

BOARD APPROVAL

Lapse-of-time Procedure

4 September 2026

FOR INFORMATION

MEMORANDUM

TO : THE BOARDS OF DIRECTORS

FROM : FOR: Vincent O. NMEHIELLE
Secretary General

SUBJECT : SEYCHELLES: COUNTRY STRATEGY PAPER 2026-2031*

REVISED VERSION*

The above-mentioned revised document was submitted for your consideration on a lapse-of-time basis **on 8 July 2026**.

Since no objection was recorded **by 5 p.m. on 4 September 2026**, the said Document is considered **approved**.

Attach:

Cc: The President

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AFRICAN DEVELOPMENT BANK GROUP



REPUBLIC OF SEYCHELLES

COUNTRY STRATEGY PAPER 2026-2031

REVISED

EAST AFRICA REGIONAL DEVELOPMENT AND BUSINESS DELIVERY OFFICE

Country Economics Department (ECCE)

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AFRICA DEVELOPMENT BANK GROUP



REPUBLIC OF SEYCHELLES

EAST AFRICA REGIONAL DEVELOPMENT AND BUSINESS DELIVERY OFFICE (RDGE)

July 2026

COUNTRY STRATEGY PAPER 2026 – 2031

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CURRENCY EQUIVALENTS

April 2026

1 UA	=	United States Dollar (USD) 1.37477
1 UA	=	Seychelles Rupee (SCR) 20.55529
1 US\$	=	Seychelles Rupee (SCR) 14.9518

WEIGHTS AND MEASURES

Metric System

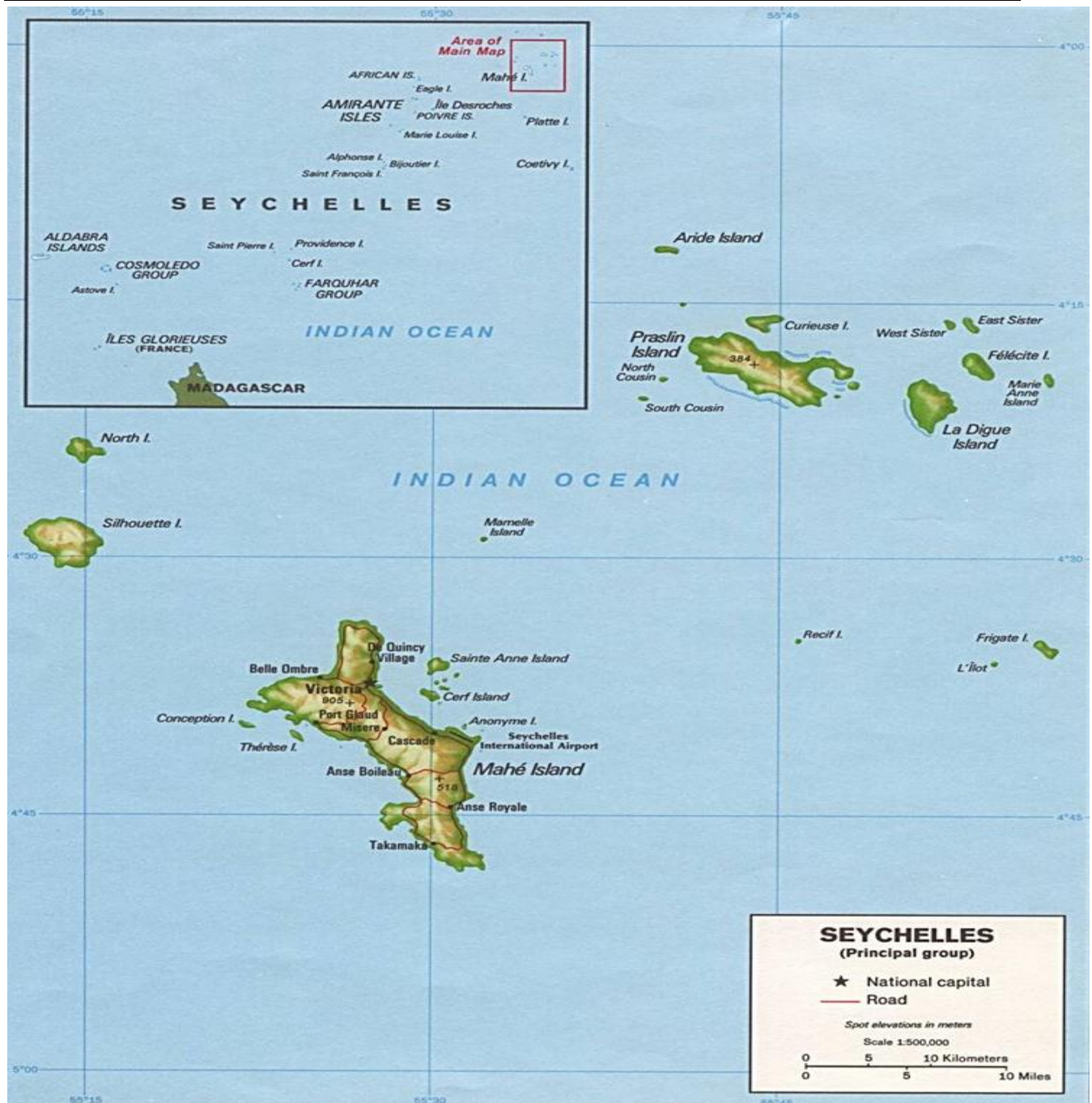
1 metric	=	2,204 pounds
1 kilogram (kg)	=	2.200 pounds
1 meter	=	3.28 feet
1 millimetre (mm)	=	0.03937 inch
1 kilometre (km)	=	0.62 mile
1 hectare (ha)	=	2.471 acres

ACRONYMS AND ABBREVIATIONS

AfDB	African Development Bank
AfCFTA	Africa Continental Free Trade Area
AEO	Africa Economic Outlook
AML/CFT	Anti-Money Laundering/ Countering the Financing of Terrorism
CBS	Central Bank of Seychelles
CDN	Country Diagnostic Note
CODE	Committee on Operations and Development Effectiveness
COVID-19	Coronavirus Disease 2019
CPIA	Country Policy and Institutional Assessment
CPIP	Country Portfolio Improvement Plan
CPPR	Country Portfolio Performance Review
CRFA	Country Resilience and Fragility Assessment
CSP	Country Strategy Paper
DPs	Development Partners
EEZ	Exclusive Economic Zone
FAPA	Fund for African Private Sector Assistance
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GEF	Global Environmental Facility
GNI	Gross National Income
GoS	Government of Seychelles
HDI	Human Development Index
IBCS	International Business Companies
ICT	Information Communication Technology
IOP	Indicative Operational Programme
IPR	Implementation Progress Report
IMF	International Monetary Fund
IRP	Integrated Resources Plan
MCDF	Multilateral Cooperation Center for Development Finance
MDAs	Ministries, Departments and Agencies
M&E	Monitoring and Evaluation
MIC-TAF	Middle-Income Countries Technical Assistance Fund
MoFBE	Ministry of Fisheries and Blue Economy
MoFNPTI	Ministry of Finance, National Planning, Trade and Investment
MSMEs	Micro, Small, and Medium Enterprises
NDS	National Development Strategy
PBO	Program Based Operation
PFM	Public Financial Management
PIMU	Public Investment Management Unit
PPPs	Public-Private Partnerships
PSDS	Private Sector Development Strategy 2021 – 2025
PSIP	Public Sector Investment Programme
PUC	Public Utilities Corporation
RBF	Results Based Framework

RDGE	East Africa Regional Development and Business Delivery Office
SCR	Seychelles Rupees
SDG	Sustainable Development Goal
SEC	Seychelles Energy Commission
SEFA	Sustainable Energy for All
SFA	Seychelles Fishing Authority
SIDS	Small Island Developing States
SOEs	State-Owned Enterprises
TVET	Technical Vocational and Educational Training
TYS	Ten Year Strategy
UA	Unit of Account
US\$	United States Dollar

MAP OF SEYCHELLES



This Map is provided by the staff of the Africa Development Bank exclusively for the use of the readers of the report of which it is attached. The names used and the borders shown do not imply on the part of the Bank Group and its members any judgement concerning the legal status of a territory nor any approval or acceptance of these borders.

EXECUTIVE SUMMARY

- 1. This report presents the Bank's Country Strategy Paper (CSP) for the Republic of Seychelles for the period 2026-2031.** It analyses recent political and socio-economic developments and outlook, presents the lessons learned from the previous CSP, and defines the strategy for the Bank's support to Seychelles over the 2026 - 2031 period. The Committee on Operations and Development Effectiveness endorsed the strategic direction of this CSP on 3rd November 2025 when considering the CSP 2021-2025 Completion Report. The CSP is informed by extensive consultations with the Government, private sector, civil society and development partners; Seychelles National Development Strategy 2024-2028; the Bank's 2025 Country Diagnostic Note; Africa's Agenda 2063; the 2030 Sustainable Development Goals; the Bank's 2021 Selectivity Paper; the Bank's 2024-2033 Ten Year Strategy and the four Cardinal Points.
- 2. The CSP 2026–2031 is prepared in a context of broadly stable institutions, but with persistent exposure to external and climate shocks in a small, highly open island economy.** After the 11.7% contraction in 2020, Seychelles GDP growth rebounded to 9.9% (2022) before moderating to 3.4% (2024) and 5.1% (2025), with projections of 3.1% (2026) and 3.4% (2027). The recovery has underscored both resilience and the costs of high import dependence, while infrastructure gaps continue to raise fiscal and competitiveness pressures. The CSP positions Seychelles to achieve its development goals through reforms that are expected to reduce production costs, unlock private sector potential and provide opportunities for youth and women.
- 3. The Bank's active portfolio in Seychelles as of April 2026, comprised eight operations with a total commitment of UA 26.7 million.** All operations are in the public sector, including a policy-based partial credit guarantee program amounting to UA 7.3 million. The portfolio is mainly financed by ADB loans (95.1%), with smaller contributions from MIC-TAF (4.5%) and MCDF (0.4%). Distribution by sector is multisector including budget support (98.9%), energy (0.7%) and transport (0.4%). There are currently no problematic operations; however, there are two flagged technical assistance operations.
- 4. With a GNI per capita of USD 17,460 in 2024, Seychelles is classified as a high-income country, a status it first attained in 2015.** Seychelles consists of 115 islands located in the Indian Ocean, with a National Bureau of Statistics projected population of 125,439 (2025), a limited land area (455 km²) but a very large Exclusive Economic Zone (about 1.37 million km²). Since 1970s, the economy transitioned from plantation agriculture to a service-driven structure led by tourism and fisheries, which leaves the country vulnerable to external and climate related shocks. It functions as a democracy, with a peaceful alternation of power: the longstanding opposition won the 2020 elections, but the former ruling party won the September – October 2025 elections.
- 5. The country's overarching development challenge remains to achieve significant economic diversification, which is essential to sustaining growth, enhancing resilience and reducing vulnerability to external shocks and climate change.** Key constraints include a small domestic market; overreliance on tourism, fisheries and imports; geographic isolation and high logistics/transport costs; infrastructure bottlenecks especially in energy, housing, water, waste management; skills shortages/mismatch; youth unemployment and reliance on expatriate labour;

and climate risks. The CSP combines selective investments and targeted technical assistance to strengthen the climate resilience of essential services and improve the skills-to-jobs.

6. **In response to these challenges, the main objective of the CSP 2026 – 2031 is to support Seychelles in boosting inclusive, climate resilient green growth, economic diversification and wealth creation.** The CSPs two Priority areas are: (1) *Advancing sustainable, climate-smart infrastructure*; and (2) *Enhancing workforce productivity and institutional capacity for increased competitiveness*. The Bank will focus on sustainable infrastructure (including energy, water and sanitation, coastal adaptation and scaling up affordable housing), addressing binding infrastructure gaps that raise production costs, for Priority Area 1; and reforms aimed at economic diversification for increased employment in tourism, fisheries and new emerging sectors, for Priority Area 2.

7. **Cross-cutting themes will be embedded in the design and implementation of all operations.** Climate change and green growth will be addressed through climate-smart standards, and mitigation/adaptation to protect energy and water/sanitation assets. Youth skills and jobs and gender equality will be advanced through reforms and interventions targeting access to market-relevant work-based learning, with incentives and safeguards to increase women’s participation and strengthen school-to-work transitions. Resilience will be reinforced by reducing exposure to external and climate shocks through investments in resilient infrastructure.

8. **Being high-income, Seychelles will access Bank financing through the ADB window, Middle Income Countries Technical Assistance Fund (MIC-TAF), and Trust Funds.** Seven projects are proposed for the years 2026 to 2028 totaling USD170.3 million (UA130.2 million). Four investments addressing climate change, energy, water and sanitation, and housing, totaling USD143.2 million (UA94 million). One governance PBO amounting to USD 26.2 million (UA 20 million). Two are TA worth USD 1 million (UA 0.8). The Bank will continue to explore co-financing opportunities, provide knowledge, pursue guarantees, and promote public private partnerships and non-sovereign operations where credible and ready pipeline of projects exists.

9. **In the context of limited borrowing headroom and a small lending envelope, the CSP applies strict strategic selectivity.** While several areas could have justified Bank engagement, including transport infrastructure needs, broad based SME credit lines, and primary health sector investments, these were consciously deprioritized during this cycle. This reflects the presence of other active partners in those areas, the relatively lower catalytic impact of Bank resources there, and the need to concentrate on interventions with the strongest multiplier effects for competitiveness, resilience, and economic diversification.

10. **Overall, the CSP 2026–2031 reflects a deliberate shift toward tighter selectivity, stronger operational discipline, and a focus on catalytic investments.** By concentrating limited resources on climate smart infrastructure and workforce productivity, and by embedding stronger implementation support, the Bank aims to maximize development impact while mitigating the execution risks experienced in the previous strategy cycle. The Board of Directors is requested to consider and approve the Seychelles’ CSP 2026-203.

1. INTRODUCTION

1. **This report outlines the Bank's Country Strategy Paper (CSP) 2026-2031 for Seychelles.** It analyses recent political and socio-economic developments and outlook, presents the lessons learned from the previous CSP, and defines the strategy for the Bank's support in Seychelles over the 2026 - 2031 period. The choice of the Bank Group's areas of intervention was informed by Seychelles Vision 2033, the National Development Strategy (NDS) 2024-2028 (launched on 5th April 2024), findings and recommendations of the CSP 2021 – 2025 Completion Report which was endorsed by CODE on 3rd November 2025, the 2025 Country Diagnostic Note (CDN) - Seychelles - Country Diagnostic Note - August 2025 – summary in Annex 17, guidance from the Committee on Operations and Development Effectiveness (CODE) (Annex 9), and insights from the CSP stakeholder consultations conducted in February/March 2026 (Annex 13). The CSP responds to CODE's guidance emphasizing the need to address Seychellois' structural challenges, support youth and women, maximize impact of operations with limited resources, enhance domestic resource mobilization and mitigate financial management challenges (Annex 9).

2. **The country's overarching development challenge remains to achieve significant economic diversification, which is essential for sustaining growth, enhancing resilience and reducing vulnerability to external shocks and climate change.** Key constraints include a small domestic market; overreliance on tourism and fisheries; high import dependence; geographic isolation and high logistics/transport costs; infrastructure bottlenecks especially in energy, water, wastewater and solid waste, that raise production costs; skills shortages/mismatch and youth unemployment alongside reliance on expatriate labour; and rising climate risks (including floods and landslides) that increase investment costs. To support the country in addressing these constraints, the CSP is articulated around two priority areas: (1) *Advancing sustainable, climate-smart infrastructure*; and (2) *Enhancing workforce productivity and institutional capacity for increased competitiveness*. The priority Areas are aligned with: Seychelles NDS 2024 – 2028; the Bank's Ten-Year Strategy (TYS) 2024-2033, its Four Cardinal Points, and Sector strategies; the Africa Union (AU) Agenda 2063, and the 2030 Sustainable Development Goals (SDGs).

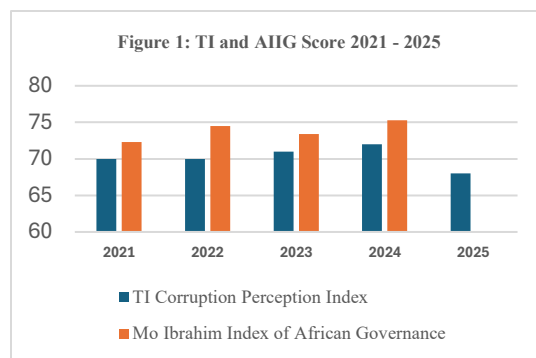
2. COUNTRY CONTEXT AND PROSPECTS

2.1. Political Context and Prospects

3. **Seychelles is a stable multiparty democracy with a record of peaceful elections and orderly transfers of power.** General elections held in September-October 2025, saw opposition candidate Patrick Herminie of United Seychelles Party (USP) elected with 52.7% of the vote, in the run-off, against incumbent Wavel Ramkalawan of Linyon Demokratik Seselwa. USP, which governed the country for over four decades before moving into opposition in 2020, has thus returned to power, in an election confirmed as free and fair by election observers, and the political stability is expected to be maintained. The new government pledged to lower the cost of living, revive public services, unite the nation, and reduce the retirement age from 65 to 63. There are clear policy changes towards greater social welfare and environmental protection.

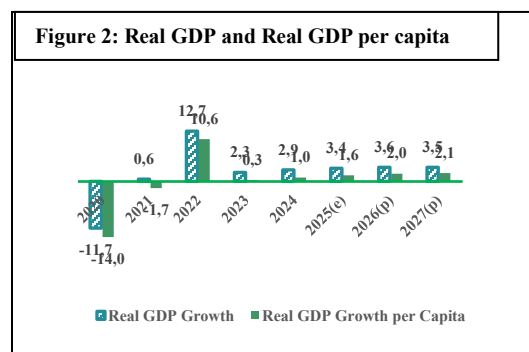
4. **Governance indicators highlight continued institutional strength.** Seychelles maintained its position as the highest-ranked country in sub-Saharan Africa on the 2025 Transparency International Corruption Perceptions Index with a score of 68, placing it 24th out of 182 countries globally, an improvement from its 27th position in 2020. Furthermore, Seychelles led all African nations in the 2024 Ibrahim Index of African Governance, with an overall score of

75.3, a consistent improvement from 72.3 (2021) – Figure 1. This score significantly surpasses the African average of 49.3. The country excelled in 'Human Development' (80.2), 'Participation, Rights and Inclusion' (78.6), and 'Security and Rule of Law' (79.0), but low in 'Foundations for Economic Opportunity' (63.4). Seychelles also demonstrated improvements in the Bank's Country Policy and Institutional Assessment (CPIA). The country is expected to maintain its strong governance scores given the ongoing reforms.

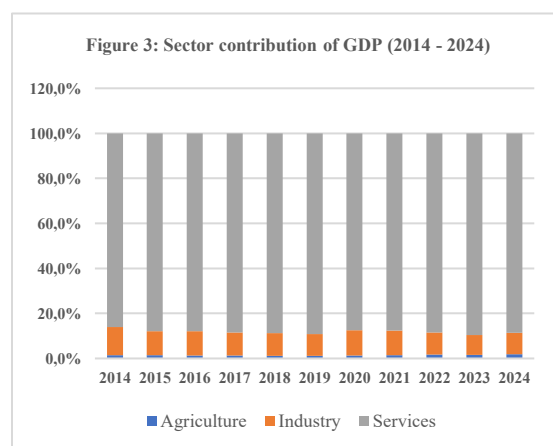


2.2. Economic Context and Prospect¹

5. **With GNI per capita of USD 17,460 in 2024, Seychelles is a high-income small island economy (high-income status attained in 2015).** It is best characterized as a predominantly factor- and investment-driven services economy, leveraging high-value tradable (tourism) and marine-based products (fisheries), supported by openness to investment and imported skills and technology. With almost 90% of the population concentrated in Mahe Island, service delivery to the remaining 114 islands spread over 1.37 million km² within the Indian ocean is costly to deliver. Overreliance on fossil fuel for energy (95%) also makes growth less green. Macroeconomic reforms pursued after severe external imbalances occasioned by the 2008 Global Financial Crisis restored stability and investor confidence. Since 2020, real GDP growth and real GDP per-capita growth have moved closely together (Figure 2), with the difference partly reflecting population dynamics, including changes in foreign labour. Inequality remains a concern for inclusiveness and the latest available Gini coefficient estimate for Seychelles indicates moderate inequality (Gini 32.1, 2018 being the latest).



6. **Seychelles has undergone limited structural transformation, particularly in output diversification and the creation of higher-skilled jobs.** Services are the mainstay of the economy with little or no growth in industry (manufacturing) and agricultural sectors (Figure 3). The services sector dominated with nominal GDP share averaging 88.2% over the 2014-2024 period, while those of the agriculture and industry sectors averaged around 1.4% and 10.4% respectively over the same period. Tourism is the major contributor to growth within the services sector averaging about 25% of GDP directly, and much larger when indirect effects are included; and it accounts for about 70% of



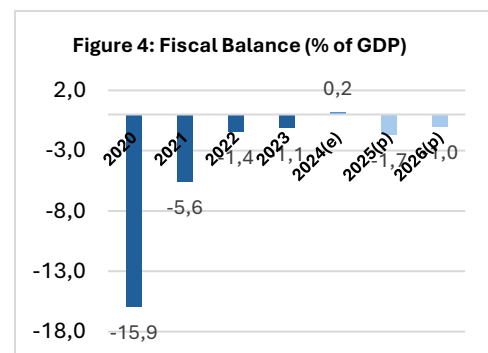
¹ All figures in this section are sourced from ECST March 2026 data

foreign earnings and over 30% of employment. The continued dominance of services sector reflects a growth model centered on tourism and fisheries that relies heavily on Seychelles' natural resource endowment. Within industry, construction associated with tourism infrastructure and real estate remains significant, while manufacturing is concentrated in seafood processing, as high interest rates and deficit financing continue to crowd out private sector access to credit.

7. **Economic growth has been driven mainly by capital accumulation, with limited contributions from productivity gains.** This underscores the need for more productivity-led growth to support higher-paying jobs and durable wealth creation. Structural constraints, including a very small domestic market, high logistics costs and limited land, have also hindered diversification into agriculture and manufacturing. In addition, despite substantial liquidity, weak monetary transmission and incentives to hold sovereign assets constrain private credit and keep borrowing costs relatively high, while elevated youth unemployment and persistent skills mismatches, amid mounting social pressures, continue to weigh on productivity and inclusion.

8. **Recent economic growth performance:** Seychelles economy expanded by 5.1% (2025) from 3.4% (2024). Growth was driven on the supply side by tourism-related activities and fisheries and on the demand side by construction and household consumption. The economy has remained resilient, sometimes achieving higher than African average growth levels. However, the economy has experienced significant fluctuations over the past five years, with a severe 11.8% contraction in 2020 due to the COVID-19 pandemic's devastating impact on tourism and related sectors. There was a robust 9.9% recovery in 2022 due to the resumption of tourism activities, before moderating to 5.1% (2025). Several factors contributed to the 2024 slowdown, including infrastructure reconstruction following extreme weather events and the December 2023 depot blast², alongside global economic pressures that elevated food and fuel prices in this import-dependent nation.

9. **Seychelles' medium-term outlook is broadly stable but subject to elevated uncertainty.** Real GDP growth is projected at 3.1% (2026) and 3.4% (2027) supported by tourism-linked services alongside construction and growing ICT activities and digital services, thereby contributing to the diversification of growth drivers. Public investments and household consumption will remain key drivers on the demand side. However, risks remain elevated and are closely linked to global economic uncertainties, including trade disruptions, geopolitical tensions, and climate change risks. Seychelles' high cost relative to peers and signs that the tourism sector may be approaching carrying-capacity limits, while flows from key European source markets are sensitive to income and relative prices, reinforce the need for diversification into other sectors including deepening tourism product shifting toward a higher-yield model that raises earnings per visitor rather than volumes, supported by targeted air connectivity, and infrastructure upgrades.



² https://en.wikipedia.org/wiki/2023_Mah%C3%A9_explosion

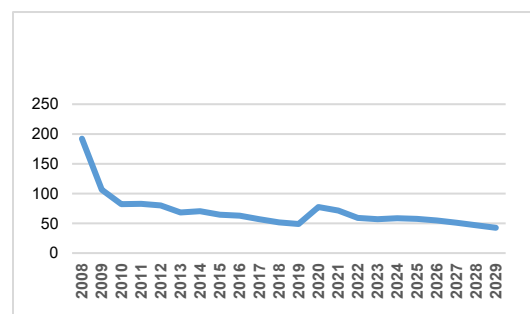
10. **Fiscal policy:** The overall fiscal balance dropped to a deficit of 0.5% in 2025 from a surplus of 0.2% in 2024 (Figure 4). The low fiscal balances were mainly attributed to lower-than-projected current and capital spending highlighting ongoing absorption constraints. Going forward, the fiscal stance is projected to remain prudent (overall deficit 1.2% in 2026 and 0.7% in 2027), reflecting the government's continued fiscal consolidation strategy. Domestic resource mobilization (DRM) reforms are central to sustaining this consolidation. Box 1 summarizes the tax policy measures being implemented by the Government of Seychelles (GoS).

Box 1: Domestic resource mobilization efforts in Seychelles

The GoS has made commendable efforts at raising domestic revenue, mainly through taxation. While total revenue and grants stood at 33.9% in 2024, tax revenue comprised 82% of total revenue, with non-tax revenue accounting for 18%. Value added tax accounted for 35% of tax revenue, followed by business tax (21%), excise tax (17%), and personal income tax (14%). A key DRM challenge is concentration and erosion risks. The OECD found that 30 companies generated 80% of business tax, while tourism contributed a relatively small share of business tax compared to its weight in the economy, highlighting the importance of base-broadening and incentive discipline. The Authorities have strengthened tax-expenditure transparency, including publishing an inventory of VAT and business-tax expenditures in the 2025 budget. Effective from January 2025, VAT reforms are being implemented in phases through 2026, while transfer-pricing enforcement has been strengthened through updated regulations and compliance work and broader digitalization of tax administration. To address institutional capacity constraints that limit sustained gains in revenue collection and compliance, the Bank support include technical assistance to modernize revenue administration including increased formalization to increase tax revenue. This includes a strategic review and re-engineering of the Seychelles Revenue Commissions (SRC) operating model to embed a modern, digital, risk-based administration. These efforts by the GoS align well with the Bank's first Cardinal Point on Enhancing Access to Capital: Mobilizing Africa's Financial Resources.

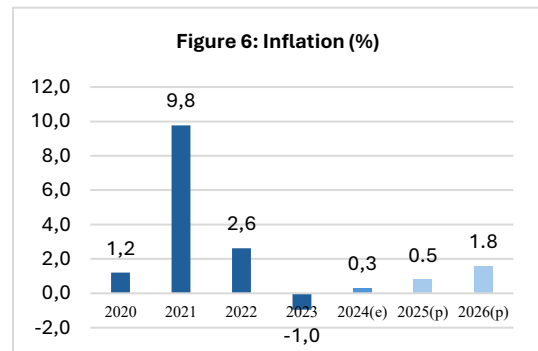
11. **Public debt:** Public debt increased from 57.3% of GDP (2023) to 61.0% (2025), reflecting higher real interest rates, exchange-rate depreciation, and a higher stock of government guarantees (Figure 5). The debt stock is broadly split between domestic and external liabilities, implying continued sensitivity to domestic refinancing conditions and foreign-exchange risks. In June 2025, the IMF and World Bank Debt Sustainability Analysis assessed Seychelles debt at moderate risk of debt distress. Cognizant of the need for debt sustainability to ensure economic resilience, the GoS launched a debt management action plan in 2025, to continue the downward trajectory to bring the total debt to GDP ratio to less than 50% by 2030. The plan focuses on managing refinancing and contingent-liability risks, by prioritising concessional external borrowing where available and deepening the domestic market. The GoS has preference for loan products offering interest rates around 2.5%, making most non-concessional products less attractive. Given improved macro fundamentals, Fitch upgraded Seychelles to 'BB' (Stable) in September 2025, returning to its pre-pandemic rating level.

Figure 5 Trend of General Government Debt (% of GDP)



12. **Monetary Policy:** Inflation remained very low in 2025 at 0.5%, a slight rise from 0.3% in 2024 (Figure 6). Previously, inflation spiked to 9.8% in 2021 due to the effects of COVID-19 but reversed thereafter to a deflationary -1.0% (2023), driven by improved imported commodity supplies and an appreciating Rupee against the US dollar. In this low-inflation environment, the

Central Bank maintained an accommodative stance, keeping the Monetary Policy Rate at 1.75% through 2025 while managing liquidity to keep short-term money-market conditions aligned with its policy stance. At the same time, the pass-through from policy decisions to lending rates and broader financial conditions remain limited, reflecting structural features of the domestic financial system. Ongoing efforts to strengthen liquidity forecasting including the planned introduction of repurchase agreements (repos) are intended to improve short-term interest-rate transmission and support more effective monetary policy implementation. Inflation is projected at 1.8% (2026) and 1.9% (2027).



13. **The external sector:** In 2025, the deficit stood at 4.5% of GDP from 8.1% in 2024, driven mainly by relatively weaker tourism earnings, partly offset by an improvement in the trade balance. Seychelles has long recorded sizeable current account deficits peaking at 12.5% of GDP in 2020 during the pandemic, reflecting a highly open, import-dependent economy anchored in tourism and fisheries. Over the medium term, the current account deficit is expected to remain around 5.6% of GDP in 2026 and 4.6% in 2027, reflecting investment needs and structural import dependence, with financing continuing to rely heavily on FDI and other inflows. Downside risks remain elevated from weaker growth in Europe and freight-cost volatility, and evolving trade policy conditions (including the 10% baseline U.S. tariff on imports introduced in April 2025), and the 2026 conflict in the middle east, likely to affect tourism and raise cost of production due to increased oil prices. Gross international reserves increased to US\$774 million at end-2024 (about 3.8 months of imports) and is projected to reach \$946 million by end-2025 (about 4.6 months of imports), broadly in line with maintaining adequate import cover.

14. **Economic and financial governance:** Overall, there is a robust legal framework for systems governing accounting, reporting, audit and procurement. The Office of the Auditor General (OAG) maintains its independence and has successfully completed audits of government financial statements through 2023. The GoS is currently modernizing its Public Financial Management (PFM) legislative frameworks to incorporate Public-Private Partnerships (PPPs), while also implementing an Integrated Financial Management System (IFMIS). Additional reform initiatives include updating the Public Debt Management Act of 2008 to align with the revised PFM Act; strengthening the Public Procurement Act 2022 to bolster safeguards in public spending; and refining the Public Enterprises Act 2023 to harmonize it with the revised PFM Act and strengthen oversight of State-Owned Enterprises. With support from the Bank and the World Bank, the GoS undertook a Public Expenditure and Financial Accountability assessment in 2025, which points to improvements in the timeliness and reliability of in-year budget reporting, the structure and coverage of internal audit and follow-up, and fiscal risk and debt reporting. It highlighted remaining gaps in linking spending to sector strategies, procurement data completeness, and systematic follow-up on audit recommendations. The OAG and Chief Internal Auditor's Office would benefit from further digitalizing audit processes and strengthening IT-audit capabilities. For this purpose, the Bank is currently supporting the OAG to acquire an essential audit software.

2.3. Sector Context

15. **Agriculture:** The sector employs around 5% of the population, contributes around 1.5% of the GDP, with the average income in the sector increasing by only 1.2% between 2017 and 2025. Roughly 3.4% of the land is used for agriculture, predominantly small scale consisting of horticulture (fruits and vegetables), roots/tuber crops and small-scale livestock (mainly poultry and pigs), with limited mechanization. The sector faces binding constraints, including limited arable land, competing land use, low value addition, and high exposure to climate stresses, alongside limited investment. Although land is owned by corporate entities, the state, and individuals (with restrictions for foreigners), designation of roughly half of the territory as protected nature reserves leaves less land available for investment. In response, the GoS is enhancing capacity building, introducing advanced technology, and promoting mechanization, all aimed at making farming more attractive to young people. Efforts are underway to improve access to certified, climate-adapted, high-yielding seed varieties through subsidization programs. Seychelles is also promoting modern, space-efficient farming, such as hydroponics and vertical farming, alongside improvements in traditional methods. The Agricultural census launched in 2024 is expected to strengthen sex-disaggregated data and enable more evidence-based, gender-responsive planning and targeted support measures. A strategic sector plan is being finalized, emphasizing food security, wealth creation, and biosecurity measures for imported animal and plant products.

16. **Fisheries:** The blue economy, encompassing fisheries and aquaculture, marine tourism, maritime services and ocean-based conservation, remains central to Seychelles' growth model, supported by national strategies that aim to expand ocean-based activity while safeguarding marine ecosystems. Fisheries are anchored in the industrial tuna value chain (fishing, port services and processing) alongside small-scale fisheries that support food security and livelihoods. Fish and fish products are Seychelles' dominant merchandise export with canned tuna accounting for the bulk of fish export value. UN Comtrade reports exports of prepared/preserved tuna of about US\$274 million in 2024 (US\$253 million in 2023), with the fisheries sector estimated to have grown by 2% in 2025. Policy emphasis is on strengthening compliance with regional tuna management measures and supporting the continued development of nascent aquaculture, while accelerating value addition and upgrading supporting infrastructure. However, progress in secondary processing has been slow, underscoring the challenge of moving into higher-value activities. Complementary blue-economy initiatives include the Marine Spatial Plan signed into law in 2025, designating 30% of the Exclusive Economic Zone (EEZ) as Marine Protected Areas, alongside Seychelles' blue-finance instruments (debt-for-nature swap and the sovereign Blue Bond) and ongoing blue-carbon (seagrass/mangrove) mapping to strengthen long-term financing.

17. **Industrial sector:** Seychelles' industrialization remains shallow but relatively efficient. According to the 2022 Africa Industrialization Index, Seychelles ranked 27th out of 52 African countries, yet it is a continental leader in resource transformation, generating around US\$410 of manufacturing value added per ton of material resource consumed. Industrial activity is concentrated in tuna processing and a small base of food and beverage, cosmetics and light manufacturing firms, constrained by high logistics and production costs, skills shortages and difficult access to finance. As a very small domestic market, Seychelles offers limited scope for economies of scale, forcing firms to rely on exports to reach viable production volumes. The December 2024 Seychelles AfCFTA Implementation Strategy identifies opportunities to build regional value chains in processed fish and marine resources (yellowfin upgrading, by-catch value-addition, and longer-term blue biotech), food preparations and beverages (organic honey/vanilla/cinnamon shifting into oils/essences and expanded rum/juice), and beauty products

and perfumes (fragrance/essential oils and cosmeceuticals), alongside jewelry and pharmaceuticals—areas where development partners can help crowd in investment and skills.

18. **Tourism:** Visitor arrivals reached 393,777 in 2025 surpassing the 2019 level of 384,204 (pre-pandemic peak) and a 12% growth over the 350,701 in 2024. This growth was supported by continued diversification of source markets. In the 2019 World Economic Forum travel and tourism competitiveness index³, Seychelles ranked 62/140 (Mauritius 54/140). The assessment points to weaknesses in travel and tourism policy and enabling conditions, alongside gaps in air connectivity relative to key competitors. GoS policy has increasingly shifted toward managing environmental pressure and protecting the “high-value/low-impact” brands. Informed by the 2021 tourism carrying-capacity studies for Mahé/Praslin and La Digue, the GoS shifted tourism management toward a high-value, lower-impact model, including the use of moratoria to manage accommodation growth and infrastructure pressure. In 2025, these controls began to be eased under new rules: the moratorium on “change of use” for residential properties into tourism accommodation on Mahé and Praslin was lifted effective January 2025. These measures are complemented by the Seychelles Sustainable Tourism Policy Framework 2025–2035 and destination-management tools such as the La Digue Visitor Use Management Plan, alongside ongoing efforts to strengthen tourism workforce planning and address skills gaps. To enhance competitiveness, Seychelles is exploring specialized tourism segments including sporting events (sailing, beach football, open sea swimming), ecotourism, and agrotourism. In parallel, GoS has commissioned further analytical work on tourism sector to inform the next phase of reforms and investment prioritization that is being supported by the Bank. While Russian nationals currently account for approximately 22% of tourists, in April 2026, GoS negotiated with Russian carrier Aeroflot to establish direct flights. The negotiations efforts are also expected to enhance cooperation with regard to fisheries, food security, energy, tourism, transport, trade, and education.

19. **The private sector:** The private sector is the backbone of Seychelles’ economy, contributing about 60.0% of GDP and around 65% of formal employment, and is largely composed of Micro Small and Medium Enterprises (MSMEs). The informal sector accounts for about 15.9% of the labour force, while tourism and related activities provide about 19.0% of jobs and construction. Although activity remains concentrated in tourism and fisheries, private firms are gradually diversifying into commercial farming, light manufacturing, financial services and ICT, alongside emerging blue-economy and knowledge-based activities. MSMEs have significant untapped potential but face high labour and operating costs (including reliance on foreign labour), limited access to finance, and slower adoption of productivity-enhancing technologies, compounded by licensing bottlenecks, and costly, collateral-heavy lending. MSMEs could strengthen diversification by expanding linkages with eco-tourism operators, fisheries and tuna value chains (including higher-value processing and by-products), and emerging blue-economy ventures such as aquaculture and marine services. Realizing this potential will require reforms addressing skills shortages, access to finance, and regulatory constraints affecting enterprises. Bank support, including studies, directed to addressing skills shortages and mismatch is espoused in Priority Area 2.

20. **The financial system is bank-dominated and generally well capitalized.** It comprises

³ Seychelles was not covered in the 2024 TTCI

of seven operating commercial banks, the Development Bank of Seychelles alongside a credit union/cooperative bank, a housing finance company, four insurers, and about 25 bureaux de change. Of the seven banks, two are domestically owned, three are locally incorporated subsidiaries of foreign banks, and two operate as branches of foreign banks. System stability remains strong, by end-2025, the sector's capital adequacy ratio (CAR) was about 20%, above regulatory minima (12% CAR). Asset quality improved with non-performing loans falling to 5.5% (end-2025) from 8.2% (end-2023), versus a pre-pandemic level of 3%, reflecting lingering post-COVID balance-sheet strains and the unwinding of support measures. Credit growth accelerated (+12% in 2025), concentrated in mortgages, households and tourism. MSME lending remains constrained by collateral requirements and limited credit information. Borrowing costs remain high (average lending rate 9.9% at end-2025), with a wide deposit–lending spread. Going forward, deepening inclusion will require a shift toward risk-based lending, supported by an MSME credit-guarantee scheme, a functional movable-collateral registry, stronger credit information, and more products (e.g., leasing, supply-chain finance, invoice factoring) alongside fintech-enabled digital infrastructure and advisory support to improve MSME bankability. Capital markets remain thin, necessitating reforms on governance and investor protection. GoS can build on its pioneering 2018 sovereign Blue Bond to broaden access to international climate finance

21. **Energy:** Although access to electricity is almost 100%, the energy landscape relies heavily on fossil fuels, which constitute 95% of the energy mix, with renewables accounting for only 5%. To expand renewable sources, French firm Qair launched on 01 October 2025 the construction of a 5.8MW floating photovoltaic plant in Providence Lagoon on Mahe Island, set to be commissioned in 2026. The nation has established an ambitious yet achievable target of increasing renewable energy to 15% by 2030, contingent upon the successful implementation of planned 20MW wind and 20MW solar PV projects. Domestic consumers are allowed to install PV panels to generate up to 100% of their monthly consumption while commercial consumers can utilize PV panels for up to 50% of their monthly consumption. The Public Utilities Company (PUC) predominantly manages the country's electricity generation infrastructure, which has an installed capacity of approximately 136 MW. However, the system faces challenges, such as aging fossil fuel generators, many approaching the end of their operational lifespan, reducing actual generation capacity to just 106 MW. Additionally, power costs remain high and vulnerable to international market fluctuations, compromising the nation's energy security. The PUC manages both electricity and water tariffs, setting the latter relatively low and offset by the relatively high electricity tariffs for cost recovery. Despite progress in policy development through the Energy Policy and the Electricity Act of 2022, implementation lags behind legislation. Critical elements such as an independent regulatory framework and policies to attract Independent Power Producers remain underdeveloped as Seychelles Energy Commission (SEC) continues to operate without full independence. For sustainable energy development that supports long-term growth objectives, Seychelles must prioritize renewable energy investments, enhance private sector participation, and strengthen its regulatory framework while aligning energy strategies with climate goals.

22. **Transport:** According to the latest rankings from the Africa Infrastructure Development Index (AIDI) 2024, Seychelles, Egypt, and Libya were at the forefront of infrastructure development. The country has a network of 526 km of roads with 98% bituminous surfacing. Seychelles' aviation and marine sectors, anchored by Seychelles International Airport and Praslin Airport, and the seaport at Port Victoria, support the nation's economic foundations in tourism and fisheries while facilitating regional and international commerce. However, coastal roads face

vulnerability to erosion, and rising sea levels, while ports and airports require comprehensive modernization with integrated climate resilience measures. Growing intra-island traffic has created congestion issues, and climate change-induced weather patterns have triggered flooding and landslides, damaging road networks. The GoS is actively implementing a robust strategy to build resilience and sustainability in its transport infrastructure, combining innovative engineering approaches and protective nature-based solutions with comprehensive modernization of transport hubs. To alleviate congestion, authorities are investigating alternatives to public transport, including a potential light railway system to enhance connectivity while reducing private vehicle dependence. The GoS is also considering developing an integrated Transportation Master Plan to chart the sector's evolution, identify necessary investments across supply and demand dimensions, and establish cohesive policies governing all transportation modes.

23. **Water and sanitation:** Seychelles has achieved remarkable progress in access to water and sanitation, with 96.4% of the population accessing improved drinking water sources (93.6% piped and 6.4% non-piped) and 100% enjoying improved sanitation facilities (82.3% from septic tanks, 16.8% sewer connection, and 0.9% improved latrines). Despite these impressive access rates, freshwater storage capacity remains limited, necessitating costly desalination during dry periods. Growing water demand increasingly outpace supply due to aging infrastructure, climate change impacts like drought, and insufficient funding for infrastructure development. Through Bank financing, the PUC expanded the La Gogue Dam's storage capacity from 824,000m³ to 1,479,950m³, enhancing water security in north and central Mahe. The southern region continues to face serious water security issues, prompting GoS plans to construct the Grand Anse dam, for which feasibility studies and detailed designs have been completed, supported by the Bank. Further, the construction of a treatment plant at La Gogue Dam, which was descoped under the La Gogue Dam Project, remains a priority. Regarding sanitation, sewage disposal from point sources, particularly in the plateau area, threatens groundwater abstraction. The existing sewage treatment facilities require substantial rehabilitation and upgrading. These include the East Coast Sewerage system which was identified as a priority in the Sanitation Master Plan prepared with the Bank's support. Further priority water and sanitation interventions under consideration on Praslin and La Digue would also improve service provision on these islands.

24. **Housing:** Despite its high-income status, Seychelles faces a pressing but less visible challenge: affordable housing. Rapid population growth and urbanization have led to significant housing shortages and soaring property prices. Thousands of families are currently waiting for government-subsidized housing, experiencing overcrowding and inadequate living conditions. These issues disproportionately impact young families and single parents, undermining stability and community development. In response to this challenge, over the years, affordable housing has been mainly provided by the GoS under various schemes to assist people who cannot afford to build on their own or do not own land. The largest social housing project was undertaken on the reclaimed island of Perseverance next to the main island of Mahe. However, a rise in population growth and economic development has put pressure on the already limited land. Currently, more than 3,200 individuals are contributing to housing schemes and are still waiting to be assisted with affordable housing. Plans are underway for an additional 428 affordable houses and 410 apartments for professionals across Mahé, Praslin, and La Digue, to be completed by 2027 or early 2028. A further 1,000 to 1,200 housing units are planned on Ile Aurore before the end of 2030.

25. **Information, Communication and Technology (ICT):** Seychelles has always been among

the leaders with respect to the deployment of ICT. Digital uptake has continued to deepen. Mobile connections rose from 177.1k (164.9% of population) in early-2023 to 220k (167%) in early-2025. Internet use rose from 78.3k (79.0%) in Jan-2022 to 115k (87.4%) in Jan-2025. The GoS recognizes that a strong ICT sector and new higher-capacity ICT broadband offers opportunities to develop high tech industries and ICT-based services, an enabler of a digital economy, and a diversification of Seychelles' economy. Its Digital Economy Agenda recognizes the importance of ICT in development and has identified five areas for digitization for the future - infrastructure, skills, platforms, financial services and entrepreneurship.

26. **Regional integration:** Seychelles' regional integration is shaped by its status as a small island economy, which brings structural challenges such as high transport costs, limited maritime connectivity, and narrow participation in continental value chains. To address these constraints, Seychelles has strategically pursued regional and global integration, becoming a member of the Indian Ocean Commission (1982), joining COMESA (1994), SADC (2015), the WTO (2015), and the AfCFTA (2018). Seychelles ranked 1st on the Africa Visa Openness Index (AVOI 2024), supporting tourism, labour mobility and investment. However, broader regional integration outcomes remain moderate with the latest African Regional Integration Index available (ARII 2019), ranking Seychelles 11th overall, reflecting strong infrastructure integration and free movement of people, but weaker trade (32nd) and productive integration (42nd). Annex 15 provides further analysis and recommended actions.

27. **Trade:** While the country's trade tariffs are low, averaging 2.6% (7.5% for agricultural products), integration challenges persist due to elevated transport costs, and limited economies of scale. Seychelles' imports are diverse but mainly sourced from non-African partners, while exports are heavily concentrated in fish, especially canned tuna, exported mainly to Europe. Trade within Africa is limited to mainly Mauritius and South Africa, indicating limited integration into broader COMESA and EAC value chains. By contrast, exports of services are a key strength, led by tourism, which dominates foreign exchange and export earnings. This provides opportunities for an export-led pathway focused on value addition and tradable services, upgrading seafood value chains, expanding tourism and ICT-enabled services into African markets under the AfCFTA. To enhance diversification of trade and capitalize on regional economic opportunities, the GoS is implementing strategic initiatives such as the 2025 AfCFTA Implementation Strategy. However, existing market intelligence is heavily focused on its traditional European markets. The Seychelles Ports Authority's Strategic Investment Plan (2025–2030), supported by the Bank, offers a chance to modernize infrastructure and enable integrated, value-adding regional trade projects.

2.4. Social Context and Cross-Cutting Themes

28. **Poverty, Inequality and Human Development:** Seychelles combines very high human development and very low extreme poverty, with good progress to achieving most of the SDGs (Annex 11). The 2025 Human Development Report places Seychelles' HDI at 0.848 (0.802 in 2022), ranking it 54th (56th in 2022) of 193 countries, being in the "very high human development category". Extreme poverty remains very low (US \$3/day poverty 0.7% in 2018), while poverty at US\$8.30/day was 8.4% in 2018 and is estimated around 7.4% in 2025. Income inequality is moderate by regional standards, with a Gini index of 32.1 in 2018 (the latest) data, down from 46.8 in 2013. A strong social protection system has helped keep extreme poverty very low, but the ageing population is increasing pressure on the pension system. Social challenges, including substance abuse, teenage pregnancy, vulnerabilities among single-parent households,

and weakening education outcomes, also weigh on productivity and long-term welfare. In response, the NDS 2024–2028 prioritises people-centred reforms, notably building a healthier nation and modernising education and skills development to better match future workforce needs.

29. **Youth:** Youth aged 15-35 represents 30% of the population, with concerning unemployment rates at 9.7% as of Q2 2025, which is significantly higher than the overall 2.3% unemployment rate. Male youth unemployment was 10.7% and females at 9.6%. Paradoxically, the high youth unemployment exists alongside high dependence on foreign workers, particularly in construction (38.6%) and hospitality services (38.4%). This disconnect stems partly from a tertiary education system that is not fully aligned with labor market demands, resulting in approximately 18.7% of youth not being employed, neither in education nor in training. GoS is responding through ‘My First Job and Skills Development/Reskilling’ programs, while the 2025 budget also maintained significant investment in human capital (11.8% of the budget, 4.3% of GDP). Under the CSP 2021–2025, the Bank supported TVET and skills development by working with the Ministry of Education to develop a national TVET policy and strategy and by backing skills/entrepreneurship interventions aimed at addressing skills mismatches and improving youth employability, impacts of which are expected in the medium term. More reforms are expected in the labour market, including wage legislation, supported by the Bank

30. **Demographic trends and urbanization:** Seychelles population has grown by 1.4% annually over the last 10 years to the current estimated population of 125,439 people. Despite the low population, the small land area of 455km² leads to high population density of 291 people per km² putting pressure on infrastructure including energy, housing, and water and sanitation. The situation is more critical in urban areas which house 43.4% (down from 48% in 2015) of the population, hence the proposal to focus on housing as one of the outcome areas for Bank support during the CSP period. Through smart cities model, Seychelles is on the path to modernizing urban areas like Victoria while promoting sustainability and efficiency. For instance, installation of IoT sensors can monitor traffic in Victoria, reducing congestion and emissions. Smart waste management systems can optimize recycling, supporting Seychelles’ circular economy ambitions.

31. **Gender equality:** Seychelles has made notable progress in advancing gender equality, ranking among Africa’s top five countries with the lowest gender disparity and achieving a Gender Equality Index of 0.738 (2023). Women enjoy equal access to education, high literacy rates, and near parity in labor force participation (about 90%), supported by strong legal frameworks guaranteeing equal rights. However, persistent gaps remain - women are underrepresented in political leadership (26.5% of parliamentary seats in 2025), Science, technology, engineering, and mathematics (STEM) fields, and high-income sectors such as technology and business leadership (40%), while they are concentrated in lower-margin industries like retail and hospitality. Additionally, 55% of households are female headed, creating a double burden that limits women’s economic mobility and entrepreneurial engagement. These disparities underscore the need for targeted interventions aligned with the CSP priorities—particularly skills development and climate-smart infrastructure—to promote women’s participation in emerging sectors, enhance access to finance, and integrate gender-responsive measures in infrastructure and employment.

32. **Climate change.** Seychelles is highly vulnerable to climate change, facing more frequent floods and landslides, alongside warming oceans that drive coral bleaching, marine ecosystem stress and rising sea-level, threatening infrastructure and the tourism and fisheries base. The 2025 NDC proposes economy-wide mitigation target to cut emissions by 23.1% by 2035 (about 204,000

tCO₂e), with quantified contributions across energy, transport, waste, and refrigeration/air-conditioning, while maintaining the 2050 net-zero goal. Implementation is being strengthened through the new NDC Transparency System, climate budget tagging (2025–2027), and integration of climate-risk screening in public investment appraisal. As a small island state (SIDS) prone to adverse impacts of climate change, mitigation and adaptation measures are critical.

33. **Environment and social safeguards:** During the CSP 2021-2025, five governance PBOs and five non-lending studies were approved. The approvals posed low to zero environmental and social (E&S) risks and were not deemed to trigger any Operational Safeguards, resulting in their E&S risk classification at Category 3, following Seychelles’ Environment Protection Act [Cap 71]. The interventions encompassed governance and economic management reforms, improving business competitiveness, economic diversification, and enhancing environmental resilience and inclusivity, improving statistical capacity, undertaking studies in the energy and tourism sectors. Given the low E&S risks and limited impacts, the implementing agencies were not expected to possess in-house E&S safeguards capacity but outsourced it from the National Environmental Management Agency for any arising E&S issues during implementation. Henceforth, E&S safeguards will continue to be mainstreamed, and compliance will be met according to the Bank rules and GoS policies, as well as technical support and capacity building activities (Annex 16).

34. **Resilience Assessment.** The main sources of fragility stem from high exposure to external (see Box 2 and Annex 20) and climate shocks alongside social and security risks, notably a heroin addiction affecting about 10% of the working-age population, and maritime threats (illegal, unreported, and unregulated fishing and piracy). These risks directly constrain the country’s ability to unlock capital and turn its demographic dividend into sustainable growth. The 2025 Country Resilience and Fragility Assessment (CRFA) revealed strong capacities across 5 of the 7 dimensions: inclusive politics, justice, economic and social inclusiveness, social cohesion, and climate/environmental impacts. Security capacities were assessed as moderately strong. The country registered weak capacity in the externalities/regional spillover effects dimension, the area most directly linked to financial sovereignty and resilient infrastructure investment. Seychelles is on a strong resilience pathway, but sustaining it requires addressing these external exposure gaps.

Box 2: Impact of Iran, USA, Israel Conflict beginning 28th February 2026: The 2026 conflict could affect aviation, shipping, energy and financial channels. Flight cancellations from the United Arab Emirates and Qatar, accounting for around 30% of tourist arrivals, could weigh on tourism and related activity if disruptions persist, while higher freight and fuel costs may raise import prices. In response, the GoS activated, in March, a National Economic Preparedness and Response Framework to monitor fuel, food, connectivity, and FX risks; introduced a one-year maximum mark-up order on selected essential goods; introduced work-from-home arrangements in the public sector to conserve fuel and electricity instructing Seychelles Trading Company to purchase surplus local produce. The Government signaled readiness to move to a higher response stage, including prudent expenditure adjustments, cancellation of capital projects, reserve preservation, and retargeting of social support.

35. **Civil society engagement:** The Seychelles possesses a robust and active civil society, with a Civil Society Participation Index of 0.812 (2024) unchanged from 2023. Civil Society Organizations (CSOs) primarily operate under the Citizen's Engagement Platform Seychelles (CEPS), with some functioning independently. Established in 2014, with 72 members currently, CEPS plays a vital role in enhancing dialogue and closing communication gaps between the GoS and CSOs through an established Memorandum of Understanding. CSOs play an active role in governance and sectoral decision-making, particularly in fisheries, tourism, and agriculture. They emphasize greater investment in healthcare, especially elderly services, and in youth skills and

employability, creating opportunities for collaboration on social and cost-of-living policies.

2.5. Country Strategy Framework

36. **Seychelles has established an ambitious Vision 2033 Towards a Sustainable and Inclusive Future alongside its NDS 2024-2028.** These comprehensive strategic frameworks are complemented by sectoral strategies directly relevant and timely aligned to the Bank's CSP, including: the Blue Economy Strategic Framework and Roadmap (2018–2030); national climate change and disaster-risk frameworks; energy and water sector strategies; Seychelles National TVET Strategy and Roadmap 2024 – 2028; and the National AfCFTA Implementation Strategy. Vision 2033 and the NDS 2024–2028 are designed to catalyse structural transformation, drive economic diversification, maximise value addition, advance digital finance, expand IT-related investments, and drive green and inclusive growth. Progress over the first two years of the NDS has been slow with implementation constrained by a significant financing gap (USD1.9 billion (2024 – 2028)) and capacity limitations, as the investment needs exceed available fiscal space and concessional resources, underscoring the importance of careful prioritisation and crowding in private and climate finance. Bank financing of USD170m (2026-2028) reduces the gap marginally.

2.6. Aid Coordination Mechanisms, Bank Positioning and Comparative Advantage

37. **Development partner coordination:** As a high-income country, Seychelles is not ODA dependent. However, Development Partners (DPs) are expected to align with NDS 2024-2028, but no formal coordination structures exist. The Bank engagement will continue to be coordinated with DPs including bilateral, International Financial institutions (World Bank, IMF), Multilateral Development agencies such as the United Nations and the Multilateral Cooperation Center for Development Finance (MCDF), among others. While sector level coordination remains ad – hoc, DPs are exploring the establishment of platforms to coordinate sector activities. The Bank participates in the platform on climate-change workstreams and leads the Project Preparation Facility, alongside other partners, in project readiness. Annex 8 presents main areas of support by DPs. Some partners, including the IMF and the UN, have offices in the country, whereas the Bank and several partners coordinate their activities from outside the country.

38. **Bank positioning and comparative advantage:** The Bank's comparative advantage lies in its role as a trusted partner for high-leverage policy dialogue and reforms. The Bank will continue building on its comparative advantage to demonstrate leadership through interventions such as the Integrated Resources Plan 2025, which provides long-term vision for the energy sector. This CSP's commitment is for the Bank to continue its top positioning by playing an important role in advocacy related to building institutional capacity in energy, housing, governance and public finance management, and selective, resilience-oriented infrastructure support, exemplified by investing UA 99.92 million over the period 2021 - 2025 in various transformative projects.

2.7 Strengths and Opportunities, Challenges and Weaknesses

39. Seychelles benefits from generally strong institutions, high human development and a strong tourism sector, with opportunities to deepen blue-economy value addition, expand digital solutions, and strengthen regional integration and trade linkages to support more resilient, private sector-led growth. The country's overarching development challenge remains to achieve significant economic diversification, which is essential to sustaining growth, enhancing resilience and reducing vulnerability to external shocks and climate change. Underlying development changes include the country's small scale and remoteness, continued reliance on tourism and fisheries, high import dependence, and a narrow set of external markets. Binding constraints

include infrastructure bottlenecks, high costs of doing business and limited access to finance in the new global financial architecture, and labour-market pressures such as youth unemployment, skills mismatches, and reliance on expatriate labour in key sectors - Annex 10.

3. COUNTRY PORTFOLIO PERFORMANCE

3.1. Overview of the Bank's Portfolio

40. **The Bank's active portfolio as of April 2026 comprised eight operations worth UA26.7 million.** ADB window financed two operations - the Partial Based Policy Credit Guarantee Program (UA7.3 million) and the Economic Resilience and Green Recovery Support Program II (UA18.1 million), accounting for 95.1% of the portfolio. Five operations are financed by the Middle-Income Countries Technical Assistance Fund (MIC-TAF – 4.5%) and one by MCDF (0.4%) grants (see Annex 5). There are currently no co-financed projects and all operations are in the public sector. Multisector including budget support comprise 98.9%, energy 0.7% and transport 0.4%. The cumulative disbursement is UA 18.4 million (69.2%). The portfolio is strongly oriented towards three of the four Cardinal Points i.e. rebuilding financial sovereignty, turning demographic into dividend, and building resilient infrastructure by adding real value.

3.2. Portfolio Performance

41. The overall quality of the portfolio is improving despite two of the ongoing projects (25%) up from 19% in 2023, being flagged due to slow implementation, with no project qualifying for cancellation. The execution of technical assistance that complements budget support operations is hindered by insufficient staffing within the executing agencies and remote oversight, which leads to delays in initiation, sluggish procurement (notably in the recruitment of consultants), and diminished monitoring. Going forward, priority actions include ensuring the timely preparation and proactive use of procurement plans, accelerating procurement processes, and strengthening implementation support and reporting to improve overall portfolio performance, while enhancing the good practice realized in the timely submission of quality audit report.

3.3. Strategic and Operations Challenges

42. The most recent Country Portfolio Performance Review was conducted in April 2023, and updated in March 2025, together with the CPIP matrix- Annex 6. The CPIP outlines a few implementation challenges including: (i) delays in launching projects because recruitment of consultants takes time, which then causes holdups in disbursements; and (ii) slow responses from Project Management Units (PMUs), resulting in project extensions. These, amongst other issues, were discussed, and remedial measures agreed with the Authorities during the March 2025 CPPR workshop, and the implementation of the recommendations are jointly monitored.

43. The key actions include the continuous provision of training to the PMUs, the handholding support on procurement, and increased delegation of authority. The Bank and the authorities remain committed to maintaining a close partnership to address all the challenges.

4. LESSONS LEARNED

4.1 Lessons for the Bank Group

44. **At the strategic level:** A key lesson, also acknowledged by CODE while endorsing the CSP 2021 – 2025 Completion report, is the importance of maintaining flexibility in design and implementation, as demonstrated by the Bank's swift response to the GoS's evolving needs particularly through PBOs during the COVID-19 pandemic. This lesson has been instrumental in informing the design of this CSP, which emphasizes a more adaptive and resilient engagement model tailored to Seychelles' status as a high-income country. Given the country's conservative

borrowing, the Bank will continue discussions with the GoS on innovative funding modalities, including guarantee instruments and non-sovereign sources to help address the country's limited fiscal space. Efforts have been made to delink the start of the Bank's CSP cycle from national election years, when shifts in policy priorities can delay alignment with the CSP framework, observed as failure in the previous CSP. This underscores the need for flexibility, including a rigorous mid-term review to recalibrate outcomes, outputs, and results targets, as needed.

45. **At the operational level:** The quality of the portfolio has been impacted by the delayed hiring of consultants for projects financed by MIC-TAF. Additionally, the capacity of the PMUs is limited due to a shortage of skilled and experienced personnel in critical areas such as procurement, as well as the time required for PMU staff to become acquainted with the Bank's regulations and procedures. To mitigate these delays, the Bank plans to implement advanced procurement strategies, ensure compliance with procurement plans, conduct regular fiduciary clinics for PMU and key GoS staff, and hire consultants to assist with procurement functions. A significant lesson learned from the Mahé Sustainable Water Augmentation Project is the importance of strengthening institutional capacity by integrating technical assistance within investment projects, which will be applied to future interventions.

4.2 Lessons for the Government

46. **At the strategic level:** A key lesson emerging is the need for continued acceleration of economic transformation as a pathway to enhancing economic resilience and sustaining growth. The CSP consultations underscored the urgency for GoS to deepen its efforts in climate change adaptation and mitigation, while pursuing innovative financing solutions that reflect the country's vulnerability and unique challenges. The importance of continuing economic reforms to improve the business climate and boost competitiveness was also highlighted. The persistent gap in skilled labor has brought renewed attention to the need for stronger human capital development and institutional capacity building. These lessons have been instrumental in shaping this CSP, which places greater emphasis on green and climate resilient investments and integrated approaches to strengthening capacity and youth empowerment.

47. **At the operational level:** Project coordination, overseen at the highest tier, indicates a restricted number of staff within the implementing agencies. To facilitate a more efficient and timely execution of operations, the GoS, with assistance from the Bank, contemplates the recruitment of specialists to support project implementation and execution. Furthermore, the Bank's management of all interactions with line ministries via the Ministry in charge of Finance, which supervises the national development strategy, guarantees that proposals are in harmony with national priorities, uphold coherence, and bolster strategic implementation.

4.3 Lessons for the other Development partners

48. The Bank's timely engagement with other development partners, even without a physical presence on the ground, has proven to be a significant strength, bolstering its reputation as a reliable and effective partner within the country. The quality of dialogue has consistently remained high, facilitating productive partnerships (such as the coordination of PEFA with the Worldbank) and unified approaches to developmental challenges (with IMF in the PBOs). These relationships have laid a solid foundation for a robust and results-driven program. This experience underscores the necessity of ongoing relationship development and maintaining open communication channels with all partners. Consequently, this CSP emphasizes the need for deeper coordination with other development partners to ensure alignment, capitalize on synergies, pursue co-financing opportunities, and enhance the impact and sustainability of interventions across various sectors.

4.4 Lessons from the 2025 IDEV Evaluation Findings

49. The IDEV validation concluded that the implementation of the CSP 2021–2025 was marked by internal and external challenges. Internally, limited technical and management capacities, as well as delays in procurement, hindered the execution of projects, studies, and technical assistance operations. Externally, the country’s vulnerability to the Covid-19 pandemic, climate and economic shocks, its geographic isolation, and strong dependence on imports and foreign labour slowed implementation, particularly in the water and sanitation, energy, and infrastructure sectors (see Annex 2). This CSP addresses these findings by proposing ways of working differently (see Box 3).

5. BANK GROUP STRATEGY 2026-2031

5.1. Strategy Rationale, Selectivity, Objective and Priority Areas for Bank Support

50. **Strategy Rationale:** The country’s overarching development challenge remains to achieve substantial economic diversification, which is crucial for maintaining growth, improving resilience, and minimizing vulnerability to external and climate change shocks. The underlying development challenges include a limited domestic market; excessive dependence on tourism, fisheries and imports; geographic isolation elevating logistics and transport costs; infrastructure bottlenecks particularly in energy, housing, water, and waste management; skills shortages/mismatches; youth unemployment and dependence on foreign labor; and climate risks such as floods and landslides.

51. **Selectivity:** This remains critical to ensure that the Bank’s response is efficient, effective, and sustainable. In this context, this CSP applies selectivity criteria: (i) GoS’ development priorities (Annex 18); (ii) alignment with the outcomes of country stakeholder consultations (Annex 13); (iii) ensuring continuity, building on and consolidating previous Bank’s support and achievements and leveraging the Bank’s comparative advantage – especially in energy, water and sanitation, and capacity building; (iv) maximizing opportunities for partnerships; (v) integrating crosscutting themes, especially gender equality, climate action, and private sector development; (vi) incorporating lessons learned and guidance provided by CODE (Annex 9); and (vii) incorporating lessons from IDEV evaluation (Annex 2).

5.2. Strategy and Expected Outcomes

Box 3: What the Bank will do differently under the CSP 2026-2031

Strategic level: While ensuring continuity, the emphasis on complementary investments in energy, water and sanitation, and housing is expected to reduce production costs, improve connectivity, enhance household welfare and unlock opportunities for value addition, for private sector growth. These enablers will support the emergence of value chains, stimulate enterprise development, and facilitate a shift towards higher-productivity activities. In coordination with other partners, the Bank will support the GoS’ efforts to mobilize more affordable external financing for priority public and private investments. While the core sectors remain as in the CSP 2021 – 2025, additional sector, housing, is a major priority for the current government intended to address the critical housing need. **Operational level:** To address the implementation challenges observed in the previous CSP cycle, the Bank will adopt a more operationally intensive approach during this period. Each new investment operation will be launched with embedded technical assistance to support project management, procurement, and fiduciary compliance from effectiveness. Procurement readiness will be front loaded, including finalized procurement plans and initial bidding documents prior to first disbursement. Supervision intensity will be increased, particularly during the first year of implementation, to ensure early identification and resolution of bottlenecks.

52. **CSP Objective and Priority Areas for Bank Support.** The main objective of the CSP 2026 – 2031 is to support Seychelles in boosting inclusive, climate resilient green growth, economic diversification and wealth creation. To realize this objective, CSP’s two priority areas are: (1)

Advancing sustainable, climate-smart infrastructure; and (2) *Enhancing workforce productivity and institutional capacity for increased competitiveness*. Bank support under the CSP's two Priority Areas will be provided selectively in the following four sectors: (1) energy, (2) water and sanitation, and (3) housing under Priority Area I; and (4) institutional capacity for increased youth employment under Priority Area II. These two Priority Areas and the 4 sectors (except for housing) were endorsed by CODE when considering the Completion Report of the CSP 2021 – 2025.

Priority Area 1: Advancing sustainable, climate-smart infrastructure

53. **Objective.** The objective of Bank support under Priority Area 1 is to support Seychellois' ambition of expanding access to sustainable and quality infrastructure. To achieve this, the Bank will focus on sustainable infrastructure (including energy, water and sanitation, and scaling up affordable housing), addressing binding infrastructure gaps that raise production costs. The energy outcome is aligned to TYS 3.1 accelerating progress towards universal electricity access through a clean energy revolution (SDG 7); the water and sanitation (SDG 6) and housing (SDG 11) outcomes are aligned to TYS 3.5 improve the quality of life of the people. Under this priority area, the first project - climate smart Government Buildings Rooftop PV system - will also support robust environmental and social safeguards, climate-smart designs and coastal adaptation measures that strengthen resilience to climate and other shocks – for the energy, water and sanitation and housing projects.

Strategic Outcome 1 – More affordable and sustainable energy supply

54. The interventions are expected to result in lower energy costs and a cleaner power supply, thereby promoting green growth - founded on the recommendations from the 2025 Integrated Resource Plan (IRP) study financed by the Bank. Additionally, the Bank's Sustainable Energy Fund for Africa and the resources from MIC-TAF provide potential support for financing projects related to renewable energy. By the year 2031, specific anticipated outcomes include a 40% reduction in power outages and a 10% decrease in greenhouse gas emissions (ktCO₂e).

Strategic Outcome 2 - Increased access to water and sanitation

55. The planned interventions in water and sanitation will result in increased water supply in Mahe as well as improved water treatment at the La Gorge Dam, whose construction was originally completed with support from the Bank. By the year 2031, water supply will increase by 10%.

Strategic Outcome 3 – Increased access to affordable housing

56. Emphasis will be placed on enhancing the provision of affordable housing in Mahe and other outer Islands. The GoS will be supported to expedite investments for the construction of affordable houses thereby addressing family distress and creating a productive environment for all households. The specific anticipated result by 2031 is 10% increase in affordable housing.

Priority Area 2: Enhancing workforce productivity and institutional capacity for increased competitiveness

57. **Objective.** Given the country's significant reliance on foreign labour, the main objective will be continued implementation of wage and labour engagement reforms for increased employment in both public and private sectors.

Strategic Outcome 4 - Enhanced institutional capacity for increased youth employment. The Bank will continue supporting policy changes, such as efforts to amend the Employment Act and to offer technical assistance through the TVET project. The amended Employment Act aims at

modernizing the labour framework to promote fairness and flexibility, and support job creation, while ensuring adequate protection for workers. The GoS will also focus on direct reforms aimed at economic diversification for increased employment in tourism, fisheries and new emerging sectors. These results will be delivered through the Economic Resilience and Green Recovery Support Program (ERGRSP II and III). Specific anticipated outcomes are: (i) reduced youth unemployment from 9.7% in the Q2 2025 to approximately 5.0% (2031); (ii) increased tourism revenue growth from -9.0% in 2023 to 3.0% in 2028; (iii) 10% increase in fisheries earnings by 2028; and (iv) strengthening tax administration to reduce leakages through stronger emphasis on digitalization and enhancing enforcement. Skills developed for increased youth employment (SDG 8) is aligned to TYS 3.5 support Africans to fulfil their potential. Bank programs and projects will lay emphasis on ‘my-first-job’ and re-skilling initiatives based on the GoS’s 2026 human resource development plan to be ready in September 2026, supported by the World banks deep dive report.

58. **Structural transformation, economic diversification and resilience; private sector development; regional integration and trade; digitalization and statistics:** The CSP is anticipated to play a significant role in driving structural transformation through economic diversification. Enhanced energy reliability and improved water security, coupled with stronger PFM and a more skilled workforce, will enable private sector activity, specifically MSMEs, thus support wealth creation. Efforts towards regional integration and trade will primarily focus on providing targeted TA to also address the unique challenges of a SID and geographical remoteness, including diversification in tourism and trading activities. Digitalization will receive selective support through TA and knowledge-sharing to enhance public service delivery.

59. **Building climate resilience:** All Bank supported activities will aim at strengthening resilience by safeguarding the continuity of essential services. This will be realized through climate-resilient designs in energy, water and sanitation, and housing interventions, and through strengthened implementation capacity and coordination with partners.

60. **Economic and financial governance:** Bank support will strengthen institutions responsible for macroeconomic management and fiscal performance, transparency and value for money. Building on the rollout of IFMIS and actions informed by the 2025 PEFA, the Bank will support improvements in budget credibility, expenditure control, reporting and oversight, and fiscal risk management. The Bank will also support the current strong DRM through targeted reforms and TA to improve revenue administration efficiency/compliance, helping create fiscal space for priority infrastructure (energy, water and sanitation, housing) and skills investments.

61. **Climate change and green growth:** Climate action will be mainstreamed through climate-smart standards and resilient designs for critical infrastructure, especially renewable energy, water security, and affordable housing investments. The Bank will support access to climate finance through project preparation, support and capacity building for climate-risk screening and implementation.

62. **Gender equality and inclusion:** Focus will be on gender-responsive project design with participation targets, training/apprenticeships, and support to women’s entrepreneurship and access to finance (including through AFAWA, where relevant). Additionally, focus will be on policy dialogue and capacity building to increase women’s representation in decision-making roles and STEM fields, and flexible work arrangements and childcare solutions to reduce the double burden faced by women. A gender and production study will be under to support project design.

63. **Youth: job creation and skills development:** The Bank will support a stronger skills-to-jobs through development of a TVET policy and strategy, and work-based learning aligned with employer needs, including in energy, water and sanitation, and housing. Priority Area 1 operations will complement this through job opportunities during construction and operations phases.

Box 4: Alignment: The CSP aligns with the GoS's strategic national focus provided in annex 18. It also aligns with the Bank's Four Cardinal Points by: crowding in public, private and climate finance for clean energy and affordable housing and expanding access to affordable services; strengthening financial systems through reforms that improve institutions, regulation and intermediation; advancing the demographic dividend via TVET, skills and youth employment to raise productivity and competitiveness; and investing in climate-resilient clean energy and water security to strengthen resilience, support diversification and enable private sector activity. More specifically, the energy outcome is aligned to TYS 3.1 accelerating progress towards universal electricity access through a clean energy revolution; the housing outcome is aligned to TYS 3.5 improve the quality of life of the people of Africa; Skills developed for increased youth employment is aligned to TYS 3.5 support Africans to fulfil their potential – supporting vocational and technical education and training.

5.3. Indicative Lending/Non-Lending Program

64. **Lending Program:** The proposed public sector lending encompasses seven projects, with a budget allocation for the years 2026 to 2028 totaling USD170.3 million (UA130.2 million). The projects include one governance PBO amounting to USD26.2 million (UA20 million); four investments valued at USD143.2 million (UA 94 million); and two technical assistance worth USD1 million (UA0.8) – Annex 4a. The Bank will continue to explore co-financing with other development partners, and pursue guarantees, public private partnerships and non-sovereign operations where a credible and ready pipeline exists in Seychelles' small market. Estimates for the 2029 – 2031 lending will be established during the CSP midterm review in 2028.

65. **Non-Lending Program:** Besides regular Bank annual ESW's, consultations with GoS and other stakeholders confirmed the need to: (i) update the 10-year-old Infrastructure masterplan; (ii) undertake a private sector diagnostics; (iii) undertake a gender and productivity study to assess social and productivity constraints; and (iv) support preparation of an agriculture plan focused on food security and on clarifying the systems, investments, and enabling conditions needed to operationalize the national agriculture strategy. Additionally, jobs traceability will be conducted for all trainings supported by the Bank to ascertain employment uptake and the quality of the jobs. These analyses will inform the Bank's dialogue with the GoS; support the design of planned operations; inform reforms to achieve inclusive and structural transformation; support policy implementation through evidence; and improve GoS decisions in areas of interest to the Bank - Refer Annex 4b.

5.4. Policy Reforms and Dialogue

66. Dialogue with the GoS, DPs, private sector and CSOs will continue to focus on the quality of the portfolio, PFM reforms and activities around the Blue Economy where comparative advantage has been established. Others include structural policy reforms to support private sector investment in infrastructure as well as improving the governance in the energy sector – Annex 1.3.

5.5. Financing the Bank Group Strategy

67. **Internal Bank resources:** As a high-income country, Seychelles will access Bank financing from the ADB window (UA 129.5 million), AWF (UA 0.5 million), Trust Funds (UA 0.2 million), GEF and counterpart funds. The Bank will also seek to deploy lines of credit for private sector operations, PCGs (drawing lessons from the 2008 PCG), trade finance, capital markets instruments, blended finance, climate debt and disaster risk instruments, debt-for-nature

swaps and in the case of energy, the Bank's Sustainable Energy Fund for Africa (SEFA) will assist with identifying, structuring and financing renewable energy and energy efficiency projects, even outside Bank financing. The Bank will engage in dialogue around the borrowing costs to avoid cancellation of the pipeline. A roadshow at the beginning of the CSP period will serve to build confidence of the Authorities in the utilization of these instruments. The non-lending program funding will be drawn from the administrative budget and Trust Funds.

68. **External funding mobilized through the Bank:** The Bank will sensitize the GoS of the available co-financing opportunities with the European Commission, the European Investment Bank, and the World Bank, among others. In practical terms, this will involve early coordination during Bank project identification/preparation; joint analytical work; use of co-financing modalities; target external vertical funds such as the Global Environment Facility and the Climate Investment Funds to support planned lending and non-lending activities; and dialogue with partners to clarify the division of labour across sectors, while ensuring coordinated implementation support and monitoring. These measures will help mobilize additional financing, enhance synergies across partner interventions, and improve the effectiveness of the Bank's operations.

5.6. Implementation arrangements, monitoring and evaluation

69. Bank-financed activities will continue to be implemented and coordinated by the GoS Departments and SOEs. The Results-Based Framework (Annex 1) will be the main tool for monitoring and evaluating the results from all Bank support. Central Bureau of Statistics will be used for macro data while Bank's annual IPRs, PCR, CSP MTR and CR will inform input/output reporting.

5.7. Risks and Mitigation Measures

70. The major risks include climate change and natural disasters; global geopolitical factors affecting tourism and trade; and weak institutional capacity that could slow down project uptake, accounting and procurement. The Bank will maintain continuous dialogue for timely mitigation of strategic risks including possible use of resources from African Disaster Risk Financing Initiative. To mitigate fiduciary and procurement risks, all investment operations will require approved procurement plans prior to effectiveness, with quarterly updates monitored through Bank supervision. Hands on procurement support will be provided to implementing agencies, through targeted training, and procurement clinics during early implementation. These measures are intended to reduce delays, strengthen compliance, and improve value for money in a context of limited institutional capacity – see Annex 19.

6. CONCLUSION AND RECOMMENDATIONS

6.1. Conclusion

71. The country's overarching development challenge remains to achieve significant economic diversification, essential to sustaining growth, enhancing resilience and reducing vulnerability to external shocks and climate change. The main objective of the CSP 2026 – 2031 is to support Seychelles in boosting inclusive, climate resilient green growth, economic diversification and wealth creation. The objective will be achieved through the two Priority Areas - *(1) Advancing sustainable, climate-smart infrastructure; and (2) Enhancing workforce productivity and institutional capacity for increased competitiveness.*

6.2 Recommendations

72. Management invites the Boards of Directors to consider and approve the Seychelles CSP 2026-2031.

ANNEX 1: Seychelles CSP 2026-2031 Results Measurement Framework Matrix

ANNEX 1.1: Strategic Alignment Matrix

This matrix demonstrates alignment of the CSP's Priority Areas with both the Seychellois National Development Strategy 2024 - 2028, and the Bank Group's own priorities. Where results relate to cross cutting outcomes with shared attribution, monitoring will be supported by project level tracking and supervision evidence to ensure a credible and transparent link between Bank interventions and observed outcomes.

CSP PRIORITY AREA I: ADVANCING SUSTAINABLE, CLIMATE-SMART INFRASTRUCTURE	
National development Plans	Bank's Corporate Policies
Theme of the NDS 2024 – 2028: Vision 2033 sets out Seychelles' long-term objective of “a resilient, responsible and prosperous nation of healthy, educated and empowered Seychellois living together in harmony with nature and engaged with the wider world”. The NDS 2024–2028 translates Vision 2033 into six national priority areas: (i) A Modern Public Service (ii) A Transformative Economic Agenda (iii) A Healthy Nation (iv) Promotion of Law & Order (v) A Modern Education System aligned with future needs (vi) Environmental Sustainability & Climate Change Resilience Key Priority Areas: A Transformative Economic Agenda, Environmental Sustainability & Climate Change Resilience	Ten Year Strategy (2024 – 2033): prosperous, inclusive, resilient and integrated Africa by scaling TYS priorities Twin Objectives: Accelerating inclusive green growth in Africa; and driving prosperous and resilient economies in Africa. Areas of Special Emphasis: green and climate-resilient growth, private sector and climate-finance mobilization, and strengthened economic governance. TYS Priorities: (i) <i>Light Up and Power Africa.</i> (ii) <i>Industrialize Africa</i> (iii) <i>Improve the Quality of Life for the People of Africa</i> The Four Cardinal Points: (i) Unlocking capital at scale; (ii) Reforming Africa's financial architecture; (iii) From demographic boom to economic powerhouse; and (iv) Building climate-resilient infrastructure and value addition.
Country Sector Strategies	Bank Sector Strategies
• Seychelles' Energy Policy 2010–2030 aim to increase renewable energy to at least 15% of supply by 2030, reduce dependence on imported oil and improve energy security and affordability. • Nationally Determined Contribution (updated 2025) and NDC 3.0 commit Seychelles to net-zero emissions by 2050 and identify energy, transport, water and waste infrastructure as key mitigation and adaptation priorities • IWRM Plan and Water Supply Development Plan 2008–2030 set a long-term framework for sustainable water resources management, investment in storage and desalination, and reduction of non-revenue water to meet growing demand and climate variability. • Integrated Comprehensive Sanitation Master Plan and Solid Waste Master Plan 2020–2035 guide investments in sewerage networks,	<i>Water Facility Strategy 2026-2030.</i> <i>Food and Agriculture Delivery Compact 2023-2028.</i> <i>Strategy for Addressing Fragility and Building Resilience in Africa (2022-2026).</i> <i>Climate Change and Green Growth Strategic Framework (2021-2030);</i> <i>Bank Group PPP Strategic Framework (2021-2031).</i> <i>Sustainable Transport Action Plan (STAP) 2025–2029 (draft)</i> <i>Bank Group PPP Strategic Framework (2021-2031);</i>

wastewater treatment and solid-waste management to protect public health, coastal ecosystems and tourism assets.				
<i>Country Development Results/Indicators</i>			<i>Planned Bank's Interventions & Resources</i>	
<i>Indicators</i>	<i>Baseline(2025)</i>	<i>Target(2031)</i>	<i>Generic Area of Intervention of Instrument</i>	<i>Amount UA m</i>
Reduced power outages in La Digue	8.5	4.0	Investment Project – SO	109.5
Reduced GHG emissions (ktCO ₂ e)	583	460	Technical Assistance	0.5
			Knowledge Work	1.0
CSP PRIORITY AREA II: ENHANCING WORKFORCE PRODUCTIVITY AND INSTITUTIONAL CAPACITY FOR INCREASED COMPETITIVENESS				
<i>National development Plans</i>			<i>Bank's Corporate Policies</i>	
Theme of the NDS 2024 – 2028: Vision 2033 sets out Seychelles' long-term objective of “a resilient, responsible and prosperous nation of healthy, educated and empowered Seychellois living together in harmony with nature and engaged with the wider world”. The NDS 2024–2028 translates Vision 2033 into six national priority areas: (i) A Modern Public Service (ii) A Transformative Economic Agenda (iii) A Healthy Nation (iv) Promotion of Law & Order (v) A Modern Education System aligned with future needs (vi) Environmental Sustainability & Climate Change Resilience Key Priority Areas: (i) A Transformative Economic Agenda (ii) A Modern Education System Aligned with Future Needs			Ten Year Strategy (2024 – 2033): prosperous, inclusive, resilient and integrated Africa by scaling up the High 5 priorities Areas of Special Emphasis: Youth empowerment and jobs, Gender equality and women's economic empowerment, Climate change and resilience, strengthening economic governance and responses to fragility and shocks. TYS priorities: (i) Industrialize Africa, (ii) Improve the Quality of Life for the People of Africa	
<i>Country Sector Strategies</i>			<i>Bank Sector Strategies</i>	
Seychelles National TVET Strategy and Roadmap 2024 - 2028 – strengthening technical and vocational education and training and pathways between TVET and higher education.			Skills for Employability and Productivity in Africa Action Plan (SEPA), 2022–2026. Jobs for Youth in Africa Strategy 2016-2026; Gender Strategy 2021–2026	
<i>Country Development Results/Indicators</i>			<i>Planned Bank's Interventions & Resources</i>	
<i>Indicators</i>	<i>Baseline(2025)</i>	<i>Target(2031)</i>	<i>Generic Area of Intervention of Instrument</i>	<i>Amount UA m</i>
Youth unemployment	9.7	5.0	Policy-Based Operation (PBO) - SO	20.0
			Technical Assistance	0.2

ANNEX 1.2: Performance Matrix:

The performance matrix measures a wide range of results that should be regularly tracked during CSP period. This does not only include operational results that will be delivered by the approved projects, but also other essential elements of the CSP including cross-cutting issues, financial leveraging, harmonization, portfolio performance, etc.

Performance areas – including sources of verification	Monitoring Indicators	Baseline* (2025)	Target (2028)	Target (2031)
Operational results: Outcomes (including carried over projects from CSP 2021-2025)	PRIORITY AREA 1: ADVANCING SUSTAINABLE, CLIMATE-SMART INFRASTRUCTURE			
Energy (Energy Projects' IPRs/PCRs/ CSP Completion Report (CSP-CR))	Percentage reduction in power outages in La Digue	8.5	6.8	5.1
	10% decrease in greenhouse gas emissions (ktCO ₂ e).	583	554	525
Water and sanitation (IPRs/PCRs/CSP-CR)	10% increase in water supply by 2031	N/A	-	10
Affordable housing (/IPRs/PCRs/CSP-CR)	% increase in affordable housing units available	0	5	10
Operational results: Output (Including some carried-over projects from CSP 2021-2025)	PRIORITY AREA: ADVANCING SUSTAINABLE, CLIMATE-SMART INFRASTRUCTURE			
Energy (PBO CR , Energy Projects' IPRs/PCRs/CSP-CR)	Policies designed from the IRP and implemented	0	1	2
	Number of Government Buildings Rooftop PV system installed	0	200	500
	48-60 MW of ICE constructed	N/A	-	Yes

Water and sanitation IPRs/PCRs/CSP-CR)	Revision of Grand Anse Dam and roll out of ERP	N/A	Yes	Yes
	Plaine Hollandaise, Rochon Dam and La Gogue Treatment Plant	N/A	-	Yes
Affordable housing IPRs/PCRs/CSP-CR)	Number of additional affordable houses and apartments with 50% for female headed households	0	0	500
Operational results: Outcomes (including carried over projects from CSP 2021-2025)	PRIORITY AREA 2: ENHANCING WORKFORCE PRODUCTIVITY AND INSTITUTIONAL CAPACITY FOR INCREASED COMPETITIVENESS			
Enhanced institutional capacity for increased youth employment (PCR/CSP-CR./IPR/CSP-CR)	Decrease in youth unemployment in % with emphasis on female unemployment	9.7	7.7	5
	Increased tourism revenue growth	-9.0	3.0	5.0
	Increase in fisheries earnings	N/A	10	15
Operational results: Output (Including some carried-over projects from CSP 2021-2025)	PRIORITY AREA 2: ENHANCING WORKFORCE PRODUCTIVITY AND INSTITUTIONAL CAPACITY FOR INCREASED COMPETITIVENESS			
Enhanced institutional capacity for increased youth employment (PCR/CSP-CR)	TVET policy designed and implemented	NA	Yes	Yes
	Number of youth trained through the new TVET	0	500	1000
	Seychelles Capital Markets Sector Master Plan adopted	N/A	Yes	Yes
Institutional/Skills Development and Job Creation (Assessment report from the GEF Grant (Climate Information Services)/IPR/CSP-CR)	Reinforced systems and practices at national weather and climate change agency approved (No/Yes)	No	Yes	Yes
	Youth seconded to Bank projects to acquire skills (number, at least 50% women)	0	6	12
	Jobs created through Bank projects (number, direct, indirect, induced, at least 50% women)	216	300	450
Knowledge Generation	All 29 planned ESWs undertaken, 15 by midterm	NA	15	29

Other Cross-Cutting Issues				
Climate Change and Green Growth	Climate-proof projects (% of lending operations)	55	60	75
	Climate finance allocation (% Bank Portfolio)	1	10	20
Governance	Implement fiscal consolidation measures to maintain annual primary fiscal surpluses crisis (fiscal surplus, % of GDP)	-1.7	0.2	0.5
Gender	Women trained on entrepreneurship skills through Bank projects (number)	0	50	75
Financial Leveraging	Amount of co-financing (UA million)	0	5	10
	Green Climate Funds (UA million)	0.37	0.25	0.75
	PPP transactions (number)	0	1	2
Portfolio Performance	Projects flagged for implementation challenges	2	0	0
	Timely PCRs posting (average % of projects)	100	100	100
	Time from approval to signature (months)	1.7	1	1
	Time from approval to first disbursement (months)	14.8	3	3
Sustainability and Capacity Building	Allocation by PUC for infrastructure maintenance (US\$ million)	4.5	5	5
Knowledge Work/Policy advise	ESW produced (number)	15	14	15
Development Harmonization	Consultations per year with Development Partners (number)	5	5	5
	Joint donor missions per year (number)	0	2	2

ANNEX 1.3 : Seychelles Policy Reform Dialogue Matrix

SEYCHELLES									
Reform/Activity supported	GCI-VII and/or ADF-15 high-level commitment (for ADF-15 commitments indicate pillars plus objective and objective code)	TYS supported	Technical Bank department(s) in charge	Expected timeline for completion of reform(s)	Key expected results and timelines	Support Instrument (PBO/RBF/Investment Project/ISP/ESW/TA/etc.)	ESW/TA required ? (title/purpose, cost secured/not secured, timelines)	Status/progress & Key Milestones achieved	Policy dialogue activities related to the ESW/ intervention that have been undertaken to date
Support Private Sector Development									
Development of Private Sector Growth	Support to private sector development, including increased use of PPPs frameworks, that is key to unlocking Seychelles' growth potential	Industrialize Africa, Improve the Quality of life for the people of Africa	PINS/ ECCE	31-Dec-2027	Profiles of 5 key sub/sectors and industries were produced/ discussed and cleared by stakeholders in 2027	ESW	Yes, ESW required. ESW title: Seychelles Country Private Sector Profile ESW cost: USD 250,000. Funding to be secured under MIC. ESW timeline: 2026 - 2027	Internal RDGE resources were mobilized, and together with Private Sector Development Colleagues, the consultant conducted a desk study and virtual consultations with internal and external stakeholders. The ESW was peer reviewed by PINS and RDGE colleagues. As at 30 July 2022, the Task Manager and colleagues from the Private Sector Department concluded that the Country Private Sector Profile was completed. The Authorities have requested that the study be updated by end December 2027.	The Ministry of Finance as the government focal point had been fully engaged in discussions from inception and throughout the ESW development process. Overall, consultations took place with over 25 groups of stakeholders across public, private and sectors and with development partners as part of developing and finalizing the ESW. Same engagement is expected during the updating of the study.

Governance of Energy Sector									
Improve the governance of Energy Sector	Identification of the mix of resources for meeting near and long-term consumer energy needs in Seychelles in an efficient and reliable manner at the lowest reasonable cost.	Light and Power Africa/ Industrialize Africa/ Improve the Quality of Life for the people of Africa	PEVP/ ECCE	31-Dec-2027	- The SIRP is focused on the whole electricity supply chain and should also consider the impact of developing other energy sources, expansion of transmission and distribution network, demand side management measures capable of increasing energy generation capacity, expand the transmission and distribution networks and efficiency in the utilization of electric energy. - Final output will be a complete Integrated Resource Plan for the Seychelles Power sector that will guide the sector development and used as an entry point for the dialogue with GoS in support of the power sector. In addition, the intervention will help develop the capacity of the executing agency in undertaking similar studies in the future.	ESW	Yes, ESW secured. ESW title: Power Sector National Integrated Resource Plan for the Republic of Seychelles (SIRP) ESW cost: UA 213,636 (USD 282,000). Funding secured under MIC. ESW timeline: Dec. 2021 - Dec. 2025	MIC Grant approved, and a TA on 'Integrated Resource Planning' in the energy sector is underway in 2025. - Currently the IRP study is completed and synthesis , dissemination, policy dialogue expected to continue until 2027.	The study on IRP on energy completed in Q3 of 2025 and dissemination and synthesis including dialogue to continue until 2027.

ANNEX 2: Findings of IDEV Evaluation and how they are captured

Issue	IDEV Review	How the lesson was captured in the CSP
Relevance	The validation concurs with the CSP Completion Report that the 2021–2025 CSP is well aligned with Seychelles’ national priorities and those of the Bank and has effectively responded to economic emergencies through budget support. However, reliance on budget support at the expense of investment projects, coupled with gaps in the results measurement framework, has limited the overall impact of the Bank’s interventions.	The new CSP focusses on more investment as opposed to PBOs as highlighted in the Lending pipeline Annex 4a
Relevance of the Strategy and Program Design and Selectivity	The validation found that the Bank’s choice of strategic pillar is based on extensive consultations with the Seychellois authorities, the private sector, civil society, academic institutions, and development partners. Lessons learned from the implementation of the previous strategy (2016–2020) were considered in the preparation of the CSP and the selection of the single priority area. However, the validation notes that the completion report of the current CSP does not explicitly refer to the lessons learned or the recommendations made in the completion report of the previous CSP (2016–2020). These lessons from the previous CSP mainly concern: the importance of supporting the private sector by promoting economic diversification and the development of high value-added activities to strengthen resilience and employment. They also highlight the need to adapt interventions to the specificities of Seychelles as a small high-income island state, particularly in the areas of the financial sector, value chains, and climate resilience. Finally, they emphasize optimizing the Bank’s instruments and strengthening stakeholder capacities (in terms of quantity and quality).	The current CSP adapts to the Seychelles as a SID with para 58 – 61 emphasizing the need to address the vulnerabilities of the SID. Optimization of Bank instruments is highlighted in Para 67.
Internal coherence	The validation finds that the interventions approved under the CSP are consistent with the Bank’s 2013–2022 Ten-Year Strategy as well as its High 5 operational priorities. The desk review and stakeholder interviews show strong coherence between the Bank’s programmatic operations, other institutional strengthening interventions, and economic and sector works, particularly in the energy and tourism sectors. The validation also highlights the Bank’s role in knowledge production, evidenced through past initiatives such as the development of the Sanitation Master Plan ⁵ and the Water Sector Profile Report ⁶ , current ones such as the Strategic Plan for Port Activities, and the restructuring of the statistical system and the public financial management monitoring system.	Noted with appreciation and consistency and alignment is maintained in the current CSP.
External Coherence	<i>The validation notes that the external coherence of Bank interventions under the CSP is reflected in their alignment with the initiatives of other development partners, fostering synergies and avoiding duplication, particularly in support of policy reforms. According to stakeholder interviews, coordination between the AfDB, IMF, and World Bank was strong, ensuring complementarity across various programmes. For instance, recommendations from AfDB-financed studies were adopted as references within the IMF programme, and prior actions under World Bank budget support were aligned with policy reforms supported by AfDB programmes. A recent example is the latest Climate Finance Roundtable, during</i>	<i>The external coherence as noted is appreciated and this CSP maintains the same coherence observed.</i>

	<i>which partners jointly recognized that the main constraint to resource mobilization is the lack of project preparedness. The Bank, together with other MDBs, is currently supporting the Government in preparing bankable projects to attract broader financing.</i>	
<i>Effectiveness</i>	<i>The validation confirms the findings of the CSP Completion Report, showing that the effectiveness of the 2021–2025 CSP remained below expectations, with only 8.3% of outputs fully achieved, 16.6% partially achieved, and 22% of outcomes realized. This underperformance is attributable to the suspension of investment projects, the absence of a formal mid-term review and revision of the IOP and the results measurement framework, and the heavy reliance on budget support. Despite progress in governance and fiscal sustainability, the impact on economic diversification and structural reforms remains limited.</i>	<i>The observation of less effectiveness has necessitated the candid discussion with the Authorities leading to the identification of the 7 pipeline projects. It is provided that candid discussions will take place before the projects are actually rolled out in 2027 and 2028 – refer Annex 4a.</i>
<i>Effectiveness of Investment Projects</i>	<i>The validation confirms the limited results of investment projects, primarily due to implementation challenges and the cancellation of projects in the energy, water, and sanitation sectors. These cancellations, resulting from the Government’s revised borrowing plan, constrained the achievement of intended results. According to the CSP Completion Report, despite ongoing discussions with the Government during annual budget reviews, the suspended projects were not reinstated, and their final cancellation was only formalized in March 2025, at the end of the CSP cycle.</i>	<i>Ditto</i>
<i>Effectiveness of Budget Support Operations</i>	<i>The validation notes that these results reflect the operational implementation of the GERSP programme and a strong government commitment to policy reforms and transparency. However, the validation concurs with the Governance Programme Completion Report (ADB/BD/IF/2024/136 – 24 May 2024) that development results remain below expectations, particularly regarding resource mobilization under fiscal consolidation, municipal solid waste management, and the circular economy. The validation observes that, in the context of private sector development, the Bank commissioned a Country Private Sector Profile (CPSP) to strengthen policy dialogue with the authorities. This document is intended to guide reforms and Bank-financed operations by identifying high socio-economic impact investment opportunities to stimulate the private sector.</i>	<i>Observation noted with appreciation and lesson informed the continued focus on GERSP III.</i>
<i>Effectiveness of Cross-Cutting Issues</i>	<i>The validation finds that the available data on cross-cutting issues do not allow for a detailed analysis by level of results (outputs and outcomes). However, the document review made it possible to reconstruct some information, providing an overview of the results achieved for each theme. Of the 18 targeted results, only six were fully achieved, representing 33% of the initially planned objectives.</i>	<i>Observation and lesson noted with appreciation and informed the candour in the identification of results highlighted in Annex 1.1 and 1.2.</i>
<i>Effectiveness of Non-Lending Programs: Economic and Sector Work,</i>	<i>Regarding non-lending operations, the validation confirms the findings of the CSP Completion Report, indicating that all thirteen planned operations were implemented, thereby improving the quality of national consultation and program execution. All outputs were delivered, including: (i) the assessment of COVID-19 impacts on productive sectors (2021); (ii) technical assistance on public debt management reforms (2022); (iii) the</i>	<i>The failure to implement planned activities has necessitated the linkage of planned non-lending operations to directly inform lending and policy dialogue during the implementation of this CSP.</i>

<i>Technical Assistance, and Policy Dialogue</i>	<i>guidance note on private sector competitiveness (2022); (iv) the five Country Economic Outlook notes for Seychelles (2021–2025); (v) the five country-focused reports (2022–2025); and (vi) the 2025 Country Diagnostic Report.</i> <i>Interviews revealed that these operations (studies, technical assistance, and knowledge products) generated essential information and analyses on the country's challenges and opportunities, while also strengthening the dialogue with the government. They therefore contributed, directly or indirectly, to identifying priority reform areas and interventions supporting sustainable development and resilience. However, it should be noted that the achievement of the expected results under the CSP was partially constrained by the fact that nearly all the investment operations planned under the program were not implemented.</i>	
<i>Contribution to the Ten-Year Strategy, High 5 Priorities, and Cross-Cutting Issues</i>	<i>According to the CSP Completion Report, program implementation has directly or indirectly contributed to the Ten-Year Strategy (2013–2022, extended to 2023) and to three of the Bank's five strategic priorities, namely "Quality of Life," "Light Up Africa," and "Integrate Africa." All projects incorporated cross-cutting dimensions such as gender and climate change across all sectors. However, the validation does not fully confirm these results. The low level of achievement limits the program's actual contribution, even though interventions were designed to align with strategic and cross-cutting priorities.</i>	<i>The observation that 'the validation does not fully confirm these results' has necessitated direct linkage of the TYS outcomes to the respective CSP outcomes.</i>
<i>Efficiency</i>	<i>Like the CSP Completion Report, the Validation concludes that the efficiency of the 2021–2025 CSP was limited by implementation delays, due to institutional constraints, weaknesses in procurement, and external shocks. Despite the speed of budget support, portfolio performance remains affected by low quality at entry and slow investment and non-lending projects.</i>	<i>To address the challenges identified in the 2021 – 2025 CSP Completion Report and the validation report, this CSP highlights a set of targeted and practical measures that have been introduced to address this structural challenge more systematically - as provided in paras 41, 42, 43, 45, 47 and Annex 6 as part of the CPIP 2025 actions.</i>
<i>Compliance with timelines</i>	<i>The document review (ADB-CPPR 2025) and interviews highlighted delays in the implementation of the Bank's program in the Seychelles, mainly due to administrative and capacity constraints (quantity and quality), slow procurement procedures, as well as the 2024 industrial disaster. Although no project is currently considered at risk, the proportion of red-flagged projects increased from 0% in 2021 to 19.3% in 2023, before decreasing to 17% in 2025. The average time between project approval and signature improved significantly, from 6 months in 2020 to 1.7 months in 2025, thanks to increased ownership of operations by the Government of Seychelles. The latter also honoured its counterpart commitments, contributing to reducing delays related to procurement and the establishment of Project Management Units (PMUs). However, interviews clearly indicated that bureaucratic bottlenecks and the lack of qualified personnel in PMUs continue to hinder procurement activities and disbursements.</i>	<i>Ditto</i>
<i>Implementation progress</i>	<i>The validation finds that the overall performance of the Bank's portfolio in the Seychelles experienced some fluctuations over the 2021–2025 period. The annual disbursement rate</i>	<i>Ditto</i>

	<i>rose from 29.5% in 2020 to 50% in 2023, notably due to the full disbursement of Programme Based Operations (PBOs). The average age of projects slightly decreased, from 3.52 to 3.20 years. However, portfolio quality remains affected by several factors: insufficient quality at entry, procurement delays, weak fiduciary management, and staff reductions, particularly among senior managers in executing agencies and PMUs. Delays in recruiting consultants for technical assistance projects and advisory activities, linked to the complexity of procurement procedures and the agencies' unfamiliarity with Bank rules, also constitute a major constraint.</i>	
<i>Sustainability</i>	<i>The validation finds that the macroeconomic reforms supported by the Bank and its partners, as well as progress in climate resilience, governance, and institutional capacity building, provide strong prospects for sustainability. However, the absence of a formal coordination framework and the need for a national monitoring and evaluation system remain challenges to be addressed.</i>	<i>While formal coordination is still not possible as provided in this CSP, a national monitoring and evaluation system is now in place and will be used to monitor this CSP.</i>
<i>Overall Performance</i>	<i>Bank Performance: The validation finds that the Bank demonstrated responsiveness by adapting its interventions to the evolving needs of the Seychelles. Its rapid response to the Covid-19 crisis, notably through budget support to sustain economic and fiscal reforms, helped stabilize public finances and preserve macroeconomic balances. The Bank also mobilized technical expertise in key sectors such as energy, tourism, and the just energy transition, contributing to the country's economic transformation.</i> <i>Government Performance: In terms of ownership and coordination, the validation notes that the Government of the Seychelles demonstrated strong commitment to the implementation of operations, notably the Bank's programmatic interventions. The Ministry of Finance played a central role in coordinating with development partners, in close collaboration with the Central Bank and sector ministries, ensuring strategic alignment with national priorities. This ownership resulted in a significant reduction in delays related to counterpart financing, as well as active involvement in public financial management reforms, including governance, auditing, fiduciary control, and budget transparency. The Government also expressed its willingness to diversify the economy beyond traditional sectors, focusing on digital technologies, tourism, and fisheries.</i>	<i>All these lessons were useful in the design of this CSP and are reflected in the Lessons section. In particular, the expression by the Government of its willingness to diversify the economy beyond traditional sectors, focusing on digital technologies, tourism, and fisheries is captured in Strategic Outcome 4.</i>
<i>Conclusions</i>	<i>The validation concludes that the implementation of the Seychelles CSP 2021–2025 was marked by internal and external challenges. Internally, limited technical and management capacities, as well as delays in procurement procedures, hindered the execution of projects, studies, and technical assistance operations. Externally, the country's vulnerability to the Covid-19 pandemic, climate and economic shocks, its geographic isolation, and strong dependence on imports and foreign labour slowed implementation, particularly in the water and sanitation, energy, and infrastructure sectors.</i>	<i>This CSP observes that the same challenges persist and offers remedial actions as highlighted in Chapter 5 of the CSP.</i>

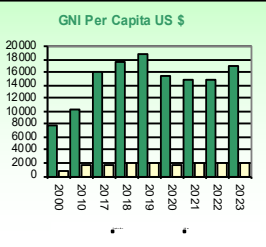
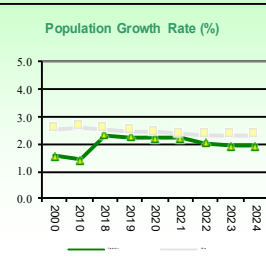
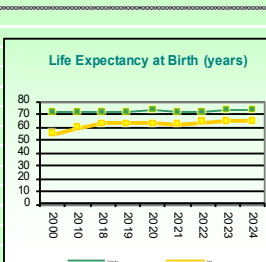
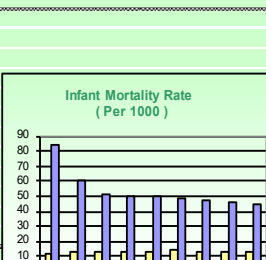
ANNEX 3a: Selected Macroeconomic Indicators

Indicators	Unit	2010	2020	2021	2022	2023	2024 (e)	2025 (p)
National Accounts								
GNI at Current Prices	Million US \$	955	1,852	1,839	1,863	2,157	...	...
GNI per Capita	US\$	10,150	15,400	14,950	15,000	18,940	...	...
GDP at Current Prices	Million US \$	970	1,384	1,490	2,068	2,150	2,018	2,115
GDP at 2010 Constant prices	Million US \$	970	1,499	1,507	1,733	1,788	1,848	1,919
Real GDP Growth Rate	%	5.9	-11.7	0.6	15.0	3.1	3.3	4.0
Real per Capita GDP Growth Rate	%	4.4	-13.7	-1.7	12.7	1.1	1.4	2.1
Gross Domestic Investment	% GDP	35.4	21.3	16.5	15.3	18.0	19.0	20.0
Public Investment	% GDP	26.8	8.4	5.4	2.8	3.4	3.7	3.8
Private Investment	% GDP	8.0	14.9	11.1	12.5	15.2	15.9	16.2
Gross National Savings	% GDP	17.2	9.5	16.8	15.0	17.5	15.0	16.5
Prices and Money								
Inflation (CPI)	%	-2.4	1.2	9.8	2.6	-1.0	0.4	2.2
Exchange Rate (Annual Average)	local currency/US\$	12.1	17.6	16.9	14.3	14.0	14.5	14.8
Monetary Growth (M2)	%	14.0	43.9	4.3	6.2	...	...	...
Money and Quasi Money as % of GDP	%	78.5	131.3	132.5	120.6	...	...	...
Government Finance								
Total Revenue and Grants	% GDP	33.2	30.0	33.2	30.0	32.3	33.4	33.9
Total Expenditure and Net Lending	% GDP	30.9	45.9	39.1	31.4	33.5	34.8	35.5
Overall Deficit (-) / Surplus (+)	% GDP	2.3	-15.9	-5.9	-1.4	-1.2	-1.5	-1.6
External Sector								
Exports Volume Growth (Goods)	%	-8.9	18.2	-15.0	-13.8	-2.9	15.0	3.2
Imports Volume Growth (Goods)	%	-8.7	-18.6	-1.9	9.5	15.1	0.9	8.0
Terms of Trade Growth	%	-10.8	-9.7	3.0	9.3	3.4	2.0	-5.8
Current Account Balance	Million US \$	-180	-173	-154	-141	-154	-194	-190
Current Account Balance	% GDP	-19.1	-12.5	-10.4	-6.9	-7.1	-9.6	-9.3
External Reserves	months of imports	2.9	5.0	4.6	3.3	3.4	3.7	3.9
Debt and Financial Flows								
Debt Service	% exports	8.5	6.3	3.2	2.9	3.4	3.7	3.5
External Debt	% GDP	171.0	304.9	355.5	286.3	286.6	283.5	284.1
Net Total Financial Flows	Million US \$	210	...	...	...	...	...	...
Net Official Development Assistance	Million US \$	54	...	...	...	...	...	...
Net Foreign Direct Investment	Million US \$	211	105	225	212	...	...	...

Source : AfDB Statistics Department; African; IMF: World Economic Outlook, October 2024 and International Financial Statistics, October 2024; AfDB Statistics Department: Development Data Portal Database, December 2024. United Nations: OECD, Reporting System Division.

Notes : Data Not Available (n/a); Extrapolation (e); Projection (p); Last Update: December 2024.

ANNEX 3b: Comparative Socio-Economic Indicators

	Year	Seychelles	East Africa	Africa	Developing Countries		
Basic Indicators							
Surface Area ('000 Km²)	2024	0	6,269	30,104	77,699		
Total Population (millions)	2024	0.1	422.5	1,513.3	6,563.7		
Urban Population (% of Total)	2024	44.2	29.9	44.5	53.1		
Population Density (per Km²)	2022	272.9	72.4	51.5	84.8		
GNI per Capita (US \$)	2023	16 940	1 174	2 033	5 938		
Labor Force Participation *- Total (%)	2024	...	70.8	65.4	61.1		
Labor Force Participation ** - Female (%)	2024	...	64.0	56.8	47.7		
Sex Ratio (per 100 female)	2024	123.0	99.0	99.8	105.6		
Human Develop. Index (Rank among 193 countries)	2023	54	...	...	...		
Popul. Living Below \$ 3.00 a Day (2021 PPP)(% of Population)	2010-22	0.7	43.7	37.9	11.8		
Demographic Indicators							
Population Growth Rate - Total (%)	2024	1.9	2.4	2.3	1.0		
Population Growth Rate - Urban (%)	2024	0.9	4.4	3.5	2.0		
Population < 15 years (%)	2024	20.0	40.4	39.1	26.4		
Population 15-24 years (%)	2024	12.7	20.9	19.6	16.3		
Population >= 65 years (%)	2024	8.5	3.0	3.6	8.3		
Dependency Ratio (%)	2024	39.8	76.9	74.7	54.3		
Female Population 15-49 years (% of total population)	2024	22.6	24.9	24.6	24.9		
Life Expectancy at Birth - Total (years)	2024	73.0	66.2	64.4	72.0		
Life Expectancy at Birth - Female (years)	2024	76.7	69.2	66.5	74.3		
Crude Birth Rate (per 1,000)	2024	13.4	32.2	30.8	17.6		
Crude Death Rate (per 1,000)	2024	8.2	6.3	7.6	7.1		
Infant Mortality Rate (per 1,000)	2023	13.1	36.3	41.4	29.3		
Under-five Mortality Rate (per 1,000)	2023	14.3	48.1	62.4	40.0		
Total Fertility Rate (per woman)	2024	2.1	4.1	4.0	2.3		
Maternal Mortality Rate (per 100,000)	2023	42.0	249.4	383.0	205.0		
Women Using Contraception (%)	2024	...	44.2	42.0	...		
Health & Nutrition Indicators							
Medical doctors (per 100,000 people)	2013-23	659.8	17.2	36.0	131.3		
Nurses and midwives (per 100,000 people)	2013-23	732.0	131.4	167.0	244.2		
Births attended by Trained Health Personnel (%)	2012-22	99.5	60.7	68.6	82.7		
Peop. Using at least basic drinking water services (% of Population)	2022	96.4	58.1	69.8	...		
Peop. Using at least basic sanitation services (% of Population)	2022	100.0	25.0	43.8	...		
Percent. of Adults (aged 15-49) Living with HIV/AIDS	2023	...	2.0	2.7	1.0		
Incidence of Tuberculosis (per 100,000)	2023	21.0	157.8	181.0	160.0		
Child Immunization Against DPT, Diphtheria, Pertussis and Tetanus (%)	2023	97.0	77.7	74.7	83.4		
Child Immunization Against Measles (%)	2023	93.0	74.1	71.2	82.7		
Underweight Children (% of children under 5 years)	2012-22	3.8	17.3	16.0	13.7		
Prevalence of stunting	2012-22	7.9	32.1	30.3	...		
Prevalence of undernourishment (% of pop.)	2022	2.5	26.2	19.8	10.9		
Current health expenditure (% of GDP)	2022	4.2	4.0	5.0	5.3		
Education Indicators							
Gross Enrolment Ratio (%)							
Primary School - Total	2014-24	97.1	86.8	95.0	102.0		
Primary School - Female	2014-24	97.0	85.6	93.9	100.9		
Secondary School - Total	2014-24	74.3	35.2	51.9	73.6		
Secondary School - Female	2014-24	75.9	35.0	50.7	73.1		
Primary School Female Teaching Staff (% of Total)	2014-24	87.6	40.0	49.9	65.5		
Adult literacy Rate - Total (%)	2013-23	...	60.7	65.5	85.2		
Adult literacy Rate - Male (%)	2013-23	...	71.3	74.4	89.0		
Adult literacy Rate - Female (%)	2013-23	...	54.2	58.3	81.3		
Government expenditure on Education (% of GDP)	2013-23	4.5	3.0	3.8	3.6		
Environmental Indicators							
Land Use (Arable Land as % of Total Land Area)	2023	0.3	11.6	8.8	11.9		
Agricultural Land (as % of land area)	2023	3.4	52.3	39.5	42.9		
Forest (As % of Land Area)	2023	73.3	16.2	21.0	27.7		
Per Capita CO2 Emissions (metric tons)	2020	6.1	0.2	0.9	3.3		

Sources : AfDB Statistics Department Databases; World Bank World Development Indicators;

UNAIDS; UNSD; WHO; UNICEF; UNDP; Country Reports.

Note : n.a.: Not Applicable; ...: Data Not Available. * Labor force participation rate, total (% of total population ages 15+)

** Labor force participation rate, female (% of female population ages 15+)

Last update :

July 2025

ANNEX 4a: Three (3)-Year Rolling Indicative Lending Program (SO): (2026 - 2028)

Indicative Operations	Indicative Year	Leading Department	Sector	Priority Area I/II	Amount UA Mn	Amount USD Mn	Source of Financing	Instrument	Potential Co-Financiers	Co Financing Amount
Climate smart Government Buildings Rooftop PV system	2026	PESD	Energy	I	8.3	10.8	ADB	Investment	TBD	TBD
Revision of Grand Anse Dam and roll out of ERP	2027	AHWS	Water and Sanitation	I	0.5	0.7	AWF	Technical Assistance	TBD	TBD
48-60 MW of ICE – PUC	2028	PESD	Energy	I	61.1	80.0	ADB	Investment	TBD	TBD
500 Affordable housing units – Govt or HFC	2028	PICU	Housing	I	24.7	32.3	ADB	Investment	TBD	TBD
Plaine Hollandaise, Rochon Dam and La Gogue Treatment Plant	2028	AHWS	Water and Sanitation	I	15.4	20.0	ADB	Investment	TBD	TBD
Economic Resilience and Green Recovery Support Program (ERGRSP III)	2026	ECGF	Multisector	II	20.0	26.2	ADB	PBO	TBD	TBD
Development of the Seychelles Capital Markets Sector Master Plan	2026	ECGF	Multi sector	II	0.2	0.3	CMDTF	Technical Assistance	TBD	TBD
Grand Total					130.2	170.3				

ANNEX 4b: Indicative Non-Lending Program for 2026-2028*

Year	Activity	Estimated cost in USD
2026	AEO Country Focus Report Country Risk Rating Updating Infrastructure Plan Gender based social and productivity issues study	NA NA NA 250,000 250,000
2027	AEO CPIA CFRA Private Sector Diagnostics Agriculture Plan on food security Country Focus Report Country Risk Rating Country Fragility and Resilience Report in 2027	NA NA NA 250,000 250,000 NA NA 50,000
2028	AEO Country Focus Report Country Risk Rating CSP Midterm review	NA NA NA 50,000
2029	AEO Country Focus Report Country Risk Rating Country Fragility and Resilience Report in 2029	NA NA NA 50,000
2030	AEO Country Focus Report Country Risk Rating CSP Completion Report	NA NA NA 50,000

2031	AEO Country Focus Report Country Risk Rating New CSP	NA NA NA 50,000
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ANNEX 5: Bank Group Active Portfolio -March 2026

No	Project	Date Approved	UA million	Loan / Grant	Source	Disbursement rate (%)	Age	Completion Date
1	Partial Based Policy Credit Guarantee Programme	2-Dec-09	7.3	Loan	ADB	0	16.2	31-Dec-30
2	Economic Resilience and Green Recovery Support Programme II	18-Jul-25	18.1	Loan	ADB	100	0.8	31-Dec-26
3	Institutional Support Project for Statistical and Public Expenditure	13-Dec-24	0.4	Grant	MIC	55.9	1.2	31-Oct-26
4	Capacity Building TVET and Entrepreneurship	29-Mar-23	0.1	Grant	MIC	38.6	2.11	30-Apr-26
5	Dynamics of the Tourism Sector and its Benefits to the economy	30-Dec-23	0.2	Grant	MIC	33.8	3.2	31-Oct-26
6	Development of Strategic Plan for Seychelles Ports Authority	24-Sep-24	0.1	Grant	MCDF	100	1.5	31-May -26
7	Study for the Development of Integrated Resource Plan (IRP)	22-Dec-21	0.2	Grant	MIC	82.7	3.8	30-Apr-26
8	<u>Modernizing audit process and tax administration system</u>	5-02-2026	0.3	Grant	MIC	0	0.0	31 Dec 28
Total Portfolio			26.7					

ANNEX 6: Updated Seychelles 2023 Country Portfolio Improvement Plan (2025)

Issues	Mitigation Measure	Key Actions	Responsible Party	Timeline	Indicator / Success Measure
Weak procurement readiness at project start	Ensure procurement readiness before implementation	Conduct capacity assessment; confirm procurement arrangements; prepare initial procurement packages	Implementing Agency; Procurement Specialists; Project Team	Before project effectiveness / start-up phase	Procurement capacity assessment completed; initial procurement packages ready
Inadequate procurement planning	Strengthen upfront procurement planning	Prepare and approve detailed procurement plans aligned with project implementation schedule	Implementing Agency with support from Project Team	During project preparation and early implementation	Approved procurement plan in place and updated regularly
Unrealistic sequencing of procurement and project activities	Align procurement sequencing with institutional and capacity and approval processes	Develop realistic procurement timelines and integrate them into overall project work plans	Implementing Agency; Project Management Unit (PMU)	During preparation and implementation planning	Procurement activities implemented according to realistic timelines
Limited procurement and fiduciary capacity	Provide hands-on technical and operational	Deploy procurement technical assistance; provide guidance during	Project Team; Procurement Specialists;	Throughout implementation	Reduced procurement delays; improved compliance with

	support	bidding, evaluation, and contract management	Technical Advisors		procedures
Lack of practical tools and operational guidance	Provide standardized procurement tools and templates	Develop and disseminate standard bidding documents, templates, and procurement checklists; conduct training sessions	Project Team; Implementing Agency	Early implementation and ongoing	Increased quality of procurement documentation and processes
Risk of procurement delays and compliance issues	Strengthen monitoring and follow-up mechanisms	Conduct regular procurement reviews, implementation support missions, and targeted corrective actions	Project Team; Implementing Agency	Throughout project implementation	Timely procurement processes; reduced cases of non-compliance
Delays in first disbursement; lack of local expertise in new sectors	Ensure timely access to specialized expertise	Identify and maintain a pool of vetted local and international consultants across key technical areas	Bank; Implementing Agencies; Quarterly monitoring meetings	At appraisal stage	Number of local and international consultants identified
Lack of institutional capacity and high staff turnover (loss of institutional memory)	Strengthening knowledge management	Establish a robust knowledge management system to capture, store, and transfer institutional knowledge	Bank; PMUs; Quarterly review	Ongoing	Knowledge management system in place

ANNEX 7: Portfolio Performance Indicators (2021-2025)

Performance Indicator	Unit	2021	2023	2025
Number of projects	#	6	10	7
Portfolio value (millions)	UA	37.4	60.62	27.6
Average project value (millions)	UA	6.2	6.0	3.9
Number of ageing projects	#	1	1	1
Average age in years ¹	Years	3.52	3.2	3.2
Overall disbursement rate	%	29.5	50	69.2
Projects at risk	%	0	0	0
Average Approval to Signature	Months	6	2.2	1.7
Average approval to 1st disbursement	Months	6.5	4.5	14.8
Proportion of flagged projects	%	0	19.3	17

ANNEX 8: Donor's Activities vs Bank's Pillar Alignment

Development partner	Macro - economic framework	Private sector / Financial sectors	Infrastructure/ Transport/ Energy	Trade	Agriculture/ Rural Development & food Security	Health	Education /TVET	Environment	Water & Sanitation	Public Sector/ Governance	Capacity/Inst Building (Inc M&E)	Fisheries/blue economy
AfDB	√	√	√	√			√		√	√	√	√
Australia												
BADEA	√	√	√	√	√							
OFID	√	√	√									
IMF	√											

European Commission	√	√	√	√	√	√						
France												
Commonwealth Secretariat												
FED(EC)												
IFAD	√											
UK												
France												
India	√	√	√									
Italy												
Japan	√	√										
Portugal												
Spain												
Taiwan, China	√	√										
UAE	√	√	√									
UNDP	√	√	√									
UNEP												
UNICEF												
United States												
WFP												
WHO	√											
World Bank	√	√	√	√								
EIB	√											
AFD	√											

ANNEX 9: Engagement with CODE

Issue	Response and Reference
1. What mechanism are in place to ensure that, going forward, investment projects are not shelved mid-cycle due to strategy shift by the Government. What situational triggers or decision thresholds will be embedded in the new CSP 2026 – 2031 to prompt automatic realignment or restructuring, ensuring that strategic priorities remain intact even if the medium-term policies change midstream.	The new CSP will be discussed with the new government, already established, and will come to CODE well after the medium-term borrowing plan is put in place.
2. What lessons will be incorporated in the new CSP to avoid a repeat of poor results as experienced following the shelving of investment projects.	Management will embed contingency planning to guard against mid-cycle reprogramming and enhance operational oversight.
3. Shifting from investment projects to budget support could reduce visibility of the Bank Group engagement with Seychelles. Which PBOs will allow the Bank to achieve intended results and address this challenge given the proposed Priority areas and how visibility will be achieved. With almost 87% of the IOP allocated to governance PBOs, how will this prioritize tangible sectoral transformation and deliver impactful results in the Bank Group priority areas? Particularly in energy, water and sanitation and skills development.	Management will be discussing with the new government to ensure we strike a balance on what is impactful and responds to the country's development parameters. Consideration to shift to Sector PBOs recognizes that the current PBO focus on strong alignment with the country's development plan and also with WB and IMF development frameworks. During the preparation of the new CSP discussions will be held with the government regarding the proposed shift to Sector Budget Support.
4. Seychelles remains heavily reliant on tourism and fisheries. How will the next CSP deliver transformative results. Need to understand what the Bank considers as transformative investments/engagements in the country, and how this will ensure the greatest impact.	The CSP will deliver transformative results, in line with Seychelles' Transformative Economic Agenda under the NDS 2024–2028, by focusing on a few catalytic, climate-smart infrastructure and skills operations that remove binding constraints to productivity and diversification, crowd in private and climate finance, and strengthen national systems in energy, water, blue-economy value chains and demand-led skills development. In the Bank's understanding, transformative investments and engagements are those that tackle core structural bottlenecks (infrastructure quality, skills and institutions), crowd in private and climate finance (e.g. IPPs, PPP-ready pipelines, blended finance for blue-economy projects), and strengthen systems and institutions (utilities and SOE reforms, public investment management, skills systems and regulatory frameworks).
5. On debt sustainability, it would be important to understand the extent to which the Bank is coordinating with IMF and the World bank for monitoring of policy outcomes.	The Bank team is in full coordination with the WB, IMF and other Development Partners, including through virtual meetings and regular missions through which effective collaboration is ensured.

6. General development partner coordination is hampered by the fact that key partners do not have physical presence in the country. How are we working better and what steps to improve coordination going forward.	The Decentralization roadmap has developed a robust plan for presence by 2027. The current representation is through region office at the same time, the Bank has engaged a local Economist who also plays a key role in follow up and coordination when needed.
7. On vulnerability to climate change, to what extent will the new CSP be scaling up financing to address climate change. Ensure climate resilience and capacity building is embedded across all Priority areas to sustain the results of our interventions over the medium term. Has there been conversation on the use of disaster clauses in Bank Group loan products? Has access to climate risk insurance been a topic of dialogue both for the public and private sector investments?	The new CSP will scale up climate action in Seychelles in line with the Bank Group's corporate commitment to increase the share and ambition of climate finance, and with Seychelles' own NDC and NDS 2024–2028 priorities on resilience and the blue/green economy. Under Priority Area 1, all infrastructure operations (energy, water and sanitation) will be designed as climate-smart investments, with systematic climate-risk screening, strong adaptation co-benefits (e.g. resilient water storage and distribution, low-carbon and climate-resilient power under the IRP) and capacity building for utilities, regulators and central government to manage climate and disaster risks. Under Priority Area 2, the CSP will support skills and institutional strengthening for the green and blue economy, including demand-led training and systems that can sustain resilience gains over the medium term. The CSP will also explore, through policy dialogue, the relevance for Seychelles of emerging climate-resilient debt clauses and disaster-responsive lending features, in consultation with the Bank's legal department and the Ministry of Finance. It will promote discussion of disaster-risk finance and climate-risk insurance solutions, including potential regional facilities, for priority public investments and, where feasible, for private-sector clients in climate-exposed sectors.
8. How does management assess the CSP's selectivity model? There is need for greater selectivity for better development impact given the small size of the population and status of development of the country. Focus on energy, water and sanitation and skills development as outcome areas are welcome.	From the lessons learnt the need of selectivity and understanding of the political economy is stressed. Technical assistance through MIC funds and mobilization of internal trust funds to match the reforms of the country. The Bank is engaged with other development partners in Project Preparation Facility that ensure that Projects are ready; many identified projects are not investment ready therefore the need to support.
9. Focus on innovative financing by making use of the various Bank Group financing instruments for impactful engagement with the country. Consider expanding the use of non-sovereign operations and PPPs, but given the small market size, ensure there is a realistic pipeline and institutional readiness to manage these instruments.	The CSP will explore more innovative and catalytic use of the Bank Group's full financing toolkit, in line with Seychelles' small market size and limited sovereign borrowing space. In addition to a focused sovereign IOP, the CSP will consult with government and private sector on potential non-sovereign operations and PPPs in energy, water and port/logistics, which will be developed selectively based on robust demand and bankability assessments.
10. Need to make sure there is a robust monitoring and evaluation system in the country with credible data to demonstrate progress. Include concrete measurable targets (such as access to water and reduction in energy costs) in the Results matrix to strengthen	Management to design resilient results framework and institutionalize real time portfolio reviews and ensure rapid response to emerging challenges.

accountability and development outcomes.	
11. Enhance focus on youth.	The CSP strengthens the focus on youth both in the diagnostic and in the strategy. Priority Area 2 explicitly targets youth skills development, employability and entrepreneurship in green and blue-economy sectors through TVET and STI reforms.
12. Focus on the role of the private sector including MSMEs.	A multipronged approach to supporting the private sector will be adopted during the CSP period. In line with the Bank's Private Sector Development Strategy (PSDS), the Bank Group's upstream support to the private sector via its enablers, in particular energy and water will reduce the cost of doing business. Second, the Bank support to economic and financial governance will improve business regulatory environment. Finally, the Bank will provide direct support to the private sector through bankable NSOs in the agriculture, tourism and fisheries sectors. These possibilities will be expounded on in dialogue with the GoS during the CSP preparation mission.
13. The focus on governance, especially through the IFMIS and the ongoing PEFA, are timely. The new CSP should articulate the Bank's specific value-add in these processes and sequencing of support while maintaining close coordination with other partners.	The Bank is providing technical assistance under the MIC Grant to assist Seychelles to implement a core function integrated financial management information system (IFMIS), which complements efforts by the IMF, the World Bank, and other development partners. The purpose of this system is to enhance financial management processes, increase efficiency, provide accurate and timely financial information, and facilitate decision-making within the Government of Seychelles. The IFMIS automates critical aspects of the Government's financial management system across public institutions – budget management, accounting, reporting, and treasury – and ensures availability of timely and accurate information for decision making. Implementation of the IFMIS system started in Q1 2025, which will support the 2026 budget, including accounting, reporting, asset management, and inventory modules. The budget preparation module will be used in the 2027 budget process. A team of 10 members (3 males and 6 females) of the IFMIS implementation team participated in a Peer learning experience from the 20th to 24th October 2025 in Tanzania. A team of 3 people from Tanzania is expected to come to Seychelles in December 2025 to share their experience to a larger group of IFMIS implementers and potential users. The Bank is also providing technical assistance to help government conduct a Public Expenditure and Financial Accountability (PEFA) assessment that will inform the PFM reform agenda going forward, including with respect to climate and gender issues. The assessment is a joint exercise (in-house) conducted by the World Bank, AfDB and government of Seychelles. The assessment is a joint exercise (in-house) conducted by the World Bank, AfDB and government of Seychelles. Seychelles conducted its last PEFA assessment in 2016. The purpose of the PEFA assessment is to assess the current performance of the PFM system in the Republic of Seychelles and to analyse the evolution of the performance since the previous assessment performed in 2016 and introduce two additional modules focused on climate and gender to support inclusive growth. A PEFA ++ assessment including a PEFA gender responsive budgeting assessment, a PEFA Climate assessment have been

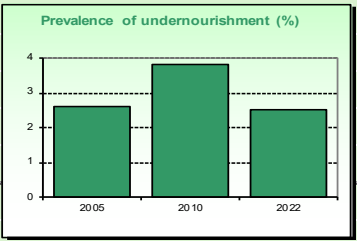
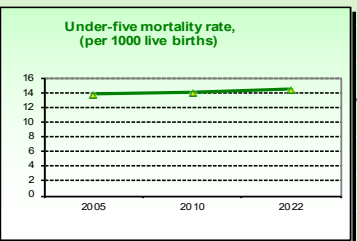
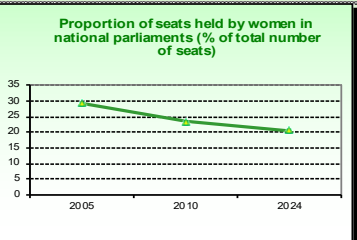
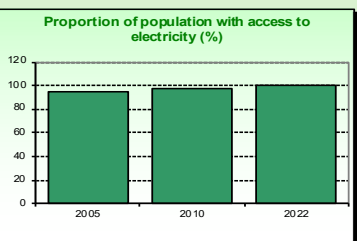
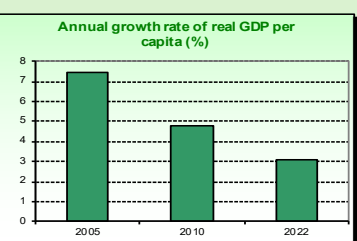
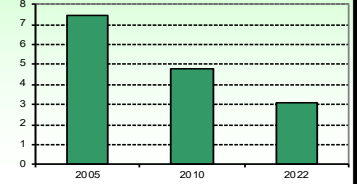
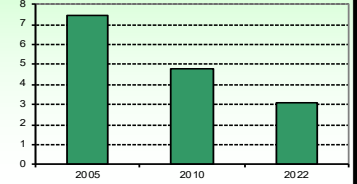
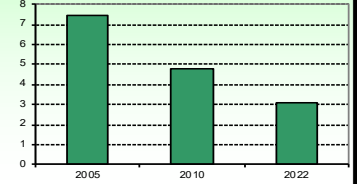
	conducted, and the PEFA Secretariat Check has been completed for the Seychelles PEFA report. A climate resilient and Gender sensitive PFM action plan/reform program arising from the PEFA ++ assessment is being prepared.
14. In terms of gender responsiveness, what is the operational linkage for the forthcoming gender assessment and future CSP outcome areas. How will financing position women in higher income earning sectors.	Undertake targeted gender assessment early in the CSP cycle to ensure women benefit from the economic transformation.
15. On procurement transparency and accountability, several weakness include non-publication of procurement plans, quarterly reports and annual reports and contract awards. There is limited transparency on citizens oversight, meaning accountability is only to bidders and contractors. What specific reforms and technical assistance will be introduced during the next CSP to strengthen procurement transparency and legal safeguards including traditional review and sanctions for obstructive practices.	The Bank provided support to the amendment of the public procurement Bill during the first PBO in 2022 and the amended bill was approved later in 2022. Also, in the next CSP, PEFA is under process and final report is expected early 2026 to inform next support to procurement reforms, including procurement transparency.
16. On macroeconomic and structural vulnerabilities, the economy is highly dependent on the EU and UAE markets. High dependents on fossil fuels and high transport costs. How will the new CSP address these structural risks, including overreliance on tourism and fisheries with a concentrated EU/UAE market.	The CSP responds directly to the CDN's diagnosis of high dependence on EU/UAE markets, fossil fuels and tourism/fisheries by scaling up renewable energy and climate-resilient port/logistics infrastructure to lower costs and reduce fuel dependence; supporting skills and enterprise development for diversification within and beyond the blue economy (higher-value tourism, sustainable mariculture, knowledge-based services); and using the PRDM to anchor reforms on export-market diversification and deeper regional/African integration
17. On portfolio performance and implementation, despite good performance in several KPIs, implementation challenge remains a major concern given bureaucratic procedures such as in procurement, what concrete plans does Management have to address these implementation bottlenecks.	The country requires fast turnaround in decision making. Management needs to be very close to the country for coordination to ensure impactful results. Need to maintain close contact with Sector counterparts in the country to also monitor engagement with Development partners.
18. Regional integration is very important for diversifying the economy, how does management plan to promote regional integration and what priorities for the same will be included in the new CSP.	Seychelles is working to shift trade from the EU and UAE toward continental Africa through its AfCFTA Implementation Strategy, adopted in 2025. The Bank can support this transition by providing technical assistance, market studies to identify African export opportunities. The Bank is also supporting the Seychelles Ports Authority's Strategic Investment Plan (2025–2030) which offers a chance to modernize trade-carrying infrastructure, value-adding regional projects.
19. On long term economic prospects related to the country's coral reefs,	Efforts are being made to diversify from reef-dependent tourism and resource exploitation towards higher-value, lower-impact segments

tourism is based on marine ecosystem and fisheries – how will we ensure diversification away from the coral reefs which are already endangered with coral bleaching.	such as sports, cultural, inland eco- and wellness tourism that place less direct pressure on coral ecosystems. This agenda can be informed by ongoing tourism diagnostic work, including the tourism study and action plan supported by the Bank and any sector studies undertaken with AfDB and other development partners, to better identify viable diversification niches and policy levers.
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ANNEX 10. Country’s Strengths and Opportunities, Weaknesses and Threats

<u>Strengths</u>	<u>Weaknesses</u>
Political stability over the past decades and good governance are supportive of successful resilience and socio-economic development. Tourism sector remains the mainstay of the Seychelles economy and there is potential for expanding higher value-added niche activities, with a potential to link to smart agriculture development as aimed by the vision 2033. Large EEZ and abundant fisheries resources, providing an opportunity to develop and benefit from its Blue Economy and high value addition in Tuna and other types of fish.	Limited economic transformation and diversification leading to vulnerabilities to external economic shocks and supply chain disruptions (as evidenced by the COVID 19 pandemic, the middle east crisis). High Import dependence on fuel, manufactured products and food, making it too vulnerable to external shocks, Youth unemployment and skills mismatch. Seychelles suffers from skills gap, characterized by a mismatch between labour demand and supply, despite a high HDI and thus high youth unemployment in relative terms. Inadequate access to finance remains a major impediment to MSMEs sector growth. High cost of doing business such as high electricity cost, high interest rate and low access to finance and high cost of skilled labour remains a major bottleneck to private sector growth.
<u>Opportunities</u>	<u>Challenges</u>
Government committed to private sector growth and is undertaking critical reforms including recently issued PPPs frameworks with the support of the Bank, and an NDS 2024-2028 that aims at the transformative agenda and human capital development as among its key pillars. A relatively strong ICT sector and new higher-capacity ICT broadband offers opportunities to develop high tech industries and ICT-based services, an enabler of a digital economy. A vast potential regional market —Seychelles is a member of AfCFTA, COMESA, WTO and SADC— that offer great opportunities to expand regional trade. It has ratified the AfCFTA.	Vulnerability to climate change notably through rising sea levels, marine degradation, and extreme weather resulting in rising sea level, flooding and cyclones, causing significant economic losses. Infrastructure bottlenecks are mainly in energy, sewage, and waste management systems. Geographical remoteness and small population size increase the cost of imports and exports and imposes a hidden tariff on trade. Dependence on a narrow set of external markets — mainly in the EU zone and middle east both for export and as tourists’ origin — leaves the economy exposed to adverse external shocks.

ANNEX 11: Progress Towards Sustainable Development Goals

	2005 ¹	2010 ²	2024 ³	
Goal 1: End poverty in all its forms everywhere				
Proportion of population living below the international poverty line of US\$ 2.15 (PPP) per day	...	...	0.5	
Proportion of population living below the national poverty line (%)	...	...	25.3	
Employed population below the international poverty line of US\$2.15 per day, aged 15-24 (%)	...	...	...	
Employed population below the international poverty line of US\$2.15 per day, aged 25 and over (%)	...	...	...	
Goal 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture				
Prevalence of undernourishment (%)	2.6	3.8	2.5	
Proportion of children moderately or severely stunted (%)	9.0	8.2	7.2	
Agriculture orientation index for government expenditures	0.9	0.7	1.2	
Total official flows for agriculture (Millions of Constant 2021 US\$)	2	4	5	
Goal 3: Ensure healthy lives and promote well-being for all at all ages				
Maternal mortality ratio	15	8	3	
Proportion of births attended by skilled health personnel (%)	99.0	99.0	99.8	
Under-five mortality rate (deaths per 1,000 live births)	13.8	14.1	14.5	
Malaria incidence per 1,000 population at risk	...	...	...	
Goal 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all				
Proportion of children and young people at the end of primary achieving a minimum proficiency level in: Reading (%)	...	67.8	79.9	
Proportion of children and young people at the end of primary achieving a minimum proficiency level in: Maths (%)	...	31.3	52.4	
Adjusted gender parity index of teachers with the minimum required qualifications, primary (Ratio)	1.2	...	0.8	
Total official flows for scholarships (Millions of Constant 2021US\$)	...	0	2	
Goal 5: Achieve gender equality and empower all women and girls				
Proportion of seats held by women in national parliaments (% of total number of seats)	29.4	23.5	20.6	
Proportion of women who make their own informed decisions regarding contraceptive use (% of women aged 15-49 years)	...	...	...	
Proportion of women who make their own informed decisions regarding reproductive health care (% of women aged 15-49 years)	...	...	...	
Goal 6: Ensure availability and sustainable management of water and sanitation for all				
Proportion of population using safely managed drinking water services, (%)	...	...	...	
Level of water stress: freshwater withdrawal as a proportion of available freshwater resources (%)	...	...	...	
Total official development assistance for water supply and sanitation (Millions of Constant 2021 US\$)	0.3	0.6	0.2	
Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all				
Proportion of population with access to electricity (%)	95.5	97.0	100.0	
Proportion of population with primary reliance on clean fuels and technology (%)	100.0	100.0	100.0	
Renewable energy share in the total final energy consumption (%)	0.9	0.7	1.7	
Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all				
Annual growth rate of real GDP per capita (%)	7.5	4.8	3.1	
Unemployment rate, (aged 15-24) (%)	20.3	...	16.5	
Unemployment rate, (aged 25 & over) (%)	7.1	...	2.4	
Proportion of youth not in education, employment or training (%)	...	...	26	

Sources : ADB Statistics Department Database;

United Nations Statistical Division, Online Database on Sustainable Development Goals (<https://unstats.un.org/sdgs/>).

Note : n.a.: Not Applicable; ...: Data Not Available.

¹ Latest year available in the period 2000-2005; ² Latest year available in the period 2006-2010; ³ Latest year available in the period 2011-2024

last update :

February 2025

ANNEX 12: Country Financing Parameters Matrix

The following table summarizes the proposed Seychelles Country Financing Parameters

Financing Component	Parameter	Remarks/Explanation
<i>Counterpart Funding Limit on the proportion of individual project costs that the Bank may finance</i>	Up to 95% for projects Up to 100% for studies and TAs	The Bank may finance up to 95 percent of the costs of individual projects, and on case-by-case basis up to 100 percent. It may also finance up to 100 percent of TAs and studies. Raising the Bank's ADB financing will reduce the disincentive of the GoS looking for financing from its development partners and reduce budgetary pressure to continue with its social support to the citizens, particularly following the adverse impacts of COVID-19 pandemic
<i>Taxes and Duties</i>	No. The principle of tax	Seychelles' tax system is considered reasonable, and taxes do not constitute a very high proportion of total project costs.
<i>Are there any taxes and duties that the Bank would not finance</i>	Exemption of Bank's financed projects will be maintained.	Moreover, taxes and duties are not usually directed at the Bank-financed projects, or expenses except VAT as projects are exempted from import duties and taxes. The inclusion of VAT in Bank financed project expenses will therefore support GoS to improve its public revenue mobilization and free up resources to finance other critically needed social sector projects including social protection.
<i>Recurrent Cost Limits that would apply to the overall amount of recurrent expenditures that the Bank may finance</i>	No country level limit	The policy on eligible expenditures clearly specifies the eligibility of recurrent costs and prescribes that the Bank Group should be able to finance the recurrent costs of income-generating and non-income generating projects, up to 100%, on a case-by-case basis. However, the Bank will continue to calculate the estimated recurrent costs and clearly indicate ways and means of ensuring sustainable financing.
<i>Local Currency Costs: Are requirements for Bank financing of local expenses met, such as i. financing requirements for country's development program would exceed public sector resources (e.g., from taxation and other revenues) and expected domestic borrowing; and ii. the financing of foreign expenditures alone would not enable the Bank to assist in the financing of individual projects</i>	Yes	There are a limited number of operations with local currency cost components. However, Seychelles meets requirements for local cost financing. The Bank can finance local costs in any proportions required by individual projects. The Bank will continue to provide funding for local currency costs in as far as operations need the availability of such local currency cost components. The envisioned energy sector and ICT investment operations over the next 5 years will more likely require such local cost components, and this will be considered on a case-by-case basis.

<i>Provisional expenditures on infrastructure projects</i>	Up to 100%, subject to the fulfilment of the four conditions	The Bank may finance provisional expenditures on income generating socio-economic infrastructure projects up to 100% on a project/program, upon government's request, and if the expenditures satisfy the following conditions: (i) are a core part of the project/ program during appraisal; (ii) represent a small portion of the project/program costs, which cannot be financed by the executing agency; (iii) contribute to the realization of the project/program development objectives; and (iv) can be supported on a sustainable basis by the executing agency after the 3-year transition period
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Conclusion and Recommendations

2. Despite recent achievements in terms of growth and fiscal discipline, the government's fiscal space is very limited due to its commitment to debt management with a view to bringing its public debt to less than 50% of the GDP by 2030. With the severe effects of the COVID-19 pandemic, which resulted in increased government expenditure and reduced revenues, the constraint of fiscal space is more likely to be exacerbated in the short and medium terms. This will reduce its ability further to raise counterpart financing for Bank financed projects. In response to this emerging challenge, the Bank needs to show flexibility in its requirements on the share of government's counterpart contribution. This CFP Note puts forward the following recommendations.

- Adjustment of government counterpart funding on the ADB Sovereign windows for Seychelles from “not less than 50%” of the project/program cost to ‘no less than 5% and up to 0% on a case-by-case basis’ of total project/program cost.
- Maintain the government counterpart funding on TA projects and programs at “no less than **10%** of the total and maintain the government counterpart funding on TA projects and programs at “no less than 10% of total project cost.
- Project or program costs at no less than 5% of the total cost of studies and up to 0% on a case-by-case basis”.

ANNEX 13: Findings of Stakeholders Consultations

Introduction

There have been a series of meetings with the GoS between the months of January and February 2026. Most meetings have been with the Ministry of Finance, Planning and Trade.

Focus of proposed CSP 2026-2031

The general agreement with the GoS is to have the two priority areas that were adopted by CODE in November 2025.

Summary of Findings

The key findings of the stakeholder consultations are summarized in the table below.

S/No.	Issues/Findings	Agreed Way Forward/Action
1.	The Government retains its conservative borrowing plan and most of spending plans for the years 2026 and 2027 have been fixed.	The Bank will provide financing for the third PBO in 2026. More opportunities for borrowing will be agreed for the period 2028 – 2031.
2.	Within the current Public Sector Investment Program (PSIP), the government is not planning any non-programmed borrowing in 2026 and 2027. This is because the cost of capital has gone up and is not in favour of Seychelles. The government is exploring blended finance mechanism to lower the cost of borrowing. Only projects identified in the climate finance strategy will be accommodated and those from the Bank supported energy IRP.	Ditto
3.	The GoS prefers to borrow at interest rates of 2.5% or less.	Bank to consider suitable products that suit the GoS borrowing preference.
4.	The PUC recently finalized implementation of the Bank financed MSWAP which led to an increase in water storage capacity of the La Gogue Dam from 824,000m ³ to 1,479,950m ³ , leading to improved water security in mainly in North and Central Mahe. However serious water security challenges remain in the southern part where the government has plans to construct the Grand Anse dam whose feasibility and detailed designs were already conducted. On sanitation, wastewater is treated in septic tanks with only 16.8% of wastewater being treated by piped waterborne sewerage systems to tertiary level. The disposal of sewage from the point sources, mainly in the plateau, will seriously hinder the present abstraction of ground water.	Given the remaining challenges in both water and sanitation, the Bank will continue dialogue with the Authorities for any eventual involvement in the sectors post 2027 period.
5.	The country's energy mix comprises of 95% fossil fuels and 5% renewable with a transition target of 15% renewable by 2030. This is achievable if the 20MW from wind and 20MW from solar PV projects are implemented. Fossil fuel infrastructure is aged but can still be used to cover the current demand. Currently the focus is more on energy security, and several regulations have been approved to support the sector reform and create enabling environment for private sector involvement. A new Electricity Act is in place and there are plans to fully operationalize Seychelles Energy Commission as the sole regulator by the end of 2025. A draft Energy Efficiency bill has been prepared to address demand side management issues. In this regard, the Bank's Sustainable Energy Fund for Africa (SEFA) can assist with identifying, structuring and financing renewable energy and energy efficiency projects.	Recommendations from the Bank financed IRP study will inform the priority list of least cost generation projects
6.	The government has acknowledged the lack of formalized industry placements and the underutilization of existing Technical and Vocational Education and Training (TVET) institutions. Despite efforts to improve education and skills development, a shortage of local technicians in critical sectors such as health services, agriculture and fisheries remains a challenge, with overreliance on imported labour in all sectors. A national human resource development strategy and an education sector strategy are being developed. The latter will define three education pathways:	The Bank can play a key role in supporting the repurposing of TVET centres, curriculum development for sector-specific training (e.g., fisheries, tourism, and entrepreneurship), and

	vocational, technical, and academic. This shift reflects the increasing demand for TVET, with 60% of students opting for TVET in 2024, and expected to rise to 70% in 2025. A digital skills transformation plan is also being prepared.	providing scholarships for specialized TVET skills.
7.	Private sector: remains a key pillar of development in Seychelles though most of operations are undertaken by MSME.	Emphasis will be on the identification of innovative instruments that can respond to the needs of small and medium enterprises.
8.	Civil society engagement: Civil society organizations (CSOs) are actively involved in development process, participate in governance and hold seats in decision-making bodies across key sectors, including fisheries, tourism, and agriculture. Additionally, they take part in consultative discussions and continue to advocate for greater inclusion in policy and decision-making processes. However, their role in public service delivery remains limited. CSOs collaborate closely with the government on critical issues such as climate change and gender initiatives.	The bank will engage with the CSOs during the implementation of the CSP to act as catalysts for ensuring the delivery of desired development outcomes.
9.	UNDP - Has a Seychelles Country Strategy Paper 2024-2028 prioritizing socio-economic transformation which include digital transformation. They have a strong portfolio in climate change and resilience with a focus on adaptation - nature based solutions and resource management. Leading projects in watershed restoration for farms, with more upcoming projects under GEF, has potential for collaboration. Have a shared interest in looking at a regional blue carbon market. They supported the National Bureau of Statistics in the development of its Digital Transformation Strategy and there is need to support designing a digital data system to align with the digital transformation strategy.	The Bank will continue collaborating with UNDP in the areas of climate change and development of statistics where support already exists.
10.	World Bank – The Country Partnership Framework (CPF) covers 2025 – 2030, a one WBG approach, supports Seychelles’ green, resilient and inclusive growth. The CPF outlines two high-level outcomes: (i) enhanced employment opportunities for youth, men, and women; and (ii) improved climate resilience. Currently World Bank has a small portfolio, including two budget support and two operations. The latter include social protection (USD25m) and a TA in solid waste management (USD5m). A new renewable energy acceleration project, a multiphase programmatic approach (MPA), is being prepared with two phases. The first phase was delivered in 2025 to upgrade energy grid and support PUC to prepare for private sector engagement in the sector. The second phase of the MPA will support PPP in the energy sector.	The Bank will continue to deepen collaboration with the World Bank in areas of climate change as well as reforms supported by the PBOs.

ANNEX 14: Arrangements with the IMF

Issues	Status
IMF Program: Extended Fund Facility (EFF)	In May 2023, the IMF Executive Board approved a 36-month EFF arrangement for Seychelles totalling SDR 24.4 million (about USD 32.1 million) to support post-pandemic recovery and strengthen resilience to external and climate shocks. Performance under the EFF has been strong: all quantitative performance criteria and structural benchmarks for end-December 2024 were met, and the fourth review, completed on 16 June 2025, allowed the authorities to draw SDR 6.1 million (about USD 8.3 million), bringing total EFF disbursements to SDR 30.5 million (about USD 41.7 million). Two structural benchmarks scheduled for the first half of 2025 experienced delays due to capacity constraints, but overall implementation of fiscal consolidation and structural reforms remains on track. A staff visit to Victoria in November 2025 reported stronger-than-expected growth (real GDP above 4 percent

	in 2025, supported by record tourist arrivals), headline inflation below 1 percent through October, a narrowing current account deficit (projected around 5 percent of GDP versus 8 percent in 2024), and higher foreign exchange reserves (over USD 870 million, around four months of imports). An IMF mission is expected to return in early 2026 to conduct the fifth and sixth reviews under the EFF/RSF-supported programs.
IMF Program: Resilience and Sustainability Facility (RSF)	Approved alongside the EFF in May 2023, the RSF provides SDR 9.3 million (about USD 12.2 million) in long-term, affordable financing to support climate-related reforms and resilience. Implementation under the RSF is assessed as satisfactory: all reform measures due by March 2025 have been implemented, while one component of a reform measure scheduled for April 2025 (linked to energy pricing and the multi-year electricity tariff system) has been delayed and is now expected by November 2025. The authorities and IMF agreed to minor adjustments to selected reform measures scheduled for December 2025 to reflect evolving guidance on climate-related financial risks while preserving ambition. Completion of the fourth review in June 2025 enabled a further disbursement of SDR 3.9 million (about USD 5.3 million), bringing total RSF disbursements to SDR 13.3 million (about USD 18.2 million). The November 2025 staff visit confirmed continued progress on the RSF agenda, particularly on climate-risk analysis, climate-related financial sector disclosures, and green public investment planning.
Capacity Development and Technical Assistance	The IMF continues to provide Seychelles with targeted technical assistance in public finance, tax policy, monetary operations, financial sector supervision, and climate resilience. The implementation of VAT reform, digital tax and customs systems (TMS and ASYCUDA World), and Integrated Financial Management Information Systems (IFMIS) are supported by development partners including the IMF. Recent and planned TA also focuses on strengthening Central Bank monetary operations, enhancing financial-sector risk monitoring, and improving communication tools such as inflation expectations surveys, which form part of the structural benchmark agenda under the EFF/RSF-supported programs.

ANNEX 15: Regional Integration and Trade

Bank Group analysis regional integration in terms of – free movement of the people, regional infrastructure, trade integration, productive capacity, and financial integration.

1. Free Movement of People:

The free movement of people can foster economic development by facilitating investment, trade, matching skills with jobs, and enhancing social cohesion. Seychelles, heavily reliant on tourism and imported labour, maintains a friendly visa regime for visitors and workers. According to the Bank’s 2024 Africa Visa Openness Index (AVOI 2024), Seychelles ranks as one of Africa’s most visa-open countries alongside Rwanda, Benin, and The Gambia, with no visa requirement for other African nations. The country uses ICT to manage visitors and mitigate immigration risks.

Seychelles also has Africa’s strongest passport, with visa-free access to 156 countries. This reflects its diplomatic strength, simplifying travel for citizens and boosting global connectivity and economic opportunities. With a diaspora constituting about a third of the population, free movement is significant. Main destinations within Africa are Mozambique (63%) and South Africa (4%), and outside Africa are the UK (17%), Australia (12%), and Canada (4%). The diaspora

population can play an important role in fostering regional integration by promoting ‘Made in Seychelles’ in the destination countries, while contributing to remittances and investments to develop the local economy.

2. Regional Infrastructure:

The Bank’s Africa Infrastructure Development Index has consistently ranked Seychelles as the best performing country in Africa in terms of infrastructure development ahead of Egypt, Libya, South Africa and Mauritius. However, its geographical isolation results in high shipping and logistics costs, limiting export competitiveness. Limited transport options and high freight charges are driven by port infrastructure quality, trade facilitation challenges, and low trade volumes, which increase per-unit costs. This makes it difficult for Seychelles-based businesses to compete in regional markets. Seychelles can leverage its strategic Indian Ocean location to boost regional integration by improving ports and logistics, and by exploring opportunities in the blue economy.

To reduce transport costs, the following key areas have been identified⁴:

- Improve regional connectivity to enable direct shipping routes, eliminating the need for transshipments and reducing transportation time and costs. Regional transport links can be improved by partnering with African airlines and shipping companies, enhancing access to regional markets
- Accelerate the adoption of digital platforms that optimize supply chains and reduce logistics costs.

Accordingly, the GoS has prioritized four key infrastructure projects for 2025–2027, offering opportunities for collaboration with the Bank in both hard and soft infrastructure, notably trade facilitation. Chief among these is the Victoria Port Redevelopment, with financing secured from the European Investment Bank. The Bank has confirmed the need to support the preparation of the Seychelles Port Authority strategic investment plan (2025-2030). This plan will identify necessary investments to enhance port operations across various functions—such as containerized cargo, bulk cargo, tourist cruise liners, and fishing boats—and will include recommendations to improve port operations and trade facilitation. Another major project is the Airport Redevelopment, with financing options being explored to support tourism and business growth. The airport is critical to boost business and tourism. The other two are the improvement of health facility and refurbishment of Energy infrastructure.

⁴ Source : Seychelles AfCFTA Implementation Strategy (2025)

3. Trade Integration

The GoS is strongly committed to regional integration as a strategic approach to addressing the challenges posed by a small domestic market and shared vulnerabilities, such as climate change. Seychelles is a member of the Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA). In September 2021, Seychelles ratified the African Continental Free Trade Area (AfCFTA), becoming the 39th of 48 signatory countries. Additionally, Seychelles is a member of the IOC, an intergovernmental organization promoting sustainable development and cooperation across various sectors, including economic and commercial activities. At the multilateral level, Seychelles joined the WTO on April 26, 2015, and ratified the WTO Trade Facilitation Agreement (TFA) in 2016. The TFA aims to streamline customs procedures and facilitate international trade. Notably, Seychelles has the lowest Most-Favored Nation (MFN) tariff rates in Africa. Non-preferential imports are subject to an average MFN duty of only 2.6%, compared to the continental average of 12.3%. The average tariff is 7.5% for agricultural products and 1.8% for non-agricultural goods.

Despite its commitment to regional integration, Seychelles' trade performance remains limited. Seychelles has one of the lowest shares of intraregional trade within Africa, accounting for just 4% of its total trade in 2022. However, this share more than doubled in 2023, reaching 11%. Between 2010 and 2022, Seychelles' intraregional trade as a percentage of total trade averaged 6% for exports and 9% for imports.

Exports are directed towards a few destinations, mainly European countries, traded under the Economic Partnership Agreements with the EU and the UK. Within the Africa, only South Africa ranks among Seychelles' top trading partners—accounting for 7% of imports and ranking 4th in 2023—and is also a key source market for tourism. From 2019 to 2023, imports from the African continent followed a fluctuating trend, decreasing from US\$126.5 million in 2019 to 91.8US\$ million in 2020, then recording a substantial growth in 2021 (reaching US\$448 million), and decreasing again in 2022 and 2023, to US\$167.5 million and US\$152.7 million, respectively. On the other hand, exports to African States registered a significant growth in 2023.

The vast majority of Seychelles' merchandise exports consist of fish and fishery products, including fresh and frozen fish, canned tuna, and other processed fish-derived items. In 2023, fisheries products accounted for 86.3% of total merchandise exports, with canned tuna representing 74.5% of that share. Seychelles exports to other African countries are strongly concentrated in - fishery products, mainly frozen fish (HS code 0303); fish flours, meals and pellets (HS code 2301); and tuna prepared/preserved (HS code 1604).

Key challenges hindering effective participation in regional integration include a limited product range, high production and transportation costs, insufficient land availability for industrial and agricultural use, and skills mismatches. The government approved the AfCFTA implementation strategy at the beginning of 2025, prioritizing its operationalization through technical assistance and capacity building. Although the private sector is interested in exploring market opportunities

across Africa, awareness of these opportunities and how to engage with other countries on the continent remains limited, as existing market research predominantly focuses on Seychelles' traditional markets in Europe. Therefore, aiding roll out the AfCFTA Strategic Plan—through technical assistance and market studies—has been prioritized.

The following opportunities have been identified:

- **Fisheries sector:** Seychelles mainly exports fresh or frozen fish with limited value addition. To enhance integration into regional value chains, diversifying into processed, value-added products is crucial. The sector has strong potential for processing, and local businesses could collaborate with other AfCFTA countries to outsource certain production processes, such as outsourcing certain aspects of production or services to companies in other African countries where these processes can be carried out more efficiently or at a lower cost.
- **Establishment of fisheries processing zone:** Aligned with the country's industrial strategy to boost value addition, support is needed to establish a fisheries processing zone focused on local raw materials like fish. The GoS aims to collaborate with the private sector to promote Seychelles firms' internationalization, attracting investments in mainland Africa and strengthening supply chains, including in agriculture.
- **Cosmetics and perfumes:** Technical assistance is required to improve production processes and ensure compliance with quality standards. Support from development partners like UNDP has already facilitated initiatives such as an export accelerator program, which helped women entrepreneurs participate in a trade fair in South Africa and secure markets. Scaling up such initiatives is necessary, and the Bank can play a role in providing support.
- **Skills development:** The GoS moved the maritime academy to the Ministry of Fisheries and the Blue Economy to better align training with industry needs. While the facilities are adequate but underused, support is needed in soft skills, especially curriculum development.

4. Productive Capacity:

Seychelles' economy is service based, with services making up more than 80% of the GDP in recent years. Tourism is the key sector, contributing significantly to foreign exchange earnings and providing employment opportunities for a large segment of the population. In 2023, it accounted for about 42% of total exports revenue. However, it is vulnerable to external shocks like pandemics (as witnessed during the COVID-19 pandemic) and climate change.

Manufacturing accounts for around 6.4% of GDP. Key products are processed fish or fish products and beverages. Manufacturing of fishery products, which includes canned tuna, contributed 3.4% of GDP in 2022, followed by production of beverages and tobacco (1.7 %), food products (0.4 %) and other product (1.1%). Other products include cigarettes, building materials, paint products, coconut oil, crafts and jewellery. Most inputs are imported, making products uncompetitive regionally and globally due to high production costs.

The key challenges to productive capacity are high energy costs, limited land for agriculture and industrial use, skills mismatches, and reliance on imported labour limit productivity. To boost regional integration and trade, priorities include – diversification into emerging sectors like digital financial services, high-value tourism, smart transport and ICT, as identified in the NDS 2024–2028; supporting sector-specific strategies in fisheries, blue economy, and regional public goods; enhancing the enabling environment for investment and competitiveness, e.g. through investments in renewable energy to reduce operational costs for local businesses; and addressing skills gaps through TVET and curriculum reforms.

5. Financial Integration

Offshore banking and asset management hold significant growth potential, offering attractive opportunities for investors due to the relatively low startup costs. The AfCFTA can enable Seychelles-based financial institutions to expand services across Africa, serving the rising demand for offshore financial solutions. Additionally, as the GoS promotes a digital economy and ICT development, fintech presents promising investment prospects—particularly in digital payment systems and online trader support.

ANNEX 16: Environmental and social safeguards input

Environmental and social safeguards will be integrated, and compliance will be achieved in accordance with the Bank's regulations and national policies. The GoS has consistently ensured that operations funded by the Bank in the country prioritize addressing the infrastructure deficit to fulfil its long-term development goals. Projects initiated by the Bank Group have been categorized as triggering Moderate and Low Environmental and Social Risk (Categories 2 and 3). Given the bio-physical environment of Seychelles as an island nation, the GoS has demonstrated a long-standing commitment to effectively managing emerging risks to guarantee the environmental feasibility and sustainability of sector development objectives. It is expected that in the future, the GoS may pursue funding for projects that could trigger High Environmental and Social Risk (Category 1) to tackle the infrastructure deficit, which may elevate environmental and social risks, necessitating appropriate attention. Consequently, this will require a comparable and adaptive risk management framework to effectively address these risks. As anticipated, the capacity to adequately manage environmental and social risks and impacts must align with the emerging challenges.

At the national government level, the Ministry of Environment holds the responsibility for formulating and enforcing policies as stipulated by the internal legislation and legal framework. At the project level, the Project Implementation Units that are executing Bank projects have shown their capacity and experience in implementing environmental safeguards. Nevertheless, there is a necessity to enhance the existing safeguards capacity to align with the anticipated increase in the scope, complexity, and level of risks and impacts induced by projects. It is important to note that improving policy enforcement to achieve initiatives that are both environmentally sound and socially acceptable will assist us in managing environmental and social risks, thereby ensuring the

sustainability of the results of development projects.

Environmental and social safeguards technical support and capacity building is necessary, building on experience with the country. The Bank Group will commence a series of capacity building initiatives to support the GoS raise the safeguards capacity, critical to effectively managing the nascent environmental and social risks.

To effectively implement future Bank-financed operations and comply with Integrated Safeguards System (ISS) requirements, the CSP recommends:

Legislative and Regulatory Reform

1. Updating and strengthening national E&S safeguard systems and policies to address modern risk management needs.

Institutional Capacity Building

2. Improving the interaction, capacity, and strengths of structures involved in assessing E&S risks, including enhancing the role of civil society.

Human Capital Development

3. Building a "critical mass" of expertise through targeted training across different sectors to ensure high-quality reporting and compliance.

Strategic Risk Management

4. Addressing key constraints such as restricted access to natural resources, environmental hazards, and the implementation of resettlement or management plans.

Mainstreaming and Integration

5. Aligning mitigation measures with priority intervention areas in the National Strategic Development Plan to address vulnerabilities related to health, livelihoods, and cultural resources.

Annex 17 Seychelles 2025 Country Diagnostic Note Priority Areas of Reform

Priority area of reform	Key measures
1. Promote green, resilient infrastructure and blue-economy value chains	• Complete energy sector reforms by operationalizing the Electricity Act and regulations, empowering the Seychelles Energy Commission as an independent regulator, and putting in place clear frameworks/incentives to crowd in IPPs. • Scale up renewable energy and energy-efficiency investments in line with climate mitigation and adaptation targets. • Deepen water sector reform by revising and implementing the Water Resources Management Act, separating regulatory and service-delivery functions, and introducing progressive tariff and cost-recovery reforms with protection for vulnerable groups. • Encourage greater private participation in desalination, wastewater and solid waste management.

	• Prepare and implement an integrated Transport Master Plan and prioritise rehabilitation and upgrading of aging road and port infrastructure, including modern container-handling and logistics facilities. • Strengthen fisheries and blue-economy value chains by implementing the new industrial policy for fisheries and accelerating the Mariculture Master Plan (2019) to support higher value addition and sustainable aquaculture.
2. Accelerate economic diversification, value addition and private-sector development	• Streamline and digitalize business procedures, including establishing a one-stop shop for investors. • Improve the overall business environment, trade logistics and access to markets to encourage private investment in agro-processing, blue-economy activities and other high-potential sectors. • Promote value addition in tourism through development of creative industries, cultural tourism and preservation of heritage sites.
3. Strengthen economic and financial governance	• Upgrade and fully deploy ASYCUDA and related customs systems and implement transfer pricing regulations to protect the tax base. • Fully operationalize IFMIS modules for preparation of the 2026 Budget and subsequent years. • Finalize the PEFA assessment (target 2025) and implement its action plan to strengthen PFM. • Establish and operationalise a Business Engagement Forum as a structured platform for public-private dialogue. • Reinforce anti-corruption frameworks, including whistleblower protection and more effective investigation and enforcement.
4. Build skills for science, technology and innovation and deepen analytical foundations	• Revise education and training curricula to integrate STEM and STI across levels and reduce skills mismatches. • Strengthen TVET and higher-education institutions and establish formal partnerships with industry (apprenticeships, internships, joint programmes). • Undertake targeted analytical work on: (i) infrastructure planning for economic transformation; (ii) labour productivity and inclusive workforce development; and (iii) agriculture and food security, to inform future reforms, investments and policy-based operations.

Annex 18 Strategic Focus: National Development Strategy 2024 – 2028

1. A Modern Public Service • A performance-based, corruption-free and accountable public service. • An established and operational public sector college to address human resource gaps and instil a culture of lifelong learning within the public sector. • Increased access and efficiency of government services.
2. The Transformative Economic Agenda (TEA) • Tourism: Increased yield from the sector. A more sustainable, resilient and integrated Tourism model achieved through product enhancement, capacity building, diversification, and market differentiation. • Agriculture: Improved food and nutrition security coupled with economically sustainable import substitution. • Agriculture: Appropriate short- and medium-run structures and mechanisms established in support of sustainable and economically viable forms of agriculture. • Fisheries and Blue Economy: A thriving and sustainable Blue Economy sector supporting increased job creation and improved economic efficiency and revenue generation. Increased sustainable value-addition and product diversification.
3. A Healthy Nation • Increased life and healthy life expectancy with decreased key risk factors for health. • Improved Quality Health Services Nationwide. • A well-performing health system.
4. Promotion of Law & Order • A reduction in crime following improved community trust and confidence in policing. • Criminal Justice reforms for a more efficient and modern legal framework. • A reduction in Cyber and Financial crimes. • Strengthened Border security at all points of entry into the country.
5. A Modern Education System In Line With Future Needs • A reformed education system aligned with the realities of Seychelles today and for the future. • Inclusive educational institutions to cater to all students. • A culture of life-long learning established to ensure employability and productivity.
6. Environmental Sustainability And Climate Change Resilience • Effective Implementation of measures to achieve climate mitigation goals. • Strengthened resilience to the impacts of climate change. • Enhanced national disaster risk reduction, preparedness and recovery capacity. • Sustainable development is mainstreamed through the responsible use and management of environmental resources. • An effective and sustainable waste management system

Annex 19: Potential Strategy Risks and Mitigation Measures

Risk Category	Risk Description	Rating	Mitigation Measure	Risk Owner
Political and governance context	Changes in policy priorities and institutional reshuffling under the new administration could delay reform implementation, weaken coordination across ministries and affect continuity of programmes, including those supported under the EFF/RSF and the CSP.	Medium	Maintain close, high-level policy dialogue with the authorities (MoF, line ministries, CBS) and other development partners; use the CSP launch, PRDM and IMF/UN/World Bank coordination platforms to align on priorities; design operations with clear institutional anchors and strong steering committees to preserve continuity beyond individual officeholders.	AfDB / Government / DPs
Macroeconomic and debt sustainability	Seychelles remains highly exposed to external shocks (tourism, fisheries, global demand, commodity prices). A downturn or tighter global financing conditions could weaken growth, widen fiscal and external deficits and slow progress towards the debt-to-GDP target by 2030, reducing fiscal space for CSP operations.	Medium	Align CSP with the authorities' macro-fiscal framework; focus policy dialogue on maintaining prudent fiscal policy and debt management; prioritize operations with strong growth and resilience impacts; sequence large investments to respect debt limits; retain flexibility in the IOP to adjust timing/volume if macro conditions deteriorate.	AfDB / Government
Climate and disaster risk	Climate change and extreme events (floods, storms, coastal erosion, coral bleaching) could damage infrastructure, disrupt tourism and fisheries, and divert scarce fiscal resources to emergency response, delaying CSP implementation and weakening results.	High	Systematically apply climate-risk screening and resilience standards in all sovereign and non-sovereign operations; align with RSF reforms and the Disaster Risk Financing Strategy; promote insurance and contingency financing mechanisms; support climate-resilient design in energy, water and transport, and nature-positive approaches in tourism and blue-economy projects.	AfDB / Government / DPs
Resource utilization and NSO pipeline	Limited borrowing headroom, small market size and a thin pipeline of bankable PPP/NSO projects could lead to underutilization of ADB resources and slow progress on innovative financing.	High	Concentrate sovereign financing on a small number of transformative operations in the two CSP sectors; use non-lending work and PRDM to improve the enabling environment (tariffs, PPP frameworks, regulatory clarity); undertake targeted project preparation and market sounding in energy, water and ports; coordinate closely with DPs and others to co-finance viable	AfDB / Government

			NSOs and avoid overlap.	
Fiduciary and value for money (PFM, procurement)	Ongoing PFM reforms, capacity constraints in oversight institutions and weaknesses in procurement practices could affect budget execution, transparency and value for money in CSP operations.	High	Continue support to PFM reforms; embed robust fiduciary risk assessments and action plans in each operation; use country systems where adequate, complemented by targeted TA and training for PMUs and oversight bodies; promote e-procurement and standard bidding documents to improve competition and transparency.	AfDB / Government
Implementation capacity of executing agencies	Small administration, staff turnover, and limited experience with complex, multi-sector projects and Bank procedures can slow project preparation and execution, leading to delays and cost overruns.	Medium	Keep the sovereign portfolio focused and manageable; provide early and continuous capacity-building on AfDB procedures, project management, safeguards and M&E; use local consultants and implementation support missions strategically; design realistic implementation timelines and phased approaches.	AfDB / Government
Data, monitoring and results	Data gaps (especially on MSMEs, jobs, climate and gender outcomes) and limited M&E capacity could weaken results tracking and learning, including for complex reforms and climate-related operations.	Medium	Align CSP indicators with NDS and SDG frameworks; support CBS and sector ministries to improve data collection and use (including sex- and youth-disaggregated indicators); embed simple, focused results frameworks in each operation; use regular portfolio reviews and PRDM monitoring to adjust interventions based on evidence.	AfDB / Government

Annex 20 The Seychelles 2025 Country Resilience and Fragility Assessment

1. CONTEXTUAL OVERVIEW AND ANALYTICAL FRAMEWORK

1.1 Geographic and Demographic Configuration

Seychelles constitutes an archipelagic Small Island Developing State (SIDS) exhibiting a distinct spatial bifurcation between the granitic inner islands of the Mahé Group and over 70 outer coralline atolls characterized by low elevation, limited freshwater availability, and minimal habitability. This morphological distribution concentrates 57.6% of the population in non-urban areas while simultaneously constraining agricultural productivity, infrastructure development, and service delivery across outer islands. Population density averages 289 persons per km², though this metric obscures considerable intra-archipelago variation and the practical uninhabitability of numerous outer islands.

1.2 Macroeconomic Performance and Structural Transformation

Seychelles occupies a distinctive position as Africa’s sole high-income SIDS, having achieved sustained macroeconomic stability following comprehensive fiscal consolidation initiated in 2008. Real GDP growth reached 2.3% in 2023 and 2.9% in 2024, with projections indicating acceleration to 3.7% in 2026 and 3.6% in 2027. This growth trajectory, while positive, remains modest relative to developmental imperatives and reflects persistent structural constraints inherent to the archipelagic SIDS context.

1.3 Recent Political Transitions and Democratic Consolidation

While political stability remains robust relative to regional comparators, recent policy discussions regarding the 2026 budget framework and implementation of the government’s 100-day agenda reveal persistent institutional coordination challenges. Democratic governance exhibits notable strengths, including efficient public administration, established multi-party contestation, and constitutional protections for civil liberties. However, women’s political representation remains constrained at 20.6% of parliamentary seats (February 2024), substantially below parity and indicative of persistent structural barriers to inclusive governance. This gender disparity reflects broader challenges in translating *de jure* legal frameworks into substantive equality across economic and political spheres.

2. POLITICAL, SECURITY, AND JUDICIAL DIMENSIONS

2.1 Political Governance and Institutional Capacity

Seychelles’ political system demonstrates considerable institutional strength relative to the broader fragility spectrum. Public administration exhibits efficiency uncommon amongst SIDS, characterized by consistent service delivery, relatively low corruption perception indices, and functioning inter-governmental coordination mechanisms. Strategic institutions, including the Ministry of Finance, National Planning and Economic Development, the CBS, and the Seychelles Revenue Commission, operate with technical competence that has facilitated successful implementation of complex reform programmes under IMF conditionality.

Electoral reforms merit continued attention. While recent cycles proceeded smoothly, enhancing electoral commission independence, strengthening campaign finance regulation, and expanding voter education (particularly across outer islands with limited connectivity) would consolidate democratic gains. Additionally, political party institutionalization remains underdeveloped, with personalized leadership structures potentially creating succession vulnerabilities.

2.2 Security Architecture and Maritime Domain Awareness

Seychelles operates a stable security environment anchored in strategic international partnerships, particularly with the United Kingdom, India, France, and increasingly China. The Seychelles Defence Forces maintain professional standards, with regular officer commissioning ceremonies and ongoing training initiatives enhancing operational effectiveness. Unlike Regional Member Countries experiencing insurgencies, communal violence, or transnational organised crime penetration, Seychelles faces relatively benign internal security conditions.

However, the country confronts distinctive security challenges emanating from its maritime geography. Piracy in the Western Indian Ocean, while substantially reduced from 2008-2012 peak levels, demonstrates

periodic resurgence, threatening both shipping lanes and Seychelles' tourism-dependent economy. The 2024-2025 uptick in piracy incidents, attributed to deteriorating conditions in Somalia and weakened international naval patrols, necessitates sustained maritime surveillance capacity.

Cybersecurity constitutes an emerging frontier where vulnerabilities exceed current capacities. The national data security market, projected to expand from USD 44,520 in 2025 to USD 67,440 by 2030 (compound annual growth rate of 8.66%), reflects surging demand for encryption, network protection, and digital resilience solutions. However, institutional capacity to regulate cybersecurity standards, respond to sophisticated cyber-attacks, and protect critical digital infrastructure (particularly financial systems and government databases) lags threat evolution.

2.3 Judicial System and Rule of Law

Seychelles demonstrates comparatively strong rule-of-law foundations, anchored in constitutional protections, judicial independence norms, and accessible legal information systems. The Seychelles Legal Information Institute (SeyLII) provides free online access to legislation, case law, and gazettes, enhancing transparency and enabling citizen engagement with legal processes. This digital accessibility represents best practice amongst African SIDS and facilitates accountability.

Despite these advances, structural constraints undermine full judicial autonomy. The Judiciary's financial dependence on Executive appropriations creates potential leverage, as budgetary restrictions could constrain operations. Additionally, senior judicial appointments require presidential approval, introducing political considerations into theoretically merit-based selection processes. While no evidence suggests systematic political interference, these constitutional provisions create avenues through which Executive pressure could theoretically operate.

3. ECONOMIC FRAGILITY DRIVERS AND RESILIENCE MECHANISMS

3.1 Structural Economic Vulnerabilities

Seychelles' macroeconomic stability, while impressive, coexists with deep structural fragilities inherent to its SIDS classification. Tourism dependency, generating approximately 25% of GDP directly (and substantially more through multiplier effects in transport, accommodation, food services, and retail), creates acute exposure to external demand shocks. The COVID-19 pandemic demonstrated this vulnerability catastrophically, with tourist arrivals collapsing 70% in 2020, precipitating GDP contraction of 11.1% and fiscal deterioration requiring emergency IMF support.

This sectoral concentration reflects rational comparative advantage exploitation given Seychelles' natural endowments (pristine beaches, coral reefs, endemic biodiversity, and political stability in a often-turbulent region). However, it simultaneously constrains policy space for counter-cyclical responses during external shocks. When global economic downturns, health crises, or geopolitical disruptions suppress tourism demand, fiscal revenues contract precisely when social protection expenditures surge, creating procyclical fiscal pressures that destabilize macroeconomic management.

Climate change constitutes an existential threat multiplier, interacting with existing vulnerabilities to compound fragility. Sea-level rise threatens coastal infrastructure, necessitating expensive coastal protection investments the fiscal envelope struggles to accommodate. Coral bleaching, driven by ocean

temperature increases, degrades marine ecosystems critical for both tourism (reef-based diving and snorkeling) and fisheries (reef fish stocks). Increased cyclone intensity, while historically rare in Seychelles' latitude, poses emerging risks to infrastructure, agriculture, and tourism operations.

3.2 Fiscal Sustainability and Debt Management

Public debt reduction from 80.9% of GDP (2020) to 61.5% (2024) represents substantial consolidation, though debt sustainability remains contingent on maintaining primary surpluses, securing concessional financing, and avoiding external shocks that could reverse gains. The debt-to-GDP trajectory improvement reflects both fiscal restraint (expenditure rationalization and revenue mobilization) and GDP growth, with the latter contribution highlighting growth's centrality to sustainability.

However, fiscal space remains constrained. Social protection expenditures, including universal pensions and welfare programmes, constitute substantial recurrent costs, limiting capital investment capacity. Education and healthcare, while delivering strong human development outcomes (HDI rank 67th globally), similarly absorb significant budgetary resources. Balancing social protection maintenance, infrastructure investment requirements, and debt service obligations creates difficult trade-offs, particularly during external shocks when revenue shortfalls coincide with increased social assistance demands.

3.3 Innovation and Blue Economy Potential

The blue economy framework, leveraging Seychelles' 1.37 million km² EEZ, offers pathways for sustainable economic diversification while managing marine resources responsibly. This approach, articulated in the 2018 Seychelles Marine Spatial Plan, balances conservation imperatives (30% marine protected area coverage) with economic activities including sustainable fisheries, aquaculture, maritime transport, and renewable ocean energy.

Aquaculture development, particularly for high-value species such as sea cucumber and seaweed, presents opportunities for outer island economic activity, addressing geographic marginalisation while generating employment. However, technical capacity constraints, capital requirements, and market access challenges have limited sector development. Targeted support through the African Development Bank's Transition Support Facility (TSF), particularly leveraging the Gender Equality and Women's Empowerment thematic priority, could catalyse aquaculture cooperatives managed by women's groups, addressing both economic diversification and gender inclusion objectives.

Seaweed farming, already operating at pilot scale, offers climate co-benefits through carbon sequestration while generating biomass for food, pharmaceutical, and biofuel applications. Renewable ocean energy, including offshore wind, tidal, and wave power, remains technologically nascent but holds long-term potential given persistent trade winds and reliable ocean currents. ICT sector expansion, building on submarine fiber-optic cable connectivity and the government's digitalization agenda, could potentially position Seychelles as a regional ICT hub. The creative industries, including film location services leveraging Seychelles' visual appeal, music production, and digital content creation, represent emerging sectors warranting support. However, intellectual property frameworks, financing mechanisms for creative enterprises, and market linkages require strengthening to realize potential.

4. SOCIAL FRAGILITIES AND INCLUSION DEFICITS

4.1 Income Inequality and Social Cohesion

Despite high-income classification and strong human development indicators, Seychelles exhibits pronounced income inequality. The wealthiest 1% control over 20% of national income, creating disparities that affect social cohesion and equal opportunity access. This concentration, driven partly by returns to tourism-sector capital ownership and high-skill professional services, creates a perception of the unequal distribution of development benefits.

Geographic inequality compounds income disparities. Outer island populations face higher costs of living (due to transport expenses increasing goods prices), lower service quality (due to diseconomies of scale in small populations), and reduced economic opportunities (due to limited private sector activity). These disparities drive migration to Mahé, concentrating population and exacerbating urban pressures while depopulating outer islands and undermining their economic viability.

4.2 Gender Dimensions and Women's Economic Participation

Seychelles has implemented 88.9% of legal frameworks promoting gender equality under SDG indicator monitoring, particularly addressing violence against women. This legislative foundation includes domestic violence criminalization, sexual harassment prohibitions, and equal employment rights. However, translating de jure equality into substantive outcomes remains incomplete.

Women's political representation at 20.6% of parliamentary seats signals persistent barriers. Economic participation exhibits sectoral gender segregation. Women predominate in services sectors (particularly hospitality, retail, and care work) characterized by lower wages and limited career progression, while men dominate higher-wage sectors including fisheries, construction, and technical trades. This occupational segregation reflects education pathway differences (with girls underrepresented in STEM fields), employer discrimination (both explicit and implicit), and unequal domestic care responsibilities constraining women's labour market participation.

Gender-based violence, despite strong legal frameworks, persists, with surveys indicating substantial proportions of women experiencing physical or sexual violence during their lifetimes. This reflects implementation gaps in prevention, perpetrator accountability, and survivor support services. Strengthening police response protocols, ensuring prosecutor training on trauma-informed approaches, expanding shelter provision and psychosocial support services, and implementing prevention programmes targeting harmful masculinity norms would enhance response effectiveness.

4.3 Youth Marginalization and Skills Development

Youth unemployment estimated around 10.8%, while moderate by African standards, represents inefficient human capital utilization and generates social risks. Youth disengagement manifests through substance abuse, crime involvement, and social withdrawal, threatening long-term productivity. The demographic structure, with a youth bulge entering labour markets over coming years, intensifies employment generation imperatives.

Geographic marginalization particularly affects outer island youth, who face limited post-secondary education access (necessitating migration to Mahé), reduced employment opportunities (due to limited private sector presence), and social isolation (due to population sparsity and limited connectivity). Addressing youth marginalization requires both place-based interventions (strengthening outer island

economic opportunities) and facilitated mobility (ensuring affordable inter-island transport and accommodation support for students relocating to Mahé).

5. RESILIENCE SOURCES AND INSTITUTIONAL CAPACITY

5.1 Macroeconomic Governance and Financial Innovation

Seychelles sustained macroeconomic stability, exceptional amongst SIDS, constitutes a primary resilience source. Prudent fiscal policy, anchored in the Public Finance Management Act's fiscal rules, inflation targeting monetary policy by the CBS, and external sector management maintaining adequate reserve buffers, provide shock-absorbing capacity. This framework enabled relatively swift recovery from the COVID-19 crisis, with GDP returning to pre-pandemic levels by 2023.

The institutional architecture supporting macroeconomic governance merits recognition. Financial innovation, particularly the 2018 blue bond and 2016 debt-for-nature swap, demonstrates institutional capacity to structure novel instruments addressing SIDS-specific constraints. These mechanisms' replicability extends beyond Seychelles, potentially offering templates for other SIDS confronting similar debt sustainability and environmental management challenges. The African Development Bank, through its Transition Support Facility and expanding climate finance instruments, could facilitate blue finance scaling, providing TA for instrument structuring and mobilizing guarantee mechanisms that enhance credit ratings and lower borrowing costs.

5.2 Human Capital and Social Infrastructure

Seychelles' 67th global HDI ranking reflects sustained human capital investments delivering strong education and health outcomes. Universal primary and secondary education, free at point of delivery, achieves near-100% enrolment and completion rates. Literacy rates exceed 95%, facilitating labour force productivity and social participation. Healthcare access, including a functional referral system and basic services provision across inhabited islands, achieves health indicators comparable to upper-middle-income countries.

These achievements reflect longstanding policy prioritisation of social sectors, with education and health expenditures absorbing substantial budget shares even during fiscal consolidation periods. The commitment to maintaining social investments during adjustment programmes distinguishes Seychelles from countries where austerity disproportionately impacts human development.

5.3 Regional Integration and Strategic Partnerships

Seychelles' strategic positioning within Indian Ocean governance architecture enhances security resilience. CSC membership provides multilateral cooperation frameworks on maritime security, cybersecurity, and humanitarian assistance. The Indian Ocean Rim Association (IORA) similarly offers regional economic cooperation platforms, facilitating trade, investment, and technical exchange amongst littoral states.

5.4 Environmental Governance and Climate Adaptation

Climate adaptation planning, supported by the IMF's Resilience and Sustainability Facility, advances institutional frameworks for climate risk management. The National Climate Change Strategy articulates adaptation priorities including coastal protection, freshwater security, food system resilience, and disaster risk reduction. However, implementation requires sustained financing exceeding domestic fiscal capacity,

necessitating continued international climate finance mobilization.

Disaster risk management capacity, while historically limited given Seychelles' relative protection from cyclones and other acute natural disasters, requires strengthening given climate change potentially increasing extreme weather frequency and intensity. The National Disaster Risk Management Plan establishes coordination frameworks, though operational capacity for large-scale disaster response remains constrained. Regional cooperation through IORA and bilateral partnerships provides supplementary capacity during major events.

Ecosystem-based adaptation, leveraging natural infrastructure including mangroves, coral reefs, and seagrass beds for coastal protection, offers cost-effective climate resilience while delivering biodiversity co-benefits. Mangrove restoration programmes, expanding coverage beyond current 2% of coastline, would enhance storm surge protection while providing blue carbon sequestration. Coral reef restoration, utilizing coral gardening techniques, could partially offset bleaching impacts while maintaining tourism and fisheries values.

6. STRATEGIC RECOMMENDATIONS FOR RESILIENCE CONSOLIDATION

6.1 Institutional Strengthening and Governance Enhancement

Judicial independence requires constitutional and legislative reforms ensuring financial autonomy through guaranteed budget allocations, merit-based appointment processes insulated from political considerations, security of tenure with transparent removal procedures, and enhanced outer island court infrastructure enabling equitable justice access.

Women's political representation necessitates temporary special measures including parliamentary gender quotas (potentially 40% minimum representation for either gender), party-level candidate selection reforms incentivizing women nominations, campaign finance support reducing women candidates' resource disadvantages, and leadership development programmes building women's political capacity.

Public financial management modernization should advance programme-based budgeting, replacing input-focused approaches with results orientation, expand the Medium-Term Expenditure Framework to cover all government entities including autonomous agencies, strengthen commitment controls preventing unauthorized spending, and enhance fiscal risk management particularly regarding contingent liabilities from SOEs and climate events. The IMF's Public Investment Management Assessment (PIMA) provides diagnostics informing these reforms.

Procurement reform, critical for development effectiveness and corruption prevention, requires fully implementing the Public Procurement Act's competitive procedures, strengthening the procurement appeals mechanism ensuring bidder redress, expanding e-procurement systems enhancing transparency, and building procurement capacity across line ministries through training and professional certification. Development partner support, particularly leveraging the African Development Bank's expertise in procurement systems strengthening, would accelerate implementation.

6.2 Economic Diversification and Blue Economy Development

Tourism sector resilience requires market diversification beyond dependence on European source markets (currently 70% of arrivals), product diversification expanding beyond beach tourism into nature-based,

cultural, and adventure tourism, seasonality reduction through targeted marketing during traditional low seasons, and workforce development upgrading service quality. Fisheries sustainability demands strengthened EEZ surveillance through enhanced patrol capacity, satellite monitoring, and regional cooperation combating IUU fishing, science-based catch limits preventing stock overexploitation, value-addition through domestic processing capacity expanding beyond tuna canning.

Positioning Seychelles as a regional ICT hub necessitates differentiated value propositions relative to established competitors, potentially leveraging political stability, business-friendly regulation, and quality-of-life advantages. Renewable energy transition should accelerate solar photovoltaic deployment through net metering regulations enabling distributed generation, battery storage investment providing grid stability, wind energy feasibility studies identifying viable sites, and energy efficiency programmes reducing demand.

6.3 Social Inclusion and Human Capital Development

Skills development transformation requires TVET system strengthening through industry engagement in curriculum design, work-based learning expansion linking training to employment, instructor training enhancing teaching quality, and equipment modernization reflecting current technologies. Additionally, entrepreneurship education integration across curricula, from primary through tertiary levels, would cultivate enterprise culture.

6.4 Climate Resilience and Environmental Sustainability

Coastal protection infrastructure investment requires vulnerability mapping identifying highest-risk areas, nature-based solutions prioritizing ecosystem restoration over hard infrastructure where feasible, engineering interventions where necessary including seawalls and drainage systems, and land-use planning restricting development in high-risk zones. Financing necessitates blended approaches combining domestic capital budgets, development partner concessional financing, and potentially climate adaptation funds.

6.5 Regional Cooperation and Partnership Deepening

Maritime security cooperation strengthening requires sustained REFLECS3 and RCOC operational capacity through equipment modernization and personnel training, information-sharing protocols with regional partners including Kenya, Tanzania, Mauritius, and Madagascar, joint patrols addressing piracy and IUU fishing, and legal frameworks enabling coordinated prosecutions. Cybersecurity regional frameworks should establish incident response coordination protocols, capacity building programmes training cybersecurity professionals across the Indian Ocean region.

Trade facilitation improvements include harmonized customs procedures, mutual recognition of standards and certifications, coordinated trade policy advocacy in international forums, and transport connectivity enhancement, reducing intra-regional transport costs would strengthen regional integration benefits. AfCFTA implementation provides institutional frameworks, though translating commitments into operational improvements requires sustained effort.

7. CONCLUSION AND OPERATIONAL IMPLICATIONS

Seychelles occupies a distinctive position along the fragility-resilience spectrum, exhibiting strong governance, macroeconomic stability, and human development achievements that distinguish it from

Regional Member Countries experiencing acute fragility. However, structural vulnerabilities inherent to its SIDS classification, particularly extreme economic concentration in tourism, climate exposure amplified by insularity and low elevation, and limited diversification options constrained by market size and remoteness, generate fragilities that could erode gains under adverse scenarios.

The assessment reveals fragility operating not through state collapse risk or violent conflict potential, but via capacity constraints that could overwhelm institutions during compound shocks. The COVID-19 pandemic's economic devastation demonstrated these dynamics, with tourism collapse generating fiscal pressures, employment losses, and poverty increases that tested social cohesion. Climate change constitutes a slow onset but potentially catastrophic threat, with sea-level rise, ecosystem degradation, and extreme weather intensification threatening both economic foundations and territorial integrity.

Resilience consolidation requires multidimensional interventions addressing institutional capacity constraints, economic structural transformation imperatives, social inclusion deficits, and environmental sustainability challenges. The African Development Bank, through its 2022-2026 Strategy for Addressing Fragility and Building Resilience in Africa and associated Transition Support Facility, possesses instruments aligned with these imperatives.

ANNEX 21: Country Fiduciary Risk Assessment – 2024

1.0 Executive Summary

The Country Fiduciary Risk Assessment (CFRA) 2024 assessment has been undertaken in accordance with the Bank's Country Fiduciary Risk Assessment User Guide (April 2014). The primary purpose of the CFRA is to assess the inherent fiduciary risk associated with the use of the National PFM System. The country's PFM system based on the CFRA 2024 is adequate to provide reasonable assurance on the appropriate use of the Bank's financing, ensuring proper accounting, and reporting for the projects and programs. The overall fiduciary risk is rated as **moderate** with positive trajectory.

The assessment covers the main PFM components, namely budget planning and execution, treasury management, accounting and reporting, internal control, procurement, external audit, and governance. The assessment has been conducted in an environment characterized by lack of recent and credible diagnostics, noting that the last Public Expenditure and Financial Accountability (PEFA) assessment was conducted in 2017. However, the authorities are conducting a PEFA assessment in 2025 to determine the global fiduciary environment that will inform capacity building interventions and technical assistance to further improve the PFM systems. In the circumstances, the assessment relied on consultations, focused discussions, and interviews with the authorities, collaborated with information and documents obtained during the Bank programme appraisal mission.

Based on the assessment, the GoS has in place a sound PFM system for managing public resources and there is adequate compliance with the rules by all MDAs. The reform of the PFM system has been supported by modifications to laws, organizational structures, and procedures to support new functions, processes, and tasks, strengthen controls, and clarify and enforce stronger accountability. Recent PFM reforms include the full rolled out the Programme Performance Based Budgeting (PPBB) framework in all MDAs which has improved the Government's ability to plan, prioritize, allocate, manage, control, account, and report on public funds and the achievement of its objectives. The budgets of the MDA now clearly show the linkages, strategic priorities, interventions, activities, following the adoption of the Zero-Based Budgeting approach. The creation of the Cash Flow Unit within the MoFNPT has reinforced cash flow forecasting practices.

The CFRA 2024 however, noted areas where risks were assessed as substantial include lack of integration of systems across key departmental functions, lack of information technology capacity of staff with a versatile skillset, and weak risk management strategies and governance frameworks in the MDAs due to capacity challenges. To mitigate some of the fiduciary risks, the authorities are also committed to the implementation of an integrated financial management information system (IFMIS) in time for the 2026 budget, to streamline financial operations, automate processes, create real-time access to financial data, and improve financial planning and management of financial resources. The Government is also updating its fixed asset registers across all MDAs as a precursor to the development of a government-wide Fixed Asset Management System. There is also need to enhance the IT skills of accounting staff and increase the pool of Certified Internal/Information Systems Auditors and Certified Public Accountants.

Public procurement is regulated by the Seychelles Public Procurement Act, 2008, as amended in 2022 and Public Procurement Regulations, which were operationalized to complement and facilitate implementation of the Act and amended in 2022. The Act describes the institutional framework, methods of procurement, procedures, rules, and ethical behavior. The Act is generally consistent with international standards as it contains most elements of a modern legal and regulatory framework. It is applicable to all public bodies using public funds. The Act has been amended severally to address the constitution of Board members and the Review Panel, definition of Accounting Officer, framework contracts, terminating procurement proceedings without entering a contract, simplified bidding, and gain efficiencies in the bid evaluation and complaints handling process. The Procurement Oversight Unit (POU) is working on the following amendments: opening up national competitive bidding to any willing bidder and not only nationals; elevation of the POU to a fully-fledged Authority; adoption of life cycle costing; procedures for handling retrospective approvals; handling of low value procurements; procedures for disposal of assets; centralizing procurement cadre under POU; and full adoption of e-procurement.

Seychelles has maintained a positive trajectory towards procurement reforms which is evidence by the gradual progression in amending the Act, and initiatives towards improving governance and the business environment. The risk rating for the Institutional Framework and Management Capacity is substantial while Procurement Legal and Regulatory Framework, Procurement Operations and Market Practices and Accountability, Integrity and Transparency are rated at moderate. The overall risk for the use of country procurement systems for Bank financed projects is rated at “Moderate”. The Bank continues to monitor ongoing reforms, which are expected to further lower the identified risks.

Governance systems. Seychelles has introduced important reforms to improve economic and financial governance, but gaps remain. Key successes include enhanced PFM, strengthening tax revenue mobilization institutional frameworks, improving governance and accountability in the public sector including State Owned Enterprises (SOEs), procurement reforms that have eliminated the duplication of services provided by different agencies, the issuance of a new Code of Governance for SOEs, and strengthening the financial sector by enhancing anti-money laundering and combating the financing of terrorism (AML/CFT) frameworks. The anti-corruption efforts in Seychelles are at an advanced stage, supported by a political commitment to transparency and integrity. By addressing remaining gaps and coordinating institutional strategies, Seychelles can further strengthen its frameworks, ensuring comprehensive governance and adherence to international standards.

The Government has continued to strengthen engagement with development partners including the IMF, World Bank, EU, AFRITAC South and AfDB in implementing PFM reforms including provision of technical assistance and capacity building, but more needs to be done. To sustain the delivery of the PFM reform agenda, the country needs to ensure fiscal discipline, strategic allocation of

resources, and efficient service delivery, all enabled through a strong PFM institutional framework. According to the World Bank, the structural reform agenda prioritizes revenue administration, public financial and investment management, and governance, including digitalization and SOE reform. The Bank will also maintain its continuous engagement in PFM reforms including domestic resource mobilization, procurement, and public investment programmes. However, the small size of key institutions, high staff turnover, and capacity limitations could pose risks to achieving reform objectives.

The overall conclusion, based on the assessment, is that the PFM systems are satisfactory and adequate to implement Bank financed operations with an overall country residual fiduciary risk of a “Moderate” nature.

2.0 Introduction

The fiduciary risk assessment relied on Country’s Legal and Regulatory Framework for PFM as enshrined in the PFM Act 2012, PFM Standing Instructions 2014, Appropriation Bill 2024, PPBB Guidelines, National Budget 2024, National Budget 2023 Mid-Year Review, and Annual Budget Performance Report 2022. The team made further reference to PEFA 2017, the Bank’s CSP (2021-2025) for Seychelles and recent developments captured in the country’s policy documents and reports including the NDS 2024-2028, PFM Action Plan (2017 – 2020), PPBB Statements 2024, World Bank group Supreme Audit Institutions Independence Index: Global Synthesis Report 2021, Report of the Auditor General for the financial year 2022, Seychelles Cooperation Framework (2024-2028), Open Budget Survey 2021, the Bank Procurement Assessment Report (BPAR) (2016); Report of Assessment of Critical Indicators (RACI) using Methodology for Assessing Procurement Systems (MAPS - 2020) among other documents.

3.0 Performance of the PFM systems

3.1 Financial Management

Fiduciary Risk Rating	Moderate
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3.1.1 Credibility of Budget, Comprehensiveness and Transparency

The country adopted a medium-term outlook to budgeting following the introduction of the Medium-term Fiscal Framework (MTFF) across MDAs. The budget process is guided by the MTFF which has led to significant improvements in the efficiency of Government spending, increased equity of the tax system and enhancement of the governance of public enterprises. The MTEF sets the main sectoral allocation and ensures that such allocations are in line with policy targets. The forecasts cover the budget year and the two following fiscal years, and the forecasts are updated at least once a year. The budget information submitted to the Cabinet and National Assembly (NA) for approval is comprehensive and contains both quantitative and qualitative information as well as performance indicators that enable regular monitoring of the targets. The Budget Information is available on the Ministry Website. The budget documentation submitted to the Parliament satisfies 5 elements (-Administration, Programme, Economic, Donor Segment and Revenue). The classification used to prepare, execute and report on the budget has enough flexibility to assign expenditures to a project. However, the budget estimates and realizations in the financial statements continue to be presented according to administrative and economic classifications without functional classification, hence the PEFA 2017 rating of a “C” score remains. There is notable improvement in respect of involvement of CEPS (an NGO network with over 70 civil society organizations in Seychelles) and Seychelles Chamber of Commerce and Industry in the consultations leading to the preparation of budgets. The two group are a good representative of the local communities. The MDA’s also work with close partners in the community as part of the budget preparation process. The Strategic Planning Policy

Framework (2018) is in place, although institutionalizing the planning functions across MDAs and availability of necessary data for economic analysis remains a challenge.

3.1.2 Policy-based budgeting

Seychelles has embraced Programme Performance Based Budgeting (PBB) and has adopted full budget cycle approach to ensure that planning, budgeting, and reporting processes are fully connected to inform decision making. The PPBB is now fully rolled out in all MDAs. The assessment noted that the 2024-2026 budget was presented and reporting on the 2022 and 2023 budget was in line with the PPBB guidelines. A comprehensive Result Based Management calendar is issued to guide the planning, and preparation of the budgets. The budget calendar provides clear timeframes for the different RBM activities for the MDAs to prepare for during the calendar year, including a) reporting on the financial and non-financial performance of the preceding year in line with the set strategic priorities and indicators; b) the current fiscal year requirements in terms of mid-year reporting to monitor the implementation of Programmes execution against the set objectives and targets as outlined in the PPBB statements and c) update of the Medium Term Strategic Objectives and target in line with the National Priority objectives in the Medium Term Fiscal Framework. This has improved the Government’s ability to plan, prioritize, allocate, manage, control, account, and report on public funds and the achievement of its objectives. The MDAs now have more discretion at the finalization stage of budget preparation. In-year internal and public reporting is based on financial information as well as on progress towards the achievement of the targeted results, which has further strengthened the government’s ability to monitor and evaluate policy implementation and outcomes. In turn, the NA is provided with better information that links the budget to performance during budget approval and budget oversight. However, most of the MDAs still require time and a lot of support to fully revamp their internal expenditure management systems, to meet the requirements of the PPBB processes.

3.1.3 Predictability and control in budget execution

Fiscal discipline is strengthened by the low levels of in-year budget reallocations which is done within clear guidelines and strict limits, as well as a robust and verifiable macroeconomic framework which supports revenue projections. The rules for In-Year Budget Adjustments and budget virements are transparent, as these are included in the annual Appropriation Act and the PFM Act, thereby enhancing the effective control of the budget. The authorities are committed to maintaining fiscal discipline and enhancing the efficiency of revenue and expenditure administration. The GoS has also committed to structural reforms to improve the selection of capital projects for the annual budget and their execution, as well as implementation of an IFMIS system in early 2025 to strengthen management of public finances. These measures should help ensure continued fiscal consolidation over the medium-term. Efforts also continue to modernize and simplify tax processes through process engineering and automation. An online registration platform was designed to cater for International Business Companies (IBCs) registration processes, though there is poor uptake for e-filing and improvements in e-services that aimed to promote voluntary compliance due to non-rigorous implementation. The implementation of the Tax Management System (TMS) should help improve collection and management and, in the medium term, integration with other government systems is envisaged.

3.2 Treasury Management

Fiduciary Risk Rating	Moderate
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The Treasury Single Account (TSA), which is a key component of cash management, is in place and the framework for the operation and management of all Government accounts is well-defined enabling

consolidation and optimum use of Government cash resources. The oversight framework for the Comptroller General to have an effective monitoring and timely reporting of the cash balances of the Government is properly set and is functional. All revenue is received into, and all expenditure are made from the Government General Bank Account – GGBA (which is the TSA) maintained with the Central Bank of Seychelles. However, exceptions exist for the inner Islands where Government accounts are held at Seychelles Commercial Bank. In such cases, the Accounting Officer of the MDA decides to sweep balances on a daily basis to the GGBA. As there is no standard treasury tool in place, the stand-alone Virtual Accounts Mate (VAM) sub-system is used for the tracking of external resources including resource inflow and assignment of funds to their respective specific projects. Whereas the VAM has a bank reconciliation feature that facilitates monthly reconciliations, the manual process involved to feed treasury activities into the accounting system is prone to errors and possible loss of information. The assessment established that a dedicated treasury module will be part of the IFMIS to be acquired.

The CBS has accelerated the digitalization of its operations and has developed a portal to allow Government and the Agency for Social Protection to make their domestic payments. The portal allows the entities to upload payments by excel files of maximum 1000 payments with dual authorization, that is integrated to SEFT for straight through processing. The use of CyberSource (online payment) started in 2022 but, only 4 MDAs are using it - (Seychelles Planning Authority, Registration division, Seychelles Licensing Authority and Seychelles Revenue Commission). The CBS has also identified limitations and difficulties in procedures, resource and technology that need to be addressed. In this regard, possible improvements are being considered in order to achieve a more seamless and speedier merchant integration. A current medium-term debt management strategy covering existing and projected government debt is publicly available. Domestic and foreign debt and guaranteed debt records are complete, accurate, updated, and reconciled monthly. Comprehensive management and statistical reports covering debt service, stock, and operations are produced at least quarterly.

3.3 Accounting, Recording, and Financial Reporting

Fiduciary Risk Rating	Moderate
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The updated the Accounting Manual (2020) provide comprehensive procedures and guidelines as to format, content, movement and recording of Government accounts, with a view to better manage and control the public finances. The manual is compliant with mandatory reporting requirements of International Public Sector Accounting Standards (IPSAS) and provides options between different accounting treatments. The present GoS Chart of Accounts (CoA) is in line with the GFSM 2014 manual. However, only four (administrative, economic, programme and source of fund) of the five segments of the CoA exist. The functional segment, which provides an analysis of revenue and expenditure across all functions in accordance with the Classification of Functions of Government (COFOG), is yet to be implemented in the system necessitating manual mapping from the administrative segment to generate IMF reports.

The Government Expenditure and Payment Policy, 2017 and the VAM system which is the Government accounting and payment system ensures the efficient processing of MDA's payments, and the production of timely annual financial statements. A Cashier Module system, introduced in 2022, is now functional, and this has eased the revenue recording and reconciliations as this is now done directly through the system. Moreover, the Government has migrated to e-signature for the approval process of all accounting documents to minimize the processing times of transactions. The assessment, however, noted that the accounting and reporting system for donor-funded projects is not automated. The reporting is manually done off the Government system. The authorities intend to implement an IFMIS system in time for the

2026 budget to streamline financial operations, automate processes, create real-time access to financial data, and improve financial planning and management of financial resources. Government efforts to acquire an IFMIS with modules consolidating these stand-alone systems is highly applauded.

The Government Financial Statements (GFS) are prepared in accordance with IPSAS, reporting on the consolidated financial transactions and balances of government and all its entities. Financial reports for budgetary central government are prepared annually, and they are comparable with the approved budget. They contain full information on revenue, expenditure, financial and tangible assets, liabilities, guarantees, and long-term obligations, and are supported by a reconciled cash flow statement. The certified GFS are submitted well within the prescribed completion deadlines. The accounting framework for the Public Enterprises have been transitioning from the Seychelles GAAPS to the IFRS since 2016 and the process has not been fully completed. Moreover, the OAG annual report 2021 observed that the GFS for FY 2021 as presented did not fully comply with the existing cash-based IPSAS framework; a) some extra-budgetary revenues and expenditures of public bodies are not included in the financial statements of the government; and b) some government-controlled bank balances are not included in the financial statements of the government. Whereas the Ministry of Finance has stepped up its efforts to produce better quality GFS, more needs to be done to ensure that the GFS are fully compliant with IPSAS framework and are produced timely to enable auditing of the same by the statutory deadline (30th June) to receive a clean opinion.

3.4 Internal controls

Fiduciary Risk Rating	Moderate
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The Internal Audit Division provides a risk-based and objective assurance, advice, and insight on the adequacy and effectiveness of internal control systems, risk management strategies and governance framework of MDAs. The internal audit function is operational for all central government entities. An advisory oversight body (the Government Audit Committee-GAC) is in place to provide a strategic direction to and support and validate the internal audit function across public bodies, including monitoring the settlement of internal and external audit observations relating to public bodies. The mandate of the GAC is to ensure the prudent use of public resources, the operation of adequate and effective systems of control, effective risk management mechanisms and to improve the accountability and transparency of all government entities. There is, however, limited awareness of MDAs about the active presence of GAC. Moreover, the GAC reported a few challenges, including non-receipt of all MDA audit reports issued by the Internal Audit, non-implementation of audit recommendations by some MDAs and lack of clarity regarding procedures to be followed and clear guidelines as to who are liable to be audited against government procedures. The collaboration of the GAC with key stakeholders requires strengthening if the objectives of the GAC are to be achieved. In regard to implementation of internal audits and reporting, substantive audit work is carried out across all the MDAs and a majority of the audit programme is completed with an issued final audit report. The Division plans to extend the internal audit work Program to include GoS capital expenditure and oversees missions and units as well as conducting targeted investigations. The availability of experienced internal auditors with matching skills remains a challenge. The restructuring of the Internal Audit Division has been completed and now the new structure is made up of four sections and thirteen units to strengthen and deepen internal audit services.

The assessment noted the enhanced oversight over the Public Enterprises following the establishment of the Public Enterprise Monitoring Commission (PEMC) with the mandate to ensure that public enterprises are properly controlled and managed for the purposes of better performance, transparency, and

accountability. The aim is to improve efficiency and competitiveness of the economy, and foster and accelerate the macro-economic stability of the country. The PEMC evaluates the overall performance of public enterprises, ensures their efficient operation, and promotes good governance in all their business transactions. Enhancements in public enterprise legislation are expected to reduce risks and improve governance, transparency, and monitoring of SOEs. The public enterprise legislation, discussed in the National Assembly in May 2023, provides a harmonized and coherent framework for the establishment, governance, and operation of SOEs. In accordance with the legislation and to ensure more transparency, the PEMC published, in July 2023, the SOE Annual Report for 2021 (SB end-June 2023). Absence of an automated monitoring system linking all key areas for better functionality of the Commission's oversight framework, deficiencies, and gaps in communication with stakeholders, and difficulty attracting and retaining qualified and experienced personnel are some of the challenges hindering the effective functioning and fulfilment of the Commission's mandate.

3.5 External audit

Fiduciary Risk Rating	Low
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Article 158 of the Constitution requires the Auditor General to audit the accounts of the Cabinet Office, the National Assembly, all Government departments and offices, all courts and those related to moneys withdrawn from the Consolidated Fund, all the accounts of any statutory corporation or such other body as may be specified by or under an Act. The audit report is presented to the National Assembly within twelve months of the end of the immediately preceding financial year drawing attention to irregularities in the accounts audited and to any other matters which in the opinion of the Auditor General should be brought to the notice of the Assembly. The Auditor General Act 2010 established the Office of the Auditor General (OAG) with certain financial and administrative autonomy from the Government and a requirement for producing an annual report including financial statements of the Office. Section 25 of the Act requires the Auditor General to prepare an estimate of the sums that will be required during the next financial year and submit the same to the Finance and Public Accounts Committee (FPAC) of the National Assembly. The FPAC in turn recommends to the Finance Ministry for presentation to the Parliament. It also encourages the Auditor General to employ such persons as are necessary for the performance of the Auditor General's functions. Another significant provision in the Act is FPAC having to consider the annual estimates of the expenditure prepared by the OAG. The Act also makes provision, among others, for the conduct of performance audits in public authorities and submitting special reports to the National Assembly on any matter of importance or urgency. The mandate covers the transactions of all ministries, departments and offices and those statutory bodies and authorities where specific provisions for audit by the Auditor General exist.

The Auditor General has full access to the information and records maintained by the auditees, except in certain minor funds of the Government, where representations are sought from the accounting officers concerned as to the operations of such funds are following the applicable laws and regulations. Overall, the external audit arrangements are adequate and follow international standards. The OAG has appropriately adopted the International Standards for Supreme Audit Institutions (ISSAIs) in the conduct of public sector audits. The audit of Public Enterprises is usually outsourced to the private sector. These are mainly the issues of non-compliance with prescribed financial rules, procedures, and instructions, including a lack of adherence to the prescribed regulations in the procurement of goods and services by public bodies and in some instances, the essential accounting records and control documents were either not kept or not

updated timely, particularly, in the areas of revenue, stores, transport and fixed assets. The OAG has been submitting its Annual Report well within the stipulated timelines. The review of the audit reports is conducted by the FPAC and involves public hearings, oral evidence of the Accounting Officers and follow-up on recommendations and are up to date. Following up on previous audit findings and recommendations is an integral part of the audit process status of which is also reflected in the reports.

In general, a good compliance is noted during audits. Further, the GAC is the designated office for follow up on audit compliance and the OAG has undertaken to provide the GAC all audit management letters and certified financial statements of public bodies for review and timely follow up. There are, however, delays within the OAG in processing audit reports and this has contributed to the audit backlog. Speedy clearance of these arrears is a priority. There are also other challenges being faced by the OAG including: a) Difficulty in delivering the diverse audit mandate in a timely manner due to inadequate resources; b) Non availability of expertise locally to provide training in relation to International Financial Reporting Standards, Information Technology, auditing, and other specialist areas; c) Limited capacity to conduct timely audits of public enterprises; d) Insufficient internal capacity to accommodate the significant increase in requests for audits from stakeholders; and e) Inability to attract and retain qualified and experienced staff due to budget and public administrative constraints. The strategic priorities of the OAG for the period 2024-2026 include commitment to working towards greater independence of the OAG as required by the Quality Assurance Review report by African branch of the Internal Organization of Supreme Audit Institutions and the relevant United Nations resolutions, increasing stakeholder engagement, and improving the quality assurance of audit work through increased training, involvement of experts and capacity building.

3.6 Short and medium-term FM Safeguards to mitigate the key fiduciary risks

4.0 Procurement

4.1 Legislative and Regulatory Framework: Seychelles Public Procurement Act, 2008 amended in 2022; Public Procurement Regulations, 2014 amended in 2022; and Standard Bidding Documents have been reviewed and the risk for their use on Bank financed projects is rated at “**Moderate**” for the following reasons; participation under open national bidding is restricted to Seychellois and local bidders; the Act does not provide for life cycle costing; the enforcement of the final outcome of a dispute resolution process under contract management is not well articulated in the Act; permits use of e-procurement solutions in the public procurement cycle only if authorized by the Procurement Oversight Unit (POU); the act has no provisions for price adjustments although this is catered for in the Regulations; the Act does not have provisions for regulating Public Private Partnerships (PPPs) although a National Public Private Partnership (PPP) policy is in place; the Act provides for corrupt, fraudulent, collusive and coercive practices but the bid document for works has no provision for coercive and obstructive practices and collusive practices have been considered under fraudulent practice; and the Act does not provide for joint ventures but the Regulations do. The Act is generally consistent with international standards as it contains most elements of a modern legal and regulatory framework. It is applicable to all public bodies using public funds. The Act provides that the procurement rules and procedures of a Development Partner may be adopted in accordance with the provisions of a signed financing agreement.

4.2 Institutional Framework and Management Capacity: The institutional framework and management capacity have been assessed to ensure that the procurement system defined in the Procurement Act has been operationalized, the institutions and management systems are functional, and that the managerial and technical capacities are adequate to undertake public procurement, in an efficient and transparent manner, and the risk for use on Bank financed projects is rated at “**Substantial**”. The rating is

due to the fact that; the Act provides that the POU shall not in any way get involved in procurement proceeding, however some sections of the Act specify overlapping roles for the POU, National Tender board (NTB) and Procuring Entities (PEs), for example Sections 10(1)(m - p), 15(1)(b), 42(3)(a), 40(2), 15(1)(b); POU internal organization, authority and staffing are not consistent with its responsibilities; There is no centralized online portal that supports consolidation of information and as a result, procurement information is posted on the POU and or NTB portal; lack of systematic publication of information like procurement plans, annual procurement reports, contract information, etc.; and current staffing, training and professionalization (accreditation and certifications) of the procurement function not commensurate with the scheme of service requirements; and internal processes within the procuring entities are not well streamlined.

4.3 Procurement Operations and Market Practices: The operational efficiency, transparency and effectiveness of the Seychelles procurement system at the procuring entity level and the market have been reviewed and the risk posed to Bank-financed projects is rated at **“moderate”**. The rating is due to for the following reasons; Although Seychelles’ has consistently improved over the years, the private sector is still faced with limited access to credit, limited protection of minority investors plus lengthy and costly procedures for resolving commercial disputes; the Act prescribes open tendering as the default mode of procurement but limits participation under open national bidding to national bidders; POU does not consistently publish statistics of annual activities to enable assessment of the level of participation of local industries and entrepreneurs in public procurement; and POU has a website but it is not a one stop shop that offers the business community, all the information and services related to procurement. GoS is generally making concerted efforts in advancing the private sector agenda. Within the framework of regional integration, Seychelles is part of Common Market for Eastern and Southern Africa (COMESA) and large contracts attract responses from these regional groupings and the international community.

4.4 Integrity and Transparency: The legal framework, organization and procedures that enable effective, quality, reliable and timely internal and external controls and audit systems; the effectiveness and efficiency of the procurement appeals mechanisms plus the enforcement and follow-up on findings and recommendations; the nature and scope of ethics and anti-corruption provisions in the procurement system and direct engagement of civil society through participation, monitoring, oversight and disclosure of information; have been reviewed and the risk for there applicability to Bank-financed projects is rated at **“Moderate”**, due to the following reasons: in the absence of published reports, the performance of the procurement system and level of compliance with the Act and the efficiency and effectiveness of the oversight entities as well as the complaints and appeals review system, cannot be determined; overlapping roles of the public bodies charged with governance and anti-corruption which among others include Anti-Corruption Commission, Office of the Ombudsman, Public Officers Ethics Commission, Attorney General’s Office, Parliamentary Finance and Public Accounts Committee, Financial Intelligence Unit (FIU), etc.; the Act does not have provisions for obstructive practices and the provisions on corrupt, fraudulent, collusive, coercive practices apply to the bidder or supplier but do not cover all other parties to a procurement process and contract, like the public officials; the Act provides for a robust two stage complaints review process, by the Head of Procuring Entity and then the Review Panel but does not categorically provide for judicial review; the Procurement Oversight Unit’s internal organization, authority and staffing are not consistent with its responsibilities related to carrying out periodic inspections or procurement audits; limited follow up and enforcement of audit findings and recommendations; major challenges in procurement which include, notable use of less competitive procurement methods, retrospective approval/ variations, reluctance to initiate debarment process for non-performing providers, partial compliance of procurement entities to the annual reporting requirement; and lack of a centralized

electronic portal for dissemination of information on public procurement. GoS encourages open dialogue and participation of the private sector and civil society in the decision process as exemplified by the inclusion of the private sector representative in the National Tender Board and the Review Panel for resolution of complaints.

4.5 Corruption: According to the Corruption Perception Index of Transparency International, Seychelles has maintained its top ranking for sub-Saharan African for the sixth consecutive year with a 20th ranking globally attained in 2023. There are several public bodies charged with governance, anti-corruption and accountability and these include the Anti-Corruption Commission, Office of the Ombudsman, Public Officers Ethics Commission, the Attorney General's Office, Parliamentary Finance and Public Accounts Committee and the Financial Intelligence Unit. Regarding combating corruption in public procurement, the Public Procurement Act (Section 103) requires that a bidder or supplier participating in public procurement shall not engage or abet any corrupt, fraudulent, collusive, or coercive practices. The Act provides for sanctions in case an individual or bidder engages in prohibited practices.

4.6 Current/ Ongoing Reforms: Several amendments to the Act were approved during the period 2021 to 2024. These among others, relate to appointment of Board members, appointment of the members of the Review Panel, definition of Accounting Officer, framework contracts, terminating procurement proceedings without entering a contract, simplified bidding, and shortening best evaluated bid notice and review/ appeals timelines. POU has adopted a phased approach towards amending the Act and is currently working on the following amendments: opening national competitive bidding to both national and international bidders; elevation of the POU to a fully-fledged Authority; adoption of life cycle costing; procedures for handling retrospective approvals; procedures for disposal of assets; centralizing procurement cadre under POU; and full adoption of e-procurement.

4.7 Conclusion and Recommended Mitigation Measures: Seychelles has maintained a positive trajectory towards procurement reforms which is evidenced by the gradual progression in amending the Act, and initiatives towards improving governance and the business environment. Based on the residual issues identified within the Seychelles' Procurement System, the risk for its use in Bank-financed projects is globally rated **"Moderate"**. The Bank will continue monitoring ongoing reforms that are expected to further lower the identified risks.

5.0 Conclusion

The Bank is fully committed to the Paris Declaration on Aid Effectiveness and the subsequent declarations to use country systems where such systems have been assessed to be adequate. In accordance with the findings of this assessment, the Bank's financing will continue to follow the existing government financial management and public procurement systems. The PFM system remain adequate to provide reasonable assurance on the appropriate use of the Bank's financing, accounting, and reporting. The overall fiduciary risk is rated as moderate with a very positive trajectory. Fiduciary risk mitigating measures will continue to be put in place to ensure that adequate fiduciary systems exist throughout the implementation of the Programme, and beyond.

To sustain the delivery of the PFM reform agenda, the country needs to ensure fiscal discipline, strategic allocation of resources, and efficient service delivery, all enabled through a strong PFM institutional framework. Improving shortcomings in current PFM practice should be the foundation for further reform measures over the medium and long run. In this regard, the reforms need to focus on setting up effective systems and procedures for prudent financial management, as well as reporting and strengthening the institutional framework in accordance with international best practices. The Bank will also maintain its continuous engagement in PFM reforms including domestic resource mobilization, procurement, and public investment programmes. However, the 2025 PEFA assessment will provide deeper insights into the country's fiduciary environment that will inform capacity building and technical assistance to further

improve the PFM systems.

In line with Bank Group's Policy on Program-Based Operations (2012), the Program shall follow the existing government financial management and public procurement systems. The PFM system remain adequate to provide reasonable assurance on the appropriate use of the Bank's financing, accounting and reporting for the Program.

Annex 22: Climate change and Green Growth Analysis

Currently, the island nation of Seychelles experiences climate change impacts such as high temperatures, rising sea levels and increased frequency of extreme weather events like floods, cyclones and storms. These changing climatic conditions result in negative impacts such as infrastructure damage due to flooding during periods of heavy rainfall, landslides, rockslides, coastal erosion, increasing salinity of soil and aquifers, coral bleaching and ecosystem damage due to changes in sea temperatures. As at 2023, Seychelles was ranked as the 109th most vulnerable country to the impacts of climate change, by the Notre Dame Global Adaptation Initiative (ND-GAIN). Whereas the country is on the road to responding effectively to address the impacts of climate change, its adaptation needs and urgency to respond are greater. Strengthening resilience in Seychelles therefore requires ever increasing efforts to mainstream climate change and green growth considerations into proposed reforms, policies and projects and implement appropriate measures to enable the country to transition to a low carbon and climate resilient development pathway, in line with the goals of the Paris Agreement. Under its updated Nationally Determined Contributions (NDC 2023), Seychelles commits to reducing economy wide absolute greenhouse gas (GHG) emissions by 26.4% in 2030, compared to business as usual (BAU), primarily through interventions in the energy, waste, transport and tourism sector. Measures include boosting electricity generation from renewable sources, progressing towards low carbon mobility, improving energy efficiency and ensuring responsible tourism through circular economy practices which reduce GHG emissions from the sector. Under its adaptation strategy, the country has placed focus on areas such as climate proofing of infrastructure, protecting blue carbon and coastal ecosystems, promoting climate smart agriculture and sustainable fisheries management and implementing a National Integrated Emergency Management Plan.

The Constitution of the Republic of Seychelles, under Article 38, establishes the right of every individual to live in and enjoy a clean, healthy, and ecologically balanced environment. To achieve this objective, the State commits to promoting the protection, preservation, and improvement of the environment. Additionally, it ensures sustainable socio-economic development through judicious resource management and aims to raise public awareness about the importance of environmental protection.

The Seychelles National Development Strategy (NDS) 2024-2028 plays a crucial role in addressing climate change. It highlights environmental sustainability and climate change resilience as priority areas. The strategy outlines the need for substantial fiscal space and targeted policies to address climate-related threats effectively. This approach takes public debt considerations into

account while promoting renewable energy initiatives, strengthening environmental protection efforts, and enhancing climate adaptation measures.

Climate Policies and Strategies

The Seychelles Climate Change Policy (2020) reaffirms the country's commitment to strengthening institutional capacity and social empowerment at all levels to respond effectively to climate change. Complementing this policy, Seychelles has submitted an enhanced Nationally Determined Contributions (NDC) for the period 2021–2030. The NDC aims to achieve a mitigation target of 817 ktCO₂eq by 2030. This goal will be met through interventions in critical sectors such as energy, transport, and waste management. Furthermore, the NDC promotes adaptation actions across various sectors, including the Blue Economy, water resource management, coastal protection, food security, and enhancing community resilience.

The Government has published multiple documents which lay out the strategy for a climate-smart approach to national development. These include the Nationally Determined Contribution (2021 and updated in 2023), National Climate Change Strategy 2020, Seychelles Marine Spatial Plan, Seychelles Coastal Management Plan 2019–2024, Vision 2033, and the National Development Strategy (NDS) for 2024–2028. According to the Seychelles' NDC (2021), US\$ 670 million is needed by 2030 to finance the country's climate transition. The Ministry of Finance has recently prepared a Climate Finance Resource Mobilization Strategy to bridge the financing gap and raise the necessary financing from public and private sources, both domestic and international.

Seychelles has also developed sectoral policies and plans that support climate objectives. The Energy Policy (2009–2030) promotes renewable energy and energy efficiency, while the Blue Economy Strategic Policy Framework and Roadmap (2018–2030) support sustainable ocean resource use. The Solid Waste Master Plan (2020–2035) focuses on reducing greenhouse gas emissions through effective waste management strategies. Additionally, the Water Supply Development Plan (2008–2030) addresses the management of water resources, and the Fisheries Sector Policy and Strategy (2019) promotes sustainable fisheries management and climate adaptation. The National Agriculture Investment Plan (SNAIP) focuses on climate-smart agricultural practices.

Institutional Arrangements and Coordination Mechanisms

The Ministry of Finance, National Planning and Trade, in collaboration with the Ministry of Agriculture, Climate Change and Environment, is currently establishing institutional coordination mechanisms for climate finance resource mobilization. These mechanisms aim to enhance access to climate finance, ensuring the effective implementation of Seychelles' NDC, National Adaptation Plans, and Long-Term Emission Development Strategy (LT-LEDS).

A key component of these coordination efforts is the Climate Finance Technical Working Group (CFTWG). This group comprises representatives from relevant ministries and key stakeholders and is co-chaired by the Principal Secretary for National Planning from the Ministry of Finance,

National Planning and Trade, and the Principal Secretary for Climate Change and Energy from the Ministry of Agriculture, Climate Change and Environment. The National Planning Department serves as the Secretariat for the CFTWG. This group will oversee the alignment of financial resources with Seychelles' climate goals and facilitate access to climate finance, ensuring the effective implementation of national climate objectives.

Climate Change Expenditure and Climate Budget Tagging (CBT)

Climate Change Expenditure is not defined in the Public Financial Management (PFM) regulation. Seychelles is in the process of integrating Climate Budget Tagging (CBT) into its national budgeting process. CBT serves as a critical tool for identifying, tracking, and managing climate-related expenditures. By systematically tagging budget lines that contribute to climate action, CBT enhances transparency, accountability, and effectiveness in climate finance management. This approach ensures that investments are directed toward initiatives that mitigate climate change and support adaptation efforts. In the CBT methodology to be rolled out in 2025, with a current pilot phase with Agriculture sector and Transport sector applying CBT in 2024 for their 2025-2027 budgets. The guidelines for CBT provide detailed instructions on tagging specific programs and budget lines related to climate action. They also outline the roles and responsibilities of key stakeholders, including the Ministry of Finance, Ministries, Departments, and Agencies (MDAs), and the CFTWG. The CBT framework is currently being piloted in the agriculture and transport sectors for the 2025–2027 budgets and is expected to be fully implemented in 2026.

Relevant Climate-Related Legislation

Seychelles' commitment to climate action is further supported by a comprehensive legislative framework. Key laws and regulations include the National Parks and Nature Conservancy Act (1969), Fisheries Act (1987, amended 2014), Energy Act (2012), Disaster Management Act (2014), and the Environment Protection Act (1995, amended 2016). Other significant legislation includes the Meteorology Act (2015), Conservation and Climate Adaptation Trust of Seychelles Act (2015), and the Seychelles National Climate Change Strategy (NCCS) of 2009. Additionally, the Seychelles Sustainable Development Strategy (SSDS) (2012-2020), Water Policy (2017), Wetlands Policy and Action Plan (2018-2022), Coastal Management Plan (CMP) (2019-2023), Energy Efficiency Policy (2020-2024), and the National Climate Change Policy (2020, currently under review) contribute to the country's climate governance.

Climate Change Governance and Institutional Capacity

Although the National Climate Change Committee is currently inactive, Seychelles has made significant progress in developing institutional capacity for climate governance. The establishment of the Climate Finance Technical Working Group is expected to further strengthen institutional coordination and capacity, particularly in the management of climate finance. This working group will play a pivotal role in ensuring that financial resources are aligned with national climate goals, facilitating access to climate finance, and supporting the effective implementation of climate-related projects and policies.

Disaster Risk Management

Addressing climate change and disaster risk management is a major priority for the Government of Seychelles, and this is outlined in the Seychelles Coastal Management Plan (2019-2024) and Seychelles National Integrated Emergency Management Plan 2020, which present clear priorities and opportunities for development. An estimated 90% of Seychelles' population and most of the infrastructure and economic activities are in low-lying coastal zones along the narrow coastal plateau of Mahé Island, making Seychelles economically, culturally, and environmentally vulnerable to the potential effects of climate change and associated extreme events. Seychelles has made significant progress in enhancing its disaster response capabilities and capacities over the past few years. The Disaster Risk Management Act of 2014 and National Integrated Emergency Management Plan (NIEMP) 2020 provide a robust framework for disaster response to extreme events, including those resulting from climate change. These national documents are supplemented by District and Sectoral plans to identify and manage hazards and reduce risks. Whilst not all climate related natural hazards can be avoided entirely, many of their impacts can be mitigated through effective adaptive measures, improved early warning, and effective early action. Sea level rise and future changes in storms are the two major elements that will increase the levels and frequency of coastal hazards. Potential mitigations include delivery of coastal management schemes identified in the Coastal Management Plan, improved spatial planning and long-term adaptation strategies, and effective, impact based, early warning backed up by enhanced resilience planning and early actions. Floods, storms, and landslides are predicted to present even greater risks to Seychelles in future, and while the number of Indian Ocean Cyclones are not expected to increase significantly, their power and intensity is expected to grow, and there is an emerging trend that their tracks may come further north over time. These changes could increase the exposure of Seychelles to cyclonic activity in the future, and therefore, enhanced land use planning, infrastructure design standards, early warning, hazard monitoring, and risk sensitization is required to deal with these risks.