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COUNTRY

GROWTH&JOBS

REPORT

Republic of Seychelles

Modernize, Utilize, Digitalize:
How to Raise Productivity to
Deliver Growth, Good Jobs,
and Social Mobility

COUNTRY GROWTH & JOBS REPORT

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The report was prepared by a core team led by Andrew Blackman (Senior Economist). The core team included Adolf Nourrice (Economist), Yiruo Li (Economist), Cecilia Paradi-Guilford (Senior Digital Specialist), Antonio Martins Neto (Economist), Baidy Toure Sy (Digital Specialist), Martin Elias De Simone (Senior Education Economist), Vaani Chopra (Education Consultant), Alexander Haider (Economist), and Hassan Noura (Economist Consultant). Peer reviewers were Andreas Eberhard (Senior Economist), Samir Bandaogo (Senior Economist), and Tania Begazo Gomez (Senior Strategy Officer). Diana Styvanley managed the communication strategy, Arsianti Lnu provided graphic design support, and Leonora Tshuman provided administrative support.

The report was prepared under the leadership and guidance of Ndiame Diop (Regional Vice President), Hassan Zaman (Prosperity Regional Director), Fily Sissoko (Division Director), Manuela Francisco (Global Director, Fiscal Policy and Growth), Boubacar-Sid Barry (World Bank Group Resident Representative), and Rafael Munoz Moreno (Practice Manager, Fiscal Policy and Growth).

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ABBREVIATIONS AND ACRONYMS

AfCFTA	African Continental Free Trade Area
AEO	Authorized Economic Operator
AI	artificial intelligence
ATG	Antigua and Barbuda
BHS	Bahamas
BRB	Barbados
B-READY	Business Ready
CBS	Central Bank of Seychelles
CCDR	Country Climate and Development Report
CGJR	Country Growth and Jobs Report
CoE	Certificate of Entitlement
COMESA	Common Market for Eastern and Southern Africa
CV	curriculum vitae
CYP	Cyprus
DICT	Department of Information, Communication, and Technology
eKYC	electronic know your customer
EU	European Union
FLFP	female labor force participation
FTC	fixed term contracts
GB	gigabyte
GDP	Gross Domestic Product
GESDP	General Education and Skills Development Pathway
GNI	gross national income
GOP	Gainful Occupation Permit
GoS	Government of Seychelles
HCI	Human Capital Index
HIC	high-income country
ICT	information, communication, and technology
ILO	International Labour Organization
IOT	Indian Ocean Tuna
KNA	St. Kitts and Nevis
kWh	kilowatt-hour
LCA	St Lucia
LFPR	labor force participation rate
LFS	Labour Force Survey
LLC	limited liability company
MDV	Maldives
MEHRP	Ministry of Employment and Human Resource Planning
MESA	Ministry of Employment and Social Affairs
MFMod-GJ	WBG's Growth and Jobs Macro-Fiscal Model for Seychelles
MIRAB	Migration, Remittances, Aid, and Bureaucracy
MLT	Malta

MoE	Ministry of Education
MoFEPTI	Ministry of Finance, Economic Planning, Trade and Investment
MoU	memorandum of understanding
MUS	Mauritius
MW	minimum wage
NBS	National Bureau of Statistics
NEET	not in education, employment, or training
NGO	non-governmental organization
OECD	Organisation for Economic Co-operation and Development
PDARA	Prevention of Drug Abuse and Rehabilitation Agency
PIP	Permission in Principle
PROFIT	people considerations, resource management, overseas engagement, finance, insurance and taxation, and transport
PPP	purchasing power parity
QoS	quality of service
RPL	recognition of prior learning
SCCI	Seychelles Chamber of Commerce and Industry
SCR	Seychelles rupee
SCRA	Seychelles Communications Regulatory Authority
SeyID	Seychelles digital identity
SIB	Seychelles Investment Board
SIDS	Small Island Developing State
SIT	Seychelles Institute of Technology
SITE	Small Island Tourist Economy
SMEs	small and medium enterprises
SQA	Seychelles Qualifications Authority
SRC	Seychelles Revenue Commission
SRH	sexual and reproductive health
STEM	Science, Technology, Engineering, and Mathematics
TFP	total factor productivity
TTO	Trinidad and Tobago
TVET	technical and vocational education and training
UK	United Kingdom
UMICs	upper middle-income countries
UNCTAD	United Nations Trade and Development
UniSey	University of Seychelles
US	United States
VAT	value-added tax
WBES	World Bank Enterprise Survey
WBG	World Bank Group
WCO	World Customs Organization
WDI	World Development Indicators
WTO	World Trade Organization

OVERVIEW

The *Seychelles Country Growth and Jobs Report (CGJR)* provides analysis and recommendations on how Seychelles can achieve higher living standards, more and better-paid jobs, and greater social mobility. As Africa's only high-income country, Seychelles is a success story. But as a Small Island Developing State (SIDS) of 122,000 people scattered across several islands in the Indian Ocean, it also faces unique structural characteristics that make achieving sustainable economic growth particularly challenging. This economic geography reflects the nation's extreme remoteness, small size, geographic dispersion, and exposure to external shocks, which drive up production and logistics costs, hinder export competitiveness, and reduce the potential to realize economies of scale. While the initial transformation into a tourism- and fisheries-driven economy has delivered significant development gains, the economy remains dominated by these sectors, reliant on imports, and prone to shocks. Despite these structural challenges, Seychelles has high ambitions to climb the ranks among high-income countries (HICs). Achieving these ambitions will require a more diversified, productive, and inclusive economy.

Seychelles' economic geography and financial constraints imply that reforms and investments need to be highly targeted to maximize impact. The literature on economic growth in microstates highlights that the constraints imposed by geography are so severe that even with an optimal environment for private sector activities—infrastructure, human capital, business-enabling policies, and finance¹—the range of viable economic opportunities will still be narrow. This implies that reforms and investments need to be narrowly targeted at maximizing the development impact of those limited opportunities where the economic returns are large enough to overcome these structural characteristics.

Moving to the next stage of development will require a new round of reforms, spanning three complementary transformations: economic, social, and technological (Table 1). Seychelles' past economic progress reflects the success of earlier reforms in removing the most binding constraints to growth. What remains is a second tier of frictions that were not critical under a capital-accumulation growth model but are likely to become increasingly binding as Seychelles transitions to productivity-led growth. Addressing this unfinished reform agenda is not about fixing a broken business environment, but about completing the transition to one fully commensurate with Seychelles' income level and aspirations. This transition mirrors the sequence described in the World Development Report 2024 (World Bank, 2024a): countries grow first through investment, then through infusion (adopting and diffusing existing global technologies and practices), and only later, if at all, through innovation at the global frontier. Seychelles has largely completed the investment stage, and its firms are already demonstrating the next one, converting capital into measurable efficiency gains. As a SIDS, infusion rather than frontier innovation is the realistic engine of Seychelles' future productivity-led growth, and the task is to spread it across the economy so that it translates into more and better-paid jobs.

1 Reflecting the World Bank Group's (WBG) Jobs Framework (WBG, 2025).

This context, combined with the constraints imposed by Seychelles’ economic geography, highlights the importance of a development strategy focused on:

- Maximizing the benefits of natural resources (tourism and the blue economy)
- Creating an enabling environment for strategic diversification (e.g., the offshore financial sector, digital services exports, and niche high-value tourism, such as super yacht tourism)
- Embracing digitalization to drive productivity and to connect people with jobs, markets, and services
- Equipping Seychellois to take full advantage of the available labor opportunities (both in Seychelles and overseas), while also ensuring efficient access to foreign labor to fill labor supply and skills gaps.

Table 1:

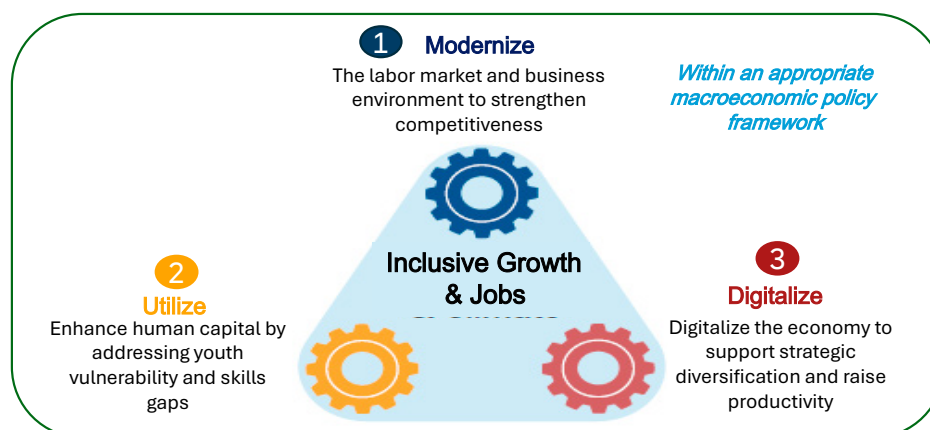
How to stimulate inclusive growth and good jobs in Seychelles

Objectives	Higher Living Standards	More Seychellois in Good Jobs	Greater Social Mobility
What is required? (Outcomes)	Higher economic growth and better service delivery	Seychellois moving up the ‘wage distribution’	Higher labor force participation rate (especially for youth)
How can this be achieved? (Action Areas)	i. Higher productivity = better human capital, technological adoption, and business environment (capital deepening, digital transformation, and services modernization) in private and public sectors ii. Adequate labor force, in the context of an aging population (i.e., continued foreign labor)	Better education, vocational training, and job matching (including upgraded digital skills and readiness)	Address social issues of drug use, teenage pregnancy, school dropout, and skills mismatches
	All require a more dynamic and flexible labor market , underpinned by fit-for-purpose institutions and legal framework (i.e., labor regulation and the Gainful Occupation Permit (GOP) system for foreign workers)		

This report focuses on three priorities to deliver this strategy—Modernize, Utilize, and Digitalize—enabled by a stable macroeconomic policy environment (Figure 1). First, Seychelles will need to modernize both the labor market (to make it more flexible and efficient for local and foreign labor) and the business environment (to strengthen competitiveness). At the same time, the country will need to fully utilize its human capital by adopting a comprehensive, integrated, prevention-focused, and evidence-based approach to address youth vulnerability, skills mismatches, and to improve the transition to employment. Finally, Seychelles will need to digitalize the economy to support strategic economic diversification, productivity growth, job creation, and improved service delivery. By addressing these three priorities, Seychelles can catalyze a new wave of higher economic growth, more and better-paid jobs, and greater social mobility.

Figure 1:

Achieving higher growth, good jobs, and social mobility will require Seychelles to address three interrelated development priorities



Source: WBG staff elaboration

Actions under these three priorities could boost Gross Domestic Product (GDP) by 13 percent and create 2,900 new jobs and the equivalent of over 7,600 better-paid jobs by 2040 (Table 2). Table 3 summarizes the report's key recommendations. Implementation of this reform package is projected to boost labor productivity (by 8.3 percent), human and physical capital accumulation, and labor force participation (by 2.3 percentage points)—leading to higher GDP and employment compared to a no-reform baseline. Because the reform package leads to an increase in labor productivity, it is also expected to lead to better paying jobs, with real wages projected to rise by 7.9 percent. Higher wages translate into improved welfare, with real consumption per capita projected to rise by 8.1 percent. The package is estimated to cost the government 0.7 percent of GDP annually over the first 3 years—which includes 0.5 percent of GDP in up-front costs—and around 0.2 percent of GDP annually in ongoing current spending. Nevertheless, the reform package is projected to lead to a decline in public debt of 1.7 percentage points of GDP in 2040, as higher spending is more than offset by stronger economic growth. Crucially, the three priorities are complementary. To achieve these impacts, actions to increase aggregate demand must be complemented by investments and reforms to boost labor market participation and address youth issues, to ensure that the benefits of more and better-paid jobs do not simply lead to more foreign workers.

Table 2:

Impact of the proposed actions (*Deviations from baseline*)

	Real GDP (%)		Real Wages (%)		Employment (%)		More Jobs (Number)		Better-Paid Jobs (Number)		More & Better-Paid Jobs (Number)	
	2030	2040	2030	2040	2030	2040	2030	2040	2030	2040	2030	2040
All Actions	3.4	12.6	8.6	9.7	3.1	3.5	2,215	2,909	5,888	7,675	8,103	10,584
Priority 1	1.8	7.6	4.0	4.2	2.1	2.4	1,661	2,222	3,141	3,886	4,802	6,108
Priority 2	0.3	1.1	-0.5	0.2	1.1	1.1	554	687	0	490	554	1,177
Priority 3	1.3	4.0	3.4	3.5	0	0	0	0	2,747	3,299	2,747	3,299

Source: WBG staff calculations based on World Bank country specific MFMOD-GJ macroeconomic model.

Realizing and sustaining these gains will also require an ongoing commitment to macroeconomic sustainability and deepening economic resilience. Seychelles' 2008 economic crisis demonstrated the costs of macroeconomic instability. Subsequent structural reforms and prudent economic management ushered in a “golden decade” in the Seychelles economy. Yet, Seychelles' economic geography and vulnerability to climate change means that volatility is inherent. Building resilience requires an ongoing commitment to preserve macroeconomic and financial stability, build fiscal and external buffers, and promote strategic economic diversification. The first two involve fiscal discipline, prudent debt management (including continued adherence to the 50 percent public debt to GDP target), sound monetary policy, and exchange rate flexibility. The latter can help to provide alternative drivers of growth that are not exposed to the same shocks. For example, the offshore financial sector, digitally-enabled service exports, and niche super yacht tourism are not exposed to the same fuel supply and air/cargo transport connectivity vulnerabilities as general tourism and fisheries—thus boosting economic resilience, jobs, and incomes. A stable and resilient macroeconomic policy environment is essential to ensure that reforms to *Modernize, Utilize, and Digitalize* can deliver the projected growth, jobs, and social benefits.

Table 3:

Summary of the CGJR's key recommendations

<i>Objective</i>	<i>Priority Action</i>
PRIORITY 1: MODERNIZE the labor market and business environment to strengthen competitiveness	
Labor Regulation	To create a more flexible and efficient labor market, modernize the Employment Act by: (i) allowing employees to work beyond pension age; (ii) removing severance pay for resignation and retirement; (iii) introducing a simplified pathway for contract termination by mutual agreement; (iv) applying regulations to Fixed Term Contracts (FTCs); and (v) replacing FTC attestation with mandatory training, a model contract, more inspections, and higher penalties for non-compliance.
GOP System	To create a more flexible and efficient labor market, reform the GOP system by: (i) digitalizing the process; (ii) extending the maximum duration to 4 years for selected occupations; (iii) tying the GOP to the skills, not the job title; and (iv) modernizing the Guidelines for Recruitment of Non-Seychellois Workers.
Trade, Investment, and Courts	To reduce trade-related costs, attract more foreign investment, and strengthen commercial justice: (i) revise the Customs Management Act and regulations, issue e-Certificates of Origin, implement a Trusted Trader Program, and adopt a Single Window ; (ii) revise the Foreign Investment Act to adopt African Continental Free Trade Area (AfCFTA) investment provisions and reposition Seychelles Investment Board as an investment facilitator; and (iii) ensure strong implementation of the Commercial Court and compulsory mediation , and reform the insolvency framework, extending the Court's jurisdiction to insolvency over time.
PRIORITY 2: UTILIZE human capital by addressing youth vulnerability and closing skills gaps	
Youth Vulnerability	Adopt a comprehensive, consolidated, prevention-focused, and evidence-based approach structured around three areas: (i) schools as hubs for integrated social services; (ii) skills for improved transition to employment; and (iii) coordinated action across agencies. Specific actions include: i. Improve learning outcomes through the action in “Learning Outcomes” below ii. Expand after school programs and prioritize schools in high-risk districts iii. Strengthen transitions to work through the action in “Skills Gaps” below iv. Address structural health barriers by enacting legislation and reforms to improve youth access to contraceptives and sexual and reproductive health information v. Extend the social registry to capture youth vulnerability indicators and make it interoperable across government agencies for more effective early identification and case management.

Learning Outcomes	To improve learning outcomes and teacher performance: (i) accelerate curriculum reform by: (a) establishing minimum learning standards by grade; (b) sequencing the curriculum coherently across subjects and grades, including rationalizing subject overload; and (c) aligning curriculum, assessment, and remediation strategies for at-risk students; and (ii) strengthen instructional quality through targeted coaching for primary school teachers and structured remedial education for struggling students in early secondary. Evaluate the ongoing AI Teacher Coach and AI-powered Student Tutor pilots and, where effective, use them to develop a sustainable national model for AI-supported teacher professional development and personalized student support.
Skills Gaps	To strengthen the supply side of the labor market and skills development: (i) create clear transition pathways for graduates of the General Education and Skills Development Pathway (GESDP) in upper-secondary school into either direct employment or further training at professional centers; and (ii) reform the national qualification framework to resolve the non-recognition of GESDP certificates by professional centers, and industry certificates by Seychelles Qualifications Authority (SQA).
PRIORITY 3: DIGITALIZE the economy to support strategic diversification and raise productivity	
Internet Quality and Affordability	To improve internet reliability, quality, and affordability: (i) enforce compliance with Quality of Service standards to ensure that internet providers deliver consistent minimum levels of speed, stability, and reliability, and introduce escalating penalties for repeated underperformance; (ii) introduce cost-based wholesale pricing and require dominant operators to separate infrastructure and retail costs; and (iii) enhance the regulatory framework for satellite connectivity .
Digital Government	To accelerate the digital transformation of government and expand the use of digital public services: (i) establish the Inter-Ministerial Digital and AI Coordination Committee to drive coordination and implementation; and (ii) require all public entities to review, simplify, and digitalize their processes , prioritizing full online delivery of key services (such as tax filing, business licensing, and customs), with public outreach to promote adoption.
Digital Skills	To expand digital skills: (i) expand community-based digital literacy programs to build basic digital skills among youth, small and medium enterprises (SMEs), and older populations; and (ii) develop and scale short, practical courses in high-demand skills such as AI, cybersecurity, cloud computing, and data analytics, in partnership with academia, technical institutes, and industry.
Technology Adoption by Firms	To accelerate digital adoption by firms: (i) launch a Digital Adoption Program for SMEs that provides time-bound financial support and technical assistance to help firms adopt digital solutions such as online business platforms, digital payment systems, basic management software, and productivity tools; and (ii) in partnership with the private sector, establish an innovation incubator offering structured mentorship, co-working space, seed funding, and connections to regional investors.
FUNDAMENTAL ENABLER: Retain an appropriate macroeconomic policy framework	
Reinforce Macro Stability and Resilience	To preserve macroeconomic and financial sustainability, build fiscal and external buffers, and advance prospects for long-term inclusive growth and economic resilience: (i) maintain fiscal discipline and prudent debt management, including continued adherence to the 50 percent public debt to GDP target; (ii) uphold sound monetary policy and exchange rate flexibility; and (iii) promote selective economic diversification.

Actions for Growth and Jobs

1. Modernize the labor market and business environment to strengthen competitiveness

Seychelles' future economic development hinges on resolving supply-side challenges and labor market issues. Rising youth vulnerability—due to school disengagement and underperformance, substance abuse, teenage pregnancy, and weak alignment of the education system with the skills demanded by the economy—is eroding human capital and labor market outcomes. This has led to skills shortages and underutilized potential in the domestic labor force. In addition, Seychelles' small population is aging fast, with the share of elderly citizens projected to triple from 9 percent in 2017 to 26 percent in 2050. Despite these dynamics, labor regulations have not materially changed in 30 years and include several provisions that limit labor market flexibility and efficiency. Consequently, access to human capital is the second most cited constraint for firms (after access to land), and firms have increasingly turned to foreign labor. From 2002 to 2024, migrant workers accounted for 60 percent of the 34,000 jobs created in the economy and now account for 39 percent of private sector workers. Yet the system for hiring foreign workers is also costly, inefficient, and rigid.

Evidence shows that foreign workers are complementary to domestic workers, have been a key driver of economic growth, and will become even more important as the Seychellois population ages. A decomposition of per capita GDP growth shows that growth has been supported by the growing presence of migrant workers since the mid-1990s, and that foreign labor is complementary to domestic labor—rather than competing with it (Figure 1.22 in Chapter 1). Administrative data also indicates that foreign workers do high wage and minimum wage jobs, while Seychellois do intermediate wage jobs—reinforcing their complementarity (Figure 1.23). Faster economic growth and diversification will create more jobs in Seychelles. But if the domestic labor force is not equipped to grasp these opportunities, it will only result in more imported labor. Thus, “better-paid jobs” for Seychellois involves not only creating new jobs but also upskilling Seychellois for existing good jobs. Given the aging population, this also means accepting more foreign labor. For example, National Bureau of Statistics (NBS) projections indicate that the Seychellois working age population will remain flat at 55,000 over the next 15 years. Under pessimistic and optimistic assumptions about future jobs growth, the economy would need 23,000 to 59,000 foreign workers in 2040 (compared to 24,952 now). The reality is likely to be somewhere in the middle—but the exercise demonstrates that foreign workers are not a temporary solution—they are, and will remain, essential to Seychelles' economy.

A more dynamic and flexible labor market is needed to spur productivity-led growth and job creation. In the face of disengaged youth, skills mismatches, an aging population, structural dependence on foreign workers, and rigid labor rules—unleashing a new wave of productivity-led growth and job creation will require reforms to create an efficient and flexible labor market for both domestic and foreign workers.

Modernize the legal framework to make the labor market more flexible and efficient

Seychelles' labor legislation is outdated and in need of an overhaul. More than 30 percent of firms identify labor regulations as a major constraint to business, the highest among peer countries, and labor regulation quality underperforms all peers. While the Employment Act (1995) has been amended several times over the past 30 years, these have been tweaks at the margin rather than

fundamental changes. The Act continues to include several provisions that limit labor market flexibility and efficiency. For example, it makes termination costly and difficult—discouraging worker mobility and labor reallocation to productive sectors—restricts employment beyond the retirement age, creates perverse incentives for the use of Fixed Term Contracts (FTCs), and minimum wage adjustments are ad-hoc and not anchored in economic fundamentals. There is now a consensus across the Government of Seychelles (GoS), private sector, and civil society on the need for a major overhaul of the law.

Five reforms are required to create an enabling environment for productivity-led growth. First, the law should provide greater flexibility for employees to work beyond pension age. Given the aging population, this can facilitate skills transfer to younger generations and help firms retain experience and firm-specific human capital. Second, remove severance pay for resignation and retirement but retain it for redundancies and termination without cause. This will reduce labor market frictions, support worker mobility and reallocation, and improve clarity in the compensation framework. Third, narrow mandatory negotiation requirements to specific circumstances—such as layoffs, redundancies, or cases involving pregnancy, maternity, or sick leave—while introducing a simplified pathway for contract termination by mutual agreement. Fourth, apply regulations to FTCs to introduce basic rules and conditions/benefits, apply conversion rules, and limit repeated renewals for Seychellois. This will safeguard workers' rights and ensure that those performing ongoing roles receive the protections attached to continuous contracts. Fifth, replace FTC attestation with mandatory training, model contracts, more inspections, and higher penalties for non-compliance. This will replace an ineffective and costly administrative burden with one that empowers workers, incentivizes firms, and strengthens compliance through real oversight and deterrence, improving labor market outcomes for both employees and employers.

Reform the GOP system to make it work better for firms, workers, and the economy

The GOP system is inefficient and rigid – hindering timely recruitment and imposing significant burdens on firms. The process for recruiting foreign workers remains largely manual and paper based. In 2010, obtaining a GOP took 4–6 weeks, on average. In 2024, it took three times longer, at 12–20 weeks. Yet some cases reportedly take up to a year to be processed. In comparison, it takes around 3 weeks in Maldives and 4–6 weeks in Mauritius. The process is also rigid—GOPs are tied to specific job titles/positions rather than to individuals or skills. This limits internal promotions or redeployment of workers, creating costly inflexibility for firms. These challenges are compounded by outdated regulations and weak inter-agency coordination. All of this leads to a system that undermines service quality, productivity, investment, and competitiveness.

Four reforms are needed to make the GOP system work better for firms, workers, and the economy. First, digitalize the GOP system to make the process faster, more cost-effective, and more transparent, learning from the experience of Mauritius and Maldives. Second, extend the maximum duration of the GOP from 2 years to 4 years for specific sectors. Administrative data shows that over a third of GOP workers stay more than 3 years, and at least 18 percent stay more than 4 years. In Mauritius and Maldives, the maximum duration is 4 years and 5–10 years. Third, tie the GOP to the skills, not the job title. In other words, allow foreign workers to be promoted and to undertake ancillary roles, provided that the job is related to the skills for which they were employed (i.e., to move from kitchen hand to chef, but not from gardener to chef). This would provide greater flexibility for

firms and reduce the need to seek a new GOP for existing staff to take on a related role, while still ensuring that firms do not “game the system”. Finally, allow Certificate of Entitlement (CoE) holders to recruit foreign workers within their quota without additional approval by the Ministry of Employment and Human Resource Planning (MEHRP), review GOP quotas for CoE holders to better reflect sectoral needs, and modernize the list of occupations for which the CoE quota does not apply (in consultation with industry). This will speed up recruitment in areas where there are clear skills gaps and reduce the number of applications—reducing the administrative burden on MEHRP. These reforms should be complemented by action in two areas. First, investments in youth and skills to bring inactive Seychellois into the labor force and help locals move up the wage distribution—thus pairing better-paid jobs for Seychellois with a more efficient GOP system. Second, measures to address housing pressure and social cohesion concerns linked to increased foreign labor.

Improve trade and investment facilitation, and commercial justice

Seychelles faces challenges in trade costs and access to finance; resolving these are critical to boosting productivity and competitiveness. Trade-related frictions—especially lengthy import clearance and delivery times—are more binding than in peer nations, primarily due to operational weaknesses in border management and fragmented agency coordination. Firms struggle with time-consuming, unpredictable customs processes and limited ability to leverage preferential market access. Additionally, access to finance is hindered by high lending rates, stringent collateral requirements, and structural inefficiencies in the financial system, all of which constrain investment and growth. The investment climate is further held back by an outdated legal framework and the crowding out of the Seychelles Investment Board’s (SIB) promotion mandate by regulatory functions.

Reforms focused on modernizing trade facilitation and strengthening the financial and investment ecosystem can unlock the next stage of firm growth and productivity. Key actions that would reduce the cost of doing business include integrating digital systems for border agencies, adopting risk-based inspection practices, implementing a trade Single Window, and launching a Trusted Trader Program for large import/export firms. Revising the Customs Management Act and regulations would also unlock opportunities in emerging sectors like super yacht tourism. In the financial sector, improvements to the collateral registry and credit information infrastructure would reduce borrowing costs and expand access to credit. Updating the Foreign Investment Act and refocusing the SIB on export promotion would enhance investor confidence and attract the capital needed for diversification and growth. These reforms collectively represent the “unfinished business” of reform, offering high-impact actions to support Seychelles’ transition to a more dynamic, competitive, and productive economy.

Strengthening commercial justice would complete this agenda. Dispute resolution and insolvency are among the most underdeveloped parts of Seychelles’ business environment, raising the costs of enforcing contracts and of reallocating capital from failed firms to growing ones. The establishment of a dedicated Commercial Court in 2025, with mandatory mediation for commercial matters, is a significant step. The priority now is implementation, with adequate resourcing and trained mediators, alongside reform of the insolvency framework. Over time, extending the Commercial Court’s jurisdiction to insolvency and bankruptcy would consolidate commercial matters within a single specialized forum.

2. Utilize human capital by addressing youth vulnerability and closing skills gaps

Youth vulnerability is increasingly restricting labor supply, productivity, and social mobility. Despite strong access to education, many young people struggle to transition into stable, productive employment. Employers report persistent skills shortages, highlighting structural weaknesses in learning and school-to-work transitions rather than a lack of labor demand. Youth vulnerability manifests through four interconnected outcomes: school disengagement and underperformance, high rates of teenage pregnancy, substance abuse, and weak transitions to employment. These issues reinforce each other, undermining labor market attachment and productivity throughout the life cycle and contributing to intergenerational vulnerability.

The education system, while offering near-universal enrollment, suffers from persistent learning gaps and inadequate academic support, particularly at the primary and lower secondary levels. Boys are disproportionately affected by low performance and dropout rates. The GESDP—that is, the “non-academic” track in upper secondary school—does not adequately prepare students for the labor force, and the GESDP certificate is not recognized as a sufficient entry qualification for professional centers under the national skills qualification framework. Limited access to youth-centered health services, behavioral and social risk factors, and fragmented early identification and referral systems for at-risk youth further compound vulnerability. These challenges reduce the effective supply of job-ready workers, diminish productivity, force reliance on foreign labor, and impose substantial fiscal costs—particularly in health expenditure, with 43 percent of the Ministry of Health’s budget spent on substance abuse prevention, treatment, and rehabilitation (World Bank, 2025c).

These challenges could be compounded by the impacts of artificial intelligence (AI) on the labor market. While it is too early to causally estimate the impact of AI on growth and jobs, analysis indicates that 17 percent of all jobs in Seychelles are at risk of being displaced by AI, while another 22 percent of jobs could be made more productive by AI (AI could also create new jobs, though the number is difficult to estimate). Ninety percent of these at-risk jobs are done by Seychellois workers. Almost 80 percent of these jobs—8,500 Seychellois workers (16 percent of the Seychellois labor force)—are from three occupations: Customer Service Clerks, Business and Administration Associate Professionals, and Business and Administration Professionals. Worryingly, 78 percent of these workers are female, and 22 percent of all post-secondary degrees/courses are training youth for these three at-risk occupations.

Addressing youth vulnerability requires a comprehensive, consolidated, prevention-focused, and evidence-based approach. The government has recognized the urgency of the issue and is implementing multiple initiatives across education, health, and social protection. However, efforts remain fragmented and are often reactive, focusing on remediation rather than prevention. Strategic reform principles should prioritize schools as the platform for prevention and for reaching at-risk youth, reform the GESDP and strengthen transitions to work, address structural barriers to health services, and build an interoperable early identification system to identify and refer at-risk youth across public services.

Four sets of foundational reforms are required. On the academic side, the focus should be on improving learning outcomes and instructional quality, combined with remediation and differentiated learning for struggling students—particularly in the early secondary years where disengagement accelerates. Curriculum reform should be accelerated, and targeted interventions adopted to improve teachers' pedagogy and tailor tutoring to students to improve learning outcomes and deliver remediation. AI tools offer an effective and low-cost method to deliver such interventions. On the behavioral side, the evidence points clearly to after-school programming as a high-impact, cost-effective intervention—current pilots should be evaluated and effective programs expanded. Second, improve the quality and integration of skills training—particularly the GESDP and professional centers—and reform the national qualification framework to resolve the non-recognition of GESDP certificates by professional centers, and industry certificates by SQA. Third, address structural barriers to health services. This includes reforms to improve youth access to contraceptives and sexual and reproductive health information (including in school curricula), and to scale preventive substance abuse interventions under the new Prevention of Drug Abuse and Rehabilitation Agency (PDARA). Fourth, improve youth-at-risk identification, referral, and case management by extending the social registry to capture youth vulnerability indicators and make it interoperable across the ministries of education, health, and employment.

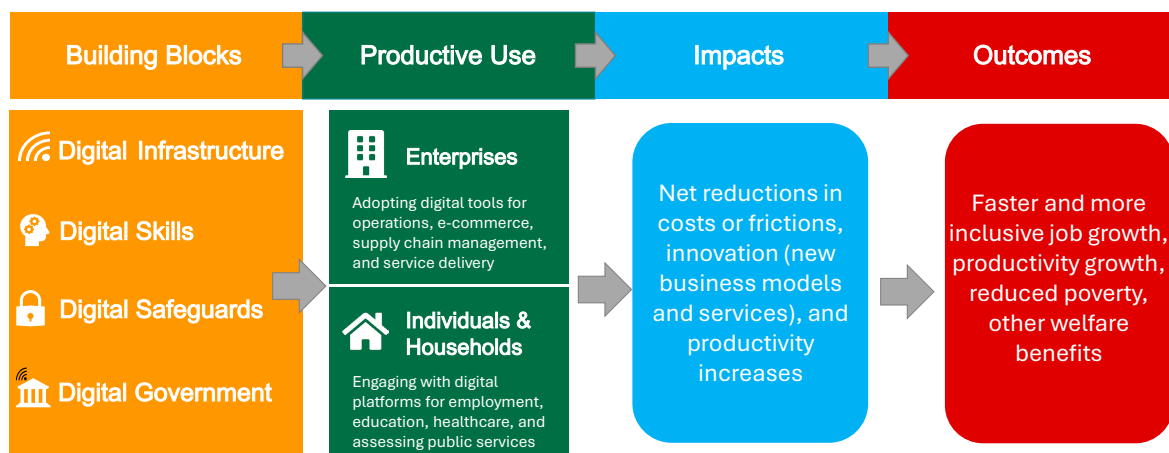
3. Digitalize the economy to support strategic diversification and raise productivity

Seychelles' path to economic diversification and job creation is closely tied to its ability to digitalize the economy. Digital transformation can help Seychelles overcome the structural constraints of its economic geography by reducing the frictions of distance, expanding market reach, and lowering costs. It can boost firm productivity in traditional sectors such as tourism and fisheries and emerging areas like fintech, foster entrepreneurship and innovation in knowledge-intensive service sectors, improve government services, and generate more and better-paid jobs. Stronger digital capabilities also provide a foundation for expanding Seychelles' competitiveness in digital services trade and the nation's ambition to become a regional digital hub, supported by continued investment in ICT infrastructure, skills development, and an enabling policy framework.

Realizing this potential will require a coordinated strategy to overcome the barriers limiting digital transformation, including high internet costs, digital skills gaps, and limited uptake of digital solutions. The analysis and recommendations are structured around two areas—building blocks and productive use (Figure 2). Building blocks encompass affordable broadband, digital skills (including AI and cybersecurity), digital safeguards, and digital government. Once these inputs are established, the focus shifts to enabling productive use of technology. This means supporting digital uptake by enterprises to reach new markets and boost productivity, and improving access for individuals to enhance labor participation, learning, and use of digital services. These shifts reduce market friction and drive firm-level productivity. As digital technologies become mainstream, they spur inclusive job creation, productivity growth, and poverty reduction. By increasing digital adoption and productive use, Seychelles can transition towards a more resilient, diversified economy, with greater participation in high-value, knowledge-based services.

Figure 2:

Conceptual framework for analyzing Seychelles' digital transformation



Source: WBG staff elaboration

Improve access to affordable and quality broadband internet

Seychelles has achieved significant advances in digital infrastructure and access, but important gaps persist in internet affordability, reliability, and quality. Broadband connectivity and internet affordability have improved significantly since 2018, supported by new international submarine cables and widespread 4G/LTE coverage. However, significant challenges remain. Lower-income households face steep costs for both fixed and mobile broadband, with entry-level packages consuming a large share of monthly income, making meaningful internet access unattainable for many. Additionally, over 60 percent of firms report frequent internet disruptions, and broadband speeds lag peer countries, particularly those with more competitive markets. These issues are exacerbated by market concentration, limited infrastructure sharing, and uneven regulatory enforcement, leading to persistent gaps in affordability, reliability, and quality.

Investing in regulatory capacity and fostering greater competition can address these challenges. The Seychelles Communications Regulatory Authority (SCRA) should enforce Quality of Service regulations for internet providers (such as minimum standards for speed and reliability), monitor compliance, and impose escalating penalties for repeated violations. Cost-based wholesale pricing should be introduced by SCRA to ensure that smaller companies have fair access to essential infrastructure, and to require dominant operators to separate wholesale infrastructure costs from retail services to improve transparency and strengthen regulatory oversight of pricing. Following the issuance of an internet service provider license to Starlink, there is also a need to ensure a forward-looking approach to spectrum allocation and management that promotes competition, innovation, efficient spectrum use, and the integration of emerging connectivity technologies. These measures aim to improve service quality, increase competition, and lower prices, supporting broader digital inclusion and economic growth.

Accelerate the digital transformation of government

Seychelles has put in place key building blocks for a digital government, but it underperforms relative to peers in the effective delivery and uptake of digital government services. GoS has made progress in establishing digital government foundations, such as a secure national digital identity (SeylD) and ambitious targets for digitalizing public services. However, it continues to lag peers in effective delivery and adoption of digital government services. Key challenges include fragmented platforms, duplicative procedures, and slow approvals, which force continued reliance on paper-based processes for key services like tax payments, business licensing, and company registration. Limited integration with core systems, lack of operational interoperability, and low uptake—caused by concerns about reliability, limited awareness, low trust, and digital skills gaps—further undermine the impact of existing investments. As a result, efficiency gains, competition, and private sector innovation remain constrained, and digital channels are often underutilized despite their availability.

Achieving the GoS target of digitalizing 75 percent of public services by 2028 will require priority actions to strengthen whole-of-government coordination and encourage broader use of digital services. This includes implementing the new national AI and digital strategy, establishing the Inter-Ministerial Digital and AI Coordination Committee to drive coordination and implementation, and requiring all government entities to review, simplify, and digitalize their processes within 3–5 years. Key services—such as tax filing, business licensing, and customs—should be prioritized for full online accessibility. Additionally, enhanced training for GoS staff and a targeted communication campaign for citizens and firms will help build confidence and familiarity with digital platforms, highlighting their safety and convenience. These measures can unlock the potential of existing digital investments, reduce administrative costs, and support job creation and business growth.

Strengthen digital safeguards to build trust in digital services

Robust digital safeguards are essential to build trust in digital services. Seychelles has made notable progress in establishing legal and regulatory frameworks for data protection, cybersecurity, and electronic signatures (e-signatures), reflecting its commitment to a secure digital transformation. However, challenges remain, including limited enforcement capacity, fragmented oversight, insufficient technical expertise, and resource constraints across key institutions. The Information Commission—responsible for data protection oversight—is underfunded and understaffed, leading to weak enforcement, unclear guidance, and inadequate public outreach. Similarly, operational capacity for cybersecurity is limited, with responsibilities spread across multiple agencies and coordination mechanisms still developing. Adoption of e-signatures is also hindered by uneven implementation, reducing confidence in digital transactions and slowing the shift from paper-based processes.

Two key actions are required to address these challenges. First, to strengthen cybersecurity implementation capacity, clarify the responsibilities of key agencies, ensure adequate staffing and resources, and establish clear protocols for detecting, reporting, and responding to cyber incidents. Second, issue clear guidelines on e-signatures to ensure their acceptance by government agencies, financial institutions, and firms. In addition, strengthen the capacity of the Information Commission to provide simple, accessible guidance to firms, particularly SMEs, on how to comply with data protection requirements and safely manage personal and business data, including in cross-border transactions. These actions will build trust in digital services, promote adoption of e-signatures, and support the growth of digital economic activity.

Develop a digitally skilled workforce

Developing digital skills across the population is essential for productivity growth, economic transformation, and labor market inclusion. While national policies emphasize digital literacy and advanced ICT skills, foundational capabilities remain limited among both younger and older generations, with many citizens lacking basic computer and online navigation skills. Resistance to digital tools, especially among older populations, and widespread mistrust due to frequent scams, impede the adoption of digital technologies. Although some institutions offer relevant courses, their scale is small, and the supply of advanced ICT professionals is insufficient to meet rising demand in sectors like tourism, financial services, and the blue economy. As a result, firms rely heavily on foreign ICT specialists, limiting the country's ability to leverage digital technologies and AI for innovation and productivity gains.

Interventions are needed to boost both basic and more advanced digital skills across the population. Gaps in basic digital skills can be addressed by expanding community-based digital literacy programs targeted at youth, small and medium enterprises (SMEs), and older citizens, complemented by cybersecurity awareness campaigns. For intermediate and advanced skills, developing and scaling short, practical courses in priority areas such as AI, cybersecurity, cloud computing, and data analytics—through partnerships with local institutions and industry—can help build advanced competencies and tailor training to market needs. By strengthening the entire digital skills pipeline, Seychelles can reduce reliance on foreign labor, align workforce capabilities with emerging technologies, and accelerate its digital transformation for sustained economic growth.

Accelerate digital adoption by firms

Beyond key building blocks, the real economic impact of digital connectivity depends on how effectively individuals and businesses leverage these tools for productive purposes. While digital adoption is emerging in Seychelles, it remains limited to basic technologies, with uneven integration across core sectors such as tourism, fisheries, and financial services. SMEs—which form the backbone of the economy—often lack the resources and expertise to establish an online presence, as reflected in the low rate of firm website adoption compared to regional peers. Persistent barriers—including high costs, unreliable internet, and limited local ICT skills—restrict broader use of advanced digital tools and constrain competitiveness. Additionally, the startup and innovation ecosystem is still nascent, with limited access to early-stage funding, mentorship, and market networks, further impeding the commercialization of innovative solutions and sustainable growth.

Targeted public interventions, in partnership with the private sector, can address these gaps. To catalyze digital upgrading and help firms overcome high fixed costs, a targeted Digital Adoption Program for SMEs could provide time-bound financial support and technical assistance to help firms adopt digital solutions such as online business platforms, digital payment systems, basic management software, and productivity tools (such as emerging AI-enabled applications). To support entrepreneurship and innovation, a dedicated incubator should be established—preferably in partnership between the public and private sectors and modeled on successful international programs (i.e., in the Caribbean and Fiji)—offering structured mentorship, co-working space, seed funding, and connections to regional investors. These initiatives can boost domestic digital adoption, foster innovation, and gradually reduce the reliance on foreign outsourcing, especially for SMEs.

CHAPTER 1

MACROECONOMIC FEATURES OF GROWTH AND JOBS

This chapter provides a succinct diagnostic of Seychelles growth and jobs landscape. It analyzes growth characteristics, key drivers, structural transformation, demographics, the labor market context, and the macro-fiscal framework. This is presented as 10 “key facts” about growth and jobs in Seychelles in Section 1.1. Section 1.2 then considers what is required to move Seychelles to the next stage of development, and Section 1.3 provides macroeconomic projections under current policy settings to serve as a baseline to compare the reform scenario outlined in subsequent chapters.

As the continent’s only high-income country (HIC), Seychelles is a success story in Africa.

Over the past three decades, Seychelles—a SIDS of 122,000 citizens—has seen rapid inclusive growth and significant declines in poverty, underpinned by structural reform and strategic sectoral diversification. The country achieved an average growth rate of over 4 percent between 1984 and 2023, reflecting a threefold increase in real GDP per capita within a single generation. This rapid growth was accompanied by a significant reduction in poverty—with the headcount rate falling from 22.8 percent in 2006 to an estimated 7.2 percent in 2025 (based on a poverty line of US\$8.30/day, 2021 PPP)—and impressive gains in human development, with Seychelles achieving the top ranking on the Human Development Index among African nations.

The primary engine of growth has been the transition from lower-productivity agriculture to an economy centered on tourism and fisheries. Tourism is Seychelles’ economic backbone, contributing around one-quarter of GDP and jobs, 50 percent of exports, generating vital foreign exchange, and boosting government revenues. The fisheries sector accounts for a further 13 percent of GDP, 12 percent of exports, and 8 percent of jobs. Rapid physical capital accumulation was also a major contributor to growth, supported by prudent macroeconomic management.

This report uses peer countries to benchmark Seychelles’ growth and jobs performance.

Peer countries were selected based on the following economic and demographic characteristics: (i) Categorized as a SIDS; (ii) population of less than 2 million; (iii) narrow economic structure; and (iv) level of GDP per capita. Structural Peers are those with a similar level of GDP per capita. Aspirational Peers are those where GDP per capita is significantly higher than that of Seychelles. These two groups of countries are used to benchmark Seychelles’ performance throughout the report:

- **Structural Peers:** Antigua and Barbuda (ATG), Barbados (BRB), Maldives (MDV), Mauritius (MUS), St. Kitts and Nevis (KNA), St Lucia (LCA), Trinidad and Tobago (TTO).
- **Aspirational Peers:** Bahamas (BHS), Cyprus (CYP), Malta (MLT). In some analysis in Chapter 4 (digital transformation), Singapore and Estonia are also included, at the request of GoS.

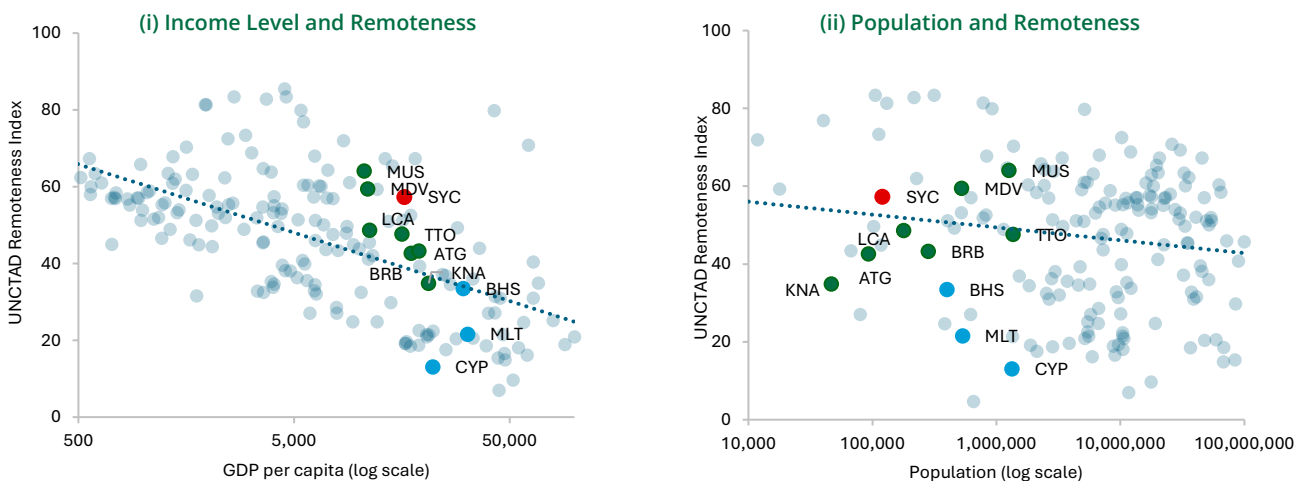
1.1 10 Key Facts About Growth and Jobs in Seychelles

Fact #1: Economic geography is a structural constraint to growth and diversification

Seychelles faces inherent structural challenges related to its economic geography, which is characterized by extreme remoteness, small size, geographic dispersion, and exposure to external shocks. These geographic limitations drive up production and logistics costs, hinder export competitiveness, and reduce the potential to realize economies of scale. This ultimately restricts economic diversification and increases the reliance on the public sector and state-owned enterprises to provide essential services.² Limited economic diversification, high import dependence, and environmental fragility expose Seychelles to external shocks. These characteristics are compounded by thin domestic capacity—which limits both private enterprise and the quality of public administration. Combined, these factors limit the range of activities in which Seychelles can be internationally competitive, lower the productivity of capital, labor, and skills (total factor productivity [TFP]), and make achieving sustainable economic growth particularly challenging. Figure 1.1 shows that Seychelles combines a small population and remoteness to a much higher degree than most of its Structural and Aspirational Peers.

Figure 1.1

Smallness and remoteness sets Seychelles apart



Sources: UNCTAD Development Indicators and World Development Indicators (WDI).

Note: Seychelles in red, Aspirational Peers in blue, Structural Peers in green.

The literature on economic growth in microstates highlights that the constraints imposed by geography are so severe that even with an optimal environment for private sector activities—infrastructure, human capital, business-enabling policies, and finance³—the range of viable economic opportunities will still be narrow. Box 1.1 summarizes the academic literature on drivers of growth in microstates. This highlights the limited feasible options to overcome the economic geography of microstates and achieve higher living standards and job creation.

² For example, the Seychelles Trading Company, Seychelles Petroleum Company, and Public Utilities Corporation.

³ Reflecting the WBG Jobs Framework, see WBG (2025).

Considering Seychelles’ thin capacities and financial constraints, this implies that reform efforts and investments need to be narrowly targeted at the most promising opportunities for economic growth and better-paid jobs for locals.

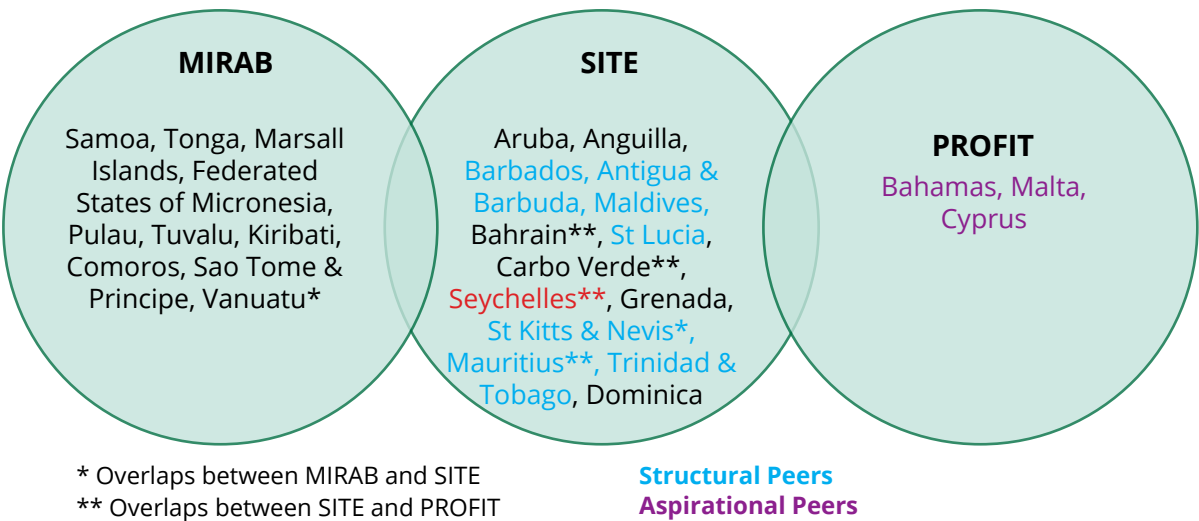
Box 1.1: The Drivers of Growth in Microstates

The literature on economic growth in microstates⁴ identifies three types of small-island economies based on potential drivers of growth and sources of foreign exchange to fund welfare-enhancing imports (Figure 1.2):

- a. **MIRAB (Migration, Remittances, Aid, and Bureaucracy):** Welfare and per capita incomes in these economies are determined by two stock-flow relationships: (i) the stock of overseas-resident migrants and their descendants, which sustain the flow of remittances and new migrants; and (ii) the stock of domestic public-sector employment, which is sustained by the flow of aid.
- b. **SITE (Small Island Tourist Economy):** In these countries, tourism is the main driver of economic activity, employment, and foreign exchange inflows.
- c. **PROFIT (People Considerations, Resource Management, Overseas Engagement, Finance, Insurance and Taxation, and Transport):** PROFIT economies seek to exploit a broader set of economic opportunities through: (i) shrewd immigration and cyclical migration policy; (ii) engaging in tough external negotiations concerning the use of local mineral, natural, political and other imaginative resources (“rents to sovereignty”); (iii) securing and controlling viable means of transportation; and (iv) luring foreign direct investment via business-friendly tax regimes.

While the framework was not conceived as a development model, several microstates have successfully increased GDP per capita by transitioning through the three types (for example, Cabo Verde, Fiji, Mauritius, Samoa, Vanuatu). Seychelles is classified as a SITE/PROFIT country, with economic growth dependent primarily on tourism and fisheries, though the emerging offshore financial sector is a developing source of income and (some) jobs.

Figure 1.2
Taxonomy of Microstates



Source: Based on Bertram (2006). Note: Including only sovereign states, not territories and protectorates.

4 Bertram & Watters (1985), Bertram (1999, 2006), McElroy (2006), Baldacchino & Bertram (2009), among others.

The consequences of these structural characteristics highlight the importance of a development strategy that aims to reduce the disadvantages imposed by geography while maximizing the benefits of Seychelles' limited economic opportunities. Like other SIDS, Seychelles' unique economic geography limits the effectiveness of traditional development strategies, such as manufacturing-based, export-led growth. Consequently, reforms to improve the business environment are unlikely to be sufficient to ensure global competitiveness given the costs imposed by size and distance from markets. A key implication is that reforms and investments should be targeted toward reducing the disadvantages imposed by geography, and on economic opportunities that are less affected by these disadvantages. This highlights the importance of an alternative development strategy focused on: (i) maximizing the benefits of natural resources (tourism and the blue economy); (ii) creating an enabling environment for strategic diversification into PROFIT-related sectors (i.e., the offshore financial sector and other sovereign resources); (iii) embracing digitalization to drive efficiency and connect people with jobs, markets, and services; and (iv) equipping the labor force to take full advantage of the available labor opportunities (both in Seychelles and overseas—such as digitally-enabled trade in services), while also ensuring efficient access to foreign labor to fill labor supply (skills) gaps.

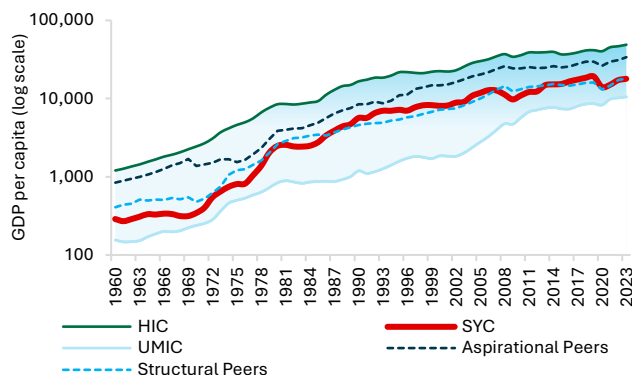
Fact #2: Seychelles escaped the middle-income trap, but growth has been volatile

Over the past 50 years, Seychelles has achieved strong developmental outcomes (Figure 1.3, Figure 1.4). The country attained high-income status in 2015, with a GDP per capita of US\$19,616 (current prices) in 2025, the highest in Africa. Strong growth has translated into significant social gains, with the upper-middle-income poverty rate (US\$8.30/day, PPP 2021) at 7.2 percent in 2025. Income inequality is relatively contained, reflected in a Gini coefficient of 0.32 in 2018 (latest available data). Seychelles' Human Capital Index (HCI) is broadly consistent with its income level and is the highest among Structural Peers, though it remains below Aspirational Peers of Cyprus and Malta (Figure 1.4). These outcomes are supported by strong education and health indicators, including a primary school gross enrollment rate of 97 percent and life expectancy at birth of 72 years in 2024.

The 2008 balance-of-payments crisis marked a decisive turning point, with comprehensive macroeconomic and structural reforms ushering in Seychelles' "golden decade" of sustained growth between 2009 and 2019 (Figure 1.5). In 2008, high external debt, unsustainable fiscal deficits, and acute balance-of-payments pressures led Seychelles to default on its external obligations. In response, the authorities implemented far-reaching structural reforms—including fiscal consolidation, debt restructuring, and liberalization of the exchange rate and goods, capital, and labor markets. During the subsequent decade, growth averaged over 6 percent, primary fiscal surpluses averaged 5 percent of GDP, and public debt declined sharply from over 100 percent of GDP to 49 percent, marking the longest sustained expansion in the country's history, interrupted only by the COVID-19 shock.

Figure 1.3

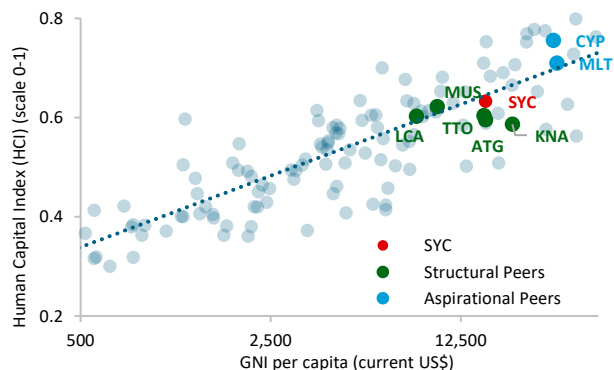
GDP per capita has risen for 50 years, reaching HIC status in 2015



Source: WDI.

Figure 1.4

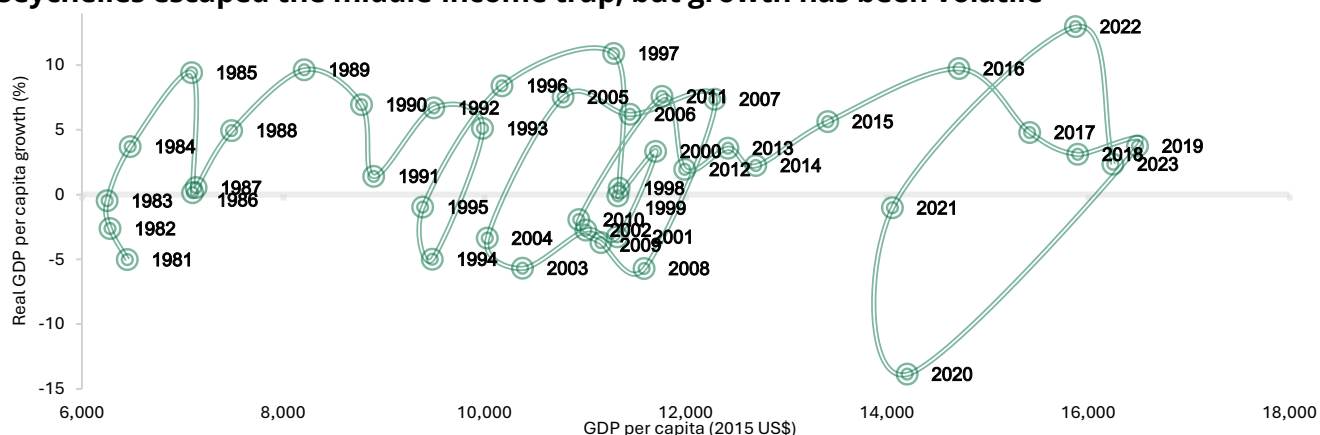
Seychelles' HCI is consistent with its income level and above Structural Peers, though below Aspirational Peers



Source: WDI.

Figure 1.5

Seychelles escaped the middle-income trap, but growth has been volatile



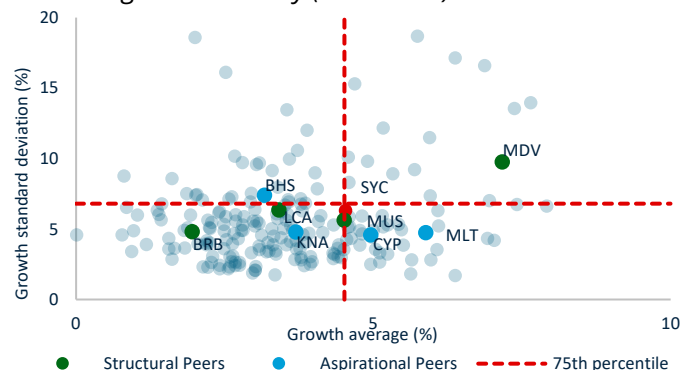
Source: CGJR Dashboard.

Similar to other small island states Seychelles exhibits high volatility, reflecting a narrow economic base (Figure 1.6). The average standard deviation of growth for Seychelles is slightly below the 75th percentile, with only Maldives and Bahamas having higher volatility among Seychelles' peer countries. The pattern is consistent with Seychelles' narrow economic base and exposure to external shocks, as well as the impact of episodic domestic adjustments.

Figure 1.6

Volatility is high, even compared to peer countries

Real GDP growth volatility (2000-2024)



Sources: WDI and WBG staff calculation.

Fact #3: As a SIDS, volatility is inherent for Seychelles, so a key objective for macro-fiscal policy is to build resilience and manage volatility

Seychelles' 2008 economic crisis demonstrated the costs of macroeconomic mismanagement.

The crisis was not a sudden shock, but the result of years of accumulated fiscal and external imbalances. A growth model built on extensive state intervention, generous welfare commitments, foreign exchange controls, and rising external borrowing left the country highly vulnerable. Rising global food and fuel prices, followed by the global financial crisis, exposed these fragilities. By late 2008, reserves had fallen below one month of imports, foreign exchange shortages had become severe, GDP growth had fallen from 9.9 percent in 2007 to -1.0 percent in 2008, and the government was unable to meet a coupon payment on a US\$230 million bond. Public debt reached 192 percent of GDP by end-2008, forcing Seychelles to seek comprehensive debt restructuring and launch a major reform program (Rojid et al., 2013).

Seychelles' prudent macroeconomic management has been a cornerstone of its strong performance since the 2008 debt crisis.

As mentioned in Fact #2, far-reaching structural reforms implemented in 2009–2010 ushered in a “golden decade” for Seychelles. In 2019, GoS met its fiscal target of a 50 percent public debt-to-GDP ratio, before the economy was again knocked off course by the pandemic, with debt spiking to 77 percent of GDP. Despite the impacts of the Middle East conflict during 2026, the 50 percent target is again within reach.

However, volatility remains inherent due to the nation's economic geography and exposure to external and climate-related shocks.

Seychelles' small size, narrow economic (and revenue) base, reliance on imports, and exposure to climate change mean that historical economic volatility is likely to persist or increase. For example, rising sea levels, increasing temperatures, and more frequent storms threaten tourism and fisheries—the two central pillars of the economy—as well as the 90 percent of the population and key infrastructure concentrated in coastal areas. In addition, Seychelles relies on expensive imported fossil fuels for over 95 percent its energy generation, posing significant risks to its macroeconomy and energy security—as demonstrated by the 2026 Middle East conflict. Electricity tariffs for firms are among the highest in the world, undermining private sector competitiveness (see Section 2.2). According to the World Bank Group's Country Climate and Development Report (CCDR) for Seychelles, about 1.1 and 2.5 percent of GDP is needed annually from the public and private sectors until 2030 to address climate risks, build resilience, accelerate the renewable energy transition, and upgrade key infrastructure, such as the Mahe airport and seaport (WBG, 2026a).

In that context, a primary objective of macro-fiscal policy is to build resilience and enhance the country's capacity to manage macroeconomic volatility.

Building resilience requires an ongoing commitment to preserve macroeconomic and financial stability, build fiscal and external buffers, and promote strategic economic diversification. The first two involve fiscal discipline, prudent debt management (including continued adherence to the 50 percent public debt to GDP target), sound monetary policy, and exchange rate flexibility. The latter can help to provide alternative drivers of growth that are not exposed to the same shocks. For example, the offshore financial sector, digitally-enabled service exports, and super yachts are not exposed to the same fuel supply and air/cargo transport connectivity vulnerabilities as tourism and fisheries—thus boosting economic

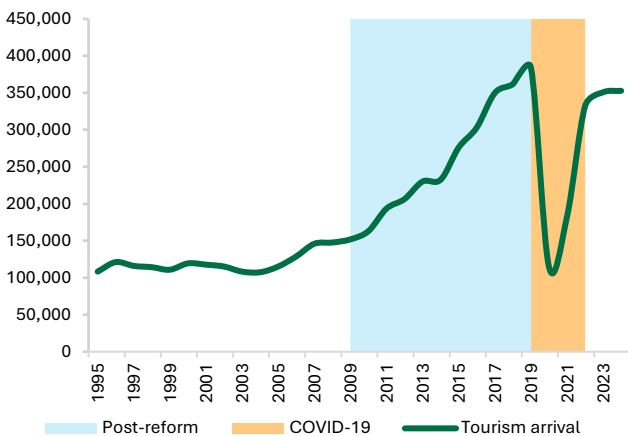
resilience, jobs, and incomes. Achieving these objectives requires nimble institutions that can quickly coordinate and react to frequent shocks, while protecting long-term sustainability. A stable and resilient macroeconomic policy environment is essential to ensure that reforms to *Modernize, Utilize, and Digitalize* outlined in this report can deliver the projected growth, jobs, and social benefits.

Fact #4: Tourism and fisheries are the key pillars of the economy

Tourism and fisheries have been the main pillars of the economy since the 1990s, though structural reforms over the past 20 years led to a growth acceleration with spillover effects on the rest of the economy (Figure 1.7 and Figure 1.8). Although the international airport opened in 1972, tourism did not take off until the mid-2000s following the introduction of the Tourism Incentives Act in 2003, with the sector surging following the structural reforms implemented after 2008. These reforms attracted foreign investments in luxury resorts, allowing for an expansion in tourism capacity. This saw visitor arrivals more than double between 2009 and 2019. In parallel, the fisheries sector experienced rapid growth in two distinct phases. First between 1995 and 2005, linked to investment in the Indian Ocean Tuna (IOT) cannery, and later between 2015 and 2018, driven by the expansion of semi-industrial longline fishing as fleet size and fishing effort increased. The IOT factory is the cornerstone of the country's industrial base, accounting for 95 percent of manufacturing exports and 88 percent of exports to the European Union, with products mainly shipped to France, Italy, and the United Kingdom.⁵

Figure 1.7

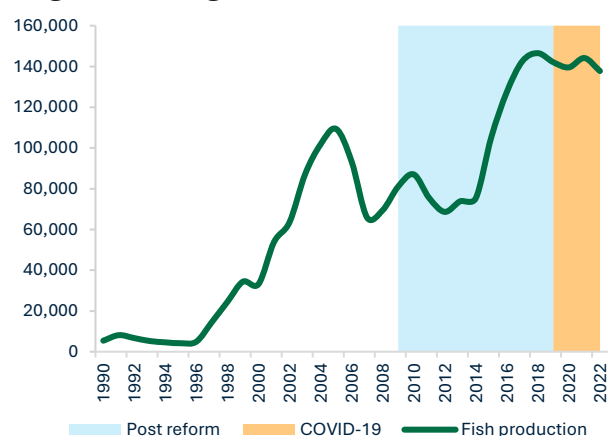
Tourism arrivals surged following the structural reforms implemented after the 2008 economic crisis



Sources: World Bank WDI and Central Bank of Seychelles.

Figure 1.8

Fisheries production (metric tons) has had two phases of strong growth related to the IOT cannery and expansion of semi-industrial longline fishing



Source: World Bank WDI.

5 This evolution reflects a gradual upgrading of the fisheries value chain, beginning with the establishment of Conserverie de l'Océan Indien in 1987, followed by the acquisition of a majority stake by Heinz in 1996—when the company was renamed IOT—and culminating in Thai Union's purchase of a 60 percent share in 2010.

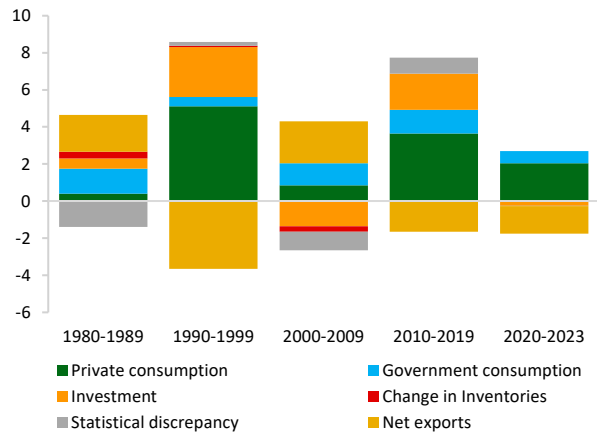
Fact #5: Labor, consumption, and services remain the key drivers of growth, though labor productivity has increased

Seychelles’ growth has been shaped by cycles of consumption- and investment-led expansion, alongside persistent external imbalances (Figure 1.9). Investments in tourism and fish processing in the 1990s supported growth. These dynamics were accompanied by a sizeable negative contribution from net exports, reflecting the import-intensive nature of both public and private investment. In the face of macroeconomic challenges between 2000 and 2008, demand conditions weakened, resulting in a decline in the contribution of investment, although investments in fisheries and tourism supported exports. Following the 2008 reforms, the 2010–2019 period saw private consumption emerge as the dominant growth driver, with investment also contributing positively, though the reliance on imports for domestic consumption continued to weigh on growth.

Labor has been the most consistent driver of growth, while capital accumulation and productivity have played more variable roles over time. Labor has consistently been the main contributor to growth, with an average contribution of 1.4 percentage points over the last 40 years (Figure 1.10). Total Factor Productivity was a key driver of growth in the 1980s, contributing about 2 percentage points, while capital and labor played more modest supporting roles. In the 1990s, capital accumulation strengthened and became a more important driver of growth, particularly during the infrastructure-driven investment surge of that period. By contrast, the 2000–2009 period was characterized by negative contributions from TFP, pointing to low investment efficiency and structural rigidities, despite continued positive contributions from labor and capital. The post-reform period marked a clear break: between 2010 and 2019, TFP rose markedly (3.8 percentage points), reflecting efficiency gains and reform dividends, while labor and capital contributed more modestly (1.3 and 0.7 percentage points, respectively).

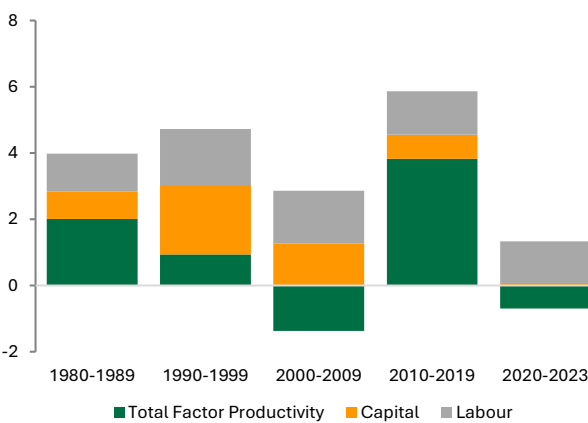
Figure 1.9
On the demand side, growth has been driven by cycles of consumption- and investment-led expansion

Contribution to real GDP growth (percentage points)



Source: MFMod-GJ.

Figure 1.10
On the supply side, labor has been the most consistent driver of growth
Contribution to real GDP growth (percentage points)



Source: MFMod-GJ.

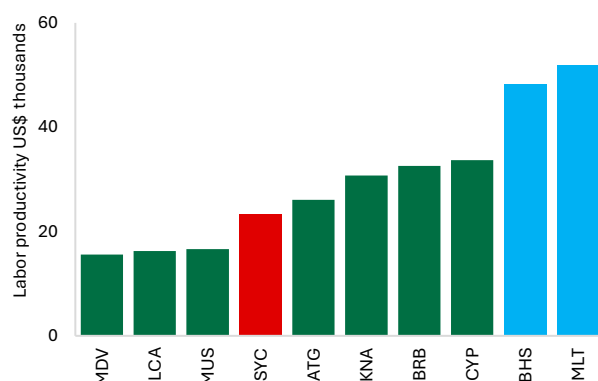
Demand and supply-side patterns translated into an increasingly service-oriented economy (Figure 1.11). The development of the tourism and fisheries sectors was accompanied by the complementary expansion of supporting activities such as transport, trade, hospitality services, and logistics—which further strengthened the services sector. The post-2008 reform environment amplified this trajectory by improving competitiveness and investment efficiency, allowing tourism to become the primary engine of growth during the 2010–2019 expansion. While this specialization underpinned strong macroeconomic performance, it also heightened exposure to external shocks, a vulnerability that became evident during the COVID-19 pandemic. This experience underscores the need to strengthen

resilience and productivity in the dominant tourism and fisheries sectors, while also supporting limited strategic diversification into the narrow additional opportunities available to the economy—such as the offshore financial sector, digital services, and niche high-end tourism (e.g., the super yacht industry).

Labor productivity remains low relative to Aspirational Peers but grew rapidly during Seychelles’ “golden decade” (Figure 1.12 and Figure 1.13). At US\$28,413, productivity exceeded that of Structural Peers but lagged behind Aspirational Peers. Between 2010 and 2018, Seychelles achieved the strongest cumulative productivity growth amongst both comparators, rising 27 percent, indicating a phase of catch-up and narrowing the gap with advanced peers, even if absolute differences remain significant.

Figure 1.12

Labor productivity (2024) remains modest compared to peers...

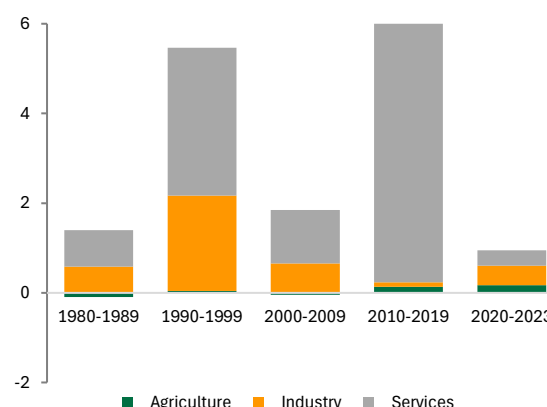


Sources: WDI and WBG staff calculation.
Note: Structural Peers in green, Aspirational Peers in blue.

Figure 1.11

Services drive the economy

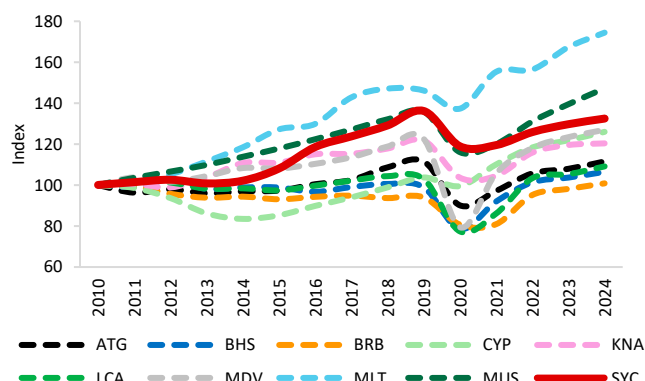
Contribution to growth in gross value added (percentage points)



Source: MFMMod-GJ.

Figure 1.13

...though it grew rapidly during Seychelles’ “golden decade” from 2010-19 (2010=100)

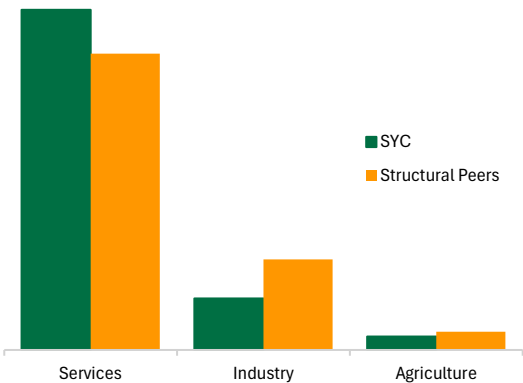


Sources: WDI and WBG staff calculation.

Fact #6: Employment is concentrated in the services sector, and the public sector remains large (even compared to SIDS peers)

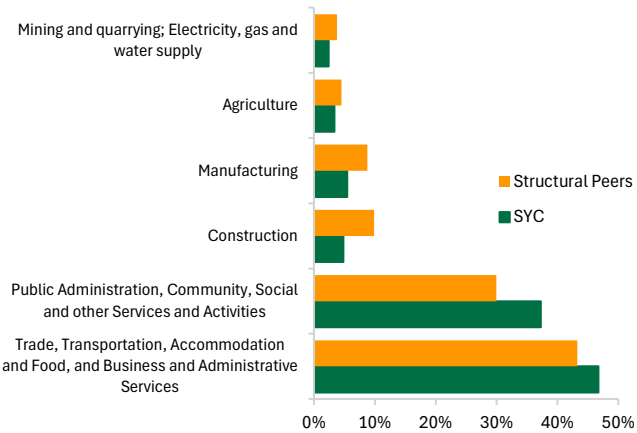
Employment in Seychelles is highly concentrated in services, reflecting the economy’s reliance on tourism and the prominent role of the public sector (Figure 1.14 and Figure 1.15). Economic activity and employment are concentrated in the formal sector, which accounts for 93 percent of jobs (NBS, 2026).⁶ The unemployment rate has been at or below 4 percent since 2001, reaching 2.5 percent in 2025. The services sector accounts for 84 percent of the workforce compared to 73 percent average among Structural Peers. Employment in industry and agriculture (13 percent and 3 percent) is lower than in Structural Peers (22 percent and 5 percent), highlighting the country’s relatively low economic diversification—even among economies with similar economic structures and level of development. Within services, employment is concentrated in a few activities, including trade, transportation, accommodation and food services, and business support, which together account for 46 percent of total employment. The state maintains a prominent role, representing 25 percent of total jobs, above the 20 percent average in Structural Peers, while the private sector accounts for only 75 percent of employment, compared with 79 percent in Structural Peers.

Figure 1.14
Eighty-four percent of employment is in services...



Source: ILO Stats.
Note: 2023 data.

Figure 1.15
...mainly related to tourism and the public sector



Source: ILO Stats.
Note: 2023 data.

Fact #7: Rising youth vulnerability is eroding human capital and labor market outcomes, while disproportionately constraining women’s economic opportunities

The government has declared rising youth vulnerability as a national emergency, as substance abuse, teenage pregnancy, and gender-based violence have serious implications for human capital formation and labor market outcomes. Young people represent a critical segment of the current and future labor force, yet a growing share are falling behind due to drug and alcohol

6 Of these formal workers, 84 percent are employees, 6 percent are employers, 7 percent are independent workers (with no employer), and 3 percent are dependent contractors (NBS, 2026).

use, educational failure, and weak attachment to the labor market. These dynamics are reflected in an increasing shortage of adequately skilled local labor, contributing to the growing demand for foreign workers. While GoS is aware of these challenges, policy responses have largely focused on treatment rather than prevention, and preventive interventions remain fragmented with limited evidence of impact, limiting their effectiveness in addressing root causes.

These social challenges are compounded by a strong gender dimension, with women disproportionately bearing the economic and social costs of youth risk behaviors. High rates of absent fathers and out-of-wedlock births have weakened family structures, placing greater responsibility on women and constraining their education, labor force participation, and financial security. Female-headed households account for 67 percent of the poor population and 76 percent of households with children under 15, creating a persistent gender poverty gap and shaping the development outcomes of most Seychellois children. Addressing the underlying drivers of youth vulnerability is therefore essential not only to strengthen human capital and labor market outcomes, but also to empower women and reduce intergenerational poverty.

Fact #8: Future economic development hinges on resolving labor market issues

Future economic development in Seychelles is constrained by skills shortages, underutilized potential in the domestic labor force, and an aging population. The nation relies heavily on foreign labor—which accounts for 32 percent of the labor force—to fill domestic skills gaps, especially in construction, tourism and hospitality, and manufacturing (Figure 1.16). While foreigners represent 12 percent of GoS employees, they account for 39 percent of private sector employees.⁷ This dependency is structural—given the small size of the population—but it is exacerbated by rising youth vulnerability and a persistent mismatch between the education system and the skills demanded by the economy, which undermines youth labor force participation and future earnings.⁸ As a result, unemployment among 15- to 24-year-olds is around 9 percent, almost three times the national average. In addition, over 20 percent of youth are reported as not in employment, education, or training (NEET), compared to 16 percent and 11 percent in Structural and Aspirational Peers (Figure 1.17 and Figure 1.18).

The high NEET and lack of youth engagement in the labor force is not due to a high reservation wage but to a lack of hard and soft skills—which is the symptom of rising youth vulnerability. International evidence shows that foreign labor can coexist with high inactivity when domestic workers face weak work incentives, overly generous social protection payments, household care responsibilities, or skills mismatches (ILO, 2019; WBG, 2018a). While there are isolated examples of each of these in Seychelles, the strongest driver is the skills mismatch. For example, low wages, working conditions, and long periods away from home are often cited as reasons why Seychellois do not want to work in construction, the IOT canning facility, and on fishing vessels. A lack of access to childcare is cited by some teenage mothers as a reason for not returning to complete high school

7 WBG staff calculations based on GOP administrative data and NBS labor force data.

8 At around 5 percent of the population, Seychelles has one of the highest rates of heroin consumption in the world. At 53 births per 1,000 women aged 15–19, the rate of teenage pregnancies is almost five times the average for HICs. The Global School-Based Student Health Survey found that 17 percent of students reported having been sexually abused (20 percent of girls and 13 percent of boys) (World Bank, 2024b).

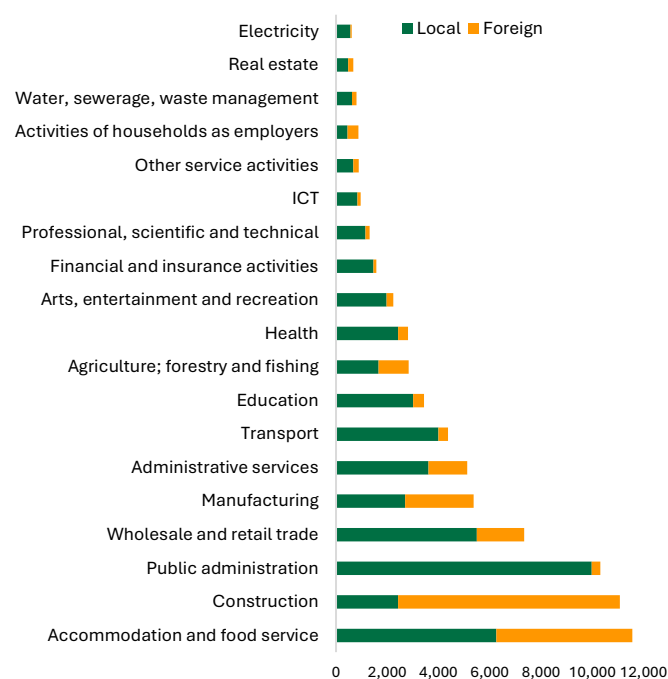
(World Bank, 2024b). While the social protection system is generous by international standards, only 2 percent of social protection spending goes to unemployment benefits (42 percent is on the pension system and 26 percent on support for children). Instead, the overwhelming reason for the high NEET among Seychellois youth is that firms do not want to hire them because they lack both hard skills (e.g., technical and professional) and soft skills (e.g., reliability, time and task management, initiative, customer service orientation, etc.). For this reason, firms would prefer to hire foreign workers, even though they cost up to 70 percent more (see Section 3.2, Table 3.2). Thus, the key actions to increase youth labor force participation are to address weaknesses in the education system and the misalignment between Technical and Vocational Education and Training (TVET) and labor market needs (see Section 3.4).

The demographic transition will increase the pressure on human capital. Although Seychelles has a median age of about 35, and 71 percent of its population falls within the working-age bracket, the proportion of elderly citizens is projected to triple from 9 percent in 2017 to 26 percent in 2050, pushing the dependency ratio to 46 percent. These shifts are likely to escalate health and pension costs, intensifying fiscal pressure and potentially diverting resources from other critical sectors. These demographics are also likely to exacerbate skills shortages and increase the reliance on foreign labor.

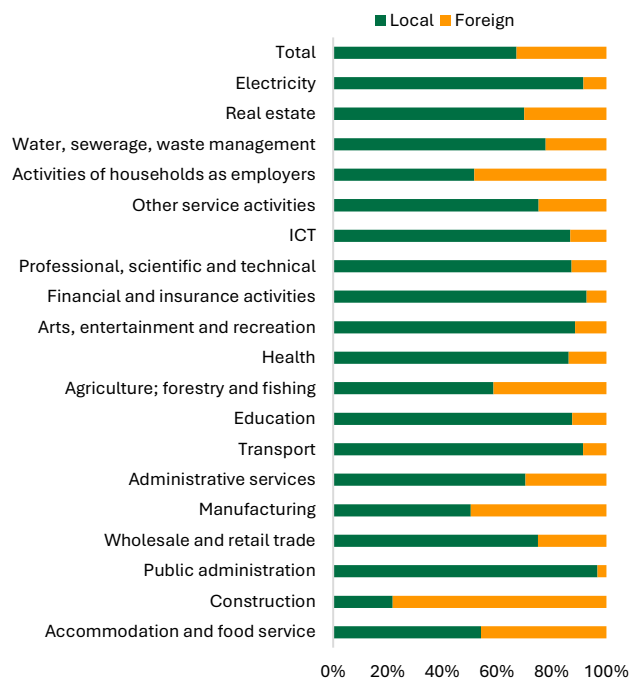
Figure 1.16

Foreign labor fills domestic skills gaps, especially in construction and tourism and hospitality

a. Number of jobs



b. Share of jobs (percent)

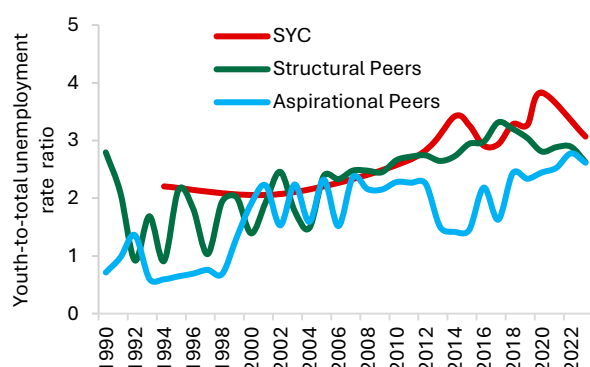


Source: WBG staff calculations based on Ministry of Employment and Human Resource Planning (MEHRP) and NBS Labour Force Survey (LFS) data.

Note: 2023 data.

Figure 1.17

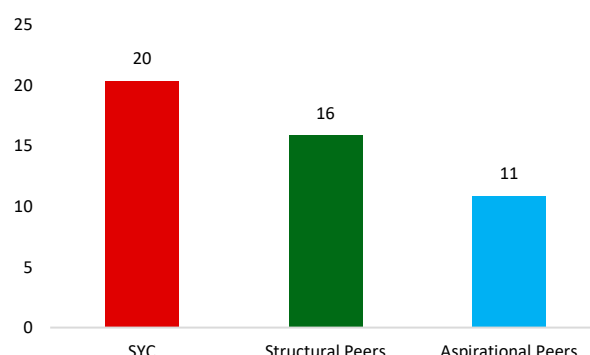
The gap between youth and total unemployment is larger in Seychelles than in peers...



Source: WDI.
Note: Last observation 2023.

Figure 1.18

...as is the share of youth not in education, employment or training (NEET)

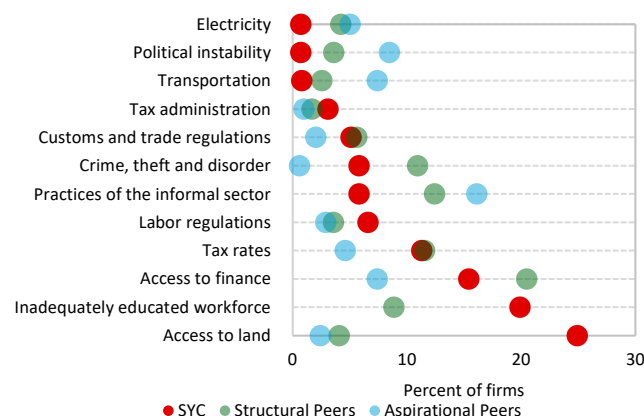


Source: WDI.
Note: 2023 data.

A lack of skilled workers is the second most cited constraint to businesses in the 2023 Enterprise Survey (Figure 1.19 and Figure 1.20). Thirty percent of firms cite an inadequately educated workforce as a severe constraint to business operations, with 20 percent of firms citing it as the single biggest obstacle (ranking it as the second highest obstacle after land). While all firms suffer, medium-sized and female-headed firms are particularly affected, with 37 and 44 percent citing labor skills as the single biggest constraint to business. In addition, 7 percent of firms cite labor regulations as the single biggest obstacle (the 5th highest). Again, all firms are affected, but large firms are particularly affected (many of which are tourism-related), with 43 percent identifying this as their biggest constraint. This points to frictions in the employment framework related to hiring practices, contract rigidities, and compliance costs—particularly related to foreign labor (see Chapter 3).

Figure 1.19

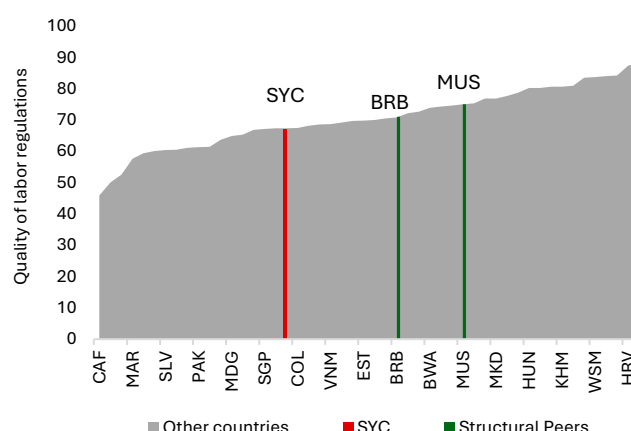
Labor skills (2nd) and regulations (5th) are the biggest constraint to 27 percent of firms, much higher than in peer countries



Source: World Bank Enterprise Survey data sample: 2019–2024.

Figure 1.20

Despite high reliance on foreign labor, labor regulations remain a key constraint compared to peers and globally



Source: World Bank B-Ready (2025).

Fact #9: Foreign labor is essential to Seychelles' economy and will remain a key component of the labor supply due to the aging Seychellois population

Foreign workers have filled 60 percent of additional jobs created since 2002 and have been a key driver of economic growth (Figure 1.21 and Figure 1.22). Foreign workers generate net benefits to the economy by allowing firms to operate at scale, fill skills gaps, reduce bottlenecks (particularly in tourism, manufacturing, and construction), and maintain service quality where domestic labor supply is insufficient. The number of labor migrants increased by nearly sixfold between 2002 and 2024, from 4,347 to 24,972. Over this period, Seychellois employment increased by about 14,000 jobs, while foreign employment increased by over 20,000, meaning that foreign workers accounted for about 60 percent of the additional jobs created. A decomposition of per capita GDP growth reveals that growth has been supported by the growing presence of migrant workers since the mid-1990s. This was particularly evident during the 2006–2010 period, when a surge in construction activity and a pickup in tourism coincided with a marked rise in the contribution of labor migration to growth. More broadly, migrant labor has helped offset weaker productivity gains and demographic constraints, reinforcing its structural role in supporting the country's economic performance. This is consistent with the labor migration literature, which shows that increased foreign labor is associated with faster economic growth and more jobs for locals due to complementarity between local and foreign labor (Dadush, 2014; WBG, 2015).⁹

Foreign workers do high wage and minimum wage jobs, while Seychellois do intermediate wage jobs—creating better-paid jobs for Seychellois thus means moving them up the “wage distribution”. Faster economic growth and diversification will create more jobs in Seychelles. But if the domestic labor force is not equipped to grasp these opportunities, it will only result in more imported labor. Administrative data indicates that foreigners generally do highly skilled jobs (managers, professionals) and minimum wage jobs (construction, the tuna canning facility, basic services in tourism) (Figure 1.23 and Figure 1.24). Thus, better-paid jobs for Seychellois involves not only creating new jobs, but also upskilling Seychellois for existing good jobs. Given the aging population, this also means accepting more foreign labor at the lower end of the income distribution.

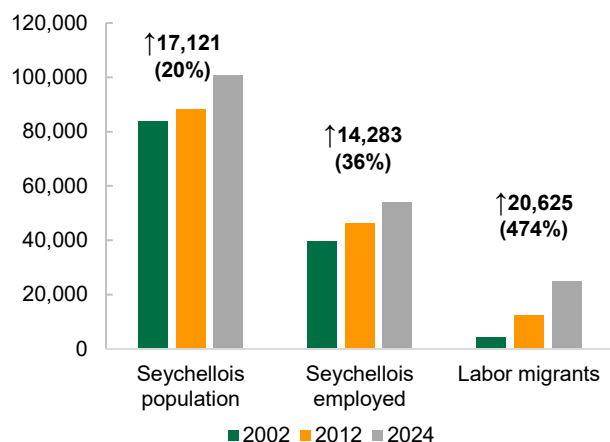
Foreign labor is projected to become even more important as the Seychellois population ages (Figure 1.25). Population projections by the NBS indicate that the Seychellois-only working age population (15–63 years) is expected to plateau at about 67,000 workers over the next 25 years (NBS, 2024). Seychelles' labor force participation rate for this age group (82 percent) has been trending up and the unemployment rate (3 percent) has been trending down over the past 50 years, and are high/low by global standards. Assuming that these rates remain at their current levels over the next 15 years, the number of employed Seychellois will plateau at around 54,000. In comparison, total employment in the Seychelles economy was 79,000 workers in 2024. Yet, the growing economy will require more workers. To estimate how many jobs might be required, two scenarios are considered: (i) an “optimistic scenario” in which future jobs growth is equal to its historical average growth rate (2.5 percent); and (ii) a “pessimistic scenario” in which future jobs growth is equal to the projected future working-age population growth rate (0.2 percent). Under each scenario, total employment reaches 117,000 and 81,000 in 2040, meaning that the economy would require 63,000 and 27,000 foreign workers (compared to the current 24,972).

9 For example, evidence from Malaysia indicates that migrants fill workforce gaps, reduce production costs, and expand output and exports. This leads to higher profits which increases investment and the demand for local workers.

Figure 1.21

Demographic change and a growing economy have led to a large increase in foreign workers over the past 20 years

change and % change in brackets



Source: WBG staff calculations based on Ministry of Employment and Human Resource Planning (MEHRP) and NBS Labour Force Survey (LFS) data.

Figure 1.22

Foreign workers drive growth and are complementary to domestic labor

decomposition of growth in real output per permanent resident

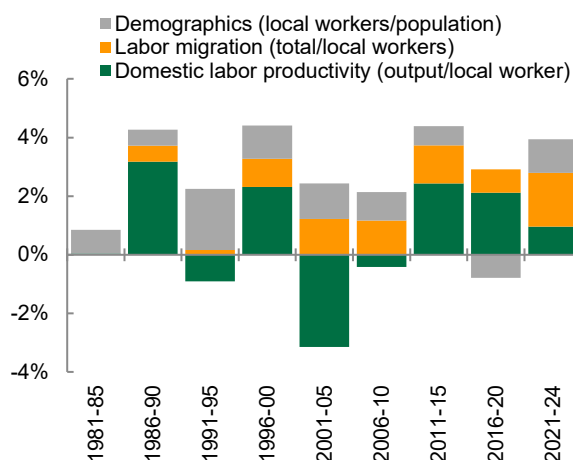


Figure 1.23

Foreigners do high and minimum wage jobs, Seychellois do intermediate wage jobs

Employment of local vs foreign labor by occupation, 2024

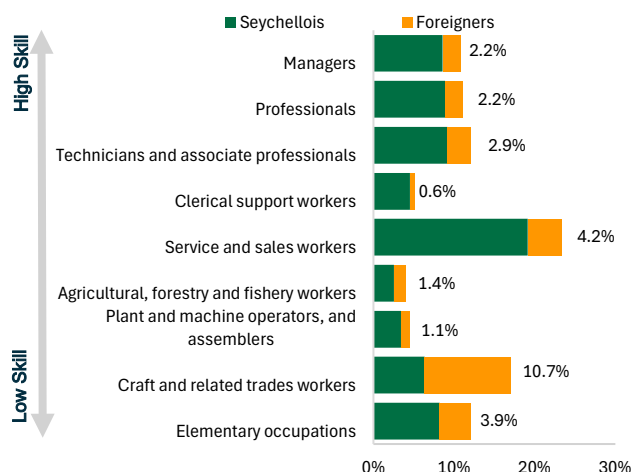
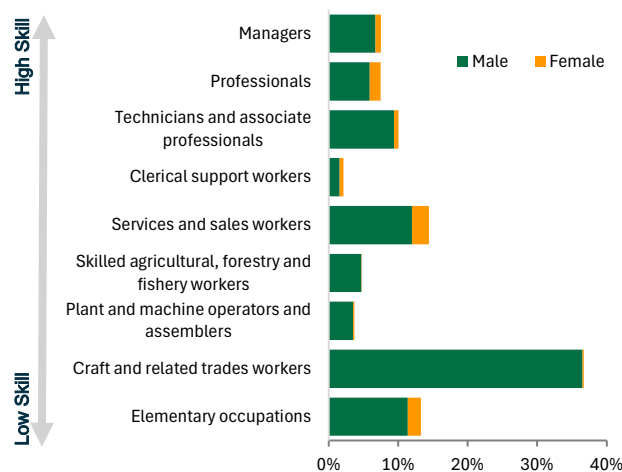


Figure 1.24

Over 90 percent of foreign workers are men

Employment of foreign labor by occupation and sex, 2024



Source: WBG staff calculations based on GOP administrative data and NBS LFS data.

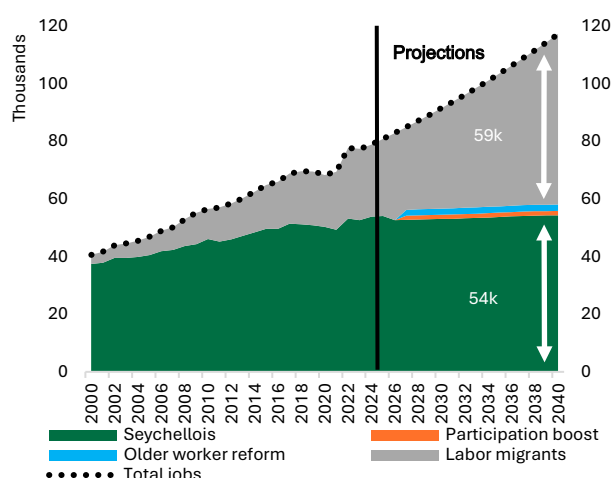
Under both scenarios, foreign labor will remain critical, even after accounting for reforms proposed by this report that increase youth employment and allow older workers to continue working. This report outlines several reforms designed to boost the labor force participation rate by addressing youth and skills issues and allowing older workers to remain working past the regular retirement age (Section 3.5). The reform scenarios in Figure 1.25 assume that these reforms: (i) increase the labor force participation rate by 2.3 percentage points to 69.4 percent; and (ii) that around 2,230 older workers (63+ years) remain in the workforce by 2040, consistent with the modeling results in Chapter 5. After accounting for these reforms, the economy will need 23,000 to 59,000 foreign workers—equivalent to 28 to 50 percent of total employment. Reforms to streamline the GOP process are thus central to support productivity, firm competitiveness, and economic growth.

Figure 1.25

Under both “optimistic” and “pessimistic” projections for jobs growth, foreign labor will remain a key component of the labor supply due to the aging Seychellois population

(a) Optimistic scenario

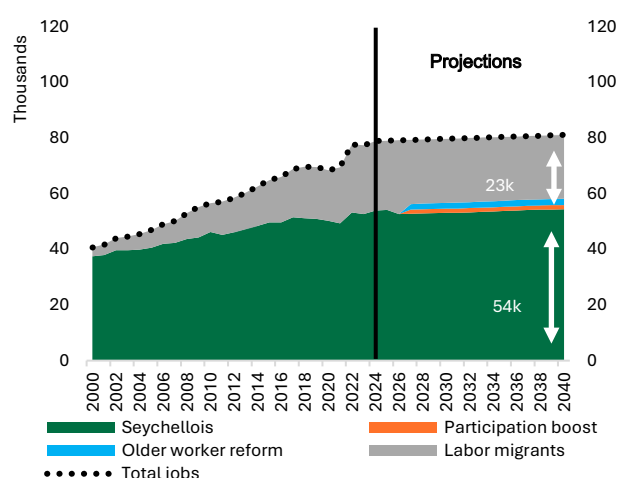
Future jobs growth equal to historical average growth rate (2.5%)



Source: WBG staff calculations based on NBS and MEHRP data.

(b) Pessimistic scenario

Future jobs growth equal to projected future working-age population growth rate (0.2%)



Source: WBG staff calculations based on NBS and MEHRP data.

However, the growing number of foreign workers also creates costs and tradeoffs. A reliance on foreign workers may reduce incentives for firms, training providers, and workers to invest in domestic skills, while creating pressure on housing, infrastructure, and services. Foreign labor may contribute less to the local economy if a large share of their earnings is sent abroad as remittances. Finally, a growing number of foreign workers has raised concerns about social cohesion. These concerns are real and should not be dismissed. However, they should also be rigorously assessed. Seychelles' labor-migration framework includes requirements intended to prioritize available Seychellois workers and localization of skills. Since 2016, outward remittances averaged US\$62 million per year (3.6 percent of GDP)—equivalent to 6 – 10 percent of tourism receipts. Thus, most tourism earnings remain in the domestic economy through wages, local purchases, taxes, and

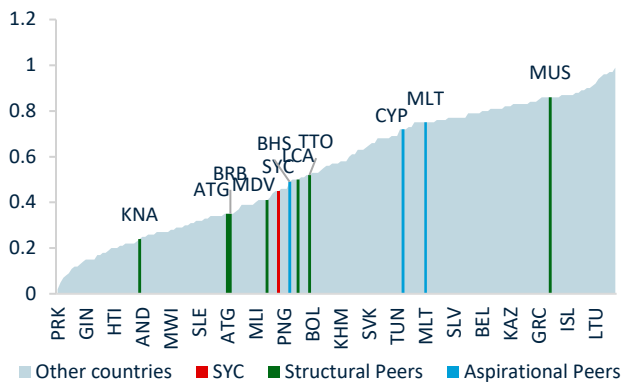
profits, supporting additional jobs for Seychellois. Figure 1.23 shows that Seychellois outnumber foreign workers in all occupations but the lowest skill levels, and the reforms and investments outlined in Chapter 3 are designed to both bring inactive Seychellois into the labor force, and to move locals up the wage distribution. The key challenge, therefore, is to manage these pressures without unduly weakening growth, job creation, or competitiveness.

Fact #10: Seychelles’ digital transformation is incomplete

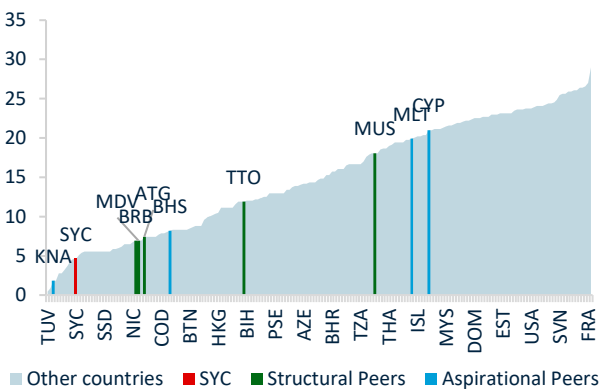
Seychelles’ path to economic diversification and job creation is closely tied to its ability to reap the benefits of digitalizing its own economy and meaningfully engaging in the global digital economy. Digitalization can help to overcome the structural constraints of Seychelles’ economic geography by bringing people to jobs and lowering transaction costs, thus mitigating the structural constraints of distance and a small domestic market. Digitalization can boost productivity in traditional sectors like tourism and fisheries, and emerging sectors such as fintech and creative industries by improving efficiency, market access, and innovation. Realizing this potential will require a coordinated strategy to overcome the barriers limiting digital transformation, including high internet cost, digital skills gaps, and limited uptake of digital solutions (Figure 1.26 and Chapter 4).

Figure 1.26
Digital transformation remains incomplete

(a) GovTech Enablers Index



(b) Digital Development Index



Sources: Vasconcelos et al. (2025) and ITU (2025).
 Note: The GovTech Enablers Index measures the legal, institutional, and technical foundations for modern digital public services. The Digital Development Index is a composite measure covering digital infrastructure, digital adoption and use, digital government, and digital skills and ecosystem.

1.2 Moving Seychelles to the Next Stage of Development

Accelerating development in the face of these vulnerabilities will require Seychelles to undertake three complementary transformations: economic, social, and technological. While the initial diversification into a tourism- and fisheries-driven economy has delivered significant development gains, the economy remains dominated by these sectors. Moving to the next stage of development will require a new round of reforms to maximize productivity in these sectors (by upgrading skills and technology), while also supporting the strategic diversification of the economy. This will involve reforms and strategic investments to: (i) reduce the impact of Seychelles' economic geography (including by improving trade and investment facilitation and embracing digital technology to boost connectivity, productivity, and service delivery); (ii) address challenges to human capital; and (iii) create a more dynamic and flexible labor market (including for foreign workers), underpinned by fit-for-purpose institutions and legal framework. In short, accelerating economic growth and creating more and better-paid jobs requires a reform program focused on improving the business environment (Chapter 2), upgrading the labor market and skills (Chapter 3) and embracing technology (Chapter 4). These priorities map directly to the *Modernize, Utilize, Digitalize* priorities adopted in this report.

The growth and jobs priority in Seychelles spans both the demand and supply sides of the economy and labor market. On the demand side (taken up in Chapters 2 and 4), the priorities are to broaden the base of firms to create more jobs, and to raise productivity within firms so that jobs pay more. On the supply side (taken up in Chapter 3), the priorities are threefold: (i) to upskill Seychellois so they can perform more high-wage jobs; (ii) to address social ills and regulatory constraints to fully utilize Seychelles' scarce domestic labor; and (iii) to make foreign labor recruitment and retention more efficient.

This report is designed to address a fundamental question: What economy does Seychelles aspire to have in 2040, and what is required to achieve this? In consultation with GoS, it was agreed that the fundamental vision of Seychelles' National Development Strategy 2024–2028 is *"To achieve an economy with higher living standards that employs more Seychellois in good jobs, with greater social mobility"*. To operationalize this for the CGJR, the vision has been translated into three objectives. These are then translated into key outcomes, which are underpinned by action areas related to the *Modernize, Utilize, Digitalize* priorities (Table 1.1).

Table 1.1

How to stimulate growth and jobs in Seychelles

Objectives	Higher Living Standards	More Seychellois in Good Jobs	Greater Social Mobility
What is required? (Outcomes)	Higher economic growth and better service delivery	Seychellois moving up the 'wage distribution'	Higher labor force participation rate (especially for youth)

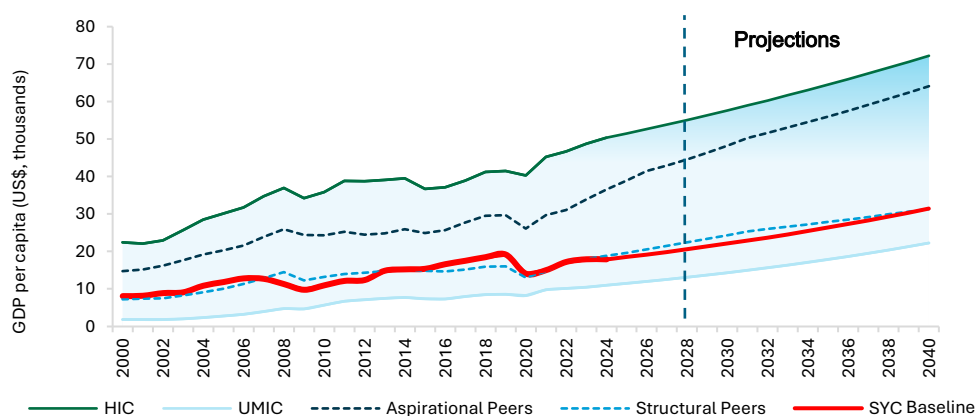
How can this be achieved? (Action Areas)	i. Higher productivity = better human capital, technological adoption, and business environment (capital deepening, digital transformation, and services modernization) in private and public sectors ii. Adequate labor force, in the context of an aging population (i.e., continued foreign labor)	Better education, vocational training, and job matching (including upgraded digital skills and readiness)	Address social issues of drug use, teenage pregnancy, school dropout, and skills mismatches
	All require a more dynamic and flexible labor market , underpinned by fit-for-purpose institutions and legal framework (i.e., labor regulation and GOP system)		

1.3 Baseline Growth Projections

The baseline projections in this report show that under a business-as-usual (i.e., “no reform”) scenario, aggregate GDP growth will stabilize at an average of 2.8 percent and per capita GDP growth at 2.1 percent. The baseline scenario assumes that domestic economic policies and growth fundamentals remain at their current settings/trends over the period up to 2040. The growth projections assume TFP growth at 1.3 percent, an investment-to-GDP ratio converging to 18 percent, and slower domestic labor force expansion due to demographic trends, offset by increasing foreign labor. Annex 1 provides a summary table of the baseline macroeconomic framework. Despite Seychelles’ volatile growth due to the impact of frequent shocks—such as the 2008–2009 macroeconomic crisis, COVID-19, Russia’s invasion of Ukraine, and the 2026 Middle East conflict—the nation is projected to retain its HIC status in the baseline scenario, with per capita income projected to remain broadly similar to Structural Peers (Figure 1.27). Chapter 5 outlines the potential impact of a scenario in which the key reforms outlined in this report are implemented, highlighting the benefits to economic growth, job creation, public finances, and household welfare.

Figure 1.27

GDP per capita is projected to remain around the level of Structural Peers in the baseline scenario



Sources: MFMMod-GJ, WDI, and WBG staff calculations.

Note: HICs and Upper Middle-Income Countries (UMICs) are assumed to grow at the post-Global Financial Crisis per capita compound annual growth rate (2.3 and 4.5 percent). Aspirational and Structural Peers growth rates are taken from the IMF World Economic Outlook April 2026 projections to 2031, and constant GDP growth for 2032–2040.

CHAPTER 2

MICROECONOMIC FEATURES OF GROWTH AND JOBS

Seychelles' private sector has benefited from three decades of structural transformation and capital deepening. This chapter examines whether that momentum is sufficient to sustain a productivity-led growth model and identifies the next generation of reforms that are required to unleash a new round of private sector-led economic growth and job creation. The chapter starts by analyzing the patterns of firm performance and productivity in Section 2.1, drawing on the results of recent firm-level surveys. Section 2.2 then considers those firm dynamics within the overall business environment and structural conditions in which firms operate. Attention then turns to assessing two critical aspects of the business environment—trade costs (Section 2.3) and access to finance (Section 2.4). Finally, Section 2.5 summarizes the chapter's key recommendations.

The firm-level evidence reveals a mixed but encouraging picture of firm dynamism in Seychelles (Box 2.1). Established firms are generating real efficiency gains, and recent sales and labor productivity growth exceed peer benchmarks. Yet aggregate productivity levels remain below Aspirational Peers, entry and exit rates are subdued, and growth has been narrowly concentrated in services, limiting the breadth of competitive renewal. The productivity frontier, while outpacing domestic laggards, remains modest in international terms. Firm-level data also show that more productive firms are not systematically expanding faster, pointing to weak reallocation across the firm distribution. Together, these patterns suggest that growth so far has been driven more by capital accumulation and within-firm improvement than by the broader competitive renewal that underpins sustained long-term dynamism.

Seen through a jobs' lens, established firms are creating better-paid jobs, but more jobs are coming slowly. Firms are expanding largely through productivity gains rather than new hires, and too few new firms are entering and scaling up to add to the jobs pipeline. The jobs that do exist are getting better: firms are investing and becoming more productive, laying the foundation for higher wages. The challenge is that better-paid jobs within incumbents may not be enough. Broadening the base of firms creating more jobs would open more routes for Seychellois to move up the wage distribution. The business environment reforms in this chapter—which enable more firms to enter, scale, and compete—will help increase the demand for Seychellois workers. They are a necessary complement to the labor supply measures in Chapter 3.

Upgrading the business environment is the only path to sustained productivity-led growth and job creation. Seychelles has completed the first generation of reforms, but several areas remain under-developed. Gaps in commercial legal infrastructure—particularly insolvency and dispute resolution—limit allocative efficiency, while frictions in trade logistics, competition, electricity, and access to finance raise operating costs and constrain within-firm upgrading. Addressing these

gaps represents the next stage of reform—completing the transition to a business environment commensurate with Seychelles' income level and aspirations. This chapter identifies reforms in two priority areas where the returns are likely to be highest: (i) reducing trade-related costs through improved border coordination and trade facilitation; and (ii) deepening access to finance and strengthening the investment climate to support firm scaling and innovation. It also identifies several other areas—including commercial legal infrastructure and energy costs—where reform would meaningfully strengthen the business environment. Together, these reforms can help Seychelles consolidate high-income status through a more dynamic, outward-looking, and competitive private sector, with greater capacity to create more and better-paid jobs.

Box 2.1: Seychelles' Firm-Level Data Analyzed in this Chapter

The analysis in this chapter draws on three complementary datasets. The primary source is the World Bank Enterprise Survey (WBES) for Seychelles (2023)—the first ever conducted for Seychelles, providing new, nationally representative insights into private sector conditions. The survey interviewed business owners and top managers in 103 registered private sector firms between May and November 2023, covering all manufacturing and services sub-sectors (agriculture excluded). The sample was reweighted to ensure national representativeness. With the WBES conducted in over 150 countries, results for Seychelles can be benchmarked against regional and global peers. The chapter also draws on the World Bank's Business Ready (B-READY) index (2025), which replaces and improves upon the earlier Doing Business project. The 2025 edition covers approximately 100 economies, including Seychelles, and assesses the business environment across three pillars—Regulatory Framework, Public Services, and Operational Efficiency—spanning ten topics such as business entry, labor, taxation, and insolvency. B-READY combines expert consultations with firm-level survey data from WBES, especially for the Operational Efficiency pillar. Finally, entry and exit measures draw on the World Bank Entrepreneurship Database, which records limited liability company (LLC) registrations; its coverage is narrower than the WBES firm population, so levels are not directly comparable across sources, though the patterns are informative.

2.1 Patterns of Firm Performance

Firm performance in Seychelles reflects a private sector that has made real progress—but the foundations for sustained productivity-led growth are not yet fully in place. This section examines whether patterns of productivity, entry, growth, scaling, and exit are consistent with Seychelles' next stage of development. It assesses whether frontier firms are raising the national productivity ceiling, whether more productive firms are driving expansion, and whether firm turnover and sectoral dynamics are generating sufficient competitive renewal. The evidence shows that aggregate productivity levels remain below Aspirational Peers and the productivity frontier, while strong domestically, trails international comparators. Incumbent firms are nonetheless investing, scaling, and improving productivity, providing a strong foundation to build on. The challenge ahead lies in broadening and deepening that dynamism. How that dynamism evolves will shape the labor market as much as the growth path: firm entry and expansion are the proximate sources of more jobs, and productivity growth is what allows those jobs to pay more.

Seychelles firms outperform Structural Peers on productivity but lag higher-income peers—and even frontier firms fall well short of aspirational comparators. The typical Seychelles firm—measured by median sales per worker—is more productive than firms in Structural Peers,

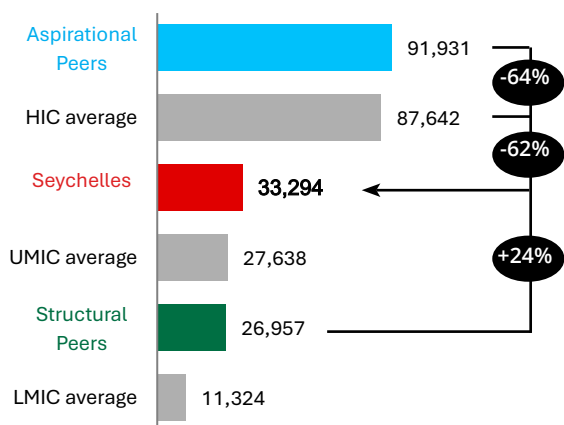
but lags higher-income peers: the median Seychelles firm is 64 percent less productive than the median in Aspirational Peers and 62 percent less productive than the HIC median (Figure 2.1a).¹⁰ Moreover, medians mask important differences across firms (Figure 2.1b). In dynamic economies, frontier firms drive innovation, adopt new technologies, and set the productivity ceiling. Even among Seychelles' top-performing firms, labor productivity trails the peer average by 41 percent—with frontier firms in Malta and Cyprus reaching more than double and triple Seychelles' frontier productivity, respectively. This indicates that the productivity ceiling in Seychelles remains modest in international terms, even among its strongest firms, pointing to significant scope for frontier upgrading.

Figure 2.1

Seychelles firms lag higher income peers on typical and frontier firm productivity

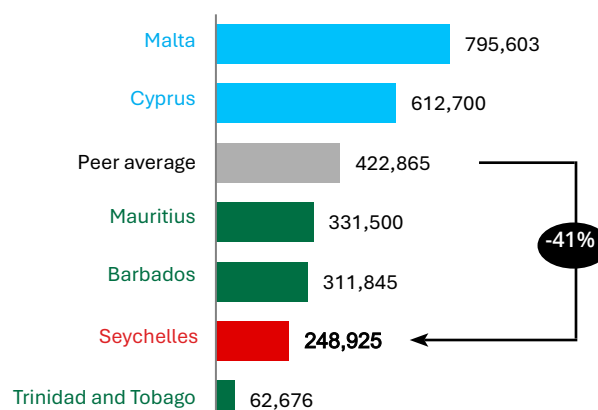
a. Firm productivity vs. Peers

Sales per worker (2009 US\$ median), formal firms only



b. Labor productivity among frontier firms (top 10%)

Value-added per employee by sector (Current US\$, mean)



Sources: B-READY (World Bank, 2025a) and Enterprise Surveys (World Bank).

Note: (1) Structural Peers: Barbados, Mauritius, and Trinidad and Tobago; and (2) Aspirational Peers: Cyprus and Malta.

Among Seychelles firms, internal efficiency is advancing, but the mechanisms that would spread it more widely are weak. In a well-functioning market, capital and labor flow toward more productive firms, and high-potential new firms enter and scale. The Seychelles evidence shows this happening only partially. Firms that grow their sales raise their productivity in tandem (Figure 2.2c), and larger firms tend to be more productive (Figure 2.2d), so scale and efficiency reinforce one another where growth occurs. But productivity levels bear little relationship to subsequent sales (Figure 2.2a) or employment growth (Figure 2.2b): the most productive incumbents are not systematically the ones expanding fastest. Because these survey measures cover surviving firms, they speak to reallocation among incumbents rather than to entry and exit, which are considered separately below.

¹⁰ These are revenue-based productivity measures (sales or value added per worker) and are affected by prices, markups, capital intensity, capacity utilization, and sector composition. They are useful descriptive indicators of firm performance rather than clean measures of technical efficiency; and are interpreted here on that basis.

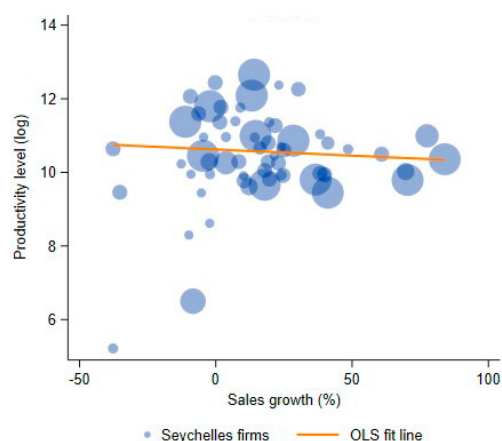
In Seychelles, the most productive firms are the oldest ones, and young firms have yet to become a source of dynamism. Mature Seychelles firms are substantially larger than their young counterparts, at a size ratio well above that of structural peers (Figure 2.2e). The productivity pattern by age is more revealing still: in Seychelles, productivity keeps climbing with firm age, whereas in peer economies the productivity edge sits with younger, maturing firms (Figure 2.2f). This points to a life cycle in which productivity accrues slowly and late, and in which young firms are not yet drivers of the frontier. Part of the age profile likely reflects healthy selection, as more productive firms survive and scale over time. But selection is not the whole story: the size gap is wider and young-firm productivity lower than in comparator economies, pointing to a shortage of high-potential young firms, not simply productive firms outlasting weaker ones. The entry evidence is clearest of all: new firm creation runs at half the rate of structural peers and well below Aspirational Peers, while exit is negligible (Figure 2.3), leaving a thin pipeline of new firms to challenge incumbents.

Overall, this suggests that growth and productivity gains are being generated within established firms rather than through the emergence and growth of new ones. This is a source of strength today, but a narrower base of dynamism than the next stage of growth will require. Sustaining momentum will therefore depend not only on incumbents continuing to scale, but on widening the pipeline of high-potential new firms and keeping competitive pressures strong enough to reward the most productive. For jobs, the implication is direct: employment creation depends disproportionately on established firms rather than on a broad pipeline of new ones.

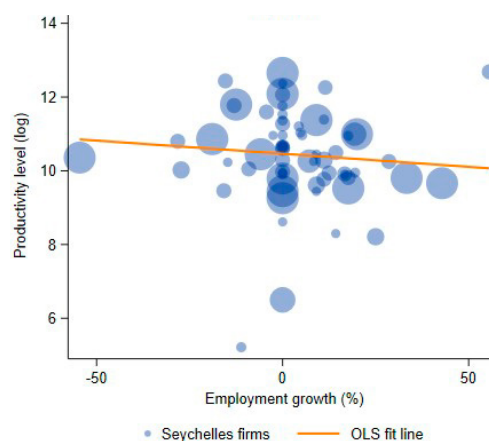
Figure 2.2

Among Seychelles firms, internal efficiency is advancing but market reallocation remains weak

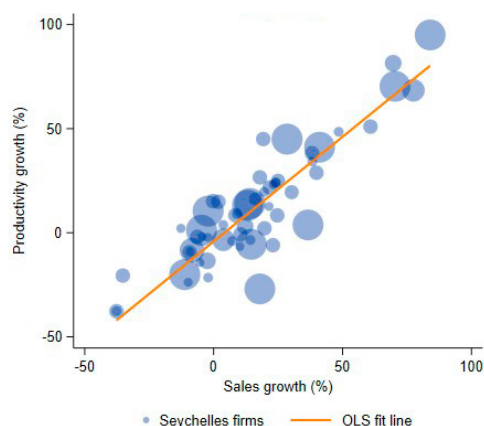
a. Seychelles firm productivity levels vs. sales growth



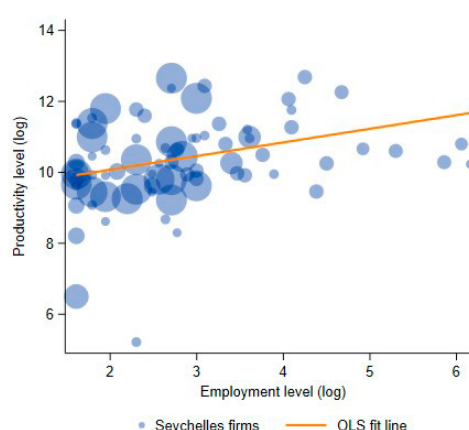
b. Seychelles firm productivity levels vs. employment growth



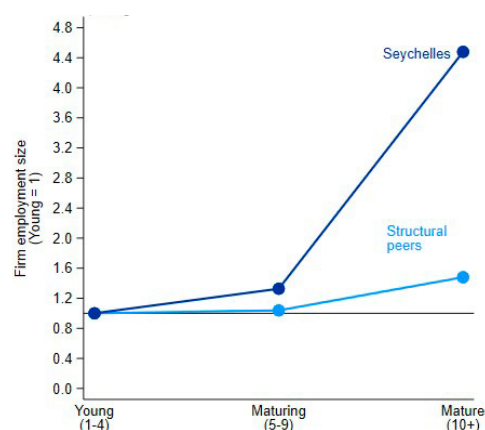
c. Seychelles firm productivity growth vs. sales growth



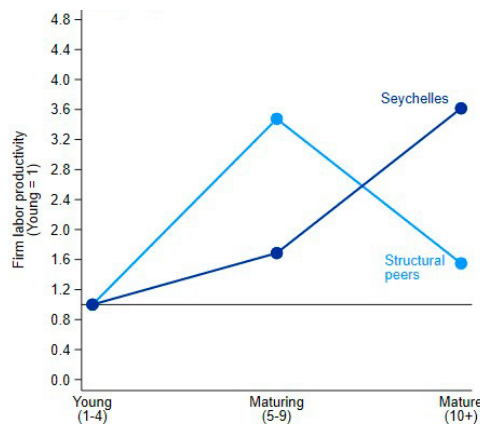
d. Seychelles firm productivity levels vs. employment levels



e. Employment size by firm age



f. Firm productivity levels by firm age



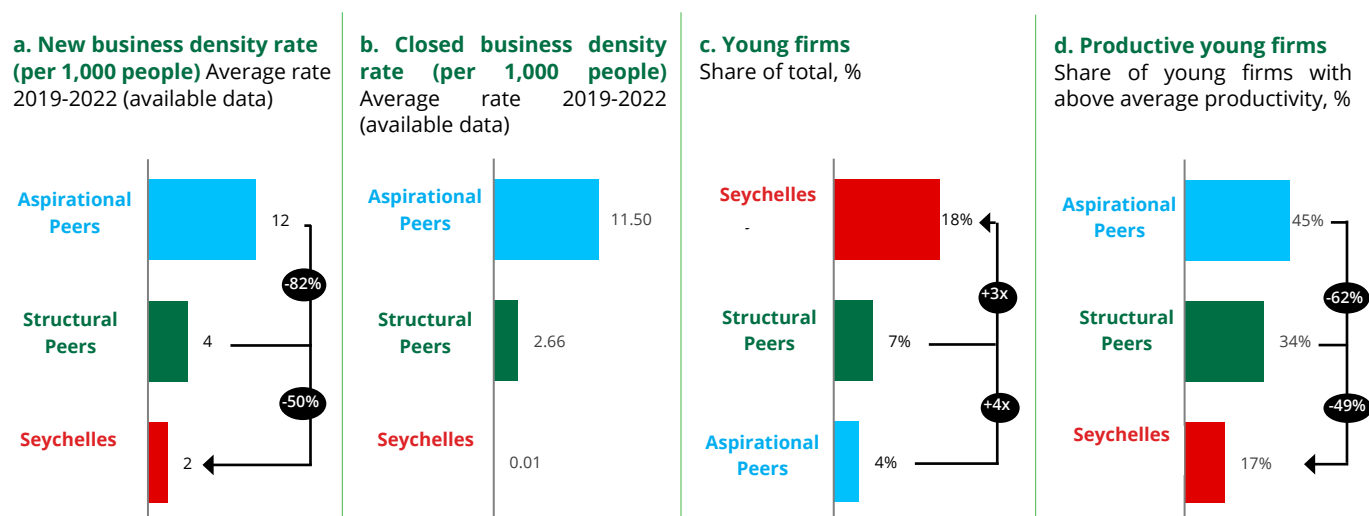
Source: Enterprise Surveys (World Bank).

Note: Bubble size reflects firm size.

Firm entry and exit rates remain below peer levels, and young firms have yet to emerge as a major source of renewal. Based on limited liability company (LLC) registrations, new firm creation is half Structural Peers and more than 80 percent lower than Aspirational Peers (Figure 2.3a). Recorded closures among LLCs are negligible and lag peers, suggesting limited firm churn (Figure 2.3b). While this administrative measure covers only a narrow segment of the firm population, it nonetheless points to subdued formal business turnover. Firm survey data—drawn from a broader population of companies—suggest that young firms may account for a relatively high share of the firm population compared with peers (Figure 2.3c). However, less than a fifth of those young firms operate above average productivity levels, well below the rates observed among peers (Figure 2.3d). Taken together, subdued entry, minimal exit, and the relatively low productivity of young firms point to limited renewal within the private sector. Weak entry does not appear to be driven by high formal registration barriers: Seychelles performs relatively well on business entry in the World Bank’s Business Ready (B-READY) index (World Bank, 2025a), with comparatively low costs and short timelines to start a firm. This suggests that other structural constraints—such as land allocation, business location processes, and market conditions—may be more binding than formal registration requirements. Subdued entry also carries a jobs cost: young firms are typically a disproportionate source of net new employment, so limited entry and limited young-firm scaling narrow the jobs pipeline, including the entry-level roles that matter most for young Seychellois, whose unemployment rate is around three times the national average (Chapter 1).

Figure 2.3

Firm turnover is low and young firms contribute limited renewal in Seychelles



Sources: Entrepreneurship Database (World Bank) and Enterprise Surveys (World Bank).

Note: (1) Entry and exit density measures refer to limited liability companies (LLCs), while the young firm and productivity indicators are drawn from enterprise survey data covering a broader set of firms; levels are therefore not directly comparable, though the patterns remain informative; (2) Structural Peers: Antigua and Barbuda, Barbados, Maldives, Mauritius, St. Kitts and Nevis, St Lucia, Trinidad and Tobago; (3) Aspirational Peers: Cyprus, Malta.

Recent investment and growth among incumbent firms are strong relative to peers, with evidence of scaling and productivity-led expansion. A significantly higher share of Seychelles firms report purchasing fixed assets than most peer groups, though still below Aspirational Peers (Figure 2.4a), and recent real annual sales and labor productivity growth exceed peer benchmarks by a meaningful margin. Part of this performance likely reflects catch-up dynamics from a relatively low productivity base and COVID-19, but it also indicates that firms are converting capital deepening into measurable efficiency gains. Employment growth is slightly below the peer average (Figure 2.4c), consistent with the structural labor scarcity highlighted in Chapter 1, suggesting that expansion is occurring primarily through productivity rather than workforce increases. Disaggregated results reinforce this scaling pattern: medium and large firms are outgrowing small firms in both sales and productivity, and larger firms are older on average, confirming that firms in Seychelles increase in size as they mature. For job creation, this profile is double-edged. The largest employers are also among the most productive firms, which is encouraging for job quality, since productive firms can sustain higher wages. But their expansion is adding relatively few workers: incumbents are creating better-paid jobs faster than they are creating more of them. The economy-wide data tell a consistent story: employment growth has slowed and trails Structural Peers, while labor productivity has grown faster (Chapter 1 and Annex 2).

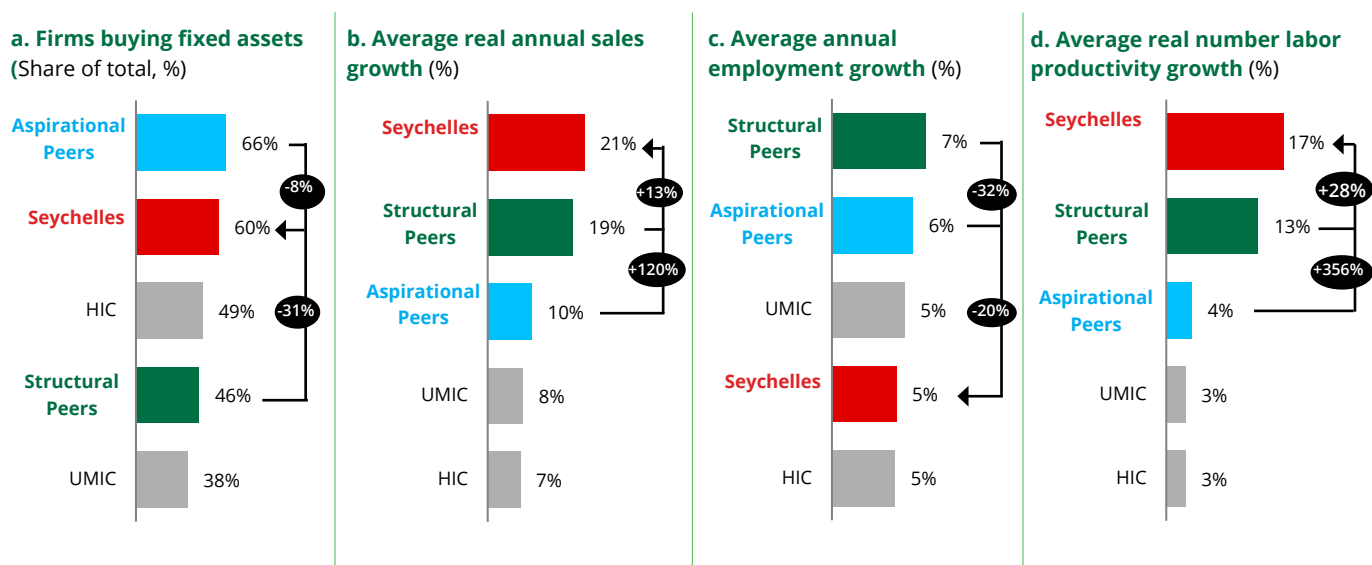
Recent firm growth has been concentrated in services rather than manufacturing, reinforcing the narrow base of dynamism. Services firms—representing most of the economy and the sample—record stronger sales and productivity growth than the firm average, indicating that recent expansion is largely services-led (World Bank, 2025a). Manufacturing firms, though younger on average, do not

appear to exhibit faster growth in sales, employment, or productivity. Investment rates are high across firm types, suggesting that differences in performance are unlikely to reflect disparities in capital deepening alone. The pattern that emerges is one of incumbent, services-driven expansion rather than broad-based tradable-sector upgrading. This concentration shapes the composition of job creation as well as growth. With services already accounting for 84 percent of employment (Chapter 1), new opportunities are arising mainly where jobs are already concentrated, while other sectors that could broaden the base of better-paid jobs remain a limited source of expansion.

The picture that emerges is one of a private sector generating real gains within existing firms, but where weak entry, limited exit, and a modest frontier constrain the broader dynamism needed for the next stage of growth. Incumbent firms are investing, scaling, and improving productivity—a strong foundation built on Seychelles' reform legacy. Yet the productivity frontier trails Aspirational Peers, entry and exit rates are subdued, and young firms contribute limited renewal. The jobs implications run throughout this section: a firm sector that adds workers slowly and generates few productive young firms creates better-paid jobs faster than more jobs. Supporting Seychellois workers, therefore, involves three channels: broadening the base of firms to increase the demand for workers (more jobs); raising productivity within firms so that jobs pay more (better-paid jobs); and equipping Seychellois to compete for those better-paid jobs (the supply side, examined in Chapter 3). The first two depend on a more dynamic firm sector. Understanding why requires examining the business environment and the structural conditions in which these firms operate.

Figure 2.4

Incumbent firms in Seychelles show strong investment and productivity-led growth



Source: Enterprise Surveys (World Bank).

Note: (1) Structural Peers: Antigua and Barbuda, Barbados, Maldives, Mauritius, St Lucia, Trinidad and Tobago; (2) Aspirational Peers: Cyprus, Malta.

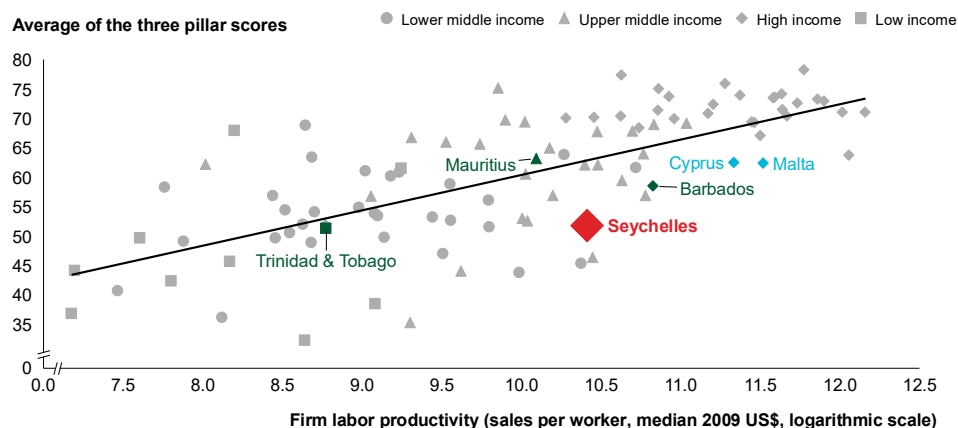
2.2 The Business Environment

Firm performance in Seychelles needs to be understood against the backdrop of a business environment that has yet to fully catch up with the country's income level. Globally, stronger business environments are closely associated with higher firm productivity—yet Seychelles is a notable outlier: its firms have managed to perform reasonably well despite a business environment that significantly underperforms relative to both its income level and its peers. On the face of it, this is encouraging—it reflects the resilience and adaptability of Seychelles' private sector. This section shows that the most pressing gaps center on the commercial legal framework and challenges in competition, trade, labor, utilities, and business location—constraints that firms themselves feel, citing access to land and finance, workforce skills, labor regulations, and tax rates as their most binding obstacles to growth. As Seychelles transitions toward a productivity-led growth model, these are the areas where the unfinished business of reform is most consequential—and where closing the gap with Aspirational Peers will matter most for sustaining long-term dynamism.

Seychelles is a notable outlier—its firms have performed reasonably well despite a business environment that underperforms relative to its income level. Countries with stronger scores on the B-READY index typically have higher firm productivity (Figure 2.5). HICs overwhelmingly dominate the group of strong performers, while weaker firm performance is concentrated among low- and lower-middle-income economies. There is also a strong positive relationship between B-READY scores and GDP per capita, meaning that wealthier economies tend to have better business environments (World Bank, 2025a). But there is variation by income, and notable outliers exist—both outperformers and underperformers. Seychelles falls into the latter category: its business environment significantly underperforms relative to both its firm productivity and its income level. That its firms have nonetheless performed reasonably well to date is partly a reflection of the private sector's resilience, but it also likely reflects the success of earlier reforms in removing the most binding constraints to growth. What remains is a second tier of emerging frictions that have not been critical under a capital-accumulation growth model, but are likely to become increasingly binding as Seychelles transitions to productivity-led growth. Addressing this unfinished reform agenda is therefore not about fixing a broken business environment, but about completing the transition to one that is fully commensurate with Seychelles' income level and aspirations.

Figure 2.5

Stronger business environments are associated with higher firm productivity



Source: B-READY Report (World Bank, 2025a).

Note: (1) Colors: Seychelles in red, Aspirational Peers in blue, Structural Peers in green.

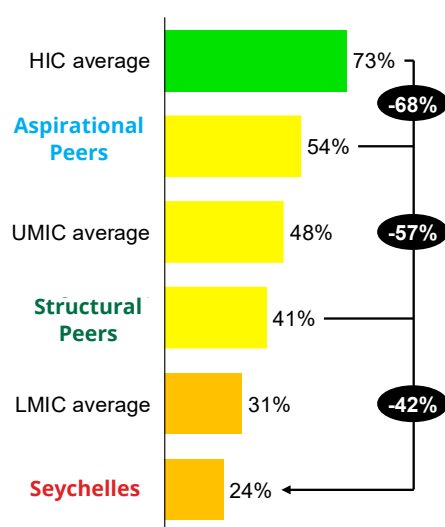
Seychelles has an opportunity to improve its business environment to enable sustained productivity growth in its next stage of development. Seychelles lags its peers on business environment performance: its average B-READY score of 52 places it in the bottom 24th percentile of countries globally (Figure 2.6a)—significantly behind its peer average (46th percentile), its best-performing Structural Peer, Mauritius (56th percentile), Aspirational Peers Cyprus and Malta (54–55th percentile), and the average of HICs (73rd percentile). In fact, Seychelles is unusual in being a HIC with a business environment score closer to the average of lower-middle-income countries (31st percentile). Moreover, performance is uneven across the three B-READY pillars (Figure 2.6b): the regulatory framework (19th percentile) and public services (22nd percentile) are the key areas of underperformance, while operational efficiency (40th percentile) is a relative bright spot. At the topic level, the key areas of underperformance are business insolvency, dispute resolution, market competition, and international trade (Figure 2.6c). A heat map of performance across pillars and topics helps sharpen this picture, revealing that weaknesses are concentrated in the regulatory framework and public services pillars—particularly in dispute resolution, market competition, international trade, and business insolvency—while operational efficiency is generally stronger across most topics, pointing to where reform efforts are likely to have the greatest impact (Table 2.1). As the next stage of development needs to be driven by productivity gains rather than capital accumulation (Chapter 1), closing these gaps will become increasingly important—and increasingly within reach. The remainder of this chapter examines these areas in more detail to identify the highest-priority reforms.

Figure 2.6

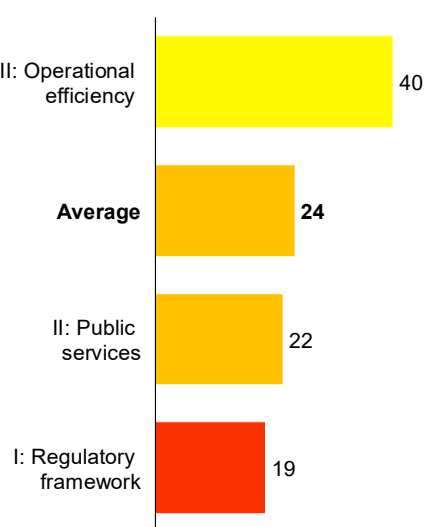
Closing key gaps in the business environment would help complete reform transition

Quintile: ■ Top ■ Second ■ Third ■ Fourth ■ Bottom

a. Seychelles B-READY performance vs. Peers Average of the three pillar scores
Global percent (%)



b. Seychelles B-READY performance by pillar Global percentile (%)



c. Seychelles B-READY performance by topic Global percentile (%)

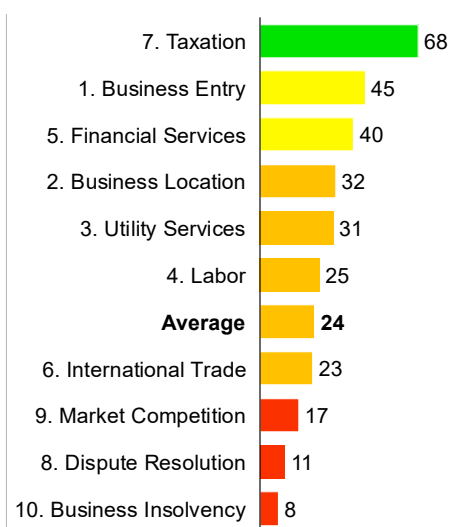


Table 2.1

Weaknesses in the business environment are concentrated in the regulatory framework and public services pillars

Percentile	Overall	1. Business Entry	2. Business Location	3. Utility Services	4. Labor	5. Financial Services	6. Inter- national Trade	7. Taxation	8. Dispute Resolution	9. Market Competi- tion	10. Business Insolvency
Average	24%	45%	32%	31%	25%	40%	23%	68%	11%	17%	8%
Pillar 1 Regulatory Framework	19%	20%	23%	22%	32%	66%	36%	67%	11%	18%	17%
Pillar 2 Public Services	22%	29%	26%	32%	19%	56%	10%	58%	12%	15%	10%
Pillar 3 Operational Efficiency	40%	96%	56%	41%	57%	31%	50%	48%	28%	52%	1%

Sources: B-READY Report and Database (World Bank, 2025a) and Authors' elaboration.

Note: (1) Structural Peers: Barbados, Mauritius, and Trinidad and Tobago; and (2) Aspirational Peers: Cyprus and Malta.

A key area that poses risks to allocative efficiency is the commercial legal framework—though recent reforms are beginning to address this. Allocative efficiency is a core mechanism for productivity growth, as it allows capital and labor to shift toward more productive firms while less efficient ones restructure or exit. In Seychelles, this mechanism faces headwinds from underperformance on business insolvency (8th percentile) and dispute resolution (11th percentile)—the two lowest-ranked topics on B-READY (Figure 2.6c). Ineffective insolvency procedures, low creditor recovery, and procedural delays prolong firm exit and lock capital into unproductive uses. On dispute resolution, the establishment of a dedicated Commercial Court in March 2025—with mandatory mediation for all commercial matters—is a significant step toward swifter, more predictable resolution of business disputes (Judiciary of Seychelles, 2025). Jurisdiction over insolvency and bankruptcy matters remains with the Supreme Court. However, the commercial court and the requirement for mandatory mediation are nascent, and their effectiveness will ultimately depend on adequate resourcing, mediation training for judges and magistrates to become certified mediators, and sustained implementation—all of which remain the critical near-term challenge. Together, these gaps continue to raise the risks and costs of reallocating resources across firms, but the direction of reform is encouraging, and building on this momentum represents one of the clearest opportunities to strengthen allocative efficiency and support productivity growth.

Seychelles' business environment also constrains within-firm improvements, limiting firms' ability to upgrade and compete. Within-firm improvements are a second key mechanism for productivity growth, as firms invest, innovate, adopt new technologies, and integrate into wider markets. In Seychelles, this channel is weakened by underperformance in: market competition (17th percentile), international trade (23rd percentile), labor (25th percentile), utility services (31st percentile), and business location (32nd percentile) (Figure 2.6c). In market competition, weaknesses in public procurement, limited competitive neutrality, and a shallow innovation ecosystem reduce contestability and dampen incentives to invest and upgrade. In international trade, fragmented border management and infrastructure gaps increase trade costs and slow the movement of goods (see Section 2.3). In labor, gaps in unemployment insurance and labor dispute resolution mechanisms raise hiring and separation risks, limiting labor mobility (these topics are explored in Chapter 3). In utility services—particularly electricity—high costs pose a direct burden on firms' competitiveness.

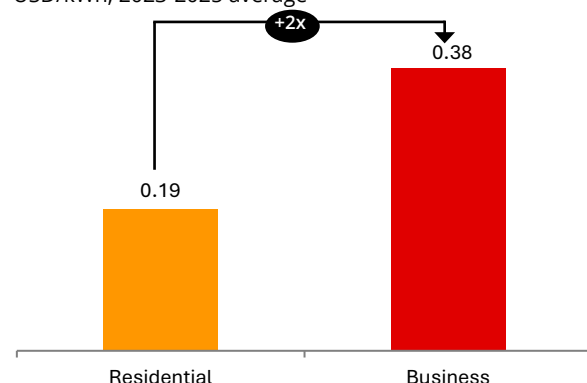
Seychelles relies on imported fossil fuels for 95 percent of electricity generation, and the resulting generation costs drive business electricity tariffs to US\$0.38 per kWh—double the residential rate (Figure 2.7a), 35 percent above the Aspirational Peer average, and more than double the Structural Peer and global average (Figure 2.7b). This burden is compounded by a cross-subsidy structure in which businesses and government pay elevated rates to offset subsidized residential tariffs, further undermining private sector competitiveness. Scaling up renewable energy could reduce electricity costs by up to 20 percent (WBG, 2026a). Beyond cost, regulatory and procedural hurdles related to connections and compliance create additional uncertainty and raise transaction costs for firms. Finally, in business location, lengthy construction permitting processes, coordination gaps across land-use authorities, and inefficiencies in land administration delay investment and expansion.¹¹ Collectively, these constraints reduce firms' capacity to improve performance from within and weigh on productivity and competitiveness.

Figure 2.7

Business electricity tariffs in Seychelles are among the highest globally

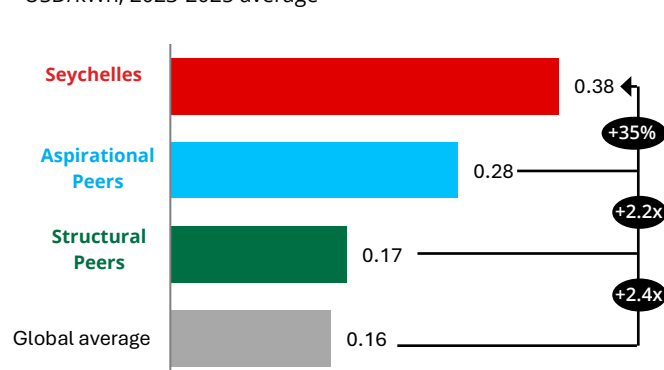
a. Electricity rates in Seychelles

USD/kWh, 2023-2025 average



b. Business electricity rates in Seychelles vs. Peers

USD/kWh, 2023-2025 average



Sources: GlobalPetrolPrices.com and World Bank data for Seychelles as of 2023.

Note: (1) Structural Peers: Barbados, Mauritius, and Trinidad and Tobago; and (2) Aspirational Peers: Bahamas, Cyprus and Malta.

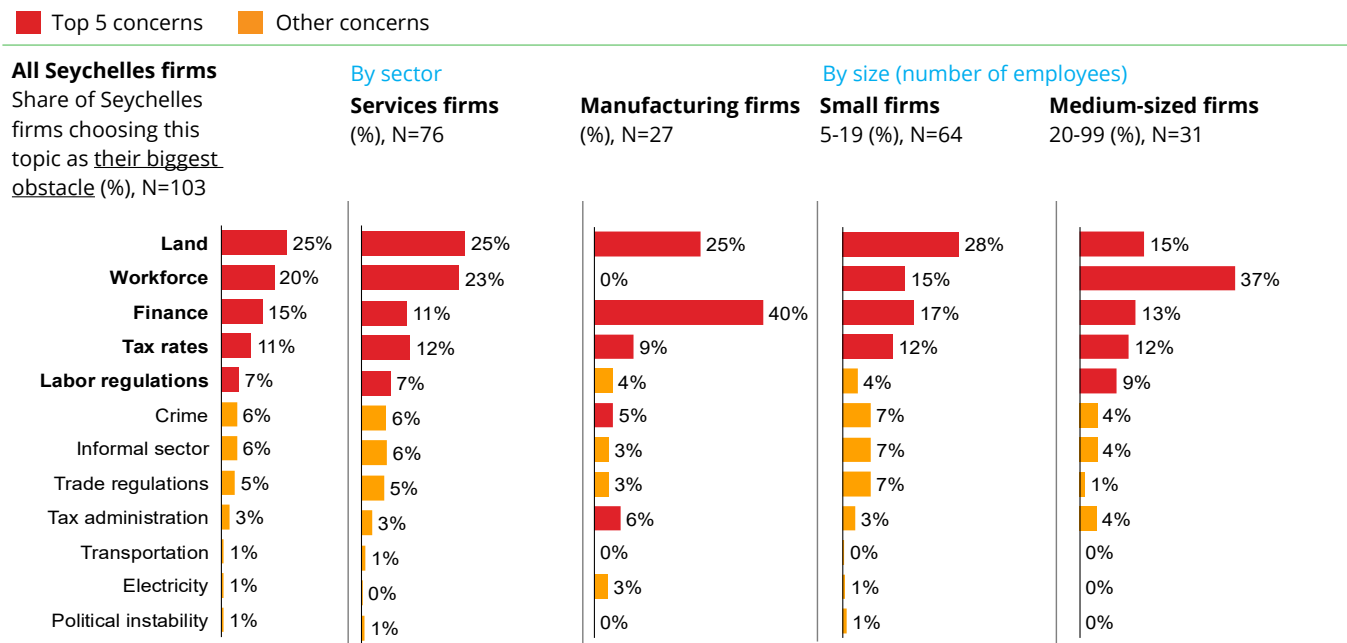
Firm perceptions are broadly consistent with the business environment performance—though the two do not always tell the same story. Firm surveys capture subjective assessments of the business environment and should be interpreted with some caution—perceptions do not always accurately reflect the underlying regulatory reality, and firms may be more attuned to constraints they encounter frequently than to structural weaknesses that bind less visibly. With that caveat in mind, Seychelles' firms most commonly cite access to land as the single biggest obstacle to doing business (Figure 2.8), reflecting its reality as a SIDS, but also structural constraints in land availability and access processes that limit expansion—an issue that maps to Seychelles' relatively low score on business location in B-READY. This is followed by an inadequately educated workforce and access to finance. Tax rates and labor regulations also feature prominently, underscoring concerns

11 Digitizing land administration, construction permitting, and business-location approvals through interoperable government systems would enable effective data sharing across agencies, helping to improve coordination, reduce administrative complexity, and increase transparency and predictability in processes for businesses.

about the cost and compliance burden of operating formally. Among medium-sized firms seeking to scale, an inadequately educated workforce overtakes access to land as the primary constraint (this is examined in depth in Chapter 3). Notably, firm perceptions do not always exactly mirror B-READY rankings: taxation—where Seychelles scores relatively well on B-READY—is nonetheless a prominent concern for firms, while dispute resolution and insolvency—Seychelles' weakest B-READY topics—rarely surface in firm surveys. This divergence is unsurprising: firms feel most acutely the constraints that affect their day-to-day operations, while structural weaknesses in legal infrastructure tend to bind most at moments of stress—firm exit, debt enforcement, or contract disputes—the kind of stress that many firms are yet to encounter. Both sets of signals matter for reform prioritization. Together, these perceptions reinforce the case for a broad reform agenda that addresses both the structural gaps identified by B-READY and the operational frictions felt most acutely by firms.

Figure 2.8

Land access, workforce skills, and finance are the top obstacles for Seychelles firms



Source: Enterprise Survey for Seychelles (WBG, 2023).

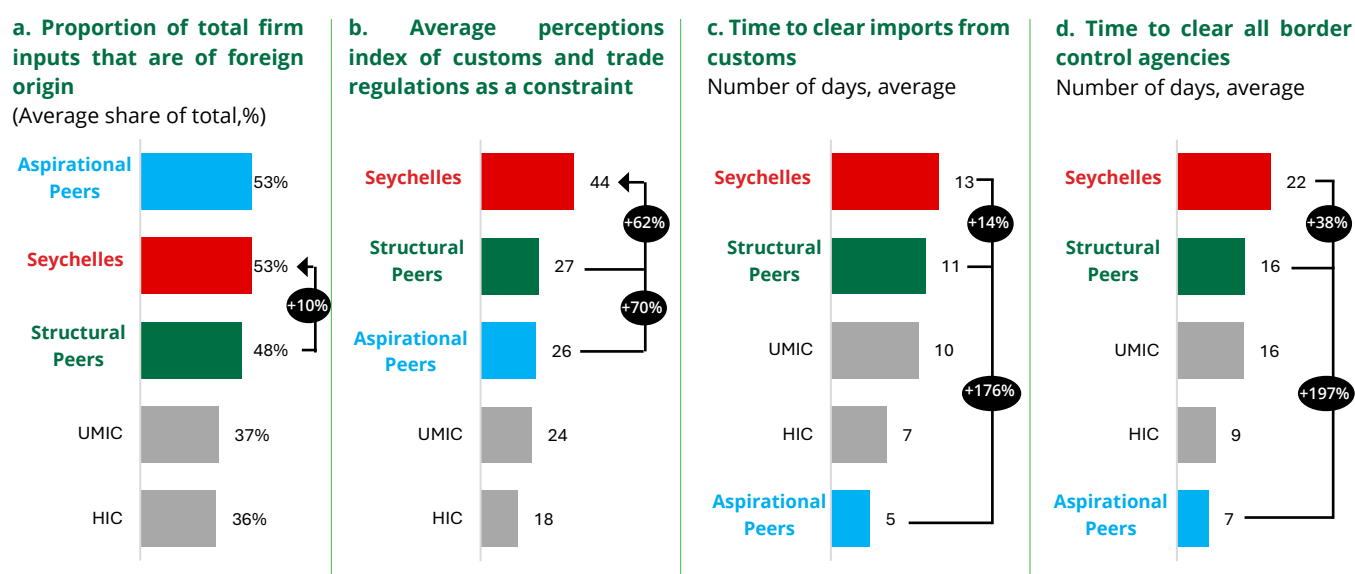
2.3 Trade Costs

Reducing trade-related costs is one of the most powerful levers available to strengthen competitiveness in a structurally high-cost island economy. Seychelles underperforms peers in international trade in B-READY—an area that directly shapes firms' operating costs. In a small and remote economy where transport costs are inherently elevated and firms depend heavily on imported inputs, inefficiencies at the border compound these geographic disadvantages. Streamlining trade processes and shortening clearance times therefore represent high-impact, actionable reforms.

Import clearance frictions are materially more binding for Seychelles firms than for those in comparator economies. Like its peers, Seychelles relies heavily on imported inputs, with foreign-sourced goods accounting for over half of total firm inputs—slightly above Structural Peers (Figure 2.9a). This import dependence makes trade frictions particularly consequential: firms rate customs and trade regulations as a significantly higher constraint than in both Structural and Aspirational Peer economies (Figure 2.9b). Time-based indicators reinforce this: imports take 13 days to clear customs—14 percent longer than Structural Peers and more than double Aspirational Peers (Figure 2.9c). When accounting for clearance across all border agencies, total border clearance time reaches 22 days—38 percent above Structural Peers and more than triple Aspirational Peers (Figure 2.9d), pointing to coordination frictions beyond customs alone. Notably, monetary compliance costs are not elevated relative to peers—the binding constraint lies in time, fragmentation, and unpredictability rather than tariff levels. Taken together, these frictions impose a structural tax on Seychelles' trade-dependent economy—raising costs and extending lead times well above peer levels, and reducing the competitiveness of firms that depend on imported inputs and export markets.

Figure 2.9

Seychelles firms face significantly higher trade frictions than peer economies



Source: World Bank Enterprise Surveys, various years.

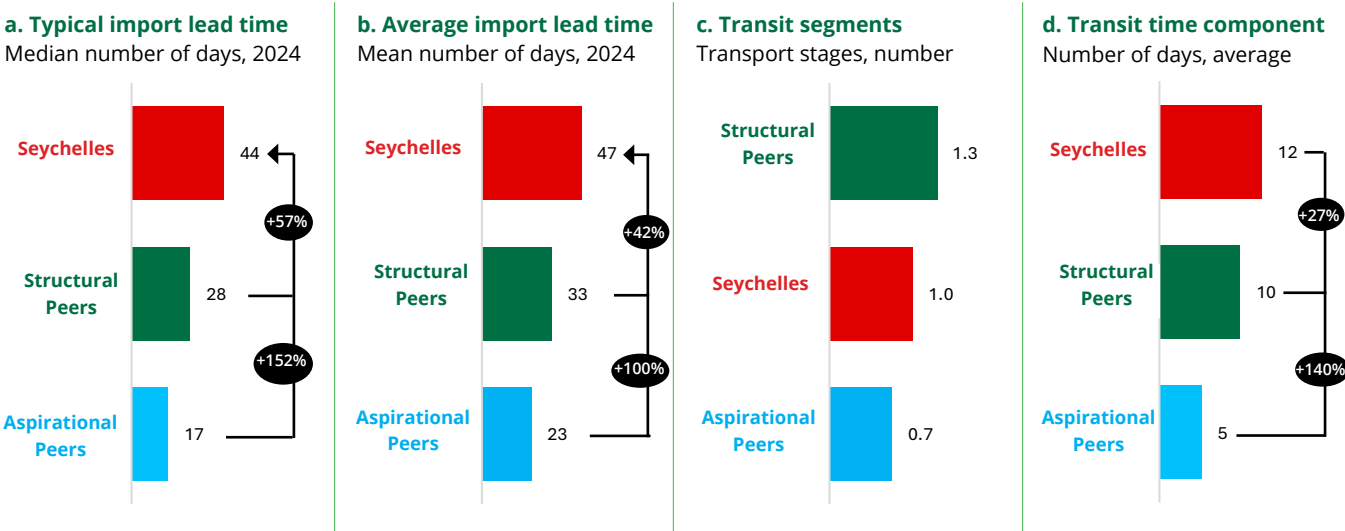
Note: (1) Structural Peers: Antigua and Barbuda, Barbados, Maldives, Mauritius, St Lucia, Trinidad and Tobago; (2) Aspirational Peers: Cyprus, Malta.

Import delivery times are also significantly longer than peers, adding costs and uncertainty throughout the supply chain. Data from the Logistics Performance Index 2025 (WBG, 2026b, forthcoming) show that the typical import shipment takes about 44 days from dispatch to arrival — around 57 percent longer than Structural Peers and more than twice as long as Aspirational Peers (Figure 2.10a). Shipments pass through a similar number of transport stages as other small island economies, so the gap reflects slower end-to-end transit and processing rather than more complex routing. Extended lead times increase uncertainty and raise effective business costs throughout the supply chain.

Operational weaknesses in border management are the primary drivers of these delays.

Within the international trade component of the B-READY index, Seychelles performs particularly poorly under the Public Services pillar (Figure 2.6), where the country ranks in the bottom 10th percentile globally. A deeper look at the sub-metrics highlights four key gaps (Figure 2.11): (i) digital systems are poorly integrated (10th percentile), meaning agencies do not operate through a unified platform; (ii) inspection practices are not risk-based (19th percentile), increasing reliance on routine checks; (iii) coordination across border agencies is limited (24th percentile), leading to sequential rather than parallel processing; and (iv) there is no Trusted Trader Program (1st percentile) to fast-track low-risk firms. Together, these weaknesses point to fragmented implementation rather than excessive regulation. Trade information is relatively transparent and core infrastructure is not the primary bottleneck; the constraint lies in how agencies execute and coordinate in practice.¹² Seychelles' World Trade Organization (WTO) commitments tell a similar story. While Seychelles has committed to implementing 98 percent of its Trade Facilitation Agreement obligations (WTO, 2026)—among the highest rates in its peer group and well above the global developing country average of around 80 percent—actual implementation lags. Several of the most operationally significant commitments remain incomplete, notably the Single Window, the Trusted Trader Program, risk management systems, and release time measurement—the same gaps flagged as Seychelles' weakest areas in the B-READY data.

Figure 2.10
Import delivery times in Seychelles are significantly longer than in peer economies



Source: Logistics Performance Index 2025 (WBG, 2026b, forthcoming).
Note: (1) Structural Peers: Antigua and Barbuda, Barbados, Maldives, Mauritius, St. Kitts and Nevis, St. Lucia, Trinidad and Tobago; and (2) Aspirational Peers: Bahamas, Cyprus, Malta.

12 This points to a whole-of-government solution: because border agencies lack a shared data-exchange backbone, the same information is re-verified at each step rather than flowing once through interoperable systems. Designing the Single Window as one application of common digital public infrastructure (see Chapter 4) would address the fragmentation directly, rather than digitizing each agency in isolation. It would also provide the foundation for risk-based inspections and release-time monitoring.

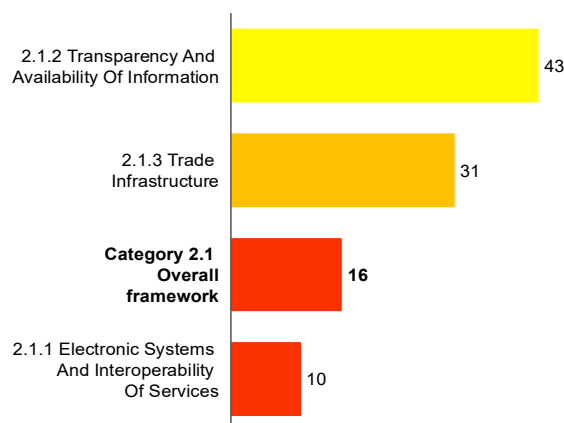
Figure 2.11

Improving border management offers the highest returns in trade facilitation

Quintile: ■ Top ■ Second ■ Third ■ Fourth ■ Bottom

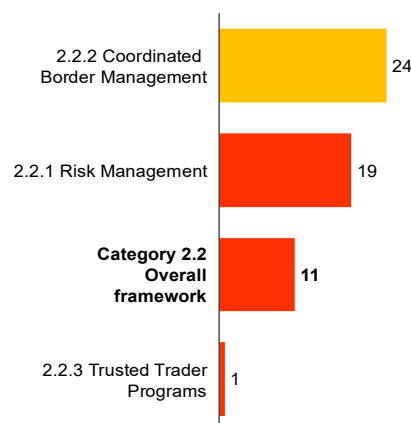
a. Trade Pillar 2.1 – Digital and physical Infrastructure

Global percentile (%)



b. Trade Pillar 2.2 – Border management

Global percentile (%)



Source: B-READY Report and Database (World Bank, 2025a).

A related constraint is Seychelles' limited capacity to utilize the preferential market access it already holds.

Seychelles is party to the African Continental Free Trade Agreement (AfCFTA)—a landmark agreement creating a single market for goods, services, and investment across Africa—as well as trade agreements with the EU, UK, and regional partners via the Common Market for Eastern and Southern Africa (COMESA). Together, these entitle Seychelles exporters to preferential tariff treatment across a wide range of markets. But accessing these preferences requires firms to meet rules of origin requirements and obtain Certificates of Origin—a compliance process that imposes significant costs, particularly on small firms. UNCTAD has consistently warned that if compliance is too costly or complex, firms will default to standard tariff rates rather than claim the preferences they are entitled to (UNCTAD, 2019). Seychelles' own AfCFTA Implementation Strategy acknowledges that private sector stakeholders show limited use of trade data and limited awareness of how to access preferential trading arrangements (GoS, 2024)—a gap GoS has committed to addressing by operationalizing Certificate of Origin issuance.

Reform to the Customs Management Act (2011) and regulations could also facilitate strategic diversification in the tourism industry.

Seychelles' super yacht industry is small but growing rapidly. With its stable governance and pristine environment, the nation has an opportunity to become a super yacht hub, aligned with its strategy of moving tourism toward higher-value, lower-volume activity. However, the legal framework includes key rigidities, such as banning yachts from re-entering Seychelles' territorial waters for 3 years after each visit, and limiting the initial entry to 1 year. Entry procedures are also fragmented, with yachts having to engage separately with customs, immigration, and the port authority, often through manual processes. Revising the Act and regulations to address these gaps would bring Seychelles in line with global yacht hubs and strengthen its positioning as a blue economy destination—generating high-value tourism, related marine services, and jobs. Finally, implementing a Trusted Trader Program would also require a revision to the Customs Management Act to create a legal basis for trader accreditation, differentiated treatment, and risk-based facilitation.

Modernizing trade facilitation is therefore central to lowering business costs and sustaining competitiveness. The priority reforms center on improving how agencies execute and coordinate—shifting from fragmented, inspection-heavy processes toward an integrated, risk-based system—while also building the capacity to translate trade agreement membership into real export gains by adopting a trade Single Window, issuing electronic Certificates of Origin, implementing a Trusted Trader Program, and updating the Customs Management Act and regulations to unlock emerging opportunities such as super yacht tourism. These are reforms about improving execution rather than changing trade policy, and in a small island economy with limited scope to offset freight and scale disadvantages, they represent some of the most actionable levers available (Box 2.2). Lower trade costs would also broaden the base of job creation: they bear most heavily on tradable firms in manufacturing, fisheries, and higher-value tourism, whose growth would extend employment opportunities beyond the incumbent services core.

Box 2.2: Lessons Learned from Trade Facilitation Reforms in SIDS Nations

Trade facilitation challenges are not unique to Seychelles and have been overcome in many SIDS nations. In Tonga, import border compliance costs amounted to approximately US\$330 per shipment, while exporters could spend up to 168 hours complying with documentary requirements before reforms were introduced (WBG, 2018b). Similarly, in Mauritius, traders were required to submit the same information multiple times to separate government agencies, with no centralized submission platform. The paper-based nature of declarations resulted in lengthy processing times, repeated visits to government offices, and limited visibility over the status of clearance applications, increasing both the cost and unpredictability of cross-border trade.

To address these constraints, Tonga adopted a Trusted Trader approach. The government developed a roadmap to adopt a Trusted Trader/Authorized Economic Operator (AEO) program under the World Customs Organization (WCO) SAFE Framework in 2018, established the legislative foundations for a modern risk-based customs regime aligned with international standards, and subsequently operationalized the Heilala Program (Authorized Operators). Firms meeting compliance, financial solvency, and supply-chain security requirements became eligible for expedited clearance, reduced inspection rates, and simplified documentary procedures.

Tonga's experience illustrates the importance of establishing the institutional foundations for risk-based trade facilitation. By 2024, the Heilala Program had evolved into a fully operational AEO regime, providing customs authorities with a structured framework to identify trusted traders and differentiate controls according to compliance history. While published evidence on the program's quantitative impacts remains limited, participating operators benefit from expedited procedures, reduced inspection requirements, and greater predictability in the movement of goods, allowing customs administrations to focus resources on higher-risk consignments.

Mauritius pursued a complementary reform path through the implementation of the TradeNet National Single Window system. Launched in 1994 and substantially upgraded through the Mauritius TradeLink platform in 2016, the system progressively integrated border agencies, reaching 13 participating agencies through a single electronic submission platform by 2021. The reform was supported by enabling legislation, inter-agency coordination arrangements, and structured engagement with the private sector.

Mauritius' experience demonstrates how a well-designed National Single Window can simplify border procedures, improve coordination across agencies, and substantially reduce the time and cost of trading across borders. TradeNet reduced average clearance times for non-contentious declarations from approximately four hours to 15 minutes. The system also reduced administrative burdens by eliminating duplicate submissions, improved transparency through real-time tracking of declarations, and strengthened compliance by centralizing data flows across border agencies.

Together, these experiences suggest that Seychelles could build on its existing ASYCUDA platform by strengthening risk-based trader segmentation through a Trusted Trader Program while pursuing deeper integration of border agencies through a National Single Window, further reducing trade costs and improving competitiveness.

2.4 Access to Finance and Investment Climate

Access to finance and a supportive investment climate are critical enablers of firm upgrading and productivity growth—and represent an area where Seychelles has scope to improve.

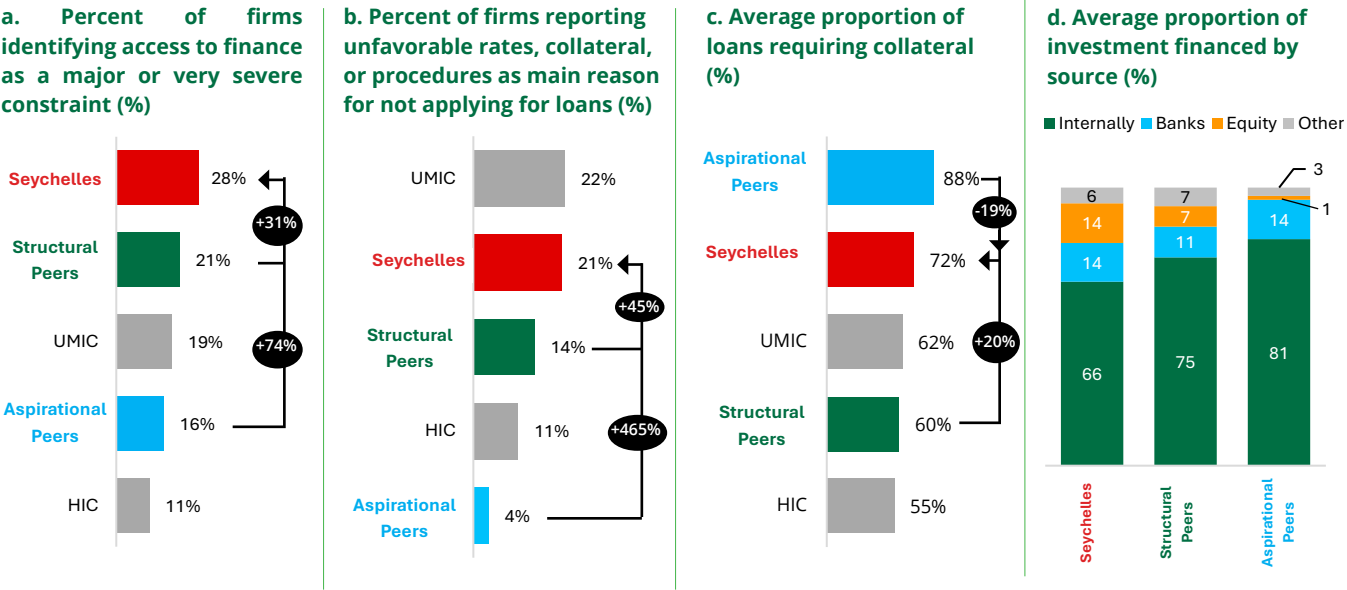
Access to finance ranks among the top three obstacles cited by Seychelles firms and is the single biggest constraint for manufacturing firms. The potential stakes are significant: a meta-analysis of 24 studies finds that formal loans increase SME employment, sales, and profits by 12 to 18 percent on average (Bruhn et al., 2025). Yet in a small, capital-scarce island economy where firms depend heavily on the financial sector to fund investment and expansion, credit in Seychelles is expensive, hard to access on acceptable terms, and the broader investment climate has scope to improve. This section examines both dimensions and identifies the reforms most likely to make a difference.

Firm-level data point to a financing constraint driven by the cost and conditions of credit rather than outright unavailability. Seychelles firms identify access to finance as a major constraint at rates 31 percent above Structural Peers and 75 percent above Aspirational Peers (Figure 2.12a). The problem is not that firms cannot get credit—bank loan coverage is broadly in line with peers—but that the terms are expensive and onerous. Over 21 percent of Seychelles firms cite unfavorable rates, collateral requirements, or procedures as the main reason for not applying—50 percent above Structural Peers and more than five times the Aspirational Peer rate (Figure 2.12b). Collateral requirements compound this: 72 percent of loans require collateral, above Structural Peers and UMICs, though below Aspirational Peers (Figure 2.12c). Moreover, only 57 percent of firms report not needing a loan, well below Structural Peers (63 percent) and Aspirational Peers (85 percent), pointing to genuine unmet demand. Facing these conditions, firms compensate through alternative financing: equity financing accounts for 14 percent of investment—well above both Structural and Aspirational Peers—while internal financing is markedly lower than peers (Figure 2.12d), suggesting that firms are actively seeking but not always finding external financing on competitive terms.

These financing conditions reflect deep structural features of the financial system that keep borrowing costs high. Seychelles' lending rate is around 40 percent above the peer average (Figure 2.13a), with the spread between lending and deposit rates similarly elevated (Figure 2.13b)—a legacy of historical administrative rate-setting that has proven difficult to unwind (IMF, 2024). B-READY 2025 reveals a two-speed system: regulatory foundations are reasonably solid—secured transaction and commercial lending regulations are broadly sound—but operational performance lags significantly. A comprehensive digital collateral database was created in 2021, but banks report errors and long delays in registering collateral in the system, increasing risk, cost, and uncertainty for banks. Credit information infrastructure is thin (bottom quartile globally), leaving lenders with limited tools to assess risk beyond collateral. The legal framework governing security interests is weak overall (bottom 14th percentile)—with no clear legal standing for creditors on priority of claims outside of formal insolvency proceedings, and poor operational efficiency in enforcement—reducing the practical value of collateral and adding a risk premium to credit. A concentrated banking sector with no interbank market limits competition, while elevated non-performing loans reinforce conservative lending. Together, these features explain the high collateral requirements, slow processing times, and elevated rates that firms report.

Figure 2.12

Access to finance is a more acute constraint for Seychelles firms than for peers



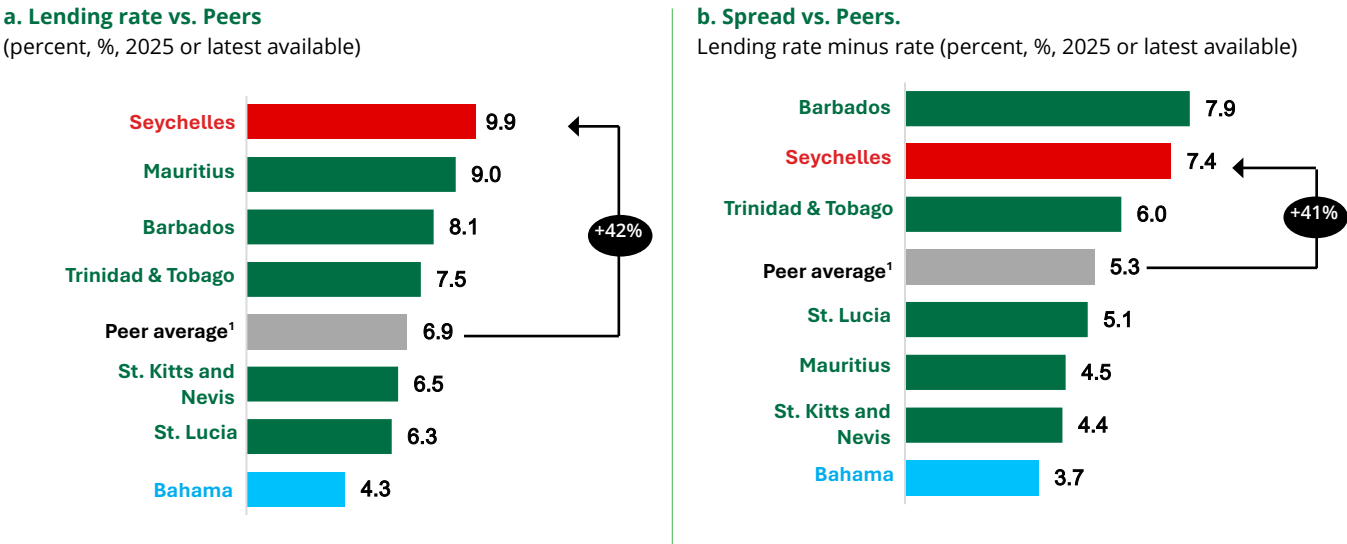
Source: Enterprise Surveys (World Bank).

Note: (1) HIC = High-Income Countries; (2) UMIC = Upper-Middle-Income Countries; (3) Structural Peers: Antigua and Barbuda, Barbados, Maldives, Mauritius, St Lucia, Trinidad and Tobago; (4) Aspirational Peers: Cyprus, Malta.

Separately, the investment climate offers further scope for reform, particularly in updating the legal framework and refocusing investment promotion. The Foreign Investment Act (2010) needs updating to align with international standards and Seychelles' commitments under AfCFTA. Key gaps include the absence of national treatment protections, an overly broad fair and equitable treatment clause, and unclear investor redress mechanisms (World Bank, 2023a). Closing these gaps would strengthen investor confidence and help position Seychelles as an open, predictable

destination for the foreign capital needed to support diversification into higher-value sectors. On the institutional side, the Seychelles Investment Board (SIB) is capable and well-regarded, but its promotion mandate is crowded out by regulatory functions—most notably its role in the Economic Needs Test, which positions it as a gatekeeper rather than a facilitator (World Bank, 2023b). Refocusing SIB on export promotion, reintroducing private sector board representation, and strengthening aftercare services would significantly enhance its impact.

Figure 2.13
Seychelles has elevated lending rates and spreads relative to peers



Source: Monetary and Financial Statistics, IMF (accessed April 2026).
 Note: (1) Peers include: Bahamas, Barbados, Mauritius, St. Kitts and Nevis, St. Lucia, Trinidad and Tobago; and (2) Colors: Seychelles in red, Aspirational Peers in blue, Structural Peers in green.

Strengthening access to finance and the investment climate is therefore essential to unlocking the next stage of firm growth and productivity. The priority reforms center on reducing the structural barriers that keep credit expensive and hard to access—upgrading the collateral database registry, improving banking competition, credit information, and non-performing loan resolution—while modernizing the investment framework to attract the productive capital Seychelles needs to diversify. These are reforms about fixing market failures and removing institutional bottlenecks rather than expanding the role of the state, and in a capital-scarce island economy where firms already demonstrate the capacity to grow, they represent some of the highest-return investments available. They are also a jobs lever: the evidence that formal credit raises SME employment alongside sales and profits (Bruhn et al., 2025) makes finance one of the most direct firm-side channels for translating reform into more jobs.

2.5 Recommendations

#	Recommended Action	Timing	GoS Cost
Trade Costs and Facilitation			
1	Adopt an e-Certificates of Origin system. Build capacity within the SRC to issue e-Certificates of Origin efficiently and digitally, and raise private sector awareness of how to comply with rules of origin requirements. This is a prerequisite for Seychelles firms to access the preferential tariff treatment they are entitled to under COMESA, the AfCFTA, as well as other regional and bilateral agreements. <i>Entity: SRC.</i>	Short term	US\$0.5m
2	Revise the Customs Management Act and regulations to facilitate super yacht tourism. Amend the Act and regulations to: (i) extend the period under which yachts can temporarily enter from 1 year to 2-3 years (in line with EU standards); (ii) remove the restriction that yachts cannot re-enter for 3 years after exiting Seychelles waters; and (iii) introduce a single electronic declaration for yacht entry and risk-based inspections. These reforms would align with the Revised Kyoto Protocol and Istanbul Convention for a “temporary admission” regime and strengthen Seychelles’ position as a super yacht destination—generating high-value tourism, marina and charter activity, and jobs. <i>Entity: MoFEPTI, SRC.</i>	Short term	N/A
3	Implement a Trusted Trader Program (Authorized Economic Operator). Introduce a risk-tiered program that grants pre-approved, low-risk exporters and importers expedited clearance and reduced inspection rates in exchange for meeting compliance standards. Seychelles currently ranks in the bottom 1st percentile globally in B-READY on this measure. Implementation would also require a revision of the Customs Management Act to create a legal basis for trader accreditation, differentiated treatment, and risk-based facilitation. <i>Entity: MoFEPTI, SRC.</i>	Short term	N/A
4	Implement risk-based customs management. Shift from routine physical inspections to a structured risk-based targeting system—building on the World Customs Organization Cargo Targeting System already being installed—so that inspection resources are concentrated on high-risk shipments and compliant traders are processed faster. <i>Entity: MoFEPTI, SRC.</i>	Medium term	US\$1m
5	Implement a Single Window for trade. Establish an integrated electronic platform connecting customs, health, agriculture, and other border agencies to allow traders to submit all documentation through a single point. This is Seychelles’ most significant outstanding WTO Trade Facilitation Agreement commitment and the highest-impact measure to reduce clearance times and unpredictability. <i>Entity: MoFEPTI, SRC, Ministry of Homeland Security and Civil Affairs, other agencies as required.</i>	Medium to Longer term	US\$2m

Access to Finance and Investment Climate			
6	Update the Foreign Investment Act and align with AfCFTA standards. Amend the Foreign Investment Act to introduce national treatment protections, tighten the fair and equitable treatment clause, and clarify investor redress mechanisms—aligning with international standards and Seychelles' commitments under the AfCFTA. <i>Entity: MoFEPTI.</i>	Short term	N/A
7	Reposition SIB as an investment facilitator. Refocus SIB's mandate from regulatory gatekeeping toward active investment promotion by removing or limiting its role in administering the Economic Needs Test, reintroducing a private sector board, and strengthening aftercare services for existing investors. <i>Entity: SIB, MoFEPTI.</i>	Short term	Financed from reprioritized spending
8	Strengthen the collateral database and credit information infrastructure. Upgrade the digital collateral database and expand credit bureau data coverage and borrower access to credit information—reducing the structural causes of high lending spreads and collateral requirements that constrain firm financing. <i>Entity: Seychelles Registration Office, CBS, MoFEPTI.</i>	Medium term	US\$1m
Commercial Justice			
9	Ensure strong implementation of the Commercial Court, compulsory mediation, and insolvency reform. Support the newly established Commercial Court with adequate resourcing, caseload management, and trained personnel, and support compulsory mediation with adequate training for judges and magistrates to become certified mediators. Progress reform of the insolvency framework to address Seychelles' bottom 8th percentile ranking on business insolvency, enabling faster resolution of failed firms and improved capital reallocation. Over time, Seychelles could explore extending the Commercial Court's jurisdiction to cover insolvency and bankruptcy matters, consolidating commercial legal matters within a single specialized forum. <i>Entity: Commercial Court, MoFEPTI, Attorney General's Office.</i>	Short to Medium term	US\$1m capital. US\$1m current annually.
Renewable Energy			
10	Accelerate the transition to renewable energy to reduce electricity costs for firms. Support the scale-up in renewable energy by addressing remaining technical and regulatory barriers (as outlined in the Seychelles CCDR (WBG, 2026a))—including investing in critical grid infrastructure and battery energy storage systems, adopting a transparent multiyear electricity tariff methodology, and implementing a net billing scheme for distributed renewable energy—to reduce Seychelles' dependence on imported fossil fuels and lower business electricity tariffs, which represent a significant cost burden on firms. <i>Entity: Ministry of Environment, Climate, Energy, and Natural Resources, Public Utility Company.</i>	Medium to Longer term	\$25m – \$35m

Note: Short term (< 2 years), medium term (2–4 years), longer term (4+ years).

CHAPTER 3

3. LABOR MARKET

This chapter considers the challenges and reforms needed to create a more dynamic labor market that promotes higher economic growth, quality jobs for Seychellois, and greater social mobility. Section 3.1 analyzes labor market regulations, highlighting key aspects that limit flexibility and efficiency, and identifies reforms to modernize the legal framework and institutions. Given the importance of foreign labor in the economy, Section 3.2 analyzes the Gainful Occupation Permit (GOP) system and options to improve its efficiency. Attention then turns to the potential impact of Artificial Intelligence (AI) on jobs in Section 3.3. Section 3.4 focuses on opportunities to increase the quality of Seychellois labor, including via the education system, skills, and youth issues. Section 3.5 summarizes the chapter's key recommendations.

Chapter 1 highlighted that Seychelles' future economic development hinges on resolving labor market issues—this chapter focuses on solutions. Chapter 1 showed that rising youth vulnerability is eroding human capital and labor market outcomes, while disproportionately constraining women's economic opportunities. This is leading to skills shortages and underutilized potential in the domestic labor force. In addition, Seychelles' small and aging population means that foreign labor is essential to the economy and will remain a key component of the labor supply. Chapter 2 added the demand-side picture: the firm sector is creating better-paid jobs faster than more jobs, with incumbents upgrading productivity but adding workers slowly, entry subdued, and few young firms scaling. The supply-side diagnostics in this chapter should be read alongside that finding: equipping Seychellois to compete for better-paid jobs is one of three channels for supporting Seychellois workers, alongside broadening the base of firms and raising productivity within them (Chapter 2). This chapter focuses on four key aspects—labor market regulation, the GOP system, Seychelles' exposure to AI, and youth issues—where reform can help achieve an economy with higher living standards that employs more Seychellois in good jobs, with greater social mobility.

3.1 Labor Regulation

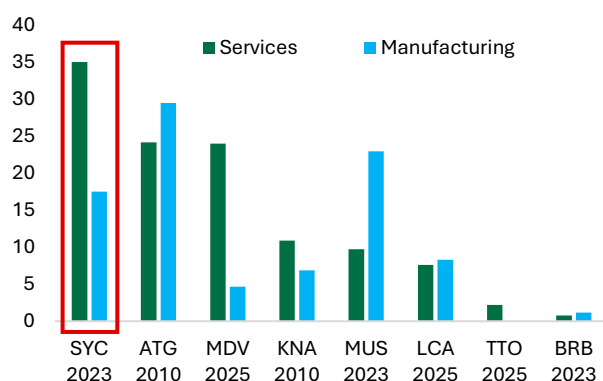
Seychelles' labor legislation is outdated and in need of an overhaul. More than 30 percent of firms identify labor regulations as a major constraint to business, the highest among peer countries (Figure 3.1), and labor regulation quality underperforms all peers (Figure 3.2). While the Employment Act (1995) has been amended several times over the past 30 years, these have been tweaks at the margin rather than fundamental changes. The Act continues to include several provisions that limit labor market flexibility and efficiency. For example, it makes termination difficult—discouraging worker mobility and labor reallocation to productive sectors, restricts employment beyond the retirement age, and it does not explicitly prohibit sexual harassment or discrimination based on marital and parental status. There is now a consensus across GoS, the private sector, and civil society on the need for a major overhaul of the law.

This section analyzes several key aspects and proposes reforms that can make the labor market more flexible and efficient, through modernized, fit-for-purpose legislation that balances economic dynamism with workers' rights and protections. The analysis draws on the Ministry of Employment and Social Affairs' 2024 White Paper on proposed amendments to the Employment Act (1995), a 2021 submission on the Employment Act by the Seychelles Chamber of Commerce and Industry (SCCI), interviews with GoS and the private sector, and World Bank and International Labour Organization (ILO) analysis. In addition, the analysis draws on a rich set of firm and labor force survey data as the empirical basis for the diagnostics. The analysis highlights the degree to which labor market regulations apply equally to Seychellois and foreign workers, and where issues are more binding for one or the other.

Figure 3.1

Labor regulations are a key constraint to business

(Percent of firms identifying labor regulations as a major constraint)

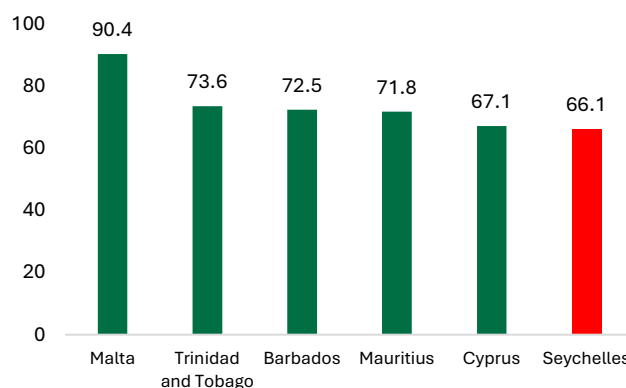


Source: World Bank Enterprise Surveys.

Figure 3.2

Seychelles underperforms peers in quality of labor regulations

(B-READY score on quality of labor regulations (max = 100))



Source: Business Ready 2025.

Hiring and Firing

The flexibility of hiring and firing is an important determinant of labor market dynamism, yet this flexibility appears limited in Seychelles. At present, employers cannot terminate a Seychellois or foreign worker's continuous or fixed-term contract for most reasons without first engaging in a formal negotiation procedure with the worker. Employers face strict limitations on temporary layoffs and are not permitted to reduce working hours or salaries unless they follow a formal negotiation process and obtain approval from a competent officer. There is no explicit legal provision allowing employers and workers to agree on temporary adjustments to hours or pay, even in cases of genuine business downturns or emergencies. According to the SCCI, these rigidities discourage firms from expanding their workforce and slow adjustment during periods of economic change. The private sector and GoS agree on the need to streamline termination procedures. The 2024 White Paper proposes to narrow the scope of the mandatory negotiation requirement, limiting it to specific circumstances—such as layoffs, redundancies, or cases involving pregnant workers. It also proposes introducing a simpler option that would allow employment contracts to be terminated through mutual agreement between the employer and the worker, establishing

this as a legally valid pathway without requiring a formal negotiation procedure. Both proposals are sensible reforms that would improve labor market flexibility without unduly harming workers' rights.

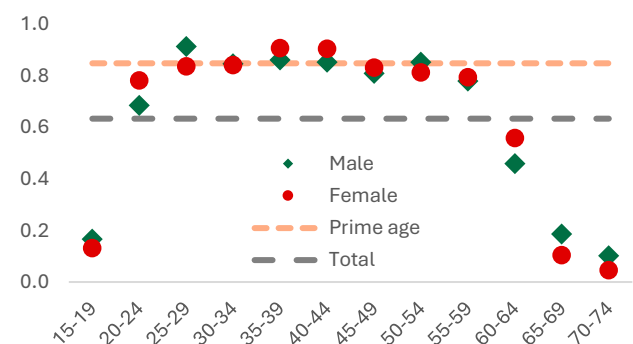
Seychelles has an unusual severance pay provision, whereby compensation is required not only in cases of redundancy or dismissal (as is typical globally), but also upon resignation or retirement (which is not common globally). The core purpose of severance pay is to protect continuous and fixed-term workers against the income shock and uncertainty caused by involuntary job loss (redundancy or dismissal). Legislating severance pay for resignation and retirement creates additional costs for firms and may encourage them to avoid hiring or retaining longer-tenured workers. It also introduces costly labor market frictions that could discourage worker mobility and hinder the reallocation of labor toward more productive firms and sectors.¹³ These frictions can interfere with the normal process through which firms expand, contract, and reallocate workers, and over time may weigh on overall economic performance. In addition, the provision blurs the distinction between severance pay (for job loss), pensions (to support consumption after retirement), and gratuities (to recognize long service), thereby reducing clarity and coherence in the compensation framework. Despite acknowledging the provision's exceptional nature, the White Paper proposes to retain it, with one reform option suggesting its conversion into a gratuity, payable every 5 years, rather than only upon resignation or retirement. Ideally, the provision should be removed in cases of resignation and retirement. This would restore the original purpose of severance pay as protection against involuntary job loss. Absent such reform, it could be converted into a modest gratuity, paid at regular intervals and set at a low value—for example, as a fixed percentage of the minimum wage—to limit distortions while preserving recognition of long service.

Retirement

Allowing firms and employees to determine a more flexible retirement age would better align labor market institutions with demographic trends and help Seychelles more fully leverage its existing human capital. Seychelles' population is aging rapidly (see Fact #8, Chapter 1). Disconnected from the aging reality is the country's stringent labor law which limits work beyond retirement age (63 years under the Social Security Act). Employment beyond the retirement age requires government approval, and non-compliance constitutes an offense. In practice, however, most applications for post-retirement employment are approved

Figure 3.3

Considerable age-related gaps in labor force participation rate (LFPR), potentially reflecting post-retirement age restrictions



Sources: NBS LFS 2024 Q4 and UN WPP 2019.

Note: Only showing the age range between 15 and 74. Prime age is defined as 25–54.

13 Although data limitations prevent a formal assessment in this report, existing research supports this conclusion. For example, Kugler (2004) finds that reductions in severance costs increased worker turnover and job reallocation in Colombia; Garcia-Louzao (2022) shows that generous severance pay can reduce voluntary job-to-job mobility by creating "job-lock" effects; and in their review of the literature, Cahuc and Palladino (2024) summarize that employment protection measures can impede labor reallocation by increasing adjustment costs and reducing labor market dynamism.

out of necessity, indicating that the restriction has become outdated and counterproductive. The retirement age and the red tape required to obtain approval to continue working likely contribute to the sharp decline in labor force participation at older ages (Figure 3.3). The private sector has been advocating for more flexible retirement arrangements, as discretion-based agreements between employers and employees to re-employ Seychellois retirees can facilitate skills transfer to younger generations and help firms retain experience and firm-specific human capital.

Compensation

The minimum wage (MW) system in Seychelles has several strengths but would benefit from a more structured adjustment framework aligned with international good practice. Seychelles applies a single statutory minimum wage set by law, uniform nationwide and across all sectors, and applicable to all workers under continuous, fixed-term, and part-time contracts, regardless of occupation or nationality.¹⁴ This promotes simplicity and equity, while facilitating implementation. The current level of the MW is broadly aligned with Seychelles level of economic development (Figure 3.4). The wage distribution exhibits clear bunching around the statutory MW, indicating that the policy meaningfully shapes wage-setting at the lower end of the distribution (Figure 3.5). Furthermore, the Kaitz ratio¹⁵ is estimated at around 74 percent, high by international standards, further indicating that the minimum wage is likely to be binding for a substantial share of workers. Despite these strengths, there remains room for improvement. First, there is no mandated process for periodic adjustment; instead, revisions are ad hoc. Second, increases are not explicitly anchored in economic fundamentals (Figure 3.6). As a result, the MW remained flat in nominal terms from 2020 to April 2025, despite inflation (Figure 3.7). To increase certainty for firms and equity for workers, Seychelles could adopt a formal and regular minimum wage adjustment mechanism based on clear and transparent criteria—such as the cost of living and productivity growth—and supported by an institutionalized minimum wage commission to assess evidence and recommend suitable updates.

Figure 3.4

The MW level is broadly aligned with Seychelles' level of economic development

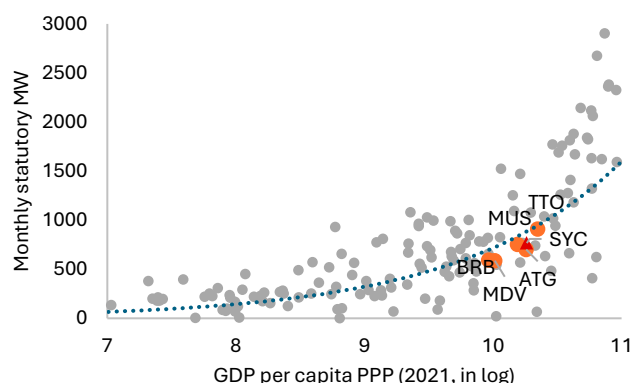
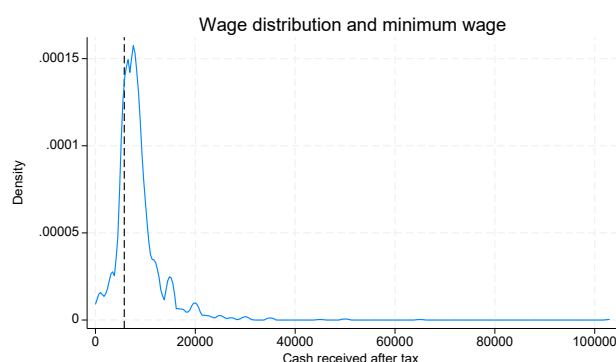


Figure 3.5

The MW appears binding (2018)



14 The minimum wage is slightly higher for casual contracts (SCR 47.19/hour vs SCR 40.95 for continuous, fixed-term, and part-time contracts).

15 The Kaitz ratio is based on median after-tax earnings from the 2018 household budget survey. Since standard Kaitz ratios are typically calculated using gross earnings, the reported ratio may be somewhat higher than comparable international estimates.

Figure 3.6

Seychelles MW legal framework lacks key best-practice attributes

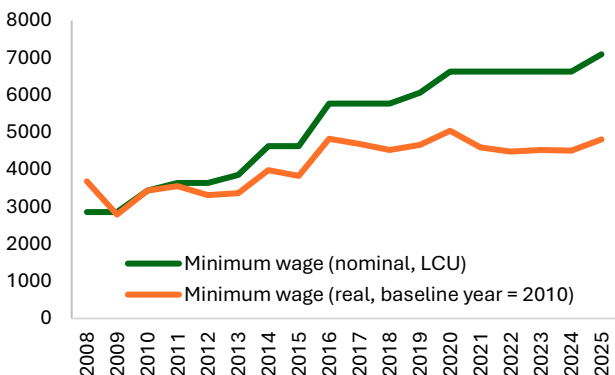
	Malta	Mauritius	Barbados	Trinidad & Tobago	Cyprus	Seychelles
MW in law						
Consultations when MW set						
Legal criteria to set MW						
Regular review & adjustment						

Sources: ILO, Seychelles Household Budget Survey 2018, NBS and World Bank B-Ready.

Note: Figure 3.4 excludes a few outliers to ensure the readability of the figure. According to the amendment to the Employment Act, the minimum wage does not include payment for overtime nor housing, transport, or food. The ILO converts the hourly MW into monthly unit using the converters of 40 hours per week and 4.33 weeks per month. In Figure 3.5, the wage distribution reflects after-tax cash earnings among wage employees only. The statutory MW is defined in gross (pre-tax) terms; therefore, some workers legally paid at the MW may appear below the threshold in this figure.

Figure 3.7

MW adjustments are ad hoc, and not based on economic fundamentals



Contracts of Employment

Fixed-term contracts (FTCs) account for a non-negligible share of total employment and are applied to both Seychellois and foreign workers. By law, all GOPs are on FTCs (32 percent of total employment). In addition, according to the NBS Labour Force Survey (LFS) from Q4 2024, 5 percent of Seychellois workers are also employed under FTCs. For Seychellois workers, 57 percent of FTCs have a duration of more than 2 years, indicating that they are frequently used for ongoing roles rather than strictly temporary assignments. Despite the non-trivial use of FTCs, the current legal framework remains incomplete. First, it does not specify the circumstances under which FTCs may be used, meaning they can apply even when work is of a permanent nature. This allows employers to circumvent the protection and benefits given to workers under continuous contracts, creating differences in job security and benefit coverage between workers performing similar tasks. Second, the Employment Act defines four contract types—continuous, fixed-term, part-time, and casual—which are treated as “mutually exclusive,” limiting contractual adaptability. Lastly, the Act does not set a maximum number of renewals for FTCs, allowing repeated extensions and potentially sustaining long-term employment relationships under temporary status.

Introducing clearer limits on the use of FTCs would help align Seychelles more closely with international standards while avoiding the rigidity of a full prohibition. None of Seychelles’ peer countries prohibit the use of FTCs for permanent tasks. Nevertheless, the ILO guidance recommends that the use of FTCs for permanent functions be objectively justified and accompanied by safeguarding workers’ rights and ensuring that those performing ongoing roles receive the protections attached to continuous contracts (ILO Convention No. 158; ILO Recommendation No.

166). International evidence suggests that when FTCs are widely used for ongoing roles without safeguards, labor markets can become segmented, with some workers facing lower job security and weaker benefit coverage than others performing similar work (World Bank, 2024c; ILO, 2016). At the same time, outright bans on FTCs for permanent tasks can reduce hiring flexibility and dampen job creation in sectors that rely on demand-responsive employment. The evidence points not to prohibition, but to regulation: limiting repeated renewals for Seychellois (GOPs should be exempted, unless the law is changed to allow them to hold continuous contracts), clarifying objective grounds, or introducing conversion rules can help increase employment stability without eliminating firms' ability to meet genuine temporary needs. In this context, a balanced reform could place local and foreign workers under the same FTC rules—ensuring access to basic rights such as leave, pay, and protection—while preserving sufficient flexibility for firms to address legitimate short-term labor requirements.

The attestation process is costly and inefficient, posing a constraint to firms to onboard foreign workers who have already been hired. Attestation refers to a formal certification process through which a competent officer verifies that an employment contract complies with the Employment Act, allowing the contract to be recognized by other GoS authorities. The Employment Act requires attestation for FTCs for foreign workers. While the system is intended to protect vulnerable workers and deter non-compliance with statutory employment conditions, recent assessments have highlighted significant limitations. According to the White Paper, only about half of GOP contracts are submitted for attestation, indicating weak implementation and limited compliance. In addition, for those that do comply, attestation imposes non-trivial financial and administrative costs, with fees of SCR 750 (around US\$50) per contract, alongside associated time costs. The objective of attestation can be achieved with higher efficiency by replacing it with mandatory orientation sessions, the use of a prescribed model contract, and strengthened workplace inspections and penalties for non-compliance.

Labor Rights and Workplace Protection

Seychelles has a strong legal framework for workers' rights, yet important institutional gaps remain with respect to workplace protections. Seychelles has established robust legal protections for workers' rights that apply to both Seychellois and foreigners, including anti-discrimination based on gender and race, collective bargaining, prohibitions against forced labor and child exploitation, and occupational safety regulations. However, gaps remain regarding equal pay and workplace protections. First, the law does not explicitly include a provision for equal remuneration for work of equal value. The White Paper thus proposes to formally define and incorporate the concept of "equal pay for work of equal value" into future legislation. In addition, while the law prohibits discrimination based on gender and age, it does not explicitly prohibit discrimination based on parental or marital status (Figure 3.8). Finally, although the law mandates internal complaint mechanisms for reporting workplace discrimination, it does not establish similar protections for harassment, leaving some gaps compared with peer countries such as Barbados and Mauritius, which provide broader workplace protections.

Although Seychelles has a relatively small gender gap in the labor market and a strong legal framework to support women’s economic participation, there remains scope to improve the workplace environment by addressing several legal and institutional gaps. Seychelles’ strong performance on gender equality is reflected in the relatively small gender gap in labor force participation and unemployment. Globally, higher female labor force participation (FLFP) is strongly associated with better legal frameworks, and Seychelles is aligned with this pattern (Figure 3.9). However, the broader institutional and policy framework that underpins gender-related laws and translates them into practice remains weaker than in most peer countries (Figure 3.10), highlighting the importance of complementary reforms to strengthen enforcement and accountability. Weak supportive measures were mainly driven by a lack of measures promoting gender equality in safety, pay, and entrepreneurship (Figure 3.11). In addition, current maternity provisions in the Employment Regulations may unintentionally undermine women’s rights, as the law treats a woman who returns to work before the end of her maternity leave as having committed an offense. Reforming this provision would help correct the imbalance, ensuring that maternity protections function as intended and are aligned with international standards.

Figure 3.8

The law lacks provision to prohibit discrimination against parental and marital status, underperforming peers

Degree of protection against discrimination

	Based on Gender	Based on Parental Status	Based on Marital Status	Based on Age
Barbados				
Cyprus				
Maldives				
Mauritius				
St. Lucia				
Bahamas				
Antigua & Barbuda				
Trinidad & Tobago				
Seychelles				

Figure 3.9

Globally, higher FLFP is strongly associated with a better legal framework, and Seychelles is aligned with this pattern

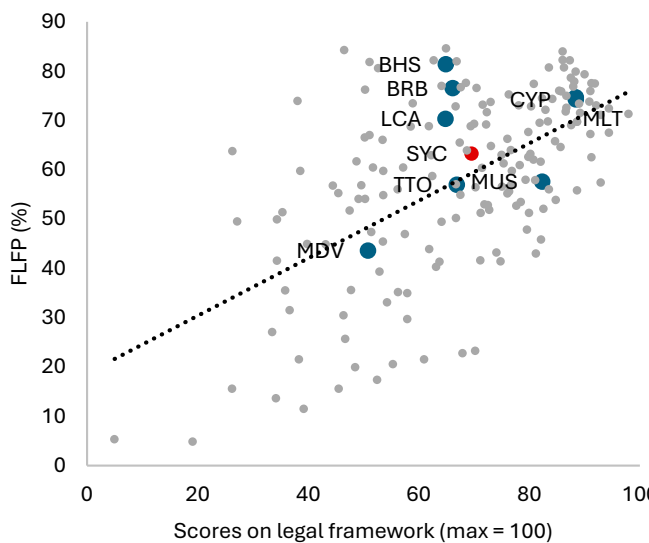


Figure 3.10

Supportive measures have not kept up with the legal framework, pointing to implementation gaps...

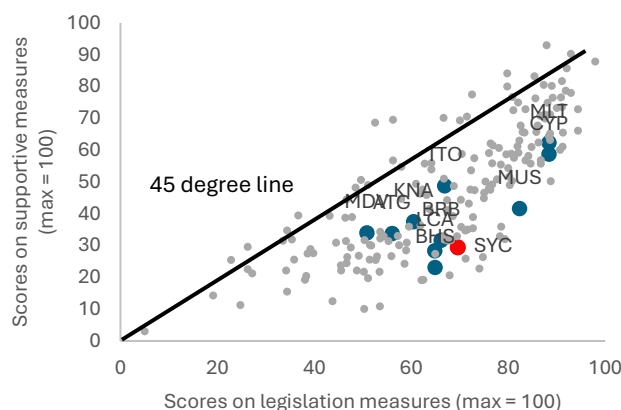
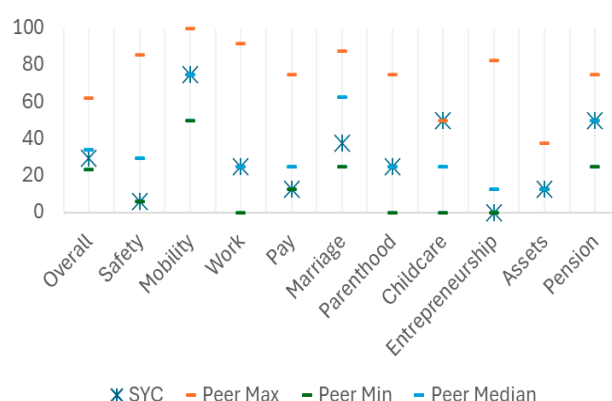


Figure 3.11

...especially in safety, pay, and entrepreneurship



Sources: World Bank B-Ready (2025a), Women, Business and the Law (2026), ILO modelled estimates, and LFS from NBS. Note: Legal Frameworks measure laws and regulations affecting women's economic opportunities. The dataset covers 10 topics—Safety, Mobility, Work, Pay, Marriage, Childcare, Parenthood, Entrepreneurship, Assets, and Pension—with 4 scored indicators per topic. Each economy's Legal Frameworks score is the average across the 10 topics (0–100, higher indicates more gender-equal laws). Supportive Frameworks assess elements that enable implementation of laws and regulations—national policies and action plans, monitoring and implementing institutions, access to justice measures, government programs and services, and sex-disaggregated data collection and publication. Structured across the same 10 topics with 4 scored indicators per topic; each economy's Supportive Frameworks score is the average across topics (0–100). Enforcement Perceptions capture legal experts' views on how effectively public authorities enforce laws and uphold rights assessed in Women, Business and the Law. Structured across the same 10 topics with 4 scored indicators per topic; each economy's Enforcement Perceptions score is the average across topics (0–100).

3.2 The Gainful Occupation Permit (GOP) System

Chapter 1 highlighted that while foreign labor is vital to Seychelles' economy, restrictive labor regulations hinder firms; streamlining the GOP process is thus key to boosting productivity, competitiveness, and growth. This section outlines the GOP system, challenges with the current system, and options to make it work better for firms, workers, and the economy.

The Process to Employ Non-Seychellois Workers

Seychelles' labor migration framework is anchored in a set of legacy laws that govern the entry, employment, and rights of foreign workers. The process to employ non-Seychellois workers is governed by the Immigration Decree (Decree No. 18 of 1979) and the Immigration Regulations (1981), both of which have been amended over time. These laws set the rules for the entry, stay, and employment of foreigners in Seychelles. Complementing this, the Employment Act establishes the principle of equality of treatment, ensuring that migrant workers receive the same terms and conditions as Seychellois workers.¹⁶

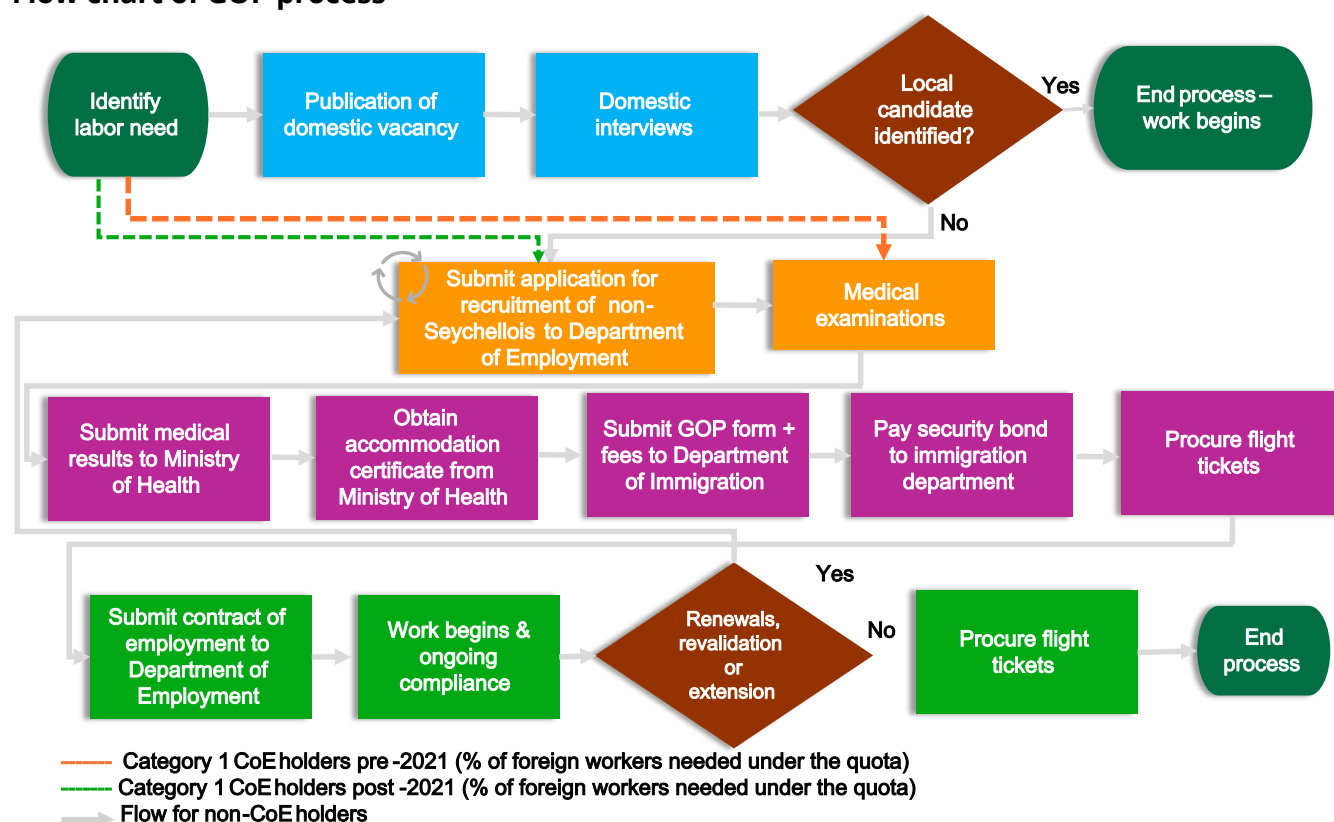
¹⁶ However, non-Seychellois workers do not contribute to, nor receive benefits from, the Seychelles Pension Fund. Income tax treatment also differs slightly for foreigners, as the first SCR 8,555 of income is not exempt from tax, unlike for Seychellois. However, for countries with Double Taxation Agreements, Seychellois and foreign workers are treated equally.

The recruitment and approval process for foreign workers involves coordinated oversight by both the Employment and Immigration authorities. The Ministry of Employment and Human Resource Planning (MEHRP) manages labor market testing, grants approval for recruitment, and handles contract attestation. The Immigration Department is responsible for issuing the GOP once the necessary approvals are in place. Several other government agencies are also involved in the GOP process (see WBG, 2026d, forthcoming for details).

The standard process for recruiting foreign workers in Seychelles requires employers to exhaust local hiring options before seeking foreign labor (Figure 3.12). Employers must first advertise vacancies locally and demonstrate that no suitably qualified or willing Seychellois is available to fill the role. The employer then submits a request to MEHRP for approval to recruit a foreign national. MEHRP assesses multiple criteria, including whether there are suitable candidates registered in their job seekers database. If the application is approved, the employer may then apply for a GOP with the Immigration Department. The permit is occupation and employer specific, thus making it non-transferable, even for promotion or redeployment of the same worker in the same firm.

Figure 3.12

Flow chart of GOP process



In 2014, a streamlined process for hiring foreign workers was created for key sectors, but additional steps were added in 2021, creating further delays. In 2014, a quota-based system was introduced, allowing eligible firms—mainly employers in labor-intensive industries such as tourism, construction, manufacturing, fishing, and the financial sector—to obtain a Certificate of Entitlement (CoE). Certificate holders were allowed to recruit foreign workers within their quota without advertising locally (quota limits are set out in the GoS Guideline for Recruitment of Non-Seychellois Workers, July 2016). The 2016 Guidelines also include a list of occupations exempt from CoE quotas, but this list has not been reviewed since 2016 and largely consists of broad categories—many of which are duplicated across sectors and do not reflect current or emerging labor market needs. However, in 2021, CoE holders were required to submit labor demands to MEHRP, which checks for suitable local job seekers. If a match is found, candidates are referred. If not, foreign recruitment is allowed. While well-intentioned, the process has caused additional delays, with MEHRP required to review all CoE applications. As a result, MEHRP fails to meet its 9-day processing target for GOP applications in over 50 percent of cases.

Foreign worker recruitment in Seychelles is governed by a structured set of financial costs and compliance procedures (Table 3.1). Employers have ongoing monitoring responsibilities, including submitting establishment lists every three months and providing detailed information on vacancies under their quota entitlements. The Ministry may also require localization plans to encourage the gradual replacement of foreign workers with local employees over time. Employment contracts for foreign workers must be submitted to the MEHRP for attestation to ensure they conform with national labor laws (see Section 3.1).

Foreign workers cost 70 percent more than Seychellois workers, yet only 18 percent of the total cost is related to GOP administrative fees (Table 3.1 and Table 3.2). The estimated non-salary cost amounts to about SCR 134,000 (US\$9,148)—or roughly 19 months of the minimum wage—mainly driven by variable expenses such as airfares, accommodation, utilities, and food, which together represent more than 80 percent of total non-wage costs. Firms are not required to provide these by law, but the practice has become the norm across the economy due to the scarcity of land and housing. GOP-related administrative fees—including processing, attestation, and bond payments—account for a smaller but notable share of around 18 percent. When compared to the cost of hiring Seychellois workers, these costs mean that there is a 70 percent cost premium associated with hiring foreigners. Including both wages and non-wage elements, the total cost for a foreign worker reaches approximately SCR 305,000 (US\$20,752) over 2 years, compared to SCR 179,000 (US\$12,185) for a Seychellois worker, which includes employer pension contributions that are currently non-applicable for foreigners. Despite this premium, employers continue to rely on foreign labor due to persistent skills shortages, limited local supply in certain occupations, and socio-economic factors that make some jobs less attractive to Seychellois workers, while employers report that they find expatriates to be more reliable, adaptable, and available for these roles.

Table 3.1**Cost of a non-Seychellois worker on minimum wage for a 2-year GOP contract**

Stage	Fee Description	Amount (SCR)	Amount (US\$)	Share of Total Cost
GOP Processing Fees		23,900	1,628	18%
Application for Recruitment of Non-Seychellois (MEHRP)	Application fee	150	10	0%
Work Permit Application (GOP-Immigration)	Example: 2-year contract (24 months)	13,000	886	10%
<i>of which</i>	<i>Processing fee</i>	1,000	68	1%
	<i>Monthly fee (per month of contract)</i>	12,000	817	9%
Onboarding (Contract Attestation)	Attestation fee (per contract)	750	51	1%
Bond (Immigration)	Security bond (depends on nationality)	10,000	681	7%
Other Variable costs (Estimates)		110,394	7,520	82%
<i>of which</i>	<i>International flights (2 way)</i>	23,488	1,600	17%
	<i>Return flights to home country for annual leave</i>	23,488	1,600	17%
	<i>Utilities, food and other related costs</i>	63,418	4,320	47%
TOTAL (non-salary) COST		134,294	9,148	100%
Minimum Monthly wage		7,098	484	
Total (non-salary) Cost in Months of Minimum Wage		19	19	
2-years of Salary (@ Min. Wage)		170,352	11,604	
TOTAL COST (SALARY + GOP PROCESSING + OTHER COSTS)		304,646	20,752	

Table 3.2**Base cost estimate between hiring foreigners and Seychellois**

Category	Foreigners		Seychellois	
	SCR	US\$	SCR	US\$
GOP Processing Fees	23,900	1,628	-	-
Other Variable Costs (Estimates)	110,394	7,520	-	-
<i>Minimum Monthly wage</i>	170,352	11,604	170,352	11,604
Employer Contribution to Pension	-	-	8,518	580
TOTAL	304,646	20,752	178,870	12,185
<i>Premium for a Foreign Worker</i>	70%			

Challenges with the Current GOP System

The current GOP system is characterized by inefficiencies, high costs, and rigid procedures that hinder timely recruitment and impose significant burdens on employers, particularly small businesses.

- **Inefficient:** In 2010, obtaining a GOP reportedly took 4–6 weeks (World Bank, 2011). In 2024, it reportedly takes three times longer, at 12–20 weeks (3–5 months).¹⁷ In comparison, it takes around 4–6 weeks in Mauritius and 3 weeks in Maldives (Table 3.3). The GOP application process remains largely manual and paper-based, involves multiple authorities such as MEHRP and the Immigration Department, and lacks effective tracking or feedback mechanisms. Employers face bureaucratic delays that are worsened by MEHRP's limited capacity for GOP administration,¹⁸ especially affecting remote or small-scale operators.
- **Costly:** Hiring a Seychellois worker at the minimum wage is estimated to cost around US\$12,000 monthly (wages plus pension contributions of 5 percent, which they do not pay for foreign workers).¹⁹ In comparison, hiring foreign workers is about 70 percent more expensive, with total (non-salary) costs—including GOP fees, travel, accommodation as well as utilities, food and other related costs—exceeding SCR 130,000 (approximately US\$7,500, equivalent to almost 19 months of salaries at the minimum wage) regardless of skill level (Table 3.1). These in-kind benefits effectively mean that foreign workers receive a higher net salary than Seychellois workers for the same job, as Seychellois workers must cover living expenses from their salary. These costs also disproportionately burden small businesses and raise operating costs for all firms, undermining Seychelles' international competitiveness. Nevertheless, two analytical points emerge:
 - o **First, GOP administrative fees are not the main driver of GOP costs.** GOP processing fees comprise only 18 percent of the overall (non-salary) cost. Eighty-two percent is related to flights, utilities, food and other related costs (note that this does not include rent—which would be in addition if the firm does not have its own accommodation). Thus, while GOP processing fees are 2–4 times those in Mauritius and Maldives (Table 3.3), they are not the key driver of the overall cost to employ a foreign worker.
 - o **Second, this suggests that the cost to a firm of hiring a foreign worker at the minimum wage is around 1.7 times the cost of hiring a Seychellois worker** (accounting for the GOP costs in Table 3.1 and the pension contributions made only for Seychellois workers). Rising demand for GOPs, despite the significant cost differential, is consistent with there being a lack of able and willing unskilled Seychellois, and/or that the reserve wage for many Seychellois workers is much higher than the minimum wage.
- **Rigid:** GOPs are tied to specific job titles/positions rather than to individuals or skills. This limits internal promotions or redeployment of workers, creating costly inflexibility for firms.

Employers face significant operational challenges due to prolonged hiring delays, outdated regulations, and weak inter-agency coordination, all of which undermine service quality and hinder effective workforce planning. In the hospitality sector, firms report that qualified candidates

17 World Tourism Organization & Ministry of Foreign Affairs and Tourism (2024) and personal correspondence with SCCI.

18 There are reported only two Ministry of Employment and Social Affairs (MESA) officials to process all tourism sector GOPs, leading to lengthy delays.

19 This calculation does not include non-monetary benefits tax costs.

are frequently lost to other countries due to delays and inefficiencies in the GOP recruitment and approval process. Poor coordination between MEHRP, Immigration and other key institutions further undermines data consistency and workforce planning. Despite commitments to modernize the GOP system, promised digital reforms are yet to be implemented, leaving businesses reliant on slow, paper-based procedures. These issues have prompted formal concerns from businesses, with a growing consensus that comprehensive GOP reform is essential to ease labor bottlenecks, protect service quality, and maintain Seychelles' long-term competitiveness.

Table 3.3

Work permit process in Seychelles compared to Mauritius and Maldives

Characteristic	Seychelles	Mauritius	Maldives
Quota System	Quotas are allocated to different sectors within 3 categories. Quotas differ by island.	Permission in Principle (PIP) defines number, sector, and nationality. Based on a 3:1 local-to-foreign ratio, with flexibility in shortage sectors.	Quotas allocated via the Xpat Online System, either permanent or project-based. Set by sector and policy with defined ratios.
Labor Market Testing	CoE holders are exempt; however, non-CoE holders must advertise locally before seeking foreign workers.	Evidence of unsuccessful local recruitment is required as part of the PIP application. Online job advertisements are accepted (and encouraged).	Evidence of unsuccessful local recruitment is required.
Permit Duration	GOP valid for up to 2 years, renewable with justification.	Work and Residence Permits for up to 4 years, renewable. Occupation Permits (for investors) valid for up to 10 years.	Work visa can be issued for periods of 1–10 years depending on job nature and eligibility.
Processing Fees for 2-year Work Permit²⁰	US\$1,628 (16% of monthly minimum wage)	US\$797 (3% of monthly minimum wage)	US\$184 (5% of monthly minimum wage)
Digital Process	Process is largely manual and paper-based, involving multiple ministries. No centralized digital platform.	Fully digitalized through the e-Work Permit System. Applications, tracking, and communication are all online, enabling faster and more transparent processing.	Entirely digital via Xpat Online System. Quota allocation, employment approval, and visa formalization are integrated into one online portal.
Processing Time	Reportedly 2–5 months in 2024	15–30 business days ²¹	3–15 business days ²²
Transferability	Not transferable. Tied to both the occupation and the specific employer.	Not transferable. Must reapply for a new permit even if continuing in the same role with new employer. ²³	Not transferable. Must apply for a change request in the system. ²⁴

Note: All three countries require firms to cover costs for accommodation and travel to and from the host country, while only Maldives explicitly mandates employers to provide health insurance for expatriate workers.

Many migrants continue working in Seychelles well beyond the standard 2-year GOP term, highlighting the need to reconsider its duration. On average, around 50 percent of GOPs are new applications while the remaining 50 percent are renewals. Yet, workers frequently continue working

20 Excludes flight cost, housing, and other costs borne by the employer.

21 Accessed from https://workpermit.mu/eworkpermit_wkp/web/index/pagename/aim_and_objective on April 28, 2026. The average time for processing was 22 days in 2025.

22 Accessed from <https://www.immigration.gov.mv/work-visa/> on April 28, 2026.

23 Government of Mauritius (2016).

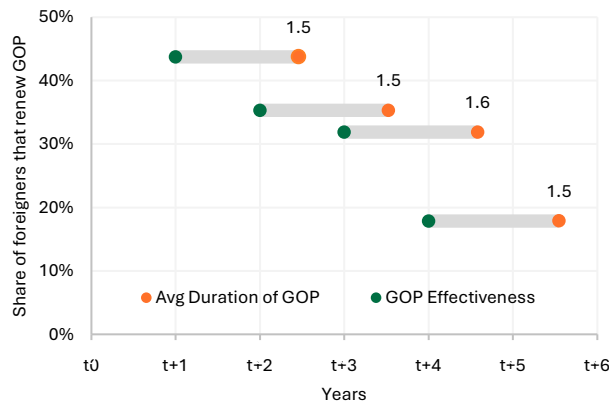
24 Government of Maldives (2021).

in Seychelles beyond their initial contract period, and well beyond 2 years (Figure 3.13). From the set of workers that had their GOP approved in 2020, 44 percent renewed after 1 year, 35 percent after 2 years, 32 percent after 3 years, and about 18 percent after 4 years.²⁵ While the average GOP duration is estimated at 1.5 years, these extensions suggest that some workers remained in Seychelles for more than 5 years. Overall, roughly 54 percent of the workers stayed longer than 2 years, indicating a need for longer employment periods (Figure 3.14). Extending the standard GOP term could better reflect labor market realities, reduce administrative burden, and lower costs for employers and employees.

Two key distinctions between Seychelles and its island peers are the level of digitalization and visa duration in their labor migration systems (Table 3.3). While Mauritius and Maldives operate fully digital platforms, Seychelles relies on a largely manual, partially digitalized process involving multiple ministries. This lack of a comprehensive digital system leads to slower and less predictable processing, adding an administrative burden for both employers and authorities. In addition, the duration of a GOP is a maximum of 2 years, compared to 4 years in Mauritius (expatriate employed at managerial/supervisory/technical levels may be allowed to work for a period of 5 years or more) and 5–10 years in Maldives. A longer duration of work permit reduces the frequency with which employers must go through the GOP process, thus reducing the time and financial cost to operations.

Figure 3.13

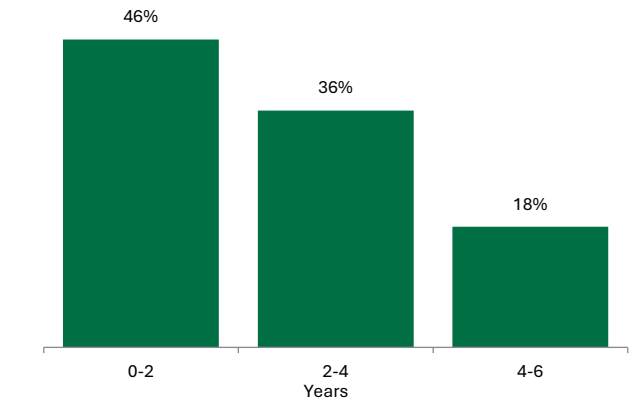
The average duration of GOP is around 1.5 years with around 18 percent of 2020 GOP holders still working 5+ years later
Share of foreign workers in 2020 who renewed in subsequent years



Sources: MEHRP and staff calculation.
 Note: t0 = 2020. Excludes migrants exempt from GOP process and is based on the maximum term of 2 years for a GOP.

Figure 3.14

Over half of migrants from the 2020 cohort worked beyond 2 years, and at least 18 percent worked beyond 4 years
Composition of GOP applications by category



Sources: MEHRP and staff calculation.
 Note: Cumulative duration of GOP terms from the 2020 cohort that have renewed GOPs. The last year of renewed GOP is 2024. Workers are grouped by total GOP duration (0–2, 2–4 and 4–6), and frequencies reflect the share in each group. Excludes migrants exempt from GOP process and is based on the maximum term of 2 years for a GOP.

25 While individuals, and whether they remained in Seychelles, have not been tracked all this time, it is likely that those who renewed after 3 years also renewed after 1 year, and those who renewed after 4 years also renewed after 2 years. Alternatively, if the worker had left Seychelles, they should have been issued a new GOP upon their return.

Options to Improve the GOP System

Modernizing the GOP system through a centralized digital platform would make the process faster, more cost-effective, and more transparent. A unified digital interface that consolidates all key steps—such as labor market testing, application submission, contract verification, and permit issuance—could help reduce delays, enhance clarity, and improve the overall user experience. It could also help alleviate a (reported) key bottleneck in the process—MEHRP’s matching of CoE GOP applications with its database of local job seekers. The platform could also be integrated with existing administrative systems across GoS agencies for employment, immigration, health, and education to support more coordinated labor market planning and reduce duplication. Regional experiences from Mauritius and Maldives—where fully digital work permit systems are already in place—could offer practical lessons for implementation. Seychelles’ own experience with the Electronic Border System could also be instructive.

Extending the maximum duration of the GOP would reduce administrative and financial burdens on firms by lowering the frequency of permit renewals, streamlining government processing, and enhancing labor market stability by providing greater certainty for skilled expatriates. This adjustment aligns with international practices in comparable island economies (4 years in Mauritius and 5–10 years in Maldives) and would support more efficient workforce planning for both employers and authorities. In July 2025, GoS relaxed the GOP administrative rules by increasing the minimum contract length requiring a GOP from 30 days to 90 days. Extending the GOP duration is a reform in the same spirit as that change.

Tying the GOP to the skills, not the job title, would increase flexibility and reduce the pressure on the system. In other words, it would allow foreign workers to be promoted and to undertake ancillary roles, provided that the job is related to the skills for which they were employed (i.e., to move from kitchen hand to chef, but not from gardener to chef). This would provide greater flexibility for firms and reduce the need to seek a new GOP for existing staff to take on a related role, while still ensuring that firms do not “game the system”.

Streamlining the CoE process and updating the Guidelines for Recruitment of Non-Seychellois Workers would make the process faster and better aligned to current labor market needs. Removing the requirement for CoE holders to submit a list of vacancies and receive approval to recruit foreign workers from the Employment Department would reduce administrative delays and enhance efficiency in the recruitment process. In addition, CoE quotas should be reviewed to better reflect sectoral needs, and the list of occupations for which the CoE quota does not apply should be modernized (in consultation with industry), to ensure that it reflects current and future labor market needs for which domestic skills are scarce. This should be done regularly (perhaps every 3–5 years). Finally, the guidelines require that a firm must operate for 1 year before it can apply to the CoE. This inhibits the recruitment process for new businesses in labor-intensive industries (such as new resorts). Criteria should be introduced to waive this requirement (for example, based on planned/realized investment).

3.3 Artificial Intelligence (AI) and Labor Market Implications in Seychelles

What could be the impact of AI on jobs in Seychelles? Recent advances in AI—particularly generative AI—have created excitement about its potential to boost productivity, but there are concerns on the potential adverse impact on labor markets by displacing workers or transforming the scope of specific occupations. This section outlines the opportunities and risks of AI in Seychelles' labor market, estimates the size of the potential impact, and considers policy options to maximize the benefits and mitigate the risks.²⁶

Depending on the tasks involved in each occupation, the emergence of AI could displace, augment, or create new jobs (Acemoglu and Restrepo, 2019). AI can displace jobs (e.g., translators), change the task content of jobs (e.g., nursing, with less time on paperwork, more time on patient interaction), and create new jobs (i.e., AI trainers, prompt engineers). It can also have broader macroeconomic effects by increasing productivity, leading to lower costs of production. As prices fall, aggregate demand increases, spurring growth and increasing the demand for labor in non-automated tasks. The competing forces of task displacement and task enhancement (augmentation and new tasks) determine the net effect of AI on labor demand.

Mapping countries' occupational structure along two dimensions—physical/cognitive and routine/nonroutine—makes it possible to analyze the labor market's exposure to AI and complementarity with AI (Figure 3.15). The existing literature (Felten, et. al. 2021; Gmyrek, et. al. 2023; Webb 2020) suggests that AI affects a wide range of cognitive tasks, with the potential for displacement and enhancement related to the degree of repetition (“routineness”) in a task. The literature indicates that AI has a relatively low impact on non-routine physical tasks, such as those involving frequent direct client interactions.

Seychelles' domestic labor is moderately exposed to AI compared to its peers and less exposed than advanced economies; but also has only a moderate share of jobs that are complementary to AI (Figure 3.16). While it remains too early to causally estimate the impact of AI on growth and jobs, analyzing AI-exposed jobs in Seychelles and its peers can shed light on the intensity and implications of AI exposure. In Seychelles, many jobs are manual task-based (i.e., high-touch customer services), making overall AI exposure relatively low. However, around 17 percent of jobs are manual task-based and have routine cognitive intensity; these jobs could be negatively affected by AI's displacement effect. This is similar to peer countries, but lower than advanced economies. However, jobs that could be complementary to AI are also more limited in Seychelles than in advanced economies (22 vs 32 percent), suggesting that the opportunities to benefit from AI are also somewhat lower. This relatively low exposure is in part a function of the economy's structure

26 The analysis is done using two data sources to cover Seychellois and foreign workers due to data limitations. According to the NBS LFS Q4 2024 documentation, “the survey covers only conventional households and excludes large group quarters accommodations, i.e. institutional dwellings such as group workers' accommodation.” Consequently, the LFS does not cover most foreign workers. A 2017 study estimated that 10 percent of GOP holders were included in the LFS (Bhorat, et al., 2017). As a result, the analysis of Seychellois workers uses the LFS, excluding non-Seychelles citizens. To analyze the exposure of foreign workers, GOP administrative data from MEHRP is used.

(dominated by tourism and fisheries) and limited digitalization across all sectors. As bottlenecks to digital transformation are addressed (see Chapter 4), more workers are likely to become exposed to AI. Ensuring that AI complements workers, rather than displacing them, depends in part on closing the digital skills gap, which currently constrains both the pace of digitalization and workers' capacity to use AI productively.

While overall AI exposure is relatively low, many more Seychellois workers than foreign workers are exposed to potential job losses due to AI displacement (Figure 3.16). Twenty-one percent of Seychellois workers are in jobs that have routine cognitive intensity, compared to only 5 percent of GOP workers. This is consistent with Fact #9 in Chapter 1, that shows that foreign workers predominantly do high wage jobs (high AI exposure, high AI complementarity) and minimum wage jobs (low AI exposure), while Seychellois predominantly do intermediate wage jobs (which are more likely to have high AI exposure and low AI complementarity).

Figure 3.15

AI largely affects cognitive tasks, but some non-routine cognitive tasks can be complemented by AI

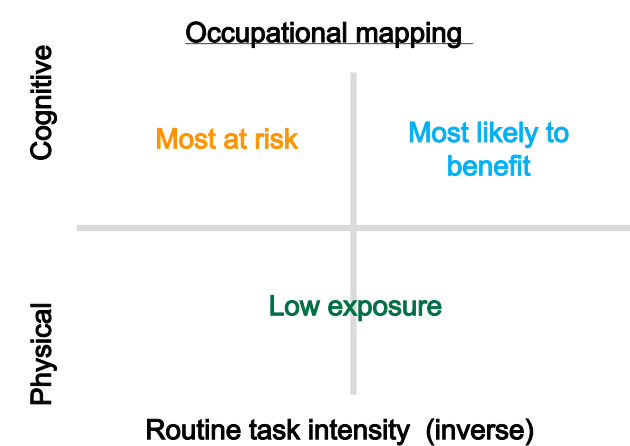
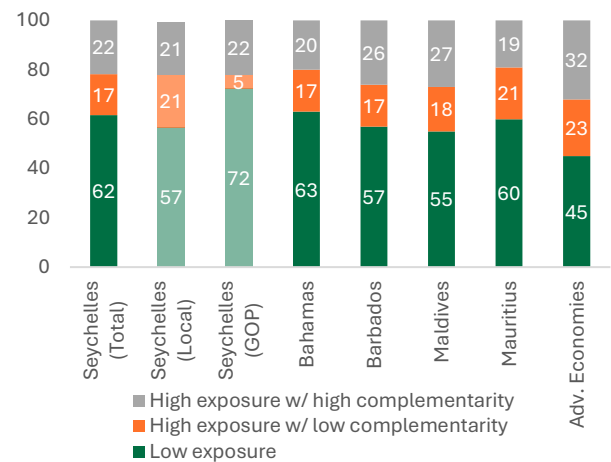


Figure 3.16

Seychelles is moderately exposed to labor displacing effects of AI relative to peers though less exposed than advanced economies; but also has less jobs that are complementary to AI



Source: WBG staff estimates using NBS LFS Q4 2024 data, ILOSTAT, and WDI based on the methodologies of Felten et al. (2021) and Pizzinelli et al. (2023).
 Note: Figure shows share of workers in occupations under each category. Categorization is based on median threshold of AI exposure measure (Felten, et al. 2021) and AI complementarity measure (Pizzinelli et al. 2023).

There is a high risk of job loss from AI for 8,500 Seychellois workers (16 percent of the domestic workforce) in three occupations. Figure 3.17 applies the two-dimensional methodology from Figure 3.15 to Seychellois workers and GOP workers. This highlights that there are three occupations employing substantial Seychellois workforces that are at risk of job losses from AI (i.e., the largest orange bubbles)—Custom Service Clerks, Business and Administration Associate Professionals, and Business and Administration Professionals. These job types represent 15 percent of private sector jobs, about 5,400 workers. Over half of these workers are in three sectors: 24 percent in accommodation and food services (tourism sector), 19 percent in financial and insurance activities

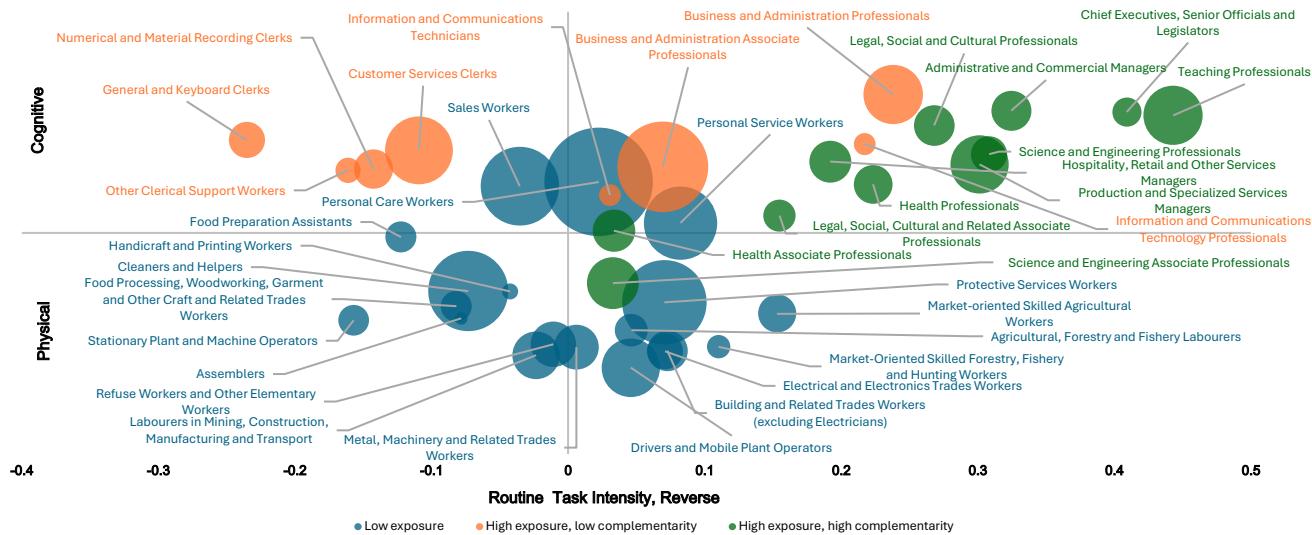
(banking and finance), and 11 percent in wholesale and retail trade. These three job types also represent 18 percent of public sector jobs in Seychelles, about 3,100 workers. Fifty-five percent of these workers are in general public administration, 11 percent in professional, scientific and technical activities, and 11 percent in financial and insurance activities.

Of these 8,500 highly-exposed Seychellois workers, 78 percent are women—highlighting the need for gender-informed support to retrain and re-enter the workforce. For example, women are more likely to have unpaid care responsibilities such as caring for children and elderly parents, and household management. Thus, female-focused training should consider flexible schedules, modular learning, hybrid/remote options, and include coaching and mentoring, peer cohorts, and visible female role models.

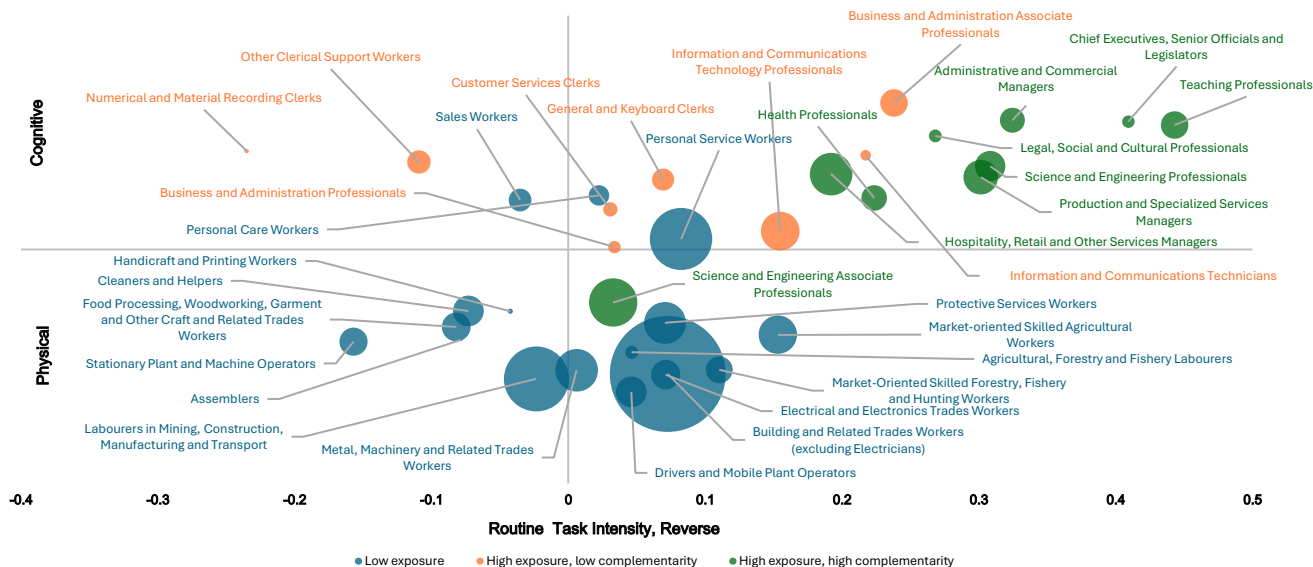
This analysis can also inform adjustments in the courses offered in post-secondary education away from occupations at higher risk of AI-induced displacement. Currently, Seychelles' post-secondary education system has 11 programs that train youth for these three occupations, with 214 graduates in 2024—22 percent of all post-secondary graduates. Government administrative data of the GOP system indicate that almost 2,500 foreigners are currently employed in these three occupations (10 percent of active GOPs). This suggests two things. First, AI and automation could reduce the demand for GOPs in these fields. Second, fewer jobs in these fields could increase competition—and unemployment—among Seychellois graduates. If AI-driven job loss becomes a reality, it may be worth considering consolidating these courses and encouraging students to enter other, less-exposed occupations.

Figure 3.17
Potential job losses for Seychellois due to AI are concentrated in three occupations—Customer Service Clerks, Business and Administration Associate Professionals, and Business and Administration Professionals

a. AI exposure of Seychellois workers



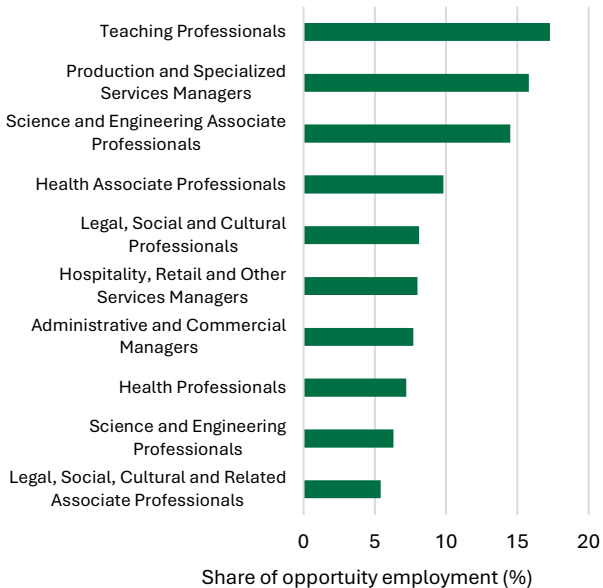
b. AI exposure of GOP workers



Source: WBG staff estimates using NBS LFS Q4 2024 data and ILOSTAT, based on the methodologies of Felten et al. (2021) and Pizzinelli et al. (2023). Note: The vertical axis reflects the manual and cognitive task content of occupations; the horizontal axis measures routine task intensity, following Autor and Dorn (2013). Colors are based on median thresholds for AI exposure (Felten et al., 2021) and AI complementarity (Pizzinelli et al., 2023). Bubble size indicates the average employment share.

Instead, Seychellois youth (and workers seeking reskilling) should focus on teaching, health, and Science, Technology, Engineering, and Mathematics (STEM)—occupations that are both complementary to AI and for which there is a large unmet demand (reflected in the large number of foreign workers). Of the 11,000 jobs (21 percent of the domestic workforce) that are expected to be augmented by AI, 55 percent are in teaching, health, and STEM occupations (Figure 3.18). This indicates that these are likely to be the jobs least exposed to AI displacement—and in fact, AI is likely to increase productivity in these professions. In addition, there are almost 2,000 GOPs in these occupations (almost 10 percent of GOPs—about 1,000 jobs in STEM, and about 500 each in education and health services). In other words, foreigners represent one-quarter of jobs in these occupations—highlighting the large unmet demand for these skills in the local labor market. Encouragingly, Seychelles’ post-secondary education system had 351 students

Figure 3.18
Teaching, health, and STEM occupations account for 55 percent of current jobs that are complementary to AI



Source: WBG staff calculations using NBS LFS Q4 2024.

graduating from 45 programs for AI-complementary occupations (the green bubbles in Figure 3.17) in 2024—36 percent of all post-secondary graduates. Of these, 201 students graduated from 21 programs in education, health and STEM in 2024, representing 21 percent of all graduates. Similarly, from 2020–2023, 42.4 percent of post-secondary scholarships awarded by GoS were in education, health, and STEM-related fields—while 36.8 percent were in the potentially more AI-exposed fields of business, administration, and law.

More broadly, AI represents both opportunities and risks for Seychelles’ young job seekers.

On the upside, with appropriate training and exposure, youth could be better positioned than older cohorts to adopt and utilize AI tools, boosting their productivity, improving job prospects, and supporting firms in modernizing their operations. On the downside, if younger workers are not equipped with the digital and cognitive skills required to work with new technologies, AI adoption may widen productivity gaps and leave them at a relative disadvantage in the labor market. Targeted training and upskilling programs, combined with labor regulations that protect the training opportunities without undermining the firms, can help mitigate risks while unlocking the potential productivity gains associated with AI and technology.

Preparing Seychellois workers and youth for an AI-enabled labor market requires a coordinated policy response. Key complementary measures include:

- Reorientate the post-secondary education system—including the GoS scholarship program—so it is less focused on occupations that are highly exposed to job displacement by AI (such as simple customer services and business administration), and more focused on occupations that are complementary to AI (such as education, health, and STEM occupations) and for which there is significant unmet demand in the local labor market.
- Reform the education and TVET systems to prepare the current and future workforce for AI and support its use. This includes strengthening curricula, prioritizing in-demand digital and AI skills and literacy, and strengthening mid-career reskilling pathways. A national AI strategy and an AI policy in the education system could help guide the responsible integration of AI tools across schools, coordinate and scale evidence-based pilot programs, establish standards for data privacy and ethical use, and ensure that AI adoption is equitable and aligned with Seychelles’ broader human capital development goals. Adapting the TVET system to cater for mid-career reskilling will also be critical to ensure that displaced workers can reenter the workforce.

3.4 Youth and Skills

This section focuses on youth vulnerability as a structural constraint to labor supply, productivity, and social mobility. As outlined in Chapter 1, rising youth vulnerability is eroding human capital and labor market outcomes, while disproportionately constraining women’s economic opportunities. Seychelles is a HIC with near-universal access to basic education. However, its core education and youth challenges are related to quality, relevance, and school-to-work transitions. In several respects, Seychelles’ education and labor market outcomes resemble those of middle-income countries. This disconnect is evident in learning outcomes that remain below what would be expected for a high-income system despite high levels of education spending, and national assessment results that show persistent weaknesses, particularly in mathematics and science. Expected schooling of 13.1 years falls to only 9.7 years once adjusted for learning, while many

young Seychellois struggle to move from school into stable and productive employment (World Bank, 2022a; 2024b). At the same time, firms report persistent skills shortages. The coexistence of youth underutilization and employer-reported skills gaps signals structural weaknesses in learning accumulation and school-to-work transitions rather than insufficient labor demand.

A comprehensive, consolidated, prevention-focused, and evidence-based approach is required to address youth vulnerability and get more Seychellois youth into good jobs.

The government has recognized the urgency of this challenge—characterizing it as a national emergency—and is already implementing a range of initiatives to address youth vulnerability challenges across education, health, and social protection. However, current efforts are often fragmented across institutions, heavily weighted towards response and remediation as opposed to prevention, and do not consistently address the underlying structural drivers that give rise to vulnerability. This section outlines a more consolidated, prevention-focused, and evidence-based approach to strengthen labor supply, improve productivity, and enhance social mobility.

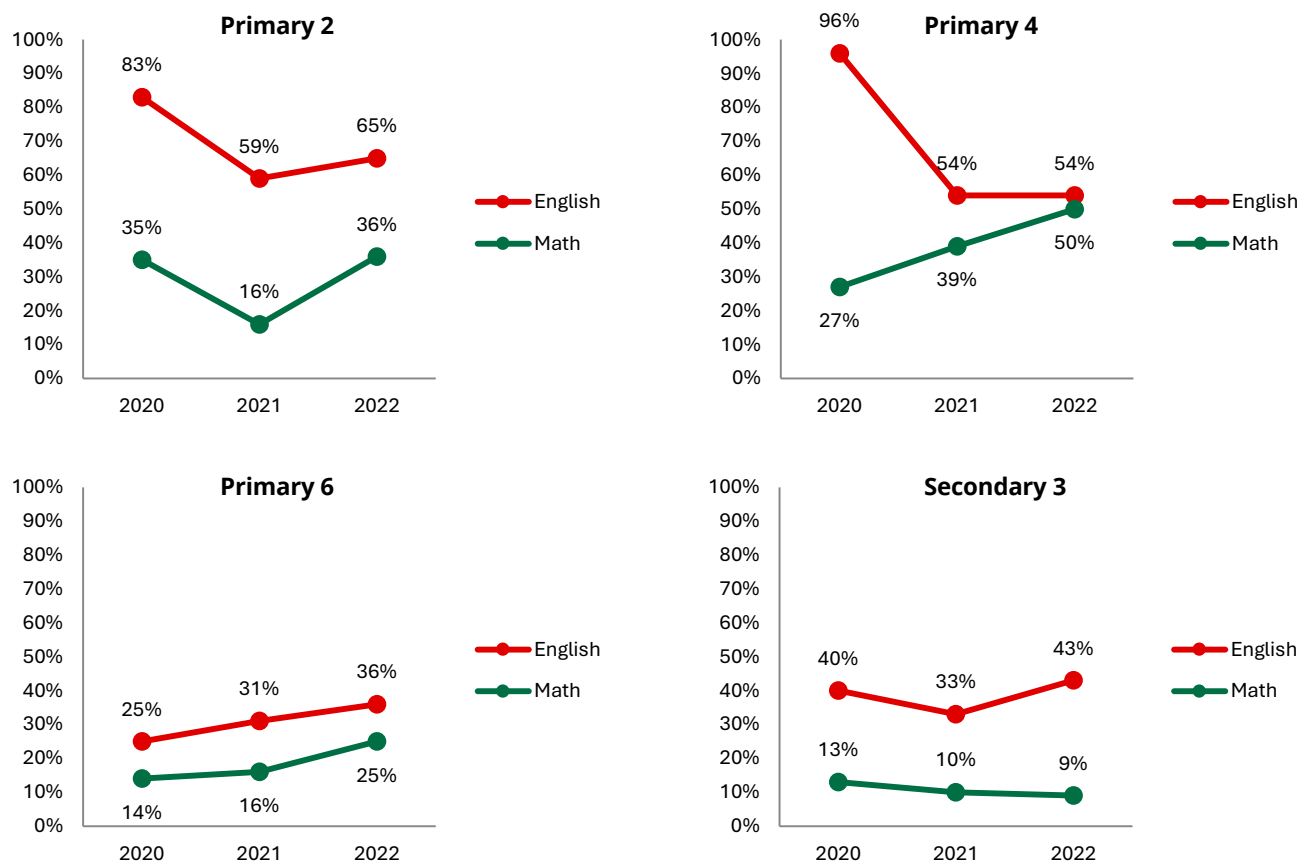
The Youth Vulnerability Challenge

The youth-at-risk challenge can be structured around four interrelated outcomes: (i) school disengagement and under-performance; (ii) teenage pregnancy; (iii) substance abuse; and (iv) weak transition to employment. These outcomes reinforce each other over the life cycle and weaken labor market attachment and productivity.

- 1. School disengagement and underperformance:** Seychelles has achieved near-universal access to education, with the primary gross enrolment ratio at approximately 97 percent and high completion rates through secondary school. However, national examination results indicate persistent learning gaps. In 2022, only 36 percent of Primary 6 students met expected standards in English and 25 percent in Mathematics and Science; by Secondary 3, only 11 percent achieved a principal pass in Mathematics (Figure 3.19). Boys are disproportionately represented among low-performing and dropout cohorts, accounting for approximately 63 percent of secondary dropouts. Weak foundational learning reduces the accumulation of market-relevant skills and lowers productivity at labor market entry.
- 2. Teenage pregnancy:** Teenage pregnancy remains persistently high, fluctuating around 7 percent among girls aged 12–19 over more than two decades. At 53 births per 1,000 women aged 15–19, Seychelles' adolescent fertility rate is almost five times the HIC average of 11 per 1,000, and well above peers such as Mauritius (25), Malta (8), Maldives (8), and Cyprus (7). It also exceeds the small states' average of approximately 45 per 1,000, and has shown little change over the past two decades despite improvements in other health indicators. Geographic concentration overlaps with districts experiencing higher poverty and educational underachievement. Early pregnancy interrupts education trajectories, reduces female labor force participation and earnings progression, and increases dependence on social support systems—effects that reduce effective labor supply and contribute to intergenerational vulnerability (World Bank 2024d; 2025c).

Figure 3.19

Share of students scoring above expected standards in English and mathematics, by grade level, 2020–2022



Source: EMIS Reports, Ministry of Education.

- 3. Substance use:** At approximately 5 percent of the population, Seychelles has one of the highest rates of heroin consumption in the world (World Bank, 2024b). The most recent dedicated survey—the 2017 Integrated Biological Behavioral Survey—recorded 4,318 people reporting heroin use, a 53 percent increase since 2011. Young men are disproportionately affected. The demographic profile of heroin users indicates that 85.1 percent are male, 39.3 percent are aged between 20 and 29, and 88.4 percent are not in full-time employment—a profile that directly intersects with the labor market attachment challenges observed (World Bank, 2025c). In addition to reducing labor force attachment, substance abuse can increase absenteeism, lower effective labor input, lead to gender-based violence and family separation, and impose significant fiscal costs. Approximately 43 percent of the Ministry of Health’s budget is dedicated to substance abuse prevention, treatment, and rehabilitation (World Bank, 2025c). System-level analysis links drug use to weaker labor-force participation, lower education continuity, and higher public costs.
- 4. Weak transition to employment:** Approximately one-in-five youth aged 15–24 is not in education, employment, or training (NEET), and youth unemployment stands at around 9 percent—three times the national unemployment rate. Among employed youth, job stability

remains limited, with an estimated 16 percent working informally. These patterns signal uneven transitions from schooling into stable employment and reflect structural weaknesses in pathway design, skills acquisition, and school-to-work matching mechanisms.

Available evidence on labor-market outcomes by educational attainment points to the same diagnostic. Higher educational attainment is associated with better employment prospects, particularly for those with vocational, polytechnic, and university or postgraduate qualifications. However, many young Seychellois enter the labor market with secondary education as their highest qualification, and employers report that secondary completers often lack the minimum competencies, work ethic, and career mindset needed to develop professionally and perform well at work. This helps explain why youth NEET coexists with employer-reported skills shortages and continued reliance on foreign labor: the bottleneck is not simply insufficient labor demand, but the weak conversion of schooling into labor-market-ready skills (World Bank, 2024b).

Main Drivers of Youth Risk Outcomes

Strengthening the quality and effectiveness of the education system, particularly at primary and lower secondary levels, is the central lever for reducing youth vulnerability and improving labor outcomes. However, this is undermined by several structural challenges, as outlined below.

Academic support in primary and secondary grades is weak. The main education bottleneck lies in implementation quality rather than access. Teachers often lack structured instructional support and sustained coaching systems. At the secondary level, personalized remediation for students who fall behind remains insufficient. Low pupil-teacher ratios and high wage intensity have not translated proportionately into stronger learning outcomes, indicating inefficiencies in the composition and effectiveness of education spending (World Bank, 2025c). Strengthening instructional quality is, therefore, foundational to improving human capital accumulation.

The General Education and Skills Development Pathway (GESDP) has been ineffective in creating a structured route for youth to gain technical skills (Box 3.1): The Seychelles education system relies on high-stakes examinations to sort students at age 14—the end of Secondary 3—directing those who struggle academically into the GESDP. Students who are part of the GESDP face reduced instructional time and limited formal development of technical and socio-emotional skills necessary for meaningful employment, pointing to a gap between the pathway's intended purpose and its current outcomes. In addition, the GESDP certificate is not currently recognized as a sufficient entry qualification for professional centers under Seychelles' national skills qualifications framework. This means that even motivated GESDP graduates are formally ineligible to continue into post-secondary technical training. At the secondary level, the absence of a formal memorandum of understanding between GESDP schools and TVET providers means that students cannot access professional centers for technical training even while still enrolled. The result is that the exclusion operates at two levels simultaneously: GESDP students have no structured route into technical skills development either during secondary school or after leaving it.

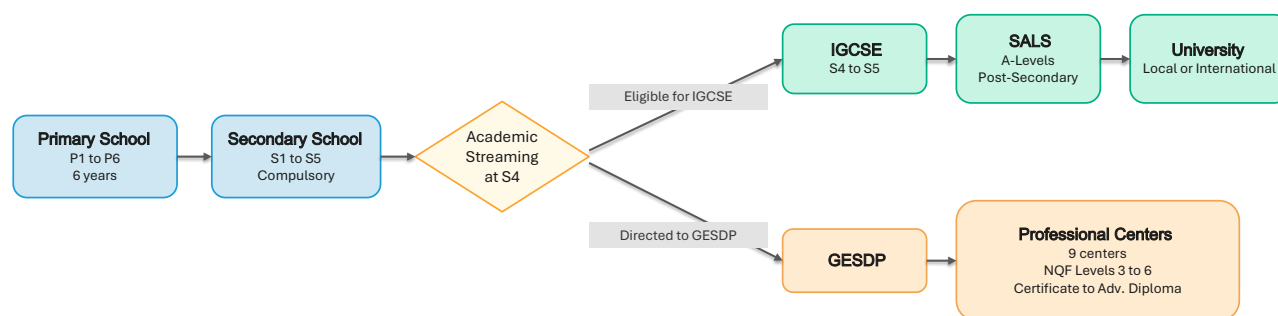
Box 3.1: Education System Structure and Pathway Design

Seychelles' education system is organized in sequential stages with differentiated pathways emerging at upper secondary level (Figure 3.20). Students complete primary education (P1–P6) and transition into lower secondary (S1–S3). At this stage, progression is near-universal. Differentiation occurs in **Upper Secondary**, beginning with Secondary 4. Students follow one of two broad streams:

- **Academic pathway:** preparing students for A-level studies and university.
- **GESDP:** intended to combine general education with applied and technical preparation linked to employment.

Figure 3.20

Summary of Seychelles' education system



Limited access to youth-centered health services: Access to adolescent health services remains uneven. Fewer than half of primary schools and between half and three-quarters of secondary schools provided sexual health education classes in 2021 (UNESCO et al., 2021), and teachers report discomfort and lack of usable curriculum content, with the curriculum not updated since 2017. Youth-friendly models face implementation and stigma barriers, and school-level sexual and reproductive health coverage is inconsistent. In addition, ambiguous legislation limits access to contraceptives for teenagers: while the legal age of consent to sexual relations is generally considered to be 15 years of age,²⁷ hormonal contraceptives cannot be administered to women under 18 without parental consent, even though by age 17 already 56 percent of students report having had sexual intercourse. These gaps increase the probability of teenage pregnancy and related school interruption (World Bank, 2024b).

Behavioral and social risk factors: Behavioral risks are shaped by school climate, family context, and after-school exposure windows. Bullying is widespread, non-attendance is significant, and structured after-school programs remain limited. Without supervised, skill-building environments, vulnerable youth face elevated exposure to risky behaviors (World Bank, 2024b).

Weak early identification and referral systems: While Seychelles has important building blocks for cross-agency coordination, operational interoperability and referral tracking remain incomplete. Fragmented systems delay early detection and intervention when youth move between education, health, social protection, and employment services.

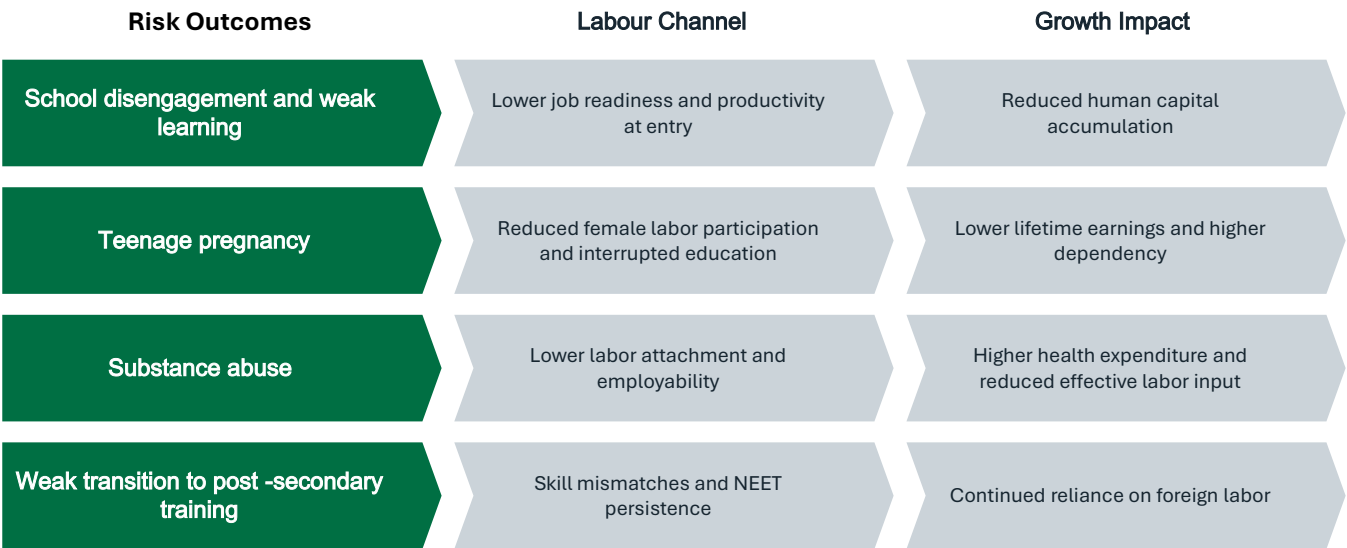
²⁷ Under the Penal Code, a person under 15 cannot legally give valid consent to sexual activity.

Why this Matters for Growth and Jobs

Youth-at-risk dynamics constrain growth through four channels (Figure 3.21). Addressing youth-at-risk dynamics is therefore central to improving domestic labor supply, strengthening productivity, and supporting inclusive growth.

- 1. Labor supply and participation:** In a small and aging economy, domestic labor supply is inherently constrained. Youth unemployment and NEET reduce the effective supply of job-ready workers. Teenage pregnancy and substance abuse further lower labor force attachment among vulnerable cohorts. Persistent youth underutilization reinforces structural reliance on imported labor.
- 2. Skills and productivity:** Seychelles’ Human Capital Index stands at 0.67, implying that future worker productivity is only 67 percent of potential under full health and education conditions. This gap is associated with an estimated 1.5 percentage points of foregone per capita growth annually over the long term. Weak foundational skills, uneven secondary pathways, and fragile transitions into employment contribute materially to this unrealized productivity potential (World Bank, 2025d).
- 3. Matching and firm-level constraints:** Firms report skills shortages as a constraint to operations (Chapter 2). The coexistence of youth unemployment and employer-reported skills gaps reflects inefficiencies in skill formation and transition systems. Continued reliance on foreign labor, while supporting production, limits domestic upward mobility, increases vulnerability to external labor market dynamics, and increases the cost of doing business (as shown in Section 3.2).
- 4. Fiscal implications:** Youth vulnerability imposes measurable fiscal costs. Substance abuse prevention, treatment, and rehabilitation absorb 43 percent of health expenditure (World Bank, 2025c). In a small economy, these expenditures reduce fiscal space for productivity-enhancing investments.

Figure 3.21
Youth vulnerability, labor market outcomes, and growth impacts



Strategic Principles for the Response

Seychelles is already implementing multiple initiatives across education, health, social protection and youth transition to employment. However, these efforts operate through separate institutional channels and often focus on addressing realized risks (such as treatment, rehabilitation, or remedial support) rather than preventing risk accumulation earlier in the life cycle.

Addressing youth vulnerability therefore requires a shift in approach: from a fragmented set of initiatives toward a more consolidated, narrowly targeted, and evidence-based framework that tackles root causes and prioritizes prevention. Three principles should guide reform:

- 1. Prevention first:** Prioritize early academic reinforcement, structured pathway design, and early identification of at-risk students to prevent risk accumulation.
- 2. Address structural root causes:** Strengthen instructional quality, improve the effectiveness and attractiveness of the GESDP, clarify progression routes, and align qualifications and skills certification with labor market demand.
- 3. Multisectoral coordination with schools at the center:** Align existing programs within a coherent framework – anchored in measurable outcomes for learning, pathway completion, and transition to employment – supported by interoperable data systems.

Priority Reform Areas

The government has already adopted a comprehensive multisector action plan for the period 2025–2029, structured around three pillars: (i) schools as hubs for integrated social services; (ii) skills for improved transition to employment; and (iii) coordinated action across agencies. The plan identifies 45 specific programs and assigns clear institutional responsibilities and timelines. A costing exercise estimates total financing needs at approximately SCR 58 million annually (US\$4.3 million, around 0.2 percent of GDP), to be financed through improved allocative efficiency, reallocation within existing budgets, and targeted additional spending.

There are four priorities to ensure the action plan delivers results. Beyond just the existence of initiatives, it is important that they are sufficiently scaled, coordinated, and oriented towards prevention to materially improve youth labor outcomes.

1. Strengthen Schools as a Platform for Prevention

Schools are the most effective entry point for reaching at-risk youth in Seychelles. With near-universal enrollment through secondary school, high community trust, and established infrastructure, they offer a ready platform for delivering integrated services.

On the academic side, the focus should be on curriculum reform, instructional quality, and remediation and differentiated instruction for struggling students—particularly in the early secondary years where disengagement accelerates. Curriculum reform is critical to address persistent learning gaps and ensure the system delivers modern and relevant skills aligned with both national needs and internationally comparable standards. The Ministry of Education (MoE) has

been working on curriculum reform since 2022. This work should be accelerated with a focus on three priorities: (i) establishing minimum learning standards by grade; (ii) sequencing the curriculum to ensure coherence across subjects and grades; and (iii) aligning it with assessment and remediation strategies—particularly for students at risk. To enhance instructional quality, curriculum reform should be accompanied by additional support measures for teachers. Current school structures, including performance-based “sets” that group students by ability, tend to reinforce social exclusion rather than provide targeted support to weaker learners. Equipping teachers with structured instructional guides and shifting the emphasis from curriculum coverage to learning outcomes are foundational steps. In primary schools, the focus should be on foundational learning and teacher coaching. In secondary schools, the priority should be remedial education for struggling students.

Leveraging AI can help to deliver cost-effective, personalized support for both teachers and students. AI is dramatically reducing the cost of scalable interventions that support teachers to improve their teaching practices and provide tailored tutoring to students to improve learning outcomes and skills development. As part of a broader AI strategy in the education sector, the Ministry of Education (MoE) is already implementing two pilots in these areas—an AI teacher coach program across six primary schools and an AI student tutor program across four secondary schools in Mathematics and Geography. These should be evaluated and, where effective, scaled across the education system (Box 3.2). The use of AI in the education sector should be guided by a national policy that outlines guiding principles, governance and institutional arrangements, and issues such as teacher empowerment, curriculum integration, digital infrastructure, equity, and ethics and safety.

Box 3.2: Applying AI to Strengthen School-to-Work Matching

Digital tools are increasingly being used to strengthen school-to-work transitions by reducing information gaps and improving matching of youth skills and employer demand. In South Africa, the SAYouth platform, implemented by the Harambee Youth Employment Accelerator, uses data-driven profiling and matching tools to connect young people to jobs and training opportunities at scale.

Seychelles could pilot a similar, lightweight approach tailored to national priorities. A proposed open-source career guidance application includes four core modules:

1. **Skills discovery:** A guided conversational interface that builds a structured skills profile mapped to a skills taxonomy.
2. **Job readiness:** CV building, interview preparation, and structured employability tools.
3. **Career pathway exploration:** Sector-focused guidance configurable to national priority sectors.
4. **Opportunity matching:** Where job data exist, rank and explain matches based on skills fit and provide targeted gap-closure guidance.

Using scraped job posting data and existing skills mappings, Seychelles could pilot the tool in one secondary school or professional center before scaling nationally. Such a pilot would complement pathway reform by strengthening career guidance, improving transparency of labor demand, and supporting more informed transition decisions.

On behavioral and health support, the evidence points clearly to after-school programming as a high-impact, cost-effective intervention. Structured after-school and behavioral programs should be expanded beyond the current pilot scale. Recent allocations of SCR 5.5 million (US\$400,000) for extracurricular engagement and a 3-year non-governmental organization (NGO) led pilot in six primary schools are important starting points, but coverage remains limited relative to system-wide needs. Pilot programs should be evaluated, and effective interventions expanded to all schools. Expanded programs should draw on evidence-based strategies shown to reduce school disengagement, risky behaviors, and youth vulnerability in comparable contexts, including: cognitive-behavioral skill development to reduce school disengagement, violence, and substance use; peer norm-setting to shift school behavioral norms away from conflict and risky behaviors; sustained mentoring and support to youth from vulnerable households; and parenting programs to equip families with effective strategies for supporting adolescent development. Expansion should prioritize schools in high-risk districts, including Plaisance, Perseverance, and Saint Louis, and should leverage existing social protection programs to incentivize attendance and participation.

Rehabilitative investments, including the SCR 30 million (US\$2.1 million) Youth Hope Centre, play a necessary role for high-risk cases. However, downstream facilities must be complemented by stronger upstream prevention if system-wide risk is to decline.

2. Reform Upper-Secondary Pathways and Strengthen Transitions to Work

Upper secondary is a key structural pivot between schooling and employment, particularly for GESDP students, which is why it is important to resolve the pathway's double exclusion. Currently there is a qualifications framework bar on entry to professional centers and an absence of a Memoranda of Understanding (MoU) enabling dual enrollment. Changing this is a critical first step and requires no significant financial outlay, only administrative coordination.

Beyond the GESDP, the Seychelles Qualifications Authority's non-recognition of industry certifications and the Professional Centers' eligibility standards—which exclude lower-skilled individuals from vocational training—compound the exclusion of the broader population (World Bank, 2020). A Recognition of Prior Learning (RPL) mechanism exists but is undermined by lengthy certification processes. Reform should include: (i) establishing a task force to develop modular training pathways allowing incremental skills accumulation; (ii) streamlining the RPL process to make it accessible to workers with informal or on-the-job experience; and (iii) working with industry associations to develop sector-specific certification standards, the SQA can formally recognize. Professional Centers should also be required to establish MoUs with private sector employers in tourism, construction, ICT, and blue economy sectors to ensure curricula reflect actual demand and graduates have structured pathways into work. This pathway reform should also prepare students for the digital transformation agenda discussed in Chapter 4. As digital tools and AI-enabled applications become more important for productivity and job creation, secondary and post-secondary pathways will need to strengthen foundational digital literacy, applied ICT skills, and sector-relevant digital competencies.

3. Address Structural Barriers to Health Services

Legislation is the fastest reform to address teenage pregnancy. Hormonal contraceptives cannot currently be administered to women under 18 without parental consent, even though 56 percent of students report having had sexual intercourse by age 17 (World Bank, 2025c). The enabling legislation has been revised but not yet enacted or enforced. Priority should be given to enacting this change, expanding access points for family planning services beyond the existing youth-friendly health center, which faces stigma challenges due to its proximity to a methadone program, and embedding sexual and reproductive health (SRH) education in school health services. International experience, including Thailand's approach to adolescent contraceptive access, demonstrates that legal reform combined with expanded service delivery and awareness campaigns can meaningfully reduce adolescent fertility rates.²⁸

The SRH curriculum also requires urgent attention. Fewer than half of primary schools and between half and three-quarters of secondary schools provided sexual health education classes in 2021. Teachers report discomfort and a lack of usable materials, and the curriculum has not been updated since 2017. A structured, teacher-ready curriculum should be developed, with non-government organizations and health professionals engaged to deliver classes where teacher capacity is limited.

On substance abuse, increased resources are required upstream for prevention interventions. As mentioned previously, substance abuse prevention, treatment, and rehabilitation account for 43 percent of health spending, reflecting the scale of the downstream burden (World Bank, 2025c). Shifting resources upstream requires institutionalizing the new Prevention of Drug Abuse and Rehabilitation Agency (PDARA) and expanding its staffing and coverage for preventive interventions. These measures are most effective when delivered as part of a coordinated prevention framework.

4. Build an Interoperable Early Identification System

No single system currently tracks individual youth across education, health, and social protection, making early identification of at-risk students and cross-agency coordination structurally impossible. The government's action plan includes expansion of the social registry, with a target of incorporating 75 percent of social protection beneficiaries, including 9,452 women, by 2026. This provides the foundation, but the registry needs to be extended to capture youth vulnerability indicators—school attendance, learning outcomes, health service utilization, and labor market status—and made interoperable across the Ministries of Education, Health, Employment, and the Agency for Social Protection. A shared data-exchange framework linked through SeyID would enable information to follow individuals across services, making cross-agency early identification

28 In 2016, Thailand passed the Adolescent Pregnancy Act to respond to a high adolescent birth rate by providing a legal framework for improving young people's Sexual and Reproductive Health and Rights. The law supports the rights of all adolescents below 20 years of age to make their own decisions, receive information and SRH services without discrimination, and enjoy confidentiality and privacy. Moreover, the law enables pregnant adolescents to access care and social support and to remain in school or receive vocational training. An indication of progress is that Thailand's adolescent birth rate has halved in 7 years—from 53 per 1,000 live births in 2016, to 26 per 1,000 live births in 2023.

possible while avoiding the proliferation of disconnected registries and providing the foundation for integrated case management.

The early identification system should combine multiple indicators and be linked to a clear case management protocol specifying who is responsible for follow-up and within what timeframe. The redesign of cross-agency staff protocols, included in the government's action plan, is the institutional complement: data alone will not change outcomes without clear mandates and frontline capacity to act. The existing inter-ministerial committee on social protection provides a ready coordination mechanism and should be formalized with a terms of reference that assigns lead agency accountability and requires regular reporting to Cabinet.

3.5 Recommendations

#	Recommended Action	Timing	GoS Cost
Labor Regulations			
1	Modernize the Employment Act, including the following reforms: • Introduce greater flexibility to allow employees to work beyond pension age. • Remove severance pay for resignation and retirement but retain it for redundancies and termination without cause. This will reduce labor market frictions, support worker mobility and reallocation, and improve clarity in the compensation framework. • Narrow mandatory negotiation requirements to specific circumstances—such as layoffs, redundancies, or cases involving pregnancy, maternity, or sick leave—while introducing a simplified pathway for contract termination by mutual agreement. • Apply regulations to Fixed Term Contracts (FTCs) to introduce basic rules and conditions/benefits, apply conversion rules, and limit repeated renewal. • Replace FTC attestation with mandatory training, model contract, more inspections, and higher penalties for non-compliance <i>Entity: Ministry of Employment and Human Resource Planning.</i>	Short term	N/A
2	Adopt a minimum wage adjustment criterion and process. Adopt a mandated and transparent process for periodic minimum wage adjustments, based on clear criteria such as the cost of living, productivity, and economic conditions. This should be supported by an existing institutional body to assess evidence and recommend regular updates, rather than creating a new institution. <i>Entity: Ministry of Employment and Human Resource Planning.</i>	Medium term	N/A
The GOP System			
3	Digitalize the GOP system. Adopt a centralized digital platform to make the process faster, more cost-effective, and more transparent. <i>Entity: Ministry of Employment and Human Resource Planning.</i>	Short term	US\$1m

4	Streamline the CoE process and update the Guidelines for Recruitment of Non-Seychellois Workers. Allow CoE holders to recruit foreign workers within their quota without additional approval by the Employment Department. Review CoE quotas to better reflect sectoral needs and modernize the list of occupations for which the CoE quota does not apply (in consultation with industry). <i>Entity: Ministry of Employment and Human Resource Planning.</i>	Short term	N/A
5	Extend the maximum duration of the GOP to 4 years for selected occupations. Occupations should be selected based on skills gaps, an assessment of the graduate pipeline, and industry consultations. This would increase certainty for firms and foreign workers, ease administrative and financial costs for firms, and reduce the number of applications requiring processing by government. It would also bring Seychelles closer to peers like Mauritius and Maldives, where the maximum duration is 4 years and 5–10 years. <i>Entity: Ministry of Employment and Human Resource Planning.</i>	Short term	N/A
6	Tie the GOP to the skills, not the job title. This would increase flexibility and reduce the pressure on the system by allowing foreign workers to be promoted and to undertake ancillary roles, provided that the job is related to the skills for which they were granted the GOP originally. <i>Entity: Ministry of Employment and Human Resource Planning.</i>	Medium term	N/A
AI and the Labor Market			
7	Reorientate the post-secondary education and skills system—including the GoS scholarship program—so it is less focused on occupations that are highly exposed to job displacement by AI (such as simple customer services and business administration), and more focused on occupations that are complementary to AI (such as education, health, and STEM occupations) and for which there is significant unmet demand in the local labor market. <i>Entity: Ministry of Education and Human Resource Development.</i>	Medium to Longer term	Financed from reprioritized spending
Youth and Skills			
8	Reform access to contraception and SRH education. Enact and enforce legislation enabling contraceptive access for under-18s without parental consent; expand family planning access points; develop and roll out an updated SRH curriculum across all schools; and launch a targeted awareness campaign for youth, parents, and communities. <i>Entity: Ministry of Health, Ministry of Education and Human Resource Development.</i>	Short term	Financed from reprioritized spending
9	Strengthen teaching quality. Provide targeted coaching for primary school teachers and structured remedial education for struggling students in early secondary, with AI deployed to increase reach and cost-effectiveness. The ongoing AI Teacher Coach pilot should be evaluated and used as the basis for developing a sustainable national model for AI-supported professional development. At the secondary level, the ongoing AI-powered Student Tutor pilot should be evaluated and used to develop national tools to complement classroom instruction by providing personalized, adaptive support that identifies individual learning gaps, and adjusts to each student's pace. <i>Entity: Ministry of Education and Human Resource Development.</i>	Short term	US\$0.3m capital. US\$0.1m current annually

10	Accelerate curriculum reform. Focus on three priorities: (i) establish minimum learning standards by grade; (ii) sequence the curriculum to ensure coherence across subjects and grades, rationalizing the number of subjects to reduce overload; and (iii) align the curriculum with assessment and remediation strategies for at-risk students. In primary schools, prioritize foundational learning. In secondary schools, create clear pathways for GESDP students to progress to professional centers in priority sectors of the economy. <i>Entity: Ministry of Education and Human Resource Development.</i>	Short to Medium term	US\$0.3m
11	Evaluate the ongoing after-school extracurricular program and expand effective interventions to all schools, drawing on evidence-based strategies shown to reduce school disengagement, risky behaviors, and youth vulnerability in comparable contexts. Expansion should prioritize schools in high-risk districts, including Plaisance, Perseverance, and Saint Louis, and should leverage existing social protection programs to incentivize attendance and participation. <i>Entity: Ministry of Education and Human Resource Development, Ministry of Youth, Sports and Family, Non-Government Organizations.</i>	Short to Medium term	Financed from reprioritized spending
12	Institutionalize the PDARA and expand staffing and resources to scale preventive substance abuse interventions. Shift the balance from treatment toward prevention. <i>Entity: PDARA, Ministry of Health, MoFEPTI.</i>	Short to Medium term	US\$1m annually
13	Improve the quality and labor market alignment of the GESDP and professional centers. Specifically: (i) amend the national qualifications framework to recognize the GESDP certificate as a valid entry qualification for professional centers and establish MoUs with TVET providers for dual enrollment; (ii) reform the SQA to recognize industry certifications and streamline the RPL process; (iii) create clear transition pathways for GESDP graduates into either direct employment or further training at professional centers; and (iv) increase resourcing of GESDP schools in high-risk districts. <i>Entity: Ministry of Education and Human Resource Development, SQA, Private Sector.</i>	Medium term	Financed from reprioritized spending
14	Extend the social registry to capture youth vulnerability indicators and make it interoperable across Ministries of Education, Health, and Employment. Formalize the inter-ministerial committee with a terms of reference assigning lead agency accountability for the early identification system. <i>Entity: Agency for Social Protection, MoFEPTI.</i>	Medium term	US\$1m

Note: Short term (< 2 years), medium term (2–4 years), longer term (4+ years).

CHAPTER 4

4. DIGITAL TRANSFORMATION

This chapter examines how digital transformation can support Seychelles' economic diversification, productivity growth, and job creation. It analyzes the status of the country's digital building blocks, including the quality and affordability of broadband services, digital government, digital safeguards, and skills; and the extent to which firms and individuals are productively using digital technologies. The chapter identifies areas of relative strength, such as near-universal connectivity, foundational digital public infrastructure, and relatively advanced legal frameworks, as well as key constraints related to access to affordable high-speed internet, persistent skills gaps, limited institutional coordination and regulatory capacity, and overall limited digital adoption, including of AI tools. It concludes by outlining policy and investment priorities to enhance digital adoption and translate it into tangible gains in productivity, jobs, and economic growth. Addressing these foundational reform priorities will also be essential to achieve Seychelles' ambition of establishing itself as a regional digital hub.

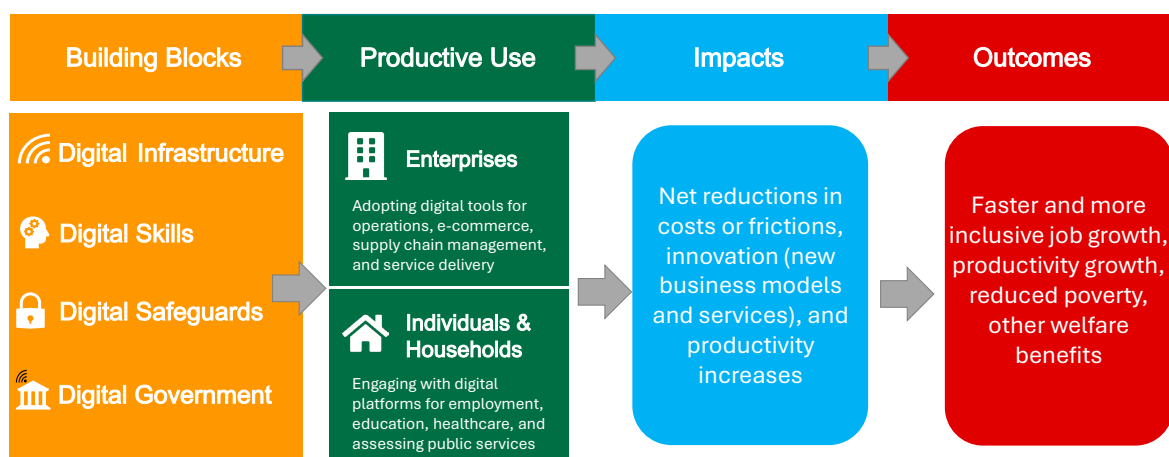
Seychelles' path to economic diversification and job creation is closely tied to its ability to digitalize the economy. Advancing digital transformation can enhance firm productivity, stimulate entrepreneurship in knowledge-intensive service sectors, improve government services, and generate more and better employment opportunities. A growing body of evidence underscores the development potential of digital technologies, linking internet access to increased economic growth (Katz and Callorda, 2013), job creation (Hjort and Poulsen, 2019), innovation (George et al., 2021), and poverty reduction (Bahia et al., 2024). Digitalization can help Seychelles overcome the structural constraints of its economic geography by reducing the frictions of distance, expanding market reach, and lowering transaction costs. It can enhance productivity in traditional sectors such as tourism and fisheries, while also enabling growth in emerging areas like fintech and creative industries by improving efficiency, market access, and innovation. Moreover, stronger digital capabilities provide a foundation for expanding Seychelles' competitiveness in digital services trade, supported by continued investment in ICT infrastructure, skills development, and an enabling policy framework. Finally, these actions can strengthen Seychelles' competitiveness relative to regional peers such as Mauritius and help position it as a digital hub in the Indian Ocean, creating a new source of growth and jobs.

This agenda speaks directly to two constraints identified in Chapter 2: low productivity levels and low firm entry. First, digitalization of firms and government can raise within-firm productivity by closing the adoption gap that leaves smaller establishments behind, and by freeing up the resources firms currently devote to paper-based compliance. Second, digitalization of the broader economy is a key channel to mitigate the limits of geography: in an economy where smallness and remoteness constrain entry into traditional activities, digitally-enabled sectors create new room for innovation, entrepreneurship, and structural transformation, broadening the base of firms creating more and better-paid jobs.

Realizing this potential will require a coordinated Digital and AI strategy to overcome the barriers limiting digital transformation identified in this chapter, including high internet cost, digital skills gaps, and limited uptake of digital solutions. The analysis in this chapter is structured around two areas—building blocks and productive use (Figure 4.1). Building blocks encompass affordable broadband, digital skills (including AI and cybersecurity), digital safeguards, and digital government. Once these inputs are established, the focus shifts to enabling productive use of technology. This means supporting digital uptake by enterprises to reach new markets and boost productivity, and improve access for individuals to enhance labor participation, learning, and use of digital services. These shifts reduce market friction and drive firm-level productivity. As digital technologies become mainstream, they spur inclusive job creation, productivity growth, and poverty reduction. By increasing digital adoption and productive use, Seychelles can transition towards a more resilient, diversified economy, with greater participation in high-value, knowledge-based services. A coordinated approach is also necessary to ensure Seychelles can compete effectively as a digital hub, where seamless infrastructure, skills, and regulatory alignment are key differentiators internationally.

Figure 4.1

Conceptual framework for analyzing Seychelles’ digital transformation



Source: WBG staff elaboration

4.1 Access to Affordable and Quality Broadband Services

Since 2018, Seychelles has significantly expanded connectivity and improved internet affordability, driving increased internet use and strengthening the foundations of its digital economy. A strong digital economy relies on robust infrastructure that delivers fast, reliable, and affordable internet, with expanding broadband consistently linked with increased business activity and lower poverty and unemployment. Seychelles has made significant progress, connecting to three international submarine fiber-optic cables—the SEAS (2012), PEACE (2022), and 2Africa (2023)—which have strengthened capacity and resilience. Domestically, 4G/LTE networks now cover nearly the entire population, while internet usage has risen from under 70 percent in 2018 to 88 percent in 2024, supported in part by improved affordability: entry-level fixed broadband (2GB) costs less than 1 percent of gross national income (GNI) per capita, well below the 2 percent global benchmark, and

mobile data is relatively affordable by regional standards, though still higher than in Mauritius and Maldives. As a result, Seychelles outperforms Structural Peers but remains below Aspirational Peers and leading digital economies, such as Singapore. Closing these gaps is particularly important for Seychelles to compete with Mauritius, which has leveraged stronger broadband performance and pricing to position itself as a regional ICT and business services hub.

However, affordability challenges persist for lower-income households and for heavy-usage internet baskets. For the poorest decile, even entry-level fixed broadband consumes over 9 percent of monthly income, while heavy-use packages would require nearly half of household earnings (Figure 4.2 and Figure 4.3). Mobile services are somewhat more accessible compared to fixed services, but an average mobile package still represents over 15 percent of monthly income for the bottom decile. By contrast, the wealthiest households spend less than 2 percent of income on basic packages and under 5 percent even for heavy-use plans. This steep affordability gradient suggests that while aggregate affordability metrics appear favorable, meaningful internet access remains out of reach for a significant share of the population, particularly for data-intensive applications that support education, remote work, and digital commerce.

Important gaps also persist in terms of the reliability and quality of higher-tier services, with over 60 percent of firms reporting internet disruptions (Figure 4.4). While basic access delivers meaningful benefits, speed and reliability ultimately determine economic outcomes. World Bank Enterprise Survey (2023) data identify internet disruptions as a key impediment, with incidence rates higher than peer economies. Around 40 percent of firms estimate sales losses of 1–20 percent from disruptions, with 10 percent reporting losses above 5 percent. In addition, actual internet performance lags peer countries, placing Seychelles among the weakest performers among peer countries (Figure 4.5). In Aspirational Peers such as Malta, median fixed broadband speeds are nearly five times higher. This combination of high prices, unreliable connections, and low speeds suggests limited competition and inefficiencies in the supply of higher-quality services.

Bottlenecks in the middle mile are also a critical constraint to affordability and service quality. The local loop remains concentrated in the hands of dominant incumbents, with limited open-access or infrastructure-sharing arrangements. High contention ratios²⁹ on shared network segments further reduce effective speeds during peak periods. The Government recently issued an internet service provider license to Starlink, subject to specific conditions, authorizing low-earth orbit satellite services in Seychelles. To maximize the benefits of satellite connectivity, further efforts are needed to strengthen the licensing and regulatory framework, including a forward-looking approach to spectrum allocation and management, fair competition, and consumer protection, to ensure the efficient and responsible integration of emerging connectivity technologies. This aligns with the GoS' Digital and AI Strategy (Smart Island Nation 2031), which identifies an Outer Islands Connectivity Initiative (Low Earth Orbit-enabled solutions) as a flagship activity under Strategic Guideline 1 – Connected Seychelles.

29 The contention ratio refers to the number of users sharing a given amount of network bandwidth, indicating the degree to which that bandwidth is “contended” or oversubscribed.

Figure 4.2

Cost of fixed broadband internet packages by income decile

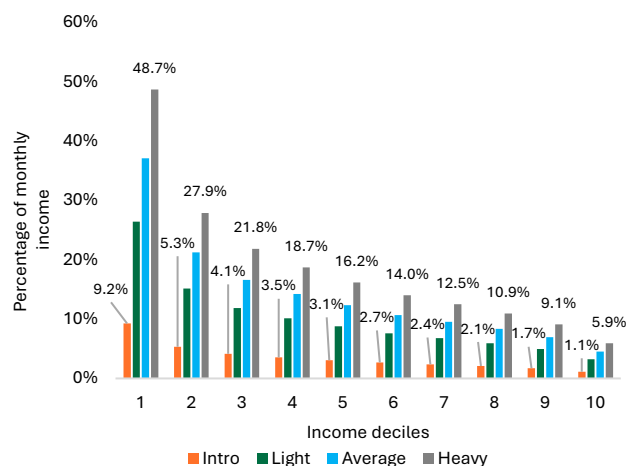
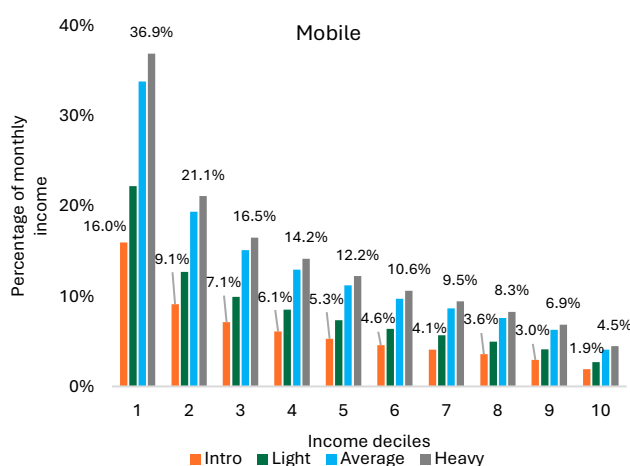


Figure 4.3

Cost of mobile broadband internet packages by income decile



Source: WBG staff calculations based on 2018 Household Budget Survey and cheapest internet prices from largest providers. Incomes rebased to 2025 using real GDP per capita growth with a 0.87 pass-through adjustment (World Bank, 2022b).

Note: Mobile and fixed plans are grouped by typical monthly data-usage intensity. Intro plans (mobile: 6.5 GB; fixed: 15 GB) support basic connectivity and light browsing. Light plans (mobile: 11 GB; fixed: 60 GB) cover moderate use such as social media and occasional streaming. Average plans (mobile: 22 GB; fixed: ~150 GB per month) are suitable for regular data-intensive activities including video streaming and remote work. Heavy/Unlimited plans (mobile: 5G unlimited; fixed: unlimited at 30 Mbps) are intended for intensive users requiring continuous, high-speed connectivity without data caps.

Figure 4.4

Internet reliability remains a constraint for businesses

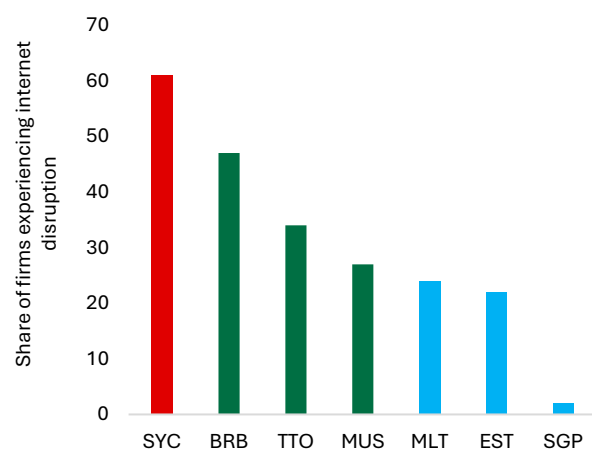
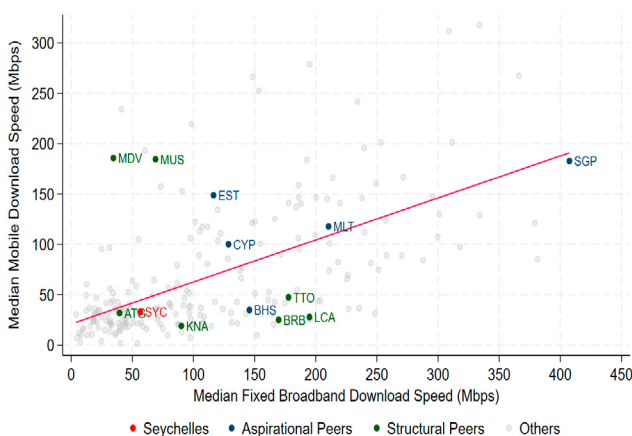


Figure 4.5

Quality mobile and fixed broadband speed lags peer countries



Source: World Bank Enterprise Survey based on latest available year. Seychelles (2023), Barbados (2023), Singapore (2023), Estonia (2023), Mauritius (2023), Malta (2024), and Trinidad and Tobago (2025), Ookla.

Note: Structural Peers include Antigua and Barbuda, Barbados, Maldives, Mauritius, St. Lucia, St. Kitts and Nevis, Trinidad & Tobago. Aspirational Peers include Bahamas, Cyprus, Estonia, Malta, and Singapore.

While Seychelles has put in place a robust legal framework for broadband connectivity, regulatory constraints result in uneven implementation. The Communications Act (2023) grants authority to regulate wholesale tariffs and ensure non-discriminatory infrastructure access—tools that could lower costs and improve service if deployed effectively. However, the limited capacity of the Seychelles Communications Regulatory Authority (SCRA) has constrained the implementation of Quality of Service (QoS) regulation and consumer protection. The Authority does not systematically assess operators' cost structures or regulate wholesale pricing, relying instead on market forces. Dominant providers retain significant market control, while smaller operators face high access and infrastructure costs due to limited infrastructure sharing. At the retail level, the market remains highly concentrated with vertically integrated operators controlling gateway, backbone, and last-mile infrastructure. The absence of cost-based benchmarks or ex ante price oversight weakens competitive pressure—in contrast to peers such as Mauritius and Malta, which achieve significantly faster broadband at lower prices relative to income through stronger enforcement of competition policy. Combined, these constraints have kept broadband prices high, limiting affordability and digital inclusion.

4.2 Digital Government

Digitalizing government can generate substantial economic value by reducing administrative costs, improving regulatory efficiency, and enabling firm entry and growth. International evidence shows that effective digital government reforms lower transaction costs, improve transparency, and raise firm productivity, particularly by streamlining business-facing services such as firm registration, licensing, tax filing, and customs procedures (Martins and Veiga, 2022). Firm-level evidence shows that digital government initiatives can boost productivity and innovation, especially in settings with institutional or geographic constraints (Zhou, 2025). By accelerating firm entry, reducing informality, and supporting business expansion, digital government also contributes to job creation, both directly through more efficient public administration and indirectly through improved business dynamism. Finally, access to high-quality, open, and machine-readable public data is a critical enabler of evidence-based policy design, service delivery, and private sector digital innovation.

Governments play a dual role in digital transformation, both as providers of digital public infrastructure (DPI) and as users of that infrastructure to digitalize public services. DPI is best understood not as a set of standalone platforms but as an integrated ecosystem combining digital identity, interoperability, secure data exchange, and digital payments, underpinned by appropriate governance and safeguards. For a small island state this ecosystem is especially valuable: interoperable registries and shared data-exchange arrangements reduce the personnel needed to run administrative procedures, extend service access to remote areas and outer islands, and let citizens and firms transact seamlessly across ministries rather than re-submitting the same information to each. They also lower compliance costs for business, accelerate digital onboarding, and enable private sector verification services that support access to finance. A fully operational DPI ecosystem can serve as a key enabler for positioning the Seychelles as a secure and interoperable digital hub, facilitating cross-border services and regional integration.

Seychelles has started putting in place key building blocks for a digital government; however, it underperforms relative to peers in the effective delivery and uptake of digital government services. The launch of SeyID established a secure national digital identity system, enabling reliable online verification for citizens and businesses and supporting services such as e-certificates for births, marriages, and deaths. The government has set an ambitious target of digitalizing 75 percent of public services by 2028, signaling strong political commitment to accelerating the transition to digital service delivery. However, these achievements have not yet been translated into fully integrated, end-to-end service delivery. Fragmented platforms, duplicative procedures, and slow approvals,

such as continued reliance on paper-based processes (including the GOP, see Chapter 3) raise compliance costs for firms and weaken the business environment. According to the World Bank's 2025 B-READY report, Seychelles ranks in the bottom quintile globally on the quality and efficiency of online government services, making digital service delivery one of the weakest aspects of its business climate (Figure 4.6). The gap reflects limited business process reengineering and weak integration between digital platforms and core systems which significantly reduces the economic impact of existing investments.

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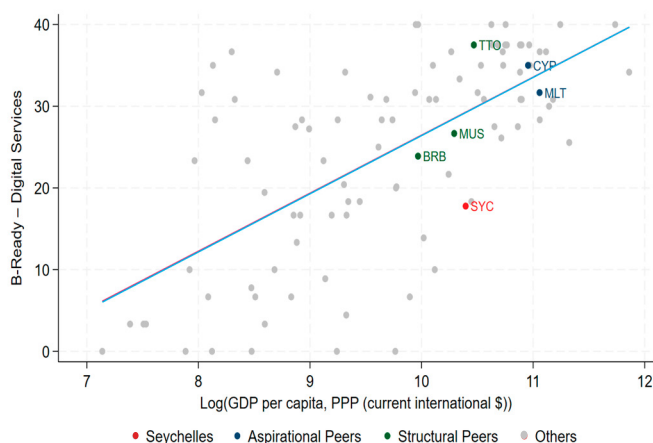
The absence of a fully operational interoperability layer constrains end-to-end digital services.

Within government, limited integration with core systems—tax, payments, and public financial management—means many services remain partially digital and largely operate as standalone systems rather than as connected components exchanging data through a common framework. Without this connective layer, each agency re-collects and re-verifies information that another already holds. In the private sector, no Seychelles digital identity (SeyID) use cases have been activated: banks cannot use it for electronic know your customer (eKYC), forcing manual onboarding that raises costs and limits digital financial services growth. These constraints ultimately limit the growth of digital financial services and associated job creation in high-productivity, technology-enabled activities. The Digital and AI Strategy directly targets this gap, identifying "SeyID eKYC deployment—Public & Private Sector" as a flagship activity under Strategic Guideline 2 (Smart Government), alongside a National Interoperability API Gateway intended to connect core systems (tax, payments, public financial management) that currently operate as standalone silos.

Low uptake of available digital services further limits their effectiveness. In addition to challenges related to internet affordability and reliability outlined in Section 4.1, continued concerns about service reliability, limited awareness of online options, low trust due to the growing prevalence of online scams, gaps in terms of user-centric design, and persistent digital skills gaps constrain usage. Digital channels are often underutilized as information on services is fragmented,

Figure 4.6

Seychelles lags in government digital services



Source: World Bank B-READY data (2025).

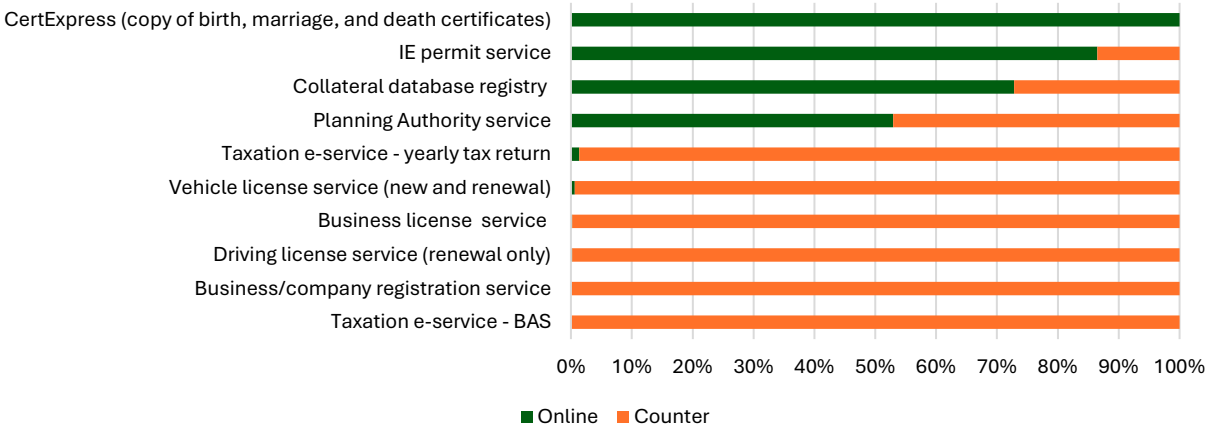
and many citizens lack the basic competencies needed to use platforms such as SeyID. Despite the availability of online platforms, many firms report that these systems are difficult to use or unreliable, prompting them to revert to in-person transactions. Firms interviewed for the preparation of this report cited examples of online licensing payments that required follow-up phone calls and digital identity verification systems that failed to recognize uploaded images.

As a result, key services like business licensing, company registration, and vehicle and driving license services continue to be carried out almost entirely on paper and at government counters, despite their online availability (Figure 4.7). Only CertExpress for vital certificates has achieved meaningful online uptake. The result is foregone efficiency gains, reduced competition, and constrained private sector innovation.

Expanding digital government will require a renewed focus on deep integration across the public sector, prioritizing digital processes and staff capacity. Achieving GoS’ digital government ambitions will require stronger coordination among public entities, robust interoperability, and well-defined data exchange frameworks to ensure seamless service delivery. In addition, public agencies should be required to review, simplify, and digitalize their processes, prioritizing full online delivery of key services, such as tax filing, business licensing, and customs. This should be complemented by training for public sector staff, so they can both support the transition to digital services and guide citizens in using new digital platforms, increasing trust and uptake across the population. These priorities are reflected in GoS’ recently finalized Digital and AI Strategy. Ensuring effective implementation of the Strategy will be essential to positioning Seychelles as a competitive regional digital hub.

Figure 4.7

Most key government services continue to be completed in-person despite online availability, 2024–2025



Source: Authors’ elaboration based on GoS data.

4.3 Digital Safeguards

Robust digital safeguards are essential to build trust in digital services. Strong cybersecurity, data protection, and trust frameworks are foundational to enabling the safe use of digital services, supporting adoption, and sustaining digital economic activity. Effective cybersecurity, data protection, and trust frameworks reassure consumers and businesses that their transactions are secure, while alignment with regional and international frameworks, such as the AfCFTA Digital Trade Protocol, can enhance confidence in cross-border digital services, promote e-commerce, and facilitate digital trade (World Bank, 2024e). Online safety is one dimension of this trust, especially given the growing prevalence of online scams and fraud, which directly undermines confidence in digital channels and dampens adoption. Online child safety is a particular concern given the vulnerability of Seychellois youth, making age-appropriate protections and digital-safety awareness an important complement to the broader safeguards' agenda. Evidence shows that countries with strong digital trust ecosystems see higher digital transaction volumes, greater innovation uptake, and improved economic performance (OECD, 2021; GSMA, 2022).

Seychelles has made important strides in establishing a legal framework for data protection and cybersecurity, reflecting its commitment to secure digital transformation. The Data Protection Act (2023) aligns national privacy protections with global best practices (Appleby, 2024). The National Cybersecurity Strategy 2019–2024, Cybercrimes and Other Related Crimes Act (2025), and recent accession to the Budapest Convention strengthen the legal base. The Affixing Digital Signature Regulations of 2018 give legal recognition to e-signatures, with the Financial Services Authority and CBS actively accepting them for licensing and reporting.

Despite this notable progress, limited enforcement capacity, coordination, and technical expertise constrain the effectiveness of these frameworks. Fragmented oversight and resource constraints have further weakened institutional accountability and slowed implementation.

For data protection and privacy, the Information Commission—the national authority responsible for oversight—remains under-resourced, with limited staffing and no dedicated budget, constraining enforcement, guidance, and public outreach. Key provisions of the Data Protection Act lack clarity on accountability, the enforcement mechanisms remain weak, and compliance tools for firms are absent—creating legal uncertainty that can disproportionately burden SMEs and deter digital investment.

For cybersecurity, operational capacity remains limited. Institutional responsibilities are fragmented across multiple agencies, and coordination mechanisms are still maturing. Seychelles performs below Mauritius and Aspirational Peers such as Cyprus and Malta on cybersecurity readiness indices, despite its relatively high-income level (Figure 4.8). This gap reflects: (i) limited operationalization of cybersecurity policies, (ii) insufficient technical capacity for threat monitoring and incident response, and (iii) weak cross-sector coordination, which undermines confidence in digital systems relied upon by firms and citizens. Closing these gaps will be essential to building the level of trust required for Seychelles to position itself as a secure hub for digital transactions and services.

Gaps also persist in operational guidance and adoption of trust services and e-signatures.

While the law recognizes digital signatures, uptake by industry remains limited. Practical implementation, including procedures for certifying authorities, authentication standards, and judicial acceptance of electronically signed documents, remains uneven. This limits the confidence of businesses and users in fully abandoning paper-based processes, which can slow contract execution and digital transaction flows.

4.4 Digital Skills

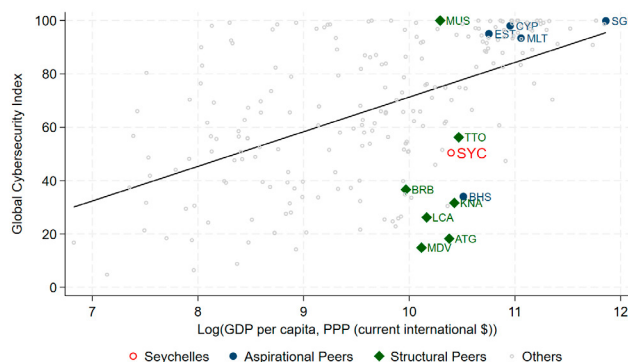
Digital skills are a core input to productivity growth, structural transformation, and labor market inclusion. They span a continuum from basic digital literacy, which enables uptake of digital public services and participation in labor markets, to intermediate and advanced skills that support firm productivity, innovation, and the creation of higher-value jobs (Figure 4.9). Firm-level evidence shows that digitally-intensive firms are 15–25 percent more productive than non-digital peers in small and middle-income economies (World Bank, 2016).

Seychelles’ digital-skills framework reflects a coordinated, whole-of-government approach, yet basic digital literacy remains limited across both younger and older generations. Digital skills are a core pillar of the National ICT Policy and the National Development Strategy (2024–2028), led by the Ministry of Education’s SMART Plan and complemented by the ICT in Education and Training Policy (2022–2027) and Open Government Partnership commitments on curriculum reform. Despite these commitments, basic digital literacy remains limited. Reportedly, many citizens—including business owners, public sector employees and students—lack foundational skills such as using computers or navigating online platforms. Older populations show strong resistance to digital tools, while frequent scams via email and SMS erode trust in digital channels more broadly. Existing programs demonstrate policy commitment but have not yet delivered measurable improvements in population-level digital literacy.

Addressing the full spectrum of digital skills requires expanding the pipeline of advanced ICT professionals. Foundational gaps continue to limit progression to intermediate skills—such as data analysis, digital marketing, and enterprise software—that are increasingly critical for firm productivity. While some institutions, including the Business Studies Academy and The Guy Morel Institute, have introduced relevant short courses, these remain small in scale and most SMEs still rely on manual processes. At the same time, the supply of advanced ICT skills is severely constrained. Demand for competencies in AI, machine learning, and data science is rising rapidly across key sectors such as tourism, financial services, and the blue economy, yet these areas are not systematically integrated into curricula. Although the Seychelles Institute of Technology (SIT) and University of Seychelles (UniSey) offer relevant programs and have established industry partnerships,

Figure 4.8

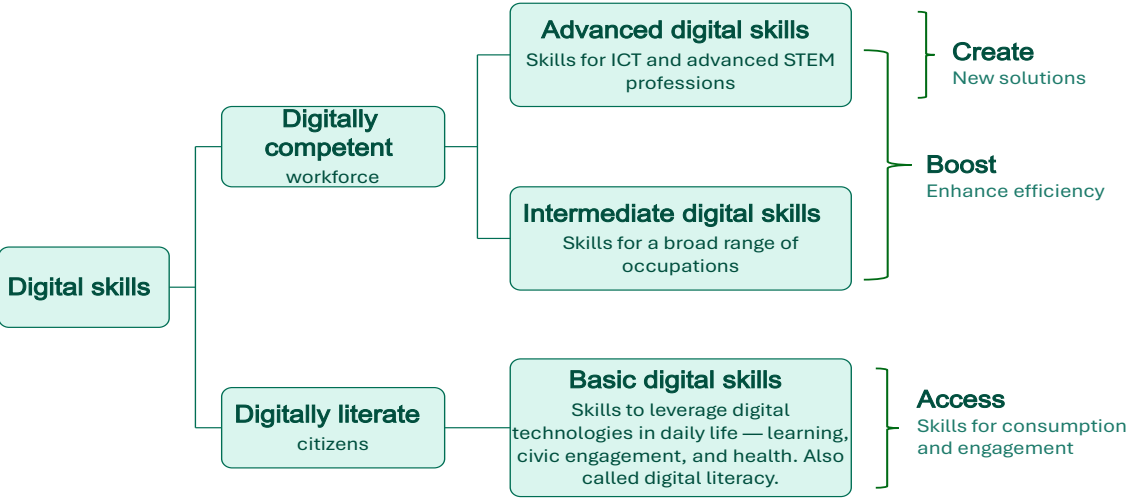
Seychelles trails Mauritius and Aspirational Peers in cybersecurity readiness



Source: ITU.

including with Amazon Web Services and Cisco, only 6 percent of tertiary graduates specialize in ICT—compared to 13 percent in Mauritius and 10 percent in Singapore and Estonia (Figure 4.10). In 2022, the two institutions produced just 24 ICT graduates, while firms employed almost 300 foreign ICT specialists—highlighting the shortage in domestic ICT skills. This skills shortage limits firms’ ability to adopt advanced digital technologies and leverage AI for productivity gains and innovation. Expanding advanced skills in line with the recent Digital and AI Strategy will be critical not only for domestic productivity but as a measure to strengthen Seychelles’ competitive positioning for attracting more high value-added services in the future.

Figure 4.9
Digital Skills Framework



Source: Authors’ illustration.

Addressing digital skills gaps across all levels will require a coordinated, demand-driven approach that aligns the skills pipeline with emerging technological developments. Strengthening capabilities ranging from foundational digital literacy to advanced ICT and AI competencies will be critical to enabling firms to adopt and effectively use AI and other digital technologies. Ensuring that the digital skills pipeline supports key sectors, such as tourism, financial services, and the blue economy, will be essential for realizing the productivity gains and innovation opportunities offered by AI. Over time, closing these gaps can boost productivity, reduce reliance on foreign labor, and enhance the economy’s capacity for digital transformation.

4.5 Productive Use

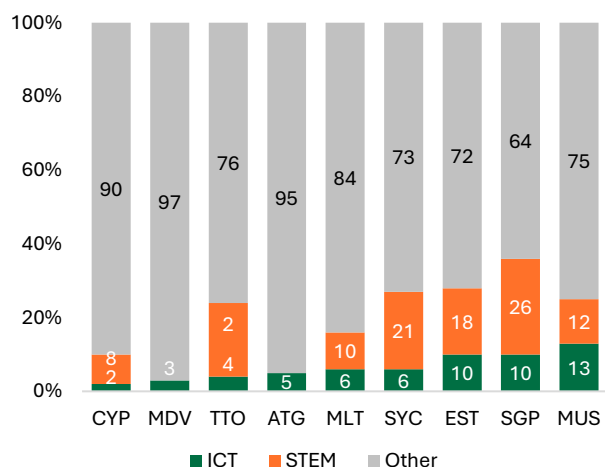
Beyond key building blocks, the real economic impact of digital connectivity depends on how effectively individuals and businesses leverage these tools for productive purposes.

For Seychelles, this means raising productivity in tourism, fisheries, and financial services while harnessing digitalization for innovation and diversification. Digital adoption is emerging but remains largely confined to basic technologies, leaving significant untapped potential.

The integration of digital solutions into core economic activities remains uneven. For example, recent survey data reveal that the share of firms with an active website in Seychelles is significantly lower than regional peers, at just 59 percent (Figure 4.11). The gap is especially pronounced among small enterprises (62 percent) and medium-sized firms (46 percent), which form the backbone of the economy but often lack the resources and skills to establish an online presence. In contrast, large firms are far more likely to maintain a website, with 89 percent reporting an active online presence.

Figure 4.10

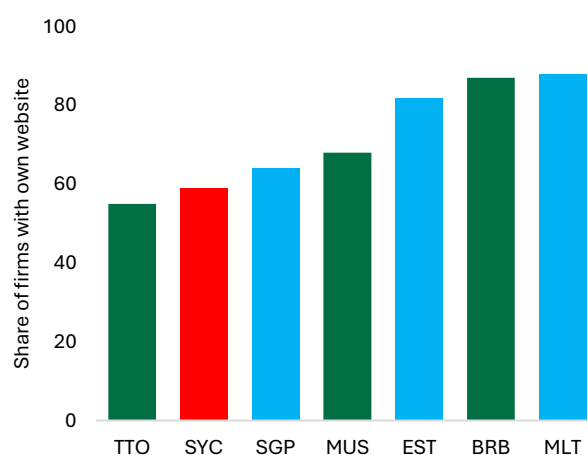
Seychelles produces fewer ICT graduates than Singapore and Mauritius



Source: UNESCO, 2023.

Figure 4.11

Firm website adoption in Seychelles lags most peer economies



Source: World Bank Enterprise Survey based on latest available year. Seychelles (2023), Barbados (2023), Singapore (2023), Estonia (2023), Mauritius (2023), Malta (2024), and Trinidad and Tobago (2025).

Consultations with firms highlight persistent barriers to digital adoption, particularly for SMEs. For example, small hotel operators cited high costs and unreliable internet, expensive technology applications, limited platform support, and difficulty attracting skilled workers. While fintech firms are relatively advanced in digital adoption, broader uptake of digital payments is constrained by cash preferences and payment failures due to network dropouts. Many firms also lack technical knowledge for point-of-sale systems, online bookings, and website management. Gaps in business-facing digital government services and domestic ICT skills force firms to rely on foreign specialists, and to outsource software and digital tasks at costs of up to US\$100,000 annually

for mid-sized firms. High costs and limited local expertise also put advanced tools—including AI-powered marketing and analytics—largely out of reach, constraining competitiveness and broader digital adoption. Publicly funded technology adoption vouchers, combined with firm training, have been shown to be effective in addressing this market failure in small states Box 4.1.

Box 4.1: Lessons from Technology Adoption Programs for SMEs in Small States³⁰

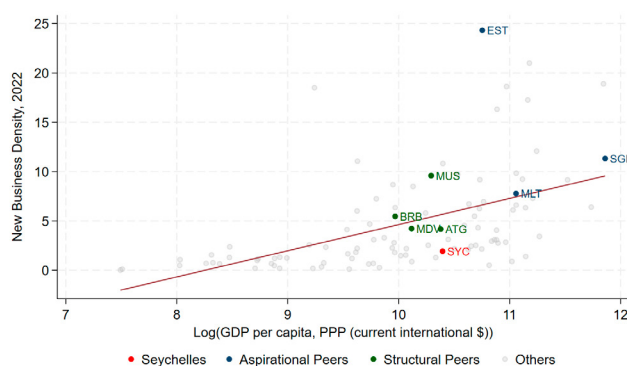
Technology adoption vouchers are a practical instrument to support SME innovation and digitalization by providing small matching grants and linking firms to service providers. Evidence from small states suggests strong uptake when schemes are simple, fast to process, and bundled with advisory or training support. World Bank-supported programs in Dominica, Grenada, Saint Lucia, and Saint Vincent and the Grenadines combine short digital training with grants (up to US\$10,000) for investments in e commerce, digital payments, and online marketing. This “training plus grant” model addresses both skills and financing constraints. European experience shows similar results. Slovenia’s voucher program (launched in 2019) provides up to €10,000 (US\$11,400) (co-financing up to 60 percent) for digital skills, marketing, strategy, and cybersecurity. Rapid approval (around one month), year round calls, and advisory support have supported high demand. Ireland’s Trading Online Voucher targets microenterprises, offering smaller grants and mandatory training.

Key design lessons include: (i) simple and rapid processes; (ii) adequate but targeted grant sizes; (iii) complementary advisory and training services; (iv) flexible eligible expenditures; and (v) continuous program availability. For tourism-dependent economies, prioritizing e commerce and digital marketing can help firms access external markets and build resilience.

In addition, the broader digital entrepreneurship and innovation ecosystem is still nascent, with limited access to early-stage funding, mentorship, and market networks (Figure 4.12). Startup activity is limited to a handful of nascent companies, with ventures struggling to scale beyond the basic proof of concept stage due to high costs, small local demand, and gaps in technical and managerial expertise. Limited linkages between universities, research institutions, and industry further constrain the development of innovative solutions and the transfer of knowledge to commercialize ventures.

Figure 4.12

Weak entrepreneurial activity limits productivity growth



World Bank's Entrepreneurship Database (2022).

Addressing these ecosystem gaps requires a dedicated innovation incubation program modeled on successful international programs and tailored to the context of a SIDS economy (Box 4.2). Rather than prioritizing frontier innovation, the incubator's core mandate should be to help local entrepreneurs access and apply technologies, business models, and digital tools from more mature ecosystems. It would support early-stage ventures with mentorship, seed funding, co-working space, and connections to regional and international partners, with a strong emphasis on technology transfer and adaptation to local conditions—particularly in sectors where Seychelles has competitive advantages, such as tourism technology, blue economy applications, and digital

30 Sources: Slovenia Enterprise Fund, Ireland Local Enterprise Offices (Trading Online Voucher Scheme), Caribbean Digital Transformation Project (Grenada), and Interreg Europe (SME voucher schemes).

financial services. A twinning model with established regional entrepreneurship organizations could bring international expertise and mentors virtually or on a rotating basis, while exposing local entrepreneurs to successful digital ecosystems abroad and helping them identify opportunities for technology adoption at home.

Beyond boosting domestic adoption, addressing ecosystem gaps could, over time, help Seychelles develop a small but capable base of local firms delivering a segment of the digital services currently sourced from abroad—which account for 60 percent of the country's service imports. There is scope for local entrepreneurs to build competencies in areas such as cybersecurity and data management, though the potential for broad-based import substitution or regional market expansion remains constrained by the country's high-cost base, small talent pool, and competition from more established regional providers. A potential promising opportunity lies in supporting entrepreneurs to apply digital technologies to Seychelles' existing economic strengths, such as tourism, fisheries, and the blue economy, where local knowledge gives domestic firms a genuine advantage that neither regional competitors nor AI tools can easily replicate. Solutions developed in this context may also carry export potential: other SIDS face similar structural challenges and are poorly served by tools designed for larger economies. By positioning itself as a digitally capable SIDS with hard-won, island-specific expertise, Seychelles could, over time, emerge as a trusted source of relevant solutions for the broader SIDS community, turning a structural constraint into a niche comparative advantage.

Box 4.2: Lessons from Technology-Focused Business Incubators in SIDS

Technology-focused business incubators have proven effective in nurturing digital startups when governments provide infrastructure while ensuring professional private-sector management. International experience demonstrates that government-operated incubators frequently struggle with bureaucratic constraints, an inability to attract top talent, and difficulty adapting to market needs. Successful models feature governments providing physical space, initial capitalization, and enabling policy environments, while entrusting operations to experienced private managers with entrepreneurship expertise. This separation enables flexibility, performance-based management, and sustainability (InfoDev, 2010; Aridi & Kapil, 2019).

Incubators in the Caribbean, Fiji, and Estonia highlight the following critical success factors in SIDS and small economies: (i) strategic positioning; (ii) strong governance; (iii) professional private management of the incubator with startup experience; (iv) selective admission criteria; (v) comprehensive services beyond space (mentorship, investor connections, business support); (vi) clear graduation policies (2-3 years); (vii) government seed grants for early-stage development; and (viii) financial sustainability through diversified revenue. Export orientation from inception is also essential—connecting startups to regional and global markets, as domestic markets alone cannot sustain technology venture growth.

4.6 Recommendations

#	Recommended Action	Timing	GoS Cost
Digital Infrastructure			
1	Improve internet reliability and quality by strengthening enforcement of Quality of Service (QoS) standards. Build capacity within SCRA to set and monitor compliance with QoS standards to ensure that internet providers deliver consistent minimum levels of speed, stability, and reliability—including during peak usage periods when congestion can reduce performance—and publish comparative operator scorecards, ensuring transparency and accountability to drive improvements. In addition, introduce escalating penalties for repeated underperformance by service providers to improve accountability and service quality. <i>Entity: SCRA.</i>	Short term	US\$1m
2	Strengthen SCRA's oversight of the broadband market to improve competition and reduce costs. This requires four related actions: i. Undertake market analysis to examine significant market power. ii. Introduce cost-based wholesale pricing to ensure smaller internet service providers can access essential infrastructure at fair and predictable prices. iii. Require dominant operators to separate wholesale infrastructure costs from retail services to improve transparency and strengthen regulatory oversight of pricing. iv. Enhance the regulatory framework for satellite connectivity, including licensing, spectrum management, and consumer protection, to support competition, innovation, efficient spectrum use, and future connectivity technologies. <i>Entity: SCRA.</i>	Short to Medium term	US\$1m
Digital Government			
3	Strengthen whole-of-government coordination to accelerate digital transformation. Support the operationalization of the recently finalized Digital and AI Strategy by operationalizing the governance model it establishes: an Inter-Ministerial Digital and AI Coordination Committee at Permanent Secretary level, under the strategic oversight of the Vice President's Office, with a strengthened DICT serving as the operational lead responsible for translating strategy into implementation across GoS entities. Require all GoS entities to review, simplify, and digitalize their processes over a 5-year period—ensuring that 75 percent of services are digitalized by 2028, consistent with GoS' target. <i>Entity: Vice President's Office, DICT, Inter-Ministerial Digital and AI Coordination Committee.</i>	Short to Medium term	US\$1-3m
4	Encourage greater use of digital government services. Implement whole-of-government data governance framework and provide full online delivery of key public services such as tax filing, business licensing, and customs, supported by reliable systems and streamlined processes. Complement this with: (i) enhanced training for public servants to support digital service delivery; and (ii) a public communication campaign to build trust and awareness among citizens and businesses on how to use digital services safely and effectively. <i>Entity: Inter-Ministerial Digital and AI Coordination Committee and DICT.</i>	Short to Medium term	US\$8-10m
Digital Safeguards			
5	Strengthen cybersecurity coordination and response capacity to improve national resilience against cyber threats. This requires three related actions: i. Clarify cybersecurity roles across key institutions, including the DICT Cybersecurity Unit, the Cyber Secretariat in the Ministry of Homeland Security and Civil Affairs, and the Seychelles Police Force. ii. Establish clear national protocols for detecting, reporting, and responding to cyber incidents to improve speed and coordination. iii. Strengthen implementation through adequate staffing, resources, and technical capacity to move from policy to effective operational response. <i>Entity: Office of the Vice President, DICT.</i>	Short term	US\$1-2m

6	Improve the implementation of data protection rules and the use of electronic signatures to support trusted digital transactions. Issue clear, practical guidelines to ensure that electronic signatures are consistently recognized and accepted by government agencies, financial institutions, and firms, reducing reliance on paper-based processes. In addition, strengthen the capacity of the Information Commission to provide simple, accessible guidance to firms, particularly SMEs, on how to comply with data protection requirements and safely manage personal and business data, including in cross-border transactions. <i>Entity: Seychelles Registration Office, Information Commission.</i>	Short term	US\$1m
Digital Skills			
7	Expand foundational digital literacy and safe internet use. Expand community-based digital literacy programs to build basic digital skills among youth, SMEs, and older populations. Focus on practical abilities needed to access and use digital services confidently, including online communication, digital payments, and use of government services. Complement this with a public awareness campaign on cybersecurity, online safety, and fraud prevention to strengthen trust and safe use of digital tools. <i>Entity: DICT, Ministry of Entrepreneurship and Industry.</i>	Short to Medium term	US\$1-2m
8	Strengthen advanced digital and AI-related skills. Develop and scale short, practical training courses in priority areas such as AI, cybersecurity, cloud computing, and data analytics, in partnership with academia, technical institutes and industry to ensure market relevance. <i>Entity: DICT, SIT, UniSey, SCCI, and other industry bodies.</i>	Medium term	US\$1-3m
Productive Digital Use			
9	Accelerate digital adoption by firms. Support faster uptake of digital tools among SMEs through a targeted Digital Adoption Program including time-bound financial support (e.g., vouchers or matching grants) to help firms adopt practical solutions such as online business platforms, digital payment systems, basic management software, and productivity tools (such as emerging AI-enabled applications). Complement this with hands-on technical assistance to help firms implement and effectively use these tools, particularly SMEs with limited digital capacity. <i>Entity: Ministry of Entrepreneurship and Industry.</i>	Short to Medium term	US\$2m
10	Strengthen the nascent startup and innovation ecosystem. Support the development of a stronger domestic innovation and entrepreneurship ecosystem by establishing a dedicated innovation incubator — in partnership with the private sector and financial institutions — providing early-stage startups with mentorship, shared workspace, access to seed financing, and connections to regional and international markets. <i>Entity: Ministry of Entrepreneurship and Industry.</i>	Medium term	US\$2-3m

Note: Short term (< 2 years), medium term (2–4 years), longer term (4+ years).

CHAPTER 5

RECOMMENDATIONS AND IMPACT

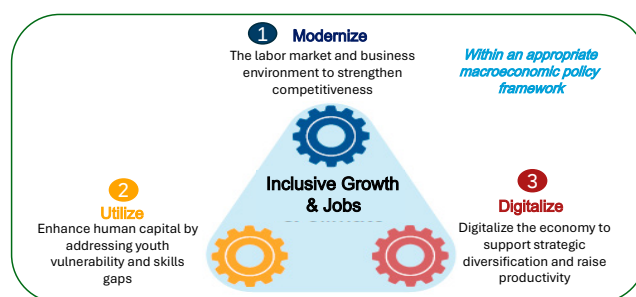
This chapter outlines a reform roadmap that could increase Seychelles' GDP by 13 percent and create over 2,900 new jobs and the equivalent of 7,700 better-paid jobs by 2040, while also improving social mobility and addressing key drivers of inequality. It presents key recommendations that can move Seychelles to the next stage of development by unleashing a new wave of private sector-led economic growth and job creation.

5.1 Policy Recommendations

This report outlines a reform roadmap that can deliver higher GDP, more and better-paid jobs, and social mobility (Figure 5.1). First, Seychelles will need to **modernize** the labor market to make it more flexible and efficient, as well as the business environment to strengthen competitiveness. These reforms target the weakest mechanism identified in Chapter 2: by lowering the costs of entry, exit, and dispute resolution, they enable resources to flow toward the most productive firms, broadening the base of firms creating more and better-paid jobs. At the same time, the country will need to fully **utilize** its human capital by adopting a comprehensive, integrated, prevention-focused, and evidence-based approach to address youth vulnerability and improve the transition to employment. These actions respond to the constraint documented in Chapters 1 and 3: youth disengagement and skills mismatches are restricting the supply of job-ready Seychellois, so equipping young people to compete for better-paid jobs is what ensures that new opportunities translate into jobs for Seychellois rather than only into more foreign labor. Nevertheless, foreign labor will remain essential to the economy, so an efficient GOP process is crucial to support firm productivity, expansion, and innovation. Finally, Seychelles will need to **digitalize** the economy to support strategic economic diversification, productivity growth, job creation, and improved service delivery. These investments address two diagnosed constraints at once: digital adoption raises productivity within firms (Chapter 2), while lowering the costs of distance that limit entry into new activities (Chapter 4), opening new sources of growth and jobs in an economy where geography narrows the alternatives.

Figure 5.1:

Achieving higher growth, good jobs, and social mobility will require Seychelles to address three interrelated development priorities



Source: WBG staff elaboration

This chapter summarizes the report's key recommendations following the *Modernize, Utilize, Digitalize* framework (Table 5.1). These key recommendations synthesize the longer list of detailed recommendations identified throughout the report at the end of the individual chapters. Only high-

priority actions are included here, though lower-priority actions are presented in the individual chapters. These key recommendations are grouped under the three priority areas of the *Modernize, Utilize, Digitalize* framework. Section 5.2 assesses the potential impact of the reform actions grouped under each priority.

The priority reform areas map directly to the WBG's Jobs Framework. The Jobs Framework is built around three pillars that are the fundamental enablers to creating jobs: (i) investments in infrastructure and human capital; (ii) business-enabling policies and a stable regulatory environment; and (iii) mobilizing private capital. The three priority areas of *Modernize, Utilize, Digitalize* map directly to these pillars. Modernizing the labor market and trade and investment regimes is directly related to creating a conducive business environment. Addressing youth issues will strengthen Seychelles' human capital, while completing the digital transformation will involve improving the productivity of digital infrastructure, the regulatory environment, and the update of digital technologies by firms, government, and citizens.

Table 5.1:

Summary of the CGJR's key recommendations

Objective	Priority Action
PRIORITY 1: MODERNIZE the labor market and business environment to strengthen competitiveness	
Labor Regulation	To create a more flexible and efficient labor market, modernize the Employment Act by: (i) allowing employees to work beyond pension age; (ii) removing severance pay for resignation and retirement; (iii) introducing a simplified pathway for contract termination by mutual agreement; (iv) applying regulations to Fixed Term Contracts (FTCs); and (v) replacing FTC attestation with mandatory training, a model contract, more inspections, and higher penalties for non-compliance.
GOP System	To create a more flexible and efficient labor market, reform the GOP system by: (i) digitalizing the process; (ii) extending the maximum duration to 4 years for selected occupations; (iii) tying the GOP to the skills, not the job title; and (iv) modernizing the Guidelines for Recruitment of Non-Seychellois Workers.
Trade, Investment, and Courts	To reduce trade-related costs, attract more foreign investment, and strengthen commercial justice: (i) revise the Customs Management Act and regulations, issue e-Certificates of Origin, implement a Trusted Trader Program, and adopt a Single Window ; (ii) revise the Foreign Investment Act to adopt African Continental Free Trade Area (AfCFTA) investment provisions and reposition Seychelles Investment Board as an investment facilitator; and (iii) ensure strong implementation of the Commercial Court and compulsory mediation , and reform the insolvency framework, extending the Court's jurisdiction to insolvency over time.
PRIORITY 2: UTILIZE human capital by addressing youth vulnerability and closing skills gaps	
Youth Vulnerability	Adopt a comprehensive, consolidated, prevention-focused, and evidence-based approach structured around three areas: (i) schools as hubs for integrated social services; (ii) skills for improved transition to employment; and (iii) coordinated action across agencies. Specific actions include: i. Improve learning outcomes through the action in "Learning Outcomes" below ii. Expand after school programs and prioritize schools in high-risk districts iii. Strengthen transitions to work through the action in "Skills Gaps" below iv. Address structural health barriers by enacting legislation and reforms to improve youth access to contraceptives and sexual and reproductive health information v. Extend the social registry to capture youth vulnerability indicators and make it interoperable across government agencies for more effective early identification and case management.

Learning Outcomes	To improve learning outcomes and teacher performance: (i) accelerate curriculum reform by: (a) establishing minimum learning standards by grade; (b) sequencing the curriculum coherently across subjects and grades, including rationalizing subject overload; and (c) aligning curriculum, assessment, and remediation strategies for at-risk students; and (ii) strengthen instructional quality through targeted coaching for primary school teachers and structured remedial education for struggling students in early secondary. Evaluate the ongoing AI Teacher Coach and AI-powered Student Tutor pilots and, where effective, use them to develop a sustainable national model for AI-supported teacher professional development and personalized student support.
Skills Gaps	To strengthen the supply side of the labor market and skills development: (i) create clear transition pathways for graduates of the General Education and Skills Development Pathway (GESDP) in upper-secondary school into either direct employment or further training at professional centers; and (ii) reform the national qualification framework to resolve the non-recognition of GESDP certificates by professional centers, and industry certificates by Seychelles Qualifications Authority (SQA).
PRIORITY 3: DIGITALIZE the economy to support strategic diversification and raise productivity	
Internet Quality and Affordability	To improve internet reliability, quality, and affordability: (i) enforce compliance with Quality of Service standards to ensure that internet providers deliver consistent minimum levels of speed, stability, and reliability, and introduce escalating penalties for repeated underperformance; (ii) introduce cost-based wholesale pricing and require dominant operators to separate infrastructure and retail costs ; and (iii) enhance the regulatory framework for satellite connectivity .
Digital Government	To accelerate the digital transformation of government and expand the use of digital public services: (i) establish the Inter-Ministerial Digital and AI Coordination Committee to drive coordination and implementation; and (ii) require all public entities to review, simplify, and digitalize their processes, prioritizing full online delivery of key services (such as tax filing, business licensing, and customs), with public outreach to promote adoption.
Digital Skills	To expand digital skills: (i) expand community-based digital literacy programs to build basic digital skills among youth, small and medium enterprises (SMEs), and older populations; and (ii) develop and scale short, practical courses in high-demand skills such as AI, cybersecurity, cloud computing, and data analytics, in partnership with academia, technical institutes, and industry.
Technology Adoption by Firms	To accelerate digital adoption by firms: (i) launch a Digital Adoption Program for SMEs that provides time-bound financial support and technical assistance to help firms adopt digital solutions such as online business platforms, digital payment systems, basic management software, and productivity tools; and (ii) in partnership with the private sector, establish an innovation incubator offering structured mentorship, co-working space, seed funding, and connections to regional investors.
FUNDAMENTAL ENABLER: Retain an appropriate macroeconomic policy framework	
Reinforce Macro Stability and Resilience	To preserve macroeconomic and financial sustainability, build fiscal and external buffers, and advance prospects for long-term inclusive growth and economic resilience: (i) maintain fiscal discipline and prudent debt management, including continued adherence to the 50 percent public debt to GDP target; (ii) uphold sound monetary policy and exchange rate flexibility; and (iii) promote selective economic diversification.

5.2 Reform Impact

Impact on Growth

Implementing the reform roadmap outlined in this report could increase Seychelles' GDP by almost 13 percent by 2040 (Table 5.2). Higher GDP is mainly driven by higher TFP (8.3 pp contribution), higher human and physical capital accumulation (2.4 pp contribution), and, to a lesser extent (1.9 pp), by an increasing labor force participation rate (from 67.0 to 69.3 percent) (Figure 5.2). The average annual GDP growth rate could reach up to 3.7 percent over the projection period (2027–2040), compared with 2.8 percent in the baseline. The reforms are projected to boost Seychelles' GDP per capita by 12.5 percent compared to the baseline by 2040, 18 percent above Structural Peers, and closing the gap with Aspirational Peers (Figure 5.3). Box 5.1 outlines the macroeconomic modeling approach used in this report.³¹

Table 5.2

Projected impact of the proposed actions (*Deviations from baseline*)

	Real GDP (%)		Real Wages (%)		Employment (%)		More Jobs (Number)		Better-Paid Jobs (Number)		More & Better-Paid Jobs (Number)	
	2030	2040	2030	2040	2030	2040	2030	2040	2030	2040	2030	2040
All Actions	3.4	12.6	8.6	9.7	3.1	3.5	2,215	2,909	5,888	7,675	8,103	10,584
Priority 1	1.8	7.6	4.0	4.2	2.1	2.4	1,661	2,222	3,141	3,886	4,802	6,108
Priority 2	0.3	1.1	-0.5	0.2	1.1	1.1	554	687	0	490	554	1,177
Priority 3	1.3	4.0	3.4	3.5	0	0	0	0	2,747	3,299	2,747	3,299

Source: WBG staff calculations based on World Bank country specific MMod-GJ macroeconomic model.

Box 5.1: The Macroeconomic Modeling in the Seychelles CGJR

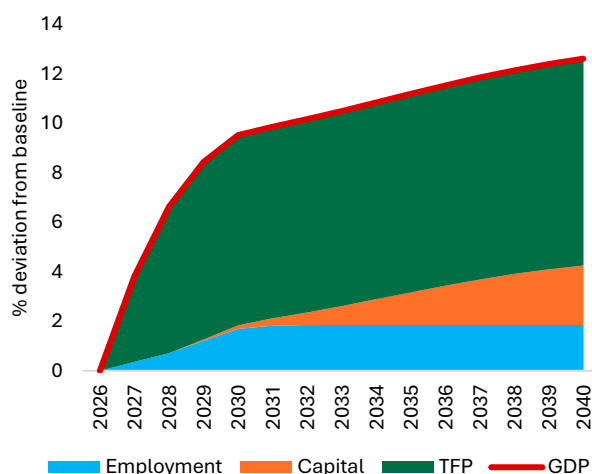
This report uses a macro-structural model to assess the impact of priority actions on the Seychelles economy.

This analysis provides robust quantitative evidence of the potential impact of priority actions on the real, fiscal (revenue, spending, debt), and external (trade) sectors. The analysis uses the Growth and Jobs Macro-Fiscal Model (MMod-GJ)—a macro-structural model developed by the World Bank and customized for Seychelles.³² The impact on growth and jobs of a subset of the proposed reforms is simulated by introducing a series of “reform scenarios” to the model, grouped under the three pillars of the *Modernize, Utilize, Digitalize* framework. The transmission channels, size of the impact, and length of time to achieve the full impact are calibrated using evidence from economic literature (see Annex 3). The impact channels are via TFP, labor force participation, and learning-adjusted years of schooling. These impacts are fed into the Seychelles MMod-GJ, which provides the overall impact on the real, fiscal, and external sectors in a general equilibrium framework. Annex 1 provides a summary of the projections under the baseline and reform scenarios.

- 31 The results are robust to alternative assumptions of baseline productivity growth. In the baseline scenario, productivity is projected to grow at an average of 1.3 percent annually over the projection period, consistent with the long run historical average. An alternative baseline scenario assumes that productivity grows more slowly, at 1 percent, on average, over the projection period. Nevertheless, the impact on growth, jobs, and other macroeconomic indicators in the Reform scenario is very similar, with variations of around 0.1 percent points in all key indicators.
- 32 The MMod-GJ focuses on the supply side of the economy. It builds out various interactions between fiscal and monetary policy, economic aggregates such as labor, GDP, the current account balance and prices, and the supply of the economy in terms of potential GDP via capital stock and structural employment. The model has been augmented to estimate the potential impact on new and better-paid jobs, as outlined in Box 5.2. See Burns et al. (2019) for a description of MMod.

Figure 5.2

Higher productivity accounts for two-thirds of the projected increase in GDP

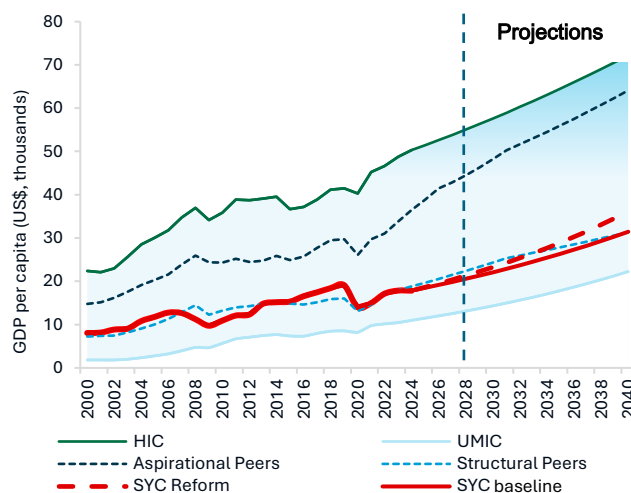


Sources: MFMod-GJ, WDI, and WBG staff calculations.

Note: HICs and UMICs are assumed to grow at the post-Global Financial Crisis per capita compound annual growth rate (2.3 and 4.5 percent). Aspirational and Structural Peers growth rates are taken from the IMF World Economic Outlook April 2026 projections to 2031, and constant GDP growth for 2032–2040.

Figure 5.3

The actions are projected to boost GDP per capita by 12.5 percent compared to the baseline by 2040



On the supply side, growth is expected to be driven by an expansion of the services and industry sectors (Figure 5.4). Policies under Pillar 1 boost productivity and labor participation via greater labor market flexibility and encouraging older workers to stay in the workforce, benefiting labor-intensive sectors, including tourism, fisheries, and construction. Improvements in the investment climate and trade facilitation complement these impacts, particularly for the tourism sector and manufacturing. Policies under Pillar 2 enhance the quality of human capital and youth labor market participation, benefiting both labor-intensive and knowledge-intensive services industries, such as tourism, banking and finance, and government. Pillar 3 policies focusing on digital adoption show larger effects on productivity in manufacturing and services.

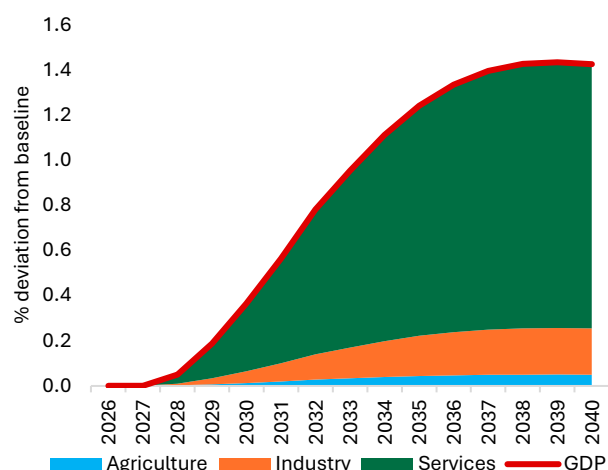
On the demand side, growth is driven by household consumption, government spending, and investment (Figure 5.5). This is because, as part of the actions, GoS would increase spending (investment and consumption) to achieve its objectives. The increase in private investment, exports, and imports (until 2038) is mainly due to the increase in foreign investment and reduction in trade costs under Pillar 1, combined with increased productivity under Pillar 3. Higher household consumption is driven by higher wages (see Impact on Welfare subsection).

The impact of the proposed actions on public finance is also positive. The package of Key Recommendations is estimated to cost 0.7 percent of GDP annually over the first 3 years—which includes 0.5 percent of GDP in up-front costs—and around 0.2 percent of GDP annually in ongoing current spending. Compared with the baseline scenario, additional public spending to implement the reform package leads to a slight increase in government expenditure and public debt as a share

of GDP by 2030. However, by 2040, the higher GDP induced by the reform package more than offsets this slight increase, with public debt to GDP 2.7 percent lower than in the baseline.³³

Figure 5.4

On the supply side, the services sector accounts for over 80 percent of the expansion in GDP

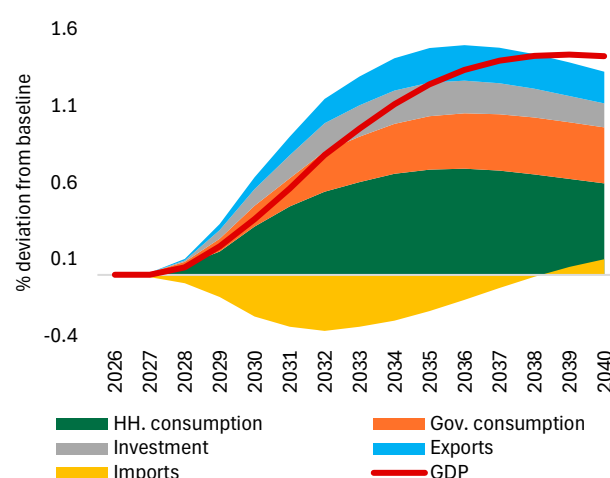


Sources: MFMMod-GJ and WBG staff calculations.

Note: An increase in imports relative to the baseline is reflected as a negative impact on GDP. HH = household.

Figure 5.5

Figure 80: On the demand side, higher GDP is driven by higher consumption, investment, and exports, partially offset by higher imports



Impact on Jobs

The recommended actions are expected to lead to more and better-paid jobs: over 2,900 new jobs and higher wages that are equivalent to an additional 7,700 jobs (Box 5.2, Table 5.2). Implementation of the reform package is estimated to raise labor force participation by 2.3 percentage points, while employment is projected to rise by 3.1 percent and 3.5 percent relative to the baseline in 2030 and 2040, respectively. Actions under Pillars 1 and 2 directly lead to job creation, while actions under all three pillars raise aggregate demand and labor productivity, creating both more jobs and higher wages across the economy. The most significant direct gains come from reforms that encourage more people to participate in the workforce—particularly regulatory reform to allow older people to keep working, improving access to contraception for female youth, and strengthening the GESDP and professional centers to improve youth transition to work. The largest impact on the labor market overall comes from improving the trade and investment climate, productivity gains from reforming the GOP system, and higher aggregate demand and wages due to digital transformation.

33 Public financing to accelerate the renewable energy transition is not included in this calculation – though it is analyzed in the Seychelles CCDR (WBG, 2026a).

Box 5.2: More and Better-Paid Jobs in the Seychelles CGJR

The results estimate how actions deliver both more (the quantity) and better-paid (the quality) of jobs. More jobs reflect the increase in the number of people employed because of the action. This includes both direct jobs (e.g., workers hired for a new project) and indirect jobs (e.g., jobs created in other parts of the economy because of increased demand). Better-paid jobs means that the wages of existing or new jobs go up, so people earn more money. To compare these two effects together, both are expressed in the same unit: as if they were “job equivalents.” For example, if a policy did not create any new jobs but raised wages enough to equal the value of hiring 1,000 workers, that would count as 1,000 job-equivalents under the better-paid jobs part. So, “more and better-paid jobs” measures both quantity and quality of employment using a common scale.

Because the reform package leads to increases in labor productivity, it is also expected to lead to better paying jobs. Overall, it is estimated to lead to increases in real wages of 6.8 and 7.9 percent relative to the baseline for 2030 and 2040, respectively (and an increase of 9.5 percent by 2050). Higher labor productivity is the key to higher wages. Actions in the reform package are estimated to increase labor productivity by 8.3 percent relative to the baseline by 2040, with all three pillars contributing to the gains. However, actions that boost growth without addressing youth labor force participation issues may only increase the demand for foreign workers. In this context, the actions under Pillar 2 are critical to ensure that Seychellois youth are equipped to grasp these new opportunities and take on jobs currently being done by foreign workers. For example, reducing the share of youth that are not in NEET from 20 percent to 16 percent (equivalent to Structural Peers) or 11 percent (equivalent to Aspirational Peers) would put another 570–1,270 youth in jobs—equivalent to 0.7–1.6 percent of the labor force, and could help to reduce the number of GOPs by 3–6 percent. Pillar 2 reforms are projected to initially lead to mild downward pressure on wages (a 0.5 percent decline in 2030 relative to baseline) as labor supply expands due to increased access to contraception. However, the combined reforms lead to significantly higher wages over the longer term (1.0 percent by 2050) as youth with higher learning outcomes gradually enter the workforce, increasing productivity and driving up wages.

Impact on Welfare

Real household consumption per capita is projected to increase steadily over the forecast period as reforms drive real GDP growth, job creation, and labor productivity. By 2040, the reform scenario results in consumption levels being 8.1 percent higher than the baseline, with Pillar 1 contributing 60 percent to this increase, Pillar 3 about 30 percent, and Pillars 2 contributing 10 percent. The growth trajectory reflects sustained improvements in household incomes and public finance, bolstered by actions targeting lower costs for both firms and households, increased investment, and job creation. The trend suggests that reforms not only enhance immediate welfare but also set the stage for long-term, inclusive economic benefits.

From Analysis to Action

Moving from analysis to action will require concerted effort to address reform sequencing, administrative and political economy constraints, policy trade-offs, and financing—this section tackles these issues. On sequencing, the tables of recommendations at the end of Chapters 2–4 propose the sequencing of actions within each topic, reflecting that some recommendations are

a prerequisite for subsequent actions. Short-term actions are those that are recommended to be done in the next 2 years, medium-term actions refer to a 2–4-year timeframe, and longer-term actions to a 4+ year timeframe. This report does not prioritize among the topics, given that the three priorities of *Modernize, Utilize, Digitalize* are complementary. To achieve the impacts outlined above, actions to increase aggregate demand must be complemented by reforms to boost labor market participation and address youth issues, to ensure that the benefits of more and better-paid jobs do not simply lead to more foreign workers. Furthermore, the three priorities fall under the responsibility of different GoS institutions—meaning that all three can advance simultaneously without overwhelming GoS’ thin administrative capacity. Nevertheless, implementing the CGJR’s recommendations will require sustained attention and technical support to key ministries (Box 5.3).

Strengthening the business environment will require new systems and administrative capacity building. The legal reforms to facilitate the super yacht industry, foreign investment, and a Trusted Trader Program are straightforward, and good international examples exist to guide the legal drafting. However, SRC will require: (i) technical assistance to develop the Trusted Trader Program administrative framework and identify qualifying firms; and (ii) capacity building to train its staff and those of qualifying firms on implementation of the program. Adopting and implementing risk-based customs management and a Single Window will require new systems and training for customs officials to develop the required technical capabilities. Improving commercial justice and dispute resolution will require strong implementation of the new Commercial Court and mandatory mediation, including adequate resourcing for the court, and mediation training for judges and magistrates to become certified mediators.

Comprehensive public consultation and clear communication will be essential for durable and coherent reform to the labor market legal framework. The government has dedicated considerable effort to analyzing and reforming the employment legislation. Several rounds of consultations have been undertaken. However, these have generally been on individual aspects of the law. Comprehensive tripartite consultations (i.e., between government, the private sector, and workers) will be essential to ensure that the new law reflects a negotiated agreement between the three parties. The reform to severance pay for retirement should be considered in light of the announced reform to increase the pension allowance to SCR 10,000 by 2029. Regarding the minimum wage, GoS is considering adopting a Living Wage. If pursued, the authorities should clearly define the respective purposes, legal status, and practical implications of the minimum wage and Living Wage for firms and the labor market. Effective implementation will also require clear rules on how each wage is calculated, when it is reviewed, and which institution is responsible for adjustments.

There is broad agreement that the GOP process should be digitalized. The ideal solution is a one-stop-shop for firms that includes links to licensing, customs, taxation, investment (SIB), and GOP processes, and allows firms and GoS to track applications. One option is to expand SIB’s existing investment platform. This will require resources to expand and reconfigure the existing platform, and MoUs to facilitate interoperability between different government agencies and systems, working closely with DICT. This has the potential to deliver considerable efficiency gains; both to firms—via reduced uncertainty and time to fill recruitment; and to the Ministry of Employment and Human Resource Planning—as a digital system will create space for staff to focus on higher-level strategic policy and compliance functions, rather than manual processing of GOPs.

Managing the political economy of GOP reform (tying the GOP to the skills and not the job title, and extending the GOP duration for selected occupations) will require clear communication to balance the benefits for firms and economy-wide productivity with concerns about the need to create opportunities for Seychellois workers. A strong analytical foundation, targeted application, reform sequencing, and clear public dialogue and communication can help to mitigate concerns and create a coalition for reform. Two actions can help to allay fears that GOP reform will negatively affect local job seekers: (i) applying a clear methodology to determine the occupations for which there is the largest gap between labor market demand and the pipeline of Seychellois graduates; and (ii) packaging the GOP reform with measures to bring inactive Seychellois into the labor force and help locals move up the wage distribution, as outlined in Chapter 3 (the ‘Utilize’ priority). This will help to build a social contract between the government and citizens that the objective is not to displace Seychellois workers—but to share the benefits across the economy. However, strengthening the education and skills system will take time. Reforming qualifications recognition, more effective active labor market programs, and creating clear transition pathways for GESDP graduates into direct employment can deliver quick wins. These gains, along with an information campaign on the net benefits of migrant workers and how they are complementary to—rather than competing with—domestic labor, can help to create broader support for GOP reform.

Measures to ease housing pressure and address social cohesion concerns linked to increased foreign labor can help build support for GOP reform. The government is already investing significant resources in affordable housing for citizens (State House, 2025). This could be complemented by measures to protect the affordable housing stock intended for Seychellois households. Large investment projects could be required to submit a workforce and accommodation plan as part of planning or investment approval. A clear separation between publicly supported housing for Seychellois households and commercially financed accommodation for temporary foreign labor would reduce the risk that public resources effectively subsidize employers' labor costs. To support social cohesion, GoS could combine better public information, stronger integration measures, and regular dialogue. The first would include publishing data on foreign workers, the sectors and occupations in which they work, the shortages they fill, and trends in local employment. This can help distinguish genuine concerns from perceptions that migrants are simply displacing Seychellois workers. The second could include orientation for incoming workers on Seychellois laws, culture, social norms, and basic Creole, and supporting community initiatives that increase interaction between foreign workers and local communities. The third could include using existing public and social structures to hold regular dialogue and identify and address tensions early.

Improving youth access to contraception should be advanced in a broader national dialogue regarding agency for girls, planned pregnancy, and general economic development in the context of an aging population. Youth access to contraception is socially sensitive due to strong cultural and religious values. Yet, the inconsistency between the age of consent and access to contraception without parental approval is problematic, and the data shows that most youth are sexually active before adulthood (World Bank, 2024b). Seychelles' birth rate fell to 1.8 in 2024 and 2025 from 2.2 over the past 20 years, sparking concerns of the need to lift the birth rate in the context of an aging society. Despite the decline, Seychelles' birth rate remains around the replacement rate. Rather than increasing the overall birth rate, Seychelles' challenge is to simultaneously reduce

adolescent fertility (which leads to lower educational attainment and lower lifetime female labor force participation), while supporting planned fertility. International experience and economic literature show that the most effective ways to do this are through access to contraception, sexual and reproductive health services, flexible work arrangements for mothers to return to work, and access to affordable childcare. Elevating the national dialogue around youth access to contraception to a broader conversation around economic development, protection from sexually transmitted diseases, and agency for girls could provide a means to change the narrative from virtues and stigma to one of female economic empowerment.

Completing the digital transformation will require political leadership and a shift in the collective mindset, driven by stronger coordination, targeted public investment, and greater institutional capacity. Seychelles has many of the key building blocks for a digital economy. However, last-mile issues and a lack of trust and awareness hamper greater uptake. Achieving the nation's potential as a digitally-enabled economy will require targeted public investments and programs to encourage greater trust in—and use of—digital government services, digital adoption by firms, and innovation. A key roadblock is a lack of coordination and interoperability among government systems. Resolving this will require a change in mindset and training for public servants, so they can both participate in the digital transformation and support citizens. Key institutions require capacity building to ensure they can undertake their regulatory function—including the SCRA to enforce QoS standards and cost-based wholesale pricing, Seychelles Registration Office for e-signatures, and cybersecurity institutions across GoS. ICT operators are likely to challenge enforcement of QoS standards and cost-based wholesale pricing. Negotiation between policymakers and operators will be required. This could be achieved in the context of developing the licensing framework for satellite internet providers, for which existing operators will also have an interest. Reform recommendations in Chapter 4 are prioritized within each of the five key areas (infrastructure, skills, safeguards, government, and productive use). Reforms across the five areas are complementary, so they should be advanced simultaneously. Actions will be implemented by different agencies, so capacity demands are distributed. A pipeline World Bank-financed project and preparation grant can help to address financial and capacity constraints—though sustained, high-level political leadership will be required to sustain momentum and resolve bottlenecks.

Reforms to create additional fiscal space can help to finance the reform package outlined in this report and to build resilience. The package is estimated to cost the government 0.7 percent of GDP annually in 2027–2029 and 0.2 percent of GDP annually subsequently. The CCDR for Seychelles estimates that an additional 1.1 percent of GDP in public spending is needed annually until 2030 to address climate risks and build resilience, including to upgrade key infrastructure, such as the Mahé airport and seaport (WBG, 2026a). Thus, GoS would require 1.8 percent of GDP annually from 2027–2029 to implement the priority actions outlined in this report and the CCDR. This could be financed by rationalizing tax expenditures (particularly on Value-Added Tax (VAT), which were valued at 3.9 percent of GDP in 2023) (World Bank, 2025c), introducing VAT on digital services and low value goods (estimated to raise 0.2 percent of GDP), adopting a corporate top-up tax under the Organisation for Economic Co-operation and Development's (OECD) Global Minimum Tax agreement (also estimated to raise 0.2 percent of GDP), efforts to close loopholes in international taxation (such as transfer pricing), and continuing to improve revenue administration—including via VAT e-invoicing, digitization, and improved audit functions.

Box 5.3: Institutional Capacity and Reform Implementation

Seychelles has a strong record of designing and adopting complex reforms, but its capacity to implement them is thin and uneven across government. Progress has been strongest where priorities are clear, political leadership is sustained, and reforms are supported by development partners. The Ministry of Finance (MoFEPTI) and the Central Bank have served as effective reform anchors, contributing to fiscal consolidation, debt reduction, and the modernization of macroeconomic and financial frameworks. Elsewhere, shortages of staff and specialized expertise, together with slow procurement, have delayed the translation of policy decisions into results.

The capacity constraint is most acute after policies and legislation have been approved. At that stage, implementation requires sustained technical work, enforcement, functioning information systems, and coordination across institutions. Because the public administration is small, several reforms often draw on the same limited pool of legal, technical, procurement, information technology, and senior management expertise. Competing priorities or the departure of a few key staff can therefore slow implementation and weaken follow-through.

This constraint is especially relevant to the CGJR's ambitious and interconnected reform agenda. Labor market reforms require coordinated action on employment regulation, foreign-worker administration, skills, enforcement, and digital systems. Addressing youth vulnerability requires education, health, social protection, and employment institutions to work toward shared outcomes. Digital-government reforms similarly depend on central leadership and on the ability of individual institutions to redesign processes, share data, manage technology, and implement organizational change. Without clear leadership, assigned responsibilities, and effective coordination, progress may stall and the reforms may not deliver their intended results.

Implementing the CGJR's recommendations will require sustained attention and technical support to key ministries.

- **Trade facilitation:** The MoFNPTI has the technical capacity to lead the trade facilitation reform agenda. However, implementation will require strong coordination with SRC and other customs-related agencies (such as immigration, health, environment, and agriculture). Development partner support will be needed to build capacity within the Customs department to implement the Trusted Trader Program and Single Window.
- **Labor market:** The Ministry of Employment and Human Resource Planning has the technical expertise to lead the labor market agenda, though comprehensive tripartite consultations are required to ensure durable reforms, and external support may be required to undertake more advanced analysis to inform reform design. Digitalizing the GOP process will create space for staff to focus on higher-level strategic policy and compliance functions, but the ministry will require support and capacity building to rationalize its processes, implement a digital system, and adopt more advanced compliance functions.
- **Youth and skills:** The Ministry of Education is already advancing selected reforms, having worked on curriculum reform since 2022 and launched the AI Teacher Coach and AI Student Tutor pilots in May 2026. Nevertheless, key areas to support youth at risk tend to be understaffed and under resourced. Implementing the broader agenda will require: (i) adequate instructional material and support for teachers; (ii) formal agreements between GESDP schools and TVET providers and reform of the qualifications framework; and (iii) coordinated delivery of SRH education and after-school interventions. The Ministry of Youth and Sports and Ministry of Employment and Human Resource Planning already implement youth-targeted skills and employment programs, but clearer coordination mechanisms and interoperable data systems will be needed to identify, refer, and track vulnerable youth across education, health, and employment services. Importantly, the prioritization of activities is key to ensure that the most impactful interventions are supported.
- **Digital transformation:** The new Inter-Ministerial Digital and AI Coordination Committee and DICT have the mandate to lead Seychelles' digital transformation agenda, though implementation will require stronger coordination and capacity across government. Support will be needed to operationalize the Digital

and AI Strategy, expand interoperable digital services and SeyID adoption, and strengthen business process digitalization. As the ICT regulator, SCRA will require additional technical capacity to enhance broadband market oversight and service quality, while the Information Commission and other digital trust institutions will need support to effectively implement data protection and cybersecurity frameworks. The Government is already working with development partners on several of these priorities, but continued technical assistance will be needed to sustain implementation and adoption.

Completing the whole-of-government functional review agreed under the IMF-supported Extended Fund Facility arrangement would help strengthen implementation of the CGJR agenda. The review can assess whether government structures, mandates, resources, decision-making, and accountability arrangements are organized to deliver the government's priorities effectively. It can also identify overlaps, clarify responsibilities, highlight critical skills gaps, and inform decisions on institutional roles, capacity needs, and reform sequencing (for example, to distinguish quick organizational fixes from deeper capability reforms that require more time). Targeted technical assistance and implementation support may be warranted where reforms require scarce expertise or sustained coordination across institutions. This is especially important as GoS advances digital government, since digital transformation affects not only government processes but also institutional roles, coordination arrangements, and decision-making authority. Without such a review, GoS risks digitizing existing fragmentation by automating duplicative processes, embedding unnecessary approvals, and creating separate systems around overlapping mandates. A whole-of-government review can help simplify the operating model before (or alongside) digitalization, creating a public sector that can more effectively implement the government's priorities and reform agenda.

ANNEXES

ANNEX 1: STANDARDIZED MACROECONOMIC TABLES

Table A.1

Selected key indicators, 2010–2023

	2000-2010	2011-2019	2020	2021	2022	2023	Average (2014-2023)		
							Str. Peers	Asp. Peers	Source
Real/Income									
Real GDP growth, market prices	1.4	6.6	-11.7	0.6	9.9	5.2	3	5.2	MPO
Investment, % change	2.3	0.1	-14.5	-22.8	14.2	55.8	1.9	9.4	MPO
Public	16.1	0.3	6.8	-22.8	-19.9	200.0	-0.9		MPO
Private	8.3	0.7	-18.6	-22.8	22.8	32.3	2.7		MPO
Consumption, % change	5.8	11.0	1.2	8.2	-4.6	0.6	1.3	4	MPO
Public	10.5	15.2	-0.2	11.8	-1.9	-6.7	2	4.7	MPO
Private	2.2	5.7	5.2	-1.7	-12.8	26.1	1.2	3.4	MPO
Net exports, % change	-459.7	10.0	110.4	13.3	-53.4	49.5	2.7		MPO
Exports	3.0	6.8	-28.4	20.7	26.6	-2.4	3.3	8.1	MPO
Imports	7.1	6.2	-15.2	19.0	8.6	2.6	1.5	8.3	MPO
Investment, % of GDP	42.9	32.5	21.4	16.4	17.1	25.3	17.4	19.6	MPO
Public	8.4	6.5	4.3	3.3	2.4	6.8	4.2		MPO
Private	34.5	26.0	17.1	13.1	14.7	18.5	13.3		MPO
Consumption, % of GDP	56.2	79.3	99.3	106.8	92.8	88.7	28.9	71.7	MPO
Public	29.7	56.0	72.8	81.0	72.3	64.1	15.1	17.2	MPO
Private	26.5	23.3	26.5	25.9	20.5	24.6	71.5	54.5	MPO
Net Exports, % of GDP	4.8	-12.1	-20.6	-23.3	-9.9	-14.0	-1.0	8.3	MPO
Exports	91.3	88.6	66.8	80.2	92.5	85.8	55.1	111.9	MPO
Imports	86.5	100.7	87.5	103.5	102.3	99.8	53.2	120.2	MPO
Potential GDP growth	1.6	7.9	-14.8	3.2	10.2	3.4	2.4	4.2	MPO
Distance to frontier, GDPpc as % of the USA's GDPpc	39	45.1	44.4	43.9	39		31.8	67.7	Convergence Tool
Real GDP growth (LCU)	1.5	6.3	-12.5	0.6	9.4	5.0	2.5	4.5	MPO
TFP, contribution (ppt)	-0.9	3.8	-13.3	0.8	4.8	4.9	0.6	2.1	MPO
Capital accumulation, contribution (ppt)	1.3	0.7	0.1	-0.3	-0.1	0.7	1.6	1.4	MPO
Labor, contribution (ppt)	1.2	1.8	0.8	0.0	4.7	-0.6	0.3	1	MPO
Inclusion									
Poverty rate, US\$2.15 poverty line		0.9	0.7	0.7	0.5	0.5			MPO
Gini Inequality Index		39.5					32.5	31.2	WDI

Demographics and Jobs									
Dependency Ratio, Total Population Over Working-Age-Population	48.9	43.6	47.4	45	45.5	45.9	41.4	45	WDI
Structural Change									
Real GDP Growth, Factor Prices, % change	1.0	6.6	-11.8	0.6	9.9	5.2	3.4		MPO
Agriculture	-0.6	4.4	-13.5	17.8	9.7	8.0	1.3		MPO
Manufacturing	-0.2	2.0	5.2	-13.4	8.3	13.8	2.8		MPO
Services	1.6	7.9	-14.8	3.2	10.2	3.4	3.8		MPO
Agriculture, % of GDP	0.0	0.1	-0.4	0.5	0.3	0.3	3	1.3	WDI
Manufacturing, % of GDP	0.0	0.4	0.8	-2.4	1.3	2.1	15.4	12.1	WDI
Services, % of GDP	1.0	6.1	-12.2	2.5	8.3	2.8	70	75.6	WDI
Sectoral Composition of Employment									
Agriculture			4.1			3.3	5.7	2	WDI
Manufacturing			13.6			12.7	22.1	18.2	WDI
Services			82.4			84.0	72.1	79.7	WDI
External									
Current Account Balance, % of GDP	-1.9	-1	-0.9	-0.7	-0.4	-0.3	-11		MPO
FDI, % of GDP	6.7	13	9.7	10.8	11.3	13.3	7.8	45.6	WDI
Exchange Rate, LCU/US\$	7.9	13	17.6	16.9	14.3	14.0			
REER	102.5	98	80.8	81.5	103.1	102.4			
Reserves, Months of Imports	1.4	4	4.6	4.9	3.5	3.4	3.6	0.3	WDI
Memo Items									
Credit to Private Sector, % of GDP	19.6	24	37.4	35.5	30.6	30.6	61.4	113.2	WDI
Interest Rate, Annual Average	4.4	3	3.0	2.0	2.0	2.0	6.2		
Inflation, CPI	7.5	3	1.2	9.8	2.6	-1.0	2.8		MPO
Fiscal Deficit, % of GDP	0.0	1	-16.4	-5.8	-1.5	-1.2	-6		MPO
Public Debt, % of GDP	7.2	62	80.2	73.6	63.1	57.5	98.8		
-of which external, % of GDP	4.2	32	41.3	32.7	28.6	27.3	27.7		WDI

Table A.2**Summary of baseline and reform scenario results over the short, medium, and long term**

	Baseline			Policy		
	ST	MT	LT	ST	MT	LT
	2026-2027	2028-2030	2031-2040	2026-2027	2028-2030	2031-2040
Real GDP, Compound Average Annualized Growth Rate (%)	3.26	3.33	2.49	3.26	4.21	3.46
Potential GDP, Compound Average Annualized Growth Rate (%)	3.53	3.38	2.51	3.53	5.50	2.77
TFP	2.12	1.95	0.99	2.12	3.64	1.03
Structural Employment	1.40	1.40	1.40	1.40	2.13	1.44
Physical Capital	1.23	1.28	1.51	1.23	1.33	1.95
Human Capital	0.14	0.14	0.14	0.14	0.14	0.21
Demand Composition of Real GDP (Share, %)						
Private Consumption	69.39	68.25	67.10	69.47	68.41	65.98
Government Consumption	16.24	15.44	17.79	16.23	15.68	18.79
Total Investment	19.79	18.98	18.06	19.79	19.07	17.99
Net Trade	-5.42	-2.67	-2.96	-5.50	-3.17	-2.76
Sectoral Composition of Real GDP (Share, %)						
Agriculture	3.48	3.48	3.48	3.48	3.48	3.48
Industry	14.37	14.37	14.37	14.37	14.37	14.37
Services	82.16	82.16	82.16	82.16	82.16	82.16
Labor Markets						
Working Age Population ('000)	120	125	143	120	125	143
Labor Force Participation Rate	67.11	67.04	67.03	69.14	68.53	69.36
Employment ('000)	78	81	94	78	83	97
Labor Productivity (Index 1 = 2025)	1.03	1.09	1.23	1.03	1.15	1.32
Unemployment Rate (%)	2.68	2.67	2.67	2.68	2.71	2.68

ANNEX 2: STANDARDIZED EMPLOYMENT TABLE

	Employment Annualized Growth							Employment Share	
	SYC						S. Peers	SYC	S. Peers
	2017	2018	2019	2020	2023	Avg 2017-2023	Avg 2017-2023	2023	2023
Total Employment	6.7	-0.4	2.9	-0.6	4.4	2.6	4.5	100.0	100.0
Agriculture	6.9	5.7	-11.0	19.8	-13.8	1.5	-0.8	3.3	4.7
Mining	-32.8	-11.6	0.0	0.0	0.0	-8.9	1.3	0.0	0.9
Manufacturing	-4.0	-12.8	8.1	2.8	-5.8	-2.4	1.4	5.4	8.2
Utilities	2.2	4.5	5.7	2.8	-0.1	3.0	28.5	2.4	2.8
Construction	0.8	2.4	-7.5	4.6	2.7	0.6	4.2	4.9	9.5
Wholesale & Retail Trade	7.2	-0.9	-0.1	-2.3	14.6	3.7	4.2	11.1	14.8
Transport & ICT	16.5	-13.0	24.2	3.8	-15.6	3.2	9.0	9.7	10.5
Hospitality	-0.3	-5.6	-4.5	-19.5	37.8	1.6	3.2	12.6	7.9
Finance	11.1	-0.1	7.0	12.9	0.0	6.2	6.1	2.9	3.2
Business Services	13.4	-2.7	2.5	-4.7	7.0	3.1	30.7	10.5	7.6
Public Administration	15.9	11.9	0.8	-7.0	31.8	10.7	5.9	20.1	9.1
Education	2.1	8.2	-0.4	9.4	29.4	9.7	9.9	6.0	7.6
Health	20.7	-7.0	20.1	18.9	-57.0	-0.8	28.3	4.9	4.1
Other Services	-18.4	17.9	-12.2	-13.0	33.8	1.6	8.2	6.2	9.1

Sources: International Labor Organization. Note: No data available for 2021 and 2022 for SYC.

ANNEX 3: SUMMARY OF MODELING IMPACT CHANNELS

Selected Policies	Point Estimate and Link to Macro Model	Theory of Change, Assumptions, and Findings from Economic Literature
PILLAR 1: MODERNIZE the labor market and business environment to strengthen competitiveness (Chapter 2: Business Environment)		
FDI reform: Revised Investment Act to adopt AfCFTA investment provisions.	Increase in TFP by 0.58% over 5 years, driven by an increase in FDI.	Theory of Change: Literature consistently finds that reforms to improve the investment climate increase FDI inflows, technology transfer, and firm productivity. Our estimate is based on a two-step process and two studies: - Step 1: A 2022 WBG report estimates the impact of full implementation of the AfCFTA agreement, including both trade and investment impacts (Echandi, Maliszewska, and Steenbergen, 2022). Under full implementation, Seychelles' inward FDI stock is projected to increase by 46.6% by 2035. However, this scenario assumes broad regional AfCFTA implementation and includes both direct and third-country spillovers. Full implementation of the AfCFTA may yet take several years. Nevertheless, Seychelles should reap some of the benefits of unilaterally aligning its investment regime with AfCFTA principles under partial implementation. We assume that unilateral reform could capture roughly one-third of the full estimated effect, implying a potential increase in inward FDI stock of about 15.5%. - Step 2: According to Liu (2008), for every 10 percentage point increase in FDI, productivity of an average firm increases by 0.374 percentage points. Combined, this suggests an aggregate increase in TFP across the economy of $15.5\%/10\% \times 0.374 = 0.58\%$ due to an increase in inward FDI stock to Seychelles.
Trade facilitation: Reduced processing time.	Increase in TFP by 1.0% over 5 years.	Theory of Change: Reducing border-processing and customs-clearance time lowers trade and logistics costs, helps firms operate more efficiently, and reduces costly delays. Over time, these gains can raise firm productivity and aggregate TFP. Reducing customs clearance time by one day in Brazil is estimated to raise TFP by about 1 percent (Subramanian et al., 2005). However, that elasticity comes from a much larger, more manufacturing-intensive economy with denser supplier networks, so the productivity gains from trade facilitation are likely to be smaller in Seychelles. We conservatively assume that the impact is half as large. If Seychelles reduced the average time for imported goods to clear customs from 13 days to the peer average of 11 days (from Figure 2.8), the implied TFP gain would be half of 2 days $\times$ 1 percent = 1.0%.
PILLAR 1: MODERNIZE the labor market and business environment to strengthen competitiveness (Chapter 3: Labor Market)		
Labor regulation: Greater flexibility in labor market hiring and firing regulations.	Increase in TFP by 1.0% over 5 years.	Theory of Change: Rigid hiring and firing regulations raise the cost of adjusting the workforce, deterring firms from reallocating labor toward its most productive uses. Greater flexibility in labor market regulations—specifically through removing severance pay for resignation and retirement, narrowing mandatory negotiation requirements, and allowing FTC flexibilities—lowers this reallocation cost, enabling firms to pursue more productive worker-job matches and accelerating the exit of resources from low-productivity activities. Seychelles is a small island economy with a labor market that differs structurally from the larger, more diversified economies underlying both studies—economies with deep formal labor markets, high firm turnover, and large manufacturing and services sectors. Seychelles has a much smaller formal sector, heavily concentrated in tourism and fisheries, with limited domestic firm entry and exit dynamics. Our estimate is based on the following studies: - Da-Rocha et al. (2019). A reduction in severance pay equal to 0.5 years of wage led to a 2.2% increase in aggregate TFP. - Autor et al. (2007). Adoption of the implied covenant of good faith and fair dealing—which restricts employers from terminating workers for “bad cause”—has been associated with a decline in total factor productivity of 1 to 2 percent.

Labor regulation: Greater flexibility for older workers to remain in the workforce.	Increase in LFPR by 1.6 percentage points (pp) over 10 years.	Theory of Change: Economic literature highlights that as populations age, more flexible labor laws are associated with higher labor force participation by older workers, particularly those past the pension age. In Seychelles, the LFPR for those aged 65–69 is around 15%. OECD (2025) notes that the average LFPR for this age bracket in OECD countries is around 30% (24% for women and 36% for men). Thus, we assume that this reform leads to an increase in LFPR for those aged 64–69 (given the pension age of 63) from 15% to 30%. We apply this to the NBS' Seychellois only population projections. This indicates an increase of 870 workers, or 1.6pp in the LFPR. Our estimate is based on the following studies: • Acemoglu, D., Søndergaard Mühlbach, N., & Scott, A. (2022). The rise of age-friendly jobs. <i>The Journal of the Economics of Ageing</i>, 23, Article 100482. https://www.sciencedirect.com/science/article/pii/S2212828X22000482 • Organisation for Economic Co-operation and Development. (2019). <i>Working better with age</i> (Ageing and Employment Policies). OECD Publishing. https://doi.org/10.1787/c4d4f66a-en • Organisation for Economic Co-operation and Development. (2025). <i>OECD employment outlook 2025: Can we get through the demographic crunch?</i> OECD Publishing. https://doi.org/10.1787/194a947b-en
GOP system reform: Digital platform, extending duration, streamlining the process.	Increase in TFP by 1.7% over 5 years.	Theory of Change: Economic literature shows that streamlining the recruitment of workers can raise productivity by reducing hiring frictions, improving worker–firm matching, and enabling firms facing skills shortages to expand. These results also apply to improved access to foreign workers, such as H-1B visas in the US. Our estimate is based on: • Ghosh, A., Mayda, A., & Ortega, F. (2014). <i>The impact of skilled foreign workers on firms: An investigation of publicly traded U.S. firms</i> (Institute for the Study of Labor Discussion Paper No. 8684). IZA. https://www.econstor.eu/bitstream/10419/107483/1/dp8684.pdf To calibrate the TFP effect of GOP reforms, the 5-year H-1B elasticity of 0.97 log points (97%) (Ghosh et al., 2014) is treated as an upper bound and scaled down using two adjustment factors. First, a structural exposure factor of 0.086 is constructed as the product of: (i) the foreign worker share in total employment in Seychelles (32%); and (ii) the share of firms identifying labor skills and labor regulations as their most binding constraint (27%) (see Figure 2.8 in Chapter 2). This reflects that the direct impact of reform is concentrated among firms that both rely on foreign workers and are constrained by existing labor regulations (e.g., GOP requirements). While broader spillovers to the rest of the economy may materialize over time, these are not assumed to occur immediately. Second, a policy exposure factor of one-fifth (20%) is applied. The policy exposure factor is an approximation, as it aims to scale the GOP reform relative to the magnitude of the H-1B shock in the original study. The H-1B program targeted highly skilled migrants in technology- and innovation-intensive sectors in the US, such as IT, engineering, and finance. Thus, the marginal productivity of these workers was likely at the frontier of global productivity growth. In comparison, foreign workers in Seychelles comprise of both high- and low-skilled workers, in an economy with limited digital adoption, a shallow innovation ecosystem, and predominantly working in tourism and construction. The impact is expected to materialize through the easing of hiring constraints, faster filling of vacancies (which currently can last months), and lower uncertainty, helping firms to minimize their time operating at sub-optimal productivity. Combining these adjustments yields a central estimate of $0.97 \times 0.086 \times 0.2 = 0.017$, or 1.7%.

PILLAR 2: UTILIZE human capital by addressing youth vulnerability and closing skills gaps (Chapter 3: Youth and Skills)		
Improve teaching quality and learning outcomes: Implement AI-powered pilot and scaled up interventions to improve teachers' pedagogy and provide tailored tutoring to students to improve learning outcomes.	Learning-adjusted years of schooling increases by 0.9 years. Full scale up is assumed to take 2 years, while the full impact is expected to materialize over 3 additional years, while impacts on the labor force emerge gradually as students with higher learning outcomes enter the workforce.	Theory of Change: AI-powered pedagogy support + individualized student tutoring → improved instructional quality and tailored student support → higher learning outcomes ---- increase in learning-adjusted years of schooling (LAYS). Our estimate draws on two complementary interventions. The Global Education Evidence Advisory Panel (GEEAP, 2023) identifies structured pedagogy as generating learning gains equivalent to up to 0.9 additional years of schooling, relative to business-as-usual across LMICs. De Simone et al. (2025) evaluate an after-school AI tutoring program using Microsoft Copilot (GPT-4) in Nigeria, finding an effect size of 0.31 SD—equivalent to 1.5–2 years of business-as-usual schooling in 6 weeks. According to the most recent World Bank Human Capital Atlas data, children in LMICs receive an average of 5.7 LAYS. Compared to 5.0 in Nigeria and 9.7 in Seychelles. The higher LAYS baseline in Seychelles compared to LMICs and Nigeria suggest that the GEEAP and De Simone et al. effect sizes are likely an upper bound for Seychelles. Thus, we apply the lower effect size of 0.9 years of learning-adjusted years of schooling. We also adjust the timing of the impact on the labor market for cohort effects—meaning that the benefits of higher education on the quality of the labor force only emerge gradually, as student with the higher learning outcomes enter the labor force.
GESDP and professional center reform: Improved quality, labor market alignment, and structured employer partnerships.	Increase in LFP of 0.13 pp over 5 years.	Theory of Change: Improved quality and labor market alignment of the GESDP pathway and professional centers, combining skills training and structured employer partnerships → increased employment probability for NEET youth → reduction in NEET → increase in overall LFP. Our estimate is based on Card, Kluve, and Weber (2018), a meta-analysis of over 200 labor market program evaluations, which finds a longer-run effect (2+ years post-program) of 0.19 SD on employment outcomes. We use the longer-run estimate because the reforms proposed are associated with effects that materialize over time. Applying a conversion of 0.19 SD ≈ 19 pp increase in employment probability (using the conversion from Tripney et al., (2013)—who show that 0.065 Standard Mean Difference (SMD) corresponds to 6.5 pp difference in employment probability, implying SMD × 100 ≈ pp), and assuming 20% take-up of the estimated 1,980 NEET youth aged 15–24, yields approximately 75 additional people in employment. This translates into an increase in total LFP of approximately 0.13 percent.
Contraception access legislation: Enact legislation enabling contraceptive access for under-18s without parental consent; expand access points; update SRH curriculum; awareness campaign.	FLFP increases by 4 pp for women aged 18–30 = total LFP increases by 0.6 pp over 5 years.	Theory of Change: Contraception access before age 21 → delayed first birth → increased secondary completion and career investment → higher years of schooling and FLFP. Our estimate is based on a study by Bailey, M.J. (2006) that finds that access to the pill before age 21 reduced the chance of becoming a mother and raised female labor force participation (FLFP) among women aged 26–30 by 8 percentage points, with the share of women giving birth to their first child before age 22 falling by 14–18%. However, the study is based on the United States in the 1970s–1990s, when the US teenage pregnancy rate was approximately 95–117 per 1,000; roughly double the current Seychelles rate of 53 per 1,000 (Health PER, 2024; CDC historical data). Hence, we assume that the FLFP rate increases by only half as much (4 percentage points). We apply this impact to women aged 18–30 years, given that teenage pregnancy reduces FLFP in women aged 18–25 as well as those aged 26–30. NBS Seychellois only population data estimates that there are 8,816 women aged 18–30. This translates into an increase in total LFP of 0.6 percent.

PILLAR 3: DIGITALIZE the economy to support strategic diversification and raise productivity (Chapter 4: Digital Transformation)

Increase in internet quality: Strengthen regulatory oversight and competition and Improve network reliability and service quality.	A 50% increase in fixed and mobile internet speed is estimated to increase labor productivity by 0.5% (increase in labor productivity by 0.1% per 10% increase in speed from the literature) with a 1-year lag. Reforms expected to take 2 years.	Theory of Change: Literature consistently finds that broadband speed improvements raise GDP and productivity, with diminishing returns at higher speeds. We estimate that a combination of improved quality standards and increased competition could raise internet speeds in Seychelles by 50% for both fixed and mobile internet. This increase is feasible, as it would still put Seychelles below most peer countries. Our estimate is based on two studies: - Kongaut & Bohlin (2017), Economics & Business Review: Combining fixed and mobile speed data (Ookla, 33 OECD), find a 10% increase in speed raises GDP per capita by +0.8% (full sample), +1.0% for lower-income OECD, +0.6% for higher-income OECD. Negative quadratic term confirms diminishing returns. - Edquist (2022), Telecommunications Policy: Using Ookla mobile speed data, finds a 10% increase in mobile speed raises labor productivity by +0.2% (1-year lag) in non-OECD/low-income countries. We combine the two results to estimate that a 10% increase in mobile speed in Seychelles raises labor productivity by 0.1%. First, the diminishing returns confirmed by Kongaut & Bohlin's negative quadratic term are key. Seychelles' current speeds already meet the functional requirements of its dominant tourism industry (booking systems, payment processing, basic cloud services). Hence, the marginal productivity gain from additional speed is on the flatter part of the curve (i.e., a 50% increase from 20 Mbps to 30 Mbps matters less than from 5Mbps to 7.5 Mbps). Second, the Edquist (2022) result is for lower-income countries. Given Seychelles HIC status, the labor productivity increase is likely to be somewhat less. Combining these two effects, we assume that the labor productivity impact is half of the Edquist (2022) estimate.
Reducing compliance costs: Government digitalization (e-filing, e-payment, one-stop shops for business registration).	Increase in TFP by 1.4% (3% decrease in compliance cost over 5 years multiplied by the elasticity of value added per worker to compliance costs of 0.465).	Theory of Change: Government digitalization → reduces compliance costs → higher firm productivity and entry. Our estimate is based on three studies: - Kochanova, Hasnain & Larson (2020), World Bank Economic Review 34(1): 101–120: Most rigorous cross-country study. E-filing with e-payment reduces tax compliance time by 8% after 1 year, 12% after 2 years, up to 27% after 5+ years. Reduces likelihood of tax official visits by 14% and number of visits by 22%. Effects stronger in more developed countries. - Barseghyan (2008), Journal of Economic Growth 13: 145–167: Using IV regressions across 97 countries, finds that an increase in entry costs by 80% of income per capita (half a standard deviation) reduces TFP by 22% and output per worker by 29%. Elasticity of value added per worker to compliance costs: –0.465. - Klapper, Laeven & Rajan (2006), Journal of Financial Economics 82(3): 591–629: Using European firm data, find that costly regulations hamper new firm creation (especially in high-natural-entry industries) and slow incumbent firm growth. Entry elasticity: –0.1; firm growth elasticity: –0.426.³⁴

34 This study and elasticity are also used in the WBG Scorecard.

Technology adoption: Promoting adoption of Customer Relationship Management (CRM), Enterprise Resource Planning (ERP), Cloud computing, business websites, and email among firms.	A 10 percentage point increase in technology adoption (CRM and ERP) leads to a 1.0% increase in TFP over 5 years.	Theory of Change: Economic literature shows that technology adoption increases productivity because it reduces information and coordination costs, automates routine processes, improves customer and supplier interactions, and enables firms to scale more efficiently. We estimate that a 10-percentage point increase in the adoption of technology (CRM, ERP, websites) leads to a 2% increase in firm productivity. This reflects a composite impact based on the literature (a 10pp increase in each technology leads to the following productivity increases: CRM adoption → +1.7% in 3 years; ERP → ~1%; Website adoption → +2.2%). Website adoption in Seychelles is 59%. Adoption of CRM and ERP is expected to be low, at around 10%. Our estimate is based on two studies: - Gal et al. (2019), OECD Working Paper 1533: EU firms (20 countries), 2010–15, using Orbis + Eurostat data. Method: firm-level productivity convergence with industry-level adoption; control function TFP. Find that a 10pp increase in CRM adoption raises MFP by +1.7% (3yr); ERP → ~1%. Effects are stronger in manufacturing and routine-intensive sectors, stronger for more productive firms, and weaker where skills shortages exist. - Peña, Cusolito, and Lederman, (2020), World Bank Working Paper 9333: 82 developing countries, 2002–19, WBES manufacturing firms. Method: endogenous TFP process via ACF control function (Cobb-Douglas PF), revenue-based TFP. Website adoption yields +2.2% median TFP premium (probability-adjusted), positive for 54.6% of firms. Email adoption positive for 67.3% of firms. Digital adoption is both labor- and capital-augmenting (increases demand for both factors). - Given the much lower adoption of CRM and ERP in Seychelles, we focus the modeling on these aspects (a 10pp increase in adoption leads to a productivity gain of ~1.7% for CRM and ~1% for ERP). Furthermore, given the result of Gal et al. (2019), we assume the impact in Seychelles is closer to the lower bound (1%), given the economy's services-dominated structure and significant skills shortages.
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