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SEYCHELLES

June 2025

FOURTH REVIEWS UNDER THE ARRANGEMENT UNDER THE EXTENDED FUND FACILITY AND THE ARRANGEMENT UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY, REQUEST FOR MODIFICATION OF PERFORMANCE CRITERIA, AND REQUEST FOR MODIFICATION OF REFORM MEASURES UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY—PRESS RELEASE; STAFF REPORT; STAFF SUPPLEMENT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR SEYCHELLES

In the context of the Fourth Reviews Under the Arrangement Under the Extended Fund Facility and the Arrangement Under the Resilience and Sustainability, Request for Modification of Performance Criteria, and Request for Modification of Reform Measures Under the Resilience and Sustainability Facility, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on June 16, 2025, following discussions that ended on April 11, 2025, with the officials of Seychelles on economic developments and policies underpinning the IMF arrangements under the Extended Fund Facility and the Resilience and Sustainability Facility. Based on information available at the time of these discussions, the staff report was completed on May 21, 2025.
- A **Staff Supplement** updating information on recent developments.
- A **Statement by the Executive Director** for Seychelles.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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PRESS RELEASE

PR 25/199

IMF Executive Board Completes the Fourth Reviews Under the Extended Fund Facility and the Resilience and Sustainability Facility Arrangements and Approves US$13.7 Million Disbursement for Seychelles

FOR IMMEDIATE RELEASE

- The Executive Board of the International Monetary Fund (IMF) completed today the fourth reviews of Seychelles' economic performance under the Extended Fund Facility (EFF) and Resilience and Sustainability Facility (RSF) Arrangements. Completion of the reviews allows for an immediate disbursement of about US$13.7 million intended to strengthen macroeconomic stability, sustain growth, and reinforce fiscal and monetary policy frameworks, while also supporting efforts to strengthen resilience to climate change, exploit synergies with other sources of official financing, and catalyze financing for climate-related investments.

- Economic growth for Seychelles in 2024 is estimated at 2.9 percent, reflecting lower dynamism in the tourism sector. Inflation remained subdued and fiscal performance was tighter than budgeted, driven mainly by underspending on capital expenditure. For 2025, economic growth is projected at 3.2 percent, reflecting slower growth projected for Europe—Seychelles' most important tourism source market.

- Performance under the EFF has been strong with all quantitative targets and structural benchmarks for end-December 2024 met. However, two SBs scheduled for 2025 have encountered minor delays due to capacity constraints. Progress has been satisfactory under the RSF implementation, and the authorities remain committed to the programs' objectives.

Washington, DC – **June 16, 2025:** The Executive Board of the International Monetary Fund (IMF) completed today the fourth reviews of Seychelles' economic performance under the 36-month EFF and RSF Arrangements approved on May 31, 2023. The completion of the reviews allows for the authorities to draw the equivalent of SDR 6.1 million (about $8.3 million) under the EFF and SDR 3.9 million (about $5.3 million) under the RSF, bringing total disbursements to SDR 30.5 million (about $41.7 million) and SDR 13.3 million (about $18.2 million) under the EFF and RSF, respectively.

Economic growth for Seychelles in 2024 is estimated at 2.9 percent, slightly lower than earlier forecasts due to lower activity in the tourism sector. Year-on-year inflation reached 1.7 percent as of December, driven by an increase in utility prices and pass-through effects of currency depreciation. Fiscal performance was tighter than budgeted driven mainly by underspending on capital expenditure, with a primary surplus equivalent to 3.2 percent of GDP in 2024. The Central Bank of Seychelles has maintained an accommodative monetary stance. The current account deficit widened to 7.9 percent of GDP in 2024, but gross international reserves increased to $774 million, equivalent to 3.8 months of imports or 115 percent of the Assessing Reserve Adequacy (or ARA) metric.

EFF-supported program implementation has been strong. All quantitative program targets (QPCs) and structural benchmarks (SBs) for end-December 2024 were met. However, two SBs scheduled for the first half of 2025 have encountered minor delays due to capacity constraints. Progress has been satisfactory on RSF implementation. All reform measures (RMs) for March 2025 have been implemented. However, one component of an RM scheduled for April 2025 (related to energy pricing and the issuance of a new multi-year electricity tariff system) is delayed and expected to be completed in November. The authorities requested minor modifications for two RMs slated for December 2025.

The outlook suggests low but stable growth for 2025 and beyond but is subject to considerable uncertainty. Real GDP growth is projected at 3.2 percent for 2025 compared to 4.3 percent at the previous reviews. The downward revision reflects slower a weaker outlook for tourist activity on the back of slower growth in Europe (Seychelles' most important tourism source market). Year-on-year inflation is expected to moderate to 1.2 percent by end-2025 due to lower utility, fuel and food prices. Reserve coverage is expected to increase to 3.9 months of import cover in 2025. Near-term downside risks relate mainly to how slower global growth and higher uncertainty translate into tourism arrivals and spending.

Going forward, continuation of prudent macroeconomic policies is paramount for maintaining resilience. The authorities' near-term priorities are to support economic growth, strengthen fiscal and external positions, and maintain prudent monetary policy and a sound financial sector. In the medium-term, the authorities' aim to continue a steady fiscal consolidation to reduce the ratio of public debt to GDP, while simultaneously improving the efficiency of public spending. Building capacity with respect to public financial management and financial sector supervision is another key focus. The structural reform agenda emphasizes revenue administration, public financial and investment management, climate change resilience, and governance improvements, including digitalization and transparency.

Following the Executive Board's discussion, Mr. Bo Li, Deputy Managing Director, and acting Chair, issued the following statement:

"Seychelles has continued to demonstrate sound macroeconomic management and commitment to structural reforms. Lower than expected GDP growth for 2024 reflected lower tourism income and weakened performance in such sectors as accommodation, food services, and transportation. Fiscal outturns have been tighter than projected, reflecting delays in execution of capital projects, bottlenecks in public procurement, and civil service recruitment delays. Monetary policy remains accommodative in the face of low inflation. Good progress has been made on essential macrostructural reforms.

"For the fourth reviews, program performance under the EFF was strong, with all quantitative program targets and structural benchmarks through end-December successfully met. Progress has also been satisfactory on RSF implementation, with all RMs through March implemented and only one component of an RM scheduled for April has been delayed. The authorities continue to implement an ambitious reform agenda and prudent fiscal and monetary policies in the face of an increasingly challenging external environment.

"The authorities should remain vigilant with respect to near and medium-term risks as the outlook is subject to rising uncertainty. These include a slowdown in tourism activity due to slower growth projected for Europe—Seychelles' most important tourism source market. Commodity price volatility could also feed through to inflation, while global trade tensions may reduce FDI and lead to tighter financial conditions. The EFF arrangement will continue to help protect macroeconomic stability and support stronger fiscal and external buffers, while advancing the authorities' structural reform agenda.

"The authorities are advancing with reforms under the RSF to enhance the climate-resilience of public investments, diversify financing, and strengthen assessment and disclosure of climate-related financial sector risk. Successful implementation of the reform agenda will enhance economic resilience and external financing risks by building institutional capacity for public investment in climate adaptation and diversifying Seychelles' power generation capacity—reducing its dependence on imported energy. Continued collaboration with the IMF and other partners will be important to help fill capacity gaps and to mobilize climate finance."

Seychelles: Selected Economic and Financial Indicators, 2022-30

	2022	2023		2024		2025		2026	2027	2028	2029	2030
	Act.	Act.		Act.		Proj.		Proj.				
		3rd Review		3rd Review		3rd Review						
	(Annual percent change, unless otherwise indicated)											
National income and prices												
Nominal GDP (millions of Seychelles rupees)	28,807	30,015	30,663	31,041	31,643	33,033	32,899	34,464	36,466	38,841	41,396	44,121
Real GDP (millions of Seychelles rupees)	25,585	26,922	26,163	27,735	26,935	28,922	27,808	28,692	29,662	30,673	31,731	32,835
Real GDP	12.7	3.2	2.3	3.0	2.9	4.3	3.2	3.2	3.4	3.4	3.4	3.5
CPI (annual average)	2.6	-1.0	-0.9	0.5	0.3	2.3	1.0	2.0	2.6	3.0	3.0	3.0
CPI (end-of-period)	2.5	-2.7	-2.7	2.5	1.7	3.0	1.2	2.6	2.8	3.0	3.0	3.0
GDP deflator average	1.6	-0.9	4.1	0.4	0.2	2.0	0.7	1.5	2.3	3.0	3.0	3.0
Money and credit												
Broad money	0.6	5.8	5.8	11.3	7.3	...	7.0	...	...	...	...	...
Reserve money (end-of-period)	-3.0	-3.5	-3.5	11.3	-4.3	...	-2.2	...	...	...	...	...
Velocity (GDP/broad money)	1.2	1.2	1.2	1.1	1.2	...	1.1	...	...	...	...	...
Money multiplier (broad money/reserve money)	3.4	3.7	3.7	3.7	4.2	...	4.6	...	...	...	...	...
Credit to the private sector	4.0	7.4	7.4	10.0	12.1	10.2	9.4	9.1	8.6	8.4	8.1	8.0
	(Percent of GDP, unless otherwise indicated)											
Savings-Investment balance												
External savings	7.5	7.2	7.4	10.7	7.9	9.8	9.2	9.2	8.8	8.4	8.6	8.8
Gross national savings	15.5	17.5	17.3	14.7	16.1	17.0	16.6	16.4	16.9	17.5	17.3	17.2
Of which : government savings	1.2	2.2	2.1	2.1	3.3	3.6	3.2	2.5	3.7	4.6	5.2	5.4
private savings	14.4	15.4	15.2	12.6	12.8	13.4	13.4	13.9	13.2	12.9	12.0	11.8
Gross investment	23.1	24.8	24.7	25.4	24.0	26.8	25.9	25.6	25.7	25.9	25.9	26.0
Of which : public investment [1]	2.7	4.3	4.2	4.9	3.5	6.2	5.3	5.0	5.1	5.3	5.3	5.4
private investment	20.4	20.5	20.5	20.5	20.5	20.6	20.6	20.6	20.6	20.6	20.6	20.6
Private consumption	50.6	48.8	49.4	49.1	49.8	47.0	48.6	47.6	48.0	47.8	48.9	49.6
	(Percent of GDP)											
Government budget												
Total revenue, excluding grants	30.0	31.5	30.9	33.9	33.4	35.3	34.5	34.3	34.8	35.0	34.8	34.7
Expenditure and net lending	31.6	33.6	32.9	37.0	33.9	38.2	37.3	37.2	36.1	35.7	34.9	34.7
Current expenditure	29.2	29.8	29.2	31.9	30.2	32.1	31.6	31.8	31.0	30.3	29.6	29.3
Capital expenditure [1]	2.7	4.3	4.2	4.9	3.5	6.2	5.2	5.0	5.1	5.3	5.3	5.4
Overall balance, including grants	0.1	0.2	0.2	-2.0	0.9	-1.6	-1.7	-1.3	-0.4	0.1	0.7	0.7
Primary balance	1.0	1.7	1.7	1.1	3.2	1.1	1.2	1.8	2.5	2.9	3.1	3.1
Total government and government-guaranteed debt [2]	62.6	58.6	57.3	61.5	59.6	60.8	61.2	61.8	60.4	56.8	52.6	49.0
Of which : Domestic and External Guarantees	3.0	2.4	2.3	4.2	2.6	5.1	3.7	5.5	6.5	6.1	5.7	5.4
External sector												
Current account balance including official transfers (in percent of GDP)	-7.5	-7.2	-7.4	-10.7	-7.9	-9.8	-9.2	-9.2	-8.8	-8.4	-8.6	-8.8
Total external debt outstanding (millions of U.S. dollars) [3]	5,471	5,708	5,694	6,082	5,945	6,386	6,208	6,428	6,645	6,585	6,588	6,620
(percent of GDP)	271.1	266.6	260.3	285.0	273.0	286.8	283.8	285.0	282.9	267.4	255.0	242.2
Terms of trade (-=deterioration)	-8.7	-3.3	-4.0	1.9	2.1	10.3	0.8	-1.7	-1.3	-0.9	-0.8	-0.6
Gross official reserves (end of year, millions of U.S. dollars)	639	682	682	806	774	851	817	830	862	893	956	1,021
Months of imports, c.i.f.	3.1	3.3	3.4	3.7	3.8	3.8	3.9	3.8	3.8	3.8	3.8	3.9
In percent of Assessing Reserve Adequacy (ARA) metric	102	104	105	118	115	119	118	117	118	119	124	127
Exchange rate												
Seychelles rupees per US$1 (end-of-period)	14.1	14.2	14.2	...	14.8	...	...	...	...	...	...	...
Seychelles rupees per US$1 (period average)	14.3	14.0	14.0	...	14.5	...	...	...	...	...	...	...

Sources: Central Bank of Seychelles; Ministry of Finance; and IMF staff estimates and projections.

[1] Includes onlending to the parastatals for investment purposes.

[2] Includes debt issued by the Ministry of Finance for monetary purposes.

[3] Includes private external debt.

SEYCHELLES

May 21, 2025

FOURTH REVIEWS UNDER THE ARRANGEMENT UNDER THE EXTENDED FUND FACILITY AND THE ARRANGEMENT UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY, REQUEST FOR MODIFICATION OF PERFORMANCE CRITERIA, AND REQUEST FOR MODIFICATION OF REFORM MEASURES UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY

EXECUTIVE SUMMARY

Context. Economic growth for Seychelles in 2024 is estimated at 2.9 percent. Year-on-year inflation reached 1.7 percent as of December, driven by an increase in utility prices and pass-through effects of currency depreciation. Fiscal performance in 2024 was tighter than budgeted, driven mainly by underspending on capital expenditure. The current account deficit widened to 7.9 percent of GDP in 2024, but gross international reserves increased to $774 million (equivalent to 3.8 months of imports and 115 percent of the ARA metric). General elections are scheduled for late-September of this year.

EFF performance. EFF program implementation has been strong. All quantitative program targets for end-December 2024 were met. Structural reforms are moving forward—two with minor delays. One benchmark (to complete a study on the dynamics of tourism, funded by AfDB), and a second (launch of an automated platform for risk analysis and tax audit selection) are proposed to be reset with a few months delay. These delays relate to technical and capacity constraints as well as slow procurement processes. To demonstrate continued commitment, the Seychelles Revenue Commission agreed to a new structural benchmark for August 2025 to introduce a tracking dashboard for investigations and audits to enhance efficiency. The authorities request modification of end-June 2025 PCs and end-September 2025 ITs to reflect the updated macroeconomic framework.

RSF performance. Progress has been satisfactory on RSF implementation, but minor modifications are needed for two reform measures (RMs). All RMs through March have been implemented. However, the authorities request modification for two RMs slated for December 2025 (6th review) to account for the Basel Committee on Banking Supervision not yet having issued formal guidance on assessment and disclosure of climate-related financial risk. Further, one component of an RM scheduled for April 2025 (related to energy pricing and the issuance of a new multi-year electricity tariff system) will be delayed until November.

Outlook and risks. The outlook suggests low but stable growth for 2025 and beyond but is subject to considerable uncertainty. Real GDP growth is projected at 3.2 percent for 2025 compared to 4.3 percent at the third reviews. The downward revision reflects slower growth projected for Europe—Seychelles' most important tourism source market. Year-on-year inflation is expected to moderate to 1.2 percent by end-2025 due to lower utility, fuel and food prices, and stabilize at around 3 percent in the medium term. The current account deficit is expected to improve slightly, supported by a modest improvement in the goods and services balance. Reserve coverage is expected to hover around 3.8 months of import cover over the medium term. The outlook faces downside risks related mainly to how slower global growth and higher uncertainty translate into tourism arrivals and spending. Elevated trade tensions may disrupt supply chains, add to inflation, reduce FDI, and contribute to tighter financial conditions. Climate change remains an ongoing risk. Sea level rise and natural disasters are a threat to coastal infrastructure and tourism.

Policy recommendations. The policy framework is guided by the need to preserve macroeconomic and financial sustainability, build fiscal and external buffers, and advance prospects for long-term inclusive growth and economic resilience in line with the objectives under the EFF and RSF and staff recommendations. The mission agreed with the authorities on a revised macroeconomic framework and quantitative program targets consistent with the recommended steady fiscal consolidation and reduction of public debt over the medium-term. Also agreed were revisions to the timeline for completion of structural benchmarks, and addition of a new benchmark to enhance the revenue collection capacities. Finally, the mission reached an agreement with the authorities to implement minor modifications to two reform measures to account for delays by the Basel Committee on Banking Supervision in issuing formal guidance on assessment and disclosure of climate-related financial risks.

Staff's views. Considering the authorities' strong program implementation and policy commitments going forward, staff recommend completion of the fourth reviews of the EFF and RSF.

Approved By
Andrea Richter Hume (AFR) and Pritha Mitra (SPR)

The discussions in Victoria took place during March 31–April 11, 2025. The in-person team consisted of Todd Schneider (head), Aissatou Diallo (resident representative), Pedro Juca Maciel (all AFR) and Oana Elena Luca (SPR). Hany Abdel-Latif (AFR) participated virtually. Miho Tanaka (LEG) participated virtually in a relevant meeting. The team was supported by Andrew Esparon (local economist). Danielle Bieleu and Henry Quach (all AFR) assisted with the preparation of this report.

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ANNEXES

APPENDIX

CONTEXT AND RECENT DEVELOPMENTS

1. **Real GDP growth for 2024 is estimated at 2.9 percent (compared to 3 percent projected at the 3rd reviews).** Tourism activity has been revised down slightly, reflecting lower-than-expected tourist arrivals in 2024 and weaker activity in such sectors as accommodation, food services, and transportation. With respect to non-tourism growth, strong activity in ICT, construction, and agriculture was offset by slower growth in real estate, education, and manufacturing (which contracted following flooding and an industrial explosion in December 2023). The unemployment rate reached 2 percent in Q4 2024, down from 2.8 percent in Q4 2023. General elections are scheduled for late-September 2025.

2. **Headline inflation increased to 1.7 percent (YoY) in 2024, from -2.7 percent in 2023, but has since fallen.** Utility tariffs were the primary driver in 2024, with multiple increases cumulating to 9 percent by end-year. Depreciation of the rupee (by 4 percent relative to the US dollar in 2024, and 1.9 percent in real effective terms) also contributed to upward pressure on prices, albeit with a lower-than-expected pass-through to non-food items. In 2025, headline inflation has declined and reached –0.04 in March (y-o-y) on the back of lower food prices, utilities, and recreation and culture. Recently introduced CBS surveys indicate inflation expectations for 12 months ahead average about 1.5 percent.[1]

3. **The current account deficit increased by 0.5 percentage points to about 7.9 percent of GDP in 2024**. Tourism arrivals grew by only 0.5 percent over 2023, spending per tourist fell by 7.4 percent. In the financial account, an anticipated increase in FDI did not materialize[2], contributing to a lower overall balance of payments surplus. The external sector assessment for 2024 suggests that Seychelles' external position was substantially weaker than the level implied by medium-term fundamentals and desirable policies (Annex IV).

4. **Gross international reserves increased to $774 million by December 2024 (3.8 months of imports, 115 percent of the ARA metric)**—an increase of $92 million compared to the end of 2023. Total CBS interventions in 2024 amounted to an equivalent of $69.5 million, mostly conducted in H1 with greater than expected supply of FX (mostly from conversion of FX earnings accrued earlier by tourism establishments). CBS resumed FX accumulation in the first half of 2025 reflecting seasonal factors and commitments under the program. Gross reserves reached $801 million by the end of the first quarter, raising reserve coverage to the equivalent of 3.9 months of import cover.

5. **The 2024 fiscal balance was significantly tighter than expected.** The government achieved a primary surplus equivalent to 3.2 percent of GDP, compared to a 1.1 percent surplus projected at the 3rd reviews. Revenues were close to budget, coming in just 0.5 percentage points of

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[1] The latest inflation expectation survey was conducted in February 2025. These surveys were only recently introduced and have low response rates.

[2] The Assumption Island development was rephased over 2025-2026.

GDP less than expected—0.2 percentage points less in tax revenues and 0.3 percentage points pt in non-tax revenues. External grants were below forecast by 0.5 percentage points of GDP, reflecting delays in project implementation. On the expenditure side, there was a total underspend equivalent to 3.1 percentage points of GDP, driven mostly by shortfalls in capital spending (1.4 percentage points), wages and salaries (0.7 percentage points), and goods and services (0.6 percentage points). Capex underspending reflected under-execution of planned projects due to capacity constraints, diversion of planning resources to emergency reconstruction following the industrial explosion and floods in December 2023, and lengthy procurement processes for foreign-funded capital projects. Underspending on wages and salaries reflects continued recruitment delays, while the shortfall in goods and services spending was also linked to procurement delays.

6. **The monetary policy stance remained accommodative in 2024.** The Central Bank of Seychelles (CBS) has maintained the monetary policy rate (MPR) at 1.75 percent since March 2024.[3] Monetary operations have been calibrated to steer the rate on the 7-day Deposit Auction Arrangement (DAA) to the MPR. However, excess reserves increased from SR 169 million in 2023 to SR 261 million in 2024 (21-day moving average). The impact of monetary policy remains limited, due primarily to ineffective transmission and persistent excess liquidity in the banking sector. The cost of credit remains high, with the average lending rate at 9.9 percent in December 2024 (an increase of 0.2 ppt compared to the previous year). The lending spread vis-à-vis deposit rates remained high, at 7.6 percentage points.

7. **Private credit increased steadily in 2024, and the banking sector appears sound.** Credit to the private sector grew 12.1 percent in 2024, compared to 7.4 percent growth in 2023. Outstanding credit is mainly distributed to mortgages, household loans, and the tourism and construction sectors. All banks are maintaining regulatory capital above the prudential requirement of 12 percent and have remained adequately liquid (Table 5). There was an improvement in the profitability of the banking industry in 2024. Moreover, NPLs as a share of gross loans decreased from 8.1 percent in 2023 to 5.5 percent in December 2024 but remain above the pre-pandemic average of about 3 percent.

8. **National elections are slated for September 27, 2025.** Although concrete policy platforms have yet to take shape, staff assess the likelihood of a significant departure from the current policy framework under a new government to be small. There also appears to be broad public support for the program.

OUTLOOK AND RISKS

9. **The projected outlook is broadly stable but subject to rising uncertainty and near- and medium-term challenges.** Real GDP growth is projected to rise to 3.2 percent in 2025. This is a downward revision from 4.3 percent projected at the third reviews. The less optimistic outlook reflects slower growth in Europe—Seychelles' largest tourism source market. Over the medium

[3] In March 2024, the CBS reduced the MPR by 25bps, from 2 to 1.75 percent.

term, growth is anticipated to stabilize around 3.4 percent, assuming a recovery in tourism inflows and a stabilization of tourist spending. Average annual inflation is projected to stabilize around 3 percent but remains subject to external shocks (commodity and transport prices) and currency movements given high import dependency. The current account deficit is expected to average 8.8 percent of GDP over the medium term. An overall balance of payments surplus supported by a modest improvement in the goods and services balance and continued financial inflows (FDI) is projected to maintain reserve coverage around 3.8 months of imports.

10. Risks appear increasingly tilted to the downside (Annex I). These risks emanate from heightened trade tensions and uncertainty weighing on global growth and trade, and related spillovers to tourism demand, international supply chains, prices, and inflation.[4] Elevated trade tensions may disrupt supply chains, reduce FDI and lead to tighter financial conditions. Additionally, the course of geopolitical conflicts and their effects on commodity prices and international shipping can have direct impacts on Seychelles given its high import dependency and quick pass through to domestic inflation. On the domestic side, financial stability risks may arise from large exposures, credit concentration, and high (albeit declining) NPLs. Climate change remains an ongoing risk via sea level rise damage from natural disasters to coastal infrastructure and tourism. On the upside, lower international commodity prices could ease some pressure on the balance of payments and contribute to lower inflation. Shifting tourism demand could also open new source markets and contribute to higher GDP growth.

PROGRAM PERFORMANCE

11. EFF program implementation has been strong. All end-December 2024 quantitative performance criteria (QPCs) and indicative targets (ITs) were met (MEFP Table 1). The primary fiscal balance and net domestic financing exceeded program targets by a wide margin due to a stronger fiscal performance explained mainly by capital expenditure under-execution. The accumulation of net international reserves (NIR) was $47.8 above the program target.

EFF Quantitative Targets, 2023-24

	2023		2024	
	June	December	June	December
Quantitative performance criteria				
Net domestic financing of the government (ceiling)	Met	Met	Met	Met
Primary balance of the consolidated government (floor)	Met	Met	Met	Met
Total revenue (floor)	Met	Not met	Met	Met
Net international reserves of the CBS (floor)	Met	Met	Met	Met
Continuous quantitative performance criteria (ceilings)				
Accumulation of new external payments arrears	Met	Met	Met	Met
Accumulation of new domestic payments arrears	Met	Met	Met	Met
Indicative targets				
Net change in total PPG debt (ceiling)	Met	Met	Met	Met
Priority social expenditure (floor)	Met	Met	Met	Met

Sources: Seychellois authorities; and IMF staff calculations.
Symbols: Met; Not met.

12. Structural reforms are moving forward, but two have encountered minor delays (MEFP Table 2). All structural benchmarks (SBs) scheduled for end-December 2024 were met by the slated deadline. However, two SBs programed for 2025H1 are proposed to be reset with a few months delay: (i) to complete a study on the dynamics of tourism, funded by AfDB; and (ii) launch by the Seychelles Revenue Commission (SRC) of an automated platform for risk analysis and tax audit selection. Delays in completing the tourism study relate to technical and capacity constraints,

[4] Seychelles was not subject to the U.S. reciprocal tariff list published in April 2025.

slow procurement processes with external donors, and difficulties in hiring an external consultant (all of which have now been completed). The automated platform for risk analysis and audit selection will be completed by end-December 2025. To demonstrate continued commitment, the SRC agreed to a new structural benchmark for August 2025 to introduce a digital case management system for investigations and audits to enhance efficiency.

13. Progress has been satisfactory on RSF implementation for the 4th review, and minor modifications are needed for two future RMs (MEFP Table 3). All RMs through March have been implemented (RMs 6 and 7). However, RMs 6.1 and 6.2 slated for December 2025 (6th review) need modification to account for the Basel Committee on Banking Supervision not yet having issued formal guidance on assessment and disclosure of climate related financial risk.[5] Further, one component of RM 8 (scheduled for April 2025) related to energy pricing and the issuance of a new multi-year electricity tariff system will take longer to be implemented and is expected to be completed by November.

POLICY DISCUSSIONS

The mission agreed with the authorities on a revised macro framework and quantitative targets consistent with program objectives. Discussions focused on potential risks to the outlook, ensuring macroeconomic stability and resilience, addressing bottlenecks in government spending, strengthening the monetary policy operating framework, and preserving financial stability.

A. Fiscal Policy

Near-Term Fiscal Stance

14. The tighter-than-projected fiscal outturn for 2024 highlighted a mix of one-off factors and structural bottlenecks that continue to constrain budget execution. Following the twin disasters (heavy flooding and a large industrial explosion) that struck Seychelles in December 2023, already tight resources in key ministries, departments and agencies (including the Seychelles Infrastructure Agency (SIA)) were diverted to emergency response at the cost of capital project design and implementation during the first part of 2024. Beyond this one-off effect, continued difficulties in procurement processes linked to foreign funded projects, and weaknesses in capital project execution (sometimes related to last minute revisions to plans or addition of new requirements) contributed to the significant underspend on public investment. In this context, the authorities highlighted efforts (see SB7 and SB9, as well as commitments under the MEFP regarding adoption of IFMIS), to build stronger capacity for budget execution going forward, particularly with respect to investment project implementation. They noted that resolution of identified bottlenecks

[5] RM6 was also predicated on BCBS guidance. In its absence, CBS based its work on RM6 (on bank disclosure of climate related financial risk) on the BCBS concept note and input from staff. Staff reviewed CBS's draft guidelines and considered broadly in line international practice and RM6 is considered as" met with a minor deviation".

and more timely implementation of projects will be vital as Seychelles addresses critical infrastructure needs (Box 1).

Box 1. Capital Expenditure Execution

The higher-than-anticipated fiscal surplus of 3.2 percent of GDP in 2024 resulted in a tighter fiscal stance and a more rapid reduction in the public debt-to-GDP ratio. However, this situation underscores a structural issue related to capacity constraints in effectively executing public spending and undermining the credibility of the budget. In addition to the redirection of human resources to deal with disaster response in the first part of 2024, delays in foreign-funded projects have emerged—stemming primarily from donor requirements, including procurement processes that encompass multiple tendering rounds and difficulties in attracting bids for smaller projects.

A higher execution rate for capital projects is anticipated in 2025 for several reasons: (i) projects not implemented in 2024 due to late procurement are expected to move forward in 2025; (ii) additional infrastructure needs, such as road and housing projects financed by external grants, may further boost budget execution rates; (iii) upcoming elections in 2025 may increase the urgency for project execution; and (iv) major sports events, including the FIFA Beach Soccer Tournament and the CJSOI.

Main Capital Expenditure Projects

Project	Budget 2025			
	Domestic Financed	**Foreign Financed (Loans)**	**Foreign Financed (Grants)**	**Total**
(Millions of Seychelles Rupees)				
Construction of 72 housing units Cap Bonm Jean, Anse Royale	-	-	105	**105**
Construction of 69 housing units Beoliere, Port Glaud	-	-	105	**105**
New Hospital infrastructure	10	77	-	**87**
Social housing project	-	79	-	**79**
Affordable Housing Units Ile Aurore Phase 1 (80 units)	54	-	-	**54**
Land reclamation project	52	-	-	**52**
New La Digue school - new re-construction	10	38	-	**48**
Construction of Marine Police facilities	-	-	44	**44**
Construction of indoor court Anse Royale	7	-	35	**42**
Ile Du Port development	42	-	-	**42**
Ile Aurore Infrastructure	35	-	-	**35**
West Coast Project Phase 2, 3 & 4	0	-	28	**28**
Coastal Protection Infrastructure Projects	30	-	-	**30**
Youth Hope Residential Center	30	-	-	**30**

Souce: Ministry of Finance, National Planning and Trade of Seychelles

The authorities acknowledge the need to improve public financial management (PFM) and strengthen the efficiency of project execution in 2025 and beyond (see MEFP, paragraphs 44-46). Some actions have already been taken, including: (i) an action plan approved by Cabinet in May 2023 to address capital project under-execution and gaps in public investment management; (ii) a new Public Investment Management (PIM) policy has been circulated to all MDAs to streamline project development; (iii) as of the 2025 budget cycle, only projects with complete appraisal information are included in the Medium-Term Expenditure Strategy (MTES – SB for June 2024). A Sub-Committee has been formed to oversee the project appraisal process, emphasizing climate adaptation and risk management. Maintaining infrastructure also remains a priority. A database of major fixed assets is being established (SB for November 2025) with increased budget allocations and improved data management to support these efforts.

15. **The revised macroeconomic framework targets a fiscal surplus of 1.2 percent of GDP.** This is largely consistent with the primary surplus of 1.1 percent of GDP agreed under the third review. It assumes a significant improvement in capital spending execution relative to 2024 (albeit less than projected in the 2025 budget) and is in line with the pillars of the EFF program and

government medium-term objectives.[6] Revenues (excluding grants) are forecast to be 0.8 ppt of GDP lower than the third review, driven primarily by lower VAT and reflecting lower GDP growth, but partially offset by a small increase in non-tax revenues. The ratio of public and publicly guaranteed debt-to-GDP is about 0.4 ppt of GDP higher than previous projections, due largely to new government guarantees to support critical infrastructure projects. This ratio is expected to fall over time, in accordance with the government's objective to bring public debt to 50 percent of GDP or less by 2030.

Medium-Term Fiscal Issues

16. A balanced approach to fiscal consolidation is key to building resilience to future shocks while sustaining vital investments in climate action and economic diversification. Year-to-year fiscal policies are guided by a gradual increase in the primary balance, while the medium-term remains anchored to the 50 percent of GDP target for public and publicly guaranteed debt. Between now and the end of the medium-term, this entails further fiscal consolidation of approximately 0.6 percent of GDP by the end of the program in 2026, followed by an additional 1.3 percent of GDP by 2030, achieving a primary surplus of about 3.1 percent of GDP.

17. Discussions centered on the reforms necessary to achieve short-term program targets and align the fiscal path with medium-term objectives.

- **Robust tax collection remains a priority.** The VAT action plan is being implemented in phases through 2026, in consultation with the Seychelles Revenue Commission (SRC). Amendment of relevant VAT regulations for valuation rules, input tax credits, transitional periods, and registration have been endorsed by Cabinet and have been in effect since January 2025. The second reform phase focuses on reviewing fintech to eliminate taxes on digital payment tokens and assessing exempt and zero-rated supplies. Internal consultations are expected to yield a set of policy recommendations by August 2025. The third phase will continue exemption reviews throughout 2025 and will assess the margin scheme, digital economy, and the boating sector. A Situational Analysis of the Domestic Yachting Sector is under review by the Trade Department.

- **Strong efforts are being made to address tax leakages.** An inventory of existing tax expenditures on VAT and business tax, together with an estimate of annual revenue cost, was published as part of the FY2025 budget (SB for December 2024).[7] A World Bank-supported review to identify potential audits related to transfer pricing has been completed. The Seychelles Revenue Commission (SRC) has conducted risk reviews to identify potential cases for transfer pricing audits. To modernize and further simplify tax processes, the UNDP has provided technical assistance to develop a risk framework. The SRC had intended to launch an automated

[6] While year-to-year changes in capex execution remain a concern with respect to credibility of the budget and investment in critical infrastructure, staff estimates the short-run macroeconomic effects to be relatively small. Staff estimates the fiscal multiplier for Seychelles is modest, ranging from 0.2 to 0.27, consistent with Seychelles' status as a small open economy with a high propensity to import.

[7] The tax expenditure analysis included in the government budget estimated VAT and BIT tax expenditures at 3.9 percent and 0.5 percent, respectively.

framework to analyze data from multiple sources and identify potential audit cases by June, but due to capacity constraints will complete this measure by end-year (SB for December 2025). As an interim measure, the SRC will introduce a digital case management platform investigations and audits to enhance efficiency (new SB for August 2025).

- **Digitalization efforts seek to enhance tax compliance and collection.** ASYCUDA World upgrades and technical training are underway, with key modules such as E-Manifest, Express Courier, Excise Tax, and WCO Tariff 22 implemented. Upcoming initiatives will finalize migration documentation, address application issues, and launch eGovernment data retrieval and cargo targeting projects. SRC has begun discussions with UNCTAD for process re-engineering and maintenance of the ASYCUDA system in 2025, culminating in an upgraded version for better risk management. The new web-based Tax Management System (TMS), designed to automate and modernize tax collection, is currently being rolled out with a focus on large taxpayers.

- **Public financial management to be bolstered.** Implementation of an Integrated Financial Management Information System (IFMIS) started in Q1 2025, with the contract signing and inception mission in January. A new version will be released, followed by user testing and training from June to September 2025. Piloting will occur in three selected government ministries/departments/agencies (MDAs) from September to December 2025. The first phase will support the 2026 budget, including accounting, reporting, asset management, and inventory modules. The budget preparation module will be used in the 2027 budget process.

- **Efficiency of recurrent spending to be assessed**. To control the wage bill, a recruitment freeze is in effect for non-essential positions over the medium term, with funding limited to priority roles. A functional review of the public sector will be conducted with assistance from the World Bank by December 2025 (*SB for December 2025*). The Public Expenditure and Financial Accountability (PEFA) assessment began in Q1 2025. An action plan will be prepared for Cabinet endorsement by the end of November 2025, focusing on improving overall spending efficiency relative to the budget (SB for November 2025).

- **Strengthening public investment management is essential.** Stricter criteria have been established for the inclusion of investment projects in the Public Sector Investment Plan. A Sub-Committee has also been established to oversee the appraisal and approval of new projects, focusing on climate adaptation and risk management. This Sub-Committee began operations in Q1 2025, aiming to streamline project submissions to the Inter-Ministerial Committee (IMC) for budget decisions. A database of major fixed assets managed by MDAs is being established, with a target completion date of November 2025. The new public investment management policy has been circulated to all MDAs, and efforts are underway with the Seychelles Infrastructure Agency and the Public Investment Management Unit to assist MDAs in developing projects with the necessary technical information for appraisal and implementation.

- **Reforms are underway to improve efficiency of social spending.** The new Electronic Social Protection System (eSPS) for the Agency of Social Protection is being implemented and integrated with other government systems to automate information verification. Once operational, it aims to enhance service delivery by streamlining processes, reducing manual interventions, and enabling quicker, more accurate decision-making for beneficiaries. The target launch date is September 2025.

B. Public Debt Management and Government Financing

18. Seychelles is assessed at a moderate risk of debt distress and debt is assessed to be sustainable with high probability (Annex III). Public debt increased from 57.3 percent of GDP in 2023 to 59.6 percent in 2024, due to a higher real interest rate, exchange rate depreciation and higher stock of government guarantees. Medium-term liquidity risks are moderate as analyzed by the Gross Financing Needs (GFN) and Debt fan chart index. Long-term risk is also considered moderate, and debt is considered sustainable with high probability. Due to its high-income status, Seychelles faces limited access to concessional financing. The authorities should continue to maintain a prudent fiscal position, carefully manage external obligations, and further develop domestic debt markets.

Summary of Table on External Financing, 2024 (US$ million)

Total external financing	**150**	
PPG external debt contracted or guaranteed debt	Volume of new debt, US million 1/	Present value of new debt, US million 1/
Sources of debt financing	**137**	122
Concessional debt, of which 2/	8	5
Multilateral	8	5
Bilateral	0	0
Non-concessional debt, of which	129	117
Semi-concessional debt 3/	129	117
Commercial term 4/	0	0
Uses of debt financing	137	
Infrastructure	2	
Budget financing	129	
Guarantee (parastal)	5	
Sources/uses of grant financing	**13**	
Budgetary grants	0	
Project grants	13	
Memorandum items		
Indicative projections		
2025	179	
2026	149	

Sources: Authorities' data and IMF staff calculations.
1/ Contracting and guaranteeing of new debt.
2/ Debt with a grant element that exceeds a minimum threshold of 35 percent.
3/ Debt with a positive grant element but does not meet the minimum grant element.
4/ Debt without a positive grant element.

19. The ratio of public and publicly guaranteed debt to GDP is projected to rise in 2025 due mainly to issuance of new government guarantees. Despite the expected primary surplus, debt to GDP is expected to increase by 1.6 percentage points of GDP, reaching 61.2 percent by end-2025 mainly driven by a 1.1 ppt rise in government guarantees. These guarantees are required in the financing package for two key infrastructure projects in the pipeline for the period of 2025-27: (i) Land Reclamation Project ($17.5 million) and the Seychelles Port Extension and Rehabilitation Project ($62.3 million). These projects represent critical infrastructure to address housing shortages and alleviate logistical bottlenecks. Moving forward, the authorities should continue to be selective in undertaking new guarantees, as they directly affect the debt level and represent a contingent liability. Public debt is expected to decrease to approximately 49 percent of GDP by 2030, and the Medium-Term Debt Management Strategy focuses on utilizing concessional external borrowings, while Treasury bonds (T-bonds) will continue to be the primary financing source domestically.

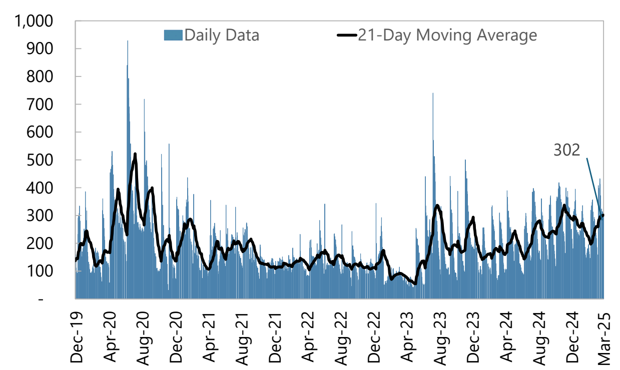
20. The authorities are committed to strengthening public debt management. Publication of quarterly debt bulletins and borrowing and issuance plans has enhanced information accessibility for investors, enhancing domestic market predictability and expectations. Moreover, the government is issuing T-Bonds on a quarterly basis, which has helped extend the weighted average maturity of domestic debt and lowered refinancing risks. As part of modernizing its legal framework, the Cabinet approved amendments to the Public Debt Management Act to provide more flexibility to debt management and based on IMF recommendations (SB, end-March 2025), the corresponding amendment bill is being drafted with Fund TA and it is expected to be tabled in Parliament in the summer. To foster secondary debt market development, the CBS plans to create an operational framework and launch a 6-month pilot retail investor-oriented purchase window as a prelude to a full-scale buy back facility for trading of government securities (SB, end-January 2026).

C. Monetary and Exchange Rate Policy

21. The current accommodative monetary policy stance is considered appropriate but close monitoring is warranted. Headline inflation rose to 1.7 percent by end-2024, largely on the back of increases in utility prices, but dipped to slightly negative territory in February and March 2025. The recent decline appears linked mostly to year-on-year drops in utility and food prices. Demand side pressures appear muted, and the recent rise in credit growth does not seem to be feeding into inflation as core inflation is still low. In this context, CBS' accommodative policy stance is considered appropriate. However, if downside risks begin to materialize and inflation weakens, CBS should be prepared to consider a reduction in the policy rate. Likewise, if activity is stronger than expected, private credit growth continues to strengthen (particularly via further expansion of household loans), and/or if further depreciation of the rupee leads to emerging price pressures, the CBS will need to be prepared to respond, including by adopting macroprudential measures. To improve forward guidance and enhance the expectations channel, CBS has conducted inflation surveys with banks and households and launched the survey with firms in March 2025. The results of the household and banks survey have already been published, and survey results for firms will be published on the CBS website in the near future (SB, end-June 2025).

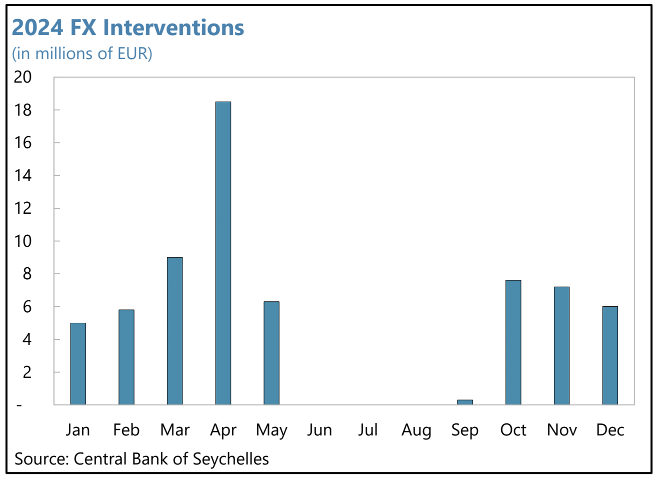
22. Lack of full absorption by the CBS has led to an increase in excess liquidity in the banking system in recent months. A monetary policy framework based on interest rates as an operational target relies on an optimal liquidity absorption mechanism to be able to steer the short-term interbank interest rate. As recommended during previous program reviews, CBS should issue the 7-day DAA—its main instrument for liquidity absorption—as a full allotment at the MPR. CBS reduced liquidity absorption operations in March and April to steer the 7-day DAA interest rate to the MPR, resulting in an increase in excess reserves. The 21-day moving average of excess reserves continued to increase in 2025 and reached 302 million at end-March. CBS FX purchases in 2024 and 2025 contributed to the expansion of liquidity in the banking system. In December, CBS implemented the use of repo operations for liquidity management (SB end-December 2024) and the total amount absorbed was SR 120 million.[8]

Excess of Reserves
(in SR million)



Sources: Central Bank of Seychelles; and IMF staff calculations

[8] There were two accepted bids for a fixed yield of 1.5 per annum. and maturity of 6 days. Since December 2024, the CBS has not offered reverse repo operations for liquidity management. The bank intends to implement additional repo operations for liquidity management in 2025.



23. The authorities remain committed to a floating exchange rate regime while also seeking to increase international reserves as a buffer against external shocks. CBS continued FX purchases from the market in 2024H2 to accumulate foreign reserves. CBS purchased a total of US$69.5 million in 2024 (of which $22.5 million in H2) to increase reserve buffers while maintaining a floating exchange rate. CBS took advantage of higher-than-expected FX liquidity in the market to go beyond the internal target for FX accumulation of $36 million set for the year. Net international reserves reached $630.9 million at end-2024, meeting the QPC for December 2024 by a wide margin. For 2025, CBS resumed FX interventions in the first half of the year taking advantage of the FX supply and demand seasonality. Gross reserves reached $801 million in March, equivalent to 3.9 months of imports. CBS should continue undertaking FX interventions while letting the exchange rate fluctuate based on the supply and demand from banks with the objective of accumulating reserves (as committed under the program) and smoothing out excessive volatility to ensure orderly market conditions when warranted.[9]

D. Financial Stability

24. The financial system remains stable, well capitalized, and liquid. All banks are maintaining regulatory capital above the required level. However, the aggregated regulatory capital to risk-weighted assets ratio decreased by 2.0 percentage points in 2024 due to the implementation of the Basel II framework by the CBS, which revised banks' reporting requirements (Table 5). NPLs decreased from 8.1 percent in December 2023 to 5.5 percent in 2024, and provisions as a share of NPLs increased from 18.5 to 21.5 in the same period. The bank with the highest NPLs in 2023 further reduced its NPL to gross loans level from 13.5 percent in December 2023 to 6.4 percent in 2024. However, another bank saw an increase in its NPL level in 2024, rising to 10.9 percent, from 9.1 percent in 2023, and the authorities are monitoring its credit portfolio. Financial stability risks appear limited due to low contagion risk as interbank linkages are low in Seychelles' nascent money and capital markets. Profitability and liquidity indicators remain high, and FX exposure of the banking system has declined in 2024. CBS needs to maintain regular monitoring of banks' credit portfolios while improving supervisory capacities to better prevent and manage crises.

25. CBS is enhancing its supervision with a risk-based approach and macroprudential stress testing framework, including for climate-related risks. In 2024, CBS conducted three onsite examinations according to its supervisory plan, and the findings and recommendations were provided to the relevant financial institutions. For 2025, CBS plans to monitor the implementation of corrective

[9] CBS conducts FX interventions only with the commercial banks, limited to the spot market based on auctions.

measures for all identified issues. Following recommendations from both US Treasury and IMF technical assistance, CBS has reinstituted quarterly off-site risk assessments as part of its supervision framework and is producing quarterly financial analysis reports. A risk-based supervision (RBS) framework has been implemented, and the use of ratings helps determine risk-based actions and the allocation of supervisory resources. CBS is also adopting a scenario-based macroprudential stress testing framework to better understand risks, including climate-related risks.

26. The authorities continue to make progress with respect to the crisis management and bank resolution framework. With Cabinet approval of the draft Bank Recovery and Resolution Act in November 2024, CBS will submit the Bill for stakeholder consultation prior to being tabled at the National Assembly for approval. Related discussions on a deposit insurance scheme have been deferred to a future date to allow time for full consideration of the fiscal implications. Meanwhile, the CBS is revisiting the existing SR 10,000 depositor preference limit (providing full coverage for 69.9 percent of total depositors) under the Financial Institutions Act 2004, to increase to SR 50,000, which will expand full coverage to 84.6 percent of total depositors.

27. The CBS balance sheet needs to be strengthened. According to amendments to the CBS Act approved by the National Assembly in August 2024, CBS capital needs to be raised to SR 550 million with government support over a 10-year period starting January 2024. CBS staff estimated that approximately SR 319 million (or 1 percent of GDP) in new capital injection is required. The proposed recapitalization amount falls in the range recommended by IMF TA and would be around the 10 percent of monetary liabilities targeted by the Act. The authorities are assessing the timeline for recapitalization based on the observed fiscal space available for the year. CBS capital is currently positive, and staff do not see high-risk in a 10-year recapitalization plan but will follow up on this issue in the context of the FY 2026 budget.

E. Other Structural Reforms

28. Audits of key SOEs[10] are progressing, but two face operational delays. The audit reports are expected to provide an assessment of the governance, strategy, and operations of key public enterprises. Audits for SEYPEC, SCAA, PUC, and Air Seychelles are currently in progress, with draft findings from these reviews discussed with the respective SOEs and the Public Enterprise Monitoring Commission (PEMC) in the first quarter of 2025. Based on the feedback from the government, the audit firms are expected to issue draft reports in the second quarter. The authorities expect the completion of the audits by June 2025. The procurement processes for the IDC and STC audits are ongoing, as the procurement committees declared the initial procurement process unsuccessful.

29. The authorities are making progress in strengthening the AML/CFT framework, but sustained efforts are needed to ensure its effective implementation. The Financial Intelligence

[10] The public enterprises to be audited are the Public Utilities Corporation (PUC), Seychelles Petroleum Company (SEYPEC), Air Seychelles, the Island Development Company Ltd (IDC), Seychelles Civil Aviation Authority (SCAA), and Seychelles Trading Company Ltd (STC).

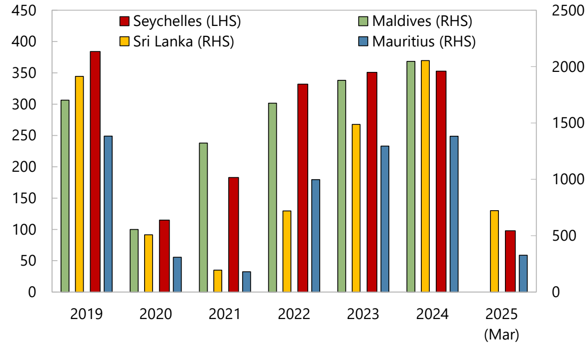
Unit (FIU)'s database collected BO information of around 94 percent of the 49,150 international business companies in good standing as of December 2024, with lower compliance rate for the domestic companies. The authorities have completed amendments to the current legislation to expand access to the FIU's BO database to financial institutions and other entities with AML/CFT obligations (SB for December 2024). The FIU will launch a new IT platform to facilitate access to the BO database by these entities in the third quarter of 2025. The authorities are making efforts to improve compliance rate and accuracy of the BO information on the FIU's database, including regular inspections that revealed varying levels of compliance and deficiencies, which the authorities are committed to address. The FIU aims to improve the compliance rate by the domestic companies to 95 – 97% in the next two years. Moreover, the authorities completed the second National Risk Assessment (NRA) on money laundering and terrorism financing, and the Technical AML Committee continues to coordinate the authorities' actions based on the findings in the NRA. Furthermore, the authorities are strengthening risk-based supervision of lawyers and accounts and establishing licensing and AML/CFT supervisory framework for the Virtual Asset Service Providers (VASP) sector.

30. Seychelles tourism risks losing market share due to increased competition from other markets. The tourism sector faces challenges with air connectivity, as many airlines provide only seasonal direct flights. It also contends with rising competition from more affordable destinations like Mauritius, Tanzania, and Madagascar, alongside traditional rivals such as the Maldives and emerging competitors like Sri Lanka. The recent decline in per capita tourist spending suggests an increase in price sensitivity. The authorities will leverage the forthcoming study on the dynamics of tourism to develop an action plan to increase competitiveness and value-added to the economy, building on Seychelles' areas of comparative advantage as a tourism destination. The tender process for the tourism study has experienced delays primarily due to extended procurement procedures (SB, proposed to be rescheduled to end-September 2025).

Figure 1. Seychelles: Structural Considerations in Tourism

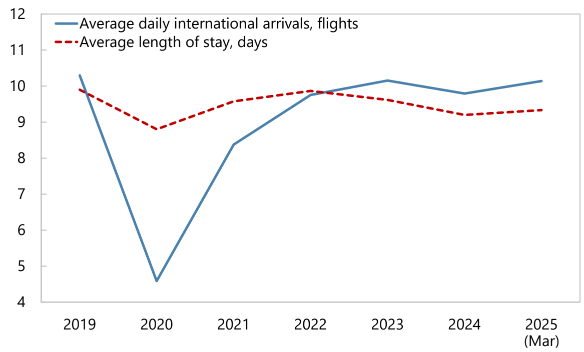
Tourism arrivals have rebounded to near pre-pandemic levels but may soften this year.

Tourist Arrivals
(In thousands)



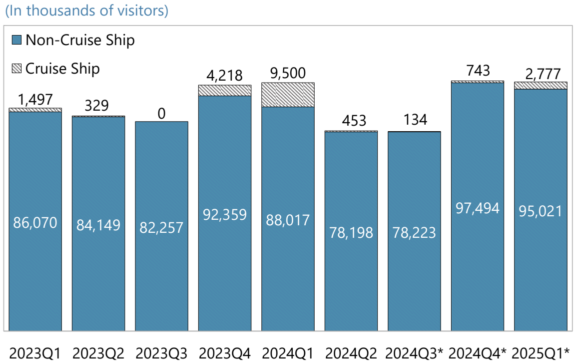
The average number of international flights has returned to pre-pandemic levels, but length of stay has decreased.

International Arrivals and Length of Stay
(In units)



Resumption of cruise ship visitors has affected average length of stay and spending patterns.

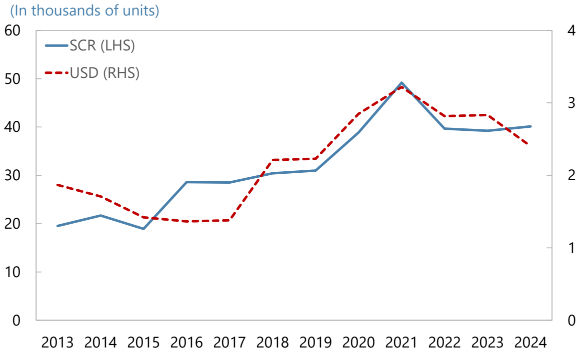
Tourist Arrivals
(In thousands of visitors)



*Note: Approximations based on visitor arrivals by sea and air travel.

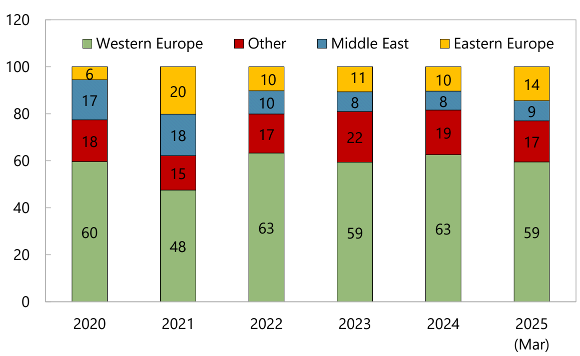
Spending per tourist surged in the immediate post-pandemic but is now moderating due in part to lower-spending cruise ship visitors.

Tourism Earnings Per Tourist
(In thousands of units)



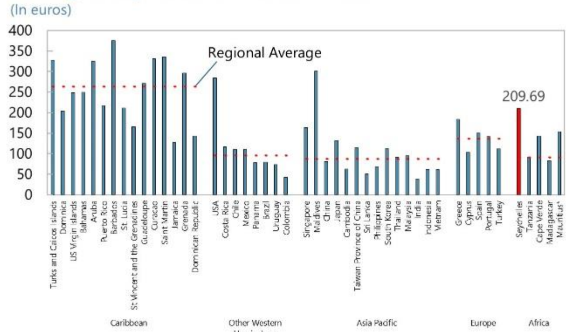
2024 saw a shift in the composition of key high-yield source markets for Seychelles.

Visitor Arrivals by Region
(In percent)



The relatively higher cost per tourist makes competition with other markets tight.

Average Daily Cost for Tourists in 2024
(In euros)



*Note: Mauritius data only available until 2023.
Source: Budget Your Trip

Sources: Flightradar24, Authorities' data, Central Bank of Seychelles, United Nations WTO; and IMF staff calculations.

F. Climate Change Mitigation and Adaptation

31. Work on climate-related financial risk supervision is largely on track. Draft guidelines on management, supervision, and disclosure of climate-related financial risks, consistent with international standards, were issued for consultation with banks and other credit granting institutions. Moreover, CBS issued the Concept Note on CBS' Climate-related Financial Risks Supervision Strategy for consultation with the stakeholders in March (RM6, March 2025). The document includes summary information on the key components of CBS' climate risk supervision strategy, and staff assessed the documents as broadly aligned with international standards. The WB and IMF are providing technical assistance to the authorities to support the completion of several RMs on climate risk supervision (RMs 6.1, 6.2, 6.3) and financial stability (RMs 9 and 9.1).

32. The Disaster Risk Financing Strategy (DRFS) was developed and adopted by the authorities (RM7, March 2025). MoFNPT and the Disaster Risk Management Division developed the DRSF based on FAD TA mission, focuses on enhancing financial preparedness and response to reduce economic disruptions from disasters, identifying high-risk sectors and vulnerable populations requiring immediate financial aid during crises. The Cabinet approved the strategy in May 2025. Disaster risk financing needs are estimated between \$1.2 million or 0.05 percent of GDP (2-year event) and \$45 million or 2.1 percent of GDP (50-year event), with emergency response requiring \$0.4 million to \$15.9 million. With current financing mechanisms stretched to their legal limits, including budget allocations and contingency appropriations, the government would have the capacity to finance emergency response and early recovery for a 50-year event.

33. Work on scaling-up renewable energy is ongoing and was identified as a priority in the Climate Finance Roundtable.[11] However, the Seychellois authorities informed the new multi-year tariff system for end-use electricity tariffs— one component of the RM8—will be delayed until November 2025. Work on legal frameworks has started with the recently approved Electricity and Utilities Regulatory Commission Bills (URC), and the Minister of Energy is progressing on the regulations for establishing the URC. The government is committed that the new legal framework will support rates determination under various schemes, promoting adoption of renewable energy technologies, either at a distributed generation level or at utility-scaled systems. The WB is providing technical assistance on the sub-regulations of the tariff system. The governments is also making progress on the implementation framework of the climate finance strategy (RM10). They have thus far elaborated an action plan for the climate finance strategy with the support of a climate finance resident advisor, funded by the NDC partnership.

34. Seychelles is a pilot case for integrating climate change into macroeconomic frameworks (Annex II). Using an expected value approach, an alternative macroeconomic framework has been developed which adjusts current projections with weights based on the

[11] A Climate Finance Roundtable was co-chaired with the World Bank in Seychelles on February 24, 2025, with the participation of key government ministries, bilateral and multilateral stakeholders and representatives of the private sector. Discussions focused on (i) project preparation facilities; (ii) development of renewable power; (iii) coastal zone protection; and (iv) development of innovative climate finance instruments.

probability of natural disaster occurrence. These adjustments have also been informed by the effect of past natural disasters and recent empirical findings. The analysis shows that climate-adjusted growth rates will be slightly lower than current projections, but that this negative effect can be partly offset by improved climate resilient infrastructure investments.

PROGRAM MODALITIES

35. New program targets are proposed for 2025 and 2026 (MEFP Table 1). The mission agreed with the authorities on a macro framework and quantitative program targets. Revised targets, reflecting revisions to the macroeconomic framework, are proposed as QPCs for June 2025 and ITs for September 2025, and new QPCs and ITs for December 2025, March 2026 and June 2026. The targets related to total revenue, primary balance, and net change in public and publicly guaranteed debt were adjusted to reflect updated budget projections.[12] The government remains committed to not accumulating of both external and domestic arrears throughout the program period, and the preliminary target for net international reserves in December 2025 was revised upwards to $670.9 million, reflecting the better-than-expected outcomes in the beginning of 2025 and the authorities' strategy to accumulate reserves to increase external buffers. The targets for priority social expenditure were changed marginally to reflect the authorities' revised projections.

36. One additional structural benchmark is being proposed (MEFP Table 2). The launch of an automated platform for risk analysis and tax audit selection (SB, end-June 2025) are proposed to be rescheduled to end-December 2025 due to delays on the procurement processes to outsource an external consultant for the data warehouse configuration. A new SB is proposed for an interim measure to implement a case management system for audit and investigation cases to better track their life cycle from inception to finalization (new structural benchmark, August 2025). Moreover, the study on the dynamics of tourism (SB, end-May 2025) was not met and is proposed to be rescheduled to end-September as the tender process for hiring a consultant experienced delay.

37. Modifications are being proposed for two RMs to reflect technical refinements, while preserving the original ambition. RMs 6.1 and 6.2 slated for December 2025 (6th review) is proposed to be modified to account for the Basel Committee on Banking Supervision (BCBS) not yet having issued formal guidance on assessment and disclosure of climate related financial risk. The proposed modification is to exclude the reference to BCBS and request the climate-related financial risks guidelines to be in line with IMF staff recommendations (MEFP Table 3).

38. Upon successful approval of the fourth reviews SDR 6.107 million and SDR 3.90375 million will be disbursed under the EFF and RSF arrangements, respectively (Table 7). The resources under both arrangements will be used for budget support.

[12] The total revenue target for December 2025 was adjusted downwards by SR 306.8 million to reflect lower growth and inflation projections for 2025 whereas the target for the primary balance target was increased slightly by SR 4.9 million due to lower expenditures, particularly CAPEX.

39. Risks to the EFF and RSF are assessed to be moderate, and the EFF program is fully financed (firm commitments for the next 12 months, with good prospects for the remainder of the program) (Table 6). Continued support from the World Bank, African Development Bank, and EFF disbursements under the fourth and fifth reviews will help close the 2025 financing gap.[13] Program risks from global and regional uncertainty and declines in available concessional resources remain but will be moderated by Seychelles' strong track record under a series of Fund-supported programs and commitments to strengthen fiscal risk management and contingent planning under the program.

40. Seychelles' capacity to repay the Fund is adequate but remains subject to risks (Table 8). The Fund credit to GDP ratio will peak at 7.7 percent of GDP in 2025, higher than some recent cases, reflecting Seychelles' relatively small GDP. Fund credit is projected to peak at 7.2 percent of exports of goods and services and at 21.5 percent of Gross Internacional Reserves in 2026. Debt service to the Fund peaks at 1 percent of GDP, 0.9 percent of exports of goods and services, and 2.8 percent of GIR in 2027. Shocks to global trade and commodity prices and a weaker demand for tourism could exacerbate balance-of-payments pressure (¶9). However, the program has built in flexibility to allow for recalibration in case of such shocks. The authorities' commitment to the program and their sound repayment history provide assurance.

41. The CBS has addressed all recommendations from the 2023 update safeguards assessment. In August 2024, the National Assembly passed amendments to the CBS Act to further align governance and autonomy provisions with leading practices. The CBS continues to implement these amendments.

42. CD activities remain closely linked to the implementation of both EFF and RSF program priorities. The Seychellois authorities need to strengthen capacity for macroeconomic management through stronger public financial management and revenue administration as well as an improved monetary policy framework, stronger financial sector surveillance, enhanced AML/CFT framework, and better quality of key macroeconomic statistics.

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43. Seychelles continues to maintain a stable macroeconomic environment but faces an increasingly challenging external environment. Real GDP growth appears to have moderated in 2024 as tourist arrivals and spending have been relatively flat compared with the steady year-on-year growth characteristic of the pre-pandemic years. Some of this effect may be linked to geopolitical tensions but may also reflect a moderation in demand and the emergence of new competition. Looking ahead, downside risks appear to dominate, as tourist arrivals and spending from Seychelles' largest source countries in Europe have historically been sensitive to economic cycles in those countries. In the face of downward revisions to global growth and rising trade tensions, the growth outlook for 2025-26 has been revised with the expectation of fewer arrivals

[13] The authorities are expecting $54.5 million in budget support from the World Bank and $25 million from the AfDB.

and lower per tourist spending. Prospects for the medium-term are uncertain and will depend on how current trade tensions and geopolitical developments play out.

44. Seychelles approaches this more uncertain environment from a position of relative strength. Real GDP growth, while lower than projected, is roughly in line with potential. Inflation is low. The fiscal position remains prudent, and public debt has declined from over 90 percent of GDP at the end of the pandemic to under 60 percent by 2024. The CBS maintains a broadly sufficient reserve cushion and a flexible exchange rate. The banking system appears sound and well capitalized. The authorities have demonstrated strong policy discipline, and the flexibility needed to adapt to new shocks. Continued support under the EFF and RSF programs should assist in helping Seychelles maintain macroeconomic stability, both in the sense of continued budget financing as well as maintaining a solid policy framework and structural reform agenda that can address challenges as they emerge.

45. Fiscal policy in Seychelles continues to demonstrate challenges, albeit mostly with respect to under-spending. While higher-than projected primary surpluses bring faster public debt reduction, repeated underspending on capital projects undermines budget credibility and delays implementation of critical public infrastructure projects. While some of this underspend (most notably foreign financed projects) is not in government's control, staff highlight the continued need to address implementation bottlenecks with respect to domestically financed capital expenditures. In this context, staff welcomes the authorities' renewed commitments in this area, including the establishment of minimum criteria for projects to be included in the Public Sector Investment Plan, establishment of a subcommittee to oversee appraisal and approval of new projects, and steady progress toward implementing the IFMIS system in advance of the FY 2026 budget. The staff also welcomes the forthcoming PEFA exercise with the World Bank and the authorities' commitment to move swiftly to an action plan to implement key recommendations.

46. Structural reforms to bolster revenue collection, eliminate tax leakages, advance audit and investigation, and digitize tax services are proceeding well. While Seychelles' tax-to-GDP ratio is one of the highest in Sub Saharan Africa, more progress is needed to modernize tax collection, eliminate leakages, and carry out necessary investigations and audits. Continued support from external stakeholders in this area will remain essential and should be tailored to the Seychelles' context as a small island developing state. Staff supports the authorities' request for additional time to implement the automated framework for risk analysis and audit identification, as well as the new structural benchmark on a digital platform to track investigation and audit cases from inception to completion.

47. A data-driven approach to monetary policy is appropriate given current economic and credit conditions. Interest rates remain high in real terms, and there are signs that growth was slower in 2024 than anticipated, and recent CPI data do not suggest demand side price pressures. However, private credit growth is relatively strong, and the balance of pressures from ongoing trade tensions (lower oil prices on the one hand against the potential for higher prices for other inputs and transport costs on the other) suggest the need for careful monitoring of price developments in Seychelles and a data-driven approach to monetary policy in the coming months.

48. Financial sector risks are assessed as low and there is steady progress on building financial supervisory capacity. Staff welcomes the resumption of quarterly off-site risk assessments and production by CBS of quarterly financial reports. Implementation of the risk-based supervision framework should prove a useful supplement to the CBS supervisory team given capacity constraints. Cabinet approval of the draft Bank Recovery and Resolution Act in November 2024 was a welcome step. Staff urge final review work to be completed, for the bill to be submitted to parliament, and further discussion on the outline of a deposit insurance scheme. Staff look forward to discussing the scenario-based macroprudential stress testing framework in the near future.

49. The authorities should continue to improve the effectiveness of the AML/CFT framework, including virtual assets, virtual asset service providers[14] and transparency of beneficial ownership information. Staff welcomes completion of the second National Risk Assessment, its publication in February 2025. With respect to Beneficial Ownership (BO) information, expansion (under regulation) of access to the FIU's central database at the end of last year was welcome but should be followed up with the launch of a common IT platform that will allow reporting entities access to the database. Looking ahead, addressing regulatory arbitrage and strengthening the regulatory and supervisory regime for virtual assets and virtual asset service providers with a focus on cross-border ML/TF challenges is a key priority.

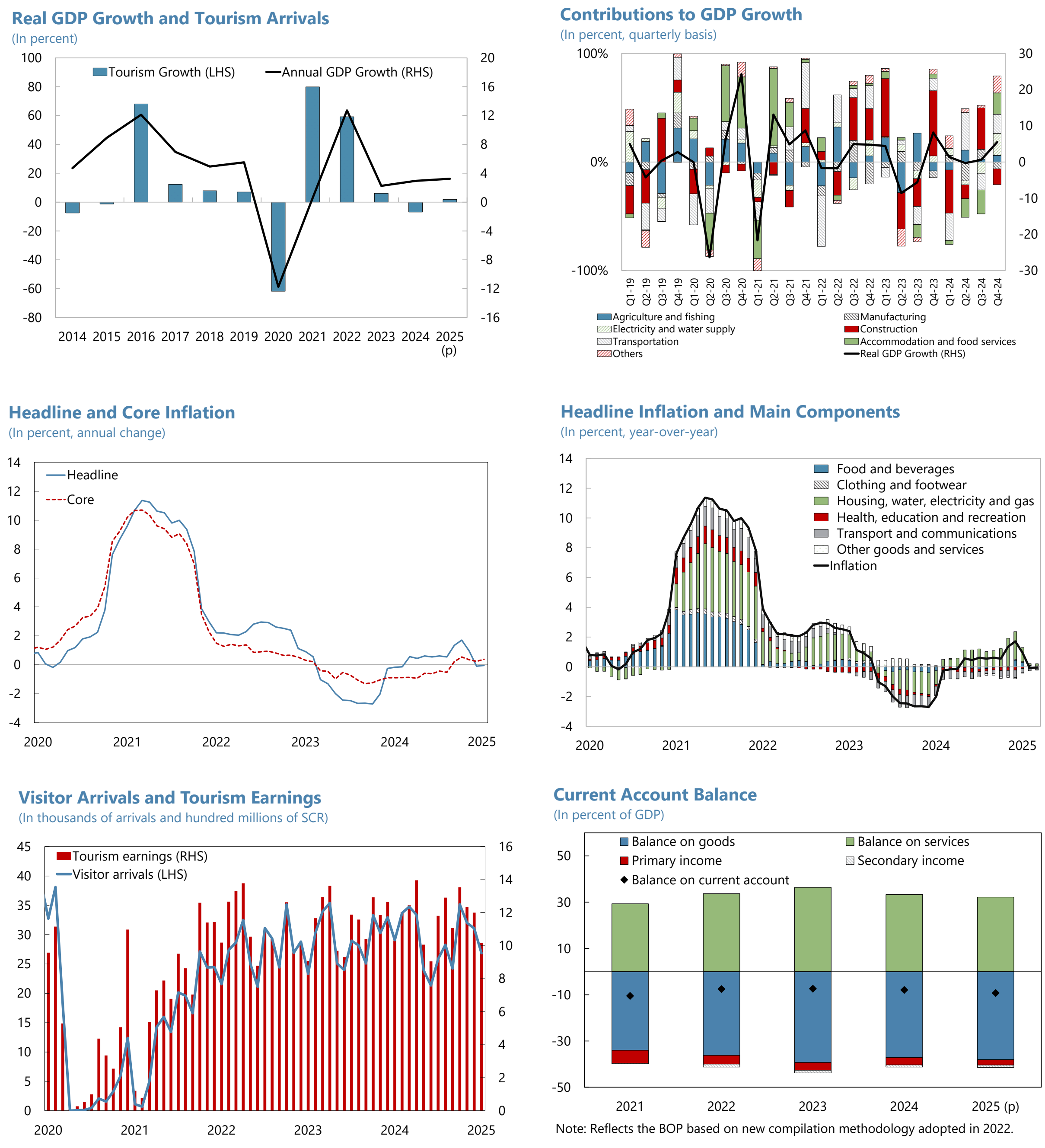
50. RSF implementation has been good and prospects for the fifth review appear promising. As committed under the RSF, the authorities' Disaster Risk Financing Strategy (adopted in May 2025) closely follows IMF recommendations. The draft guidelines issued by CBS on assessment and disclosure of climate related financial risks are in line with international practices and IMF recommendations, even the absence of expected formal guidance from the BCBS. Staff support the minor modifications to RM 6.1 and 6.2 to reflect expectations that such formal guidance will not be forthcoming in 2025. Looking ahead, RMs delayed from the third review to the FY26 budget cycle (RM3 and RM4) appear to be in train for completion. CBS is working with the World Bank and IMF support on a banking sector climate risk analysis framework (RM9). The authorities and staff will continue to collaborate on filling capacity gaps to ensure successful implementation of the RSF, and to ensure continued CD from the Fund in critical areas.

51. Staff supports the authorities' request for completion of the fourth reviews of the arrangements under the EFF and the RSF. Staff supports the request for the purchase on an amount equivalent to SDR 6.107 million (26.7 percent of quota) under the EFF arrangement and the disbursement of SDR 3.90375 million (17 percent of quota) under the RSF arrangement on the account of meeting two RSF reform measure (RM6 and RM7). Staff also supports the proposed modification of June PCs and September IT in line with the revised macroeconomic framework for 2025. The attached Letter of Intent and Memorandum of Economic and Financial Policies set out

[14] The Seychelles parliament enacted in August 2024 the Virtual Assets Service Providers (VASP) Act. This Act establishes a regulatory framework for virtual asset service providers, defining their obligations and responsibilities in relation to virtual asset activities in or from the country.

appropriate policies to pursue the program's objectives. The capacity to repay the Fund is adequate but subject to risks. Risks to program implementation are manageable.

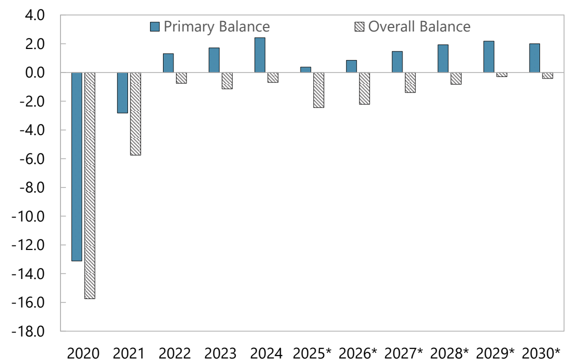
Figure 2. Seychelles: Recent Economic Developments



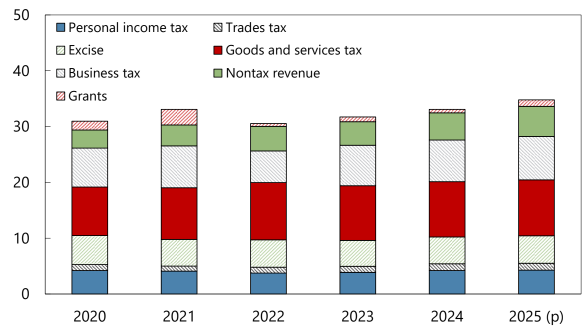
Sources: Haver Analytics, National Bureau of Statistics Seychelles; and IMF staff estimates.

Figure 3. Seychelles: Recent Economic Developments

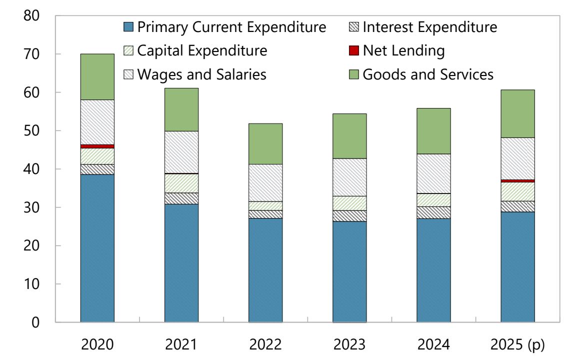
Primary and Overall Balance (commitment basis)
(In percent of GDP)



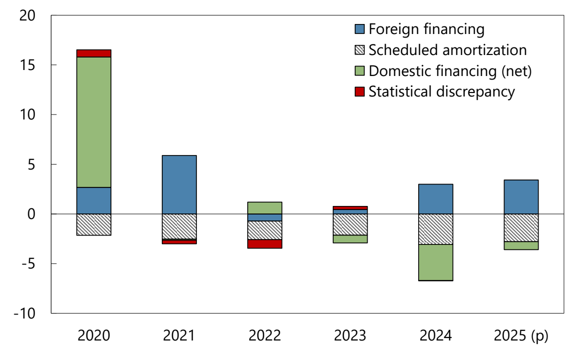
Tax Revenue
(In percent of GDP)



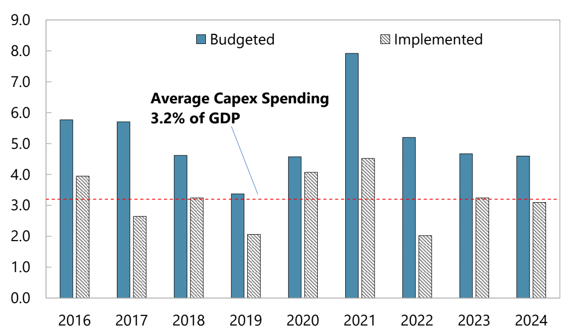
Expenditure
(In percent of GDP)



Financing
(In percent of GDP)

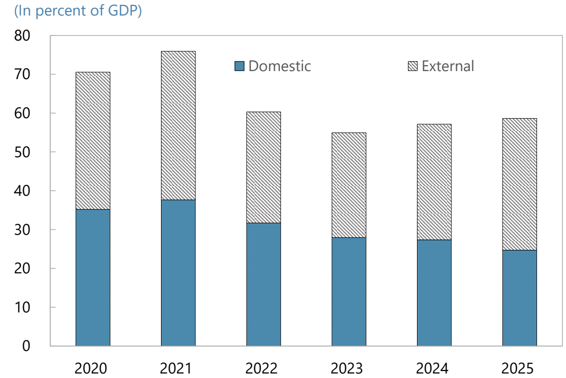


Budgeted vs Implemented Capital Expenditures
(In percent of GDP)



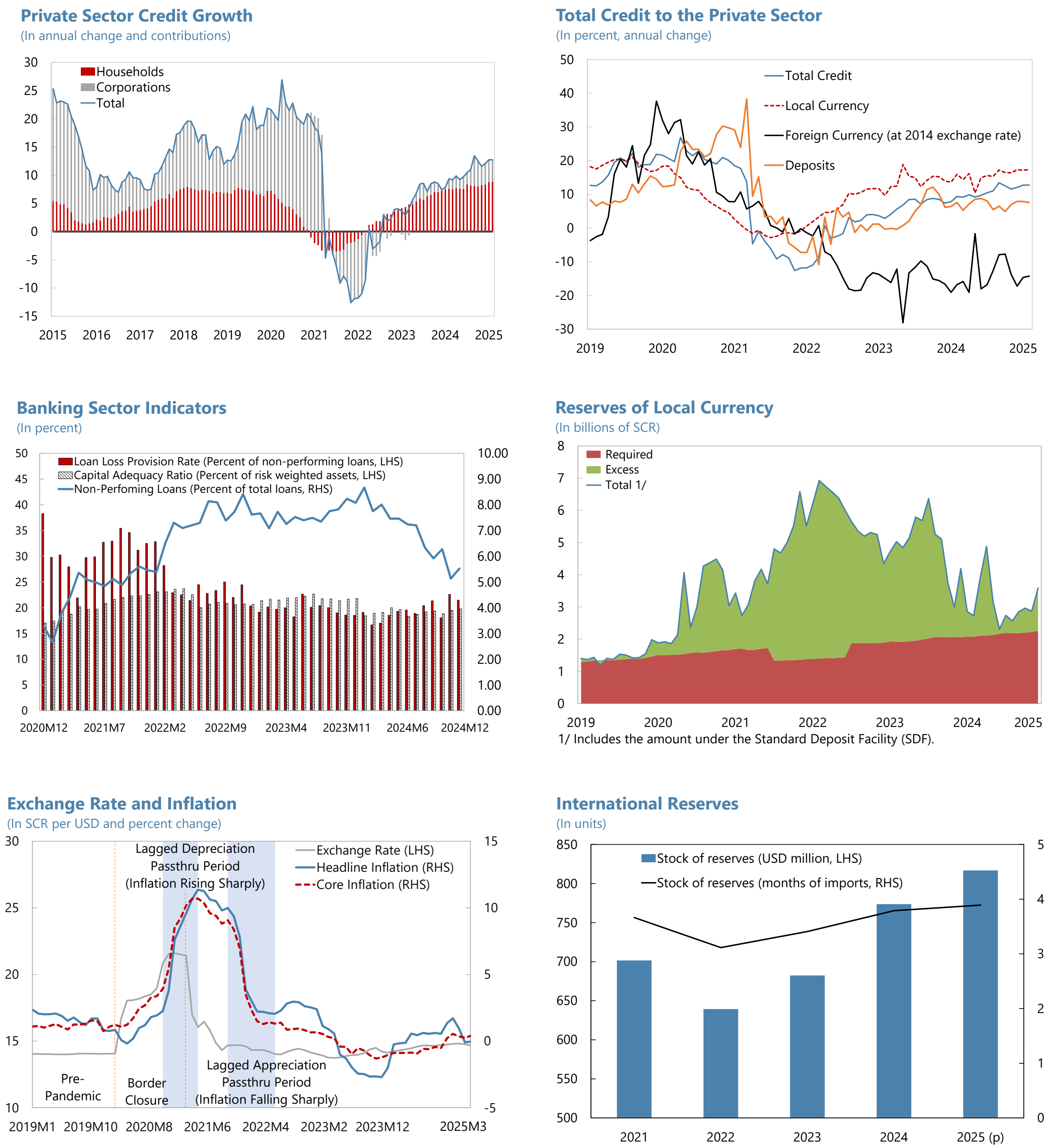
Source: Seychellois authorities; and IMF staff calculations

Public Debt
(In percent of GDP)



Sources: Authorities' data, National Bureau of Statistics Seychelles; and IMF staff estimates.

Figure 4. Seychelles: Financial Sector Developments



Sources: Central Bank of Seychelles; and IMF staff calculations.

Table 1. Seychelles: Selected Economic and Financial Indicators, 2022-30

	2022	2023		2024		2025		2026	2027	2028	2029	2030
	Act.	Act.		Act.		Proj.				Proj.		
		3rd Review		3rd Review		3rd Review						
	(Annual percent change, unless otherwise indicated)											
National income and prices												
Nominal GDP (millions of Seychelles rupees)	28,807	30,015	30,663	31,041	31,643	33,033	32,899	34,464	36,466	38,841	41,396	44,121
Real GDP (millions of Seychelles rupees)	25,585	26,922	26,163	27,735	26,935	28,922	27,808	28,692	29,662	30,673	31,731	32,835
Real GDP	12.7	3.2	2.3	3.0	2.9	4.3	3.2	3.2	3.4	3.4	3.4	3.5
CPI (annual average)	2.6	-1.0	-0.9	0.5	0.3	2.3	1.0	2.0	2.6	3.0	3.0	3.0
CPI (end-of-period)	2.5	-2.7	-2.7	2.5	1.7	3.0	1.2	2.6	2.8	3.0	3.0	3.0
GDP deflator average	1.6	-0.9	4.1	0.4	0.2	2.0	0.7	1.5	2.3	3.0	3.0	3.0
Money and credit												
Broad money	0.6	5.8	5.8	11.3	7.3	…	7.0	…	…	…	…	…
Reserve money (end-of-period)	-3.0	-3.5	-3.5	11.3	-4.3	…	-2.2	…	…	…	…	…
Velocity (GDP/broad money)	1.2	1.2	1.2	1.1	1.2	…	1.1	…	…	…	…	…
Money multiplier (broad money/reserve money)	3.4	3.7	3.7	3.7	4.2	…	4.6	…	…	…	…	…
Credit to the private sector	4.0	7.4	7.4	10.0	12.1	10.2	9.4	9.1	8.6	8.4	8.1	8.0
	(Percent of GDP, unless otherwise indicated)											
Savings-Investment balance												
External savings	7.5	7.2	7.4	10.7	7.9	9.8	9.2	9.2	8.8	8.4	8.6	8.8
Gross national savings	15.5	17.5	17.3	14.7	16.1	17.0	16.6	16.4	16.9	17.5	17.3	17.2
Of which : government savings	1.2	2.2	2.1	2.1	3.3	3.6	3.2	2.5	3.7	4.6	5.2	5.4
private savings	14.4	15.4	15.2	12.6	12.8	13.4	13.4	13.9	13.2	12.9	12.0	11.8
Gross investment	23.1	24.8	24.7	25.4	24.0	26.8	25.9	25.6	25.7	25.9	25.9	26.0
Of which : public investment [1]	2.7	4.3	4.2	4.9	3.5	6.2	5.3	5.0	5.1	5.3	5.3	5.4
private investment	20.4	20.5	20.5	20.5	20.5	20.6	20.6	20.6	20.6	20.6	20.6	20.6
Private consumption	50.6	48.8	49.4	49.1	49.8	47.0	48.6	47.6	48.0	47.8	48.9	49.6
	(Percent of GDP)											
Government budget												
Total revenue, excluding grants	30.0	31.5	30.9	33.9	33.4	35.3	34.5	34.3	34.8	35.0	34.8	34.7
Expenditure and net lending	31.6	33.6	32.9	37.0	33.9	38.2	37.3	37.2	36.1	35.7	34.9	34.7
Current expenditure	29.2	29.8	29.2	31.9	30.2	32.1	31.6	31.8	31.0	30.3	29.6	29.3
Capital expenditure [1]	2.7	4.3	4.2	4.9	3.5	6.2	5.2	5.0	5.1	5.3	5.3	5.4
Overall balance, including grants	0.1	0.2	0.2	-2.0	0.9	-1.6	-1.7	-1.3	-0.4	0.1	0.7	0.7
Primary balance	1.0	1.7	1.7	1.1	3.2	1.1	1.2	1.8	2.5	2.9	3.1	3.1
Total government and government-guaranteed debt [2]	62.6	58.6	57.3	61.5	59.6	60.8	61.2	61.8	60.4	56.8	52.6	49.0
Of which : Domestic and External Guarantees	3.0	2.4	2.3	4.2	2.6	5.1	3.7	5.5	6.5	6.1	5.7	5.4
External sector												
Current account balance including official transfers												
(in percent of GDP)	-7.5	-7.2	-7.4	-10.7	-7.9	-9.8	-9.2	-9.2	-8.8	-8.4	-8.6	-8.8
Total external debt outstanding (millions of U.S. dollars) [3]	5,471	5,708	5,694	6,082	5,945	6,386	6,208	6,428	6,645	6,585	6,588	6,620
(percent of GDP)	271.1	266.6	260.3	285.0	273.0	286.8	283.8	285.0	282.9	267.4	255.0	242.2
Terms of trade (-=deterioration)	-8.7	-3.3	-4.0	1.9	2.1	10.3	0.8	-1.7	-1.3	-0.9	-0.8	-0.6
Gross official reserves (end of year, millions of U.S. dollars)	639	682	682	806	774	851	817	830	862	893	956	1,021
Months of imports, c.i.f.	3.1	3.3	3.4	3.7	3.8	3.8	3.9	3.8	3.8	3.8	3.8	3.9
In percent of Assessing Reserve Adequacy (ARA) metric	102	104	105	118	115	119	118	117	118	119	124	127
Exchange rate												
Seychelles rupees per US$1 (end-of-period)	14.1	14.2	14.2	…	14.8	…	…	…	…	…	…	…
Seychelles rupees per US$1 (period average)	14.3	14.0	14.0	…	14.5	…	…	…	…	…	…	…

Sources: Central Bank of Seychelles; Ministry of Finance; and IMF staff estimates and projections.

[1] Includes onlending to the parastatals for investment purposes.

[2] Includes debt issued by the Ministry of Finance for monetary purposes.

[3] Includes private external debt.

Table 2. Seychelles: Balance of Payments, 2022-30

	2022	2023		2024		2025		2026	2027	2028	2029	2030
	Act.		Act.		Act.		Proj.			Proj.		
		3rd Review		3rd Review		3rd Review						
	(Millions of US dollars, unless otherwise indicated)											
Current account balance (+ surplus; - deficit)	-152	-155	-162	-229	-173	-219	-202	-207	-206	-208	-223	-241
(percent of GDP)	-7.5	-7.2	-7.4	-10.7	-7.9	-9.8	-9.2	-9.2	-8.8	-8.4	-8.6	-8.8
Balance of goods and services (+ surplus; - deficit)	-51	-62	-62	-134	-84	-124	-127	-112	-111	-101	-113	-135
Exports of goods	563	542	568	600	583	621	568	592	629	641	672	708
Of which: oil re-exports	197	192	192	201	199	216	175	168	195	182	189	197
Of which: tuna exports	283	277	277	296	286	318	292	300	309	319	328	338
Imports of goods	1,294	1,427	1,427	1,481	1,392	1,553	1,400	1,465	1,553	1,588	1,660	1,743
Of which: oil imports	299	279	279	294	272	309	250	241	278	259	271	282
Exports of services	1,684	1,833	1,833	1,757	1,736	1,868	1,755	1,814	1,897	1,983	2,068	2,159
Of which: tourism earnings	936	994	994	860	925	926	942	980	1,019	1,061	1,103	1,148
Imports of services	1,004	1,010	1,037	1,011	1,010	1,061	1,050	1,054	1,084	1,138	1,194	1,259
Balance on primary income (+ surplus; - deficit)	-76	-74	-74	-72	-69	-73	-52	-74	-74	-83	-84	-78
Of which: interest due	24	43	32	56	31	49	50	53	52	52	48	45
transfers of profits and dividends	8	8	8	8	8	8	8	8	8	20	20	20
Balance on secondary income (+ surplus; - deficit)	-25	-19	-25	-22	-20	-22	-23	-20	-21	-24	-26	-28
Of which: general government, net	15	27	27	26	29	18	28	32	33	36	37	39
Capital account	14	5	5	19	9	24	23	33	19	18	19	19
Financial account [1]	-70	-183	-135	-327	-203	-208	-191	-182	-234	-238	-286	-310
Direct investment, net	-226	-279	-279	-382	-262	-295	-267	-317	-359	-395	-421	-426
Abroad	-37	-40	-40	-37	-35	-31	-31	-35	-40	-46	-47	-48
In Seychelles	189	240	240	344	226	264	236	282	318	349	373	377
Of which: offshore sector	0	0	0	0	0	0	0	0	0	0	0	1
Portfolio investment, net	4	-10	-10	12	21	12	13	9	9	9	6	6
Other investment, net	153	106	154	43	38	74	63	126	115	148	128	110
Government and government-guaranteed	-10	1	0	-56	-39	-36	-44	-5	4	8	8	0
Disbursements	49	47	47	124	107	78	96	64	47	23	23	30
Project loans	11	15	15	4	2	24	16	24	38	13	13	20
Program loans	38	32	32	120	105	55	79	40	10	10	10	10
World Bank	25	6	1	42	25	30	40	15	0	0	0	0
African Development Bank	0	26	26	58	58	25	25	25	0	0	0	0
Others	13	0	5	20	22	0	14	0	10	10	10	10
SDR allocation	0	0	0	0	0	0	0	0	0	0	0	0
Amortization	-40	-47	-47	-68	-68	-42	-52	-58	-51	-47	-50	-52
Others	162	105	154	99	77	111	107	131	111	140	120	110
Net errors and omissions	0	0	0	0	0	0	0	0	0	0	0	0
Overall balance	-68	34	-21	117	40	14	12	8	48	48	83	88
Financing	68	-34	21	-117	-40	-14	-12	-8	-48	-48	-83	-88
Change in net international reserves (increase: +)	-68	34	-21	117	40	14	12	8	48	48	83	88
Change in gross official reserves (without RSF, increase: +)	-56	39	-16	116	39	21	19	4	32	32	63	65
Change in liabilities to IMF, net (without RSF)	12	5	5	-1	-1	7	7	-4	-16	-16	-20	-23
Purchases/drawings	17	16	16	16	16	16	16	8	0	0	0	0
Repurchases/repayments	5	11	11	18	18	9	9	12	16	16	20	23
Financing gap	0	0	0	0	0	0	0	0	0	0	0	0
Use of Fund credit RSF		4	4	8	8	24	24	9	0	0	0	0
Change in gross official reserves (with RSF, increase: +)		43	-12	124	47	45	43	13	32	32	63	65
Memorandum items:												
Exports G&S growth, percent	28	6	7	-1	-3	6	0	4	5	4	4	5
Tourism growth, percent	59	6	6	-13	-7	8	2	4	4	4	4	4
Exports of goods volume growth, percent	-14	-3	2	12	5	20	0	3	5	1	3	4
Imports G&S growth, percent	26	6	7	2	-3	5	2	3	5	3	5	5
Imports of goods volume growth, percent	9	15	16	3	-3	10	2	5	6	2	4	4
Exports G&S, percent of GDP	111	111	110	110	106	112	106	107	108	107	106	105
Imports G&S, percent of GDP	114	114	113	117	110	117	112	112	112	111	110	110
FDI, percent of GDP	11	13	13	18	12	13	12	14	15	16	16	16
Gross official reserves with RSF (stock, e.o.p.)[2]	639	682	682	806	774	851	817	830	862	893	956	1,021
(Months of imports of goods & services)	3.1	3.3	3.4	3.7	3.8	3.8	3.9	3.8	3.8	3.8	3.8	3.9
Percentage of IMF reserve adequacy metric	102	104	105	118	115	119	118	117	118	119	124	127
Gross official reserves without RSF (stock, e.o.p.)[2]		678	678	794	761	815	781	784	816	848	956	1,021
(Months of imports of goods & services)		3.3	3.4	3.6	3.7	3.6	3.7	3.6	3.6	3.6	3.8	3.9
Percentage of IMF reserve adequacy metric		104	104	116	113	114	112	110	112	113	124	127
Government and government-guaranteed external debt	578	591	591	690	648	777	742	784	786	745	698	653
(Percent of GDP)	29	28	27	32	30	35	34	35	33	30	27	24
GDP (Millions of U.S. dollars)	2,018	2,141	2,187	2,134	2,178	2,227	2,188	2,256	2,349	2,463	2,583	2,733

Sources: Central Bank of Seychelles; Ministry of Finance; and IMF staff estimates and projections.

[1] Per STA recommendations, net lending under financial account is recorded as positive following BPM6 guidance.

[2] The level of GIRs computed from the BOP includes the budget support.

Table 3a. Seychelles: Consolidated Government Operations, 2022-30[1]

(Millions of Seychelles Rupees)

	2022	2023		2024		2025		2026	2027	2028	2029	2030
	Act.	Act.		Act.		Proj.				Proj.		
		3rd Review		3rd Review		3rd Review						
					(Millions of Seychelles rupees)							
Total revenue and grants	8,798	9,726	9,726	10,879	10,758	12,112	11,740	12,375	13,017	13,906	14,707	15,599
Total revenue	8,652	9,466	9,466	10,525	10,565	11,666	11,359	11,806	12,678	13,581	14,405	15,294
Tax	7,382	8,169	8,169	8,918	9,021	9,965	9,587	10,087	10,820	11,507	12,326	13,242
Personal income tax	1,079	1,190	1,190	1,284	1,331	1,388	1,408	1,502	1,598	1,713	1,836	1,969
Trade tax	302	330	330	351	382	371	402	424	457	457	514	573
Excise tax	1,416	1,426	1,426	1,505	1,522	1,629	1,622	1,622	1,738	1,782	1,908	1,996
Goods and services tax (GST) / VAT	2,951	3,002	3,002	3,122	3,132	3,705	3,299	3,482	3,705	3,946	4,205	4,542
Business tax	1,214	1,601	1,601	1,855	1,883	2,020	2,037	2,140	2,265	2,456	2,647	2,804
Corporate Social Responsibility tax (CSR)	10	5	5	2	2	0	0	0	0	0	0	0
Marketing tourism tax (MTT)	81	109	109	101	97	108	101	107	113	124	132	141
Property tax	26	35	35	57	50	58	51	52	53	55	55	56
Environmental Sustainability Tax				172	168	179	173	216	240	252	265	278
Hotel Turnover Tax				117	122	124	127	151	179	188	197	207
Other	302	470	470	641	332	686	366	389	472	533	565	675
Nontax	1,270	1,297	1,297	1,607	1,544	1,701	1,773	1,720	1,858	2,074	2,079	2,051
Fees and charges	386	446	446	426	494	449	534	551	615	675	630	669
Dividends from parastatals	757	582	582	692	704	900	908	977	1,090	1,161	1,238	1,319
Other	127	270	270	490	345	352	331	192	153	237	211	63
External grants	146	260	260	354	193	446	381	568	339	326	303	305
Expenditure and net lending	9,103	10,094	10,094	11,501	10,728	12,633	12,287	12,818	13,157	13,858	14,435	15,297
Current expenditure	8,409	8,945	8,945	9,893	9,545	10,604	10,401	10,947	11,313	11,787	12,234	12,920
Primary current expenditure	7,813	8,070	8,070	8,938	8,560	9,709	9,475	9,890	10,271	10,716	11,209	11,856
Wages and salaries [2]	2,792	3,009	3,009	3,426	3,257	3,764	3,615	3,795	3,936	4,121	4,395	4,659
Goods and services [2]	3,063	3,582	3,582	3,891	3,763	4,150	4,098	4,228	4,349	4,462	4,537	4,746
Transfers [2]	1,915	1,478	1,478	1,593	1,512	1,765	1,747	1,850	1,969	2,113	2,258	2,431
Social program of central government [4]	268	243	243	283	230	292	281	304	339	370	392	431
Transfers to public sector from central government	277	48	48	57	59	62	59	52	49	49	49	53
Benefits and programs of Social Security Fund [4]	1,370	1,187	1,187	1,252	1,222	1,410	1,407	1,494	1,581	1,694	1,816	1,948
Other	43	0	0	28	29	30	16	17	18	19	19	19
Interest due	596	875	875	954	985	895	926	1,057	1,043	1,071	1,025	1,065
Foreign interest	209	315	315	490	487	389	489	606	602	622	574	536
Domestic interest	388	560	560	464	498	506	437	451	441	449	451	528
Capital expenditure	674	1,147	1,147	1,494	1,076	1,930	1,639	1,721	1,850	2,070	2,200	2,400
Domestically financed	462	834	834	1,182	933	1,331	1,131	857	966	1,578	1,681	1,764
Foreign financed	212	313	313	312	142	599	509	864	884	492	519	636
Net lending	-15	-34	-34	26	21	49	197	100	-81	-74	-74	-74
Contingency	35	36	36	88	86	50	50	50	75	75	75	50
Primary balance	291.1	507	507	333	1,014	373	378	614	903	1,120	1,297	1,367
Overall balance, commitment basis [3]	-305	-368	-368	-621	29	-521	-547	-443	-140	48	272	302
Change in float	332	415	415	0	263	0	0	0	0	0	0	0
Overall balance, cash basis (after grants)	27	47	47	-621	293	-521	-547	-443	-140	48	272	302
Financing	-27	11	11	742	-172	878	906	587	140	-48	-272	-302
Foreign financing	-206	136	136	917	945	1,004	1,126	158	-300	-630	-750	-870
Disbursements	334	792	792	2,159	1,917	1,759	2,045	1,232	736	365	371	331
Project loans	211	147	147	63	36	350	247	360	585	207	216	331
Program/budget support	123	645	645	2,095	1,881	1,409	1,798	871	151	158	155	0
Of which RSF		58	58	121	120	357	359	143	0	0	0	0
Scheduled amortization	-540	-656	-656	-1,242	-971	-755	-919	-1,074	-1,036	-995	-1,121	-1,201
Of which Paris Club buy-back												
Domestic financing, net	342	-238	-238	-187	-1,147	-170	-265	384	391	512	408	568
Bank financing	340	-197	-197	-157	-1,095	-117	-202	360	352	461	367	511
CBS	616	491	491	0	-1,410	0	0	0	0	0	0	0
Commercial banks	-276	-688	-688	-157	315	-117	-202	360	352	461	367	511
Nonbank financing	2	-41	-41	-31	-52	-53	-62	24	39	51	41	57
Privatization and long-term lease of fixed assets	87	17	17	13	42	45	45	45	50	70	70	0
Increase in government assets		58	58	121	120	357	359	143	0	0	0	0
Of which RSF		58	58	121	120	357	359	143	0	0	0	0
Statistical discrepancy	-249	97	97	0	-13	0	0	0	0	0	0	0
Memorandum item:												
Total social spending [4]	1,530	1,711	1,711	1,833	1,740	1,973	1,991	2,019	2,033	2,033	2,167	2,309

Sources: Seychelles authorities; and IMF staff estimates and projections.

[1] Data include the central government and the social security system, from the 1st review and going forward.

[2] Wage and salaries and goods and services (to be) spent by government agencies other than Ministries are reclassified into these items from transfers.

[3] Only interest payments on foreign debt are on a commitment basis. Other expenditures are recorded when checks are issued or transfers initiated.

[4] The total amount of social spending considered in the IT (memorandum item) also includes items under goods and services and wages and salaries.

Table 3b. Seychelles: Consolidated Government Operations, 2022-30[1]

(Percent of GDP)

	2022	2023	2023	2024	2024	2025	2025	2026	2027	2028	2029	2030
	Act.		Act.		Act.		Proj.			Proj.		
		3rd Review		3rd Review		3rd Review						
	(Percent of GDP, unless otherwise indicated)											
Total revenue and grants	30.5	32.4	31.7	35.0	34.0	36.7	35.7	35.9	35.7	35.8	35.5	35.4
Total revenue	30.0	31.5	30.9	33.9	33.4	35.3	34.5	34.3	34.8	35.0	34.8	34.7
Tax	25.6	27.2	26.6	28.7	28.5	30.2	29.1	29.3	29.7	29.6	29.8	30.0
Personal income tax	3.7	4.0	3.9	4.1	4.2	4.2	4.3	4.4	4.4	4.4	4.4	4.5
Trade tax	1.0	1.1	1.1	1.1	1.2	1.1	1.2	1.2	1.3	1.2	1.2	1.3
Excise tax	4.9	4.8	4.7	4.8	4.8	4.9	4.9	4.7	4.8	4.6	4.6	4.5
Goods and services tax (GST) / VAT	10.2	10.0	9.8	10.1	9.9	11.2	10.0	10.1	10.2	10.2	10.2	10.3
Business tax	4.2	5.3	5.2	6.0	5.9	6.1	6.2	6.2	6.2	6.3	6.4	6.4
Corporate Social Responsibility Tax (CSR)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Marketing Tourism Tax (MTT)	0.3	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Property tax	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1
Environmental Sustainability Tax	0.0	0.0	0.0	0.5	0.5	0.5	0.5	0.6	0.7	0.6	0.6	0.6
Hotel Turnover Tax	0.0	0.0	0.0	0.4	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.5
Other	1.0	1.6	1.5	2.1	1.0	2.1	1.1	1.1	1.3	1.4	1.4	1.5
Nontax	4.4	4.3	4.2	5.2	4.9	5.2	5.4	5.0	5.1	5.3	5.0	4.6
Fees and charges	1.3	1.5	1.5	1.4	1.6	1.4	1.6	1.6	1.7	1.7	1.5	1.5
Dividends from parastatals	2.6	1.9	1.9	2.2	2.2	2.7	2.8	2.8	3.0	3.0	3.0	3.0
Other	0.4	0.9	0.9	1.6	1.1	1.1	1.0	0.6	0.4	0.6	0.5	0.1
External grants	0.5	0.9	0.8	1.1	0.6	1.3	1.2	1.6	0.9	0.8	0.7	0.7
Expenditure and net lending	31.6	33.6	32.9	37.0	33.9	38.2	37.3	37.2	36.1	35.7	34.9	34.7
Current expenditure	29.2	29.8	29.2	31.9	30.2	32.1	31.6	31.8	31.0	30.3	29.6	29.3
Primary current expenditure	27.1	26.9	26.3	28.8	27.1	29.4	28.8	28.7	28.2	27.6	27.1	26.9
Wages and salaries [2]	9.7	10.0	9.8	11.0	10.3	11.4	11.0	11.0	10.8	10.6	10.6	10.6
Goods and services [2]	10.6	11.9	11.7	12.5	11.9	12.6	12.5	12.3	11.9	11.5	11.0	10.8
Transfers [2]	6.6	4.9	4.8	5.1	4.8	5.3	5.3	5.4	5.4	5.4	5.5	5.5
Social program of central government [4]	0.9	0.8	0.8	0.9	0.7	0.9	0.9	0.9	0.9	1.0	0.9	1.0
Transfers to public sector from central government	1.0	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1
Benefits and programs of Social Security Fund [4]	4.8	4.0	3.9	4.0	3.9	4.3	4.3	4.3	4.3	4.4	4.4	4.4
Other	0.2	0.0	0.0	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Interest due	2.1	2.9	2.9	3.1	3.1	2.7	2.8	3.1	2.9	2.8	2.5	2.4
Foreign interest	0.7	1.1	1.0	1.6	1.5	1.2	1.5	1.8	1.7	1.6	1.4	1.2
Domestic interest	1.3	1.9	1.8	1.5	1.6	1.5	1.3	1.3	1.2	1.2	1.1	1.2
Capital expenditure	2.3	3.8	3.7	4.8	3.4	5.8	5.0	5.0	5.1	5.3	5.3	5.4
Domestically financed	1.6	2.8	2.7	3.8	2.9	4.0	3.4	2.5	2.6	4.1	4.1	4.0
Foreign financed	0.7	1.0	1.0	1.0	0.5	1.8	1.5	2.5	2.4	1.3	1.3	1.4
Net lending	-0.1	-0.1	-0.1	0.1	0.1	0.1	0.6	0.3	-0.2	-0.2	-0.2	-0.2
Contingency	0.1	0.1	0.1	0.3	0.3	0.2	0.2	0.1	0.2	0.2	0.2	0.1
Primary balance	1.0	1.7	1.7	1.1	3.2	1.1	1.2	1.8	2.5	2.9	3.1	3.1
Overall balance, commitment basis [3]	-1.1	-1.2	-1.2	-2.0	0.1	-1.6	-1.7	-1.3	-0.4	0.1	0.7	0.7
Change in arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in float	1.2	1.4	1.4	0.0	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance, cash basis (after grants)	0.1	0.2	0.2	-2.0	0.9	-1.6	-1.7	-1.3	-0.4	0.1	0.7	0.7
Financing	-0.1	0.0	0.0	2.4	-0.5	2.7	2.8	1.7	0.4	-0.1	-0.7	-0.7
Foreign financing	-0.7	0.5	0.4	3.0	3.0	3.0	3.4	0.5	-0.8	-1.6	-1.8	-2.0
Disbursements	1.2	2.6	2.6	7.0	6.1	5.3	6.2	3.6	2.0	0.9	0.9	0.7
Project loans	0.7	0.5	0.5	0.2	0.1	1.1	0.8	1.0	1.6	0.5	0.5	0.7
Program/budget support	0.4	2.1	2.1	6.8	5.9	4.3	5.5	2.5	0.4	0.4	0.4	0.0
Of which RSF		0.2	0.2	0.4	0.4	1.1	1.1	0.4	0.0	0.0	0.0	0.0
Scheduled amortization	-1.9	-2.2	-2.1	-4.0	-3.1	-2.3	-2.8	-3.1	-2.8	-2.6	-2.7	-2.7
Of which Paris Club buy-back												
Domestic financing, net	1.2	-0.8	-0.8	-0.6	-3.6	-0.5	-0.8	1.1	1.1	1.3	1.0	1.3
Bank financing	1.2	-0.7	-0.6	-0.5	-3.5	-0.4	-0.6	1.0	1.0	1.2	0.9	1.2
CBS	2.1	1.6	1.6	0.0	-4.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial banks	-1.0	-2.3	-2.2	-0.5	1.0	-0.4	-0.6	1.0	1.0	1.2	0.9	1.2
Nonbank	0.0	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	0.1	0.1	0.1	0.1	0.1
Privatization and long-term lease of fixed assets	0.3	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.0
Increase in government assets		0.2	0.2	0.4	0.4	1.1	1.1	0.4	0.0	0.0	0.0	0.0
Of which RSF		0.2	0.2	0.4	0.4	1.1	1.1	0.4	0.0	0.0	0.0	0.0
Statistical discrepancy	-0.9	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:												
Nominal GDP (millions of Seychelles Rupees)	28,807	30,015	30,663	31,041	31,643	33,033	32,899	34,464	36,466	38,841	41,396	44,121
Total social spending [4]	5.3	5.7	5.6	5.9	5.5	6.0	6.1	5.9	5.6	5.2	5.2	5.2

Sources: Seychelles authorities; and IMF staff estimates and projections.

[1] Data include the central government and the social security system, from the 1st review and going forward.

[2] Wage and salaries and goods and services (to be) spent by government agencies other than Ministries are reclassified into these items from transfers.

[3] Only interest payments on foreign debt are on a commitment basis. Other expenditures are recorded when checks are issued or transfers initiated.

[4] The total amount of social spending considered in the IT (memorandum items) also includes items under goods and services and wages and salaries.

Table 4. Seychelles: Depository Corporations Survey and Central Bank Accounts, 2020-28

	2020	2021	2022	2023	2024	2025	2026	2027	2028
	Act.					Proj.			
	(Millions of Seychelles rupees)								
Depository corporations survey									
Net foreign assets	18,596	18,815	18,538	18,959	21,624	23,342	24,079	25,140	26,215
Central bank	11,427	9,519	8,467	8,996	10,744	11,838	12,225	12,922	13,629
Other depository corporations	7,169	9,295	10,071	9,963	10,880	11,505	11,855	12,218	12,586
Net domestic assets	6,157	4,678	5,097	6,046	5,214	5,365	6,286	7,361	8,588
Domestic credit	14,587	13,522	14,750	15,549	15,469	16,252	17,555	19,032	20,677
Net claims on the government	4,175	4,473	4,943	4,868	3,546	2,985	3,201	3,553	4,014
Of which : Government deposits at the Central Bank	-1,638	-2,417	-1,801	-1,310	-2,720	-2,720	-2,720	-2,720	-2,720
Of which : Change in monetary debt [1]	184.0	70.0	0.0	0.0	0.0	...	...	...	...
Credit to the economy	10,413	9,049	9,807	10,680	11,923	13,267	14,354	15,479	16,663
Of which : credit to the private sector	9,890	8,708	9,059	9,731	10,904	11,927	13,013	14,138	15,323
Other items, net	-8,430	-8,844	-9,653	-9,503	-10,256	-10,887	-11,269	-11,671	-12,089
Broad money	24,753	23,492	23,635	25,005	26,837	28,707	30,365	32,501	34,804
Currency in circulation	1,460	1,500	1,389	1,374	1,349	1,319	1,337	1,402	1,501
Foreign currency deposits	11,390	9,447	9,135	9,664	10,163	10,921	11,575	12,400	13,279
Local currency deposits	11,903	12,545	13,111	13,967	15,325	16,467	17,453	18,698	20,023
Central bank									
Net foreign assets	11,427	9,519	8,467	8,996	10,744	11,838	12,225	12,922	13,629
Foreign assets	12,144	10,361	9,166	9,714	11,480	12,442	12,839	13,546	14,263
Foreign liabilities	716	841	699	718	736	605	614	624	634
Net domestic assets	-5,020	-2,399	-1,557	-2,326	-4,360	-5,597	-5,899	-6,289	-6,526
Domestic credit	-1,121	-1,222	-859	-1,499	-3,205	-4,146	-4,254	-4,437	-4,456
Government (net)	-453	-1,225	-603	-113	-1,530	-1,530	-1,530	-1,530	-1,530
Other depository corporations (net)	-503	189	-30	-1,155	-1,492	-2,430	-2,533	-2,710	-2,723
Other (parastatals)	-166	-185	-226	-231	-183	-186	-191	-196	-203
Other items, net	-3,898	-1,177	-698	-827	-1,126	-1,451	-1,645	-1,852	-2,071
Reserve money	6,408	7,120	6,910	6,670	6,384	6,241	6,326	6,633	7,103
Currency in circulation	1,729	1,770	1,658	1,641	1,665	1,635	1,653	1,718	1,817
Commercial bank reserves	4,678	5,350	5,252	5,029	4,719	4,606	4,673	4,915	5,286
Of which : required reserves in foreign currency	1,588	1,711	1,741	1,827	1,811	1,496	1,586	1,699	1,819
required reserves in domestic currency	1,661	1,379	1,888	1,991	2,187	2,429	2,569	2,746	2,936
Memorandum items:									
Gross official reserves (millions of U.S. dollars)	559	702	645	682	774	817	830	862	893
Foreign currency deposits (millions of U.S. dollars)	542	643	647	681	688	720	752	792	835
Broad money growth (12–month percent change)	27.0	-5.1	0.6	5.8	7.3	7.0	5.8	7.0	7.1
Credit to the private sector (12–month percent change)	20.2	-11.9	4.0	7.4	12.1	9.4	9.1	8.6	8.4
Reserve money (end-of-period; 12–month percent change)	40.4	11.1	-3.0	-3.5	-4.3	-2.2	1.4	4.9	7.1
Money multiplier (broad money/reserve money)	3.9	3.3	3.4	3.7	4.2	4.6	4.8	4.9	4.9
Velocity (GDP/broad money; end-of-period)	1.0	1.1	1.2	1.2	1.2	1.1	1.1	1.1	1.1

Sources: Central Bank of Seychelles; and IMF staff estimates and projections.

[1] Negative shows accumulation, positive shows retiring (debt that is not rolled over)

Table 5. Seychelles: Financial Soundness Indicators for the Banking Sector, 2018–24

	2018	2019	2020	2021	2022	2023	2024
			(Percent, end-of-period)				
Capital adequacy							
Regulatory capital to risk weighted assets	20.5	19.5	17.1	22.7	20.7	21.8	19.8
Regulatory tier 1 capital to risk weighted assets	16.8	16.2	14.1	17.2	15.2	16.0	14.1
Capital to assets (net worth)	10.1	9.9	8.4	9.2	8.8	10.1	10.4
Net tangible capitalization [1]	10.1	10.0	8.5	9.3	8.9	10.2	10.5
Asset quality							
Foreign exchange loans to total loans	24.2	26.0	36.4	27.9	24.5	19.7	15.3
Non-performing loans to gross loans	3.5	2.7	3.3	5.5	7.6	8.1	5.5
Provision as percentage of non-performing loans	19.2	25.1	38.3	32.5	20.3	18.5	21.5
Earnings and profitability							
Return on assets (annualized)	3.7	2.5	1.0	2.6	8.0	1.0	2.2
Return on equity (annualized)	35.7	24.0	11.5	28.1	91.3	10.2	21.8
Interest margin to gross income	54.5	62.6	58.3	51.8	57.3	65.3	63.6
Noninterest expense to gross income	55.9	57.7	55.3	56.0	46.7	76.1	49.9
Net interest margin (annualized) [2]	4.2	9.4	7.4	7.3	3.6	4.5	4.5
Net noninterest margin (annualized) [3]	-0.8	-3.1	-1.7	-2.8	-0.3	-2.8	-1.9
Expense to income	61.4	63.7	60.7	65.0	52.0	79.2	56.9
Interest expense to gross income	14.4	16.6	13.6	12.4	11.0	15.0	16.2
Liquidity							
Core liquid assets to total assets [4]	45.2	44.1	44.1	43.6	47.8	49.1	47.5
Broad liquid assets to total assets [5]	58.2	55.3	57.3	59.4	63.0	62.7	60.6
Liquid assets (broad) to short term liabilities	63.7	60.6	62.3	66.3	69.0	69.4	67.6
Liquid assets (broad) to total liabilities	64.7	61.6	62.5	65.4	69.1	69.7	67.7
Liquid assets to deposit liabilities	68.5	65.3	67.8	69.4	72.5	73.5	71.2
Foreign exchange exposure							
Total long position in foreign exchange to capital	…	…	…	5.2	6.9	7.7	4.3
Total short position in foreign exchange to capital	…	…	…	-4.3	-3.2	-8.3	-2.4

Source: Central Bank of Seychelles.

[1] Defined as: equity capital/(assets-interest in suspense-provisions).

[2] Defined as: (Interest income - interest expense)/average assets.

[3] Defined as: (Non-interest income - non-interest expense)/average assets.

[4] Core liquid assets include cash, balances with CBS, and deposits with other banks.

[5] Broad liquid assets include core liquid assets plus investments in government securities.

Table 6. Seychelles: Program Monitoring – External Financing Requirements and Sources, 2020-30

(Millions of US$, unless otherwise indicated)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Gross Financing Requirements	**216**	**198**	**197**	**220**	**258**	**263**	**277**	**273**	**271**	**293**	**315**
Current account deficit	173	156	152	162	173	202	207	206	208	223	241
CG Debt Amortization	43	41	45	59	85	61	70	67	63	70	74
Sources of Financing	**216**	**198**	**197**	**220**	**258**	**247**	**270**	**273**	**271**	**293**	**315**
Public sector	67	141	67	67	131	120	73	47	39	42	52
o/w: World Bank	21	44	25	6	42	30	15	0	0	0	0
African Development Bank	10	20	0	26	42	30	15	0	0	0	0
Others	0	0	13	0	21	19	10	10	10	10	10
IMF	32	68	17	20	25	24	9	0	0	0	0
EFF purchases	32	68	17	16	16	0	0	0	0	0	0
SDR allocation	0	0	0	0	0	0	0	0	0	0	0
RSF financing[1]	0	0	0	4.2	8.3	23.8	9.4	0	0	0	0
FDI (net)	135	119	226	279	262	267	317	359	395	421	426
Portfolio investment (net)	-96	18	-4	10	-21	-13	-9	-9	-9	-6	-6
Others (net)	55	-7	-162	-154	-77	-107	-131	-111	-140	-120	-110
Capital account balance	21	24	14	5	9	23	33	19	18	19	19
Net errors and omissions	0	0	0	0	0	0	0	0	0	0	0
Change in reserves (- = increase)	35	-97	56	12	-47	-43	-13	-32	-32	-63	-65
Financing gap	**0**	**0**	**0**	**0**	**0**	**16**	**8**	**0**	**0**	**0**	**0**
Prospective Financing						**16**	**8**	**0**	**0**	**0**	**0**
IMF EFF purchases[1]						16	8	0	0	0	0
Memo items											
GIR (percent of ARA)	112	121	102	105	115	118	117	118	119	124	127
excluding RSF				100	100	107	110	113	111	0	0
GIR (months of imports of G&S)	3.8	3.7	3.1	3.4	3.8	3.9	3.8	3.8	3.8	3.8	3.9
excluding RSF				3.1	3.3	3.3	3.1	3.2	3.2	0.0	0.0

Source: Central Bank of Seychelles and IMF staff estimates and projections.

[1] Including IMF disbursements associated with future reviews.

Table 7. Seychelles: Schedule of Reviews and Purchases Under the EFF-Supported Program and Proposed Disbursements Under the RSF Arrangement

Availability date	Conditions for disbursement	EFF Purchases	
		SDR million	Percent of Quota
May 31, 2023	Approval of the 3-year arrangement under the EFF	6.107	26.7
November 15, 2023	1st Review and continuous and end-June 2023 performance criteria	6.107	26.7
May 15, 2024	2nd Review and continuous and end-December 2023 performance criteria	6.107	26.7
November 15, 2024	3rd Review and continuous and end-June 2024 performance criteria	6.107	26.7
May 15, 2025	4th Review and continuous and end-December 2024 performance criteria	6.107	26.7
November 15, 2025	5th Review and continuous and end-June 2025 performance criteria	6.107	26.7
May 15, 2026	6th Review and continuous and end-December 2025 performance criteria	5.723	25.0
Total Access		42.365	185

Availability date	Conditions for disbursement	RSF Disbursements	
		SDR million	Percent of Quota
May 31, 2023	Approval of the RSF arrangement	-	-
November 15, 2023	Completion of RSF review of reform measure 1 implementation	3.123	13.6
May 15, 2024	Completion of RSF review of reform measure 2 implementation	3.123	13.6
November 15, 2024	Completion of RSF review of reform measure 5 implementation	3.123	13.6
May 15, 2025	Completion of RSF review of reform measure 6 implementation	0.78075	3.4
	Completion of RSF review of reform measure 7 implementation	3.123	13.6
	Completion of RSF review of reform measure 8 implementation	3.123	13.6
November 15, 2025	Completion of RSF review of reform measure 3 implementation	3.123	13.6
	Completion of RSF review of reform measure 4 implementation	3.123	13.6
	Completion of RSF review of reform measure 9 implementation	1.5615	6.8
	Completion of RSF review of reform measure 10 implementation	3.123	13.6
May 15, 2026	Completion of RSF review of reform measure 6.1 implementation	0.78075	3.4
	Completion of RSF review of reform measure 6.2 implementation	0.78075	3.4
	Completion of RSF review of reform measure 6.3 implementation	0.78075	3.4
	Completion of RSF review of reform measure 9.1 implementation	1.5615	6.8
	Completion of RSF review of reform measure 11 implementation	3.120	13.6
Total Access		34.350	150

Source: IMF staff.

Table 8. Seychelles: Program Monitoring – Indicators of Fund Credit Under the EFF and RSF

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046
										(Millions of SDR)												
Existing Fund credit																						
Stock [1]	96.0	87.2	75.6	63.4	49.2	34.9	20.7	14.5	10.9	8.9	8.0	7.0	6.1	5.2	4.2	3.3	2.3	1.4	0.5	0.0	0.0	0.0
GRA	86.7	77.8	66.2	54.0	39.8	25.6	11.3	5.1	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	9.4	9.4	9.4	9.4	9.4	9.4	9.4	9.4	9.4	8.9	8.0	7.0	6.1	5.2	4.2	3.3	2.3	1.4	0.5	0.0	0.0	0.0
Obligation	10.6	13.2	15.5	15.5	17.1	16.5	16.0	7.6	4.7	3.0	1.9	1.9	1.8	1.8	1.8	1.7	1.7	1.7	1.6	1.1	0.6	0.6
Principal (repayments/repurchases)	7.0	8.8	11.6	12.2	14.2	14.2	14.2	6.2	3.6	2.0	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.5	0.0	0.0
GRA	7.0	8.8	11.6	12.2	14.2	14.2	14.2	6.2	3.6	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.5	0.0	0.0
Charges and interest	3.6	4.4	3.8	3.3	2.8	2.3	1.8	1.4	1.2	1.1	1.0	1.0	0.9	0.9	0.8	0.8	0.8	0.7	0.7	0.7	0.6	0.6
Prospective Fund credit																						
Disbursement	30.2	12.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
GRA	12.2	5.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	18.0	7.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Stock [1]	39.4	52.1	52.1	52.1	51.6	49.1	46.1	43.1	40.2	37.2	34.5	31.9	29.4	26.9	24.4	21.9	19.4	16.9	14.4	11.9	9.6	9.2
GRA	18.3	24.0	24.0	24.0	23.5	21.0	18.0	15.0	12.1	9.1	6.6	6.1	6.1	6.1	6.1	6.1	6.1	6.1	6.1	6.1	6.1	6.1
RSF	21.1	28.1	28.1	28.1	28.1	28.1	28.1	28.1	28.1	28.1	27.9	25.8	23.3	20.8	18.3	15.8	13.3	10.8	8.3	5.8	3.5	3.1
Obligations [2, 3, 4]	0.3	1.8	2.1	2.0	2.2	4.1	4.5	4.4	4.3	4.2	3.7	3.6	3.4	3.3	3.2	3.1	3.0	2.9	2.8	2.7	2.4	0.4
Principal (repayments/repurchases)	0.0	0.0	0.0	0.0	0.5	2.5	3.0	3.0	3.0	3.0	2.7	2.6	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.3	0.4
GRA	0.0	0.0	0.0	0.0	0.5	2.5	3.0	3.0	3.0	3.0	2.5	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	2.1	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.3	0.4
Charges and interest	0.3	1.8	2.1	2.0	1.7	1.6	1.5	1.4	1.3	1.2	1.1	1.0	0.9	0.8	0.7	0.6	0.5	0.4	0.3	0.2	0.1	0.0
Existing and prospective Fund credit																						
Stock [1]	126.2	130.1	118.5	106.3	91.6	74.8	57.6	48.4	41.8	36.8	33.2	29.7	26.2	22.8	19.4	15.9	12.5	9.1	5.6	2.7	0.3	0.0
GRA	98.9	95.8	84.1	72.0	57.2	40.5	23.3	14.0	7.5	3.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	27.3	34.3	34.3	34.3	34.3	34.3	34.3	34.3	34.3	33.9	32.7	29.7	26.2	22.8	19.4	15.9	12.5	9.1	5.6	2.7	0.4	0.0
In percent of quota	551.1	568.2	517.5	464.3	399.9	326.8	251.5	211.2	182.6	160.9	145.1	129.5	114.5	99.5	84.5	69.5	54.5	39.5	24.5	11.6	0.0	0.0
GRA	431.7	418.2	367.5	314.3	249.9	176.8	101.5	61.2	32.6	12.9	2.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	119.3	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	148.0	143.0	129.5	114.5	99.5	84.5	69.5	54.5	39.5	24.5	11.6	0.0	0.0
In percent of GDP	7.7	7.7	6.8	5.8	4.6	3.5	2.5	1.9	1.5	1.3	1.1	0.9	0.7	0.6	0.5	0.3	0.2	0.2	0.1	0.0	0.0	0.0
In percent of Government Revenues	21.5	21.5	18.9	16.1	12.9	9.7	6.9	5.4	4.3	3.5	2.9	2.4	2.0	1.6	1.3	1.0	0.7	0.5	0.3	0.1	0.0	0.0
In percent of exports of goods and services	7.2	7.2	6.3	5.4	4.3	3.3	2.3	1.8	1.5	1.2	1.0	0.8	0.7	0.5	0.4	0.3	0.2	0.2	0.1	0.0	0.0	0.0
In percent of gross reserves	20.6	21.0	18.4	16.0	12.7	9.6	6.9	5.3	4.3	3.5	2.9	2.4	2.0	1.6	1.2	0.9	0.7	0.5	0.3	0.1	0.0	0.0
Obligations to the Fund from existing and prospective Fund arrangements																						
Total obligations	10.9	15.1	17.6	17.4	19.2	20.7	20.5	12.0	9.0	7.2	5.7	5.5	5.2	5.1	4.9	4.8	4.7	4.5	4.4	3.8	3.0	1.0
Principal (repayments/repurchases)	7.0	8.8	11.6	12.2	14.7	16.8	17.2	9.2	6.6	5.0	3.6	3.6	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.0	2.3	0.4
GRA	7.0	8.8	11.6	12.2	14.7	16.8	17.2	9.2	6.6	4.5	2.5	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	1.1	3.1	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.0	2.3	0.4
Charges and interest	4.0	6.2	6.0	5.3	4.5	3.9	3.3	2.8	2.5	2.2	2.1	1.9	1.8	1.7	1.5	1.4	1.2	1.1	1.0	0.8	0.7	0.7
Of which:																						
GRA Basic Charges	2.6	3.5	3.3	2.9	2.4	1.9	1.3	0.8	0.5	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Surcharges	0.4	0.8	0.6	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which: Level-based	0.4	0.6	0.5	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Time-based	0.0	0.2	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
In percent of quota [5]	47.7	65.7	76.8	76.1	84.0	90.2	89.6	52.4	39.3	31.5	24.8	24.0	22.8	22.2	21.6	21.0	20.4	19.8	19.2	16.6	13.2	4.4
In percent of GDP	0.7	0.9	1.0	0.9	1.0	1.0	0.9	0.5	0.3	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0
In percent of Government Revenues	1.9	2.5	2.8	2.6	2.7	2.7	2.5	1.3	0.9	0.7	0.5	0.4	0.4	0.4	0.3	0.3	0.3	0.2	0.2	0.2	0.1	0.0
In percent of exports of goods and services	0.6	0.8	0.9	0.9	0.9	0.9	0.8	0.5	0.3	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0
In percent of gross reserves	1.8	2.4	2.7	2.6	2.7	2.7	2.4	1.3	0.9	0.7	0.5	0.4	0.4	0.4	0.3	0.3	0.3	0.2	0.2	0.2	0.1	0.0

Sources: IMF Finance Department; and IMF staff estimates and projections.

[1] End-of-period.

[2] Repayment schedule based on repurchase obligations. Obligations to the Fund from Existing and Prospective Fund Arrangements includes charges.

[3] Seychelles belongs to the RST interest Group C.

[4] Based on the RST rate of interest of 3.948 percent as of May 1, 2025.

[5] Effective February 2016, the new quota of SDR 22.9 million is applied.

Table 9. Seychelles: Decomposition of Public Debt and Debt Service by Creditor, 2024-26[1]

	Debt Stock (end of period) 2024			Debt Service					
				2024	2025	2026	2024	2025	2026
	(In US$ million)	*(Percent total debt)*	*(Percent GDP)*	*(In US$ million)*			*(Percent GDP)*		
Total	1223	100.0	57.0	278.0	265.4	167.4	12.8	12.1	7.4
External	636	52.0	29.7	97.1	83.3	84.7	4.5	3.8	3.8
Multilateral creditors[2]	519	42.5	24.2	48.9	45.8	50.7	2.2	2.1	2.2
IMF	135	11.0	6.3						
World Bank	164	13.4	7.6						
AfDB	155	12.7	7.3						
Other Multilaterals	65	5.3	3.0						
o/w: EIB	28	2.3	1.3						
o/w: BADEA	17	1.4	0.8						
Bilateral Creditors	64	5.3	3.0	16.1	13.8	14.9	0.7	0.6	0.7
Paris Club	30	2.4	1.4	10.5	8.2	9.1	0.5	0.4	0.4
o/w: France	16	1.3	0.7						
o/w: UK	4	0.3	0.2						
Non-Paris Club	34	2.8	1.6	5.7	5.5	5.8	0.3	0.3	0.3
o/w: China	8	0.7	0.4						
o/w: Saudi Arabia	12	1.0	0.6						
Bonds	40	3.3	1.9	20.9	19.6	14.8	1.0	0.9	0.7
Commercial creditors	12	1.0	0.6	11.2	4.2	4.3	0.5	0.2	0.2
o/w: TDB	0	0.0	0.0						
o/w: Nedbank	5	0.4	0.2						
o/w: Habib Bank	3	0.3	0.1						
Domestic	587	48.0	27.4	180.9	182.1	82.7	8.3	8.3	3.7
Held by residents, total	n/a								
Held by non-residents, total	n/a								
T-Bills	156	12.8	7.3	89.7	70.4	0.0	4.1	3.2	0.0
Bonds	389	31.8	18.1	83.0	104.2	76.2	3.8	4.8	3.4
Loans	42	3.4	2.0	8.2	7.5	6.5	0.4	0.3	0.3
Memo items:									
Collateralized debt[3]									
o/w: Related									
o/w: Unrelated									
Contingent liabilities									
o/w: External public guarantees	14	1.1	0.6						
o/w: Domestic Public guarantees	42	3.4	2.0						
o/w: Other explicit contingent liabilities[4]									
Nominal GDP	2177.8			2177.8	2187.7	2255.7			

1/As reported by Country authorities according to their classification of creditors, including by official and commercial, as of end-2024. Debt coverage is the same as the DSA, except for domestic and external guarantees which are reported under memo items. The debt stock as percent of GDP is calculated in local currency.

2/Multilateral creditors" are simply institutions with more than one official shareholder and may not necessarily align with creditor classification under other IMF policies (e.g. Lending Into Arrears)

3/Debt is collateralized when the creditor has rights over an asset or revenue stream that would allow it, if the borrower defaults on its payment obligations, to rely on the asset or revenue stream to secure repayment of the debt. Collateralization entails a borrower granting liens over specific existing assets or future receivables to a lender as security against repayment of the loan. Collateral is "unrelated" when it has no relationship to a project financed by the loan. An example would be borrowing to finance the budget deficit, collateralized by oil revenue receipts. See the joint IMF-World Bank note for the G20 "Collateralized Transactions: Key Considerations for Public Lenders and Borrowers" for a discussion of issues raised by collateral.

4/Includes other-one off guarantees not included in publicly guaranteed debt (e.g. credit lines) and other explicit contingent liabilities not elsewhere classified (e.g. potential legal claims, payments resulting from PPP arrangements).

Source: IMF staff.

Annex I. Risk Assessment Matrix (RAM)[1]

Source of Risks	Relative Likelihood	Expected Impact if Realized	Policy Response
Conjunctural Risks			
Trade policy and investment shocks. Higher trade barriers or sanctions reduce external trade, disrupt FDI and supply chains, and trigger further U.S. dollar appreciation, tighter financial conditions, and higher inflation.	**High**	**High** Trade wars lead to recession in key tourist origin countries, lowering tourist arrivals, hampering economic activity and deteriorating fiscal position. Supply disruptions and dollar appreciation lead to higher inflation and tighter financial conditions.	Develop a contingency plan (including risk management tools such as establishing contingent line of credit and a rule-based cash buffer) that would lower the impact. Consider further fiscal consolidation and targeted support as needed for vulnerable sectors in case such risk materializes. Let the exchange rate act as a shock absorber to protect reserve buffers and utilize FXI to prevent disorderly market conditions.
Sovereign debt distress. Higher interest rates, stronger U.S. dollar, and shrinking development aid amplified by sovereign-bank feedback result in capital outflows, rising risk premia, loss of market access, abrupt expenditure cuts, and lower growth in highly indebted countries.	**Medium**	**High** Deterioration of fiscal position, increase debt rollover costs and risks, worsening government financing conditions. Increase fragilities in the financial sector.	Reduce fiscal deficit and indebtedness. Create fiscal space through wage bill control and spending review, while protecting the most vulnerable. Strengthen prudential regulations for the financial Sector. Preemptively rebuild FX buffers.
Tighter financial conditions and systemic instability. Higher-for-longer interest rates and term premia amid looser financial regulation, rising investments in cryptocurrencies, and higher trade barriers trigger asset repricing, market dislocations, weak bank and NBFI distress, and further U.S. dollar appreciation, which widens global imbalances, worsens debt affordability, and increases capital outflow from EMDEs.	**Medium**	**Medium** Disruptions in the supply chain and tourist arrivals. Increase in inflation, food insecurity and poverty. Additional pressure on public expenditure and tax exemptions, which jeopardize fiscal consolidation strategy and sustainability. Balance of payments Imbalances.	Create fiscal space for new policies to mitigate supply shocks in the economy. Rationalize public spending and protect the most vulnerable. Review and reprioritize tax exemptions. Mobilize concessional loans from development partners. Ensure a prudent macro-fiscal stance to foster market access at reasonable terms. Preemptively build FX buffers.

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenarios highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon.

Source of Risks	Relative Likelihood	Expected Impact if Realized	Policy Response
Conjunctural Risks			
Regional conflicts. Intensification of conflicts (e.g., in the Middle East, Ukraine, Sahel, and East Africa) or terrorism disrupt trade in energy and food, tourism, supply chains, remittances, FDI and financial flows, payment systems, and increase refugee flows.	**Medium**	**High** Supply disruptions and sharper-than-anticipated increases in international energy prices raise the costs of energy imports and other imported goods.	Seek to diversify sources of tourists. Consider further fiscal consolidation and targeted and temporary support as needed for vulnerable sectors. Let the exchange rate act as a shock absorber to protect reserve buffers.
Commodity price volatility. Supply and demand fluctuations (e.g., due to conflicts, export restrictions, OPEC+ decisions, and green transition) cause recurrent commodity price volatility, external and fiscal pressures and food insecurity in EMDEs, cross-border spillovers, and social and economic instability.	**Medium**	**High** Increase in inflation, food insecurity and poverty. Deterioration of fiscal position. Social unrest. Delayed fiscal adjustment and structural reforms	CBS to maintain vigilant monitoring and be ready to tighten monetary stance to anchor inflation expectations. Provide targeted support for the most vulnerable population to deal with rising prices amid a delayed economic recovery. Let the exchange rate act as a shock absorber to protect reserve buffers.
Global growth acceleration. Easing of conflicts, positive supply-side surprises (e.g., oil production shocks), productivity gains from AI, or structural reforms raise global demand and trade.	**Low**	**Medium** Improve economic activity indicators and strengthen financial sector soundness. Better fiscal position reduces debt sustainability risks.	Create additional space fiscal with expected higher revenues. CBS to maintain vigilant monitoring and be ready to tighten monetary stance to anchor inflation expectations. Remain vigilant and deploy macroprudential measures if credit growth becomes excessive.
Limited access to external grants and concessional financing. Due to Seychelles' high-income status, favorable financing conditions and grants from multilaterals and donors become scarcer.	**Medium**	**Medium** Access to costly external financing could worsen the balance of payments with implications for the exchange rate.	Consider tapping alternative sources of external financing in the medium term. Ensure a prudent macro-fiscal stance to foster market access at reasonable terms. Preemptively rebuild fiscal and FX buffers.
Vulnerabilities in the banking sector. Higher NPL levels observed in some banks increase vulnerabilities in the sector.	**Medium**	**Medium** Higher NPL levels in the banking sector, which increased mainly due to the withdrawal of forbearance measures, could pose risks to financial stability.	Encourage and facilitate prudent restructuring of loans and enhance management and monitoring of NPLs. The authorities should provide guidance on prudential treatment of moratoria and NPL management strategies and assess their implementation

Source of Risks	Relative Likelihood	Expected Impact if Realized	Policy Response
Structural Risks			
Climate change. Extreme climate events driven by rising temperatures cause loss of life, damage to infrastructure, food insecurity, supply disruptions, lower growth, and financial instability. A disorderly transition to net-zero emissions and regulatory uncertainty lead to stranded assets and low investment.	**Medium**	**High** Materialization of risks related to natural disasters could disrupt tourism sector, trigger further public expenditure and jeopardize fiscal consolidation.	Prioritize the implementation of projects related to climate change. Continue rebuilding fiscal space, reducing public debt, increasing foreign exchange buffers, and improving the effectiveness of social protection.
Deepening geoeconomic fragmentation. Persistent conflicts, inward-oriented policies, protectionism, weaker international cooperation, labor mobility curbs, and fracturing technological and payments systems lead to higher input costs, hinder green transition, and lower trade and potential growth.	**Medium**	**High** Potential permanent effect on imports of any reshuffling of global supply chains. Higher food and energy prices would hurt vulnerable consumers.	Seek to diversify the tourists' countries of origin. Consider further fiscal consolidation and targeted and temporary support as needed for vulnerable sectors. Prioritize projects related to energy security and to climate change resilience.
Social discontent. Real income loss, spillovers from conflicts, dissatisfaction with migration, and worsening inequality ignite social unrest, populism, polarization, and resistance to reforms or suboptimal policies. This weakens growth and leads to policy uncertainty and market repricing.	**Medium**	**Medium** Delayed fiscal adjustment. Political instability. Limited financing inflows and investment projects delays. Supply disruptions and weaker confidence.	Prioritize and target public spending towards the most vulnerable people. Create fiscal space for expansion of the welfare network or new social policies. Mobilize additional grants and concessional loans from development partners to cover more persistent external needs. Clear and consistent communication with the public about the rationale behind key reforms.
Cyberthreats. Cyberattacks on physical or digital infrastructure (including digital currency and crypto assets), technical failures, or misuse of AI technologies trigger financial and economic instability.	**Medium**	**Medium** Impact on public services that rely on digital infrastructure	Create contingent plans for cyberattacks Assess the risk and impact of cyberattacks on public services.

Annex II. Climate-Adjusted Projections for Seychelles

1. **As a small island state, Seychelles faces significant climate change risks.** These include damage to marine ecosystems from rising sea temperatures and ocean acidification, extreme rainfall leading to crop and fishing losses, and sea-level rise causing coastal erosion and flooding. Despite being less exposed to catastrophic climate-related natural disasters due to its location outside the cyclone belt, the country's critical infrastructure is vulnerable to storms and floods as most facilities are only 2–4 meters above sea level. With fisheries and coastal tourism contributing around 35 percent to its GDP, Seychelles' economy heavily relies on its blue natural capital, further exacerbating the impacts of these environmental challenges.

2. **Integrating climate effects into macroeconomic projections is crucial for accurately assessing the potential impacts on key variables.** As climate change poses increasing risks to economic stability, failing to account for these effects can lead to overoptimistic forecasts that do not reflect the realities of vulnerability and resilience. By incorporating climate-related risks and uncertainties into macroeconomic models, policymakers can better understand their potential economic consequences, enabling more informed decision-making. This is particularly relevant for small island states like Seychelles, where climate-induced challenges significantly affect economic performance and development prospects.

3. **This annex presents a new approach, using Seychelles as a pilot case, to integrate climate change into the macroeconomic framework.** [1] In doing so, it is important to recognize which climate change effects may already be included in current macroeconomic projections—against the backdrop of a baseline global warming scenario of 2.7C by 2100 typically applied at the Fund. It is crucial to distinguish between two types of climate change effects in macroeconomic projections. Slow-moving effects, such as rising sea levels and ocean acidification, manifest over a longer timeframe, typically beyond the medium-term horizon (5 years). In contrast, climate-induced natural disasters, including floods and storms, can occur at any time, including within the medium-term horizon.

4. **With continued and concerted resilience-building efforts, the macroeconomic impact of slow-moving climate change may be broadly contained.** In the case of Seychelles, the impact of past slow-moving global temperature changes (e.g., rising sea temperatures and ocean acidification) and policies to build resilience to these effects, including ongoing reform measures under the RSF arrangement, are already embedded in current macroeconomic projections. The slow-moving impacts of global temperature changes manifest over a longer horizon, with the estimated additional future impact indicating a reduction of -0.01 percentage points in growth per year.[2] Over a 30-year period, this would accumulate to approximately -0.3 percentage points deducted from the growth rate three

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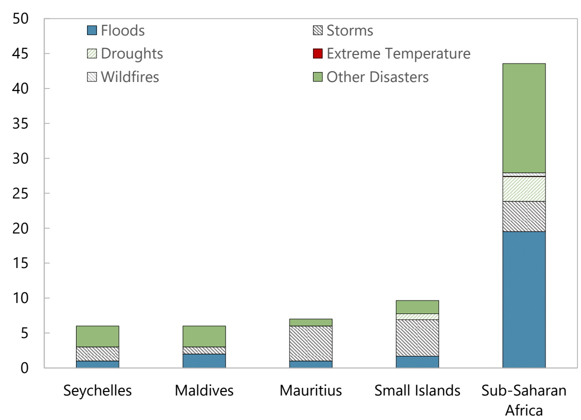
[1] Integrating the effects of climate change into the macroeconomic framework is an inter-departmental exercise designed to potentially be replicated by other countries vulnerable to climate change and with significant macroeconomic impacts on balance of payments, fiscal, and the financial sector.

[2] Author's calculations based on Mohaddess and Raissi (2024) or Kahn et al. (2021).

decades from now. However, with ongoing resilience-building efforts under the RSF arrangement, this reduction in GDP growth may be mostly offset, suggesting that the net effect of this type of climate effects could potentially be zero. This suggests that the primary impact on macroeconomic variables in Seychelles, especially in the medium term, is expected to stem from climate-induced natural disasters rather than slow-moving climate-induced temperature changes.

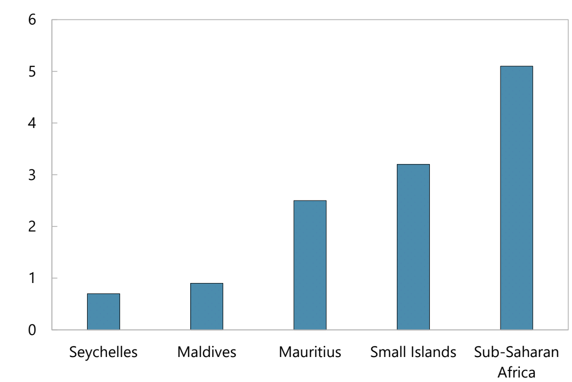
5. **Floods and storms have been the primary climate-related natural disasters in Seychelles.** Since 1980, the EM-DAT database has recorded only a few major events: two storms (2002, 2013) and two floods (1997, 2014). The 2023 flood, accompanied by an industrial explosion, was classified as a technological disaster. Compared to the Maldives, Mauritius, other small islands, and sub-Saharan Africa (SSA), Seychelles has experienced fewer disasters on average (Fig. 1). Among these events, the 2002 storm affected the largest share of the population. While overall economic damage has been moderate, the 2004 earthquake had the highest damage-to-GDP ratio at 3.5 percent. Considering climate risks and preparedness, Seychelles is relatively less vulnerable and better prepared for climate-related risks than its peers. According to INFORM—an open-source risk assessment tool adapted by IMF staff—Seychelles scores favorably across hazard exposure, vulnerability, and coping capacity dimensions (Fig. 2).

Figure 1. Seychelles: Natural Disasters in Selected Countries 2000-2024



Source: IMF staff estimates

Figure 2. Seychelles: Climate-Driven INFORM Index 2022 (0-10)



Note: In the Climate-Driven INFORM Risk Index, lower scores across the overall index and its components indicate better performance.

6. **The influence of climate-related natural disasters on macroeconomic projections can be more substantial.** Often, their impact is only partially accounted for. One of the challenges in accounting for climate-related natural disasters in projections is that they do not necessarily happen every year. This annex addresses that challenge by employing an expected value methodology to develop an alternative macroeconomic framework with revised medium-term projections for key macro indicators such as GDP growth, inflation, primary balance, net exports, and international reserves. In this approach, the projection of a specific macroeconomic indicator is determined by a probability-based weighted average of its projection under the occurrence of a climate-related natural disaster and its projection in the absence of such events. The impact of a climate-related

natural disaster on a particular variable is calibrated based on the historical effects of such disasters in Seychelles and empirical research findings.

$$y_{t+h}^{adj} = P_{ND} * y_{t+h}^{ND} + (1 - P_{ND}) * y_{t+h}^{\text{without } ND} \quad (1)$$

Where y_{t+h}^{adj} is the climate adjusted projections for a given variable y at h year in the future. P_{ND} is the probability of climate-related natural disaster incidence. y_{t+h}^{ND} is the projection for variable y including the impact of a climate-related natural disaster—calculated based on historical impacts or empirical findings (y_{t+h}^{ND} = $y_{t+h}^{without\ ND} - ND\ impact$). $y_{t+h}^{without\ ND}$ is the projection for variable y in a year where there is no natural disaster while including all other factors such as global conditions and tourism assumptions.

7. A two-step approach is employed to estimate the probability of climate-related natural disaster incidence in Seychelles (i.e., P_{ND} in equation 1 above). The first step involves identifying severe disasters in the International Disaster Database (EM-DAT) database, using an intensity metric defined as the ratio of the total affected population to the overall population size. A disaster is included for a particular year if it affects at least 100 individuals per million people.[3] In the second step, once disasters are identified, the probability of occurrence is determined by calculating the annual probability ($P_R(ND)$) and deriving the average return period $T = 1/P_R(ND)$. To estimate the probability of at least one disaster occurring over multiple years (n), the formula $R = 1 - (1 - 1/T)^n$ is applied. This approach accounts for reporting inconsistencies by restricting the analysis to data from 2000 to 2024, ensuring that only recent trends in disaster frequency and intensity are reflected in the estimation. As a result, the probability of an intense flood or storm occurring in Seychelles for any given year is estimated to be 12 percent.[4]

8. Estimating long-term trends in the absence of natural disasters and assessing their impacts is informed by historical data and empirical research (i.e., $y_{t+h}^{without\ ND}$). By filtering out years where Seychelles was impacted by past climate-related natural disasters, the counterfactual long-term trend of a specific macroeconomic variable can be estimated using the Hodrick-Prescott (HP) filter or average growth rate.[5] The trend effects of other factors, such as global conditions and assumptions regarding the performance of tourism and other sectors, remain. For instance, using

[3] While this Annex adopts the EM-DAT intensity metric to identify disasters, it is important to note that lowering this metric would not lead to the identification of more major disasters with significant macroeconomic implications. However, extending the analysis to the years before 2000 would results in lower probability of natural disaster.

[4] This probability represents the union of both events (floods 4 percent and storms 8 percent) as the sum of their probabilities, assuming mutual exclusivity. Even if they are not mutually exclusive, the intersection is minimal. Consequently, the two probabilities can be added. The 12 percent probability is assumed constant over the medium term (five years) given the slow-moving effects of climate change. However, accelerated climate change beyond this horizon would increase the frequency and intensity of natural disasters, leading to a higher probability of natural disasters. Future work will relax this assumption, allowing for time variant probability of natural disasters including in the medium term.

[5] Based on EM-DAT, during 2000-24, Seychelles suffered flooding in 2014 and storms in 2002 and 2013. As effects can linger in the year after the flood or storm, those years (2003 and 2015) are also excluded from the estimation of the counterfactual long-term trend.

average growth in years with natural disaster events, this indicates an average growth rate of 3.8 percent if no natural disasters had occurred in Seychelles since 2004.

9. Projections of macroeconomic variables in years where climate-related natural disasters occur (i.e., y_{t+h}^{ND}) subtract the average impact of climate-related natural disasters from the long-term trend estimated above. The annex estimates the impact of climate-related natural disasters on Seychelles' economy using data from EM-DAT and a Structural Vector Autoregression (SVAR) model with zero-sign restrictions. Natural disaster shocks are treated as structurally exogenous, meaning they are not influenced by other macroeconomic variables. Conversely, these shocks are assumed to negatively affect key variables such as GDP, government revenue, and imports, enabling a causal interpretation of their effects. The sign restrictions are imposed on impact only—that is, on the contemporaneous responses of macroeconomic variables in the year of the natural disaster event. This approach ensures that identification remains theoretically informed while allowing the dynamic responses over subsequent periods to be determined by the data. The average impulse response for t = 1, 2 is then used to quantify the effect of natural disaster on various macroeconomic variables. For instance, the SVAR approach indicates an average deviation of 1.3 percentage points from the counterfactual trend for GDP growth. As a cross-check, the average effect during disaster years shows a deviation of 1.1 percentage points from the counterfactual trend. A natural disaster could result in declines of 2.4 percent in total revenue, 12.7 percent in tax revenue, and 4 percent in capital expenditure, while total expenditure and imports increased by 2.7 and 8.4 percent, respectively.[6]

10. Natural disaster shocks are contractionary and induce immediate fiscal and external imbalances. Figure 3 presents the impulse responses of key macroeconomic variables—output, public finances, and external sector indicators—to a one-time natural disaster shock.[7] GDP growth declines immediately, reflecting disrupted production and increased economic uncertainty. Total and tax revenues also drop due to reduced economic activity and potential delays in tax collection. Government increases current expenditures, likely for emergency relief and social transfers, while capital expenditures decline. This decline may indicate a reallocation of fiscal resources away from investment projects or constraints on financing. Capital spending exhibits the most volatility among fiscal variables, highlighting uncertainty in post-disaster investment behavior. In the external sector, imports initially rise, driven by demand for relief goods and materials for reconstruction, but this effect diminishes over time. Conversely, exports experience a decline, possibly attributed to disruptions in production and trade infrastructure, particularly impacting the tourism sector. These dynamics underscore the vulnerability of trade balances in small island economies to natural disasters.

11. Climate resilient investments can help mitigate the effects of climate change on GDP growth. Incorporating climate considerations into public investment and enhancing climate-resilient infrastructure in Seychelles under the RSF arrangement can significantly mitigate the adverse effects of climate change on GDP growth. By prioritizing investments that address vulnerabilities to storms

[6] An additional dummy variable was included in the SVAR model to account for the negative impacts of COVID on macroeconomic variables included in the SVAR model. Abdel-Latif, 2025 (unpublished memo - link) provides more technical details on the estimated SVAR model.

[7] Figure 3 presents the annual effects (rather than cumulative effects) of a natural disaster shock.

and floods—such as upgrading coastal defenses, improving drainage systems, and reinforcing critical infrastructure—Seychelles can better withstand the impacts of climate-related events. The findings in (Nguyen, Feng and Garcia-Escribano, 2025, weblink) from a local projections model for small islands indicate that adaptation efforts can lead to improvements of climate resilient infrastructure that offset the negative impact of natural disasters on GDP growth from an average of -1.5 percentage points to -1 percentage points, improving the growth outcome by about 33 percent compared to relatively lower quality infrastructure. [8]

12. An expected value approach is employed to explicitly adjust existing projections to account for the effects of climate-related natural disasters.[9] This methodology utilizes the estimated probability of such disaster incidence in conjunction with the impacts of such disasters based on findings from VAR model based empirical findings (and cross-checked with historical data) and the long-term trends in the absence of natural disasters. Probability-based weighted averages are then applied to estimate the climate-adjusted projection for a given variable (see Equation 1). Figure 4 presents the climate-adjusted growth projections derived from this approach. The results shown in Figure 4 indicate that climate-adjusted GDP growth rates are expected to be slightly lower than current projections. This trend is also observed for government revenues (both total and tax), capital expenditures, and exports, where applying the expected value approach yields a marginally lower trajectory for these variables. Conversely, projections for government expenditures, including current expenditures, would show a slightly higher trajectory if adjusted using the same method. Overall, investments in climate adaptation are expected to enhance outcomes across all variables.

13. Overall, this annex presents a simple approach to incorporating climate considerations into macroeconomic projections. This approach, which employs weights based on the likelihood of climate-related natural disasters, is informed by the impacts of previous natural disasters and recent empirical research. The analysis indicates that climate-adjusted growth rates are likely to be marginally different from current projections; however, this decline can be partially mitigated through investments in climate-resilient infrastructure. This approach can be applied seamlessly to most macroeconomic indicators to integrate the effects of climate induced natural disaster into macroeconomic projections.

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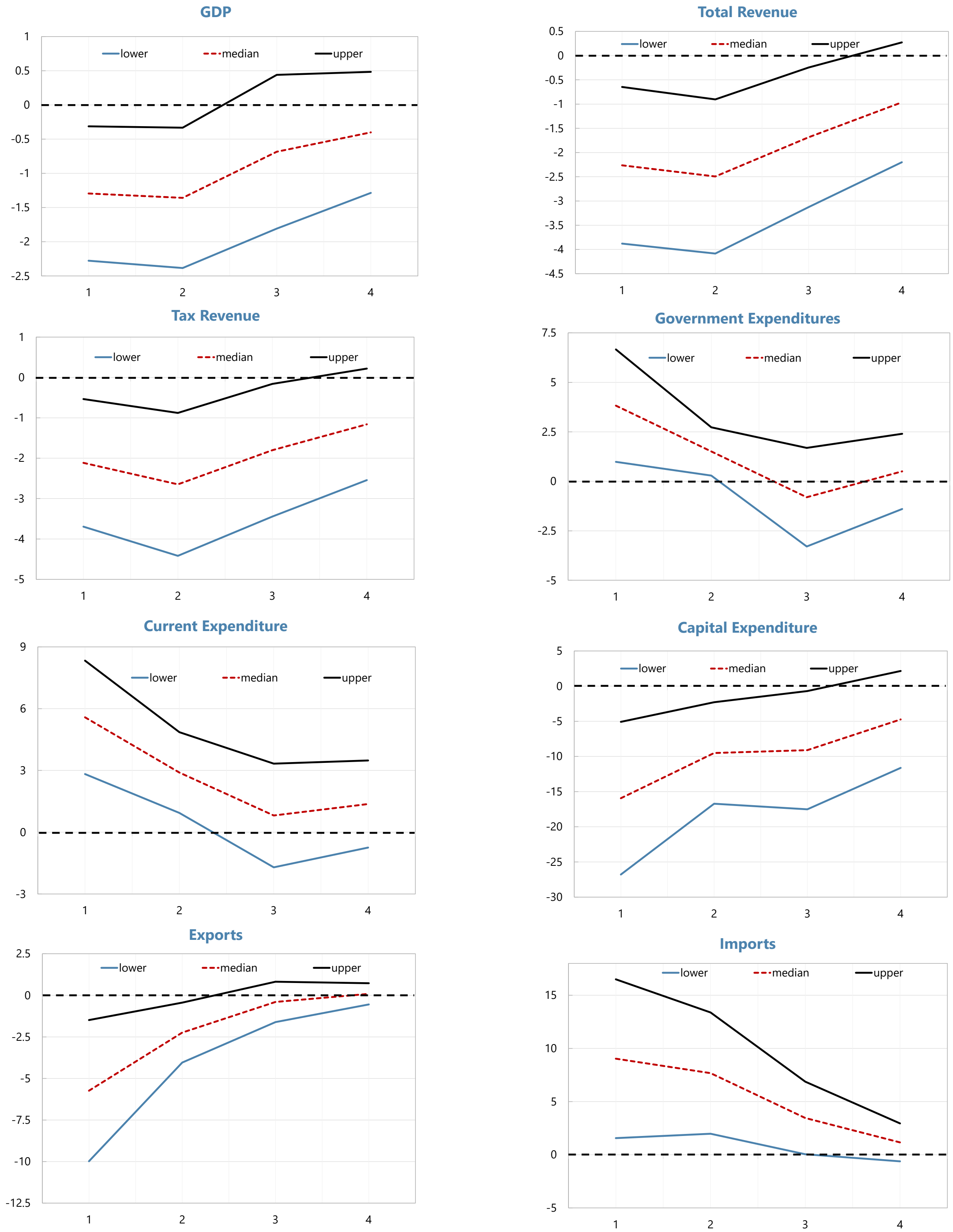
[8] The 33 percent improvement identified empirically for growth due to enhanced climate-resilient investments is treated as an assumption applicable to other macroeconomic variables. However, the potential non-linear relationships and feedback mechanisms among these variables may yield slightly different outcomes. Addressing this requires a separate estimation that incorporates data on infrastructure quality along with other macro variables. Since such detailed data is not available for Seychelles, future work could utilize data from comparable small island states to assess how improvements in climate-resilient investments might enhance various macroeconomic projections in Seychelles while considering climate effects.

[9] Existing projections already implicitly include some impact of climate-related natural disasters as they are based on historical data (which includes years where such disasters occurred).

Figure 3. Seychelles: Impulse Response Functions Based on SVAR Model with Zero-sign Restrictions

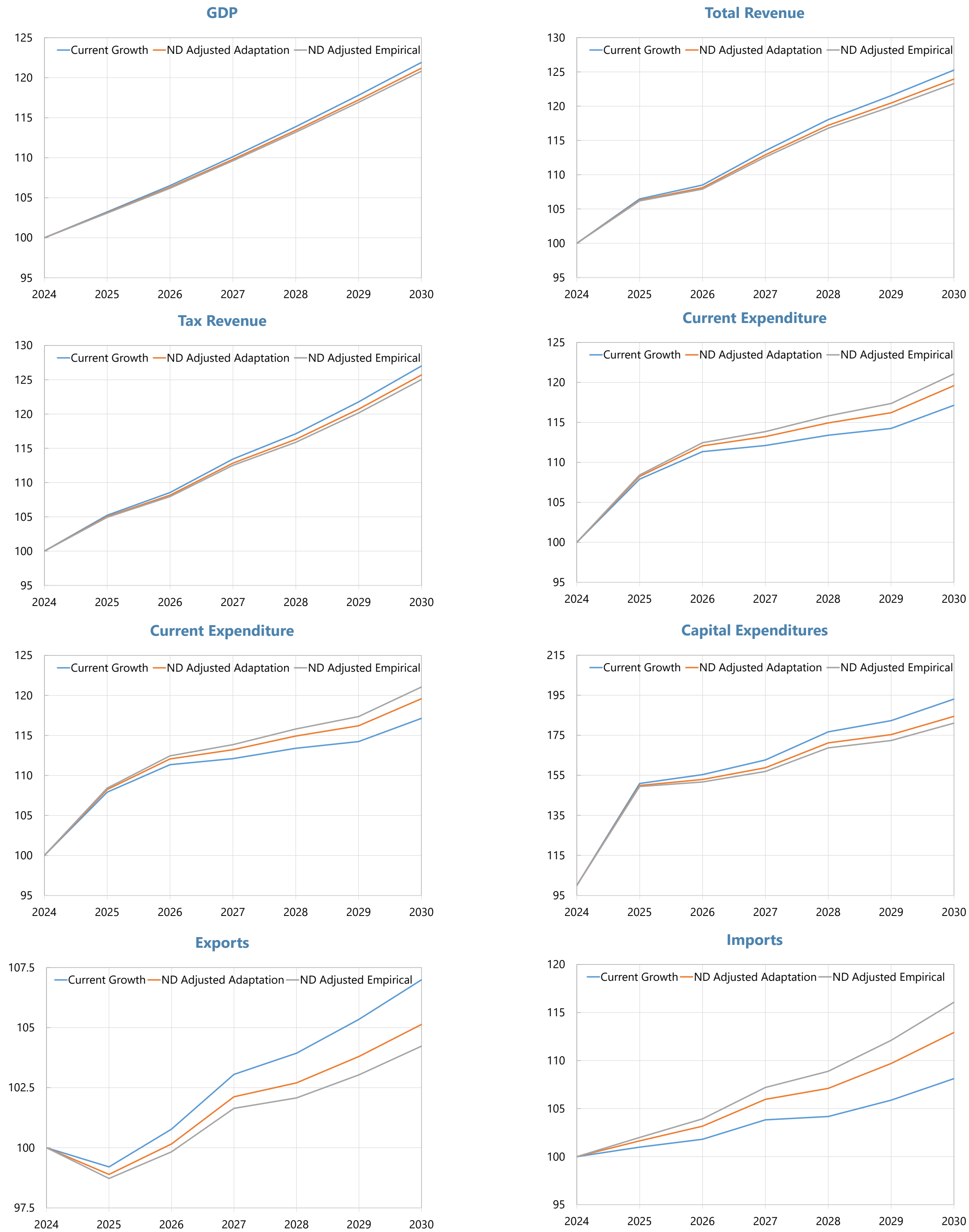
(percent)



Sources: IMF staff estimates

Figure 4. Seychelles: Climate Adjusted Projections Under Different Scenarios

(index, 2024=100)



Sources: IMF staff estimates

Annex III. Sovereign Risk Debt Sustainability Framework

Figure 1. Seychelles: Risk of Sovereign Stress

Horizon	Mechanical signal	Final assessment	Comments
Overall	...	**Moderate**	The overall risk of sovereign stress is moderate, reflecting moderate levels of vulnerability in the medium-, and long-term horizons.
Near term 1/			
Medium term	**Moderate**	**Moderate**	Medium-term risks are assessed as moderate on the basis of the strength of institutions and the authorities' commitment to prudent fiscal stance. The DSA applied the contigent liability and natural disaster shock.
Fanchart	**Moderate**	...	
GFN	**Moderate**	...	
Stress test	Cont. Liabty. Nat. Diast.	...	
Long term	...	**Moderate**	Long-term risks are moderate on the basis of increasing financing needs for the health system and climate-related expenditures.
Sustainability assessment 2/	Sustainable	Sustainable	The projected debt path is expected to improve and stabilize over the long run and GFNs will remain at manageable levels. While the impact of climate change is a concern, efforts to mitigate its impact is already built in over the medium term in the infrastructure spending, and the authorities are already actively engaging with other international agencies for technical and financial support. Therefore debt is assessed as sustainable with high probability.
Debt stabilization in the baseline			Yes

DSA Summary Assessment

Commentary: Staff assesses Seychelles to be at a moderate risk of sovereign stress and debt is assessed to be sustainable. Public debt increased from 57.3 percent of GDP in 2023 to 59.6 percent in 2024, due to exchange rate depreciation and a higher stock of external guarantees. Medium-term liquidity risks are moderate as analyzed by the GFN Financeability and Debt fan chart index. Long-term risk is also considered moderate, and debt is considered sustainable with high probability. However, due to its high-income status, Seychelles faces limited access to concessional financing. The authorities should continue to maintain a prudent fiscal position and develop domestic debt markets to diversify source of financing.

Source: Fund staff.

Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.

1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

Figure 2. Seychelles: Debt Coverage and Disclosures

						Comments
1. Debt coverage in the DSA: 1/	CG	GG	NFPS	CPS	Other	
1a. If central government, are non-central government entities insignificant?					n.a.	
2. Subsectors included in the chosen coverage in (1) above:						
Subsectors captured in the baseline					Inclusion	
1 Budgetary central government					Yes	
2 Extra budgetary funds (EBFs)					No	Not applicable
3 Social security funds (SSFs)					Yes	
4 State governments					No	Not applicable
5 Local governments					No	Not applicable
6 Public nonfinancial corporations					No	
7 Central bank					No	
8 Other public financial corporations					No	
3. Instrument coverage:	Currency & deposits	Loans	Debt securities	Oth acct. payable 2/	IPSGSs 3/	
4. Accounting principles:	Basis of recording		Valuation of debt stock			
	Non-cash basis 4/	Cash basis	Nominal value 5/	Face value 6/	Market value 7/	
5. Debt consolidation across sectors:		Consolidated		Non-consolidated		

Subsector grouping: rows 1–3 CG; rows 1–5 GG: expected; rows 1–6 NFPS; rows 1–8 CPS.

Color code: chosen coverage; Missing from recommended coverage; Not applicable

(Chosen coverage: GG; Budgetary central government; Social security funds; Currency & deposits; Loans; Debt securities; Oth acct. payable 2/; Cash basis; Nominal value 5/; Non-consolidated. Missing from recommended coverage: Extra budgetary funds; State governments; Local governments; IPSGSs 3/. Not applicable: rows 6–8.)

Reporting on Intra-Government Debt Holdings

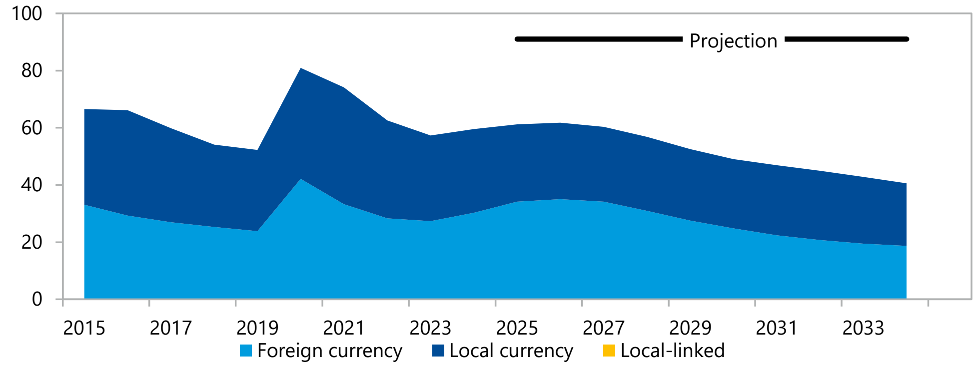
Issuer \ Holder	Budget. central govt	Extra-budget. funds	Social security funds	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
1 Budget. central govt									0
2 Extra-budget. funds									0
3 Social security funds									0
4 State govt.									0
5 Local govt.									0
6 Nonfin pub. corp.									0
7 Central bank									0
8 Oth. pub. fin. corp									0
Total	0	0	0	0	0	0	0	0	0

1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.
2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.
3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.
4/ Includes accrual recording, commitment basis, due for payment, etc.
5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).
6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.
7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.

Commentary: The coverage in this SRDSA is for the general government and there are no subnational governments. Government guarantees are included in the debt coverage and there are two major projects in the pipeline for the period of 2025-27: Land Reclamation Project ($17.5 million) and the Seychelles Port Extension and Rehabilitation Project ($62.3 million). There are no outstanding arrears.

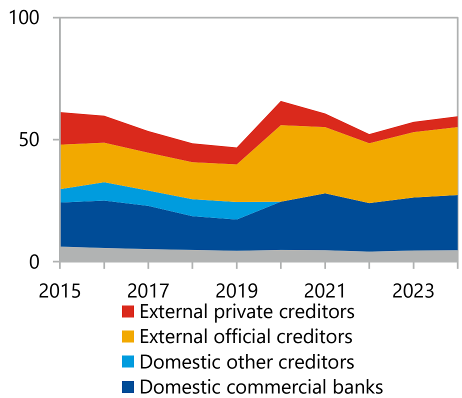
Figure 3. Seychelles: Public Debt Structure Indicators

Debt by Currency (Percent of GDP)



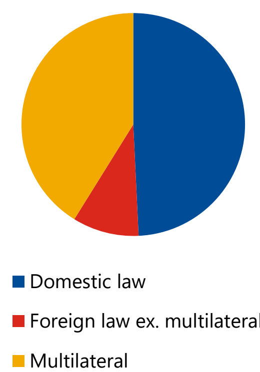
Note: The perimeter shown is general government.

Public Debt by Holder (Percent of GDP)



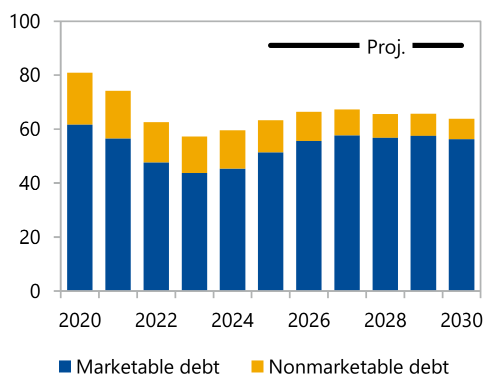
Note: The perimeter shown is general government.

Public Debt by Governing Law, 2024 (percent)



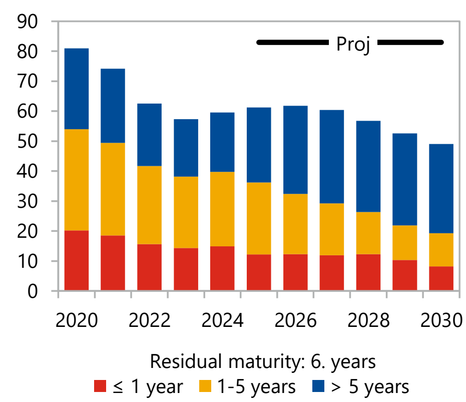
Note: The perimeter shown is general government.

Debt by Instruments (Percent of GDP)



Note: The perimeter shown is general government.

Public Debt by Maturity (Percent of GDP)



Note: The perimeter shown is general government.

Commentary: The share of foreign debt increased in recent years with the IMF financial program disbursements and WB and AFDB budget supports, and its share in total debt is expected to increase gradually over the next two years. Over the medium and long-term, market financing both from domestic and external financial markets will increase gradually. External creditors are largely multilaterals (IMF, World Bank and AfDB) and bilaterals (Paris and non-Paris club). However, access to concessional financing is limited due to its high-income status. The authorities have the long-term strategy of maintaining a balanced share of domestic and external loans in the total debt stock. Banks are the largest domestic creditors. The potential for greater domestic bond financing to replace external financing could be constrained by the absence of a secondary market mechanism for government securities. Authorities are working with the Fund to improve secondary market mechanism.

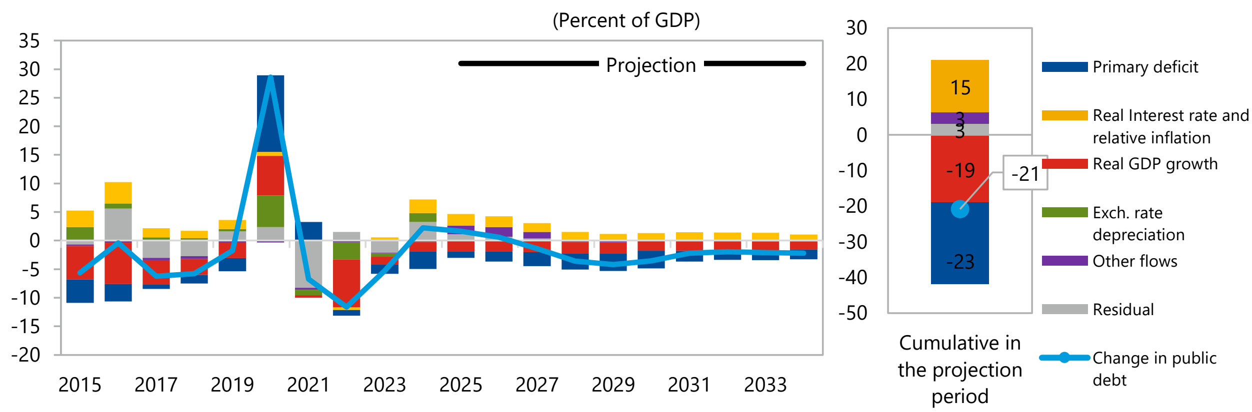
Figure 4. Seychelles: Baseline Scenario

(Percent of GDP unless indicated otherwise)

	Actual	Medium-term projection						Extended projection			
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Public debt	59.6	61.2	61.8	60.4	56.8	52.6	49.0	46.9	44.9	42.8	40.6
Change in public debt	2.2	1.6	0.6	-1.4	-3.6	-4.2	-3.6	-2.2	-1.9	-2.1	-2.2
Contribution of identified flows	-1.0	0.5	-0.1	-1.8	-3.7	-4.1	-3.6	-2.4	-2.1	-2.3	-2.4
Primary deficit	-3.1	-1.1	-1.8	-2.5	-2.9	-3.1	-3.1	-1.8	-1.6	-1.8	-1.7
Noninterest revenues	33.9	35.7	35.9	35.7	35.8	35.5	35.3	34.0	33.8	33.8	33.6
Noninterest expenditures	30.8	34.5	34.1	33.2	32.9	32.4	32.3	32.2	32.2	32.0	31.9
Automatic debt dynamics	2.3	0.2	0.0	-0.5	-0.6	-0.8	-0.5	-0.4	-0.3	-0.3	-0.5
Real interest rate and relative inflation	2.4	2.0	1.9	1.5	1.4	1.1	1.2	1.3	1.3	1.2	0.9
Real interest rate	3.0	2.3	2.0	1.4	1.0	0.8	1.0	1.0	1.0	1.0	0.7
Relative inflation	-0.6	-0.3	-0.1	0.2	0.4	0.3	0.3	0.3	0.2	0.2	0.2
Real growth rate	-1.6	-1.9	-1.9	-2.0	-2.0	-1.9	-1.8	-1.6	-1.6	-1.5	-1.4
Real exchange rate	1.5	...	...	...	...	...	...	...	...	...	...
Other identified flows	-0.3	1.5	1.7	1.1	-0.2	-0.2	0.0	-0.2	-0.2	-0.1	-0.1
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(minus) Interest Revenues	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other transactions	-0.1	1.5	1.7	1.2	-0.2	-0.2	0.0	-0.2	-0.1	-0.1	-0.1
Contribution of residual	3.3	1.1	0.6	0.4	0.1	-0.1	0.1	0.2	0.2	0.2	0.2
Gross financing needs	11.9	15.3	12.8	11.9	11.1	10.7	9.1	8.4	8.2	8.1	6.2
of which: debt service	15.1	16.4	14.6	14.4	13.9	13.9	12.2	10.2	9.8	9.9	7.9
Local currency	10.5	12.1	10.0	10.1	10.0	10.1	8.5	7.0	7.4	7.9	7.0
Foreign currency	4.6	4.3	4.6	4.3	4.0	3.8	3.6	3.2	2.5	2.0	0.9
Memo:											
Real GDP growth (percent)	2.9	3.2	3.2	3.4	3.4	3.4	3.5	3.5	3.5	3.5	3.5
Inflation (GDP deflator; percent)	0.2	0.7	1.5	2.3	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Nominal GDP growth (percent)	3.2	4.0	4.8	5.8	6.5	6.6	6.6	6.6	6.6	6.6	6.6
Effective interest rate (percent)	5.6	4.8	4.9	4.7	4.8	4.5	4.9	5.2	5.3	5.3	4.8

Contribution to Change in Public Debt

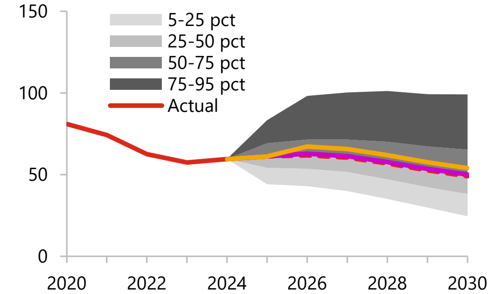
(Percent of GDP)



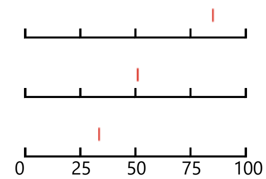
Commentary: Public debt has been on a downward debt trajectory after a temporary increase during the pandemic. Debt reduction is projected to continue in line to meet the authorities' medium-term target of 50 percent of GDP and potentially lower over the longer term, mainly driven by continued fiscal prudence and GDP growth. Changes compared to previous DSA (March 2024) reflect weaker growth and inflation dynamics which more than offset a better medium-term primary balance.

Figure 5. Seychelles: Medium-Term Risk Assessment

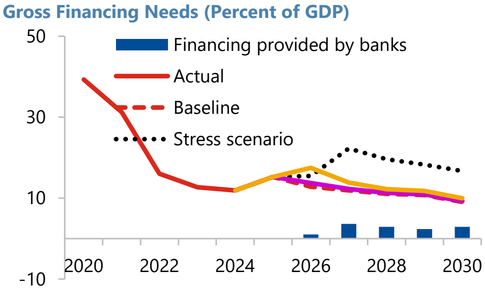
Final Fanchart (Percent of GDP)



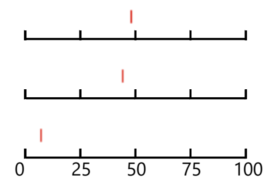
	Value	Contrib 1/	Percentile in peer group 2/
Debt fanchart module			
Fanchart width *(percent of GDP)*	74.6	1.1	
Probability of debt non-stabilizaiton *(percent)*	2.9	0.0	
Terminal debt-to-GDP x institutions index	23.8	0.5	
Debt fanchart index (DFI)		1.6	
Risk signal: 3/		**Moderate**	



Gross Financing Needs (Percent of GDP)



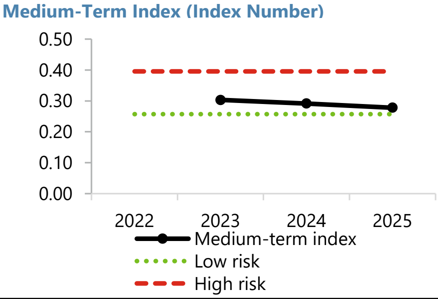
	Value	Contrib 1/	Percentile in peer group 2/
Gross financing needs (GFN) module			
Average baseline GFN *(percent of GDP)*	11.8	4.0	
Initial Banks' claims on the gen. govt *(pct bank assets)*	13.0	4.2	
Chg. In banks' claims in stress *(pct banks' assets)*	5.7	1.9	
GFN financeability index (GFI)		10.1	
Risk signal: 4/		**Moderate**	



Triggered stress tests (stress tests not activated in gray)

Banking crisis | Commodity prices | Exchange rate | Contingent liab. | Natural disaster

Medium-Term Index (Index Number)



Medium-term risk analysis

	Value	Value (normalized)	Weight	Contribution
Debt fanchart index	1.6	0.4	0.5	0.2
GFN finaceability index	10.1	0.2	0.5	0.1
Medium-term index		0.3		
Risk signal: 5/		**Moderate**		
Final assessment:		**Moderate**		

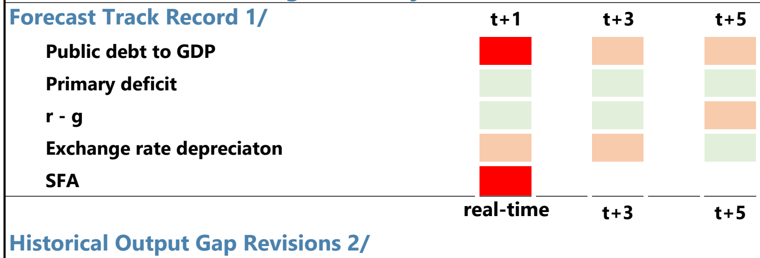
Prob. of missed crisis, 2025-2030, if stress not predicted: 18.2 pct.
Prob. of false alarms, 2025-2030, if stress predicted: 34.1 pct.

Commentary: Both medium-term tools indicate that risk is moderate. The fan chart analysis estimates risks to be moderate due partly to a relatively moderate probability of debt non-stabilization and a relatively low terminal adjusted debt-to-GDP ratio. The GFN module also indicates moderate risk for Seychelles in relation to its low average projected gross financing needs and relatively limited exposure on banks to government debt. In the stress scenario, the natural disaster shock was calibrated based on the Disaster Risk Financing Strategy TA Report that estimates the financing needs for public and private entities combined to US$59 million for a 100-year event (or 2.7 percent of GDP). This shock would elevate financing needs in the short-term but would stabilize after three years. In reality, due to geographical location, Seychelles has not experienced many natural disasters. However, the country is highly vulnerable to the rise in sea level from climate change. The RSF is supporting the authorities address climate concerns. The DSA also incorporates a stress test for a contingent liability related to the CBS recapitalization amounting SRC 330 million and financed by local banks.

Source: IMF staff estimates and projections.

1/ See Annex IV of IMF, 2022, Staff Guidance Note on the Sovereign Risk and Debt Sustainability Framework for details on index calculation.
2/ The comparison group is emerging markets, non-commodity exporter, program.
3/ The signal is low risk if the DFI is below 1.13; high risk if the DFI is above 2.08; and otherwise, it is moderate risk.
4/ The signal is low risk if the GFI is below 7.6; high risk if the DFI is above 17.9; and otherwise, it is moderate risk.
5/ The signal is low risk if the GFI is below 0.26; high risk if the DFI is above 0.40; and otherwise, it is moderate risk.

Figure 6. Seychelles: Realism of Baseline Assumptions



Comparator Group:

Emerging Markets, Non-Commodity Exporter, Program

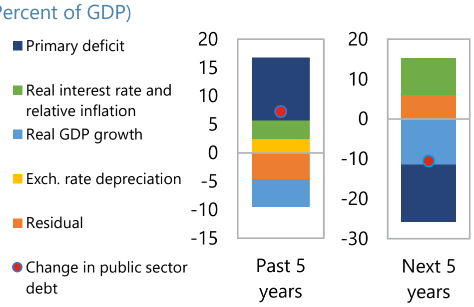
Color Code:

Optimistic
- > 75th percentile
- 50-75th percentile
- 25-50th percentile
- < 25th percentile

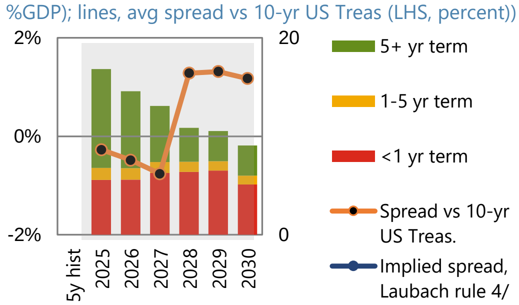
Pessimistic

Public Debt Creating Flows

(Percent of GDP)

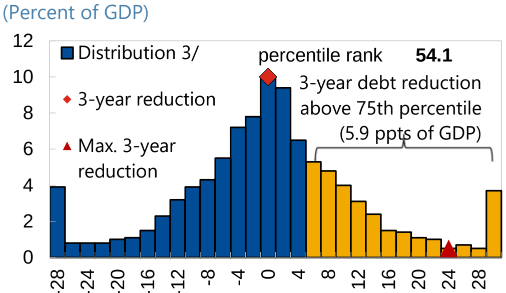


Bond Issuances (Bars, debt issuances (RHS, %GDP); lines, avg spread vs 10-yr US Treas (LHS, percent))

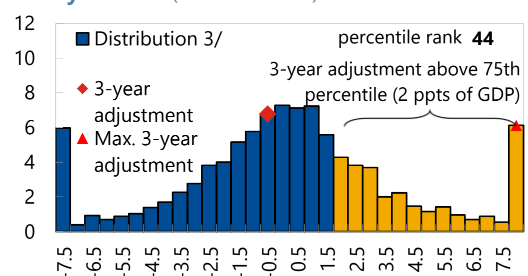


3-Year Debt Reduction

(Percent of GDP)

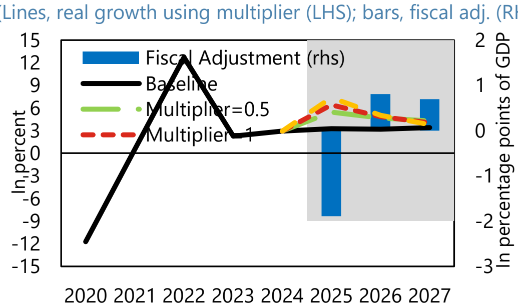


3-Year Adjustment in Cyclically-Adjusted Primary Balance (Percent of GDP)



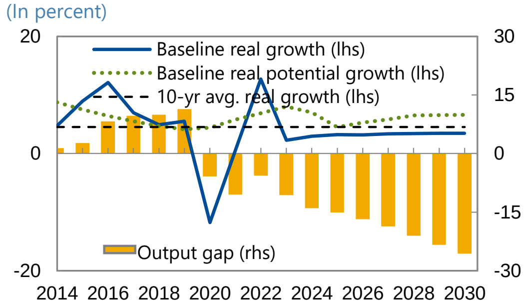
Fiscal Adjustment and Possible Growth Paths

(Lines, real growth using multiplier (LHS); bars, fiscal adj. (RHS))



Real GDP Growth

(In percent)



Commentary: The V-shaped economic recovery from the Covid pandemic combined with faster than expected fiscal consolidation have significantly reduced public indebtedness. Debt reduction as a share of GDP over the last years and the authorities' strong commitment to prudent fiscal management make Seychelles standout among other comparable countries. However, its heavy reliance on tourism renders the economy vulnerable to shocks. Seychelles is also facing significant climate challenges.

Source : IMF Staff.

1/ Projections made in the October and April WEO vintage.

2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates

3/ Data cover annual obervations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical axis.

4/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.

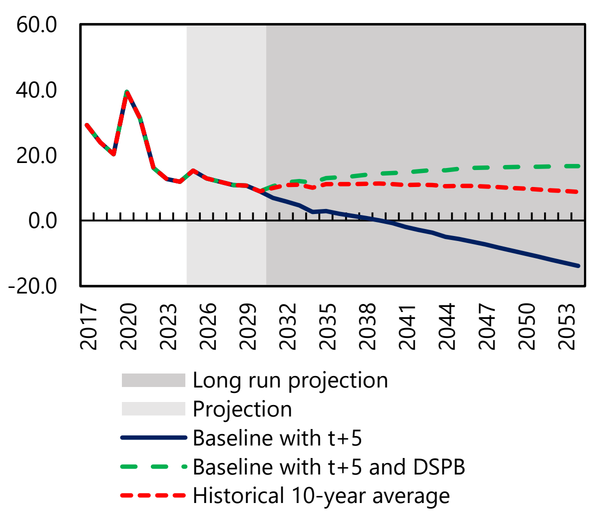
Figure 7. Seychelles: Triggered Modules

Large amortizations	Pensions	**Climate change: Adaptation**	Natural Resources
	Health	**Climate change: Mitigation**	

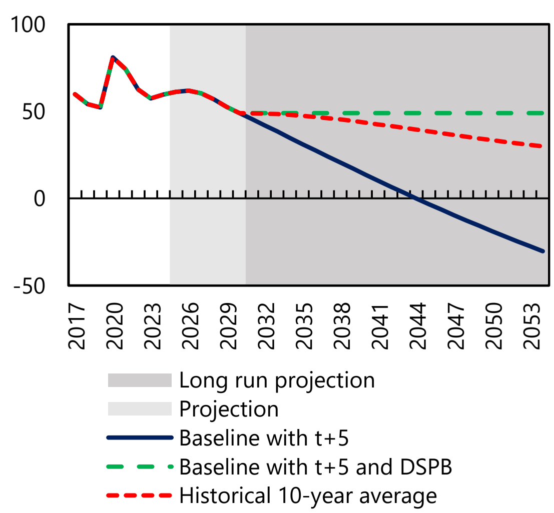
Seychelles: Long-Term Risk Assessment: Large Amortization

Projection	Variable	Risk Indication
Medium-term extrapolation	GFN-to-GDP ratio Amortization-to-GDP ratio Amortization	
Medium-term extrapolation with debt stabilizing primary balance	GFN-to-GDP ratio Amortization-to-GDP ratio Amortization	
Historical average assumptions	GFN-to-GDP ratio Amortization-to-GDP ratio Amortization	
Overall Risk Indication		

GFN-to-GDP Ratio

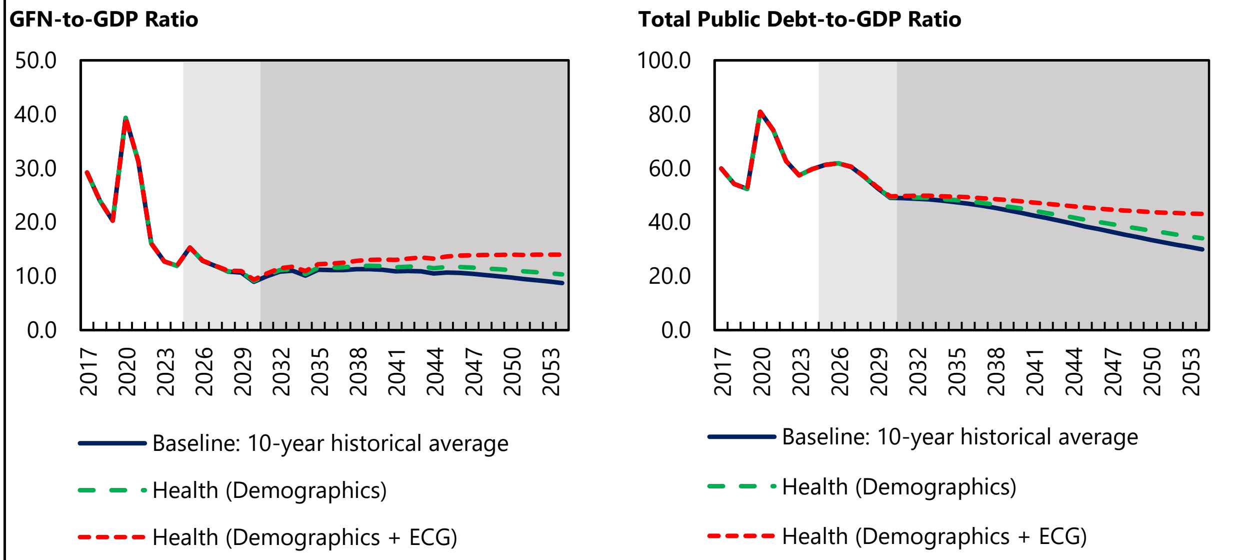


Total Public Debt-to-GDP Ratio



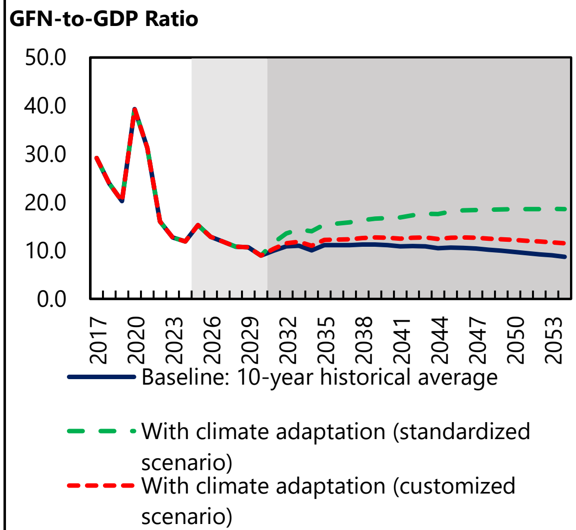
Commentary: The DSA long-term risk assessment is considered moderate. Unlike other small island economies, Seychelles has not been subject to frequent disasters like earthquakes due to its location. However, the country is highly vulnerable to climate change associated with the rise of sea-level. Effective planning and execution of climate policies and identifying and deploying new revenue sources to address social needs will be critical.

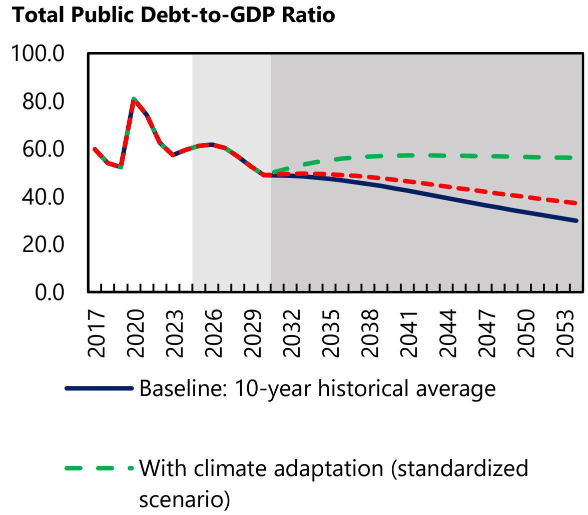
Figure 8. Seychelles: Demographics: Health



Commentary: Health spending needs may be higher than what is suggested by the model, given the increasing share of the population suffering from substance abuse and its long-term generational effect. The authorities actively seek external partners to build medical/health infrastructure and devise social programs to address this issue.

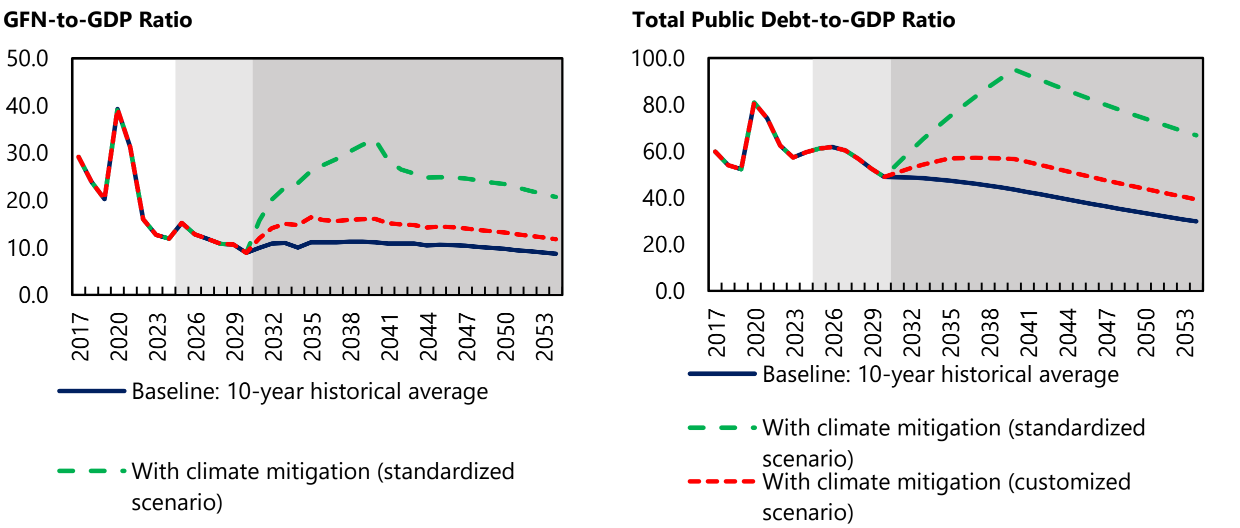
Figure 9. Seychelles: Climate Change: Adaptation





Commentary: Based on the DIGNAD model simulations to Seychelles (Annex IV, IMF Country Report 23/235), an allocation of 2 percent of GDP for five years (0.4 per year) towards physical infrastructure designed to withstand natural disasters could prevent 5.3 percent of GDP in output loss and enable a faster recovery. The customized DSA climate adaptation scenario assumes a permanent additional investment of 0.4 percent. Due to its geographical location, Seychelles has not been affected much by natural disasters such as hurricanes. However, the rising sea level poses a significant threat via the vulnerability of critical infrastrucutre of tourism facilities on the coastline. The authorities are receiving the Fund's support through the RSF.

Figure 10. Seychelles: Climate Change: Mitigation



Commentary: According to Seychelles NDC (2021), $331.5 million (or 15 percent of GDP) is the estimated investment needed for low-carbon interventions in energy, transport, and waste management. The DSA climate mitigation customized scenario assumes the total investment amount will be implemented over 10 years, 2 percent of GDP in the first 5 years, and 1 percent in the following 5 years.

Annex IV. External Sector Assessment

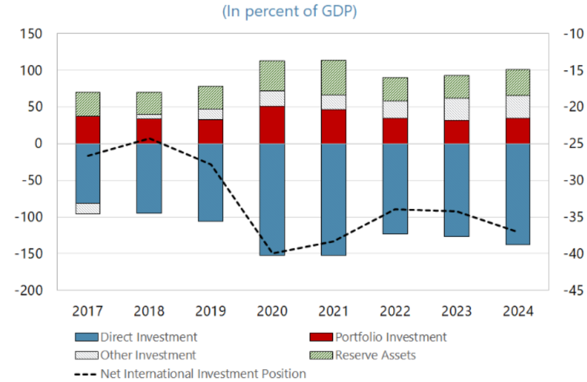
Overall Assessment: Seychelles' external position in 2024 was substantially weaker than the level implied by fundamentals and desirable policies based on IMF's EBA-lite current account model[1]. However, the assessment is subject to data and model uncertainty. Seychelles' current account deficit widened slightly in 2024, due mostly to a slower growth in tourism arrivals. In the medium term, it is projected to stabilize around 9 percent of GDP, reflecting a maturing tourism sector and ongoing infrastructure and climate investments.

Potential Policy Responses: The authorities should continue to maintain a flexible exchange rate regime and build external buffers against external shocks. Seychelles' external position already encompasses a stronger than expected fiscal position, which itself was linked to an under-execution of capital projects. Policy response should take into account that Seychelles is a microstate heavily reliant on high-end tourism earnings and on imports for consumption and investment (i.e., elasticities of exports and imports to exchange rates differ from most of larger economies). Going forward, the authorities face climate-related challenges and limited access to concessional financing due to their higher income status. Efforts should continue to implement structural reform to create environment conducive to steady FDI and loan financing on favorable terms, and to diversify and improve overall competitiveness.

Foreign Assets and Liabilities: Position and Trajectory

Background. Seychelles net international investment position (NIIP) has deteriorated in 2024. Based on full-year data for 20244, Seychelles' NIIP is estimated at minus 37 percent of GDP compared to minus 34 percent at end 2023. This was driven by strong FDI inflows, which continue to remain an important component of the financial account financing the current account deficit. As of end-2024, direct investment was about 23 percent of gross assets (compared to 25 percent at end-2023) and 58 percent of gross liabilities (unchanged from end-2023), while portfolio investment was about 13 percent of gross assets (unchanged from end-2023) and about 2 percent of gross liabilities (compared to 3 percent at end-2023).

Seychelles: Net International Investment Position
(In percent of GDP)



Source: Central Bank of Seychelles

Assessment. Going forward, the current account deficit is projected to stabilize at around 9 percent of GDP reflecting maturing tourism sector and continued need to invest in infrastructure to support inclusive growth and to address climate challenges. To mitigate risks, the authorities should continue to maintain efforts to improve external competitiveness especially in the tourism sector, support productivity growth through capacity building which would reduce cost of external financing and continue to attract steady foreign investment.

2024	NIIP:	Gross Assets:	Debt Assets:	Gross Liab.:	Debt Liab.:
(% GDP)	-37.0%	331%	31%	368%	153%

Current Account

Background. The current account is estimated to have widened to 7.9 percent of GDP in 2024, up from 7.4 percent in 2023. Tourist arrivals increased by 0.5 percent compared to 2023, reaching 92 percent of the pre-pandemic peak of 384,204 in 2019. With spending per tourist falling by 7.4 percent, overall tourism earnings deteriorated by 3 percent of GDP. This was partially offset by an improvement of 2.1 percent of GDP in the trade balance. On the export front, tuna and re-exports of petroleum products saw the largest increases (0.4 percent of GDP, and respectively 0.5), while on the imports side, FDI-related imports declined by 1.5 percent of GDP. With a general government overall balance of 0.9 percent, the current account result implies negative saving-investment balance in the private sector of 8.8 percent.

Assessment. The model estimates that Seychelles' external position is substantially weaker than suggested by fundamentals and desirable policies, subject to caveats discussed above. The EBA-lite CA model shows that Seychelles' adjusted CA balance is estimated at minus 9.2 percent of GDP in 2024, while the multilaterally consistent adjusted CA norm is minus 1.8 percent of GDP, suggesting a current account gap of minus 7.8 percent of GDP.

Seychelles: EBA-lite Model Results, 2024

	CA model 1/	**REER model** 1/
	(in percent of GDP)	
CA-Actual	**-7.9**	
Cyclical contributions (from model) (-)	1.7	
Natural disasters and conflicts (-)	0.0	
Adjusted CA	**-9.6**	
CA Norm (from model) 2/	**-1.8**	
Adjustments to the norm (+)	0.0	
Adjusted CA Norm	**-1.8**	
CA Gap	**-7.8**	**5.0**
o/w Relative policy gap	2.6	
Elasticity	-0.8	
REER Gap (in percent)	**9.9**	**-6.4**

1/ Based on the EBA-lite 3.0 methodology

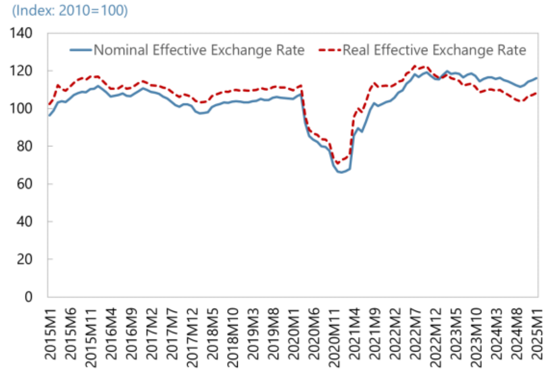
2/ Cyclically adjusted, including multilateral consistency adjustments.

Real Exchange Rate

Background. The exchange rate depreciated slightly against the US dollar by end-2024 (4 percent compared to December 2023). In NEER and REER terms, the rupee depreciated by 0.6 percent and 1.9 percent, respectively, from December 2023 to December 2024.

Assessment. The CA gap estimated under the CA EBA-Lite model implies a current account gap of -7.8 percent and an overvaluation of 9.9 percent applying an estimated elasticity of minus 0.8. At the same time, the EBA-Lite REER model suggests a REER gap of 5 percent and an undervaluation of minus 6.4. The CA model typically is more reliable in capturing the evolving nature of Seychelles' external position.

Nominal and Real Effective Exchange Rates
(Index: 2010=100)



Capital and Financial Accounts: Flows and Policy Measures

Background. Net FDI has dominated Seychelles' financial account flows, averaging well above 10 percent of GDP since 2018. In 2024, net FDI inflows decreased to 12 percent of GDP, down from 12.8 percent in 2023, as an expected ramp-up in FDI was rephased to the next years. The medium-term outlook for FDI is expected to be strong, driven by the construction of tourism-related establishments and resorts. New external debt incurred in 2024 was provided by IFIs and bilateral loans from development partners. Due to Seychelles' high-income status, these loans were not provided on less concessional terms. Going forward Seychelles faces limited access to concessional financing. The authorities continue to levy an annual tax of 0.5 percent on immovable property owned in Seychelles by non-Seychellois, which is assessed an inflow CFM under the institutional view for liberalization and management of capital flows.

Assessment. Risks related to capital flows are increasing primarily due to Seychelles' high-income status which limits its access to concessional loans from development partners. Over the medium-term, the country's exposure to climate-related challenges may also impact its ability to attract FDI. The authorities should continue to maintain a flexible exchange rate regime and build buffer against external shocks, while implementing structural reforms which would make Seychelles attractive to foreign investors. On the inflow CFM related to the tax on immovable property non-Seychellois, staff recommends making the tax broad-based by applying it to both Seychellois and non-Seychellois or removing the measure and relying on alternative fiscal revenue enhancing measures.

FX Intervention and Reserves Level

Background. The exchange rate regime is classified as floating and foreign exchange interventions are aimed at addressing disorderly market conditions and maintaining an adequate level of international reserves. The authorities conducted several foreign exchange auctions for a total of US$69.5 million to accumulate reserves during 2024, mostly in the first part of the year. Gross International Reserves (GIR) at end-2024 were $774 million (3.8 months of imports, 115 percent of ARA metric), increasing from US$682 million at end-2023 (3.4 months of imports, 105 percent of ARA metric). GIR are projected to maintain import coverage in the range of 3-4 months over the medium term.

Assessment. Compared with standard reserve adequacy benchmarks, staff estimates international reserves at end-2024 to be within the advisable range of international reserves. Given the country's high dependency on tourism and the vulnerability of this sector to external shocks (including the impacts of climate change), the authorities should further increase external buffers. In the past, the authorities expressed caution over interventions in the foreign exchange market given the rapid pass-through from depreciation of the rupee to inflation via import prices. They indicated that they would intervene and accumulate more reserves if the market conditions allow.

[1]The external sector assessment is based on staff's estimates.

Annex V. Capacity Development (CD) Strategy for 2025–26

1. **The implementation of reforms in Seychelles under the EFF/RSF programs has been supported by CD activities covering public financial management (integrating as well climate aspects), revenue administration, monetary policy conduct and better compilation of macroeconomic statistics.** The implementation of the RSF program requires high (and in many cases, new) technical skills. Therefore, the authorities have relied on CD activities to build the necessary skills and help address the human resources' constraints. CD activities have been at the center of the RSF program design and implementation.

2. **The Fund has provided support in such such areas as climate budgeting, climate related fiscal risk analysis, and climate-sensitive public investment management.** In addition, the authorities have completed the recruitment process for a resident advisor on climate finance with the support of NDC Partnership. The resident advisor will also help authorities enhance the National Climate Finance Strategy building on the results of the Climate Finance Roundtable held in Victoria on February 24th, 2025.

3. **The Central Bank of Seychelles received technical assistance on climate risks analysis, which involved:** (i) an introduction to climate risk analysis; (ii) an overview of the climate data, exposure data, and impact/damage functions; (iii) identifying and discussing the exposure data available or that could become available; (iv) identifying and discussing other local data sources for hazards, exposures, and vulnerability, and possible interagency collaborations; (iv) setting out the options for an initial climate risk analysis framework. The World Bank will also support the authorities in the elaboration of a climate risk analysis framework.

4. **CD activities during FY 2025-26.** The authorities are working to implement an Integrated Financial Management and Information System (IFMIS). The IFMIS is expected to significantly enhance the financial management capacity, however its execution requires high technical skills, and the authorities may face some challenges in effectively managing the service provider and elaborating an efficient operational plan. The African Development Bank has approved funding for a resident IFMIS advisor, which should help mitigate these risks. FAD may also provide technical assistance (TA) to help review project plans and the Ministry of Finance capacity. FAD is also expected to provide follow-up TA in green public financial management. MCM may also provide follow-up TA on climate risks analysis. LEG will provide TA to the Ministry of Finance on amending the Public Debt Management Act.

5. **Feedback from the authorities confirms that CD activities are much appreciated and have a high degree of traction.** They represent a tool for the authorities to implement the program's reforms and comply with international standards. Seychelles is an active financial contributor to AFRITAC South. To maintain current momentum, the Seychelles authorities will need to strengthen their capacity for macroeconomic management through stronger public financial management and revenue administration, an improved monetary policy framework, stronger

financial sector surveillance, an enhanced AML/CFT framework for Virtual Assets (VA) and Virtual Assets Service Providers (VASP), and better quality of macroeconomic statistics (Table below).

Table 1. Seychelles: Capacity Development (CD) Strategy for 2025–26

Priorities	Objectives	Challenges
Macro-Fiscal Policies	Strengthen the credibility of medium-term budget planning; balance fiscal consolidation; strengthen the identification, monitoring, and management of fiscal risks; wage bill and pension sustainability; improve coverage and quality of fiscal reporting; strengthen macro-fiscal forecasting capacities.	Political commitment will need to be maintained to ensure impactful reforms; capacity is limited given the small number of staff.
Public Financial Management	Infrastructure and climate change related investments; enhance the efficiency of public investment; improve debt and cash management practices; improve the efficiency and integration of IT systems.	Political commitment will need to be maintained to ensure impactful reforms. New IT systems will need to be tailored to Seychelles.
Revenue administration and tax policy	Strengthen revenue administration and governance arrangements and strengthen Customs and tax administration core functions; enhance the efficiency of VAT; improve tax expenditure reporting; assess scope to strengthen international tax rules.	The limited number of technically strong staff, as well as frequent turnovers of senior staff in the Seychelles Revenue Commission (SRC).
Debt Management	Continue to produce a comprehensive Medium-Term Debt Management Strategy (MTDS) and Annual Borrowing Plan (ABP); strengthen processes for accurate debt recording, reporting, and monitoring; develop the secondary market for government securities.	The small size of the Ministry of Finance, Economic Planning and Trade.
Monetary Policy Implementation	Strengthen the CBS staff's capacity for inflation forecasting and liquidity management; deepen the money market and improve the transmission mechanism of monetary policy in the context of an interest rated-based framework; develop the Emergency Liquidity Assistance (ELA) framework; develop the government securities; develop the market infrastructure; enhance the communication strategy/policy of the CBS.	The small size of the CBS staffing.
Financial Stability and Crisis Management	Implement a risk-based supervision system and upgrade other supervisory processes; amend the capital adequacy regulation; strengthen the legal basis and the mandate of the Financial Stability Commission (FSC); management of climate-related risks.	The limited number of technically strong staff.
Financial Integrity (AML/CFT)	Improve the AML/CFT supervision/regulatory framework by implementing a risk-based approach to supervision of VA/VASP; reduce the ML/TF and reputational risk to which the offshore banking and international business sectors is exposed (including on VA/VASP and transparency of beneficial ownership information).	The limited number of technically strong staff could delay the implementation of reforms.
Payments and Infrastructure	Advise and assist the central bank and other relevant authorities in developing and reforming the national payment system.	The limited number of technically strong staff; lack of structured coordination between agencies.
Real Sector Statistics	Strengthen the compilation and dissemination of national accounts, price, and external sector statistics according to internationally accepted statistical standards.	Lack of human resources at the National Bureau of Statistics (NBS) and the high staff turnover.
Government Finance statistics (GFS)	Build capacity and improve the quality of fiscal and debt statistics.	The small size of the Ministry of Finance, Economic Planning and Trade.
Financial Sector Statistics	Increase the scope of monetary and financial statistics data to include credit providing nonbank financial institutions and payment companies and compile Financial Soundness Indicators in line with the latest international standards (2019 FSI Guide).	The small size of the CBS staffing.

Appendix I. Letter of Intent

Victoria
May 21, 2025

Ms. Kristalina Georgieva,
Managing Director,
International Monetary Fund
700 19th St, NW
Washington, DC 20431
USA

Dear Madam Managing Director:

On behalf of the Government of the Republic of Seychelles, we wish to express our continued commitment to implementing the economic and financial policies supported under the Extended Fund Facility (EFF) and Resilience and Sustainability Facility (RSF) arrangements. These programs remain critical to supporting our ongoing macroeconomic stabilization and structural reform agenda.

Global economic activity is projected to weaken significantly in 2025, driven by rising trade tensions, tighter financial conditions, and heightened policy uncertainty. These trends present complex fiscal challenges for a vulnerable small island states like Seychelles, requiring a balance between supporting domestic demand, maintaining debt sustainability, and building resilience to external shocks.

Despite the December 2023 disaster and global uncertainties, Seychelles demonstrated economic resilience in 2024, achieving a primary surplus of 3.2% of GDP and advancing reforms in fiscal, monetary, and structural areas. Our transformative agenda focuses on modernizing the economy, improving public sector efficiency, and fostering sustainable, inclusive growth. Key reforms include digitalizing public services, enhancing public financial management, improving the business environment, and building resilience in tourism, agriculture, and fisheries.

We remain firmly committed to reducing public debt to 50% of GDP by 2030, supported by sound fiscal policies, improved cash flow forecasting, and ongoing reforms in public investment management. On climate resilience, we continue to implement adaptation and mitigation strategies aligned with our NDCs, while actively mobilizing resources to close the climate financing gap.

In 2024, Seychelles recorded a primary surplus of 3.2% of GDP, surpassing program targets due to higher-than-expected revenues and restrained spending. Expenditures were contained at 33.9% of

GDP, below the revised forecast, with significant savings in wages and salaries due to recruitment delays and skills shortages, and in goods and services from postponed programs. Capital expenditure fell slightly from 3.7% to 3.4% of GDP, mainly due to procurement delays. However, domestic financing for capital projects increased from SR 677.6 million in 2023 to SR 813.9 million in 2024, despite the reallocation of resources to address the December 2023 disaster.

The Government remains committed to a resilient fiscal consolidation path aimed at reducing debt to 50% of GDP by 2030. Despite maintaining a primary surplus, the debt-to-GDP ratio rose slightly to 59.6% in 2024 due to increased borrowing and guarantees to SOEs. Budget support will bridge short-term financing needs, while efforts continue to secure climate-related funding under the RSF and through the planned REPAIR Program with the World Bank for disaster response. Guaranteed debt is expected to rise as support continues for projects like the Port extension.

For 2025, the Government targets a primary surplus of 1.2% of GDP, in line with the original budget. Revenue (excluding grants) is projected to rise to 34.5% of GDP, with current expenditure at 31.6%. Total expenditure and net lending are expected at 37.3% of GDP, with capital expenditure revised down to 5.0%. Domestic financing for capital projects will increase to SR 1,050.2 million, largely due to ongoing projects and key national events. Over the medium term, the Government will advance tax reforms to boost domestic resource mobilization.

In 2024, the Seychelles rupee weakened by 3.7% against the USD, driven by a 3.8% rise in foreign exchange demand outpacing a 2.1% increase in supply. The depreciation moderated in early 2025 compared to late 2024. Domestic prices began rising year-on-year from May 2024 due to the weaker currency and higher electricity tariffs. However, inflation eased from January 2025, largely due to tariff reductions. As of March 2025, year-on-year inflation was -0.04%, with a 12-month average of 0.6%. Inflation is projected to reach 1.2% year-on-year and 1.0% on a 12-month average basis by December 2025.

All Quantitative Performance Criteria (QPCs) and Indicative Targets (ITs) have been met, and structural reforms in fiscal and public financial management, as well as monetary policy operations, are advancing. The Government is also progressing on RSF-agreed reform measures and remains committed to improving the AML/CFT framework and based on the significant progress of the legislative reforms, Seychelles has submitted a request for re-rating of the five outstanding deficiencies (recommendations 6, 7, 8, 15, 33) in February 2025 for discussion at the August 2025 ESAAMLG meeting.

Tackling regulatory arbitrage of activities involving Virtual Assets (VA) and Virtual Asset Service Providers (VASP) remains a key priority. The FSA has issued public warnings and taken enforcement action, including cease and desist orders, against unlicensed operators. To strengthen supervision, it has adopted a blockchain analytics tool and applies strict pre-assessment checks to ensure compliance, with non-compliant applications subject to rejection.

The Government remains steadfast in its commitment to the Economic and Fiscal Resilience Action Plan established under the 36-month Extended Fund Facility (EFF) arrangement and the RSF program. As a small island state vulnerable to external shocks and climate risks, our primary goals remain ensuring economic resilience, maintaining debt sustainability, optimizing the tax system, improving expenditure management, and enhancing financial sector stability in line with international standards.

This proactive approach reflects Seychelles' dedication to sustainable growth, financial stability, and resilience-building in the face of both internal and external challenges.

The policies we will be implementing over the coming months are presented in the attached Memorandum of Economic and Financial Policies, which updates the Memorandum of December 2024. We are requesting the completion of the fourth review under the EFF and RSF approved in May 2023. In this context, we request modification of targets proposed as quantitative performance criteria for June and indicative targets for September 2025 to align with the macro framework agreed in the context of the fourth reviews mission. Moreover, we ask for minor modification for two RMs slated for December 2025 (6th review) to account for the Basel Committee on Banking Supervision not yet having issued formal guidance on assessment and disclosure of climate-related financial risk.

We believe that the economic and financial policies set forth in the MEFP are sufficient to ensure that the objectives of the program will be met. We stand ready to take any further measures that may prove necessary to meet our objectives. We will consult with the Fund on the adoption of these measures, and in advance of revisions to the policies contained in the MEFP, in accordance with the Fund's policies on such consultations. We will supply the Fund with timely and accurate data that are needed for program monitoring.

We authorize the publication of this letter of intent, the attached MEFP, the technical memorandum of understanding, and the forthcoming staff report.

Sincerely yours,

/s/

Ahmed Afif
Vice President
Minister of Finance, National Planning and Trade

/s/

Caroline Abel
Governor, Central Bank of Seychelles

Attachment I. Memorandum of Economic and Financial Policies

I. Background and Macroeconomic Outlook

1. **Global economic activity is expected to significantly weaken in 2025.** This is primarily due to escalating trade tensions, tightening financial conditions and increased policy uncertainty. Economic activity is anticipated to decline in major economies, dampen disposable income and reduce investment and consumption decisions. As for the commodity price outlook, international fuel prices are forecasted to decline on account of the weakening in global economic activity, whilst global food prices are anticipated to remain broadly unchanged. Nevertheless, global inflation is projected to increase, as the impact from the tariffs are incorporated into the final prices of goods and as firms reassess their production capacities. These developments pose complex challenges for fiscal policy, demanding a careful balance between supporting domestic demand, ensuring debt sustainability, and maintaining resilience against external shocks.

2. **The economic performance in 2024 reflected a modest growth, with an estimated real GDP growth rate of 2.9 percent.** While the tourism sector experienced slower growth than expected, and the manufacturing sector contracted following the 7th of December Disaster, several key sectors showed resilience. Notably, robust growth is anticipated in the ICT and construction sectors. This positive outcome is largely attributed to the Government's strategic push for digital transformation, coupled with significant construction activities, including the major reconstruction efforts in the Providence and Cascade areas, which are expected to have a lasting impact on the economy.

3. **Budgetary outturn for 2024, exceeded the program target, with a primary surplus of 3.2 percent of GDP recorded.** This was attributed to additional revenue collection of SR 64.6 million. This was largely due to lower expenditure. Expenditures remained below the revised forecast of 37 percent of GDP, at 33.9 percent of GDP which is more or less in line with the 2023 expenditure as a percentage of GDP. Significant savings of SR 167.5 million in wages and salaries were primarily due to delays in recruitment processes and a skills gap in the local labor market. Additionally, SR 129.6 million in savings was realized under goods and services, largely resulting from delays in implementing various activities and programs. The lower execution in capital expenditure remains one of the main contributing factors, falling from 3.3 percent of GDP in 2023 to 2.8 percent of GDP in 2024.The procurement processes for key projects were delayed, which will affect the 2025 budget. Nevertheless, there is an increase year on year in the nominal value being spent for Capital expenditure being financed by the Government. For the year 2024, domestic financing for projects increased from SR 677.6 million in 2023 to SR 813.9 million in 2024. This increase occurred even as resources from the SIA were allocated to address the aftermath of the 7th December 2023 disaster.

4. **The Seychelles rupee weakened by 3.7 percent against the USD in annual average terms in 2024.** This reflected developments in the domestic foreign exchange market whereby demand for foreign exchange rose by 3.8 per cent, whilst that of supply increased by a lower

magnitude of 2.1 per cent. During the first quarter of 2025, the currency depreciated by a lesser extent when compared to the fourth quarter of 2024.

5. **Domestic prices increased in year-on-year terms since May 2024 as a result of the weaker domestic currency, as well as higher electricity tariffs.** However, there has been a moderation in the rate of inflation as of January 2025, mainly driven by lower electricity tariffs. In March 2025, the year-on-year inflation rate was negative 0.04 percent whilst the 12-month average stood at 0.6 percent. The year-on-year and 12-month average rates of inflation for December 2025 are forecasted at 1.2 percent and 1.0 percent, respectively.

6. **For the year 2025, Seychelles' real GDP growth has been revised downwards to 3.2 percent, compared to the Budget forecast of 4.3 percent.** The downward revision stems largely to a more subdued outlook in tourism-related sectors. The 'Manufacturing Other' sector is expected to grow by 3 percent, bolstered by efforts from the remaining quarry operator to increase production of rock and concrete products and help address supply constraints. This growth is further reinforced by increased construction activities, including preparations for the upcoming FIFA Beach Soccer World Cup. I 'Manufacturing of Fishery Products' is forecasted to grow by 5 percent, compared to the 8 percent initially estimated. The ICT sector continues to show robust momentum with a growth of about 10 percent maintained. The construction sector is also expected to remain resilient with a growth of about 4.5 percent in line with the ongoing and planned capital investment projects throughout the year.

7. **The Monetary Policy Rate (MPR) remained unchanged at 1.75 percent in the second quarter of 2025.** Consequently, the interest rate on the Standing Deposit Facility (SDF) and Standing Credit Facility (SCF) stood at 0.25 percent and 3.25 percent, correspondingly. As for the yield on the 7-day Deposit Auction Arrangement (DAA), this was 1.75 per cent at end-March 2025.

8. **In February 2025, the average interest rate on rupee-denominated savings deposits was lower by 11 basis points when compared to February 2024, whilst the interest rate on local currency loans rose by 1.7 basis points.** As for the interest rate on foreign currency-denominated loans, this increased by 45 basis points over the same period. The cost of government borrowing declined as of November 2024, which was partly reflected by a reduction in the volume of issuance. In March 2025, the yield on T-bills stood at 2.18 percent on the 91-day bills, 2.31 percent on the 182-day bills and 2.40 percent on the 365-day bills.

9. **The current account deficit worsened slightly in value terms, from US$162 million in 2023 to US$173 million in 2024.** This was attributed to the lower performance of the tourism sector, which resulted in a reduction in the net contribution of the services account in 2024 relative to the previous year. As a percentage of GDP, the current account deficit widened from 7.4 percent to 7.9 percent over that period. For 2025, the current account deficit is forecasted to widen to US$202 million. This is primarily on account of a lower growth in tourism earnings, although it will be partially offset by a decline in oil imports consistent with a reduction in international fuel prices.

10. As at end-March 2025, Gross International Reserves (GIR) stood at US$801 million, an increase of US$28 million compared to US$774 million as at end-December 2024. The primary factors that contributed to the rise in GIR were the purchases of foreign exchange from the domestic market by the CBS through its Foreign Exchange Auctions (FEA), in addition to the funds received as budget support from the World Bank, amounting to US$17 million. By the end of March 2025, CBS had accumulated an equivalent of US$19 million through the FEA. Additionally, the Net International Reserves surpassed the target of US$583 million by US$49 million, as at end-December 2024.

11. The resilience of the banking industry was enhanced by an overall improvement in asset quality. As at year end 2024, the banking industry remained well capitalized with all banks maintaining regulatory capital above the prudential requirement of 12 percent. Nonetheless, as of December 2024 the industry's aggregated regulatory capital to risk-weighted assets ratio decreased by 2.0 percentage points to stand at 20 percent compared to the same period the previous year. This was due to the revision in banks' reporting requirements whereby CBS implemented the Basel II framework. An overall improvement in the asset quality of the banking industry was observed, with NPLs decreasing by 24 percent to stand at R687 million. Similarly, NPLs to gross loans ratio decreased by 2.6 percentage points to settle at 5.5 percent, driven by lower NPLs and growth in loans and advances. The main economic sectors that contributed to the decrease in NPLs were tourism; transport; and building & construction. There was an improvement in the profitability of the banking industry with return on assets and return on equity increasing to 3.1% and 30% respectively. The banking industry remained adequately liquid, with all banks maintaining a liquid asset to total liabilities ratio well above the minimum requirement of 20 percent.

II. Program Objectives and Policies Under the EFF and the RSF

A. Real Sector Reforms

12. We recognize the importance of becoming more resilient and prioritizing our objectives, due to possible external shocks and the current geopolitical situation across the globe. We are continuously working towards the creation of an environment that encourages transformation of our traditional and emerging sectors, which will promote added value in the key sectors, and thus gain more revenue to sustain our development. With the transformative economic agenda, the ultimate goal is to increase tourism yield by building a more sustainable, resilient and integrated tourism model, reducing import reliance where feasible and improving food and nutrition security by establishing supporting structures and mechanisms in the agriculture sector, and foster greater value addition while stimulating increased job creation and revenue generation within the fisheries and blue economy sectors without compromising the sustainability of the marine ecosystem.

13. The Government recognizes that the success of economic transformation is dependent on investment, infrastructure development, and more importantly new business models. In the tourism sector, reforms have focused on promoting sustainable practices, improving service quality, and expanding niche tourism markets such as eco-tourism, cultural tourism, and community-based tourism. Efforts are also being made to enhance data collection and analysis to better inform tourism planning and policy decisions. The government has encouraged investment in infrastructure upgrades and human resource development to increase competitiveness while safeguarding the country's natural environment, a critical asset for tourism.

14. To better understand the dynamics of the tourism sector and its benefit to the economy the Government has sought assistance from its development partners to conduct a tourism study. The tender process for the tourism study has experienced some delays, primarily due to extended procurement procedures. The initial call for expressions of interest generated a strong response, with over 25 applications received, which lengthened the shortlisting process. Additionally, the six shortlisted firms submitted a number of detailed queries that required careful and thorough responses. To ensure fairness and allow all firms adequate time to prepare quality submissions, the timeline was extended. Ultimately, four of the six shortlisted firms submitted both technical and financial proposals, and the process is now moving forward. While the timeline has shifted, these steps were essential to uphold the integrity and competitiveness of the procurement process. The process is now completed with contract signed with the selected firm. *(Structural benchmark scheduled for May 2025 rescheduled for September 2025)*.

15. The agricultural sector will have to adopt the appropriate technology to facilitate commerce and manage information so that the right decisions are made in this sector. Government is also working with local producers to adopt new technologies, such as 'high tech farming', to enable them to become more resilient about climate change consequences. To encourage the adoption of these new technologies, government is undertaking a revision of the development fund for the agricultural sector. A total of SR 25.6 million has been allocated for different projects in the agricultural sector such as construction of a new abattoir, irrigation systems and construction and renovation of roads.

16. Fisheries, another vital sector, is undergoing transformation aimed at maximizing value from marine resources through sustainable practices and improved processing capabilities. The government is working to strengthen regulatory frameworks, enhance monitoring and surveillance, and support the development of value chains for fisheries products. Initiatives to formalize the artisanal fishing sector and improve cold storage and logistics infrastructure are also being implemented to increase efficiency and market access.

17. Government is continuing its strategy to analyze different measures to improve the country's business environment. The amendment to the Investment Act is expected to be presented to the Cabinet of Ministers in June as part of ongoing efforts to improve the investment framework. Over the past year, MIEI has introduced several key reforms, including amendments to simplify the licensing process and shift compliance responsibility to business operators, with enforcement focused during operations. This phased reform has already covered three sets of licensing regulations, with more expected to follow in June. Other notable developments include Cabinet's endorsement of a Public Private Partnership initiative to establish Micro Enterprise Centers, leveraging private investment to provide workspaces for small businesses. Meanwhile, the Investment Portal tender process faced initial setbacks due to issues in the bidding document. A revised Request for Proposal has since been issued to previous bidders, with the contract award targeted for June 2025.

18. Government continues to implement its digitalization reform agenda by promoting the use of digital payments platforms for Government transactions, by improving the efficiency of the platforms, and making them more user friendly hence building the public's confidence in using the platforms. Implementation of the action plan continues for improving Government's digital payments systems which included awareness and sensitization on the use of the systems; establishing a standard procedure and coding adopted across government streamlining the process for both the Government and the Public. This will also set the stage in preparing the country for its move to a cash-lite society.

19. A dedicated Commercial Court has been established with funding allocated in the 2025 budget. A full-time judge has been appointed to preside over the commercial list, ensuring that cases are heard and determined within three to six months from the close of pleadings. This development marks a significant step toward expediting the resolution of commercial disputes, thereby enhancing the ease of doing business and strengthening investor confidence.

B. Fiscal Policies, and Fiscal Structural Reforms

The Budget for 2025 and Beyond

20. The Government remains committed to maintaining a resilient fiscal consolidation that will enable debt to continue its downward trajectory. Despite the maintenance of a primary budget surplus, the public and publicly guaranteed debt to GDP ratio increased to 59.6 percent of GDP by the end of 2024, compared to 57.3 percent at the end of 2023. This short-term increase is attributed to an increase in Government borrowings to meet its financing needs and ongoing guarantees being provided to some SOEs. Budget support programs will help fill the financing gap in the short term whilst the Government seeks avenues for financing and investing in climate adaptation and mitigation related projects over the medium term following the RSF program. The government intends to embark on the REPAIR (the Regional Emergency Preparedness and Access Inclusive Recovery) Program with the World Bank as a means of mobilizing reliable and immediate financing in the event of disasters. Additionally, guaranteed debt is anticipated to also increase over the medium term as the Government continues to provide guarantees to the Development Bank of Seychelles and to the Seychelles Port Authority as the extension of the Port project materializes. Although external risks remain, the Government remains committed to achieving a debt target of around 50 percent of GDP by 2030.

21. The revised projection for the year 2025 aims at achieving a primary surplus of 1.2 percent of GDP. Despite a higher primary surplus in 2024, the Government remains committed to a primary fiscal balance of 1.2 percent (largely in line with the original budget target) in 2025. Compared to 2024, revenue excluding grants compared to 2024, is targeted to increase by 1.1 percentage points to 34.5 percent of GDP, current expenditure would increase by 1.4 percentage points to 31.6 percent of GDP. Total expenditure and net lending are expected to reach 37.3 percent of GDP based on the revised budget, compared to 38.2 percent of GDP in the original budget. Capital expenditure has been adjusted from 5.8 percent of GDP to 5.0 percent of GDP for the year 2025. Additionally, domestic financing for capital projects has increased from SR 813.9 million in 2024 to SR 1,050.2 million for 2025. This takes into account the volume of ongoing capital projects in 2025 and such major events as the national elections, the FIFA beach soccer tournament, and the CJSOI. This increase is also primarily due to ongoing projects, which account for 70 percent of the total domestic financing for capital projects in 2025.

22. Government will enhance its tax reforms over the medium term to ensure domestic mobilization of resources. The business tax amendment enacted at the end of December 2022 includes new provisions for transfer pricing. The World Bank assisted SRC to finalize the general transfer pricing regulations to provide clarification of the new rules and their interpretations and to explicitly indicate the actions that taxpayers are required to take to comply with the new legislation. The transfer pricing regulations were published on the 9th of October 2023. SRC is conducting risk reviews to identify potential cases for Transfer Pricing audit. A technical advisor was recruited and with the assistance of a TIWB (Tax Inspectors Without Borders) Transfer Pricing expert, is continuously building the capacity of the SRC officers in the Transfer Pricing area through on-the-job training and workshops. A new TP related legislative amendment was enacted in December 2024 and took effect in January 2025 to state that TP is a self-assessment. Subsequently, a new regulation "Business Tax Regulation, 2025' which further clarify Section 54 of the Business Tax Act (which relates to TP provision) and the recent amendment made about self-assessment was published on 30th April 2025. This is the 3rd TP related amendment made since 2022. The Related Party Dealings Regulation of 2023 will be implemented in 2025 and the due date for reporting is 31st March, 2025 unless the taxpayer holds an approved substituted tax year. The TP capacity building and team development is still ongoing by the TP technical advisor (TA). There are 5 auditors focusing on TP cases and working closely with the TA and to date 45 cases have been identified from various sectors: tourism, construction, telecommunication, banking, and finance. A total of 10 cases have been completed and an amount of SCR 3 million collected. A sum of around SCR 200 million is still under negotiation with the taxpayer. A total of 17 cases are work in progress.

23. Following the assessment of the value added tax conducted with the assistance of the IMF's Fiscal Affairs Department, the Cabinet has approved the recommended VAT Reform. The action plan has been developed and is being followed with implementation in phases up to 2026 in consultation with SRC and relevant stakeholders. Amendments of relevant regulations for valuation rules, input tax credit, transitional period and VAT registration have been endorsed by Cabinet and have been in effect since January 2025. This includes the tightening of the voluntary registration provision to avoid abuse, streamlining of the VAT refund process to allow the CG to payout refunds in the absence of a request being initiated by the taxpayer when deemed necessary. The second phase of the VAT reform entail reviewing fintech with the objective of removing taxation on digital payment token, assessing the exempt and zero-rated supplies, analyzing place of supply rules to amend the rules for services for place of supply and introduce clear rules to determine whether a supplier or recipient belongs in Seychelles and lastly reviewing the compulsory VAT registration threshold. Trade Department is currently conducting consultations and so far, 2 meetings have been organized with relevant agencies including SRC to discuss the same. Based on the outcome of consultations the following recommendations are expected to be in effect as of August 2025, for the time being no final decision has been taken on this subject. The third phase of the reform will continue with consultation for exemption reviews throughout 2025. Additionally, the third phase also entails reviewing margin scheme, digital economy, tax invoice information, deeming local agent as principal and the boating sector. The Authorities responsible have completed a Situational Analysis of Domestic Yachting Sector which has been shared and is being reviewed by the Trade Department.

24. Government recognizes that there are revenue losses attributable to tax exemption, special credit or preferential tax rate. In 2024, the Government, with support from the IMF through Technical Assistance, conducted a comprehensive assessment of tax expenditures. Subsequently, an inventory of VAT and business tax expenditures was published as part of the 2025 Budget documents (structural benchmark for December 2024 met). With further technical assistance this year, the Government aims to update and expand this inventory, incorporating newly available data and a broader scope of taxes.

25. Government will conduct a functional review of the public sector in the medium term (structural benchmark, end-December 2025). This is being aligned with the digitalization agenda across government services. For the first phase, all Ministries, Departments, and Agencies (MDAs) will have to prepare workflow processes for all their functions. The MDAs will then work with the Department of ICT for any digital platforms that are needed. In addition, the Government will undertake a comprehensive functional review of the whole of government. The World Bank will assist government with the functional review process for at least 2-3 pilot MDA's. In the short term, Government will enhance managerial efficiency and focus on reviewing the role and functions of all departments and agencies to ensure maximization of current human resources and improve on service delivery. The strengthening of the monitoring and evaluation framework as part of the result-based management will ensure proper oversight of performance across Government. Targeted training will be provided for all public sector employees to ensure they have the necessary tools to deliver as per their mandate. To support the retention of existing employees, the Government will be implementing a salary increase of around 7 percent from April 2025 which will cost around SR 419 million over the medium term. However, a freeze of recruitment remains over the medium term, with funds allocated only for identified priority positions. Over the medium term, a total of 88 posts have been funded out of 519 requested.

26. Significant investment in the medium term will go towards the digitalization agenda. The medium-term budget continues to invest in digitalization efforts across the government. A total of SR 367.1 m has been allocated in the medium-term budget for digitalization projects. These include provision for a new Integrated Financial Management Information System (IFMIS), a new Government-wide Human Resource Management System (HRMS), a new Tax Management System (TMS), acquisition of an e-procurement solution and the ongoing implementation of the new Electronic Social Protection System (eSPS) for the Agency of Social Protection.

- The ongoing reforms in the public health sector aimed towards digitalization are expected to see the completion of the Health Information System implementation during the course of 2025. The new system will also cater for additional modules that will further improve health service delivery.

- In line with the existing plan with regards to the Human Resource Management system, the system will connect core HR, payroll, performance management and people analytics to help improve HR management across the whole Government. This system has been acquired and its implementation has started. It is expected to come into operational deployment in 2026.

- The new system (eSPS) for the Agency of Social Protection is in implementation and presently it is also being interfaced with other Government systems so as to automate verification of information and other processes as much as possible. Once operational, the system is expected to significantly enhance service delivery by streamlining processes, reducing manual interventions, and enabling faster and more accurate decision-making for beneficiaries. The target set by the Agency is for the system to start operation in September 2025.

- In an effort to modernize procurement, work has started to initiate the procurement process for an E-Procurement System. The system aims to provide a fully, end-to-end, digital channel option for undertaking public procurement. The Procurement Oversight Unit (POU), the National Tender Board (NTB) and the Department of ICT is working collaboratively in a joint effort to get the procurement process completed by the end of this year, 2025.

- The introduction of a Real-Time Gross Settlement (RTGS) system and a Central Securities Depository (CSD) will enhance the payments infrastructure. This upgrade aims to boost operational efficiency and productivity while reducing operational risks. The objective is to establish a secure and efficient real-time funds transfer and settlement process, thereby improving the management of domestic securities. Work on these modern systems is ongoing and the CBS will also be adding a new Global Payments Hub (GPH) middleware solution to the implementation process. The RTGS and GPH systems will be launched in November 2025, while the CSD will go live in March 2026.

27. In line with the digitalization agenda, several core government systems are also currently in re-development by the Department of ICT. These include the National Population Database Information System for Immigration & Civil Status Department, the Seychelles Licensing Authority System and e-Registrar System for the Registration Division. These systems are expected to see completion by the end of 2025.

28. Aligned with the third pillar of the digital economy agenda; that of Digital Platforms, the Department of ICT in collaboration with the Department of Immigration & Civil Status has implemented the Seychelles National Digital Identity platform (SeyID) since 2022. Enhancements completed in 2024 include the integration of a digital wallet in SeyID app allowing official documents (e.g. digital birth certificates) to be stored and displayed. This also includes the digital driving license. The application and issuance of Civil Status documents (e.g. birth certificates) can now be done online and in a fully digital manner. Additionally, plans are underway to work on 3 core digital platforms: the Government Online Payment Gateway (in collaboration with the Ministry of Finance), the Government Data Warehouse and the Government Cloud.

Efforts Continue to Strengthen Tax and Customs Administration.

29. The SRC has developed a comprehensive transformation roadmap. Identifying root causes and deriving actionable recommendations, the roadmap focuses on five critical areas for improvement over the next three years. Policies, procedures, and processes will be streamlined to enhance efficiency and compliance; skills and development initiatives will be implemented to build a competent workforce; system and technology infrastructure will be modernized to support operational excellence; governance frameworks will be strengthened to ensure accountability and transparency; and leadership capabilities will be developed to drive strategic direction and cultural change. In 2024 SRC initiated the groundwork that will be necessary to implement the roadmap in 2025. To ensure strategic alignment and effective follow-through, funding has been secured for consultancy services to translate the transformation strategy into a comprehensive strategic plan for 2026-2028. Recognizing the critical role of human capital, significant emphasis is being placed on enhancing human resource management. Several non-monetary benefits policies are currently being drafted to clearly define HR procedures within the SRC, aiming to improve employee satisfaction and retention. To gain a deeper understanding of the SRC's current position within the transformation process, both an employee and taxpayer satisfaction survey have been conducted. The results are currently being analyzed to inform the development of targeted action plans. Leadership development is also a core focus, with mentorship programs, including a "Next Gen Leaders" initiative targeting young professionals aged 18-35, designed to build leadership capacity and ensure program continuity. In 2025, legislative recommendations will be pursued to further solidify the legal framework. Technological priorities for 2025 include the ASYCUDA upgrade and the establishment of a data warehouse, which will improve data analysis and audit case selection and operational efficiency. Complementing these initiatives, compliance risk management training is scheduled for the second quarter to enhance and embed the SRC's compliance model within staff and strengthen risk analysis capabilities.

30. The enhancement of ASYCUDA World continues with numerous system upgrades and continuous technical training. The modules are being developed in phases and will be deployed as and when they are ready. At present the E-Manifest modules, Express Courier modules, Excise Tax and the WCO tariff 22 have been deployed. Additionally, the E-payment was completed in May 2024 and deployed in June 2024. In August 2024, the ASYCUDA World project reached significant milestones, including the successful completion of hardware migration, software and security upgrades, and the relocation of servers to a secure environment. The project team effectively configured the ASYCUDA World database and application server in high availability mode, implemented new TLS certificates, and resolved various server issues, including those related to excise documents, taxation rules, and declaration errors. Additionally, several requests from Customs were addressed, leading to enhancements in the ASYCUDA World system, such as modifications to payment penalty deadlines and the integration of E-Payment for declarations. The team also commenced documentation for the ASYCUDA World migration and efficiently managed multiple IT projects and meetings. Looking ahead, efforts will focus on finalizing migration documentation, addressing ongoing ASYCUDA World application issues, and initiating new projects related to eGovernment data retrieval and cargo targeting systems. The hardware migration and software upgrade are now live. Pertaining to the e-government the NIN cross-matching and validation new approach is also live. The integration of the pre-payment account and enhancement of the module is still work in progress. The express courier enhancement and exit note have also gone live in quarter 1 of 2025. SRC has now initiated discussion with UNCTAD to conduct a process re-engineering exercise and take over with the maintenance and support of the Asycuda system and capacity building in 2025. This will be followed by full upgrade of the Asycuda to version 4.4. The new version will offer robust risk management and selectivity capabilities. Tender process has started in May 2025 for the whole project including the upgrade to Asycuda version 4.4. The project will be in 2 phases: Phase 1 will be financed under the year 2025 budget phase 2 will be included in the year 2026 budget.

31. Progress is being made to empower and enable taxpayers to timely meet their obligations through innovative and transparent processes by improving and diversifying online services. The timeline for the completion of the online portal has been extended as it is crucial that a comprehensive security audit is conducted on the system prior to deployment. The audit is to ensure that taxpayers' information which is very sensitive in nature remains secure and confidential at all times. The audit is being conducted by an independent entity and is planned to be completed by October 2024. In addition, SRC and SPF have agreed to start the implementation of the consolidated payroll after the deployment of the online portal which is planned for October 2024. The deployment of the portal was pushed to Q1 of 2025, and SRC has adopted an incremental approach due to limited manpower, which has therefore excluded the consolidated payroll. This approach was adopted to better manage and address any bugs that may arise and protect the integrity of taxpayers' data. The soft roll out of the portal was deployed in February 2025 on a piloting basis with 50 selected taxpayers. The full roll out to the public will remain gradual targeting the large taxpayers as a priority. A dedicated team of 4 officers has been formed and is being trained to assist online users and the Provision of Advice officers on a full-time basis effective February 2025. This role will then be taken over by the POA office on a permanent basis. Data cleansing remains a crucial and continuous process. It includes 2 main components: (i) IT - where IT tools which will be used to facilitate data cleansing have been developed and (ii) operation- where 2 registry officers have been selected to work on a full-time basis in collaboration with IT to address issues identified. The data update function in the new Tax Management system is now operational and can be accessed by registration officers to update the taxpayers' information. Taxpayers will also have the ability to update their information on the portal.

32. SRC is planning to automate the Compliance Risk Management Framework through the setting up of a data-warehouse which will serve as a repository of all data in SRC to enable the analysis of data received from multiple sources. This will strengthen risk-based analysis and informed decision and facilitate risk-based selection of audit cases based on pre-defined criteria and parameters. SRC received technical assistance from UNDP to develop a risk framework and this was conducted and completed in May -June 2024. This will now be automated in the Data Warehouse which will be the main repository of all internal and external data received by SRC. It will allow for a more overarching risk analysis approach and facilitate more objective decisions in regard to risk treatment. This includes audit case selection. Risk treatment will be based on predefined criteria and parameters. Therefore, SRC will launch an automated framework to analyze data from multiple sources (*structural benchmark for June 2025 reset to end-December 2025*). This is a high priority TA recommendation and in line with the government's desire to identify and address tax leakages. Given the capacity constraints at SRC, an automated framework would also ease demands on scarce resources. SRC has so far completed the following actions: Compliance Risk Modelling framework, Data governance framework and related capacity building in 2024 (UNDP) as previously indicated, mirror analysis training by IMF Afritac South in Q1 of 2025. The compliance risk management training consultancy service has been awarded to a foreign expert and has started in April 2025. The training will be across all levels in SRC including the executive management. The procurement process to outsource a consultant to configure the data warehouse is almost finalized and awaiting the procurement approval to proceed by end of May 2025. The consultancy work is expected to start by 01st June 2025. The soft roll out of the data-warehouse is planned to be in December 2025 (ceteris paribus). As an interim measure SRC will implement a case management system for audit and investigation cases to better track their life cycle from inception to finalization (*new structural benchmark, August 2025*).

33. There are currently 5 modules inclusive of the CRS module which have been developed and are operational. Three more deliverables, namely the questionnaire on substance requirement has been completed and is expected to be launched in November 2024. The audit tool which allows SRC to review all its financial institutions account holders has been developed and is featured on the onboarding system; and the integration with the TMS through an API will be done by the 1st quarter of 2025. The substance requirement questionnaire has been implemented as planned in 2024. A virtual workshop was delivered by the International Tax Unit to the International Financial Institutions (FIs) in March 2025. The aim of the workshop was to build the capacity of the FIs on how to onboard their respective entities on the AEOI onboarding platform and how to complete the survey questionnaire, respectively. The latter was officially launched on Monday 24th March, 2025 and entities will have 6 months to complete, that is, by the end of September, 2025. Similar workshop is planned to be delivered to the Domestic FIs in due course.

Expenditure Management and Efficiency of Public Spending

34. In the first quarter of 2024, IMF-AFRITAC South (AFS) delivered a mission to assess current practices and processes for preparing the Medium-Term Fiscal Framework (MTFF) and Medium-Term Budget Framework (MTBF). The mission identified areas of strong performance as well as gaps and provided recommendations to address the gaps. One of the main gaps identified was that the MTBF preparation should be aligned with good practice which includes to (i) conduct the budget baseline process in one loop which comprehensively costs existing and new approved policies, programs and projects to assess fiscal space; (ii) set initial MDA expenditure ceilings subsequent to a fully-fledged budget baseline calculation and based on Cabinet approval; (iii) in case of negative fiscal space, require MDAs to submit costed proposals for corrective measures to enforce compliance with expenditure ceilings; (iv) improve the reliability of the MTBF by avoiding frequent and substantial increases of set expenditure. In addition, the budget documents should explain changes in set expenditure ceilings compared to the previous MTBF. The authorities implemented some of the recommendations as part of the 2025 budget process. The review of baseline ceiling and setting MDAs expenditure ceiling has already been incorporated in the 2024-2026 Result Based Management Planning and budget calendar along with the cabinet approval requirement.

35. **The MTFF and MTBF mission also proposed to the authorities to ensure there is a link between the upcoming MTBFs to the strategic objectives of the new NDS.** The mission highlighted that, compared to good practice, the current Program Performance Based Budgeting (PPBB) approach is complex, and the strategic focus is insufficient which limits usability. The architecture includes many elements some of which create overlap among each other; examples presented within each element seem to be not limited, their sheer number is at times overwhelming and impacts readability; there is barely explicit reference to the NDS which keeps the budget and the NDS disconnected. The Government will streamline and focus the PPBB architecture on strategic policy priorities and start with climate sensitive pilots. This includes (i) reducing the number of elements; (ii) explicitly linking the elements to the NDS; (iii) adapt the existing implementation guide and on this basis train MDAs to apply the adapted PPBB approach; (iv) propose to assign one MDA with the lead responsibility for PPBB quality assurance.

36. **Reforms are ongoing in the social protection system in the form of a "Program for Results" (PforR).** Significant progress has been made in enhancing the efficiency, transparency, and sustainability of social protection programs and to date USD 16.5 million has been disbursed. To improve the assessment of applicants for social protection benefits, the MoH has adopted the World Health Organization Disability Assessment Schedule (WHODAS) criteria for home care assessments. This move ensures a more standardized and objective evaluation of the needs of individuals seeking support. Additionally, the Agency for Social Protection (ASP) and the Seychelles Pension Fund (SPF) have merged their assessment boards, using WHODAS 2.0 criteria to evaluate eligibility for invalidity and disability benefits. This alignment between the two entities enhances consistency and fairness in the assessment process.

37. **A comprehensive review of the internal controls and payroll systems of ASP has been conducted to ensure that they adhere to established national systems and controls.** This review aimed to assess the adequacy of the current systems in place, safeguarding the transparency and accountability of the processes related to social protection disbursements. As part of efforts to improve coordination across multiple government agencies (MDAs) involved in social protection, ASP has signed inter-agency case management protocols with the Ministry of Employment and Social Affairs (MESA), the Ministry of Health (MoH), and the Ministry of Education (MoE). These agreements enable information sharing through referral and counter-referral mechanisms, enhancing the effectiveness of services provided to beneficiaries. The protocols also include necessary regulatory approvals, ensuring compliance with legal and administrative requirements.

38. **ASP is currently undergoing an exercise to adopt a revised socioeconomic needs assessment framework.** This updated assessment goes beyond income-based measures and includes non-income dimensions of poverty, ensuring that a broader range of factors is considered

when determining eligibility for social welfare assistance. This shift represents a more holistic approach to addressing the needs of vulnerable populations. The Electronic Social Protection System (eSPS), which will also function as a social registry, is on track to become operational by Q3 2025.

39. The Government recognizes that the future of Seychelles depends on its human capital. Recognizing the importance of youth to the country's future and inclusive growth, the Government, with the support of the World Bank, conducted an in-depth analysis of youth risk factors to inform both existing and new policies. Following a series of stakeholder consultations, which highlighted the need for a whole of society approach with cohesive efforts of government, civil society and the private sector, an action plan has been developed to guide the various interventions. The latter will be presented to Cabinet for approval by end of May 2025.

40. The Government remains committed to strengthening its Public Finance Management (PFM) Regulatory Framework. Following technical assistance by the IMF for the review of the Public Finance Management Act, a first draft of the revised Act was completed during the first quarter of 2025. The main amendments to the Public Finance Management (PFM) Act aim to enhance transparency through the publication of key budget and financial documents, introduce fiscal responsibility principles and a pre-budget medium-term fiscal strategy, and strengthen accountability frameworks for public officers, ministries, agencies, constitutional bodies, and public enterprises, including specified sanctions. The revisions also improve budget preparation, monitoring, and reporting processes, and incorporate provisions on waivers, settlements, asset and liability management, and grants—some of which have been moved from regulations into the Act. Additionally, the Act now includes legal provisions for Public-Private Partnerships and climate-related investments within the public investment framework (*structural benchmark by end-March 2025*). To ensure consistency, the review aligns with proposed amendments to the Public Debt Management Act and Public Procurement Act. The revised PFM Act is expected to be gazetted by the end of July 2025.

41. The Government remains committed to boost the efficiency of public spending. The first quarter of 2025 saw the launch of a Public Expenditure and Financial Accountability (PEFA) assessment with preliminary results being reviewed. As per the approved structural benchmark, once completed, an action plan shall be prepared for the endorsement of the Cabinet of Ministers by end of November 2025. One of the main areas of improvement being targeted based on the preliminary results of the PEFA is the improvement of overall spending efficiency against the overall budget.

42. To improve PFM, a phased installment of a new Integrated Financial Management Information System (IFMIS) began in the first quarter of 2025. The implementation of the new IFMIS kicked off in January 2025 with the signing of the contract and the inception mission conducted by the consultants. The inception mission was followed by the study phase of the project from 17th February to 7th March and the consultants have now submitted the functional requirements specification document, the system requirements specifications and the conceptual design documents. The next milestone is the release and installation of the beta version of the system following which the testing and training of users will be done between June and September. The system will be piloted in three MDAs from September to December 2025. The first phase of the roll out of the IFMIS will be for the 2026 budget execution in parallel with the accounting and reporting modules as well as the asset management and inventory modules. The budget preparation module will be rolled out, with the goal of preparing the 2027 budget using the new system.

43. Improving cash flow forecasting practices is essential since current deviations in cash flow forecasts are considered too large. Several measures have already been put in place to improve spending efficiency across government. The Cash Flow Unit (CFU) within the Ministry of Finance was created in the first half of 2023 and has since worked closely with the MDAs to create more awareness and build more capacity for strengthening cash management across Government. AFRITAC South delivered training sessions on cash flow forecasting for the Department of Finance (including CFU) and MDAs in November 2023. The CFU works closely with MDAs to receive information on large payments in advance and to include in the cash flow plan. The CFU ensures that forecasting errors are systematically analyzed and discussed with the different stakeholders to improve the cash flow plan. Those improvements in the cash flows forecasts will also inform debt management and borrowing planning for the Debt Management Division (DMD) and liquidity management for the CBS to support monetary policy. With these added objectives, improved methodologies, better coordination and management of data, and timely response to stakeholder needs will be important for the effectiveness of the cash flow forecasting. The IFMIS project will include a cash flow module which will improve cash flow forecasting.

44. The Government is committed to improving the efficiency of public investment funding. Following from the Seychelles' first PIMA assessment and Climate PIMA (C-PIMA) during the first quarter of 2023, work started on means to improve the efficiency of public investment funding. In May 2023, The Cabinet of Ministers approved an action plan with the aim of improving the under execution of Capital Projects and to also address the identified gaps in the public investment management institutions. In addition, the MoFNPT is establishing a database of major and critical fixed assets managed by MDAs (*structural benchmark end-November 2025*) and to make this information available on the Fixed Asset Management Software. The newly approved PIM policy has been circulated to all MDAs and work has started to assist MDAs through Seychelles Infrastructure Agency and the Public Investment Management Unit of the Ministry to develop projects that would have sufficient key technical information to facilitate their eventual appraisal and implementation.

45. We will undertake reforms to further strengthen the framework and capacity for appraising and selecting capital projects. The new project proposal circular issued stipulates that projects will not be included in the Medium-Term Expenditure Strategy (MTES) if appraisal information is absent or materially incomplete. To assist in this endeavor MDAs have been provided with an established set of minimum criteria (related to design, costing, and engineering elements) to assess projects in the MTES 3-year Public Sector Investment Plan (PSIP), on the basis of which (met or not met) PIMU will recommend to the Inter-Ministerial Committee (IMC) for inclusion/deferral in the current year's budget (*Structural Benchmark end-June 2024*). The revised policy has also put in place a supported Sub - Committee to the IMC that will oversee the appraisal and approval process for new projects whilst emphasizing climate adaptation and risk management factors are considered.

The Sub-Committee has started its operations in the first quarter of 2025 and their efforts is expected to translate into a more systematic process for projects being submitted to the IMC and subsequent decision of inclusion or non-inclusion into the budget figures.

46. **Strengthening maintenance budgeting and planning remains a priority.** To further support the work that has been started by SIA for the stocktaking of a database of all government buildings and structures, the Ministry of Finance is ensuring that past data of projects funded through the budget are captured to ensure that all major infrastructures are essentially captured as part of the exercise. The PSIP database is being used as a base for this exercise. The Medium-term budget continues to make provision for increased allocations towards maintenance of government infrastructures. These however shall be further refined with improved data from SIA on the standards of maintenance and their respective costs that would need to be adopted per asset classes.

C. Minimizing Risks of SOEs

47. **The government has taken steps to strengthen management of state-owned enterprises and reduce transfers from the budget.** The transfers to state-owned enterprises have been reduced significantly from 2.0 percent of GDP in 2020 to 0.2 percent forecasted for the year 2025. The Public Enterprises Monitoring Commission (PEMC) published the 2022 Public Enterprises' annual report in June 2024 in accordance with the new legislation to ensure more transparency in the financial performance and fiscal affairs of these enterprises. The annual performance report of SOEs for the year ended 31st December 2023 was published in early May 2025. The annual report has a one-year time lag in view of the end of the financial year of some SOEs which end on the 31st of March. Thus, those SOEs require six months to complete their audit. The annual report presents the overall financial performance, including outstanding debt, of Public Enterprises based on their audited financial statement. In addition, the new legislation has clarified the accountability and the relationships between board members and those charged with governance and management of Public Enterprises, Responsible Ministers, the Minister responsible for Finance and the Commission.

48. **The Public Enterprises Monitoring Commission (PEMC) through an independent audit firm has started the process to conduct governance audit and operational performance assessment of six key public enterprises.** The key public enterprises being audited are Public Utilities Corporation (PUC), Seychelles Petroleum Company (SEYPEC), Air Seychelles, Island Development Company Limited (IDC), Seychelles Civil Aviation Authority (SCAA) and Seychelles Trading Company Ltd (STC). Audits for SEYPEC, SCAA, PUC and Air Seychelles are underway with the draft findings of these four reviews were discussed with the respective SOEs and PEMC in the 1st Quarter of 2025. Following feedback provided by PEMC, Responsible Ministries and respective SOE, the draft reports are to be issued by the Audit firms in the 2nd quarter. We expect the audits to be fully completed in the second quarter of 2025. Procurement processes remain ongoing for the audit of IDC and STC in view that the procurement committees declared the first procurement process to be unsuccessful. In July 2024, the Government approved a road map with SEYPEC on the tanker replacement strategy concerning its ageing tanker fleet and replacement with two new technologically advanced tankers in 2027.

49. Government had been working with the U.S. Treasury Office of Technical Assistance in the following areas and has agreed on a work plan as mentioned below:

- Technical staff capacity building to improve analytical skills and the quality of PEMC reporting on public enterprise monitoring and performance.
- Development of comprehensive written policies and procedures for the PEMC staff that comply with the 2023 PE Act.
- Support with implementation of the web-based reporting portal; this would include identifying the business needs for the portal (data, analytics, reporting) and assisting with training for portal users.
- Assistance with the development of performance indicators and targets for public enterprises that comply with the 2023 PE Act.
- Support with implementation of a comprehensive job grading scheme for public enterprise boards and executives; this would include assistance with establishing an oversight body to oversee implementation, sensitizing the oversight body and public enterprises on the concepts of a comprehensive job grading scheme. PEMC commenced to publish information about compensation of BoDs and CEOs of state-owned enterprises.

50. As a result of the latest development, the assistance from Department of the Treasury's Office of Technical Assistance (US-OTA) has been suspended. However, the Ministry of Finance approved the PEMC to proceed with the development and implementation of Comprehensive remuneration framework for CEOs and DCEOs of SOEs as the 1st phase and eventually to extend the same for all other staff in the 2nd phase. Quotations have been obtained from internationally recognized job grading consultants and procurement of consultancy service for the same has been initiated by the PEMC. The first phase is expected to be completed by the 3rd quarter of 2025. The 2nd Phase is expected to be initiated by the 4th quarter of 2025.

51. The restructuring of PEMC is ongoing in order to ensure that it can discharge its functions provided in the PE Act 2023. In order to deliver its mandate, the PEMC with the assistance and support of the Ministry of Finance and PSB has initiated its restructuring process to expand its functionalities and capacity of monitoring and oversight functions of SOEs. We intend to complete the restructuring process during the 2nd Quarter of 2025.

52. The Government remains committed to ensuring that SOE's pose minimal fiscal risks and as such PEMC is establishing a framework for the development of strategic directions of SOEs up to 2035. The framework intends to guide SOEs minimum expectations and principles for them to develop and set their strategic direction up to the year 2035 that also aligns with SDGs and NDS of Seychelles. The key focus principles are:

- Strategic Leadership and Governance

- Digital Transformation
- Client-focused Stakeholder engagement
- Operational Excellence
- Financial Sustainability
- Resilience and Antifragility

Through this exercise, the Government intends to achieve mitigation of fiscal risks caused by SOEs and also to increase contribution from SOEs to the National Budget and delivery of social benefits to Seychelles. The draft framework is expected to be submitted to Cabinet for approval in quarter 2 of 2025.

D. Public Debt Management Strategy

53. Seychelles continues to make significant progress in terms of Debt Management. The publication of quarterly debt bulletins and quarterly borrowing and issuance plans has improved access to information for investors which is reflected through more stability in domestic market conditions. Additionally, the improvement in reporting promotes accountability and transparency. With the current global economic environment, the foreign interest costs remain on the high side in comparison to 2022. Government continues to explore alternative sources of financing over the medium term. As per its Medium-Term Debt Management Strategy, over the medium term there will be greater reliance on concessional external borrowings whilst on the domestic market Government securities will remain the main source of financing with T-bonds accounting for the major component of borrowings.

54. As part of modernizing its legal framework on public debt, the Cabinet approved for the Government to revise the Public Debt Management Act so as to provide more flexibility to debt management and promote debt sustainability (Structural Benchmark March 2025). Technical assistance will be provided by the IMF to guide and assist with drafting of the Act. The Act will be drafted in parallel to the Public Finance Management (PFM) regulatory framework to ensure consistency in all PFM legislations.

55. The Government continues in its effort to develop the domestic debt market. It has diversified the domestic instruments being used, which was primarily concentrated through T-Bills issuance to meet cash flow requirements. Government is now issuing T-Bonds on a quarterly basis, which has helped to lengthen the weighted average maturity of the domestic debt stock and reduced refinancing risks. With the help of the IMF's Monetary and Capital Markets department (MCM), the CBS will develop a draft operational framework and launch a 6-month pilot retail investor-oriented purchase window as a prelude to a full-scale buy back facility for the trading of government securities through commercial banks (*Structural benchmark, end-January 2026*).

E. Monetary and Exchange Rate Policy

56. CBS has maintained an accommodative monetary policy stance since the second quarter of 2024, with the MPR set at 1.75 percent. Despite the reversal in the deflationary trend observed since May 2024, inflation has begun to moderate since the beginning of 2025. Nevertheless, a gradual increase in domestic prices is expected over the medium term, on account of a weaker domestic currency. As part of its efforts to transition to forward guidance and enhance the expectations channel, the Financial Indicators Expectations Survey with firms was launched in March 2025. The results from the survey was published on the CBS website in May 2025 and complements the forward-looking macroeconomic variables collected from the exercise conducted with the banking sector and households (*Structural Benchmark end-June 2025*).

57. CBS continued to implement the recommendations provided by the MCM Department of the IMF following technical assistance to improve the transmission of interest rates. While the necessary groundwork has been undertaken, certain technical and legal impediments need to be addressed to operationalize the full-fledged Repurchase Operations (Repo). To enhance interest rate transmission channels, CBS is committed to improve its liquidity absorption operations with the objective of achieving full allotment at the MPR. As an interim solution, collateralized loans, where securities are pledged, were re-introduced in December 2024.

58. CBS remains committed to a floating exchange rate and will only intervene to facilitate orderly market conduct and reserve accumulation, whilst being cognizant of the revised Multiple Currency Practice (MCP) Policy. This will enable the Bank to strengthen its foreign exchange buffer and maintain an adequate level of international reserves to meet the country's external obligations. To build up external reserves, CBS began conducting FEA purchases in the second week of January 2025, taking advantage of the favorable conditions in the domestic foreign exchange market.

59. CBS continues to engage with the Reserves Advisory & Management Partnership (RAMP) of the World Bank, following the signing of a three-year Advisory and Investment Management Agreement (AIMA) in October 2022. The partnership includes an investment management mandate for US$100 million as well as technical advisory services in the area of reserves management.

60. CBS continues to collaborate with the Financial Services Authority to enhance external sector statistics. The results of the annual offshore sector survey conducted by the latter in end-2024, will help CBS improve its understanding of the financial flows of Special Licensed Companies (CSLs).

F. Efforts to Improve Real Sector Statistics

61. The National Bureau of Statistics (NBS) is facing several constraints which adversely impact on its capacity to produce timely and quality statistics, as well as to extend its production to meet users' needs. The shortage of skilled staff is one significant gap identified, and the bureau is shifting its capacity development strategy by aligning training with actual skill needs, prioritizing a skills gap assessment to guide targeted development efforts. This approach focuses on strengthening internal capacity and empowering staff to take full ownership of statistical processes. It also aims to institutionalize knowledge through the development of standard operating procedures, ensuring long-term sustainability.

62. Simultaneously, the NBS is developing a comprehensive Statistical Business Register (SBR) by integrating existing business lists into a unified database covering businesses of all sizes. This register will underpin the upcoming Census of Economic Activities and enable the collection of high-quality economic data. The data will inform the creation of a new Supply and Use Table for rebasing national accounts and support the development of satellite accounts, such as those for tourism and fisheries, using improved methodologies and robust data sources.

63. The National Bureau of Statistics (NBS) is undertaking two major statistical initiatives to enhance the accuracy and relevance of national economic indicators. A comprehensive GDP rebasing exercise is underway, using data from the 2026–2027 Census of Economic Activities (CEA), with the process spanning from 2025 to early 2028. This includes methodological reviews, data collection, and the development of Supply and Use Tables (SUT) and Input-Output Tables (IOT), culminating in the release of a new GDP series in Q1 2028. Simultaneously, NBS is updating the Consumer Price Index (CPI) to better reflect current household expenditure patterns, based on data from the 2024 Household Budget Survey (HBS). The update, scheduled for mid-2026, will improve index accuracy, outlet sampling, and product coverage, though it will not include backcasting due to resource constraints. Both initiatives are supported by strengthened data systems, enhanced institutional capacity, and the development of a national business register to ensure data quality and representativeness.

G. Modernizing the Financial System and Ensuring Financial Stability

64. CBS continues to collect information on restructured and rescheduled loans that were impacted by COVID-19 as part of its enhanced monitoring of the banking system following the pandemic. As of December 2024, the total value of restructured loans stood at R1.7 billion, a decrease of R539 million or 24 percent compared to December 2023. The top five sectors with the highest outstanding value of restructured loans as of December 2024 were: tourism (43 percent), mortgage loans (14.6 percent), trade (7.4 percent), agriculture & horticulture (6.0 percent) and commercial development (5.8 percent). Forborne loans accounted for 83.9 percent of all restructured loans, compared to 85.9 percent in December 2023.

65. There was a decline in non-performing forborne loans as a total of NPLs on a year-on-year basis from 51.3 percent in December 2023 to 45.8 percent in December 2024. At the end of December 2024, the value of loans which were initially subject to regulatory forbearance measures during the pandemic and later transitioned into NPLs stood at R315 million, a 32.2 percent reduction compared to December 2023. The top five sectors with non-performing forborne loans were: tourism (40.4 percent), agriculture & horticulture (27 percent), cottage industries (8.4 percent), trade (5.75 percent) and residential development (5.5 percent).

66. In 2024, CBS successfully conducted 3 onsite examinations as per its supervisory plan for the year. The findings of the examinations, coupled with the recommendations, have been issued to the relevant financial institutions. As part of its supervisory plan for 2025, CBS will closely monitor and follow-up on the implementation of corrective measures to ensure that all issues identified during the examinations are effectively addressed.

67. CBS remains committed to strengthening its supervisory framework, such that it is more risk-sensitive, objective, forward-looking and continuous. In October 2024, an AFRITAC South (AFS) mission provided TA to CBS to enhance its risk-based supervision (RBS) framework by implementing a revised RBS risk-rating model. The Revised CBS Rating Model is based on the rating frameworks currently being implemented in other AFS member countries. As a result of the TA, CBS is now in a position to undertake supervisory risk ratings of all its banks on an ongoing basis and use those ratings to help determine risk-based supervisory action and the allocation of supervisory resources.

68. CBS is monitoring compliance to Pillar 1 of Basel II requirements. After a year since its implementation, CBS continues to closely monitor the banking industry's compliance to Pillar II of Basel II requirements. As part of its onsite supervisory plan for 2025, CBS plans to assess the banks' understanding of the new CAR and the reporting requirements thereby ensuring that the correct information is being submitted to regulatory authority.

69. CBS is finalizing its crisis management and resolution framework for endorsement. Further work is being done on the draft Bank Recovery and Resolution Bill alongside the AGO post approval of the same from the Cabinet of Ministers in October 2024. Thereafter, the Bill will be submitted for stakeholder consultation prior to being tabled at the National Assembly for approval. Key elements of the proposed Bill are a revised depositor preference and bank resolution provisions in line with international best practice. However, the implementation of a Deposit Insurance Scheme (DIS) has been deferred to a later date due to the need for more in-depth discussions with the government. The DIS is a complex initiative that requires fiscal support from the Government to ensure its sustainability and effectiveness in safeguarding depositors in the event of bank failure. As such, the CBS and Government will further assess financial implications and funding mechanisms for the scheme in ensuring alignment with broader economic and fiscal policies. Consequently, until these discussions are completed and a clear path forward is established, the CBS will be revisiting the existing R10,000 depositor preference limit (providing full coverage for 69.9 percent of total depositors) under the Financial Institutions Act 2004, to increase to R50,000, which will provide full coverage for 84.6 percent of total depositors.

70. Seychelles has made significant strides in enhancing its cybersecurity landscape. Notably, the enactment of the Cybercrimes and Other Related Crimes Act 2021, provides a legal framework for combatting cybercrime, fostering a safer digital environment. The CBS has also played a pivotal role by issuing its Cyber Security Guidelines in 2019 for all deposit-taking financial institutions, ensuring a robust defense against cyber threats. In addition, a Cybersecurity Working Group was established, comprising of representatives from the CBS and the institutions under its purview, thereby providing a collaborative platform on issues relating to cybersecurity. Such initiatives tie in with the CBS' plan to modernize the financial system through digital innovation without compromising on security. In June 2025, the AFRITAC South will be hosting a week-long capacity building initiative on cybersecurity supervision to the CBS. These efforts collectively aim to fortify Seychelles' digital infrastructure and safeguard the financial ecosystem.

71. The Central Bank of Seychelles (Amendment) Act, 2024, which came into effect on August 16, 2024 provided for the strengthening of CBS' statutory capital. Aside from increasing the authorized capital to R550 million, the Act outlines the process for the recapitalization of CBS to ensure its institutional and financial autonomy. To operationalize these aspects, a draft Memorandum of Understanding (MoU) has been prepared and submitted to the IMF for review.

72. CBS continues to strengthen its legislative framework for the National Payment System. The approved policy paper for amendments to the National Payment System (Licensing and Authorization) Regulations 2014, accompanied by drafting instructions, were sent to the AGO on January 7, 2025 for the drafting of the proposed legislative amendments. The first draft of the amendment Regulations was received on February 27, 2025, and is currently being reviewed prior to stakeholder consultations.

73. CBS is advancing initiatives to modernize its national payment system to improve efficiency, security and accessibility. Enhancements to the payment system infrastructure are underway with the implementation of the new core banking system, the RTGS, and the newly added GPH. As part of the implementation of these systems, the CBS is in the process of developing a comprehensive fee structure to ensure sustainability of maintaining the digital platforms while increasing uptake of digital financial solutions amongst the population. The CBS has been absorbing the Annual Maintenance Cost of the SEFT system since the COVID-19 pandemic, and consequently, customers are not being charged for all digital transactions processed through the SEFT platform. The revised fee structure is expected to be finalized after the go live of the RTGS, and implemented in 2026-2027 to allow for further cost analysis on transactions flows once the new systems are implemented. Additionally, the initiative to sunset cheques is ongoing through a phased approach. With effect from January 1, 2025, all banks and the Seychelles Credit Union (SCU) stopped issuing Personal (individual) Cheque Books to all their non-business customers. Effective from May 1, 2025, banks and SCU will no longer accept Personal (individual) cheques drawn on local commercial banks and SCU, for clearing. The deadline for banks to stop issuing cheques to non-individuals or businesses is January 01, 2026 whilst the deadline to stop accepting cheques from non-individuals is May 2026.

74. The CBS commenced implementation of the CSD and RTGS systems in November 2023 and these implementations are still ongoing. By 2024, the project had completed its first four milestones; however, ongoing challenges have delayed the User Acceptance Testing milestone. To help participating institutions with their readiness and integration with the RTGS system, the CBS explored potential solutions with the support of the selected vendor, Montran. The GPH was identified as an additional middleware solution that will provide more functions, flexibility, and support for a smooth integration with the RTGS system and other participants and stakeholders. With this addition and with various other project challenges encountered, as well as the complexities of executing other parallel projects during the ongoing implementation phase, the CBS has again found it necessary to revise the go-live dates for the project, whereby the RTGS system and GPH middleware solution will be launched in November 2025, while the CSD will go live in March 2026.

75. CBS pursues its endeavor to put in place a Regulatory Sandbox Framework for financial products and services within its regulatory purview. The policy paper for the introduction of the Sandbox Regulatory Framework is undergoing internal review wherein the revised proposal is to introduce Regulations under the CBS Act, accompanied by a Standard Operating Procedures, instead of a standalone policy framework. As such, the Regulations are now expected to be issued by December 2025, and subsequent operationalization of the Sandbox in 2026.

76. CBS continues in its efforts to strengthen financial consumer protection and empower financial consumers through increased financial education initiatives. The Financial Consumer Protection (Complaint Handling) Regulations came into effect in January 2025. The proposed Financial Consumer Protection (Charges and Fees) Regulations and the Financial Consumer Protection (Debt Recovery and Collection) Regulations are in the final stages of stakeholder consultations. The aforementioned Regulations are expected to be gazetted before the end of 2025. In light of the digital economy agenda and the increased cybersecurity risks, digital financial literacy remains critical such that financial consumers avoid potential risks and maximize the opportunities that digital financial solutions bring.

77. Enhancements on the Seychelles Credit Information System (SCIS) continues. This includes work on the Customer Credit Portal which is intended to permit direct access to credit reports through an online portal by the data subject. The Portal is expected to be implemented in Q1 2026. Work is also underway to onboard new participants to the system whereby entities providing hire purchase, credit sales or financial leasing facilities are expected to be onboarded first in Q3 2026.

78. We are committed to improving the effectiveness of our regime for anti-money laundering and combatting the financing of terrorism (AML/CFT). Work continues to implement the recommendations of the Eastern and Southern Africa AML Group (ESAAMLG) in the 2018 Mutual Evaluation Report. In addition, based on the significant progress of the legislative reforms, Seychelles has submitted a request for re-rating of the five outstanding deficiencies (recommendations 6, 7, 8, 15, 33) in February 2025 for discussion at the August 2025 ESAAMLG meeting.

79. We have completed the second National Risk Assessment (NRA) on money laundering and terrorism financing and published a sanitized version in February 2025. The Technical AML Committee continues monitoring the implementation of the National Action Plan. Based on the findings of the NRA, the Financial Intelligence Unit (FIU) has been strengthening risk-based supervision of lawyers and accountants. The FIU has completed a round of on / off-site inspections of lawyers and will conduct similar inspections for accountants.

80. Tackling regulatory arbitrage of activities involving Virtual Assets (VA) and Virtual Asset Service Providers (VASP) is another priority reform. In July 2022, the Government completed the Overall National Risk Assessment of VA/VASPs(ONRA) in line with FATF

Recommendation 15 to identify, assess, and understand the ML/TF risks from VA/VASPs. In this ONRA, Seychelles' exposure to ML/TF risks to VA/VASP was assessed as very high, owing to the absence of a regulatory framework. In addition, an ONRA refresh which was initiated in 2023 and concluded in July 2024 to supplement it with further data, has been approved by the National AML/CFT Committee, and a sanitized version of the findings is being finalized for publication. Seychelles, based on its understanding of its risks, applies a risk-based approach to ensure that measures are implemented to prevent or mitigate identified ML/TF risks. With the Virtual Asset Service Providers Act 2024 ("VASP Act") and the consequential amendments to the Anti-Money Laundering and Countering the Financing of Terrorism Act, 2020 ("AML/CFT Act"), virtual asset service providers are designated as a reporting entity under the AML/CFT Act. In addition, the Financial Services Authority ("FSA") has been designated as the regulatory authority for VASPs and for registration of ICOs and NFTs under the VASP Act. The FSA is also the designated AML/CFT supervisor for VASPs under the AML/CFT Act. Companies identified during both the ONRA and the ONRA refresh have been compared with the list of entities that successfully submitted a complete application prior to the end of the transitional period provided under the VASP Act (i.e. 31st December 2024). As of early 2025, the Financial Services Authority (FSA) has implemented a triage system to streamline application processing and prioritize high-risk entities. The FSA has initiated enforcement action against unregistered or non-compliant entities, including issuing public notices to IBCs engaged in unauthorized VASP activity. The FIU is actively communicating with VASPs and has received a significant number of suspicious transaction reports (STRs). The FIU is working with major VASPs to enable automated STR submission through the GoAML platform.

81. **We are also progressing in ensuring that beneficial ownership (BO) information of legal persons and legal arrangements established in Seychelles is adequate, accurate and up to date.** The FSA has undertaken Beneficial Ownership (BO) inspections of 543 specified entities such as Protected Cell Companies, International Business Companies, Trusts and Foundations that were under the administration of 33 resident agents in 2024. The overall rate of compliance for maintaining of up-to-date register of beneficial owners remains high at 99%. As for the availability of declaration of beneficial ownership, the compliance level was at 88% for the year 2024. On the domestic front the FIU has adopted a comprehensive approach from one-on-one guidance, group awareness program, inspection and enforcement actions towards an upward trend in compliance. We aim to increase the domestic sector's compliance rate to above 95 percent within the next two years.

82. **We are committed to strengthening the central BO database and improving accessibility and verification mechanisms.** The regulations broadening access to the central BO database held by the FIU to financial institutions (Fis) and corporate service providers (CSPs) were Gazetted in December 2024 with amendments undertaken in January 2025 (Structural Benchmark end-December 2024). However, the FIs and CSPs currently do not have access to the database, as this is not technically feasible under the existing IT platform. A new BO IT platform will be required to enable such access. To enhance accessibility, the Financial Intelligence Unit in collaboration with expert from the EU Global Facility for AML/CFT and the National AML/CFT Committee finalized the technical specification for development and implementation of the beneficial owners registers IT

system in December 2023. These technical specifications will support the new digital platform, providing direct and comprehensive access to the central BO database for all supervisory authorities and law enforcement agencies. Upon completion of the new digital platform, the registered agents will be given a specific time frame to rectify discrepancies in BO information of IBCs identified during the inspection program. We expect the new digital platform will be operational by third quarter of 2025.

83. The European Union (EU) Council, recognizing the Organization for Economic Co-Operation and Development (OECD) Global Forum on Transparency and Exchange of Information for Tax Purposes (the Global Forum) approval to grant Seychelles a supplementary review on the implementation of the standard of transparency and exchange of information on request (EOIR), removed Seychelles from Annex I of the EU list of non-cooperative jurisdictions for tax purposes (the so-called EU blacklist) with effect February 2024, and added the jurisdiction to Annex II of the list (the so-called EU greylist). Seychelles' authorities engaged with the Global Forum Secretariat and submitted its request for another review in mid-December 2023. The request was submitted on the basis of significant improvements in relation to the quality and timeliness of exchange of information (EOI) requests and maintained and improved supervision and enforcement activities to ensure compliance with the framework. The Peer Review Group (PRG) of the Global Forum approved the proposal that these represented sufficient likelihood of an upgrade to the overall rating of Seychelles against the Standard such that the country qualified for a supplementary review. The in-depth review was launched on the 24th of March 2025 and include an on-site visit by the assessment team in May 2025. The report will be tabled during the Global Forum meeting in December 2025.The Government remains steadfast in its commitment to honor the international standards on tax transparency and be an effective partner in exchange of information for tax purposes.

H. Climate Change Reforms

84. The government recognizes that climate change has significant macroeconomic implications and has made significant strides on adaptation and mitigation responses. We have committed to ambitious climate change goals and are in the process of scaling up climate finance to support the implementation of Nationally Determined Contributions (NDCs). In the updated NDC submitted to the United Nations Framework Convention on Climate Change in 2021, we set a greenhouse gas emission reduction target of 26.4 percent below a business-as-usual emission level by 2030 and a net-zero emission target by 2050. To achieve the 2030 target, it is estimated that as much as US$670 million is required by 2030 to fund the implementation of climate adaptation and mitigation activities. In 2024, additional spending was allocated amounting to SR 111.3 million and SR 29.3 million for west coast road infrastructure development and coastal erosion on Praslin respectively. The Government of Seychelles in -collaboration with its development partners has developed the Long-Term Low Emission Development Strategy (LTLEDS) visioning document which sets the strategic vision for a Low emission development pathway for Seychelles and set the scene for development of a LTLEDS for the country. Further, the Government has received support of

US$2.7 million from the Green Climate Fund to develop its National Adaptation Plan (NAP) and therefore will be engaging its National Adaptation Planning process in the near term.

85. Building an environmentally sustainable and climate resilient economy is a main element of the new NDS 2024-2028. We have geared up adaptation response, including implementing the Coastal Management Plan, the Marine Spatial Plan, the National Integrated Emergency Management Plan, the National Biodiversity Strategy and Action Plan, the Seychelles National Climate Change Strategy and Strategic Land Use Development Plan, and integrated climate change considerations into the public investment management and budget processes through the review of the Public Investment Management policy and Climate budget tagging. The Department of Climate Change and Energy Department has started the process to review and revise both the National Climate Change Policy and National Climate Change Strategy. It is also updating the NDC to NDC 3.0 and is in the process of finalizing the Integrated Resource Plan for the Energy Sector.

86. In order to enhance transparency and improve monitoring and evaluation of public expenditure towards climate change, the government has introduced climate finance budget tagging into the Budgeting process which also forms part of the broader National Monitoring Reporting and Verification (MRV) Framework in the context of the Enhanced Transparency Framework. The climate budget statement was developed to roll out the process of climate budget tagging as part of the 2025 budget process to two selected portfolios, Agriculture, Climate Change and Environment Portfolio and Transport Portfolio. The Climate Budget Statement of the two portfolios was published as part of the 2025 Budget Documents.

87. Mobilizing climate finance to address adaptation and mitigation challenges is among our top priorities. In February the Authorities in partnership with the IMF and the WB hosted the Climate Finance Roundtable, which presented an opportunity to discuss with MDBs, bilateral partners, the domestic private sector, and international NGOs. The discussions concluded with an agreement to explore four options for scaling up climate finance: (1) development of the renewable sector using solar, wind, and possibly waste energy; (2) establishing a project preparation facility to support preparation of bankable mitigation and adaptation projects; (3) expand adaptation efforts in support of coastal zone management; and (4) explore potential for blue bonds and sustainability linked bonds. The authorities would report progress on the above by COP 30 (November 2025).

88. The government is committed to scaling efforts to facilitate the accreditation process for two national institutions (SeyCCAT and DBS) that have been nominated as Direct Access Entities to the Green Climate Fund (GCF). While the government has been making efforts, the climate financing gap remains large and more needs to be done in this regard. As such, Cabinet adopted a national climate finance mobilization strategy that comprehensively covers the financing instruments to unlock international climate finance from public and private sources and the Ministry of Finance is in the process of developing an implementation framework that clearly sets out institutional mechanisms and financing modalities, and to securing funding for at least one major adaptation or mitigation project (*Reform Measure for end-October 2025*).

89. The Government of Seychelles is also committed to enhancing the country's resilience through Disaster Risk Reduction (DRR). The Disaster Risk Financing Strategy (DRFS) has been finalized and approved by the Cabinet (*Reform Measure for end-March 2025*) and is in the process of costing Disaster Risk Reduction and Climate Change Adaptation at the national level. In 2020, Seychelles approved the National Integrated Emergency Management Plan, which focuses on preparedness, response, and recovery, with an emphasis on a multi-hazard approach and collaboration among stakeholders. This plan highlights the importance of aligning disaster risk management strategies with the country's Vision 2033 and the National Development Strategy 2024-2028 to ensure comprehensive commitment and support. The Disaster Risk Finance strategy prioritizes financial preparedness and response measures to minimize economic disruptions caused by disasters. It aims to identify high-risk sectors and vulnerable populations in need of immediate financial assistance during crises, ensuring transparency and accountability in disaster risk management. The strategy also emphasizes diversifying and strengthening sources of financing by securing funding from the national budget, private sector investments, international donors, and multilateral financial institutions. It encourages innovative financing mechanisms, such as catastrophe bonds and contingency funds, and aims to develop effective financial instruments to enhance Seychelles' disaster risk financing capabilities. These instruments will include both Ex-ante and Ex-post measures, providing proactive financial protection and supporting the country's response and recovery efforts during disasters.

90. The government remains committed to mainstreaming climate elements into the budget and fiscal risk management. The ongoing improvements to the Program Performance Based Budgeting (PPBB) framework and its alignment with the priorities of the new NDS continues to be an opportunity to strengthen the planning and budget framework, as well as to integrate climate change dimensions into the budget. As part of the FY2025 budget, the process to identify climate-related expenditures including those for adaptation and mitigation started with the Agriculture, Environment and Climate Change as well as transport portfolio. This will be rolled out to across all portfolios as part of the 2026 budget process. In addition, the government prepared scenarios of long-term fiscal sustainability analysis under different climate scenarios and published the results in the Fiscal Risk Statement (*Reform Measure for end-September 2025*).

91. The CBS is strengthening the management of climate-related financial risks in the financial sector. Specifically, the CBS has initiated the implementation of climate-related financial risk management and disclosure for banks. The CBS issued the draft Guidelines on the Effective Risk Management of Climate-related Financial Risks to the banks on December 12, 2024, whereby feedback was also sought and received from the IMF MCM Department (*Reform Measure for end-March 2025*). Moreover, the CBS has issued the draft Guidelines on Disclosure and Reporting of Climate-related Financial Risks as well as the draft Concept Note on CBS' Climate Risk Supervision Strategy, for stakeholder consultation on March 26, 2025, including submission to the IMF MCM Department for feedback (*Reform Measure for end-March 2025*). These are being done with the support of the World Bank. Both Guidelines are anticipated to be issued to the banks for implementation before December 2025 (*Reform Measure for end-December 2025*). World Bank support is also being provided to conduct a data gap analysis for the supervision and disclosure of banks' exposure of climate-related financial risks together with a strategy for filling these data gaps (*Reform Measure for end-December 2025*). At the outset, a review of the existing regulatory returns is being undertaken to assess whether there is a need to amend the existing returns in order to capture climate risk exposure or introduce new regulatory returns (*Reform Measure for end-December 2025*).

92. CBS received technical assistance from the IMF in May 2024, on macroprudential stress testing and climate risk analysis. Accordingly, work is underway whereby more granular data are being collected from the banks in order to inform the climate scenario analysis. Work in that regard remains ongoing and the CBS aims to publish a climate risk exposure assessment of the banking sector by end-March 2026 (*Reform Measure for end-March 2026*). The CBS also aims to adopt and implement a banking sector climate risk analysis framework and publish a summary of the framework on its website; work in that regard will be done with the support of the World Bank (*Reform Measure for end-September 2025*).

93. To transition and diversify the economy, the government is fully committed to the NDC and will step up adaptation and mitigation actions to support it. Renewables will be at the center of economic recovery strategies to advance economic, social and climate priorities. The new Electricity Act and Utilities Regulatory Commission Act and their respective operating regulations provides the framework for the Government to scale up renewable energy investment and increasing private sector climate investment through innovative approaches such as distributed electricity generation and renewable energy independent power producers (IPPs). The government will ensure that legal frameworks to support rates determination under various schemes to promote adoption of renewable energy technologies, either at a distributed generation level or at utility-scaled systems (Independent Power Producers, IPPs), and a framework for multi-year electricity tariff system are in place for effective implementation (*Reform Measure for end-April 2025*). Work on these legal frameworks has already started and together with the recently approved Electricity and Utilities Regulatory Commission Bills will contribute to the transformation of the electricity sector into a low-carbon one. Both the Distributed Energy Generation and Independent Power Producer (IPP) Regulations have been drafted and officially gazetted. The rules for rate determination under the various schemes are currently being finalized and will be submitted to the new Board of Commissioners of the Utilities Regulatory Commission (URC) for approval. The Government remains committed to ensuring the necessary legal frameworks are in place to support fair and transparent rate setting—both for distributed generation systems and utility-scale renewable energy projects. Additionally, work is underway on establishing a multi-year electricity tariff framework to enable the effective implementation of these reforms. Together with the recently enacted Electricity and Utilities Regulatory Commission Acts, these efforts mark a significant step towards transitioning the electricity sector to a low-carbon future. The Government initiatives and regulatory improvements alone are insufficient to overcome Seychelles' energy transition challenges. To attract the necessary public and private investment and meet its renewable energy targets, the country must address outstanding financial, technical, and capacity-building risks. The proposed Renewable Energy Acceleration Program supported by the World Bank and GCF financing (REAP-MPA) is structured to tackle these issues through its phased approach.

94. The government will introduce additional green fiscal incentives to promote climate resilience and environmental sustainability. There are currently several fiscal initiatives that are in place. Goods imported to be used in the process of "conservation, generation or production of renewable energy or environment friendly are exempt from the payment of Value added Tax. Government introduced a new Tourism Environmental Sustainability Levy in August 2023 under the environment protection law which is charged to visitors entering the country. In addition, for the year 2025, the government is reviewing the 'photovoltaic (PV) Rebate' scheme in its entirety with the aim of relaunching it to encourage more investment by residential consumers and small businesses. The new scheme will provide individuals and small businesses who install a PV system with a reduction on their total costs. Additionally, under this scheme, residential consumers will be able to borrow money from commercial banks for a loan of up to SR 150,000 at an interest rate of 5%, with repayment to be made over a maximum period of 7 years. This will help more individuals meet the bank's criteria to access this loan. For small businesses, they will be able to borrow money from commercial banks for a loan of up to SR 250,000 at an interest rate of 5%, with repayment to be made over a maximum period of 5 years. The scheme will be in operation before end of June 2025. These measures will be put in place as an incentive to encourage residential and commercial premises to install PV systems connected to the national electricity grid on their rooftop to power their homes and businesses. In addition, all duties including environment levy were removed on electric vehicles in 2015. Further incentives are being worked on to encourage the importation and use of electric and hybrid vehicles. The government will review its fiscal regime and introduce other incentives to promote climate change and environmental related investment (*Reform Measure for end-March 2026*). Potential fiscal measures include congestion fees, feebates, environmental levy, and/or price incentives for waste reduction as well as new tax incentives to support the development of utility-scaled renewable energy plan based on an Independent Power Producer (IPP) model. Funds for additional support for green finance initiatives between 2025-2027 are SR 78m, this is under the social programmes of government and will be targeting individuals.

Program Monitoring

95. The EFF program implementation will continue to be monitored through semi-annual reviews, quantitative performance criteria and indicative targets, continuous performance criteria, and structural benchmarks. The fifth review will take place on or after November 15, 2025, based on end-June 2025 quantitative targets and the sixth review will take place on or after May 15, 2026 based on end-December 2025 quantitative targets. The quantitative targets and structural benchmarks are set out in Tables 1 and 2 of the MEFP respectively. Detailed definitions and reporting requirements for all performance criteria are contained in the Technical Memorandum of Understanding (TMU) attached to this memorandum, which also defines the scope and frequency of data to be reported for program monitoring purposes. For RSF arrangement, progress in the implementation of policies will continue to be monitored through Reform Measures. These are detailed in Table 3 of the MEFP. During the program period, the government will not introduce or intensify restrictions on payments and transfers for current international transactions or introduce or modify any multiple currency practice without the IMF's prior approval, conclude bilateral payments agreements that are incompatible with Article VIII of the IMF's Articles of Agreement, or introduce or intensify import restrictions for balance of payments reasons.

Table 1. Seychelles: Quantitative Performance Criteria Under the EFF, 2024–26[1]

(In millions of Seychellois Rupees, unless otherwise indicated)

	September 30, 2024			December 31, 2024				March 31, 2025			June 30, 2025				September 30, 2025				December 31, 2025				March 31, 2026			June 30, 2026		
	IT			Performance Criteria				IT			Performance Criteria				IT				Performance Criteria				IT			IT		
	Prog.	Actual	Status	Prog.	Adjusted targets	Actual	Status	Prog.	Actual	Status	3rd Review	Prog.	Actual	Status	3rd Review	Prog.	Actual	Status	3rd Review	Prog.	Actual	Status	Prog.	Actual	Status	Prog.	Actual	Status
A. Quantitative performance criteria[2]																												
Net domestic financing of the government (ceiling)[3]	-450.3	-903.7	Met	-643.3	-384.2	-1267.2	Met	-105.5			-211.0	-249.3			-369.2	-436.4			-527.4	-623.4			48.1			96.2		
Primary balance of the consolidated government (floor)	215.8	972.8	Met	308.3		1014.3	Met	74.7			149.3	151.3			261.4	264.8			373.4	378.3			122.7			245.5		
Total revenue (floor)[4]	7,125.2	7,476.5	Met	10,178.8	10,109.4	10,565.0	Met	2,333.2			4,666.4	4,543.7			8,166.3	7,951.5			11,666.1	11,359.3			2,361.2			4,722.4		
Net international reserves of the CBS, millions of US dollars (floor)[5]	567.0	606.3	Met	583.1	587.2	630.9	Met	621.8			628.8	628.8			635.8	635.8			649.9	670.9			674.1			677.3		
B. Continuous quantitative performance criteria (ceilings)																												
Accumulation of new external payments arrears	0.0	0.0	Met	0.0		0.0	Met	0.0			0.0	0.0			0.0	0.0			0.0	0.0			0.0			0.0		
Accumulation of new domestic payments arrears	0.0	0.0	Met	0.0		0.0	Met	0.0			0.0	0.0			0.0	0.0			0.0	0.0			0.0			0.0		
C. Indicative targets (IT)																												
Net change in public and publicly guaranteed domestic and external debt	916.8	-6.8	Met	1,309.7		39.9	Met	204.2			408.3	516.4			714.6	903.7			1,020.8	1,291.0			289.9			579.8		
Priority social expenditure (floor)[2]	1,217.7	1,305.9	Met	1,650.0		1739.6	Met	394.6			789.2	796.4			1,183.8	1,194.5			1,775.6	1,791.8			403.9			796.4		

Sources: Seychelles authorities; IMF staff estimates and projections.

[1] The terms in this table are defined in the Technical Memorandum of Understanding (TMU).

[2] The performance criteria are cumulative from the beginning of the calendar year.

[3] If the amount of disbursed external budgetary assistance net of external debt service obligations falls short of the program forecast, the ceiling on net domestic financing will be adjusted pro-tanto. If the amount of disbursed external budgetary assistance net of external debt service obligations exceeds the program forecast, the ceiling will be adjusted downward by the excess disbursement unless it is used to reduce domestic payment arrears. The NDF refers to the central government.

[4] If nominal GDP is lower than projected, the revenues floor will be adjusted by the amount equivalent to the nominal GDP shortfall in percentage terms.

[5] The floor on the CBS's NIR will be adjusted upward (downward) by the amount by which the external non-project loans and non-project cash grants exceeds (falls short of)
the amounts assumed in the program. The floor will also be adjusted upwards (downwards) by the amount that external debt service payments fall short of (exceed) the amounts assumed in the program. The floors will also be adjusted upwards by the amount of the new SDR allocation to Seychelles if the IMF makes a new allocation of SDRs to its membership.

Table 2. Seychelles: Structural Benchmarks Under the EFF, 2023–25

Actions	Timing	Objective	Status
Fiscal and Public Financial Management Policy			
1. The upgrade of the ASYCUDA system with new modules is completed for the Manifest, and Express Courier modules.	End-September 2023	Strengthen revenue mobilization.	Met
2. Cabinet approval of legislative amendments to streamline VAT exemptions, in consultation with IMF staff.	End-December 2023	Strengthen revenue mobilization.	Not met. Implemented with delay in February 2024.
3. Publish annual reporting of budgeted tax expenditure as a part of the annual budget exercise, in consultation with IMF staff.	End-October 2023	Increase transparency on tax expenditures.	Not met. Implemented with delay in November 2023.
4. Seychelles Revenue Commission to launch a digital case management platform for audit and investigation cases to track the life cycle of the cases from inception to finalization.	End-August 2025	Identify and address tax leakages, strengthen compliance and audit framework.	Proposed new SB.
5. Seychelles Revenue Commission to launch an automated framework for analyze data from multiple sources, identify risks to revenue, conduct risk analysis, and identify potential audit cases based on predefined criteria and parameters.	End-June 2025	Identify and address tax leakages.	Proposed to be rescheduled for end-December 2025.
6. The MoFNPT to compile an inventory of existing tax expenditures on VAT and business tax, together with an estimate of annual revenue cost, and to publish as part of the official budget.	End-December 2024	Increase transparency on tax expenditures and fiscal cost.	Met
7. Cabinet adoption of a roadmap and timeline of actions necessary to improve the efficiency of public investment, including for climate-related investment, based on the January 2023 PIMA.	End-September 2023	Improve the efficiency of public investment.	Met
8. Cabinet approval of the Public-Private Partnership (PPP) framework including climate-related risks, to be integrated in the Public Financial Management Act and the Public Procurement Act.	End-March 2025	Improve the efficiency of public investment.	Met
9. (i) MoFNPT to announce in the annual budget circular that projects will not be included in the Medium Term Expenditure Strategy (MTES) if appraisal information is absent or materially incomplete; (ii) MoFNPT to establish and distribute to MDAs a set of minimum criteria to assess projects in the MTES 3-year Public Sector Investment Plan (PSIP), on the basis of which (met or not met) PIMU will recommend to the Inter-Ministerial Committee (IMC) for inclusion/deferral in the current year's budget.	End-June 2024	Improve capital expenditure execution by strengthening the framework and capacity for appraising and selecting capital projects.	Met
10. Cabinet approval of a legislative amendments to the Public Debt Management Act, in line with recommendations provided by IMF capacity development.	End-March 2025	Establish debt management objectives, establish the Minister of Finance's authority to borrow, and clarify the roles and avoid redundancy of technical units.	Met
11. MoFNPT to establish a database of major and critical fixed government assets managed by MDAs and upload this information to the Fixed Asset Management System.	End-November 2025	Bolster public financial management through accounting of maintenance practices.	
12. Cabinet to approve an action plan to address any deficiencies identified in the Public Expenditure and Financial Accountability (PEFA) assessment.	End-November 2025	Strengthen public expenditure management.	

Table 2. Seychelles: Structural Benchmarks Under the EFF, 2023–25 (continued)

Actions	Timing	Objective	Status
Fiscal and Public Financial Management Policy			
13. CBS to develop a draft operational framework and launch a 6-month pilot retail investor-oriented purchase window as a prelude to a full-scale buyback facility for the trading of government securities through commercial banks.	End-January 2026	Support the liquidity of bonds and help develop a secondary market for government securities and increase the potential for domestic financing.	
14. Government to conduct a functional review of the public sector over the medium-term and share with Fund staff.	End-December 2025	Enhance managerial efficiency, ensure maximization of current human resources, and improve on service delivery.	
Monetary Policy and Financial Stability			
15. Submit amendments to the CBS Act, in consultation with IMF staff, to Cabinet.	End-June 2023	Finish implementing the 2021 safeguards assessment recommendations. The amendments aim to, inter alia, (i) strengthen governance and oversight; (ii) enhance institutional and personal autonomy; and (iii) safeguard financial autonomy.	Not met. Implemented with delay in July 2023.
16. CBS to conduct inflation surveys (1 and 5 years) of banks, firms, and households and publish the results on the CBS website.	End-June 2025	Enhance the monetary policy framework.	
17. Submit to the National Assembly amendments to the CBS Act in line with those approved by Cabinet in July 2023 and IMF staff recommendations.	End-June 2024	Address CBS recapitalization needs, in addition to safeguards assessment recommendations.	Not met. Implemented with delay in July 2024.
18. Implement the use of repo operations by CBS for liquidity management.	End-December 2024	Operationalize recent IMF TA recommendations to strengthen the monetary policy operating framework.	Met
19. Adoption of a reform plan for monetary policy operational reforms and make it public.	End-July 2023	Establish a timeline for the implementation of IMF TA recommendations to strengthen the monetary policy operating framework and instruments, including the adoption of repos and the development of the interbank market.	Met
20. CBS to complete a study on NPLs by including a forward-looking analysis.	End-September 2023	Improve the study conducted by CBS on the impact of unwinding of forbearance measures extended during the pandemic on bank asset quality, through a forward-looking analysis, including stress testing.	Not met. Implemented with delay in November 2023.
21. Cabinet approval for draft Bank Resolution Bill aligned to provide an adequate institutional framework and effective powers for dealing with bank resolution and managing a crisis, thus contributing to financial stability, while limiting the use of public funds and addressing moral hazard concerns.	End-September 2024	Based on IMF TA, address shortcomings from previously approved cabinet policy paper for bank resolution and to align with ongoing revisions to the Financial Institutions Act 2004 as amended and Insolvency Law, as well as cater recent developments stemming from the current crisis. Includes identification of consequential amendments in subsidiary legislations, with the objective of providing the regulators the necessary powers to effectively resolve troubled financial institutions.	Not met. Implemented with delay in November 2024.
State-Owned Enterprises (SOEs)			
22. Publication of SOE Annual Report.	End-June 2023	The annual report will present the overall financial performance of the Public Enterprises based on their audited financial statement and will publish eight months after the closing of the financial year.	Not met. Implemented with delay in July 2023.
23. Finalize ringfencing the ground-handling operation in Seychelles Airport by transferring the corresponding assets to Seychelles Aviation Handling Company and signing the lease agreement with Air Seychelles.	End-December 2023	Ensure that the ground-handling operations at the Seychelles International Airport, considered an important strategic asset, remain protected from creditors.	Not met. Implemented with delay in March 2024.

Table 2. Seychelles: Structural Benchmarks Under the EFF, 2023–25 (concluded)

Actions	Timing	Objective	Status
Real Sector Reforms			
24. Finalize the terms-of-reference for a study to better understand the dynamics of the tourism sector on the overall economy and its revenue potential.	End-June 2023	Conduct a tourism study, with the assistance of development partners, to better understand the dynamics of the tourism sector and its benefit to the economy. The study would cover all economic activities related to tourism, including accommodation, food and beverage services, recreation and entertainment, transportation, and travel services.	Met
25. Complete the study on the dynamics of tourism on overall economy and on revenue potential and prepare an action plan to maximize the impact of tourism in Seychelles' economy over the long-term.	End-May 2025		Not met. Proposed to be rescheduled for end-September 2025
Financial Integrity/AML/CFT			
26. Amend the Beneficial Ownership (BO) Act to broaden access to the FIU's central BO database to financial institutions, reporting institutions with AML/CFT obligations.	End-December 2024	Advance accuracy and accessibility of beneficial ownership information of entities created in Seychelles (including international business companies, limited partnerships, trusts and foundations).	Met

Source: IMF staff.

Table 3. Seychelles: Reform Measures Under the RSF, (May 2023–May 2026)

	Reform Measures (RMs)	Tentative Target date	Status	Analytical Underpinning	Capacity Development Support Needs
Reform Area 1. Enabling Climate-Smart Infrastructure Investment and Fiscal Management					
RM1	The Ministry of Finance, National Planning, and Trade (MoFNPT) integrates priority climate adaptation and mitigation objectives stipulated in the National Determined Contribution (NDC) in the forthcoming National Development Strategy 2023-2027, to ensure that investment decisions are consistent with the outcomes expected in the NDC.	**Sep 2023 (1st Review)**	Implemented	Critical area identified in C-PIMA	
RM3	The MoFNPT updates the Public Investment Management Policy and includes (i) the requirements for the use of methodologies to identify net GHG emission, emission reduction alternatives, and climate resilience of projects in ex-ante project appraisals and (ii) project selection criteria that is fully aligned with the NDC; and (iii) applies the updated project appraisal to at least two major infrastructure projects by end-September 2025 and to all new major infrastructure projects going forward as part of the PIM guidelines/process.	**Sep 2025 (5th Review)**		High priority reform identified in C-PIMA; a top priority identified by the authorities to facilitate access to climate finance	FAD support has been provided
RM4	As part of the FY2026 budget process, the MoFNPT (i) identifies climate-related expenditures, including those for adaptation and mitigation, in Program Performance Based Budget (PPBB) and reports a summary climate statement in PPBB document, and (ii) conducts long-term fiscal sustainability analysis under different climate scenarios, assess the main discrete fiscal risks related to climate change.	**Sep 2025 (5th Review)**		High priority reform identified in C-PIMA; climate finance tracking a top priority identified by the authorities	FAD support has been provided for item (i) and needed for item (ii).
Reform Area 2. Financial Sector Resilience and Climate Finance Mobilization					
RM5	To scale up climate finance, (i) the cabinet adopts a national climate finance mobilization strategy that comprehensively covers the financing instruments to unlock international climate finance from public and private sources; and (ii) the MoFNPT, together with relevant sector ministries, develop and submit a pipeline of appraised climate-related projects for recommendation by the Inter-Ministerial Committee and approval by the MoFNPT as part of the budget process.	**Sep 2024 (3rd Review)**	Implemented November 2024	A high priority jointly determined with the authorities and development partners	Climate finance advisor, MCM to provide input
RM6	The Central Bank of Seychelles (CBS) (i) issues draft guidelines for consultation on management and supervision of climate-related financial risks, consistent with international standards (BCBS 2022); (ii) issues draft guidelines for consultation on disclosure of climate related financial risks in accordance with international standards (BCBS—expected to be published by end-2024); (iii) issues a concept note for consultation with stakeholders/banks, to be circulated at the same time with the guidelines under (ii), and to include summary information on the key components of CBS' climate risk supervision strategy.	**Mar 2025 (4th Review)**	Implemented with a minor deviation	Important reform area based on Climate Change Policy Assessment	WB and MCM provided support.
RM6.1	The Central Bank of Seychelles (CBS) (i) issues finalized guidelines on management and supervision of climate-related financial risks (based on BCBS 2022); (ii) completes a data gap analysis for supervision and disclosure of banks' exposures to climate-related financial risks in consultation with IMF staff; (iii) publishes a strategy for bridging data gaps.	**Dec 2025 (6th Review)**		Important reform area based on Climate Change Policy Assessment	WB and MCM are providing support.
RM6.2	The Central Bank of Seychelles (CBS) (i) issues finalized guidelines on disclosure of banks' exposures to climate-related financial risks in consultation with IMF staff; (ii) establishes regulatory reporting templates for monitoring climate risk exposures.	**Dec 2025 (6th Review)**		Important reform area based on Climate Change Policy Assessment	WB and MCM are providing support.
RM6.3	The Central Bank of Seychelles (CBS) publishes on the CBS website a summary report on climate-related financial risk exposure which covers at least two major commercial banks.	**May 2026 (6th Review)**		Important reform area based on Climate Change Policy Assessment	WB and MCM are providing support.
RM9	The CBS adopts and implements a banking sector climate risk analysis framework and publishes a summary of the framework on the CBS website.	**Sep 2025 (5th Review)**		Important reform area based on Climate Change Policy Assessment	WB and MCM are providing support.
RM9.1	The CBS publishes a climate risk exposure assessment of the banking sector based on the climate risk analysis framework.	**Mar 2026 (6th Review)**		Important reform area based on Climate Change Policy Assessment	WB and MCM are providing support.
RM10	In accordance with the national climate finance mobilization strategy adopted in RM5, (i) the cabinet adopts an implementation framework including institutional mechanisms, financing modalities, and necessary guidelines; and (ii) the MoFNPT, together with relevant sector ministries, secure* funding for at least one major[2/] adaptation or mitigation project that contributes directly to the NDC. (*funding secured in the budget and/or loan agreement signed)	**Oct 2025 (5th Review)**		A high priority jointly determined with the authorities and development partners	Climate finance advisor, MCM to provide input.

Table 3. Seychelles: Reform Measures Under the RSF, (May 2023–May 2026) (concluded)

	Reform Measures (RMs)	Tentative Target date	Status	Analytical Underpinning	Capacity Development Support Needs
Reform Area 3. Climate Mitigation and Adaptation Policy and Disaster Risk Financing					
RM2	The cabinet of ministers approves the new draft building legislation that integrate climate adaptation and mitigation aspects.	**Mar 2024 (2nd Review)**	Implemented	Critical Area identified in C-PIMA	
RM7	The MoFNPT, together with the Disaster Risk Management Division, develop and adopt a comprehensive national Disaster Risk Financing Strategy (DRSF) considering complementary instruments that meet the financing needs.	**Mar 2025 (4th Review)**	Implemented May 2025	Critical Area identified in C-PIMA	FAD provided support
RM8	To scale-up renewable energy in the context of the new Electricity Act and the NDC, (i) the Utility Regulatory Commission (URC) adopts and implements a rates determination framework for renewable energy sources under the net billing and gross metering schemes and publishes the cumulative installed capacity of distributed renewable energy in accordance with the Distributed Generation System Regulations, (ii) the Ministry of Agriculture, Climate Change, and Environment (MoACCE) adopts a Power Procurement Plan from independent power producers (IPPs) that is consistent with the Integrated Electricity Plan, and the URC approves a competitive selection process for renewable energy IPPs in accordance with the IPP Regulations, and (iii) the URC approves an implementation framework for a multi-year tariff system for end-use electricity tariffs that are cost-reflective and publishes tariff trajectory in accordance with the Electricity Tariff Setting Regulations.	**April 2025 (4th Review)**	On track to be implemented in November 2025	Based on discussion with the authorities during PIMA mission; Top priority reform identified by the authority	WB providing technical input to sub-regulations.
RM11	The MoFNPT introduces green fiscal and tax incentives to promote positive environmental outcomes and reduce greenhouse gas emissions to support the NDC (for example, congestion fees, feebates, environmental levy, and/or price incentives for waste reduction).	**Mar 2026 (6th Review)**		Top priority reform identified by the authority; Important reform area based on Climate Change Policy Assessment	

Attachment II. Technical Memorandum of Understanding

This Technical Memorandum of Understanding (TMU) defines the performance criteria, quantitative benchmarks, and structural benchmarks of the Republic of Seychelles' economic and financial program supported by the Extended Fund Facility (EFF). It also specifies the frequency and deadlines for data reporting to the staff of the International Monetary Fund (IMF) for program monitoring purposes.

I. Definitions

- Unless otherwise indicated, "government" is understood to mean the central government of the Republic of Seychelles and does not include any political subdivisions (such as local governments), the central bank, or any other public or government-owned entity with autonomous legal personality not included in the government's budget.

- Consolidated government debt is understood to mean central government plus public guarantees.

- "External debt" is defined as debt denominated in any currency other than the Seychellois rupee (SCR). (1) The performance criterion or indicative target will include all forms of debt. The definition of "debt" is set out in paragraph 8 (a) of the Guidelines on Public Debt Limits in Fund-Supported Programs attached to the Executive Board Decision No. 16919-(20/103), adopted October 28, 2020. For the purpose of these guidelines, the term "debt" will be understood to mean a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being as follows:

- loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);

- suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and

- leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purpose of these guidelines, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair, or maintenance of the property.

(2) awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

II. Quantitative Performance Criteria

A. Ceiling on Net Domestic Financing of the Government

1. **Net domestic financing (NDF) of the government is defined as the sum of:** (i) net bank credit to the government, defined below; and (ii) net nonbank financing of the government, including the proceeds of the sale of government assets, which includes proceeds from the divestiture of shares of public enterprises, that is privatizations, Treasury bills, and other securitized obligations issued by the government and listed in rupees in the domestic financial market, and any Central Bank of Seychelles (CBS) credit to the government, including any drawings on the rupees counterpart of the Special Drawing Rights (SDR) allocation.

2. **The data deemed valid within the framework of the program will be the amounts for net bank credit to the government and for the net amount of Treasury bills and bonds issued in rupees on the domestic financial market, calculated by the CBS, and the amounts for nonbank financing calculated by the Treasury of Seychelles.**

3. **Gross external budgetary assistance is defined as grants, loans, and non-earmarked debt relief operations (excluding project-related loans and grants, use of IMF resources, and debt relief under the Heavily Indebted Poor Countries (HIPC) and Multilateral Debt Relief (MDRI) Initiatives.** Net external budgetary assistance is defined as the difference between gross external budgetary assistance and the sum of total debt service obligations on all public external debt (defined as the sum of interest payments and amortizations on all external loans, including interest payments and other charges to the IMF and on project-related loans, but excluding repayment obligations to the IMF), and all payments of external arrears.

4. **Adjustors:** Net domestic financing of the government will be adjusted downward (upward) if net external budgetary assistance, including the Resilience and Sustainability Facility (RSF), exceeds (falls short of) the program projections.

5. **For the purpose of monitoring, data will be provided to the Fund by the authorities on a monthly basis with a lag of no more than four weeks from the end-of-period.**

B. Floor on the Primary Balance

6. The primary balance is defined as total revenues and grants minus primary expenditure and covers non-interest government activities as specified in the budget. The primary balance will be measured as cumulative over the fiscal year, and it will be monitored from above the line.

- Revenues are recorded when the funds are transferred to a government revenue account. Tax revenues are recorded as net of tax refunds. Revenues will also include grants. Capital revenues will not include any revenues from non-financial asset sales proceeding from divestment operations.

- Central government primary expenditure is recorded on a cash basis and includes recurrent expenditures and capital spending. Primary expenditure also includes transfers to State-Owned Enterprises (SOEs). All primary expenditures directly settled with bonds, or any other form of non-cash liability will be treated as one-off adjustments and recorded as spending above-the-line, financed with debt issuance, and will therefore affect the primary balance.

7. Adjustors: The primary balance target will be adjusted upward (downward) by the surplus (shortfall) in disbursements of grants relative to the baseline projection.

8. For the purpose of monitoring, data will be provided to the Fund by the authorities monthly with a lag of no more than four weeks from the end-of-period.

C. Floor on Total Revenue

9. Total government revenue includes tax and nontax revenue, as shown in the fiscal table, but excludes external grants, revenue of autonomous agencies, and privatization receipts.

10. The government revenue floor will be adjusted downward by the amount equivalent to the shortfall in nominal gross domestic product, in percentage terms, compared to the program projections.

11. For the purpose of monitoring, data will be provided to the Fund by the authorities on a monthly basis with a lag of no more than four weeks from the end-of-period.

D. Floor on Net International Reserves

12. Net International Reserves (NIR) of the CBS are defined as the difference between reserve assets and reserve liabilities with a maturity of less than one year. Note that, NIR exclude blocked assets. Blocked assets mostly consist of commercial banks foreign deposits and project accounts. Since those assets are controlled and readily available to the CBS to meet BOP needs, they are included in gross international reserves (GIR).

13. **Reserve assets are defined as readily available claims on nonresidents denominated in foreign convertible currencies.** They include the CBS's holdings of monetary gold, SDRs, foreign currency cash, foreign currency securities, deposits abroad, and the country's reserve position at the Fund. Excluded from reserve assets are any assets that are pledged, collateralized, or otherwise encumbered, claims on residents, claims in foreign exchange arising from derivatives in foreign currencies vis-a-vis domestic currency (such as futures, forwards, swaps, options et cetera), precious metals other than gold, assets in nonconvertible currencies, and illiquid assets.

14. **Reserve liabilities are:** (1) all foreign exchange liabilities to residents and nonresidents with original maturity of less than one year, including commitments to sell foreign exchange arising from derivatives (such as futures, forwards, swaps, options, et cetera); and (2) all liabilities outstanding to the IMF (only the total outstanding use of Fund Credit and loans is included in reserve liabilities).

15. **Adjustors:** The floor on the CBS's NIR will be adjusted upward (downward) by the amount by which the external non-project loans, including the RSF, and non-project cash grants exceeds (falls short of) the amounts assumed in the program. The floor will also be adjusted upwards (downwards) by the amount that external debt service payments fall short of (exceed) the amounts assumed in the program. The floors will also be adjusted upwards by the amount of the new SDR allocation to Seychelles if the IMF makes a new allocation of SDRs to its membership.

16. **For the purpose of monitoring, semiannually, at each test date for program quantitative targets, the net international reserves data submitted by the CBS to the IMF will be audited by the CBS' internal audit division in accordance with International Standards on Auditing, to ensure conformity with the program definition and calculation methods. Reports will be submitted to the IMF no later than two months after each test date.**

E. Non-Accumulation of New Domestic and External Arrears (continuous)

17. **Domestic payments arrears are defined as domestic payments due but not paid by the government after a 90-day grace period unless the payment arrangements specify a longer payment period.** The Ministry of Finance records and updates the data on the accumulation and reduction of domestic payments arrears.

18. **The government undertakes not to accumulate any new domestic payments arrears. The non-accumulation of new domestic payments arrears will be continuously monitored throughout the program.** The accumulation of any new domestic payments arrears will be reported immediately by the government to Fund staff.

19. **The government undertakes not to accumulate any new external public payments arrears, with the exception of arrears related to debt that is the subject of rescheduling.** External public payments arrears are defined as payments due but not paid by the government as of the due date specified in the contract, taking into account any applicable grace periods, including contractual and late interest, on the external debt of the government or external debt guaranteed by the government. The performance criterion on the non-accumulation of new external public

payments arrears will be continuously monitored throughout the program. The accumulation of any new external payments arrears will be reported immediately by the government to Fund staff.

20. Standard continuous performance criteria include: 1) prohibition on the imposition or intensification of restrictions on making of payments and transfers for current international transactions; 2) prohibition on the introduction or modification of multiple currency practices; 3) prohibition on the conclusion of bilateral payments agreements that is inconsistent with Article VIII; and 4) prohibition on the imposition or intensification of import restrictions for balance of payments reasons.

III. Indicative Targets

A. Net Change in Public and Publicly Guaranteed Domestic and External Debt

21. The public and publicly guaranteed domestic and external debt is defined as the public debt and includes the central government debt plus domestic and external guarantees provided by the government.

B. Floor on Government Social Spending

22. The indicative floor on social spending will apply to the expenditures incurred by the government on the following plans and programs that are intended to have a positive impact on education, health, social protection, housing and community services and recreational activities:

- Goods and services: day care scheme under IECD; breakfast and lunch under education and dedicated fund; home care giver transferred to family affairs, SPTC Bus refund for students.

- Capital project: vulnerable home repair.

- Social program of government: Housing finance scheme, home improvement/re-roofing scheme for pensioners, youth employment scheme, temporary financial assistance.

- Transfers to public enterprises: SPTC- refund of bus fare for elderly, disability and workers special.

- Benefits and approved programs of the Agency for Social Protection: all budget lines under this code.

IV. Program Reporting Requirements

23. Performance under the program will be monitored from data supplied to the IMF by the authorities. The authorities will transmit promptly to IMF staff any data revisions as well as other information necessary to monitor the arrangement under the EFF.

V. Data and Information

24. The Seychelles authorities (government and CBS) will provide Fund staff with the following data and information according to the schedule provided.

The CBS Will Report

Weekly (within one week from the end of the period):

- Daily reserve money data.
- Foreign exchange reserves position.
- A summary table on the foreign exchange market transactions.
- The results of the liquidity deposit auction, primary Treasury bill auctions, and secondary auctions.

Monthly (within four weeks from the end of the month):

- The monetary survey in the standardized report form format.
- The foreign exchange cash flow, actual and updated.
- Financial soundness indicators.
- Stock of government securities in circulation by holder (banks and nonbanks) and by original maturity and the debt service profile report.

The Ministry of Finance Will Report

Monthly (within two weeks from the end of the month):

- Consolidated government operations on a commitment basis and cash basis in the IMF supported program format and in GFSM2001 format.
- The detailed revenues and expenditures of the central government and social security fund.
- Import and export data from the customs department.
- Public debt report reconciled with the cash operations to minimize any statistical discrepancy.
- Consolidated creditors schedule on domestic expenditure arrears of the government.

Quarterly (within one month from the end of the quarter):

- Accounts of the public nonbank financial institutions.

25. The government and CBS will consult with Fund staff on all economic and financial measures that would have an impact on program implementation and will provide any additional relevant information as requested by Fund staff.

SEYCHELLES

June 10, 2025

FOURTH REVIEWS UNDER THE ARRANGEMENT UNDER THE EXTENDED FUND FACILITY AND THE ARRANGEMENT UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY, REQUEST FOR MODIFICATION OF PERFORMANCE CRITERIA, AND REQUEST FOR MODIFICATION OF REFORM MEASURES UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY—SUPPLEMENTARY INFORMATION

Prepared by	**African Department**

This supplement provides additional information to the Staff Report circulated to the Executive Board on May 27, 2025. It includes staff's views/assessment on the balance of payments link to Resilience and Sustainability Facility reform measures. The supplement does not change either the staff recommendations or the thrust of the staff appraisal.

1. **This supplement to the staff report provides staff's views/assessment on the balance of payments link to the reform measures of the Resilience and Sustainability Facility.** Staff projections and the thrust of the staff appraisal remain unchanged.

2. **The additional information is meant to complement the information in the table provided by the authorities (reflected in MEFP Table 3 (attached)).**

Table 3. Seychelles: Reform Measures Under the RSF, (May 2023–May 2026)						
	Reform Measure (RM)	**Tentative Target Date**	**Status**	**Analytical Underpinning**	**Capacity Development Support Needs**	**Prospective BOP Risk Reduction**
Reform Area 1. Enabling Climate-Smart Infrastructure Investment and Fiscal Management						
RM1	The Ministry of Finance, National Planning, and Trade (MoFNPT) integrates priority climate adaptation and mitigation objectives stipulated in the National Determined Contribution (NDC) in the forthcoming National Development Strategy 2023-2027, to ensure that investment decisions are consistent with the outcomes expected in the NDC.	**Sep 2023 (1st Review)**	Implemented	Critical area identified in C-PIMA		*Fiscal and external sustainability.* -Reduces fiscal costs and contingent liability risks by strengthening public financial management, contributing to debt sustainability and lowering external financing needs. -Facilitates budget oversight and improves medium-term fiscal and debt management planning. - Improves spending efficiency through better alignment with authorities' priorities. *Investment promotion* -Strengthens investor confidence and bolsters opportunities to mobilize multilateral, bilateral, and private financing.
RM3	The MoFNPT updates the Public Investment Management Policy and includes (i) the requirements for the use of methodologies to identify net GHG emission, emission reduction alternatives, and climate resilience of projects in ex-ante project appraisals and (ii) project selection criteria that is fully aligned with the NDC; and (iii) applies the updated project appraisal to at least two major infrastructure projects by end-September 2025 and to all new major infrastructure projects going forward as part of the PIM guidelines/process.	**Sep 2025 (5th Review)**		High priority reform identified in C-PIMA; a top priority identified by the authorities to facilitate access to climate finance	FAD support has been provided	

Table 3. Seychelles: Reform Measures Under the RSF, (May 2023–May 2026) (continued)

RM4	As part of the FY2026 budget process, the MoFNPT (i) identifies climate-related expenditures, including those for adaptation and mitigation, in Program Performance Based Budget (PPBB) and reports a summary climate statement in PPBB document, and (ii) conducts long-term fiscal sustainability analysis under different climate scenarios, assess the main discrete fiscal risks related to climate change.	**Sep 2025 (5th Review)**	High priority reform identified in C-PIMA; climate finance tracking a top priority identified by the authorities	FAD support has been provided for item (i) and needed for item (ii).
RM10	In accordance with the national climate finance mobilization strategy adopted in RM5, (i) the cabinet adopts an implementation framework including institutional mechanisms, financing modalities, and necessary guidelines; and (ii) the MoFNPT, together with relevant sector ministries, secure* funding for at least one major[2/] adaptation or mitigation project that contributes directly to the NDC. (*funding secured in the budget and/or loan agreement signed)	**Oct 2025 (5th Review)**	A high priority jointly determined with the authorities and development partners	Climate finance advisor, MCM to provide input.

Table 3. Seychelles: Reform Measures Under the RSF, (May 2023–May 2026) (continued)

Reform Area 2. Financial Sector Resilience and Climate Finance Mobilization						
RM5	To scale up climate finance, (i) the cabinet adopts a national climate finance mobilization strategy that comprehensively covers the financing instruments to unlock international climate finance from public and private sources; and (ii) the MoFNPT, together with relevant sector ministries, develop and submit a pipeline of appraised climate-related projects for recommendation by the Inter-Ministerial Committee and approval by the MoFNPT as part of the budget process.	**Sep 2024 (3rd Review)**	Implemented November 2024	A high priority jointly determined with the authorities and development partners	Climate finance advisor, MCM to provide input	*Fiscal and external sustainability.* Bolsters opportunities to mobilize multilateral, bilateral, and private financing.
RM6	The Central Bank of Seychelles (CBS) (i) issues draft guidelines for consultation on management and supervision of climate-related financial risks, consistent with international standards (BCBS 2022); (ii) issues draft guidelines for consultation on disclosure of climate related financial risks in accordance with international standards (BCBS—expected to be published by end-2024); (iii) issues a concept note for consultation with stakeholders/banks, to be circulated at the same time with the guidelines under (ii), and to include summary information on the key components of CBS' climate risk supervision strategy.	**Mar 2025 (4th Review)**	Implemented with a minor deviation	Important reform area based on Climate Change Policy Assessment	WB and MCM provided support.	*Financial sector resilience and external sustainability.* Reduces financial sector losses when climate risks materialize, lowering recapitalization needs for banks and lowering import needs for repair and reconstruction.
						Investment promotion Clarification of climate-related exposures facilitates investment by reducing uncertainty.

Table 3. Seychelles: Reform Measures Under the RSF, (May 2023–May 2026) (continued)				
RM6.1	The Central Bank of Seychelles (CBS) (i) issues finalized guidelines on management and supervision of climate-related financial risks (based on BCBS 2022); (ii) completes a data gap analysis for supervision and disclosure of banks' exposures to climate-related financial risks in consultation with IMF staff; (iii) publishes a strategy for bridging data gaps.	**Dec 2025 (6th Review)**	Important reform area based on Climate Change Policy Assessment	WB and MCM are providing support.
RM6.2	The Central Bank of Seychelles (CBS) (i) issues finalized guidelines on disclosure of banks' exposures to climate-related financial risks in consultation with IMF staff; (ii) establishes regulatory reporting templates for monitoring climate risk exposures.	**Dec 2025 (6th Review)**	Important reform area based on Climate Change Policy Assessment	WB and MCM are providing support.
Reform Area 2. Financial Sector Resilience and Climate Finance Mobilization (continued)				
RM6.3	The Central Bank of Seychelles (CBS) publishes on the CBS website a summary report on climate-related financial risk exposure which covers at least two major commercial banks.	**May 2026 (6th Review)**	Important reform area based on Climate Change Policy Assessment	WB and MCM are providing support.
RM9	The CBS adopts and implements a banking sector climate risk analysis framework and publishes a summary of the framework on the CBS website.	**Sep 2025 (5th Review)**	Important reform area based on Climate Change Policy Assessment	WB and MCM are providing support.
RM9.1	The CBS publishes a climate risk exposure assessment of the banking sector based on the climate risk analysis framework.	**Mar 2026 (6th Review)**	Important reform area based on Climate Change Policy Assessment	WB and MCM are providing support.

Table 3. Seychelles: Reform Measures Under the RSF, (May 2023–May 2026) (continued)

	Reform Measure (RM)	**Tentative Target Date**	**Status**	**Analytical Underpinning**	**Capacity Development Support Needs**	**Prospective BOP Risk Reduction**
Reform Area 3. Climate Mitigation and Adaptation Policy and Disaster Risk Financing						
RM2	The cabinet of ministers approves the new draft building legislation that integrate climate adaptation and mitigation aspects.	**Mar 2024 (2nd Review)**	Implemented	Critical area identified in C-PIMA		*External, financial, and fiscal resilience.* Limits potential financial losses and fiscal pressures from exposure to disaster risks.
						External and fiscal sustainability. -Incentivizes a more efficient use of energy and supports the transition to cleaner energy-- reducing reliance on fuel imports and mitigating the effects of fuel price volatility. -Reduces the fiscal burden on government to address negative externalities while also potentially
RM7	The MoFNPT, together with the Disaster Risk Management Division, develop and adopt a comprehensive national Disaster Risk Financing Strategy (DRSF) considering complementary instruments that meet the financing needs.	**Mar 2025 (4th Review)**	Implemented May 2025	Critical Area identified in C-PIMA	FAD provided support	

Table 3. Seychelles: Reform Measures Under the RSF, (May 2023–May 2026) (concluded)

RM8	To scale-up renewable energy in the context of the new Electricity Act and the NDC, (i) the Utility Regulatory Commission (URC) adopts and implements a rates determination framework for renewable energy sources under the net billing and gross metering schemes and publishes the cumulative installed capacity of distributed renewable energy in accordance with the Distributed Generation System Regulations, (ii) the Ministry of Agriculture, Climate Change, and Environment (MoACCE) adopts a Power Procurement Plan from independent power producers (IPPs) that is consistent with the Integrated Electricity Plan, and the URC approves a competitive selection process for renewable energy IPPs in accordance with the IPP Regulations, and (iii) the URC approves an implementation framework for a multi-year tariff system for end-use electricity tariffs that are cost-reflective and publishes tariff trajectory in accordance with the Electricity Tariff Setting Regulations.	**April 2025 (4th Review)**	On track to be implemented in November 2025	Based on discussion with the authorities during PIMA mission; Top priority reform identified by the authority	WB providing technical input to sub-regulations.	increasing revenues. -Reduces fiscal and external financing needs.
RM11	The MoFNPT introduces green fiscal and tax incentives to promote positive environmental outcomes and reduce greenhouse gas emissions to support the NDC (for example, congestion fees, feebates, environmental levy, and/or price incentives for waste reduction).	**Mar 2026 (6th Review)**		Top priority reform identified by the authority; Important reform area based on Climate Change Policy Assessment		

Statement by Ms. Nghi Phuong Luu, Alternate Executive Director for Seychelles, and Mr. Lenny Palit, Advisor to the Executive Director
June 16, 2025

Seychelles remains strongly committed to reforms set under the IMF programs and has a strong track record of completion. The Seychellois authorities appreciate the continued Fund guidance and technical assistance, and we extend our gratitude to the mission team and Mr. Schneider for their productive consultations under the fourth reviews under the Extended Fund Facility (EFF) and Resilience and Sustainability Facility (RSF).

For the EFF, all end-December Performance Criteria (QPCs) were met, with preliminary data suggesting all indicative targets as at end March were also met. All Structural Benchmarks (SBs) were met with two exceptions requiring rescheduling in view of capacity and procurements challenges. Both are expected to be finalized prior to end-2025 and integrated as part of the 2026 budget cycle.

For the RSF, all Reform Measures (RMs) due by March have been completed. However, the RM relating to energy pricing due in April required rescheduling due to resource constraints and the need to establish clearer detailed guidance on energy policy. The request for modifications under the financial sector RM is outside of the authorities' control as it is subject to release of formal guidance by the Basel Committee on Banking Supervision. Future progress under the RSF will depend critically on continued timely technical support from the Fund and key external parties.

The authorities remain committed to objectives set out at the start of the programs, but are cognizant of addressing structural challenges in light of geopolitical tensions. Seychelles remains committed to attaining outcomes under the Fund program, the National Development Strategy (NDS), and attaining targets set under Nationally Determined Contribution (NDC), Sustainable Development Goals (SDGs) and Agenda 2063. However, domestic capacity gaps and a more pessimistic global outlook of attaining the global 2C target will necessitate reprioritization to address structural challenges.

Recent Economic Developments and Outlook

GDP grew by 2.9 percent in 2024 and was marginally lower than forecasted under the 3rd EFF-RSF reviews. This was due to weaker-than-expected tourist arrivals, lower expenditure per tourist and spillover in related sectors, which was offset by sustained growth in the ICT and construction sectors, with the manufacturing sector still recovering following the explosion in a major semi-industrial area and quarry in December 2023.

The current account deficit widened to 7.9 percent of GDP in 2024 compared to 7.4 percent of GDP in 2023. The change is primarily driven by weaker tourism earnings and offset by higher canned tuna and oil re-exports relative to 2023. On the financial accounts, a major rescheduled FDI project impacted the forecast reserve accumulation path. By end 2024, gross official reserves increased to US$774 million (3.8 months of import cover) compared to US$682 million (3.4 months) in 2023.

Fiscal performance exceeded the program forecast primarily because of under executed capital projects. The primary surplus in 2024 stood at 3.2 percent of GDP compared to the program forecast of 1.1 percent. While revenue lines were broadly aligned to 3rd review projections, expenditure shortfalls related to hiring constraints and capital project under execution accounted for the large share of fiscal overperformance. Bottlenecks following the industrial explosion, delayed foreign grants, challenges related to the procurement and project selection process were key factors in the lower-than-expected capital project execution rate.

Year on year inflation for 2024 stood at 1.71 percent following rounds of energy price adjustments and a weaker exchange rate. Conditions supported an accommodative monetary policy stance by the Central Bank of Seychelles (CBS), whereby the policy rate has remained unchanged since March 2024. However, challenges persist in enhancing the transmission mechanism of monetary policy. No major demand shock via the credit or exchange rate channels was observed following recent government and minimum wage increases.

Recent high frequency indicators suggest broad alignment with inflation projections, but uncertainties persist. As of June 9th, Gross Reserves stood at US$854 million, with Net International Reserves (NIR) at US$693 million, well above the June target of US$629 million. A more favorable euro-dollar cross rate and tourism arrivals growth of 6.7 percent as at end-May have supported a more buoyant services sector, with preliminary estimates indicating first quarter earnings to be 16.1 percent above the 2024 level (in SCR terms). Weaker oil prices have moderated energy imports and energy prices domestically. Weaker growth in disposable income and savings, most notably in the core European market, are likely to persist beyond the program in the tourism sector, impacted by new global uncertainties and consistent with latest Fund projections. The authorities remain committed to the program and pre-existing strategies and continue to monitor high frequency indicators and developments in key markets. Domestically, uncertainty in the lead up to the September elections is likely to increase social stability risks.

Fiscal Policy

Fiscal consolidation to create future policy space remains the priority for the authorities with a debt target of around 50 percent of GDP by 2030. While capacity constraints and timing warranted minor rescheduling of two SBs (tourism study, automated platform for risk analysis and tax audit selection), both remain on track. The authorities remain committed to enhancing revenue mobilization and in the future, assessing the optimal tax policy and alignment with long run objectives. Work remains ongoing in embedding PIMA and C-PIMA objectives within the budget cycle to enhance capital budget execution. Moreover, the recently approved PIM policy has been disseminated. The backlog following the industrial explosion has gradually dissipated, along with some reprioritization under the MTES and improved criteria selection, should support a higher execution rate of capital projects.

Financing conditions following recent global developments are likely to further impact access to concessional financing. To enhance access to innovative forms finance, Cabinet approval of the Public-Private Partnership framework (SB8) and the recent Climate Finance Roadshow provided innovative opportunities in addressing the funding gap, with further discussions with external partners expected to fund much needed capital stock renewal in key areas in the medium run.

Work on a sustainable and equitable social spending framework remains ongoing with the expected adoption of a revised socioeconomic needs assessment framework. Digitalization efforts by the Agency for Social Protection aims to integrate social sector and related data systems and reduce processing times. However, challenges persist on the subjective permanence of social protection measures, the need to reduce informality and risks to old age poverty, and to better shape public perceptions on its merits and implications in the long run.

Monetary and Financial Stability

The Monetary Policy Rate remained unchanged from the second quarter of 2024 but uncertainty has increased. The CBS remains vigilant in monitoring price dynamics and will proactively communicate with the public and stakeholders to better shape future expectations. This is particularly important given the weaker than desired transmission mechanism of monetary policy via the interest rate channel.

Strengthening the CBS balance sheet is vital in maintaining autonomy and absorbing the increasing cost of monetary policy operations. Consistent with recent parliamentary approval, the authorities are assessing the timeline for recapitalization subject to fiscal budgetary constraints. The decline in domestic debt and sustained reserve accumulation of foreign exchange has left an historic liquidity overhang within the financial system, requiring enhanced liquidity management. As such, CBS continues to expand its toolkit with ongoing development of repurchase agreements, consistent with past Fund guidance.

The flexible exchange rate will continue to act as an automatic stabilizer with CBS interventions limited to reducing excess volatility and reserve accumulation. Higher conversions by hotels in anticipation of a more buoyant tourism season is likely to have impacted accelerated reserve growth in the recent period. Dynamics within the euro-dollar cross rates and potential interest rate differentials moving forward are likely to impact financial sector strategies. From a reserve management standpoint, CBS remains engaged with the Reserves Advisory & Management Partnership with the World Bank to further bolster technical capacity and investment options. CBS remains committed to increasing the role of digital payments and remains cognizant of mitigating increasing cyberattacks risks.

Post-pandemic financial sector conditions continue to improve with sustained declines in non-performing forborne loans and restructured loans. Restructured loans declined by 24 percent as at end-December while forborne loans declined by 32 percent. CBS continues to monitor compliance with Pillar 1 of the Basel II requirements. As part of its crisis management and resolution framework, work is continuing on the Bank Recovery and Resolution Bill and further consideration is needed on expanding coverage of the deposit insurance scheme due to the significant financial cost. Addressing financial sector risks as identified under the AML/CFT framework remains a priority with given developments in Virtual Assets and Virtual Asset Service Providers.

Structural Reforms

A higher, sustainable growth path remains a priority under the NDS but requires improved government efficiency. The authorities are cognizant of the need to better embed its financing decisions under the MTFF with planning objectives. Digitization and integration efforts will reduce knowledge gaps and facilitate improved inter-agency coordination. More recently, a high-level forum with the private sector provided new insights on private sector demands and expectations.

Diversification efforts under the Transformative Economic Agenda continue but have been hindered by underlying preconditions. Given the need to replenish declining levels of capital stock, the government is in the process of assessing large scale infrastructure projects. However, underlying preconditions, including land scarcity and allocation challenges, access to finance and energy, public expectations and human capital gaps remain major challenges. In the short to medium run, a more sustainable tourism sector remains a priority with the upcoming tourism study providing guidance for future policy decisions.

Given sustainability risks to the fisheries sector and the Blue Economy, the authorities remain committed to embedding and promoting sustainable long run policies, including enhanced value addition and promoting green loans under pre-existing facilities.

Enhanced governance, improved delivery and public trust remain core objectives under the program. Audits initiated in September 2024 of six State-Owned Enterprises (SOEs) have been delayed but expected to be completed by June. Procurement processes of two other SOEs remain ongoing despite recent setbacks.

The authorities acknowledge that increased use of technology will lead to efficiency gains when human capital constraints are growing. Progress remains ongoing on multiple high priority projects. Consistent with objectives under the Results Based Management framework, the Human Resource Management System is expected to be operational by the 2026 budget cycle. Work on IFMIS will take a phased approach. ASYCUDA world updates and ongoing VAT reforms, with a strategy outlined until 2026, will be supported by improved staffing at the tax authorities.

RSF and Climate Change Policy

Climate change is an existential threat with reduced probability of attaining the global 2C target necessitating a future reprioritization exercise. The authorities remain committed to Nationally Determined Contribution (NDC), as evidenced by the launch of its third NDC development process, which aims to set more ambitious targets.

Mobilizing climate finance remains a priority with the RSF serving as a catalyst. Following discussions held at the Climate Finance Roundtable, four options were identified in scaling up finance to the sector, with the authorities committed to tangible progress and clarity prior to COP30 in November. Domestically, the Cabinet approved the national climate finance mobilization strategy with the Finance Ministry designing modalities to enhance access to pre-existing agencies.

Conclusion

The authorities remain on track to meeting objectives set under the program. Despite uncertain times ahead and added constraints on human resources, the authorities firmly believe that long run structural challenges cannot be resolved without short run stability, appropriate resource alignment and empirically based solutions needed in addressing them. Historically, Seychelles has had active engagement with the Fund, which has been a key supporter and facilitator of reforms over the past two decades and is expected to play a critical role in the future.

Given sustained program performance, the Seychellois authorities seek the Executive Directors' support for completing the reviews under the EFF-RSF and the request for future program modification.