank for Reconstruction and Development
EE	Energy Efficiency
EIB	European Investment Bank
EU	European Union
ETF	Environmental Trust Fund
FAPA	Fund for African Private Sector Assistance
FDI	Foreign Direct Investment
FIT	Feed-In Tariff
GCF	Green Climate Fund
GDP	Gross Domestic Product
GEF	Global Environmental Facility
GEFF	Green Economy Financing Facility
GHG	GreenHouse Gas
GIZ	*Deutsche Gesellschaft für Internationale Zusammenarbeit* German Corporation for International Cooperation
GWh	Gigawatt hour
ha	Hectare
ICA	Infrastructure Consortium for Africa
IFC	International Finance Corporation
IFIs	International Financial Institution
IKI	International Climate Initiative
ILO	International Labour Organisation
IMF	International Monetary Fund
NDC	Nationally Determined Contribution
IPCC	Intergovernmental Panel on Climate Change
IRENA	International Renewable Energy Agency
KfW	German Development Bank

LEDS	Low Emission Development Strategies
LULUCF	Land Use, Land Use Changes and Forestry
M & E	Monitoring & Evaluation
MDAs	Ministries, Departments and Agencies
MDBs	Multilateral Development Banks
MRV	Monitoring Report Verification
MTP	Medium Term Plans
NAMAs	Nationally Appropriate Mitigation Actions
NCCS	National Climate Change Strategy
NCRE	Non-conventional Renewable Energy
NDBs	National Development Banks
NDC	Nationally Determined Contribution
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
PEM	Public Expenditure Management
PPP	Public–private partnership
PSF	Private Sector Facility
RE	Renewable Energy
REDD	Reducing Emissions from Deforestation and forest Degradation
SEFA	Sustainable energy fund for Africa
SREP	Special Renewable Energy Programme
TA	Technical Assistance
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change
UNICEF	United Nations International Children's Emergency Fund
WB	World Bank

Executive Summary

Seychelles, a nation highly vulnerable to climate change impacts, has embarked on a journey to mobilize climate finance to address its environmental challenges. This report provides a comprehensive overview of the climate finance landscape in Seychelles, highlighting the role of both public and private sector investments, as well as innovative financing mechanisms.

In recent years, Seychelles has made significant strides in mobilizing climate finance, with total public investments from domestic and international sources on the rise. According to the Public Sector Investment Program (PSIP), the total investment under the PSIP during the period 2017 – 2022 was SCR 6.4 Billion of which 48% was financed through domestic public funds while the balance of 52% was financed by international organizations including International Finance Institutions. From the total investments, SCR 988 Million where investments towards climate change adaptation and mitigation measures representing about 15.4% of the total investment in the PSIP programme over the period under consideration. climate investments have accounted for an increasing percentage of total public investments, rising from 10% in 2018 to 15% in 2023. These investments have been channeled towards climate-resilient infrastructure, renewable energy projects, and conservation initiatives, reflecting the government's commitment to environmental sustainability.

International climate finance has also played a crucial role in supporting Seychelles' climate adaptation and mitigation efforts. The country has accessed funding from multilateral development banks, climate funds, and bilateral partnerships to implement a range of projects aimed at building resilience and reducing greenhouse gas emissions.

Notably, Seychelles has been successful in securing financing for innovative initiatives such as blue bonds and debt-for-nature swaps, which have directed funds towards marine conservation and the blue economy. These initiatives have contributed to Seychelles' reputation as a pioneer in sustainable finance and environmental conservation.

Despite these achievements, challenges persist in accessing and managing climate finance effectively. The report identifies key challenges, including economic constraints, institutional coordination gaps, and capacity limitations, which hinder the efficient allocation and utilization of climate funds. Moreover, the lack of robust tracking mechanisms hampers transparency and accountability in climate finance management.

To address these challenges and unlock the full potential of climate investments, the report offers a set of recommendations aimed at enhancing institutional coordination, improving tracking mechanisms, and fostering public-private partnerships. By implementing these recommendations and capitalizing on existing strengths, Seychelles can strengthen its resilience to climate change and achieve its sustainable development goals.

The report underscores the importance of collaboration between government, private sector, civil society, and international partners in mobilizing climate finance and driving transformative change in Seychelles. Through collective action and innovative financing approaches, Seychelles can pave the way for sustainable development and become a global leader in climate resilience.

1. Background

Seychelles comprises over 115 granitic and coralline islands known for their pristine environment, globally significant fauna and flora. It is home to two UNESCO World Heritage sites. Over 60% of the country's land area is designated as Protected Areas (PAs) – and communities are incentivized to maintain and manage these areas for environmental, social, and economic benefits.

As a Large Ocean State, Seychelles has a vast Exclusive Economic Zone (EEZ) of 1.35 million km2 and has taken the bold step of committing to protect 30% of its EEZ as Marine Protected Areas (MPAs) through a ground-breaking Debt-for-Nature swap (Commonwealth, 2021). This represents over 41 million hectares of MPAs designated for sustainable use, a significant challenge for a small island state with limited human, financial, and technical capacities to effectively monitor and govern natural resources. The country is also committed to protecting at least 50% of its mangroves and seagrasses by 2025 and 100% by 2030 recognizing their potential for both adaptation and mitigation against climate change (GoS, 2021).

Seychelles' ocean resources, including food and energy, are essential for sustaining a healthy and prosperous society. The national Blue Economy Strategic Policy Framework and Roadmap prioritizes sustainable wealth creation, prosperity, healthy and productive oceans, and strengthening the enabling environment through education, capacity building, job development, private sector opportunities, and policy integration. This Roadmap ensures multiple ministries including Environment, Energy, Climate Change, Agriculture, Fisheries, Tourism, Finance & Planning etc. are aligned in an integrated vision and approach for the future.

Food remains a critical area for developing sustainable local value chains, accounting for over 70% of total imports into Seychelles. The agriculture and fisheries sectors have the potential to reduce dependence on imports by leveraging new technologies and approaches.

Seychelles has the highest GDP per capita in Africa at $13,306 and is highly dependent on tourism and fisheries. In the medium term, tourism is expected to be the key growth driver, complemented by growth in private consumption. However, climate change is expected to increase temperatures by 0.5-4°C posing a risk to the sustainability of its economy in the long term (IMF, 2023). In addition, annually, over 900 kg of waste per capita is produced with ~50% as biogenic waste that goes to landfills – including through the tourism sector. As waste generation continues to increase, the capacity of the landfills remains unchanged. Solid Waste Management (SWM) poses a significant challenge including high costs of transportation, absence of engineered landfills, fires, leachate, and scarcity of land (GoS, 2023).

Seychelles submitted its updated Nationally Determined Contribution (NDC) on 30th July 2021 - to the United Nations Framework Convention on Climate Change (UNFCCC). The updated NDC includes financial support as core to the successful implementation of the NDC. Seychelles is committed to reducing economy-wide absolute GHG emissions by 293.8 ktCO2e in 2030 (26.4%) through integrated interventions in the transport and waste sectors, which will be supported by this project (GoS, 2021).

Seychelles' prosperity is linked to its marine and coastal assets within the framework of the Blue Economy. The country has pioneered the world's first sovereign Blue Bond Seychelles for innovative financing approaches given the tight fiscal space.

Adaptation to current and expected climate change impacts is a priority for the Government and citizens of Seychelles. According to its updated NDC, achieving its adaptation goals to 2030 will cost more than USD 339 million. Therefore, mobilizing innovative financing solutions remains critical for Seychelles if this target is to be achieved.

As a small island developing state, Seychelles is inherently vulnerable to the impacts and risks associated with climate change. Increased average annual temperature change, changes in rainfall patterns and flash floods. The primary impacts of climate change on Seychelles are expected to be caused by sea level rise and an increase in storm severity, creating coastal hazards and increasing coastal vulnerability. Natural habitats and biodiversity, the coastal zone and human settlements, agriculture, water resources, fisheries and human health are the key socio-economic sectors considered for sensitivity and vulnerability to climate change in Seychelles.

Therefore, the government of Seychelles gives high priority to the fight against climate change. With its new and enhanced mitigation contributions, Seychelles seeks to achieve a substantial mitigation benefit, lowering the GHG emission to a level of 817 ktCO2eq by 2030, relatively to baseline emissions, as well as a lasting adaptation impact in terms of energy and water security for Seychelles and improved resilience across communities (GoS, 2021). The country also gives high priority to climate adaptation strategies that will improve its resilience to these climate change associated impacts and risks. In addition, Seychelles commits to continue integrating climate change considerations into plans and strategies across all key sectors by 2030.

Seychelles is at a critical point in its development and needs to attract and redirect a whole range of financial resources to transform its economy. It has outlined within its NDC that it will require approximately USD 670 million to implement its NDC and this will require significant support from both domestic and international partners, Private and Public (GoS, 2021).

Although Seychelles is a high-income state, it does share similar issues with the vulnerable groups when it comes to climate change adaptation, disaster risk reduction, recovery and rehabilitation considerations and environmental sustainability which will require substantial international support and a wide range of innovative financial solutions to address the challenges.

For a Small Island State like Seychelles, being able to deliver the climate commitments under the Paris Agreement hinges on countries' ability to access climate finance. However, identifying and accessing the right sources of finance is not always straightforward and countries especially SIDs face several challenges in unlocking funding.

According to the 2021 updated NDC, Seychelles needs approximately over USD 670 million (USD 331.5 million Mitigation and USD 339 million Adaptation in particular) for it to implement its NDC measures by 2030. This amount of finance will require a robust climate finance mobilization strategy and action plan. It will also require the full participation of all the stakeholders including the private sector.

This climate finance mapping report is aimed at optimizing and enhancing greater access to and mobilization of public and private finance, both domestic and international, for the updated NDC implementation.

1.2 Justification for Climate Finance Mapping in Seychelles

For Seychelles to meet its climate targets and build resilience to climate change, finance will need to be mobilized both domestically and internationally at scale. The finance required to support the Government's low-carbon, and climate-resilient transition is outlined in Seychelles' updated NDC.

Climate finance is an essential enabling aspect of global efforts to address climate change. The Parties to the UNFCCC set the goal to mobilize USD 100 billion per year by 2020 to support mitigation and adaptation activities in developing countries. Significant financial resources from the public and private sectors are expected to channel towards climate action. If Seychelles is to take advantage of these opportunities, the existing institutional and financial mechanisms must be strengthened so that resources are directed efficiently toward national climate and development priorities. This is the context in which this climate finance mapping is developed.

From the foregoing, the clear need and importance of climate finance mapping and planning can be stated to be as follows:

- Tracking and planning public and private spending and investments and needs at the country level is essential for implementing national climate mitigation and adaptation strategies and achieving Paris Agreement objectives.
- Various mapping exercises have been instrumental in helping policymakers understand who finances what and the extent to which finance is aligned with country policy objectives.
- As Seychelles embarks on enhancing its NDCs, climate finance mapping can play a key role in identifying new ways governments can step up their climate actions, and finance these bold new goals.
- While mobilizing new resources is important, so is ensuring that existing domestic spending structures align with climate objectives. Such coherent domestic spending is essential to build trust with international partners and provide the added value of international support.
- Tracking initiatives also contribute to understanding of how the broader economy contributes to climate investments, both positively and negatively, which can help encourage increased investment.

This mapping is part of the Government of Seychelles' strategic intervention to build climate finance capacity to better coordinate resource mobilization, + develop a project pipeline and track climate change expenditures. The goal is to equip all state and non-state agencies with the requisite skills and knowledge to correctly identify climate change elements, plan and budget and mobilize resources, and code and track expenditures towards adaptation and mitigation, both as stand-alone initiatives and projects and/or within programmes and projects.

1.3 Objectives for Climate Finance Mapping in Seychelles

The overall objective of the climate mapping is to optimize and enhance mobilization of funding to implement Seychelles NDC priority actions, through a clear understanding of the International and domestic climate finance landscape.
There are four main strategic objectives:

1. Build awareness and understanding on Climate finance sources, instruments and resources available to support adaptation and mitigation measures in Seychelles;
2. To enhance mobilization of funding from public and, private finance sources for NDC implementation;
3. To map both domestic and international funding sources and channels; and
4. Identify challenges and opportunities for accessing climate finance for implementing NDCs.

1.4 Methodology

The approach used in preparing this report included desk research which was carried out on the climate change policy context and the institutional arrangement in Seychelles. This was followed by an analysis of the climate finance flows in the broad categories of domestic and international public investments and sources including United Nations Framework Convention on Climate Change (UNFCCC) mechanisms, multilateral and bilateral sources and channels but also considered private sector investments. Based on this analysis challenges and opportunities were identified. Desk research and consultations with stakeholders were used in the identification of these components and facets.
The data and information related to the climate finance landscape report was collected from both primary and secondary sources. The ongoing Public Sector Investment Programme (PSIP), the main national-level project and finance information database maintained at the

Ministry of Finance, National Planning and Trade, was the main data source to identify the main climate change related project intervention in Seychelles. The PSIP annual reports for the period 2017 – 2022 capturing the expenditure up to 30th November 2022 was used to track the finances. All the projects and the related budgets of the ongoing PSIP was studied collectively as presented in the PSIP annual reports and the climate change projects were identified and tracked separately. Each of the climate change project budgets were analysed to track the funding sources, instruments and sectors. The PSIP data was triangulated with the other data sources including the Organisation for Economic Cooperation and Development (OECD) database, the Green Climate Fund (GCF) project information, and Global Environment Facility (GEF) project information. This information has been supplemented with data and information available in the national budgets over the last seven (7) years and the data from the Environment Department Database on all funded projects from 1990 to 2023.

The private sector's climate related investment information was not covered within the PSIP due to non-availability of data. Therefore, private sector investment related data and information gathered through other publicly available sources such as websites, Annual Reports of the organizations such as Seychelles Chamber of Commerce, Seychelles Public Utility Company, private sector lending portfolio databases of the multilateral development banks.

Discussions and stakeholder consultations were also carried out with the representatives from the main actors of climate finance related institutions during the training workshop on climate finance sources and project prioritisation. Additional stakeholder consultations were done with key informants from the relevant line Ministries, State owned institutions and Development partners. These institutions are represented by the government ministries, departments, UN agencies, Multilateral Development Banks, development partners, and ongoing project staff. The list of consultations carried out is given in Annex 5.

There are some limitations as far as the availability of climate finance data and quality of data are concerned. There is no climate finance tracking system in Seychelles other than the PSIP database which is a composite of all the development capital expenditure projects funded by the development partners and the government. The PSIP is a rolling database with ongoing projects and therefore, the time cycles of the projects are different. Some of the donor support projects to non-governmental Organizations (NGOs) are not available and may have been missed in the overall analysis. Therefore, it is highly likely that the climate finance provided by the philanthropies and foundations are not counted in the landscape. The level of concessionality of climate finance has not been captured in the assessment due to the lack of data availability. The investments from the utility companies on climate change projects have been calculated under the private sector finance but there is a government shareholding in these companies which could not be weighted appropriately:

1.4.1 Data Collection

The data used in the mapping is based on secondary and primary sources. Secondary data collection involved extensive identification and review of the annual reports for the Public Sector Investment Programme, different policy, strategic, scientific, technical, project and program documents and reports. These documents were sourced from the websites of governmental and non-governmental organizations, private sector, development and technical partners involved in climate change and development matters in Seychelles, among others. UNFCCC, dedicated climate change funds (such as the GCF, GEF, AF) and bilateral and multilateral donor organizations (African Development Bank, World Bank, International Monetary Fund), The Nature Conservancy, United Nations Development Programme (UNDP) with operational footprint in Seychelles.

Primary data collection was conducted mainly through targeted consultations with key informants, e-mail exchanges, and focus group discussions which was done during the climate financing sources training workshop and through direct institutional consultations. Some of the stakeholders contacted for this study came from the national government, development partners, State Agencies, and private sector. In the primary data collection process, an open questionnaire was used to guide interviews and discussions focusing on the project context, objectives, financing sources and the key challenges, opportunities.

1.4.2 Data Analysis

This report used a mix of qualitative and quantitative data analyses to triangulate different perspectives from the primary and secondary data. Critical methods used in analyzing of the secondary and primary data are summarized below:

Content analysis. This entailed content analysis of the Public Sector Investment Programme (PSIP) annual reports from 2017 to 2022 and the Climate Public Expenditure and Institutional Review of 2018 with expenditure ratios projected to 2022 and 2023 expenditure budgets. Narrative descriptions of NDC, blue investment of public and private sector climate finance landscapes in Seychelles.

Interviews: Data collected through open-ended questions were analyzed to identify domestic and international funding sources and bring out the challenges, opportunities and recommendations regarding the involvement of the public and private sectors in the implementation of Climate adaptation and mitigation measures in Seychelles.

1.4.3 Limitations of the mapping

Several challenges emerged that should be key considerations as the mapping was developed.

Access to quantitative data: There is a lack of access and availability of granular data on climate finance at a country level, as financial information is often not subclassified, specifically as climate finance. From the government's side, there is no data about NDC financing by the private sector in Seychelles due to the absence of a current Monitoring, Reporting, and Verification (MRV) system or a country registry for the private sector climate change actions. This is an issue in other countries studied – and is frequently mentioned in the literature as a challenge in developing an accurate assessment of the climate finance landscape.

Confidentiality with financial institutions: Access to detailed information from financial institutions is limited due to confidentiality regulation in the finance sector and market sensitive information. This is an issue in other countries studied.

2. National Situational Context

2.1 Climate Change context

2.1.1 Seychelle's Vunerability

As a small island developing state, Seychelles is inherently vulnerable, economically, culturally, socially and environmentally, to the impacts and risks associated with climate change. Climate change and natural disasters have significant macroeconomic and fiscal implications for Seychelles. Over the past decades, the annual mean temperature in Seychelles has risen steadily and are projected to increase by 1.7°C – 3.2°C relative to the 1995 – 2014 baseline. As such, this is likely to increase the intensity and frequency of storms and heavy rainfalls, whilst water shortages will be exacerbated by prolonged droughts

(Etongo, 2019). Ocean heat content increases since 1970 and incidences of El Niño events are expected to result in more frequent coral bleaching. The primary impacts of climate change on Seychelles are expected to be caused by sea level rise (0.3 meters by 2050 and 0.6 meters by 2100, relative to 2010) and an increase in tidal surges, storm severity, creating coastal hazards and increasing coastal vulnerability.

Compounded together with high tides and storm surges, sea level rise poses a major risk to coastal infrastructure and coastal populations *(Harold R, et al 2015)*. Therefore, these climate-related events could potentially result in substantial damages to infrastructure and main economic sectors, with disproportionate impacts on the vulnerable groups due to their limited capacity to adapt and/or respond to climate change as well as natural disasters.Natural habitats and biodiversity, the coastal zone and human settlements, agriculture, water resources, fisheries and human health are the key socio-economic sectors considered for sensitivity and vulnerability to climate change in Seychelles.

According to an analysis done by the IMF, Seychelles has the financial resilience to withstand a reasonable large disaster; however, the economy would suffer a heavier debt burden. In the event of a rare and unlikely catastrophic climate induced disaster it would make debt unsustainable for Seychelles *(IMF, 2022)*.

2.1.2 GHG Context

Based on the Seychelles' GHG emissions and removal for the base-year 2000 as presented in the Third National Communication submitted in 2023 *(TNC, 2023)*, which covers greenhouse gas (GHG) emissions from four major sectors: Energy, Industrial Processes and Product Use (IPPU), Agriculture, Forestry and Other Land Use (AFOLU), and Waste. GHGs include carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), and perfluorocarbons (PFCs). Seychelles' net GHG emissions were estimated at 596.80Gg CO2e, in 2018, with 86.87% coming from the Energy sector. Emissions have risen steadily since 2000, driven primarily by the Energy sector, particularly electricity generation and road transportation. The IPPU sector also saw significant emissions growth, particularly due to increased air conditioning use. Overall, GHG emissions increased from 272.83 Gg CO2e in 2000 to 596.80 Gg CO2e in 2018, a 53.61% increase.

2.1.3 Economic Context

Notwithstanding the uncertainty brought about by the war in Ukraine, Seychelles' economic growth reached 8.4 percent in 2022 *(Central Bank of Seychelles, 2022)*. Such growth was driven by the improved performance of the tourism industry which had seen a higher number of tourism arrivals at 82% in 2022. However, there was a slower growth in tourism arrivals in 2023 to about 5%. Additionally, as at September 2023, tourism earnings were 7 per cent lower compared to the same period in 2022. Further, according to the 2024 budget *(MoFNPT, 2023)*, performance in 2023 showed that Seychelles economy grew by 3.8%. Which was less than the projected growth for 2023. This reduction was based on new global developments, especially the rising costs of living in developed countries which are Seychelles main tourism markets. The lower economic growth in these countries had affected Seychelles tourism sector compared to 2022.

In the domestic market, the Information Technology and Communication Sector (ICT) had continued to grow, and in 2023, this sector was projecting a growth of 16%. Another sector that was doing well was the Transportation and Storage sector, with a projected growth of 11.8%. A 5% growth is also expected in the semi-industrial fishing sector. In the Financial Sector and Insurance, there was a projected growth of 2% by the end of 2023. The 'Manufacturing- other' sector, which mainly consists of the production of concrete, rock products, and paints, was projected to grow by about 2% during 2023. The Wholesale and Retail sector remained resilient in 2023 with an estimated growth rate of 1.8% *(UNDP, 2023)*.

Seychelles experienced higher economic growth rates than its peer countries in the Region. It does, however, remain vulnerable to key risks that might negatively affect its economic performance and social cohesion *(UNDP, 2023)*. Most of the risks are exogenous and include continuous inflationary pressures, global chain disruptions, and the tightening of the global financial conditions. Additional risks include the country's exposure to climate change and the employment environment, especially for the youth.

Global recovery from the COVID-19 pandemic continued in 2022, despite the war in Ukraine, and persistent inflationary pressure. The outlook for economic growth in the Seychelles and the world pointed to a slowdown in 2023, though inflation was also expected to decrease in most economies through continued monetary tightening by central banks. However, downside risks remained with regards to the war in Ukraine, extreme weather events, slow recovery in China, and the risk of sovereign debt distress in more countries. This moderation in both economic growth and inflation is expected to persist through 2024 *(MoFNPT, 2023)*.

Additionally, the escalating war in Gaza was also posing serious economic risks to Seychelles as a country that depends on imports for most of its economic products. If the war escalated to a regional war, it would reverse global efforts made in the fight against inflation via increased fuel prices, as well as other commodity prices as well as possible negative indirect effects further reducing access to climate finance. This new conflict will impact Seychelles both directly, through lower tourist arrivals from Israel (currently accounting for about 5 per cent of the total), and indirectly through possible adverse economic impact on the key European markets.

2.2 Policy, Legal and Institutional Frameworks

2.2.1 Policy Framework

The Seychelles long-term policy framework has been outlined in the country's Vision 2033 which promotes "a resilient, responsible and prosperous nation of healthy, educated and empowered Seychellois living together in harmony with nature and engaged with the wider world" (MoFNPT, 2019). Seychelles has also aligned it's National Development Strategy 2023-2027 with the Sustainable Development Goals, The Agenda 2063 and the SAMOA Pathway. The key overarching policy documents that had inspired climate change policy and strategy in Seychelles are the Seychelles National Climate Change Strategy of 2009 and the Seychelles Sustainable Development Strategy (SSDS) 2012-2020 which gave the long term climate change strategy that outlined the development trajectory of the country. The National Development Strategy of 2023 - 2027 has mainstreamed climate change into the different sectors of the economy (MoFNPT, 2023).

The implementation of climate change programmes and projects as well its coordination in Seychelles is outlined in the National Climate Change Policy which was adopted in 2020. Prior to this policy, climate change governance was coordinated through the Seychelles National Climate Change Strategy of 2009 and the Environmental Act of 1995 which was later amended in 2016. Seychelles submitted its Intended Nationally Determined Contribution (INDC) in 2016 which was later updated in 2021 through the submission of the updated Nationally Determined Contribution (NDC).

Other key policies that are relevant to climate Change include: Seychelles Energy Policy of 2010, Water Policy 2017, Seychelles Renewable Energy Strategy 2018, Blue Economy Strategic Policy Framework and Roadmap - 2018-2030, Coastal Management Plan (CMP) of 2019-2023, Energy Efficiency Policy 2020, National Agriculture Policy, 2014, National Biodiversity Strategy and Action Plan (NBSAP), 2015; Technology Needs Assessment, 2018; Second National Communication, 2013, Aid Policy 2023, Public Investment Management Policy, 2023; among others.

2.2.2 Legal Framework

The Seychelles government has put in place a comprehensive legal framework for an integrated approach to climate change. The sector ministries regularly review their relevant policies and legislation, in order to ensure that they are in line with the objectives of the National Policy on Climate Change and other initiatives meant to tackle climate change. The country has since developed a climate change bill which is yet to be adopted by Parliament. Some of the key legal instruments that support the implementation of climate change progammes are outlined below: The Constitution of Seychelles of 1993 (Article 38); National Parks and Nature Conservancy Act of 1969; The Town and Country Planning Act of 1972; Fisheries Act of 1987 (amended in 2014); Energy Act of 2012; Disaster Management Act of 2014; Environment Protection Act of 1995 (Amended in 2016); Meteorology Act of 2015; Conservation and Climate Adaptation Trust of Seychelles Act of 2015.

Table 1: A summary of the key Policy and legal frameworks

Name	Year adopted	Main contents
Environment Protection Act	1992, rev. 2016	The main instrument for environmental protection in Seychelles; it addresses protection of the coastal zone, with only passing reference to its vulnerability to the impact of climate change
Seychelles Climate Change Strategy	2009	Provides a coherent and consolidated approach to climate change–related policies, programs, and projects
Sustainable Development Strategy 2012–2020	2011	An approved national instrument that incorporates national priorities for sustainable development and lays out a roadmap for the implementation of those priorities
Disaster Management Act	2014	Sets out a comprehensive legal framework for disaster risk management.
Meteorology Act	2015	To provide early warning on weather and climate phenomena in Seychelles.
National Biodiversity Strategy and Action Plan (NBSAP)	2015	Means of implementation of the Convention on Biological Diversity
Conservation and Climate Adaptation Trust of Seychelles Act	2015	To provide for establishment of the Conservation and Climate Adaptation Trust of Seychelles for the purpose of regulating the debt swap transactions.

National Development Strategy of 2019 - 2023	2018	Sets out the development pathway of Seychelles and outlines the national priorities.
Coastal Management Plan	2019	Aims to help maintain and protect the coastal zone to reduce coastal risk, support healthy ecosystems, and enable sustainable coastal economic development.
National Climate Change Policy	2020	Provides for the coordination of climate mitigation and adaptation programmes in Seychelles.
Updated Nationally Determined Contribution (NDC)	2021	Strategic document that sets out Seychelles commitments towards meeting the goals of the Paris Agreement.

2.2.3 Institutional Framework

The Seychelles began its action towards managing the impacts of climate change when it ratified the United Nations Convention on Climate Change (UNFCCC) in 1992. In the same year it also established the National Climate Change Committee (NCCC), which provides overall coordination of the development and implementation of the national climate change programme. Currently this committee has not been fully functional and will require to be revived. In addition to the committee, Seychelles established the Ministry of Environment, Energy and Climate Change (MEECC) which later changed to Ministry of Agriculture Climate Change and Environment (MACCE) and is responsible for inter alia: i) protecting, preserving and improving the environment; ii) ensuring the supply of safe and affordable water and energy supply; and iii) building resilience to climate change and extreme weather events. In 2015, the MEECC was restructured. This led to the creation of the Climate Change Division (CCD) under the Department of Climate Change and Energy (DCCE), which was to serve as the national focal point for climate change adaptation and mitigation planning and the implementation of climate change-related projects.

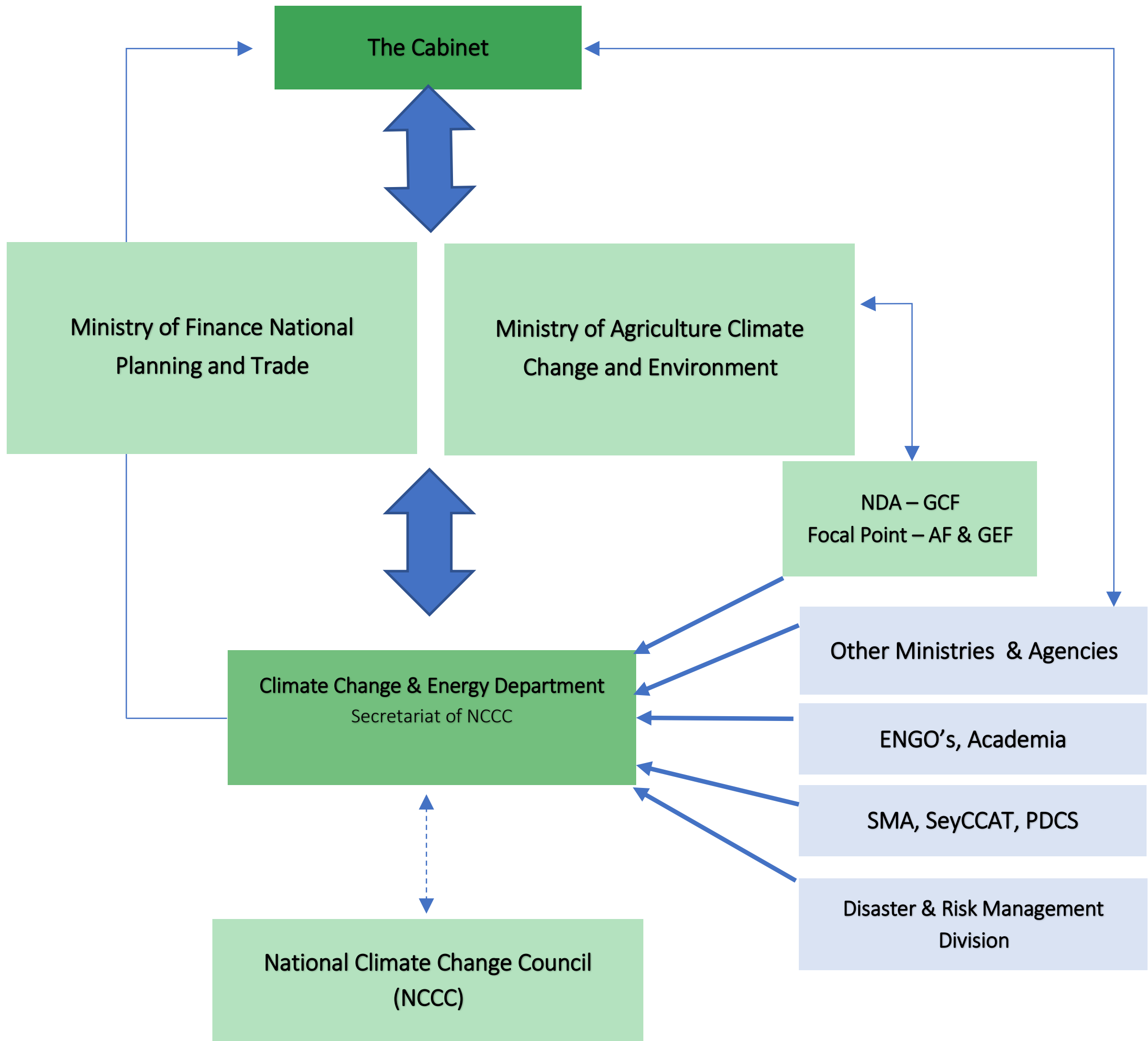
The Department of Climate Change and Energy works in collaboration with the Seychelles Meteorological Agency which is responsible for climate information services, systematic observation and early warning, the Division of Risk & Disaster Management (DRDM) responsible for disaster risk management, reduction and preparedness, the Seychelles Conservation and Climate Adaptation Trust (SeyCCAT) which is an independent nationally based, public-private trust fund established in 2015. It uses cash flows from restructured debt to conserve the Seychelles' marine environment and resources as well as climate adaptation projects. It also works closely with the Ministry of Finance National Planning and Trade when it comes to climate finance and climate change mainstreaming.

In order to facilitate effective implementation of capital projects and programmes Seychelles established the Project Development Coordination Section (PDCS) in 2023 under the Ministry of Agriculture Climate Change and Environment. This was adopted from an already existing Project Coordination Unit (PCU) that was earlier established around 2008 to oversee implementation of Global Environment Facility Projects.

The other key stakeholders that play a role in the coordination of climate change programmes are outlined in the figure below:

Figure 1: Institutional Arrangement for climate change coordination in Seychelles –

[1]



[1] SMA-Seychelles Meteorological Agency, PDCS-Project Development Coordination Section

3. Seychelles Climate Finance Landscape

Seychelles has been making several efforts to access climate finance from multiple sources and channels to address the countries' climate finance needs and priorities both from public and private, domestic and international sources despite this effort not much of the climate finance has been accessed solely for Seychelles especially grant financing. The overall climate finance architecture and flows for Seychelles is depicted in Figure 4 showing the key actors and flows of climate finance to Seychelles from different sources and channels. This section of the report summarizes the climate finances accessed and channeled from different sources and instruments with special reference to the period 2017-2022. It analyses the domestic public investments made by government through the Public Sector Investment Programme (PSIP) but also private sector investments. It also outlines the climate finance flows under the UNFCCC Climate Finance Mechanism and International Finance Institutions (IFIs) including Multilateral Development Banks (MDBs) and Bilateral funding sources.

3.1 Domestic Public Investments and Sources

3.1.1 Government Investments

Seychelles has a comprehensive programme of financing capital expenditure projects which is reflective of the multifaceted relationship it enjoys with its multilateral and bilateral partners. This programme is financed through the Ministry of Finance National Planning and Trade under the Public Sector Investment Programme (PSIP) which is comprised of all the development projects including climate change projects being implemented by the government of Seychelles. The PSIP is principally supported by the Government of Seychelles and international and regional financial institutions. According to the ongoing PSIP of Seychelles, the total investment under the PSIP during the period 2017 – 2022 was SCR 6.4 Billion of which 48% was financed through domestic public funds while the balance of 52% was financed by international organizations including International Finance Institutions. The balance of approximately SCR 3.3 Billion of which 39% was grants and 13% loans was funded by international sources. The details of the analysis above is as shown in the figure below.

Table 2: Total Public Investment in PSIP 2017-2022

Total Public Investments in PSIP 2017-2022				
Year	Total Investment (SCR, Mi	Local Budget (SCR, Millions)	Foreign Loans (SCR, Millions)	Foreign Grant (SCR, Millions)
2017	1,300.00	504.30	143.20	656.90
2018	1,100.00	578.30	190.40	377.80
2019	884.677	532.90	142.50	209.30
2020	1,219.50	521.30	159.10	539.10
2021	1,110.00	445.68	103.07	563.35
2022	800.64	548.38	70.65	181.61
Total	**6,414.82**	**3,130.86**	**808.92**	**2,528.06**

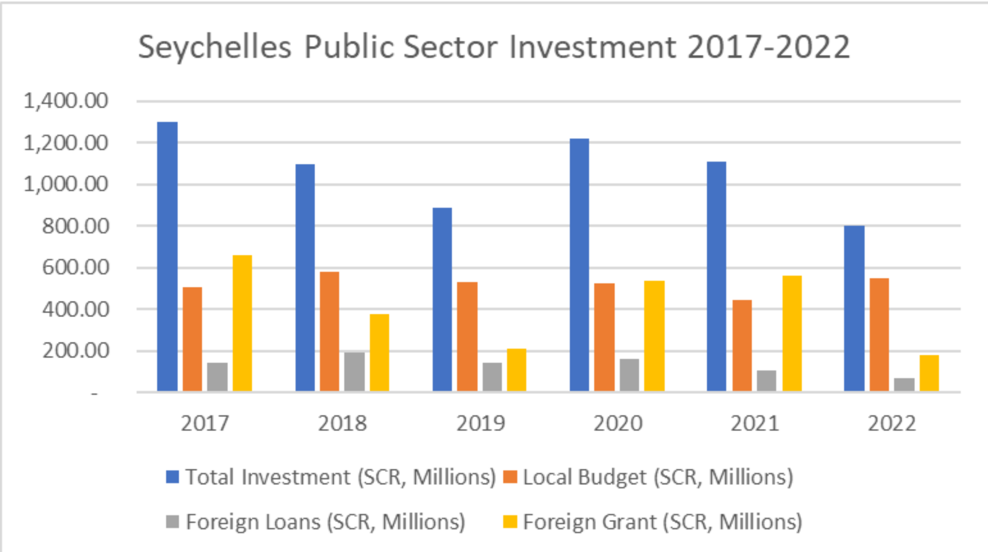


Figure 2: Seychelles Public Sector Investment 2017-2022

Considering that the PSIP programme covers all development capital expenditure projects a dedicated analysis of the PSIP projects and sectors was done in order to identify the climate change components of the PSIP and assess the climate finance flows to Seychelles. The attribution of the finance to climate change was based on the projects and sectors financed that were contributing towards adaptation and mitigation.

During the period under review, Climate Change, Environment, Energy, Infrastructure, Health, and Education were the sectors supported through the PSIP programme that contributed the most towards climate change adaptation and mitigation.

From the total investments of SCR 6.4 Billion, SCR 988 Million where investments towards climate change adaptation and mitigation measures representing about 15.4% of the total investment in the PSIP programme over the period under consideration. From the climate change investments it was noted that 53% was domestic finance and 47% was international finance. And from this international finance 35% was foreign grant finance and 12% was foreign loan finance. The details are as shown in the figure 3 below:

Table 3: Climate Finance Public Sector Investment

Climate Finance Public Investments				
Year	Total Investment (SCR, Million	Domestic (SCR, Millions)	Foreign Loans (SCR, Millions)	Foreign Grant (SCR, Millions)
2017	246.91	80.01	-	166.90
2018	108.03	102.38	5.65	-
2019	84.00	76.20	7.80	-
2020	46.75	46.75	-	-
2021	217.55	26.57	53.68	137.30
2022	284.71	195.39	45.99	43.32
Total	**987.95**	**527.30**	**113.12**	**347.52**

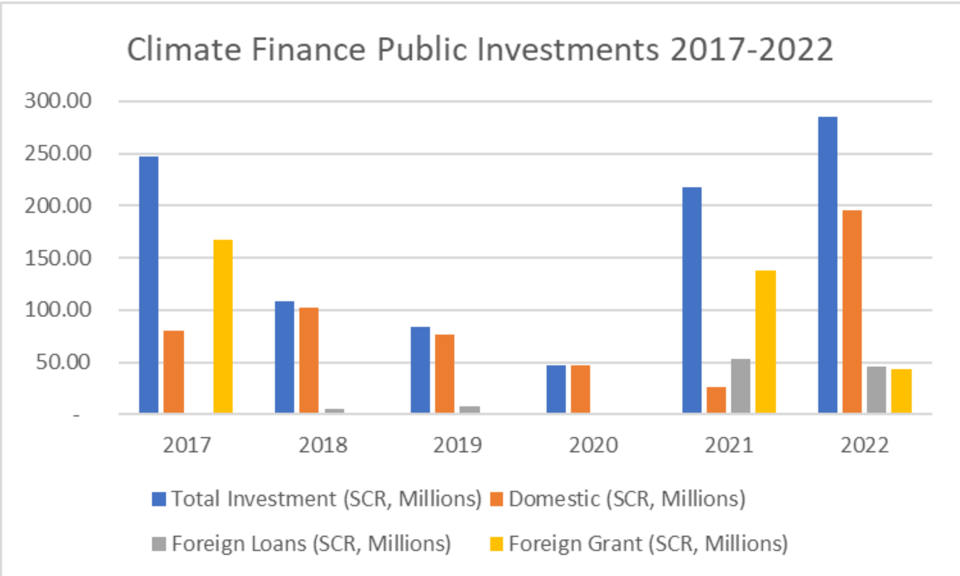


Figure 3: Climate Finance Public investments 2017-2022

It should be noted that the increase in climate finance public investments in 2021 and 2022 could be attributed to the post COVID 19 positive economic growth pushed by the bouncing back of the Tourism and Fisheries Sectors which are the key drivers of the Economy. Further, the country had just submitted its updated NDC in 2021 which prioritised some of the key actions that the Government prioritised especially in marine conservation and coastal infrastructure investments.

3.1.2 Climate Change Expenditures

The Seychelles government is making significant investments in climate change and implementing climate change-relevant projects and programmes. Most of these resources are towards marine conservation, coastal management, ecosystem-based adaptation and the blue economy. An expenditure review was done in 2018 with support from the European Union Global Climate Change Alliance plus initiative (GCCA+) where 24 government entities were identified, that were deemed being among those most likely to have activities related to climate adaptation or climate mitigation. From this review climate change weightings (refer to Annex 3) were developed depending on the level of expenditure towards climate change in these 24 identified government entities (Siedenburg & Bijoux, 2019). Based on the same climate change weightings and the same 24 government entities identified, a government budget expenditure analysis towards climate change for the years 2018, 2022 and 2023 was done in this report to appreciate the level of budgetary support going towards climate change activities in Seychelles. The average percentage increase in budgetary support was found by comparing budgetary allocations of 2022 and 2023 with the budgetary allocation of 2018 as the base year and an average percentage increase was found.

Table 4: Government Expenditure towards climate change related activities (in million Rs)

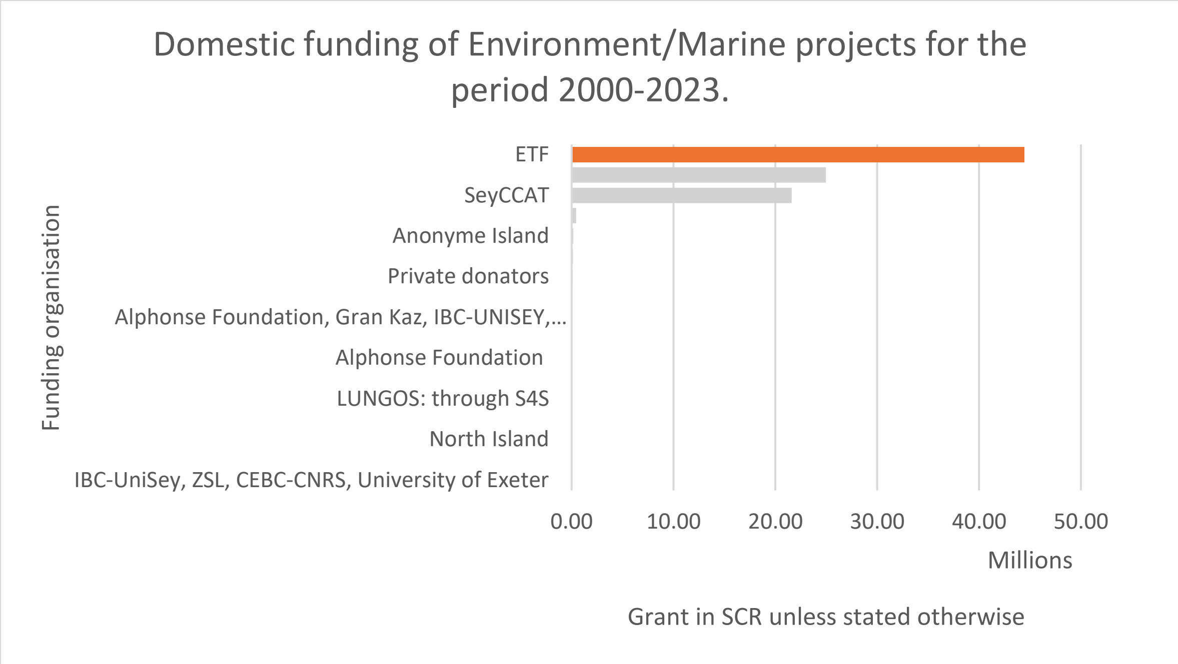
Budget type	2018	2022	2023	Average Percentage Increase %
Total Budget	8,610. 30	10,091.65	10,495.15	**19.55**
Total Budget allocation to the 24 entities	2,144.03	2,877.11	2,910.49	**35**
Climate Change Expenditure	473.50	890.40	944.30	**93.7**
Percentage exp. from Budget	**5.5%**	**8.8%**	**9%**	

For the period under review, it was noted that the average expenditure towards climate change adaptation and mitigation by Government entities had almost doubled in the years 2022 and 2023 with an average percentage increase of about 93.7%. This exhibits the Government's commitment towards addressing the impacts of climate change. Nevertheless, more needs to be done considering the financing gap that still exists.

3.1.3 Other Domestic Public Investments and sources

An understanding of different locally funded projects from different local organisations and partners was considered for the period 2000 to 2023 and it reviewed that there has been a total investment of approximately SCR 91 million towards environmental, climate change, biodiversity, land degradation, coastal resilience, and marine protection and most of this funding has been through the Environmental Trust Fund and SeyCCAT.

Figure 4: Domestic funding of projects for the period 2000-2023.



Source: Authors analysis of data from Environment Department

(a) Blue Grants Fund

Seychelles issued the world's first sovereign blue bond in 2019 and raised USD15 million to finance sustainable use of marine resources. Proceeds from the bond was meant to support the expansion of marine protected areas and improve the governance of priority fisheries and the development of the Seychelles' blue economy. The bond was split into a grant and loan component and is provided through the Blue Grants Fund (BGF) and Blue Investment Fund (BIF), managed respectively by the Seychelles' Conservation and Climate Adaptation Trust (SeyCCAT) and the Development Bank of Seychelles (DBS).

SeyCCAT was initially created as a special purpose vehicle capitalised with proceeds from the Debt for Nature Swap initiative that was completed in 2015, facilitated by the Government of Seychelles with support from The Nature Conservancy (TNC). The innovative financing instrument was able to raise US$21.6M and was one of the first in Africa.

The BGF offers grants to impactful Seychellois-led projects that advance marine conservations, sustainable fisheries, development of new and existing marine protected areas, and select other blue sector. Since April 2017, SeyCCAT has disbursed a total of SCR 25.79 million, approximately USD 1.842 million equivalent, specifically towards climate change initiatives across its five strategic objectives and fund portfolio.

Box 1:
Seychelles Blue Bond
In 2018, Seychelles issued the world's first sovereign Blue Bond with the support of the World Bank. The aim of the blue bond is to help the country transition towards a more sustainable fisheries and for the development of the blue economy. The blue bond had three impact investors. The bond was a sum of 15 million USD. The bond is supported by a World Bank (IBRD) partial guarantee of 5 million USD and by a 5 million USD concessional loan from the Global Environment Facility (GEF), which was used to subsidize costs of the bond by reducing the interest rate from 6.5% to a rate of 2.8%. The proceeds from the bond went towards marine protection, fishery management and towards the blue economy. The proceeds which consist of grants (US$3 million) and loans (US$12 million) were channelled through SeyCCAT under the Blue Grants Fund and the Development Bank of Seychelles under the Blue Investment Fund. Until 2022, 30 projects were

funded from the blue grants fund. These projects were funded under strategic Objective 1: Support new and existing marine and coastal protected areas and sustainable use zones; Strategic Objective 2: Empowering the fisheries sector with robust science and know-how to improve governance, sustainability, value, and market options, and Strategic Objective 5: Trial and nurture appropriate business models to secure the sustainable development of Seychelles' blue economy.

Debt for Nature Swap

Seychelles undertook the world's first ocean related debt for nature swap. The discussion started with TNC in 2011, whereby TNC was offering support to the Government of Seychelles to undertake this debt restructuring. In 2012, Seychelles made a commitment to protect 30% of its EEZ, which initiated the Seychelles Marine Spatial Process, to identify the zone for protection and to identify resources for the implementation of the MSP. Seychelles began the negotiation for the debt for nature swap in 2014 with their debtors and the negotiations was completed in 2015. The debt restructuring allowed the Government of Seychelles to re-direct a portion of its debt payments towards marine conservation and climate adaptation. The Nature Conservancy has provided $15.2 million in an impact capital loan repayable at 3% over 10 years and $5 million in grants. Thus raising $20.2 million to purchase the sovereign debt. The debt totalled $21.6 million with $1.4million discount (a rate of 93.5 cents on the dollar) The Government of Seychelles redirected this portion of their debt service to an independent, nationally based, public private trust fund called the Seychelles Conservation and Climate Adaptation Trust (SeyCCAT).

(b) Blue Business Fund

This initiative was introduced in 2021, by SeyCCAT in partnership with private Seychellois-owned businesses. It was meant to provide grants of up to SCR150,000.00 to support start-ups and entrepreneurs in advancing conservation and sustainability practices in Seychelles. Unlike the grants offered under the Blue Grants Fund, the Blue Business Grant can be used as seed capital to implement a brand-new business idea in the advancement of conservation and sustainability practices including climate change initiatives. In addition to the grant, successful applicants benefit from a mentoring programme from the senior management of the partnering business.

(c) Blue Investment Fund

This fund is administered by the Development Bank of Seychelles and was also capitalised with the proceeds of the Sovereign Blue Bond, covering the loan component of the bond. It provides a source of funding for Seychellois who want to invest in the transition to sustainable fisheries, ocean protection and blue economy. Unlike the Blue Grants Fund, the Blue Investment Fund has been slow to take up, with only 2 approved loans for a total value of SCR45,561,239.00 as at end-December 2022.

Besides the Blue Investment Fund, the Development Bank of Seychelles has additional funding schemes that are relevant to climate change and environment. The Agricultural Development Fund Scheme and the Fisheries Development Fund Scheme. The Bank in the recent years has also been managing the Electric/Hybrid vehicle and Solar PV rebate schemes on behalf of the Government.

(d) Environmental Trust Fund

The Environmental Trust Fund of Seychelles was established as a special fund in 1994 under the Public Finance Management Act. Its objectives are reducing pollution, protecting the environment, beautifying Seychelles and promoting environment education. As of 2022 the Environmental Trust Fund received more than $775,000 (SCR10 million) as voluntary contributions made by travellers to the island.

(e) Seychelles Pension Fund

Seychelles Pension Fund (SPF) is a statutory body set up under the Seychelles Pension Fund Act of 2005. It as an earning replacement mechanism to enable qualifying members to live in basic comfort upon retirement. SPF manages the national pension system of the country. The total assets managed by SPF totaled SCR 3.95 billion. These assets are invested according to the Investment policy of the Fund and, currently, it is dominated by investments in Real Estate. SPF collects contributions from its members who are Seychellois workers and provides them with pensions and benefits on retirement. The Seychelles Pension Fund is dedicated to manage and secure its funds through prudent investments and innovative methods and can be very reliable domestic source of NDC finance especially in the areas of Renewable Energy, the blue economy and sustainable tourism investments and agriculture.

(f) Seychelles Marine Spatial Plan

The Seychelles marine spatial plan initiative began in 2014. It is a process focused on planning for and management of the sustainable and long-term use and health of the Seychelles' ocean. The SMSP is an integrated, multi-sector approach to address climate change adaptation, marine biodiversity protection and support the Blue Economy and other national strategies. The process has a robust stakeholder engagement framework and includes all major sectors of the Seychelles including commercial fishing, tourism and marine charters, biodiversity conservation, renewable energy, port authority, maritime safety, and no-renewable resources in order to develop a comprehensive marine plan with stakeholder input. It included more than 250 workshops, meetings and workshops with more than 150 stakeholders. The SMSP Initiative is a Government-led process, with planning and facilitation led by The Nature Conservancy (TNC) in partnership with GoS-UNDP-GEF Programme Coordinating Unit (PCU) and Seychelles Conservation and Climate Adaptation Trust (SeyCCAT).
Through the SMSP Initiative, Seychelles designated 32.6% of its EEZ as protected area, which is more than 410,000km^2, under two categories. Five 'High Biodiversity Protection' Zones cover 203,235 km^2 and eight 'Medium Biodiversity Protection and Sustainable Use' Zones cover 217,589 km^2. The remaining ocean areas are in a 'Multiple Use' Zone category, covering nearly 70% of the Seychelles EEZ *(SMSP,2023)*.

(g) Seychelles Biodiversity Finance Plan

Through the UNDP BIOFIN imitative, Seychelles produced its firs biodiversity finance plan in 2019. The plan prioritised three main thematic groups for the biodiversity finance solutions.

- Tourism: To increase direct investment for biodiversity conservation from the tourism private sector and promote sustainable tourism practices by developing the appropriate policy, investment and fiscal framework
- Biosecurity: To strengthen the cost-recovery fee and fine system for more effective biosecurity services with greater emphasis on the prevention of the introduction of Invasive Alien Species.
- Establish a Biodiversity Finance Unit (BFU) within Government to ensure and sustain improved coordination and synergising of all biodiversity projects as well as mainstreaming of biodiversity financing into the budgetary and economic planning process.

The phase of implementation of the plan has ended and the plan will need to be revised and updated to also take into consideration the implementation of the updated National biodiversity strategy and action plan.

(h) TRAVISORY voluntary funding mechanism

During COVID, Seychelles was heavily impacted with the reduction of visitors, which also affected the operation of the protected areas. The government took some policy measures to restart the activity in the tourism sector, mindful of the health situation but also the economic situation. The Travizory Health Travel authorisation was introduced to facilitate visitor's entry to Seychelles during the COVID 19 pandemic. Within this online system, visitor's has the opportunity to make a voluntary contribution towards the conservation and protection of Seychelles Environment. From 2020 until 2022, more than 10 million Seychelles rupees had been collected through this voluntary mechanism.

(i) Seychelles Tourism Environmental Sustainability Levy

During Seychelles Government introduced a new levy to support protection and conservation and rehabilitation of the Seychelles' environment. The levy is charged in Seychelles rupees per person / per night basis, with exemption extended to children under 12, staff of airline companies and Seychellois citizens.

The levy is being charged as follows:

1. SCR 25 – Small tourism accommodations
2. SCR 75 – Medium-size tourism accommodations
3. SCR 100 – Large tourism accommodations, yachts, and island resorts.

Other financing mechanism are also implemented in Seychelles such as:

- Royalty payment
- Entrances Fees to Protected Areas including mooring fees
- Environmental fines and fees
- Public Private Partnership

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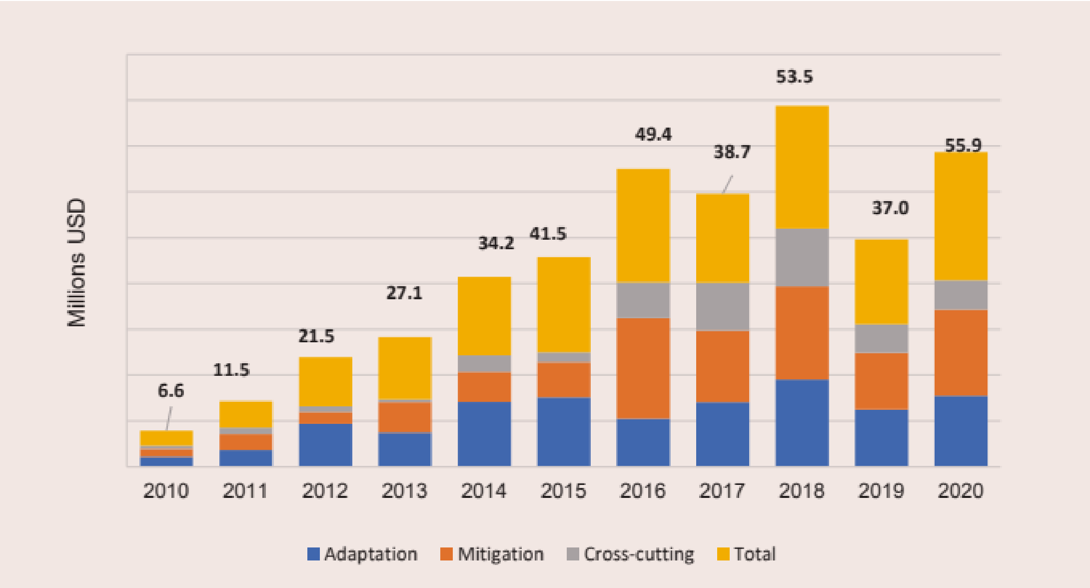
3.2 International Public Investments and Sources

According to the African Development Bank *(AFDB, 2023)*, Seychelles obtained a cumulative sum of $376.6 million in climate finance during the period from 2010 to 2020, sourced from development finance institutions and other development partners. This averaged $34.3 million annually. Notably, the influx of climate finance escalated by an average of 30% per annum across the same timeframe, varying from $6.6 million in 2010 to $55.9 million in 2020. Between 2010 and 2015, Seychelles secured $142.4 million in climate finance, averaging $23.7 million per year. In contrast, for the period from 2016 to 2020, the country received $234.5 million, equating to an annual average of $46.9 million. Out of the total $376.6 million obtained from 2010 to 2020, adaptation finance accounted for $247.9 million, while mitigation actions received $235.2 million. Additionally, cross-cutting finance, which encompassed both climate adaptation and mitigation efforts, totalled $106 million over the same period.

Figure 5: Climate Finance Flows into Seychelles 2010 -2020



Source: AFDB (2023), Country Focus Report 2023-Seychelles

Nevertheless, it important to mention that as a high-income country, Seychelles does not benefit extensively from grant financing from the international public sources. Overall, external grant flows into Seychelles have been aimed at supporting the country's sustainable development goals, particularly in the areas of marine conservation, climate change adaptation and mitigation, and SMEs in the blue economy sector. The grants have been provided by various organizations such as the Global Environment Facility, the Adaptation Fund, the European Union, Abu Dabhi Fund, and others. This section highlights the different international public climate finance sources and channels that have been available to Seychelles.

3.2.1 UNFCCC Financing mechanisms: Multilateral funding sources

(a) Green Climate Fund

The Green Climate Fund was established in 2010 under the framework of the UNFCCC with the aim to support low-emission and climate-resilient investments in developing countries. The Fund will help deliver on the commitment by developed countries to mobilize USD 100bn of public and private finance annually for climate action in developing countries by 2020. It has secured USD 10bn in finance since December 2014. The Fund finances low-emission (mitigation) and climate-resilient (adaptation) projects and programs developed by the public and private sector to contribute to the sustainable development goals of countries. The GCF portfolio allocation is divided equally between adaptation and mitigation. GCF will aim for a floor of 50% of the adaptation allocation for particularly vulnerable countries, including Least Developed Countries, Small Island Developing States and the African States (GCF, 2015).

The Fund's Private Sector Facility and a specific window for private sector funding are intended to strengthen its engagement and leverage additional funding for climate-related projects and programmes. The GCF supports country ownership, which means that the projects and programmes it supports should fall within a country's priorities. In addition, the Fund has created a country-level coordination mechanism with a National Designated Authority (NDA)/Focal Point. Seychelles' NDA is the Ministry of Agriculture Climate Change and Environment.

Seychelles currently has not accessed financing from the GCF as a single country except for four Multi-country projects as highlighted in the table 9 below:

Table 5: Green Climate Fund approved projects in Seychelles

Project	AE	Sector	Scope	GCF Funding US$ Million	Co-Financing US$	Total US$ Million
Ecosystem-based Adaptation in the Indian Ocean – EBA IO	Conservation International	Biodiversity	Multi-country Africa - 4 countries	49.2		49.2
Building Regional Resilience through Strengthened Meteorological, Hydrological and Climate Services in the Indian Ocean Commission (IOC) Member Countries	Indian Ocean Commission (IOC)	Early-warning	Multi-country Africa - 4 countries	71.4		71.4
Global Fund for Coral Reefs Investment Window	AfDB	Adapatation	Multi-regions 17 countries	500		500
Sustainable Renewables Risk Mitigation Initiative (SRMI) Facility (Phase 2 Resilience focus) [SRMI-Resilience]	Nederlandse Financierings-Maatschappij voor Ontwikkelings landen FMO	Cross-cutting	Multi-regions Africa & Asia-Pacific - 9 countries	1100		1100
TOTAL						**1,720.6**

N.B: All the projects where multi-country projects and the analysis did not capture how much of the total actually came to Seychelles.

(b) Green Climate Fund

GEF is an operating entity of the UNFCCC's financial mechanism and has a long track record in environmental funding. Climate change is a focal area under the GEF. Resources are allocated based on the impacts of spending on environmental outcomes while ensuring that all developing countries receive a share of the funding (Bird, N. et al. 2012).

The GEF provides funding through four modalities: full-sized projects, medium-sized projects, enabling activities, and programmatic approaches. The selected modality should be the one that best supports the project objectives. Each modality requires completing different templates.

The GEF Operational Focal Point (OFP) coordinates all GEF-related activities within a country. The Ministry of Agriculture Climate Change and Environment is the GEF's OFP for Seychelles. The OFP reviews project ideas, checks against eligibility criteria and ensure that new project ideas will not duplicate an existing project. All projects to be submitted for approval require a Letter of Endorsement signed by the GEF OFP.

The GEF also administers the Least Developed Countries Fund (LDCF) and the Special Climate Change Fund (SCCF) under the guidance of the UNFCCC Conference of Parties (COP) (Bird, N. et al. 2012). These funds support the development and implementation of national adaptation plans, although largely through smaller-scale projects (with a country funding ceiling of USD 20 million).

Seychelles so far has accessed slightly over USD 23 million for 7 direct national projects from the GEF Trust fund for the period 2002 to 2023 to finance projects related to Climate Change, Biodiversity conservation, Marine protection and conservation and Environmental Pollution. Inclusive of the regional and Global multi-country projects it has accessed around USD 215,835,115 over the same period. The table below highlights the number of projects distributed between national, regional and global projects.

Table 6: GEF Funding in Seychelles

Trust Fund	Project Type	Number of Projects	Total Financing	Co-Financing ratio
GEF	National	7	$ 23,070,571	4.89
	Regional/Global	20	$ 192,764,544	3.6
Total			**$ 215,835,115**	

Source: https://www.thegef.org/projects-operations/country-profiles/seychelles

Under the GEF 8 cycle Seychelles is among the 15 countries that will be benefiting from the Blue Green Islands Integrated program, an initiative being supported through the UNDP.
It is important to note that Seychelles has also accessed funds through the GEF Small Grants Programme to support Civil Society Organisations and Environmental Non-Governmental Organisations to implement environmental and biodiversity related initiatives.

(c) Green Climate Fund

The Adaptation Fund (AF) was established by parties to the Kyoto Protocol in 2010. The Adaptation Fund finances concrete projects that help the most vulnerable communities in developing countries adapt and build resilience to the effects of climate change. It also pioneered an innovative Direct Access modality that builds country ownership in adaptation by empowering developing countries to access grants and manage projects directly through accredited national implementing entities.

Over the past ten years, the fund has dedicated more than US$ 830 million to increase climate resilience in 28 countries around the world through over 120 concrete projects including 271,680 hectares natural habitat 121,025 meters coastline protected and with 28 million beneficiaries (Adaptation Fund, 2021). It also pioneered Direct Access, empowering countries to access funding and develop projects directly through accredited national implementing entities.

Seychelles' Designated National Authority for the Adaptation Fund is the Ministry of Agriculture Climate Change and Environment and so far has accessed close to USD 16.4 million from the Adaptation Fund for the Ecosystem Based Adaptation to climate change project and the Restoring marine ecosystem services by rehabilitating coral reefs project which were a single country and multi-country projects respectively.

Table 7: Adaptation Fund approved projects in Seychelles

Project	AE	Sector	Scope	GCF Funding US$	Co-Financing US$	Total US$
Ecosystem-Based Adaptation to Climate Change in Seychelles	UNDP	Water	Single country	6,455,750		6,455,750
Restoring marine ecosystem services by rehabilitating coral reefs to meet a changing climate future (Mauritius, Seychelles)	UNDP	Marine	Multi-country Africa - 2 countries (Seychelles Mauritius)	10,000,000		10,000,000
TOTAL						**16,455,750**

Most of the GEF and Adaptation Fund projects funded through UNDP are delivered through the Project Development Coordination Section which is a Seychelles Government constituted body that coordinates the implementation of large capital projects.

3.2.2 Non-UNFCCC Financing mechanisms: Multilateral funding sources

Climate finance is also delivered through various non-unfccc funding mechanisms, categorized as Multilateral and bilateral sources. Some of the key multilateral and bilateral funding sources that have supported Seychelles during the period under review the following are some of the key notable ones.

(a) World Bank Group

The World Bank investment portfolio in Seychelles stands at USD 65 million (including national projects and budget support) as of September 2023 (World Bank, 2023). The focus has been mostly towards retooling the fisheries and tourism sectors along the lines of the governments flagship blue economy program and strengthening the management and resilience of natural resources and coral reef restoration.

A good example of such support is through the **Southwest Indian Ocean Fisheries Governance and shared Growth program (SWIOFish3),** which supports the management and conservation of marine areas and strengthening seafood value chains in Seychelles. The project was co-financed by the Seychelles Blue Bond ($15 million) supported by a $ 5 million guarantee from the World Bank and a further $ 5 million concessional loan from the Global Environment Facility (GEF).

(b) African Development Bank

In addition, the Seychelles Government has also worked very closely with the African Development Bank (AFDB) with focus on advancing the country's structural transformation agenda through economic resilience and environmental sustainability. The bank has provided support for interventions that address Seychelles infrastructure deficit in areas of energy, sanitation, and solid waste management to help unlock the potential for business growth and address environmental risks. It has also provided support towards the health, blue economy, climate action and affordable clean energy. One of the key examples is the support provided towards the Mahe' sustainable water augmentation project and the La Gogue water supply project where the bank provided a loan facility of up to $ 26 million towards developing a new water system by raising the height of the La Gogue dam reservoir by 60% to increase storage capacity. The AfDB continues to be a key partner to the development of Seychelles and presents a number of opportunities through the African Climate Change Fund (ACCF) and the Africa Renewable Energy Initiative (AREI).

(c) International Monetary Fund

Another key reliable partner has been the International Monetary Fund (IMF) who have been supporting Seychelles through a three-year arrangement under the Resilience and Sustainability Facility (RSF), in an amount equivalent to US$46 million. Seychelles was the second African country, after Rwanda, to access the IMF's Resilience and Sustainability Facility (RSF)—funding aimed at helping countries with limited room in their budget address long-term challenges, such as climate change and pandemic preparedness.

Seychelles continues to balance conservation and economic development by tapping innovative financing instruments like the Resilience Sustainability Fund, which will go a long way in addressing the climate change challenges faced by the country.

(d) European Union

Furthermore, the European Union has been another partner that has been supporting Seychelles climate change agenda through various financing packages and mechanisms. Seychelles have received nearly €50 million in development aid from the European Union under successive European Development Funds, covering various sectors, from Environment to Economic reform programme and Education. One example is the support provided through the European Investment Bank (EIB) amounting to EUR 12.5 million loan coupled with EUR 5 million in grant finance from the European Union (EU) for the rehabilitation, upgrading and expansion of the Seychelles main habour, the Port of Victoria (AFD, 2018).
Other partners to mention but a few that have continued to support climate change programs in Seychelles include the United Nations Development Programme (UNDP), Commonwealth Secretariat, NDC Partnership, the Global Fund for Coral Reefs, Critical Ecosystem Partnership Fund, The Nature Conservancy, the Indian Ocean Commission and others.

3.2.3 Non-UNFCCC Financing mechanisms: Bilateral funding sources

Climate finance in Seychelles is also delivered through various bilateral donor countries and institutions. Some of the key notable bilateral partners that have supported Seychelles during the period under review are listed below.

(a) Abu Dhabi Fund for Development (ADFD) - United Arab Emirates

The UAE-Seychelles bilateral cooperation goes way back in 1982 and the UAE has been a key strategic development partner for many years. UAE and Seychelles, have ongoing partnerships in education, health, housing and renewable energy.
Through the ADFD the UAE Government has since contributed over $58.5 million in foreign aid for the archipelago's development, primarily in the housing, energy, communications and transportation sectors (Seychelles News Agency, 2015).
In 2013, Abu Dhabi-based energy firm Masdar handed over a $28 million wind farm of eight 750kW turbines, manufacturing around 2.2 percent of Seychelles' total energy requirements, or equivalent to powering around 2,000 homes.

(b) Australian Government - DFAT

The Australian Government have supported Seychelles through the support provided to the Commonwealth Climate Finance Access Hub (CCFAH) who have deployed a long-term embedded Climate Finance Adviser to support the country to access climate finance through project development, human and institutional capacity development, technical and policy support, gender and youth mainstreaming.

(c) Japan International Cooperation Agency (JICA)

In line with the Government of Seychelles' National Development Strategy and the Vision 2033, the Japanese Government has set its overall aid goal in Seychelles on economic diversification with focus on fisheries using marine resources, measures against climate change which could cause enormous impact on island nations.

JICA supported the Seychelles Government to undertake a study for Coastal Erosion and Flood Management in the Republic of Seychelles this was done to address the challenge of coastal erosion. Four pilot projects were also implemented to confirm the effectiveness of the measures proposed in the Study and to enhance the capacity of relevant personnel. Two of the projects were at North East Point and La Passe in line with the Coastal Conservation Plan, and two at Pointe Larue and Aux Cap under the Flood Control Management Plan (JICA,2023).

(d) China

Both China and Seychelles are developing countries faced by global challenges and crises, China has made joint efforts with Seychelles to promote bilateral cooperation and have achieved fruitful outcomes. The Chinese Government supported Seychelles in the construction of the Palais de Justice, National Assembly Building, Anse Royal Hospital, Corgate Residence projects and Seychelles Broadcasting Coorporation projects which stand as a witnesses to the continued friendship between the two countries.

In 2021 China had pledged to undertake 10 green development, environmental protection and climate action projects for Africa, support the development of the “Great Green Wall”, and build centers of excellence in Africa on low-carbon development and climate change adaptation. This can be an opportunity for Seychelles to leverage on the south-south cooperation and access finance to implement its NDC.

3.3 Private Sector Investments and Sources

3.3.1 Domestic Private Sources

Understanding the size of the private sector in Seychelles is important in evaluating its current and potential contribution to the overall economy and investments towards climate action. Quantifying private sector investments and trends in climate change related areas in Seychelles is a challenge due to the lack of data. Therefore, this section attempts to assess the trends of potential domestic private sector investments in climate change. According to the Seychelles Chamber of Commerce, Seychelles has approximately 1000 private sector Institutions who are largely businesses and a few associations. However, these are mostly large and medium-scale companies and hence it significantly understates the size of the private sector. Sectors that have predominantly attracted private sectors investment include tourism, fisheries, agriculture, energy, telecommunications, and retail Trade.

Seychelles’s private sector has played a key role in helping the country realize its low-carbon, climate-resilient objectives especially in the areas of coral reef restoration, coastal management and conservation of natural resources. The private sector has supported climate change action through their corporate social responsibility and corporate shared values. The use of public finance to help leverage private sector investment has complemented this process.

Box 2: Seychelles Public Private Partnerships in Climate Action (The Constance Ephelia & Airtel Seychelles)

Over the past 12 months, the Ministry has signed three Memorandum of Understanding with various businesses, cementing not only the excellent partnership between the Government and the private sector, but also the testimony of success of numerous rigorous nationwide educational and awareness campaigns that have been an inspiration to many voluntary and business groups of which some have invested financially in the restoration projects and programmes.

The strategic partnership of the Seychelles Government with the private sector is a classical example of Public Private Partnerships (PPPs) that is needed to drive the climate change agenda especially on Small Island Developing States (SIDS). Here are two of these partnerships that stand out. The first being the strategic partnership between the Ministry of Agriculture Climate Change and Environment and the Constance Ephelia Resort which has existed since 2012.

The Constance Ephelia is a Tourism resort located on the Island of Mahe, in Seychelles. They have collaborated with Government to improve the management of biodiversity within the resort and the Port Launay wetland which is one of the first recognised Ramsar sites in Seychelles. Through this partnership the resort has been implementing the mangrove rehabilitation programme under which a number of projects have been implemented over the years. There was the Mangrove Sweetness project whose aim is to have a regenerative impact on the ecosystem through a unique approach in beekeeping that inspires, empowers, creates value and connects with nature. The other was a project entitled Enhancing coastal and marine socio-ecological resilience and biodiversity conservation in the western Indian ocean which done in collaboration with Nature Seychelles and Government.

The second strategic partnership worth mentioning is Airtel Seychelles who have partnered with Government on a number of climate change initiatives like the rainwater harvesting project for local schools which was launched in 2021. The projects aim was to help local schools to adapt to climate change by addressing water shortages through rainwater harvesting. Water tanks were installed at eight schools during the dry season to harvest rainwater from the roof for daily use. To ensure long-term sustainability and awareness, the project took an educational approach both in schools and the community at large. The project has also helped schools to reduce their water bills and it has since been used as an example of how to adapt to climate change by different organisations.

These are great examples of how Governments especially from Small Island Developing States can leverage on partnerships with the private sector through Public Private Partnerships and Corporate Social Responsibility to drive climate or environmental sustainability actions.

Nevertheless, in 2019 going into 2021 bank credit had become increasingly challenging both in terms of cost and accessibility. This had been exacerbated by the COVID-19 pandemic, which had made banks cautious of the potential of growth in non-performing loans. Cognizant of the need to provide extra liquidity in the market following the onset of the COVID-19 pandemic and the collapse of the tourism industry, the Central Bank implemented two COVID-19 Private Sector credit line facilities made available through two Private Sector Relief Schemes in 2020.

The first COVID-19 Private facility (SCR 500 million) which was launched in March 2020 was to assist commercial banks to provide concessionary credit to MSMEs at an annual interest rate of 1.5 percent. The second Scheme (SCR 750 million) was implemented, starting in June 2020, to provide concessionary credit to larger enterprises at 4.5 percent.

These schemes were designed to complement the Financial Assistance for Job Retention (FA4JR) Scheme that did not cover salaries above SCR30,000 (about USD 2,130). The phasing out of FA4JR in March 2021 coincided with a successful vaccination programme and the reopening of the international airport which resulted in a steady recovery of the tourism industry. This must have also reduced the pressure on cashflow of businesses, large and small alike, and consequently the need for additional bank credit.

The subsequent uptake under the Private Sector Relief Schemes was also impacted by the introduction of the Small Business Support Fund (SBSF) set up by the Government in September 2020 at a 0 percent interest rate. For stakeholders in the fishing sector, the conditions for borrowing had become more stringent with some banks demanding land and building as collateral as opposed to fishing vessels previously accepted for loan transactions, which boat owners where unable to meet.

In July 2021, the Government also successfully carried out a liability management operation to allow holders of Treasury Bills (90 percent of which are held by commercial banks) to voluntarily switch to long term bonds such that Government's borrowing would be less short-term and more long-term. This had a displacement effect on the commercial banks' ability and willingness to lend longer term to the private sector such as for financing investment projects, given competition from the public sector. However, as part of the IMF Extended Fund Facility, there is currently a limit set on the Government's ability to further borrow domestically to avoid crowding out the private sector.
Further, the Seychelles Government with support from the United Nation Development Programme (UNDP) had recently launched on 11th July 2023, the Seychelles SDG Investor Map which is a market intelligence tool meant to attract private capital to investment opportunities aligned with the Sustainable Development Goals (SDGs) and the government's development agenda. The tool further, identifies nine Investment Opportunity Areas across five priority sectors namely renewable resources, alternative energy, services, food and beverage, infrastructure, and technology and communications.

3.3.2 Financial Sector

The Seychelles National Development Strategy (NDS) 2019-2023 places significant emphasis on the financial services sector as a primary driver of economic growth. This sector holds a pivotal role in bolstering the nation's economy, having demonstrated consistent growth and displaying robust capitalization and resilience. Efforts by the government to fortify the stability of this sector have been notable. Initiatives have been undertaken to modernize the financial services landscape, facilitating the introduction of innovative and diversified products to foster new avenues for growth. Aligned with the objectives outlined in the NDS 2019-2023, Seychelles aims to position itself as a prospective hub for financial technology (FinTech), thereby catalyzing the emergence of FinTech startups *(AFDB, 2023)*. Regulatory frameworks are being formulated in accordance with this aspiration. Seychelles boasts a reasonably developed and capitalized financial sector. The banking system, in particular, is subject to stringent regulation and has demonstrated resilience throughout the challenges posed by the COVID-19 pandemic, though some risks persist.
While significant impacts on loan portfolios due to COVID-19 have not yet materialized, potential risks remain, particularly concerning forbearance measures. Consequently, active monitoring of asset quality is imperative to accurately assess the condition of the banking system. Seychelles currently hosts nine commercial banks and five non-bank financial institutions, with a notable concentration within the banking sector. The three largest banks collectively hold approximately 80% of sector assets, deposits, and loans.
In pursuit of bolstering financial stability, the Central Bank of Seychelles (CBS) is continually reinforcing its regulatory and supervisory frameworks. Final touches are being applied to calibrate the risk assessment of banks within a risk-based supervision (RBS) framework.

The financial sector in Seychelles has been fairly active in participating in climate change and environmental sustainability initiatives notably are initiatives like the one implemented by Mauritius Commercial Bank (MCB) and ABSA Seychelles. In 2022, as part of its efforts to commit to the SDGs, MCB launched the Green Loan which aimed to fund projects that promote eco-friendly practices, reduce carbon footprint or support climate adaptation for households and businesses across all sectors of the economy.

As a commitment towards climate action and environmental sustainability, ABSA Seychelles have made net-zero targets a part of their broader sustainability and sustainable finance goals. Their Net Zero declaration was a commitment to support a '*Just energy Transition*'. To demonstrate this commitment ABSA Seychelles in April 2023 initiated a programme to install solar panels at Mont Fleuri ATM and the Baie Ste Anne Branch on Praslin to reduce their reliance on grid power and lower the carbon footprint and plan to add two more photovoltaic-powered ATMs to expand the initiative.

3.3.3 Philanthropic Sources

These financial contributions from individuals and foundations support climate actions in various parts of the world. They may be made to organizations at all levels (local, national, regional and global) for climate change projects in developing and developed countries.
A number of Civil Society Organisations and NGOs in Seychelles do receive support through philanthropic sources, however due to non-availability of data this information was not included in this paper.

4. Challenges and Opportunities for financing NDC implementation

Seychelles has remained committed and resolute in accessing international climate finance from several international sources while blending with domestic resources despite the many challenges it faces of accessing climate financing. There are strengths as well as weaknesses in the current climate finance landscape. It is important to understand these strengths and weaknesses to come up with the strategies that would bridge the climate finance gap in Seychelles. The following section of the report brings an analysis of the challenges and opportunities for Seychelles in accessing climate finance.

4.1 Challenges

The climate finance mapping assessment shows that there are some challenges and bottlenecks that need to be addressed to ensure that the gap in climate finance is bridged to achieve the climate change priorities.

a.) Domestic Economic Challenges

The economy of Seychelles was badly affected from 2020 through to 2021 due to the Covid19 pandemic. The slow growth was mainly due to the collapse of the Tourism sector and the slowed down returns of the fisheries sector which are the two key drivers of the Seychelles economy. For this reason, it increased levels of public debt to more than 70% of GDP. Nevertheless, due to the recovery of the tourism sector in 2022 which recorded a positive growth of about 9% in that year, Seychelles' economy is more stable now but still faces major risks like climate change which have a potential to reverse economic development drastically especially for Small Island Developing States.

b.) High income graduation

The categorization of Seychelles has a high-income country has continued to pose a challenge for the country as it fails to access the much needed climate finance from a number of climate finance mechanisms and multilateral partners due to the eligibility criteria that is usually used which excludes countries like Seychelles despite their climate change vulnerabilities.

c.) Seychelles Small market size

The country's small market size due to its small population, compared with other countries in the Region is a challenge. Furthermore, its geographical isolation increases transportation costs and its limited natural resources and economic diversification restricts the scope of investment opportunities. Furthermore, land for storage, for warehouse purposes and manufacturing is scarce. The existing business climate does not help to attract foreign investment.

c.) Co-financing challenges

The co-financing and counterpart contributions have become an important aspect with many of the donors and funds including the GCF. However, the domestic economic constraints have put additional pressure on the Government of Seychelles and other prospecting national level partners to commit to co-financing. This has slowed down the ambition levels of tapping into exiting climate finance opportunities.

d.) Institutional coordination

Though there are coordination mechanisms established at the national level, these mechanisms have not been very consistent and have not been working on climate finance opportunities. Climate change is an issue affecting many sectors, and higher-level coordination is required to address climate change priorities including access to finance. The climate change department does not have enough staff to facilitate the coordination and therefore requires support from other Ministries to coordinate the implementation of climate action. A designated central coordination mechanism of climate finance established at a high level policy decision making level is required to allow for quick decision making and action when it comes to mobilizing climate finance. So far with support from the Commonwealth Secretariat Seychelles is in the process of establishing a technical working group that will support coordination of climate finance mobilization at a technical level.

e.) Tracking of Climate Finance

Tracking of access and utilization of climate finance is an important part of overall climate finance mobilization. It enables the government and other stakeholders to make informed decisions with regard to climate finance and investments with a deeper understanding of trends and distributions. Such a system or process is not available in Seychelles. The current PSIP is not adequate enough to track climate finance flows, especially private sector climate investments. It also does not have systems that assess the consessionality of loan financing.

f.) Barriers to Promote Private Sector Engagement Challenges

Availability of low-cost financing is imperative to mobilize domestic private investments but the cost of borrowing for most private sector is quite high and hinders private investment in climate initiatives. Strengthening investor match-making options, one-stop-shops for green/blue investment support are some areas where Seychelles can step up further to facilitate more private sector climate investments. Though there are incentives to promote private sectors investments there is still need for more incentives and innovative finance mechanisms like crowd financing that would create an enabling environment.

Despite the existence of the Seychelles Chamber of Commerce there is still limited spaces for dialogue between the private sector and the Government. Therefore, there will be need for the promotion of Private Sector Dialogue Forums that will facilitate dialogue and subsequent private public partnerships in climate investment.

g.) Local Capacity Gaps

In-country capacity, especially the expertise and human resources required to mobilize climate finance remains low in Seychelles. There is limited availability of human resources and technical capacities to identify available funding lines and to design, develop and advance project proposals. Apart from this there are observed capacity constraints to implement the projects when approved. To maximize the climate benefits through limited financing options and quantities, a well-coordinated and integrated framework for climate finance must be required.

In addition Absence of a local accredited institution with the GCF, GEF or Adaptation Fund has made it very difficult to access finance because the country has to rely on international accredited institutions. This is why with the support of the Commonwealth Secretariat the Seychelles Government has embarked on a process to have two National institutions accredited as Direct Access Entities with the Green Climate Fund.

Training of in-country experts, establishing institutional coordination platforms, project pipeline development, etc. are important aspects in overcoming the capacity gaps in addressing the capacity challenge.

h.) Evidence-based data availability

Evidence-based data availability has been a huge challenge. Bankable project proposal development is supposed to be backed by proper scientific and economic data. But the availability of such data has been a challenge making it very difficult to develop proposals that are backed by evidence based data.

4.2 Opportunities

Despite the challenges Seychelles can leverage on a number of opportunities and strengths that exit within the country and internationally.

a.) The Existing Policy and Institutional Framework

There is a higher level of national commitment from Seychelles to plan and implement the priority climate actions. The policy framework has been put in place supporting its climate actions and accessing climate finance (refer to Table 1). This is inclusive of the NDCs of Seychelles, which is being updated at the moment, National Climate Change Policy, National Development Strategy 2024-2028, the Coastal Management Plan, The Marine Spatial Plan, the National Biodiversity Strategy and Action Plan, the Biodiversity Finance Plan, The Seychelles Blue Economy Policy Framework and the Seychelles SDG investor Map etc. provide a strong supportive policy context for Seychelles to use as a foundation to build a strong climate finance strategy and an action plan.

b.) Readiness Supports

Seychelles has not yet accessed any single country GCF readiness support projects but has been part of four multi-country GCF readiness projects. There still is great opportunity to access finance through the GCF readiness support mechanism. Currently Seychelles has two nominated entities as direct access entities to the GCF, SeyCCAT and the Development Bank of Seychelles, but they are yet to be accredited. These readiness initiatives will reinforce the national capacities as well as broaden the climate finance options available. Beyond accreditation of public sector institutions, Seychelles should target accreditation of private sector institutions and Non-Governmental Organisations to ensure long-term sustainability and institutional diversity.

c.) International and Regional Collaborations

Seychelles has broader and strong international collaborations enabling them to access a broad spectrum of climate finance. The collaborations with other UN and intergovernmental organizations are also strengthening the opportunities for Seychelles to access more climate finance from diverse sources and channels. Key examples of such collaborations include the strong collaboration between the Seychelles Government and the Indian Ocean Commission which is a regional organization supporting member countries in the Western Indian Ocean. It is currently supporting Seychelles as the Secretariat of the African Island States Climate Commission. The other collaboration worth mentioning is the collaboration between the Seychelles Government and the Commonwealth Secretariat who are supporting the country through an embedded climate finance adviser and also through the various initiatives under the Blue Economy Charter to mention but a few.

d.) Blue Carbon Assets of Seychelles

The potential for carbon asset-based financing is expanding internationally, especially with the declarations of net-zero targets by different countries. Seychelles has endowed with a broad base of Seagrass and mangrove which of a huge potential of carbon sequestration and subsequent earnings through carbon market revenues. This is an opportunity for Seychelles to explore current and emerging carbon asset-based finances including result-based payments, blue carbon financing etc.

e.) Private Sector Investment Incentives

The government of Seychelles has recognized the importance of private sector investments in the country including climate finance. The Seychelles Investment Board has been established as a statutory body of the Government of Seychelles to facilitate international private sector investments. The Seychelles Investment Board in collaboration with UNDP and the Ministry of Investment Entrepreneurship and Industry in 2023 launched an SDG investor Map which is a market intelligence tool meant to attract private capital to investment opportunities aligned with the Sustainable Development Goals (SDGs) and the government's development agenda. The tool further, identifies nine Investment Opportunity Areas across five priority sectors namely renewable resources, alternative energy, services, food and beverage, infrastructure, and technology and communications. These conditions are strong opportunities to build on and attract international private sector investments.

Box 3: Seychelles SDG Investor Map

In order to advance private sector engagement within the wider national development aspirations, the United Nations Development Programme (UNDP), developed the Seychelles SDG Investor Map in partnership with the Ministry of Investment, Entrepreneurship and Industry (MIEI). Following the UNDP's global methodology, the Seychelles Map is a market intelligence tool that aligns development needs with investment opportunities for the private sector. The tool identifies both Investment Opportunity Areas (IOAs) and Emerging Investment Opportunity Areas (EIOAs) at the intersection of national development needs and policy priorities within sectors of critical relevance for Seychelles' sustainable development progress.

The SDG investor Map has identified five (5) key priority sectors where investments can be focused. That is Renewable and Alternative energy, Services, Food & Beverage, Infrastructure and Technology & Communications sectors.

Source: Seychelles Investment Board

f.) New International Financing mechanisms

The GEF Global Biodiversity Framework Fund: This fund was launched at the Seventh GEF Assembly, in Vancouver, Canada, August 2023. It is a mechanism that is complementary to the GEF Trust Fund and is aimed at financing the implementation of the Kunming-Montreal Global Biodiversity Framework and make advances on all of its goals relating to halting and reversing nature loss (CBD, 2022).

Loss and Damage Fund: The Loss and Damage Fund was a landmark outcome of the 2022 UN climate change conference (COP27) and was operationalized at COP28 in 2023. The fund aims to provide financial assistance to climate vulnerable nations facing irrevocable climate impacts. The fund will be temporarily be hosted by the World Bank for the next four years. Seychelles needs to strategically position itself to access financing from these mechanisms.

The Mitigation Action Facility (MAF): This is a multi-donor grant-based fund, aimed at driving sectoral decarbonization. The Mitigation Action Facility evolved from the previous NAMA Facility in 2023 following a decision at COP27 and was later launched at the Global NDC Conference in March 2023 in berlin, German with an initial funding volume of EUR 668 million. The Facility's primary focus is on three priority sectors: energy, transport and industry, but remains open to cross-sectoral projects linked to one of the priority sectors.

Seychelles has not yet accessed funding from the previous NAMA Facility but the MAF can be an opportunity for the country to access finance for sectoral decarbonization especially in the energy sector where the country targets to attain 15% penetration of renewable energy in the energy mix (GoS, 2021) and also in the transport sector where the country is implementing an e-mobility programme and would like to upscale this initiative.

5. Conclusion and Recommendations

Seychelles commitment towards environmental sustainability remains a beacon of hope towards climate action in the international community. Seychelles is inherently vulnerable to the impacts and risks associated with climate change like sea level rise, coastal erosion, increased average annual temperature change, changes in rainfall patterns and flash floods. The experience with Seychelles' finance mechanism shows that the country has a huge opportunity to be a world leader of innovative financing that leverages on the availability of Public and Private finance to meet the climate financing gap. So far, the country has managed to issue its first blue bond and also secured a debt for Nature swap financing which has been directed towards marine conservation, coastal management, environmental conservation and the blue economy. The country was also the second country in Africa to access the IMF Resilience Sustainability Facility. It has also made good progress in terms of setting up policies and institutional arrangements to help mobilize, allocate and monitor climate finance. The Climate Finance mapping seeks to position the country to better access climate finance through well-structured bankable proposals and country programming.

While this institutional setup provides a framework for tapping into diverse funding sources, especially enabling flow from the global to national, internal mechanisms and flow of funds could be enhanced through stronger synergy between various policies and institutions so as to build and integrate a financial mechanism that is technically, financially and politically sound. There is also a need to enhance linkages with the broader non-state actors including civil society, NGOs and other stakeholders so as to tap into various opportunities including learning and best practices. Open and transparent dialogue between Government, private sector, long-term investors, and financial institutions will be important to address.

Despite the relatively well-established national systems, the country still faces some challenges in managing diverse sources of climate finance. More specifically, institutional arrangements, climate finance tracking, development of bankable proposals, climate change coordination, monitoring and evaluation still remain a challenge. Mechanisms to identify the sources and track how the finance has been utilized have still not been actualized, yet these are international standards required in climate finance and this may prevent the country from accessing some funds. Enhanced political will is needed to ensure that these goals are not pushed to the next climate action plan. Improved tracking of climate change-related inflows and expenditures should be integrated into national budgetary processes.

Government budgetary support towards climate change activities remains relatively low despite the increase in allocation from the 2018 levels. However, its should be noted that there is a significant share of the debt ratio that was committed towards climate change related activities however due to limited data this analysis was not done in this paper.

Recommendations

1. **Enhance Institutional Coordination:** Establish a central coordination mechanism at a high-level policy decision-making level to facilitate quick decision-making and action in mobilizing climate finance. Strengthen existing coordination mechanisms and involve relevant ministries to ensure effective implementation of climate actions.

2. **Improve Tracking Mechanisms:** Develop a robust system to track access and utilization of climate finance, including private sector investments. Implement international standards for climate finance tracking to enhance transparency and accountability in budgetary processes.

3. **Develop Bankable Proposals:** Address the capacity gap by investing in training programs and technical assistance to develop bankable project proposals backed by evidence-based data. Establish institutional coordination platforms for project pipeline development and implementation.

4. **Foster Public-Private Partnerships:** Promote dialogue between the government and the private sector through forums and initiatives such as Private Sector Dialogue Forums. Offer incentives and innovative finance mechanisms to attract private sector investments in climate initiatives.

5. **Prioritize Climate Change Activities in Budgets:** Allocate sufficient budgetary support towards climate change activities and prioritize climate-related expenditures in government

budgets. Ensure transparent reporting of climate finance allocations and expenditures to enhance accountability.

6. **Leverage International Collaborations:** Strengthen partnerships with international organizations and regional bodies to access a broader spectrum of climate finance. Position Seychelles strategically to benefit from new international financing mechanisms such as the GEF Global Biodiversity Framework Fund and the Loss and Damage Fund.

By implementing these recommendations and capitalizing on existing strengths, Seychelles can strengthen its resilience to climate change and achieve its sustainable development goals. The report underscores the importance of collaboration between government, private sector, civil society, and international partners in mobilizing climate finance and driving transformative change in Seychelles.

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Annex 1: Definition of Terms

Accredited entity: an entity that is accredited by the GCF Board in accordance with the Governing Instrument and relevant Board Decisions. The role of an accredited entity relates to project implementation management and oversight, which includes originating and preparing a funding proposal and, subsequently, managing the necessary stages of the implementation process until its conclusion (project management) on behalf of the provider of funds, and reporting obligations.

Activities: For the purposes of this training handbook and unless otherwise specified, refers to programmes, projects and subprojects.

Adaptation: the adjustment in natural or human systems in response to actual, expected climatic stimuli or their effects, which moderates harm, or exploits beneficial opportunities.

Climate change resilience: the capability to maintain competent function and return to some normal range of function even when faced with adverse impacts of climate change.

Climate change: a change in the climate system caused by significant changes in the concentration of greenhouse gases as a consequence of human activities and that is in addition to natural climate change that has been observed during a considerable period.

Climate finance: monies available for or mobilized by government or non-government entities to finance climate change mitigation and adaptation actions and interventions.

Climate Relevant Expenditure (CRE): costs invested (capital, labour and related) in programmes and sub-programmes, where actual and specific climate change activities may or may not be budgeted exclusively as climate related.

Concessional financing: resources extended on terms and/or conditions that are more favorable than those available in the market. It is achieved through (i) interest rates below those available on the market; (ii) maturity, grace period, security, rank or back-weighted repayment profile that would not be accepted/extended by a commercial financial institution; and (iii) provision of financing to borrowers/recipients not otherwise served by commercial financing.

Conference of the Parties (COP): the formal meeting of the UNFCCC parties to assess progress in dealing with climate change and to negotiate to establish legally-binding obligations for developed countries to reduce their greenhouse gas emissions.

Cost-effectiveness: Comparison between the net present value of an intervention and the emissions avoided directly attributed to it. If available, the net present value includes the monetized value of the benefits from adaptation and further development co-benefits.

Effective: a condition where program or project outcomes are commensurate with expected outcomes.

Emissions: In relation to a greenhouse gas, emissions of that gas into the atmosphere where the emissions are attributable to human activity.

Environmental and social risk: a combination of the probability of certain hazard occurrences and the severity of impacts resulting from such an occurrence.

Executing entity: any entity through which climate finances is channelled or used for a funded activity and/or any entity that executes, carries out or implements a funded activity.

Greenhouse gases (GHGs): substances that are able to trap heat in the atmosphere and thus keep the earth's surface warmer than it would otherwise be. The main GHG are carbon dioxide (CO2), methane (CH4) and nitrous oxide (NO_2). Others include hydrofluorocarbons, perfluorocarbons, sulphur hexafluoride and indirect gases. The resultant effect is global warming, which refers to the increase of Earth's average surface temperature and of the temperature of the atmosphere and oceans.

Leverage: Finance that is used to encourage private investors to back the same program/project; also, how core contributions can be invested in capital markets to create an internal multiplier effect

Mainstreaming: the integration of climate change actions into decision-making and implementation of functions by the sector ministries, state corporations and county governments.

Mitigation: efforts that seek to prevent or slow the increase of atmospheric greenhouse gas concentrations by limiting current or future emissions and enhancing potential sinks for greenhouse gases.

Recipient country: The country that a project or programme supported by FSF is intended to benefit.

Recipient institution: The institution receiving funds from the channeling institution.

REDD+: A global initiative comprising a series of activities that developing countries could take to reduce emissions and increase carbon stocks by slowing, halting, and reversing forest loss and degradation as well as the related global mechanism for recognizing and supporting them.

Rio markers: standardized global reporting codes that can be used to compare climate-related expenditures from different countries. Rio markers are used to flag the relevance of expenditure in relation to climate to facilitate budgeting and tracking of funds channeled to a fund or programs/projects.

Stakeholders: individuals or groups, communities, governments who: (a) are affected or likely to be affected by the activities; and (b) may have an interest in the activities (other interested parties). The stakeholders of an activity will vary depending on the details of the activity and may include local communities, national and local authorities, including neighboring governments, neighboring projects, and nongovernmental organizations.

Synergistic: cooperation among one or more agents that produces a combined effect that is greater than the sum of separate efforts, allowing for economies of scale, reinforcing positive dynamics, etc.

Tracking: a systematic way to trace and link budgetary allocations to their respective expenditures and outputs in climate-relevant activities within the IFMIS.

Transformational change: strategic changes in targeted markets and other systems with large-scale, sustainable impacts that accelerate or shift the trajectory toward low-carbon and climate-resilient development. It is defined by the four dimensions of relevance, systemic change, scale, and sustainability. 10 These changes are durable and lasting in ways that lessen the likelihood of reverting to past practices and persist over time

Annex 2 (a) Funding and Implementing Agencies & Institutions relevant to Seychelles

Implementing Agencies and Institutions	
AfDB	African Development Bank
AFD	French Development Agency
ADB	Asian Development Bank
CIDA	Canadian International Development Agency
DFAT	Department of Foreign Affairs and Trade (Australia)
IOC	Indian Ocean Commission
DFID	Department for International Development
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
EU	European Union
FAO	Food and Agriculture Organization
WHO	World Health Organisation
IADB	Inter-American Development Bank
IFAD	International Fund for Agricultural Development
JBIC	Japan Bank of International Cooperation
JICA	Japan International Cooperation Agency
TNC	The Nature Conservancy
UNEP	United Nations Environment Programme
UNDP	United Nations Development Programme
UNESA	United Nations Department of Economic and Social Affairs
UNDRR	United Nations office for Disaster Risk Reduction
UNOPS	United Nations Office for Project Services

Multilateral Funds and Initiatives	
AF	Adaptation Fund (GEF acts as secretariat and WB as trustee)
ACCF	Africa Climate Change Fund (AFDB)
AFAWA	Affirmative Finance Action for Women Entrepreneurs in Africa (Implemented thru AFDB)
AREI	African Renewable Energy Initiative
ASAP	Adaptation for Smallholder Agriculture Program (hosted by IFAD)
CDM	Clean Development Mechanism (implemented under the Kyoto Protocol)
CIF	Climate Investment Funds (implemented through WB, ADB, AfDB, EBRD, and IADB)
CTF	Clean Technology Fund (implemented thru WB, ADB, AfDB, EBRD, & IADB)
E4I	Energy 4 Impact
CCTAF	Climate Change Technical Assistance Facility (hosted by EIB)
GCCA	Global Climate Change Alliance
GCF	Green Climate Fund
GEF	Global Environment Facility
GEEREF	Global Energy Efficiency and Renewable Energy Fund (hosted by EIB)
GFDRR	Global Facility for Disaster Reduction and Recovery (implemented through Word Bank)
NEPAD	NEPAD Climate Change Fund
PMR	Partnership for Market Readiness
PPCR	Pilot Program on Climate Resilience (implemented thru WB, ADB, AfDB, EBRD & IADB)
SCCF	Special Climate Change Fund (hosted by the GEF)
RSF	Resilience Sustainability Facility (IMF)
SISRI	Small Island States Resilience Initiative (implemented through the World Bank)
SREP	Scaling Up Renewable Energy Program (implemented thr WB, ADB, AfDB, EBRD & IADB)
REDD +	Collaborative Program on Reducing Emissions from Deforestation & Forest Degradation
GCRF	Global Coral Reef Fund

Bilateral Funds and Initiatives	
ADFD	Abu Dhabi Fund for Development
KFAED	Kuwait Fund for Arab Economic Development
DFAT	Department of Foreign Affairs and Trade (Australia)

Multilateral Climate Finance: Non-UNFCCC Financial Institutions	
African Water Facility (AWF)	https://www.africanwaterfacility.org/application-process
BioCarbon Fund	https://ndcpartnership.org/funding-and-initiatives-navigator/biocarbon-fund-initiative-sustainable-forest-landscapes-isfl
Global Environmental Funds (GEF)	https://ndcpartnership.org/funding-and-initiatives-navigator/global-environment-facility-gef-trust-fund
Partnership for Market Readiness	https://ndcpartnership.org/funding-and-initiatives-navigator/partnership-market-readiness-pmr
Energy and Environment Partnership in Southern and East Africa (EEP S&EA)	https://ndcpartnership.org/funding-and-initiatives-navigator/energy-and-environment-partnership-southern-and-east-africa-eep
Small Grant Program (SGP) of GEF	https://ndcpartnership.org/funding-and-initiatives-navigator/global-environment-facility-gef-small-grants-program
South-South Cooperation Trust Fund	https://ndcpartnership.org/funding-and-initiatives-navigator/south-south-cooperation-trust-fund
Sustainable Energy Fund for Africa	https://ndcpartnership.org/funding-and-initiatives-navigator/sustainable-energy-fund-africa
Global Climate Change Alliance+ (GCCA)	https://ndcpartnership.org/funding-and-initiatives-navigator/global-climate-change-alliance-gcca
Bilateral Climate Finance	
Global Climate Partnership Fund (Germany, UK and Denmark)	https://ndcpartnership.org/funding-and-initiatives-navigator/global-climate-partnership-fund-gcpf
Abu Dhabi Fund for Development (ADFD) – IRENA-ADFD Supporting Energy Transition	https://ndcpartnership.org/funding-and-initiatives-navigator/irenaadfd-project-facility

Non-governmental Climate Finance: Foundations

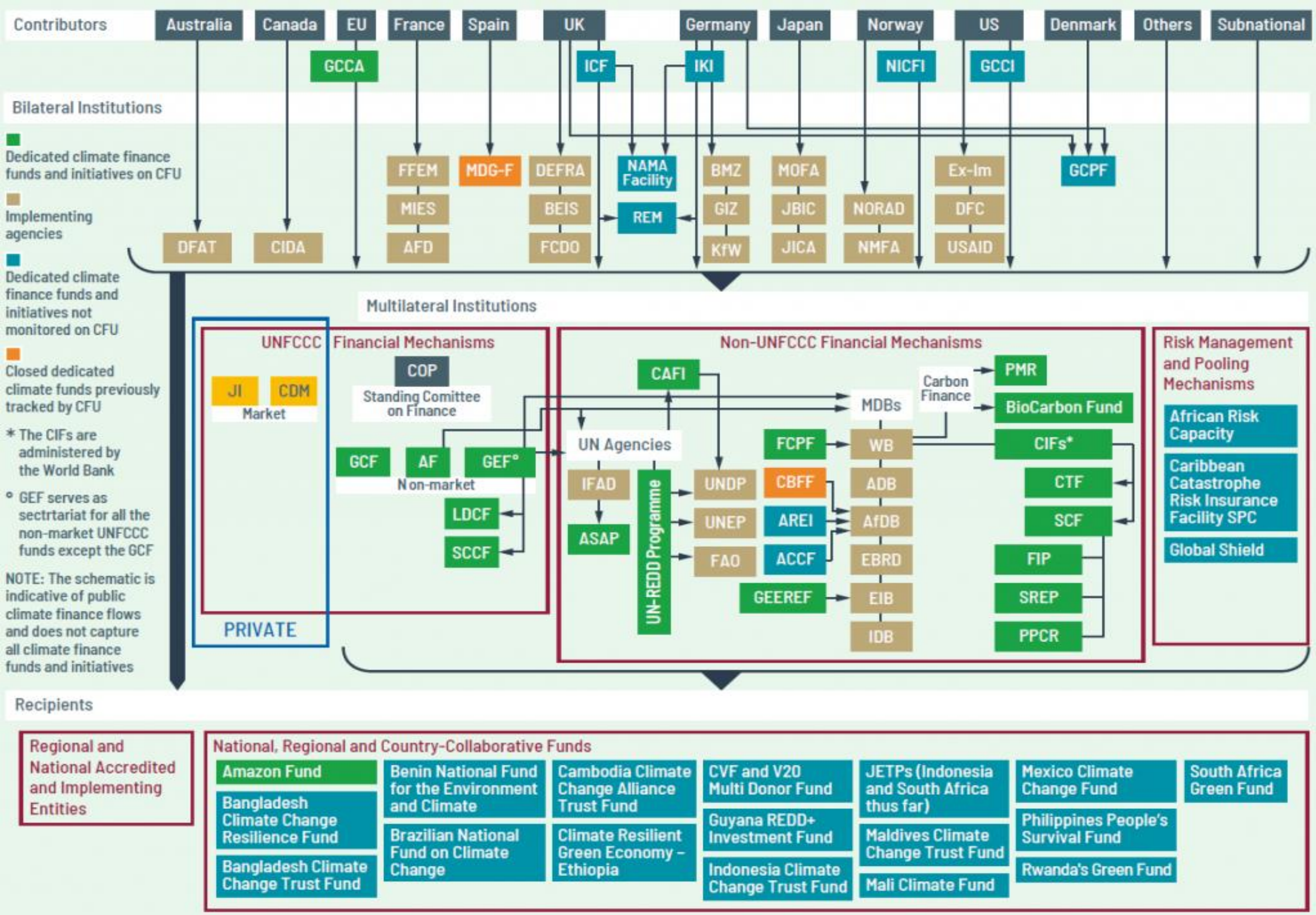
1. Bloomberg Philanthropies
2. ClimateWorks Foundation
3. Gates Foundation
4. European Climate Foundation (ECF)
5. Ford Foundation

6. Hewlett Foundation
7. KR Foundation
8. MacArthur Foundation
9. Mercator Foundation
10. Minor Foundation
11. Oak Foundation
12. Packard Foundation
13. Rockefeller Foundation
14. Shakti Sustainable Energy Foundation (Shakti Foundation)

Faith-Based Donor Agencies

15. Bread for the World (Brot für die Welt) & Diaconia Emergency Aid (Diakonie Katastrophenhilfe)
16. Bread for all (Brot für alle) Brot für alle (https://breadforall.ch
17. Christian Aid Website: https://www.christianaid.org.uk
18. Church of Sweden Website: https://www.svenskakyrkan.se/ internationelltarbete/international
19. DanChurchAid (DCA) DanChurchAid (DCA) https://www.danchurchaid.org/
20. Diakonia Sweden https://www.diakonia.se/en 108 https://www.diakonia.se/en/Donors-- /Partner-
21. Norwegian Church Aid (NCA)   https://www.kirkensnodhjelp.no/en/

ANNEX 2 (b): Global Climate Finance Architecture



Source: https://climatefundsupdate.org/about-climate-finance/global-climate-finance-architecture/

ANNEX 3: Government Entities Identified in the 2019 Expenditure Review (CPEIR)

Government entity	2018 budget	CC Weighting (%)	CC expenditures in 2018
Agriculture	16,463	100	16,463
Blue Economy	33,632	20	6,726
Civil Aviation, Ports and Marine	3,012	0	-
Disaster Risk Disaster Management	6,670	20	1,334
Economic Planning	4,563	20	913
Education	822,345	29*	164,469
Employment	23,571	20	4,714
Environment	87,089	82*	71,501
Finance and Trade	120,157	15*	17,773
Fisheries	16,463	0	-
Foreign Affairs	104,889	0.9*	950
Health	91,802	20	18,360
Infrastructure	260,143	20	52,029
Investment	4,959	20	992
Land Transport	6,596	0	-
Local Government	133,057	20	26,611
Meteorology	12,271	100	12,271
National Parks	20,542	20	5,136
Public Utilities Corporation (PUC)	622,444	20	124,489
Seychelles Agriculture Agency	49,445	20	9,889
Seychelles Energy Commission	6,079	20	1,216
Seychelles Fisheries Authority	286,251	20	57,250
Seychelles Investment Board	9,697	0	-
Tourism	24,333	20	4,867
Total	**2,766,473**	**22%**	**597,953**
Total (excluding PUC)	**2,144,029**	**22%**	**473,464**

Annex 4: List of institutions consulted

S/N	Institution name	Department/Officer consulted
1	Ministry of Agriculture Climate Change and Environment	Climate Change Department
2		Environment Department
3	Ministry of Finance National Planning and Trade	National Planning Department
4		Finance Management Department
5		Debt Management
6		Public Investment Management
7	Ministry of Fisheries and Blue Economy	Blue Economy Department
8	Ministry of Health	Policy unit
9	Ministry of Foreign Affairs and Tourism	Foreign Affairs Department
10	Ministry of Education	Environment Section
11	Ministry of Investment Entrepreneurship and Industry	
12	Seychelles Conservation and Climate Adaptation Trust	CEOs Office
13	Project Development Coordination Section	Project Coordinator
14	Seychelles Meteorological Agency	CEO
15	Central Bank of Seychelles	
16	Seychelles Energy Commission	
17	Public Utility Company	
18	Seychelles Chamber of Commerce	
19	United Nations Development Programme	UNDP Country office
20	Seychelles Investment Board	CEO
22	Development Bank of Seychelles	
23	Science and Technology Agency	
24	Airtel Seychelles	
25	International Monetary Fund	Country representative
26	NDC Partnership	In-Country Facilitator

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