

# SEYCHELLES

## Multi-Annual Indicative Programme 2021 – 2027

### 1. The overall lines of the EU international cooperation in Seychelles

#### 1.1 Basis for programming

The Republic of Seychelles (hereafter known as Seychelles) – with a population of around 98 000 inhabitants - comprises 115 tropical islands spread over 1,374 million square km in the western Indian Ocean, covering 455.3 square km in land area. The country acceded to the World Bank classification of high income countries in 2015 on the basis of its Gross National Income (above 13 000 US\$). The basis for programming is the National Development Strategy 2019-2023 – the first of three five-year successive strategies to implement Government’s *Vision 2033 - Towards a sustainable and inclusive future*. These strategies have been elaborated by the Government on the basis of extensive consultations with all stakeholders, notably the private sector, civil society and the youth. The documents are in line with many EU international cooperation priorities, in particular: the Green Deal; good governance, human development, sustainable growth and jobs and gender equality.

As Seychelles is heavily dependent both on exports and imports, the impact of the Covid pandemic since 2020 has been dire. Twelve years of laborious recovery - based on strict macroeconomic and fiscal discipline since the 2008 crisis - have been undermined. As tourism which is one of the pillars of the economy plunged by 84% during 2020-2021, government’s main source of revenue in foreign exchange has collapsed. Revenue from tourism industry fell by more than 61% compared to 2019 figures. Related economic activities such as accommodation, transport and retailing were automatically not spared. By end 2020, the debt-to-GDP ratio soared to 99.4%. Economic growth plummeted to a record low -13.9% in 2020 (compared to an average +4.2% between 2009-2019), with a widening budget deficit of 14.4%, soaring inflation of 3.9%, increasing unemployment and a devaluation of the Seychelles Rupee against both the EURO and the US Dollar. Poverty is intensifying as the poorer households – normally working in the tourism industry – are losing their unique sources of income. By end 2020, more than 46% of the population was living under the national poverty line.

The February 2021 Budget Speech – which was the first one to be presented by the new Government following the October 2020 Presidential elections - emphasised the need to re-build the nation and to increase resilience. This implies expanding the economic base by exploring diversification opportunities in the blue economy and agricultural sectors, while at the same time, transforming and re-dynamising existing pillars (tourism and fisheries) with higher value addition.

Seychelles also faces acute vulnerability – as Small Island State – in the face of natural phenomena. Seychelles remains particularly vulnerable to natural hazards such as super-strong

cyclones (as in 2016), recurrent floods, sea level rise and ocean acidification (existential). The international recognition of Seychelles' stewardship in environmental conservation efforts represents an opportunity that the Government is exploiting as it rebuilds its economy and targets green tourism. Leading the way internationally on climate change and biodiversity issues through pioneering work, the Government is committed to a cleaner, greener, sustainable, low emission and climate-resilient transformation of the economy, in line with the Climate Change Strategy 2009, the Sustainable Development Strategy (2011) and the more recent EU funded Climate Change Policy. Seychelles is therefore an important ally for the EU in multilateral environmental and climate action.

The Government recognises the importance of good governance, transparency and accountability - in particular given the macro prudential risks generated by the growing financial sector (notably its offshore corporate side). Credible commitments on anti-corruption and Anti- Money Laundering regulation and enforcement are paramount to safeguard the new government's credibility, investors' confidence and the country's image. A credibility that has already improved in October 2021 following the decision of the EU to remove Seychelles from Annex I of the EU list of non-cooperative jurisdictions for tax purpose and moved it to Annex II for monitoring purposes.

The content and orientation of the National Development Strategy 2019-2023 remain pertinent as both Environmental Sustainability and Resilience and Good Governance are key pillars. Furthermore the strategy incorporates commitments at global level, such as the United Nations Agenda 2030 and its Sustainable Development Goals, the Paris Declaration, the African Union's Agenda 2063, and others. A challenge remains, however, in terms of implementation of the Strategy, given the current tight fiscal and budgetary constraints. Hence, the further justification for donor support at a particularly critical time. With its 92 000 inhabitants and sustained brain drain, Seychelles faces acute human capacity shortages. Institutional capacity building is a *sine qua non* condition for the successful implementation of the above strategy.

Capacity building, is a core enabler for the country to effectively implement its future commitments on labour rights and environmental clauses under a **deepened Economic Partnership Agreement (EPA)** for which negotiations are currently conducted between the EU and five Eastern and Southern African countries, including Seychelles. The negotiations for EPA deepening were formally launched in October 2019, and Seychelles has benefitted since 2018 from the EPA Coordination mechanism funded by the EU for the coordination of negotiation positions of the ESA 5 countries vis-a-vis the EU. Since January 2021, Seychelles is also benefiting from training and capacity building in priority areas of the EPA deepening, as well as tailored assistance for the drafting of technical chapters.

The programme of the Government is aligned with the EU priorities on the Green Deal and Good Governance. Considering the vulnerability of Seychelles, disaster preparedness and disaster risk reduction will be mainstreamed across all actions and activities funded by this MIP to the extent possible. The MIP will also be in full alignment with the Paris Agreement and seek to support the implementation of Seychelles' Nationally Determined Contribution (NDC).

## **1.2 Status of joint programming**

The only EU Member State present in Seychelles is France. The EU Delegation will continue full cooperation and convergence of priorities with France and its development agency, i.e. the Agence Française de Développement (AFD), as well as the Région La Réunion.

The current Multi-annual Indicative Programme proposal is based on a joint analysis of the main strategic objectives. These were also presented to other non-resident Member States while calling for reinforced cooperation and contribution.

The whole consultation process was based on a Team Europe approach. With a view to maximising synergies, ongoing and recently committed programmes are also closely and jointly monitored. For the time being, it is not possible to go beyond this step given the uncertainties about future resources available to AFD in 2021-2027; however, convergence on development objectives and communication will be ensured throughout the programming period, also to maximise potential Team Europe initiatives' visibility.

The European Investment Bank is actively involved in Seychelles in the public utilities sector but also recently in a joint blending operation with EU and AFD for the rehabilitation and upgrading of Port Victoria. With its high income status, Seychelles serves as a good model to showcase such innovative financing.

## **1.3. Cooperation facility**

The entire MIP will be committed by way of a Cooperation Facility (CF) which is the preferred approach on the following grounds:

- Institutional capacity building is particularly needed in a country like Seychelles given its small population and high brain drain;
- Given the size of the envelope, it appears more appropriate to have one single programme and avoid excessive dispersal of funds which jeopardises impact;
- The successful implementation of the 11<sup>th</sup> EDF – entirely committed in the form of a CF – justifies the above proposal;
- The CF will allow a consolidation of work that the EU has already engaged into with Seychelles in the environment, climate change and good governance fields.

The support will focus in particular on Green Deal priorities such as fight against climate change, biodiversity loss and pollution and promotion of circular economy (with a priority on waste management), but also on some of the adjustments needed deriving from the on-going negotiations on deepening the EPA. Potentially extended to fundamental labour standards preventing all the aspects of child labour, and will come in the form of:

- Capacity development and institutional building, including through technical assistance and exchange of public expertise, such as TAIEX and Twinning and the participation of Seychelles in EU Programmes and cooperation with EU Agencies;

- Supporting policy dialogues: events, conferences, studies, fellowships, exchange platforms to support sector dialogues leading to policy reforms and engagement with governments and other stakeholders;
- Support for social entrepreneurship, cooperatives, and producers associations specifically in blue economy activities, etc.
- Support to facilitate coordination between the EU and its Member States at country level and the preparation, implementation and evaluation of the Union’s cooperation, including via technical assistance;
- Assist Government in the formulation and preparation of proposals for projects which could be suitable for innovative funding/blending. Seychelles already has a good track record with the joint EU/EIB/AFD supported Port Victoria project; and
- Financing EU communication, including strategic communication and fight against disinformation and visibility actions on EU cooperation and public diplomacy interventions to promote EU policies as well as its multilateral agenda in the country;
- The gender dimension, youth participation and the skills needed for an inclusive green transition will all be taken into due consideration as cross-cutting issues.
- While (i) -environmental protection, climate change adaptation and resilience, (ii) -good governance, will be the primary focus of the MIP, this does not preempt financing ad-hoc interventions in other unforeseen/emerging priority areas, such as in the (iii) justice sector (iv) labour standards, and (v) social protection.

The EU MIP for Seychelles will cover 7 years. The indicative amount available for the period 2021-2027 is 2 million Euros.

## 2. Financial overview

### Indicative allocations for the EU cooperation in Seychelles 2021-2027 (in Million EUR)

Priority areas	2021-2027	
Priority area - Cooperation Facility (CF)	2	100%

### Annex 1 – Donors Matrix

Donor Matrix	Explanatory Note: 1) Data extracted from IATI database on 30 July 2021. 2) Financial figures show ongoing commitments for DAC sectors available for Seychelles in IATI up to 2027 (although with different budget cycles), 3) Some missing data have been completed from the EUD sources of information; other missing data will be completed with other sources of information, 4) The financials are computed per DAC sector, covering all sectors available for Seychelles data in IATI.					
	111	113	121	122	123	130

Donors	Education Level Specified	Secondary Education	Health General	Basic Health	Non Communicable Disease	Population Policies Programmes & Health Reproductive System
<b>1 EU DPs</b>			<b>1,540,724</b>			
EU			99,875			
France						
Denmark			100,000			
Germany			1,090,016			
Sweden			250,833			
<b>2 Non-EU DPs</b>	<b>2,290,645</b>		<b>459,703</b>			
Australia	2,290,645					
Bangladesh						
China			170,000			
Indonesia						
Philippines						
UK			100,000			
USA						
Canada			109,000			
Solidarity Fund			80,703			
Vietnam						
<b>3 Multilateral</b>			<b>5,548,135</b>			
AfDB						
EU & OTHERS			5,240,539			
OTHERS			307,596			
USA						
World Bank						
<b>4 UN</b>	<b>156257</b>		<b>1,041,386</b>			
FAO						
UNDP			1,001,386			
WHO			19,542			
UNFPA			20,000			
UNESCO	156257					
UNEP						
<b>Sect Total</b>			<b>8,589,948</b>			
Donor Matrix	Explanatory Note: 1) Data extracted from IATI database on 30 July 2021. 2) Financial figures show ongoing commitments for DAC sectors available for Seychelles in IATI up to 2027 (although with different budget cycles), 3) Some missing data have been completed from the EUD sources of information; other missing data will be completed with other sources of information, 4) The financials are computed per DAC sector, covering all sectors available for Seychelles data in IATI.					
	140	151	152	160	232	236

Donors	Water Supply & Sanitation	Government & Civil Society	Conflict, Peace & Security	Other Social Infrastructure & Services	Energy Generation & Renewable Resources	Energy Distribution
<b>1 EU DPs</b>		<b>704,508</b>	<b>418,418</b>			
EU		704,508	418,418			
France						
Denmark						
Germany						
Sweden						
<b>2 Non-EU DPs</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>3 Multilateral</b>	<b>26,958,434</b>					
AfDB	26,958,434					
EU & OTHERS						
OTHERS						
USA						
World Bank						
<b>4 UN</b>			<b>418,113</b>			
FAO						
UNDP			418,113			
UNESCO						
UNEP						
<b>Sector Total</b>	<b>26,958,434</b>	<b>704,508</b>	<b>836,531</b>			

Donor Matrix	Explanatory Note: 1) Data extracted from IATI database on 30 July 2021. 2) Financial figures show ongoing commitments for DAC sectors available for Seychelles in IATI up to 2027 (although with different budget cycles), 3) Some missing data have been completed from the EUD sources of information; other missing data will be completed with other sources of information, 4) The financials are computed per DAC sector, covering all sectors available for Seychelles data in IATI.					
	240	311	312	313	321	331
Donors	Banking & Financial Services	Agriculture	Forestry	Fishing	Industry	Trade & Policies
<b>1 EU DPs</b>	<b>299,804</b>			<b>68,100,000</b>		<b>18,350,000</b>
EU	299,804			68,100,000		16,700,000
France						
Denmark						
Germany						
Sweden						1,650,000
<b>2 Non-EU DPs</b>	<b>54,431</b>	<b>12,876</b>				<b>10,334</b>
Australia						
Bangladesh		3,600				
China		5,700				
Indonesia		1,620				
Philippines		1,596				
UK						10,334
USA	54,431					
Canada						
Solidarity Fund						
Vietnam		360				
<b>3 Multilateral</b>	<b>69,000</b>					
AfDB		<b>128,071</b>		<b>799,704</b>		<b>1,250,000</b>
EU & OTHERS	69,000	117,511		799,704		1,250,000
OTHERS		10,560				
USA						
World Bank						
<b>4 UN</b>		<b>294,000</b>	<b>540,000</b>			
FAO		294,000	540,000			
UNDP						
UNESCO						
UNEP						
<b>Sector Total</b>	<b>423,235</b>	<b>434,947</b>	<b>540,000</b>	<b>68,899,704</b>		<b>19,610,334</b>

Donor Matrix	Explanatory Note: 1) Data extracted from IATI database on 30 July 2021. 2) Financial figures show ongoing commitments for DAC sectors available for Seychelles in IATI up to 2027 (although with different budget cycles), 3) Some missing data have been completed from the EUD sources of information; other missing data will be completed with other sources of information, 4) The financials are computed per DAC sector, covering all sectors available for Seychelles data in IATI.					
	332	410	430	510	720	740
Donors	Tourism	General Environment Protection	Other Multi Sector	General Budget Support	Emergency Response	Disaster Prevention & Preparedness
<b>1 EU DPs</b>		<b>4,161,198</b>	<b>2,630,058</b>			
EU		3,500,000	2,630,058			
France		661,198				
Denmark						
Germany						
Sweden						
<b>2 Non-EU DPs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>3 Multilateral</b>						
AfDB				<b>41,402,250</b>		
EU & OTHERS				11,402,250		
OTHERS						
USA						
World Bank				30,000,000		
<b>4 UN</b>		<b>18,525,248</b>				
FAO						148,000
UNDP		18,525,248				
UNESCO						
UNEP						
<b>Sector Total</b>		<b>22,686,446</b>	<b>2,630,058</b>	<b>41,402,250</b>		<b>148,000</b>



Donor Matrix	Explanatory Note: 1) Data extracted from IATI database on 30 July 2021. 2) Financial figures show ongoing commitments for DAC sectors available for Seychelles in IATI up to 2027 (although with different budget cycles), 3) Some missing data have been completed from the EUD sources of information; other missing data will be completed with other sources of information, 4) The financials are computed per DAC sector, covering all sectors available for Seychelles data in IATI.	
	998	Total
Donors	Unallocated & Unspecified	
<b>1 EU DPs</b>	<b>0</b>	<b>0</b>
<b>2 Non-EU DPs</b>	<b>0</b>	<b>0</b>
<b>3 Multilateral</b>	<b>0</b>	<b>0</b>
<b>4 UN</b>		
FAO	89,000	
UNDP		
UNESCO		
UNEP		
<b>Sector Total</b>	<b>89,000</b>	<b>196,400,306</b>

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