COOPERATION
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1. Executive Summary

Notwithstanding the disruptive impact of the Tsunami and flash floods of late December 2004 on productive activity, macroeconomic stabilisation was further consolidated during 2005. Despite the persistent macro-economic imbalances, the Government maintained its commitment to the home-grown Macroeconomic Reform Programme (MERP), launched in 2003. This has been rewarded by a third consecutive year of budget surplus, a considerable decline in the government's net indebtedness to the banking sector as well as an improvement in the external current account. The beginning of this economic recovery was driven mainly by the country's two traditional economic pillars – tourism and fisheries; as at end 2005, real GDP growth estimates for stood at 1.2% compared to -2.8% in 2004 and -5.9% in 2003.

Notwithstanding this, the strong fiscal outcome did not translate into the expected contractionary impact on the monetary aggregates required to help address the monetary imbalances. Given the high level of demand for hard currencies relative to supply, some businesses were unable to acquire adequate foreign exchange through the official channel. Accordingly, production activities were reportedly constrained, more particularly in the manufacturing sector. The relative delay in the adoption of the necessary macroeconomic measures was therefore adversely impacting on potential output. Nevertheless during 2005 the by Government deployed considerable efforts in order to initiate an economic recovery. A number of measures were thus enunciated in the 2005 Budget Speech, including the privatization, albeit slow, of a number of state-owned companies, such as the State Assurance Corporation of Seychelles as well as a tighter fiscal discipline. There was also a clear sign to encourage a more important involvement of the civil society. Furthermore, the strategy of promoting an offshore jurisdiction indicated that Seychelles was further opening up its economy: as at end 2005, FDI stood at a USD82 million in particular via tourism-related activities.

In the context of the 9th EDF NIP, considerable delays were encountered for commitment of funds for the two projects earmarked under the A-envelope. During its instruction phase, the focal sector programme in the solid waste sector experienced important and unexpected delays due mainly to the need to firstly undertake detailed feasibility studies. By end of 2005 since the studies were completed, the corresponding solid waste management Financing Proposal was finalised.

Delays were also encountered for the non-focal sector project due to lengthy discussions regarding the eligibility of a Seychelles' NGO umbrella organization to implement part of the programme. The Financing Proposal of the capacity building programme for State and Non-State Actors, was submitted in August 2005 but no financing decision was yet taken as at end 2005.

During the course of 2005, The Financing Agreement for a Technical Cooperation Facility was signed to support the funding of studies related to either the 9th EDF or for the preparation of the 10th EDF.

Under the B envelope, the Financing Agreement for the Tsunami project was approved in October 2005, with a Contribution Agreement subsequently being signed with the UNDP in November.

In line with the End-of-Term Review conclusions, there was no change to the country's strategy under the 9th EDF with the focal sector and non focal sector programmes remaining unchanged.

2. Update on the political, economic and social situation

2.1 Update of the political situation

Since April 2004, the country is governed by the new president, Mr. James Michel who became president after the stepping down of former President René. President James Michel was previously the Vice President and the post is now being occupied by Mr. Joseph Belmont. Mr. Albert René, former President (1977 – 2004) is now the Head of the Seychelles People's Progressive Front. There will be presidential elections in 2006, as instructed by the Seychelles' Constitution. In terms of regional cooperation, Seychelles withdrew from the SADC in 2004 because of financial reasons. However, the President has announced that the Seychelles will rejoin SADC in July 2006, a sign of its political commitment towards regionalism; this should not in principle affect the country's decision to negotiate an EPA in the ESA group.

2.2 Update of the economic situation

The late December 2004 Tsunami dampened the country's production activities' performances in early 2005 and two main economic pillars were considerably affected – tourism and fisheries.

Despite persistent macroeconomic balances[1], the Government remained resolute in its commitment to the home-grown Macroeconomic Reform Programme (MERP) initiated since 2003. Notwithstanding the disruptive impact of the December 2004 Tsunami, macroeconomic stabilization was thus further consolidated by the end of the first quarter of 2005. By the end of the second quarter 2005, further gains in economic stabilization led to a remarkable decline in the government's net indebtedness to the banking system. The unexpected continued buoyancy in the Goods and Services Tax (GST) revenue seemed to suggest that the observed downturn in economic activity had not filtered through to consumption activities.

Assessment of the economic process

By end 2005, the economy was starting to show signs of a slow, but positive recovery. GDP growth estimates for 2005 stood at 1.2% compared to -2.8% in 2004 and -5.9% in 2003. This is partly explained by the fact that the tourism and exports sectors recovered more significantly than initially forecasted. Further, the continued buoyancy in GST revenue collections, notably linked to imports, would seem to suggest that from a demand perspective, economic activity remained robust throughout 2005. Nonetheless, as per official statistics, production activity remained subdued due to the continued stringency in the foreign exchange situation causing shortages in raw materials and other imported inputs.

Remarkable progress continued to be achieved in fiscal consolidation with an overall surplus of SCR352 million recorded. This strong fiscal outcome translated in turn to a SCR170 million decline in government indebtedness to the banking system. However, the expected contractionary impact on monetary aggregates associated with such a development did not materialise, in part because of an offsetting expansion in credit to the parastatals, but for the most part, on account of a sharp improvement in the net foreign assets position of the Central Bank. In consequence, the broad monetary base rose by 4% to a record level of SCR4,442.5 million. After the inflationary phase of 2004, prices stabilised during the year 2005. On the basis of the

[1] Please refer to JAR 2004.

Retail Price Index (RPI), the average annual inflation rate slowed down from 3.9% in 2004 to 0.9% over the year 2005.

As per official statistics, external economic fundamentals appeared to have strengthened in 2005. Overall, the external accounts ended the year in SCR 84 million deficit, a remarkable reduction of 83% compared to the 2004 deficit (SCR 490 million). This was mostly due to the strengthening of the financial and capital accounts which recorded a surplus of SCR977.7 million as against a deficit of SCR162 million in the previous year.

The **debt** problem continued in 2005, with total debt accounting for 176% of GDP. To date, the Government's strategy on debt reduction has focused on debt restructuring, with maturity-lengthening operations for the domestic debt (with the issue of special bonds- Esmeralda Bonds), and the re-negotiation of the external debt with bilateral and multilateral creditors. Seychelles welcomed the Paris Club decision to freeze the debt of Tsunami-hit countries. In the last budget Speech, President Michel also announced that Government has entered into discussions with the African Development Bank in order to reach an agreement on the payment of arrears while resuming payments of their commitments with the World Bank and the OPEC Fund. These are positive developments in the government debt strategy to show Government's goodwill; however, no initiative appears to have been taken to address arrears with the EIB.

The unsustainable level of public debt coupled with an overvalued exchange rate contributed to the near depletion of international reserves, leaving the country with high external payment arrears. The Government's main strategy for curbing the shortage of international reserves, estimated at just 4.2 weeks of imports for 2005, is to attract foreign investment in particular in the tourism sector. The results of the abolition of import permits (since January 2005) have been limited due to the shortage of foreign currency for potential importers. Government has undertaken some measures to facilitate the obtaining of foreign exchange both for personal and business purposes. However, the devaluation of the Rupee, which is a measure that the IMF has been recommending for several years, has not been effected as at end 2005.

Trends in the main economic sectors

In 2005, the **fisheries** sector continued to play a major part in supporting the external accounts through merchandise exports (principally canned tuna and other pelagic fish)[2]. The estimated volume of fish exported increased by almost two-folds over the previous year. The semi-industrial long-line fishery reported an increase in turnover as compared to that in 2004. In 2005, total landed catch by this type of fishing activity was estimated at 251 metric tonnes; 140 metric tonnes above that recorded in 2004. This was mainly on account of the upward revision made in the year on the permissible level of cadmium in swordfish meat which made exports to the EU market possible in 2005, which was not possible in 2004. At the industrial fisheries level, the performance of the tuna fishing activity recovered partly from the slump of 2004. For the reporting period, the provisional estimate of the total revenue by the tuna fishing fleet indicates a rise of 8.3% (from 358,261 metric tonnes in 2004 to 387,844). To a certain degree, the increase in the industrial fishing activity was boosted by the re-construction of the "tuna quay" located at the fishing port, which was partly damaged by the 2004 December Tsunami.

Tourism activity remained generally slack in the first quarter of 2005 with arrivals totalling 26,168 visitors, 3.7% lower than in the first quarter of 2004. In terms of tourism revenue,

[2] Source: Central Bank of Seychelles – Annual Report 2005

SCR144[3] million was recorded which on the same comparison, corresponded to a sharp decline of 22%. However, there was a remarkable reversal of this downbeat trend in the second quarter of 2005 whereby an increase of 12 % was recorded as compared to the same period in 2004. This upturn is all the more remarkable given the considerable damage to tourism infrastructure caused by the tidal waves, which hit the islands in late December 2004. Additionally, the commitment to an open sky policy successfully attracted two Gulf carriers, Emirates and Qatar, which now operate high-frequency air links between Seychelles and Doha/Dubai. However, the statistics at hand show that these new carriers with sixth freedom rights have diluted the traffic of Air Seychelles over European stations rather than extended the envelope of tourist arrivals. The beginning of the second quarter saw the creation of the Seychelles Tourism Board, which replaced the existing Seychelles Tourism Marketing Authority. This new body brought about positive results for the latter part of the second quarter - by December 2005 a 12% increase in total tourist arrivals was recorded in comparison to the year 2004. Further, the government has continued to persevere in its strategy of further developing the tourism sector: in early 2005 the development of Eden Island as an integrated tourism project was initiated.

Seychelles started to grow as an **offshore jurisdiction** in 2005. Out of nearly 25,000 companies on the International Business Company (IBC) register, over 7,000 were formed in 2005 alone. As at the end of 2005, the number of registered trusts stood at 135, licensed corporate service providers at 29 and the number of company special licenses issued was 34.

In the **international trade zone** there are 25 licensed companies including IOT cannery, which is still by far the biggest earner and employer. The free trade zone employs over 2,500 persons of which 62% are locals (i.e. 1,600 Seychellois). It is estimated that the sector generated a turnover of USD 20 million through the provision of offshore services excluding the international trade zone in 2005. There is now increasing interest in several other offshore products, namely mutual funds and company special licenses. Government is actively encouraging the growth of a network of avoidance of double taxation treaties with other countries. In 2005, two new countries were added to the list including Mauritius and Vietnam.

Several economic policies have been introduced in 2005 with the view to encourage **investment** for 2006 and onwards. The first Investment Code was adopted by the National Assembly in December 2005. This Code aims at securing investors' property and allowing them to repatriate their foreign earnings. Further, there has been a reduction of Trades Tax on a wide range of items including raw materials and selected capital equipment and machinery for the manufacturing sector. Moreover, despite a slow implementation of the privatization programme, some progress was made via the privatization of State Assurance Corporation of Seychelles (SACOS) as well as certain units of the Seychelles Marketing Board (SMB). A Privatization Committee, including private and public sectors representatives has been set up to monitor the process. As regards Small and Medium Enterprises (SMEs), Government set up a Scheme has since January 2005, which provides loans of up to SCR10,000 per applicant in support of the development of cottage industries. During 2005, the Seychelles Investment Bureau approved 190 projects submitted by Seychellois and 26 others by foreigners. The total value of these projects amount to SCR 2.4 billion of which 77.04% represent investment by non-Seychellois and the remainder represents investment by Seychellois.

[3] This represents the amount converted into rupees through banks.

In all sectors, Government sought to improve the **employment** situation and thus put in place a series of special training programmes including the "Apprenticeship Scheme", the "Skills Acquisition Programme", and the "Small Project and Business Development Scheme". Further, the re-opening of the Barbarons and Northolme hotels alone provided 300 new jobs in 2005. The number of persons in formal employment increased from 38,763 in September 2004 to 40,128 in September 2005. In the latter part of the year, the Employment Department was actively engaged in providing advice to job seekers. In September 2005, there were 1,596 registered job-seekers in Seychelles, and the unemployment rate stood at 3.8%.

Trade Performance and Regional Cooperation

Similar to many Small Island Developing States (SIDS), Seychelles is highly dependent on foreign goods for consumption, production and re-exports. As such, the trade balance of the country is invariably in the deficit. The main trade receipts are dominated by the entries 'oil re-exports' and 'canned tuna'. On the trade-related payments side, the main item was oil transactions and as a net oil importer, Seychelles was not spared the effects of the international oil price hikes; since 2004, the domestic imports rose from USD 8 million to a record-high of USD 38 million. Interestingly, Government continued to absorb the increases in price and maintained the prices of petrol, electricity tariffs and public transport charges.

Seychelles initiated its application for accession to the World Trade Organisation (WTO) in May 1995, but the process to date has been fraught with difficulties in terms of available human technical capacity and institutionalizing domestic reforms in line with WTO principles. Whilst an open, rules-based and non-discriminatory trading and financial system might provide some opportunities for Seychelles, the negative impacts on the national economy seem likely to outweigh these. The economic vulnerabilities associated to Seychelles' mean that it is very difficult for it to compete in the world economy against high-income countries and larger developing countries.

However, in the context of the Macroeconomic Reform Programme of June 2003, Seychelles is moving to address such economic imbalances. This portfolio of reforms reflects contemporary international norms in macroeconomic thinking, including the reduction of excess liquidity, a move from trade liberalization. Seychelles is also undergoing negotiations to enter into an EU-proposed Economic Partnership Agreement (EPA) as part of the implementation of the Cotonou Agreement. Seychelles is part of the Eastern and Southern Africa (ESA) group, coordinated by the COMESA Secretariat. The EPA will be WTO compatible.

Seychelles has been a leading advocate in pressing for a Vulnerability Index which takes into account factors other than GDP per capita in determining Overseas Development Assistance (ODA) and special and differential treatment in the new international trade regime. Based upon developments to date, a Vulnerability Index will rate SIDS as being highly vulnerable.

As part of the Atlantic, Indian Ocean, Mediterranean and South China Seas (AIMS), Seychelles has actively and constructively promoted the special needs of SIDS. An AIMS regional meeting, organized in Seychelles, was held in October 2005, with the purpose of reviewing and evaluating progress in the region and instilling a renewed resolve for taking action on the sustainable development priorities for the AIMS region. It was noted that improvements in communication between AIMS is needed. It was reaffirmed that the IOC has been playing an important coordinating role as the interim secretariat, yet is constrained by resources in further expanding services.

As regards **trade and regional integration efforts**, with the gradual erosion of preferential treatment in certain traditional markets on the one hand, and the emergence of growing and more direct competitors from lower-cost countries on the other, competition in both the current export markets and in tourism is likely to become increasingly fierce. Seychelles will thus need to increase its competitiveness, diversify its markets and improve investor confidence in order to reverse economic decline. As regards the EPA negotiations, the Seychelles belongs to the Eastern and Southern Africa block and is therefore concerned with the ESA-EC EPA Negotiations. The fisheries sector has been identified as the priority sector which is expected to be particularly pertinent to Seychelles given the importance of that sector as a foreign currency earner.

2.3 Update of the social situation

In the last three decades, the Government has been successful in reducing and almost eliminating poverty through an unsustainably generous welfare state. It is feared that the short terms costs of tight fiscal measures and cuts in the budget are likely to lead to the emergence of poverty if no counterbalancing measures are taken.

The Government is committed to its policy of facilitating each Seychellois family to having their own home. A total number of 46 projects (representing 3,257 housing units), with contract values totalling SCR750 million, were by December 2005 in various stages of construction.

In addition to major advances in the **housing** programme, the Housing Finance Company (HFC) has been disbursing loans for house construction and for land purchase. 736 loans totalling SCR86.4 million have been granted to families during the period January 2004 to December 2005. 906 home improvement loans worth SCR18.3 million have also been disbursed over this period. A total of 2,092 families have benefited from the housing and loans programmes from January 2004 to December 2005. The Home Ownership Scheme launched in 2002 has achieved positive results mainly due to the selling off of government housing at low prices; to be noted that some 1,900 persons benefited directly from it. The revenue from the sales of government housing, amounting to SCR83 million, has helped Government to sustain its housing programme.

As for the **health** sector, in 2005, prevention continued to remain the main thrust of the health strategy of the Government. This being so, the reduction of risk factors associated with the priority non-communicable diseases (especially cardiovascular diseases) and of risk factors associated with the priority communicable diseases (including HIV/Aids) are high on the health agenda. Nonetheless, greater emphasis has been placed on the need to improve the operational efficiency, effectiveness and quality of services offered, whilst rationalizing expenditure. In line with the policy of involving the private sector in the provision of services that it can offer more effectively and at less cost, the Health Department will contract out certain services. The health sector was partially constrained by a lack of medical supplies associated to the shortage of foreign exchange availability in the country.

In 2005, within the **education** sector the transfer of post-secondary institutions to the Ministry of Education and Youth was consolidated. Work on the Competency-Based Approach to curriculum progressed further with the development of a draft Curriculum Framework for Post-Secondary Institutions. The National Qualifications Authority, was enacted in December 2005 and will come into force in 2006. The Seychelles Institute of Management evolved further through the Seychelles Institute Bill 2005 to establish the SIM as a body corporate with the main function of promoting & providing advanced education and training in management to meet the national needs. The number of students on overseas training outside Seychelles is 465 for the period 1999-2005.

As regards **basic amenities**, in 2005 the extensive electricity supply system was maintained in spite of sporadic bad weather situations and torrential rains during the year. Power outage rate was reduced considerably as compared to that of 2004.

Whilst electricity supply was adequately provided for, the PUC has some difficulties in ensuring continuous potable water supply. The economic strategy towards the Youth has been in line with their aspirations. Through "Aspirations 2013" the youth has shared their aspirations and their hopes for the future. In order to prevent exploitation and victimization of children, the State Law Office was in the process of drafting a new legislation, which will provide for harsher sentences for child molesters.

2.4 Update of the environmental situation

Despite the fact that Seychelles is recognized for its pristine and well-managed environment, its main environmental challenges remain associated to the expected increase in tourism. Government's policies to further develop this sector should be accompanied by appropriate measures to ensure that such a development does not come at the cost of environmental degradation. Coupled with higher urbanization rates, this can have a negative impact on natural resources, in particular on the coastal zones. The tsunami of December 2004 also revealed the vulnerability of a small island environment like the Seychelles.

A major difficulty that faces all island state is on the way by which solid wastes are disposed. The coming to saturation of Providence landfill on Mahé and the delay in the implementation of Providence 2 (as part of the 9th EDF focal sector project) are likely to put some strains on existing facilities to accommodate the increasing volume of wastes. The situation of solid waste disposal on the two other main islands (Praslin and La Digue) remained inadequate.

3. Overview of past and ongoing cooperation

3.1 Focal sectors

As at end 2005 the focal sector programme under the 9th EDF had not yet been implemented, thus it is not possible to make an assessment of the results achieved.

3.1.1 9th EDF Focal sector

The EU-Seychelles Country Support Strategy identified the environment sector as the sole focal sector for the Seychelles' 9th EDF Indicative Programme (€ 3.9 million). The foreseen activities relate more specifically to environmental health, through the provision of an adequate solid waste disposal system, which will have a direct and positive impact on the population as a whole. This strategy has been maintained by Government.

An update of the Solid Waste Master Plan was completed during the course of 2004 with recommendations focusing on a series of capital projects which need to be undertaken with an indicative investment plan and intervention calendar.

Additional consultancy services were awarded in 2005 to undertake the feasibility study, prepare detailed designs and finalise the tender documents for the extension of the landfills. The results of the feasibility study have contributed in the elaboration of the Financing Proposal for an "Integrated solid waste management programme", due to be submitted to the European Commission in Brussels in early 2006[4]. These detailed studies were financed under the Technical Cooperation Facility (TCF). The TCF envelope had to be increased from its initial allocation of € 250,000 to € 500,000. These additional financial resources came from the A-envelope focal sector allocation. Subsequently, a maximum of € 3.0 million is now available for the forthcoming focal sector programme.

Considerable delays have been encountered in the instruction of the focal sector programme. This was mainly due to the fact that the above detailed studies, *not foreseen initially*, had to be undertaken to provide for technical inputs for the elaboration of the Financing Proposal. As at 31st December 2005, since no decision was yet taken on the focal sector programme, the *latter was not yet in its implementation phase during 2005* and consequently *no results were achieved.*

It is noteworthy that the departure, in October 2005, of the technical assistance provided by France has put a strain on local capacities for the eventual management of the focal sector programme. Further, the technical assistance foreseen under the focal sector programme is expected to be in place at the SWAC at the very end of 2006 only. This is an issue which Government will have to urgently address in 2006 to ensure a quick start of programme activities. In this context the Ministry of Environment and Natural Resources has been asked to recruit an assistant to the director of SWAC to increase the management capacity within the sector.

It is feared that with the budgetary requirements of the MERP and the current budget constraints, Government may find it difficult to secure counterpart funding for this specific programme. Subsequently, it is likely to put an additional strain on the already reduced budget for the programme.

An increase in the TCF envelope is envisaged during the course of 2006 to meet the consultancy services required to identify the most sustainable solid waste treatment options on the islands of Praslin and La Digue. The increase in the TCF is also expected to cover the cost of preparatory studies for the eventual 10th EDF project in the environment/solid waste sector.

3.1.2 Focal sectors under 7th and 8th EDFs

The focal sectors for 7th and 8th EDFs relate to industry and environment respectively. By 31st December 2005, all these projects were already closed.

Under the 7th EDF, the focal sector was industry with implementation of projects such as the "Consolidation of the Handicraft Development", the "Rehabilitation of the Victoria Market", and provision of support to small entrepreneurs in training and in consulting as well as access to equipment, through the Seychelles Industrial Development Corporation. Under the 8th EDF, the focal sector was the environment with projects such as the "Anse Royale Landfill" and "Le Niol Water Treatment Plant".

[4] Attention will be paid while preparing the Financing Proposal to ensure the integration of cross-cutting issues and NSA involvement in the focal sector.

3.1.3 Macroeconomic support

Since 2003, the Government has embarked on a home-grown Macroeconomic Reform Programme (MERP) with a view to addressing the country's macroeconomic imbalances; a reform which has been supported by the International Monetary Fund (IMF) via regular Article IV Consultations.

To be noted that under the 8th EDF, a study on Macroeconomic Strategy for the Seychelles was carried out. Based on the recommendations made by the study, three major sub-sectors were identified, namely export promotion, SME development and macroeconomic modeling for further studies. These three studies were completed in 2000, but there was no subsequent follow-up. This is deemed to be regrettable given the potential of these three areas for the country's economic development.

3.2 Projects and programmes outside focal sectors

3.2.1 9th EDF – Non-focal sector

According to the 9th EDF Seychelles Country Strategy Paper (CSP), the non-focal allocation relates to a "capacity-building programme for state and non state actors". The initial financial allocation as per the CSP was € 600,000, which was increased during the Annual Operational Review in early 2004 to € 860,000 with resources from previous EDFs. This allowed for the inclusion of an additional activity aiming at the strengthening of local capacities to address human right issues.

Transmitted officially to Brussels in October 2004, the Financing Proposal was delayed due to procedural issues, namely on LUNGOS's eligibility to benefit from direct grants given that this umbrella NGO does not regroup all NGOs in the Seychelles. The Financing Proposal was subsequently revised during the course of 2005 to allow for a Contribution Agreement with the UNDP for the management of the project. This option was justified since the UNDP has ongoing programmes with NGOs in Seychelles. The revised Financing Proposal was submitted officially to Brussels in August 2005 and by 31st December 2005, no decision was yet taken.

3.2.2 Non focal interventions under 7th and 8th EDFs

Projects range from tourism to environment. The tourism capacity building programme was successfully closed during 2005.

As regards the Melon Fruit Fly project, in late 2005, the financing agreement was extended by one additional year to 31st December 2006 in order to allow for completion of the project activities. There has been remarkable progress in the implementation of activities for this Project. At the beginning of 2005, the four pick-up vehicles were received and are being used by the field officers for regular visits to farmers' fields. The scientific protocols for the setting up of a fruit fly monitoring system were defined, in collaboration with Imperial College (technical assistance); indeed during 2005, the local technicians and field officers benefited from two training workshops carried out by Imperial College short-term expertise and the Programme Management Unit undertook eight farmers' workshop. In addition, 4,000 Male Annihilation Technique (MAT) blocks were purchased from Reunion Island and distributed to some 300 farmers nationwide for the suppression of the male fruit fly. Further, 14,875 MAT blocks were made locally of which 13,345 were placed in Mahé covering an overall area of 6,945 hectares.

Moreover, the two sites for installation of the two incinerators were identified in mid-2005, however following an unsuccessful tendering procedure the latter will be re-launched in first semester of 2006.

Degree of Integration of Cross-Cutting Themes

The Melon Fruit Fly Eradication Programme has a direct positive impact on the environment given the targeted use of chemicals for fly suppression as opposed to the former traditional pesticide-spraying of farmers' fields. Taking into account the importance of cucurbits in the local agriculture, a strong gender dimension is also noted given the number of women in farming related activities (production and sale of products).

3.3 Utilisation of resources for Non-State Actors (NSAs)

Under the 9th EDF, the non-focal sector, which has an important component for NSAs was, as at end December 2005, not yet launched. (refer to §3.2.1). To be noted that the financing proposal elaboration process has called for the involvement of NSAs to ensure that the project activities earmarked can effectively meet their real needs.

Under previous EDFs, projects where NSA were directly or indirectly targetted were the 6th EDF micro-projects, the 7th EDF credit line for small enterprises and the tourism capacity building programme, which aimed at putting in place an appropriate environment that would be conducive for both the public and private operators to become more efficient. The success reaped from the latter tourism project, in particular on the grounds of sustainability, is a clear evidence of the way by which all stakeholders are "*empowered*" by EDF projects.

3.4 Utilisation of B envelope

Seychelles initially benefited from B-envelope resources of € 800,000 under the 9th EDF. This figure was reduced to € 700,000 following a reduction for the purposes of the Peace Facility.

The € 700,000 were utilized to help the Seychelles meet the costs related to damages caused by the December 2004 Tsunami. The Financing Agreement of the "Contribution to Post-Tsunami Rehabilitation Efforts" project was signed in October 2005. Thereafter, a Contribution Agreement was signed with the UNDP in November 2005 for the management of this project. The project is ongoing and interventions should be completed by 2007. To be noted that as regards the main component (essential infrastructures), resource mobilization started in February 2005 with the Flash Appeal. Works are expected to be completed by December 2006.

Technical specifications and tender documents for design and build of the two main bridges were carried out in 2005 following technical missions by UNDP-hired consultant, and works' pre-qualification was launched in December 2005. 6km out of the targeted 30km of coastal roads were re-surfaced in 2005 using asphalt from Government stocks.

3.5 Other instruments

3.5.1 European Investment Bank (EIB)

Total EIB financing under successive LOME Conventions (I – IV) has so far amounted to € 12.6 million.

Given the small size of the Seychelles economy, on-lending via a financial intermediary has proved to be the most effective way for the EIB to support the development of private sector SMEs. EIB interventions have therefore focussed on global loans to the Development Bank of Seychelles (DBS) for the financing of small and medium-sized private sector enterprises in the industrial, agro-industrial, fisheries, tourism and transport sectors (for a total of € 12 million). As a founding shareholder of the DBS, the EIB also holds, in the name of the EC, a 16 % equity share in DBS. In the public sector, a € 1 million loan from risk capital was made to the Government of Seychelles in 1999 to part-finance the rehabilitation and extension of the Le Niol water supply system, a project co-financed by a € 1.35 million EDF grant.

The last intervention of the EIB in the Seychelles dates back to 2000. Whilst it is true that these resources were of paramount importance in supporting the development and sustainability of the private sector (in the case of the Euro 12 million), it is clear that with the current financial crisis, it will be difficult for the country to resort to further similar assistance because of the costs associated thereto. At a time when the private sector is expected to play an important role to complement Government efforts in re-launching the economy, it is therefore important to simultaneously explore other possibilities that are available, such as through horizontal instruments for private sector support. To be noted that as at end 2004, the Seychelles had accumulated arrears of Euro 2.1m with the EIB.

3.5.2 Regional Cooperation

Seychelles is a member of the Indian Ocean Commission (IOC) and of COMESA. It withdrew its adherence to the SADC last year because of financial constraints. Under the 6/7/8th EDFs, a number of projects were financed under the EC regional envelope, which has been managed by the IOC. Since the 9th EDF, with the broadening of the terminology 'region', Seychelles can also tap resources from the ESA regional fund.

The chosen priority sector under the Regional Indicative Programme (RIP) – environment - is coherent with a number of ongoing regional co-operation programmes in the South West Indian Ocean. The 7th EDF Regional Programme for Environment (PRE-COI) ended in December 2003 and directly benefited Seychelles in many areas. An environmental education programme (ARPEGE) is also being implemented under the 8th EDF. In addition, the World Bank has approved the financing of a major environmental project for the IOC (oil spillage contingency).

Other projects include the private sector support programme (PRIDE), a regional tourism development programme, and the "Université de l'Océan Indien project", which aimed at reinforcing a regional dimension in tertiary education with a view to promoting efficiency and sharing of know-how.

Implementation rate of these regional projects is quite disparate among the different IOC countries. In the case of Seychelles, for instance, given the size and nature of the private sector, the country did not necessarily meet the objectives as set out by the PRIDE project. On this basis, future projects should be sufficiently flexible so as to meet the real requirements of all these countries by still maintaining its regional dimension.

The 9th EDF RIP is implemented, in conjunction with other countries, under a larger umbrella covering four regional organizations namely the COMESA, the EAC, the IGAD and the IOC. In total the RIP allocation amounts to € 223 million. Two projects, which will be directly beneficial to Seychelles fisheries sector, are already underway: (i) the Tuna Tagging Programme and (ii) the Monitoring, Control and Surveillance pilot project for large migratory pelagic species (for more details see section 4.6.3 below). In addition, the other project, under instruction and due to start in 2006, is the Euros 18 million Sustainable Management of Marine and Coastal Resources.

3.5.3 Fisheries

A new Protocol, which follows the "new" approach of "Partnership Agreements in the Fisheries Sector" with third world countries -as recently established by the Commission-, will come into force in early 2005 and the principal changes are as follows:

- Increase of 20% in the reference tonnage (55,000 tonnes/year instead of 46,000 t/yr); this new tonnage corresponds to the average catches over the last 4 years;
- Identical increase in the contribution paid by the EC (4.125 million € a year compared to € 3.45 million per year in the current Protocol). A minimum of 36% of this amount (i.e. € 1.485 million a year) will be reserved for the financing of specific activities within the "Fisheries" sector (including monitoring and surveillance), the remainder will be paid to the Treasury.
- The protocol will have a duration of 6 years (January 2005- January 2011)
- Decrease of 20% in the number of Community fishing vessels (a new total of **52** vessels having access to the EEZ of the Seychelles instead of 67): 40 seiners (unchanged) and **12** long liners (against 27 in the current Agreement).
- Increase by 50% in the advance payment made by the vessel owners at the beginning of the fishing year for all types of boats.

It is noteworthy that the Fisheries Protocol between the EU and Seychelles remains the most important tuna Fishing Agreement between the EU and any third country and has an important financial impact for Seychelles. According to the Seychelles Fishing Authority, 2005 catches exceeded the reference tonnage and therefore the ship-owners and the EC are supposed to pay an additional amount of approximately € 1,060,000 and € 680,000 respectively. It means that the total financial contribution of the fisheries agreement during 2005 has amounted approximately € 6,430,000. Besides these financial and social benefits, the Agreement also has an environmental dimension in the sense that it ensures that the fisheries are exploited in a sustainable manner.

Fisheries Regional Cooperation

There is a need to narrowly monitor the regional stocks of *Thonidaes* which remain, with those of the Pacific Ocean, the most important ones in the world. In this context, the EC is financing two key regional programmes, namely (i) the Tuna Tagging Programme (€ 14 million over 5 years- whereby the implementation of technical activities is under the responsibility of the Indian Ocean Tuna Commission) and (ii) the "Fisheries Monitoring Control and Surveillance" (€ 3.5 million); both projects will start in early 2005.

A new Regional Programme for the Sustainable Management of the Coastal Zones of the Countries of the Indian Ocean (€ 18 million over a period of five years) is expected to start in late 2006 or early 2007, being the purpose of the programme to strengthen the regional capabilities of local communities and public/private bodies in order to achieve a sustainable integrated coastal management.

Sanitary issues on fish exports to the EU

Following a request from Seychelles, the European Veterinary Committee has raised the maximum limiting threshold of admissibility of Cadmium for swordfish from 0.05 to 0.30, which should enable approximately 80% of Seychelles swordfish to be exported to the EU; Commission Services (DG/FISH) have ensured that these standards will be checked and applied for all suppliers of swordfish meat to the EU market.

An inspection mission of the EU Food and Veterinary Service (FVO) was undertaken in Seychelles in May 2004. The main problems reported by the mission related to the tuna canning factory (Indian Ocean Tuna) which exports its production to the EU and is vital as regards Seychelles exports, overall employment and the country's economy at large. Serious deficiencies have been reported by the FVO mission regarding the sanitary norms. The IOT cannery, being more closely monitored by the Competent Authority (Veterinary Services), reacted swiftly by stopping its activities to undertake important urgent repairs and start mid-term investments so as to implement the recommended corrective measures.

The Competent Authority as well as the private sector involved in the fisheries industry has requested, since 2003, the mobilization of the "All ACP-SFP project" on sanitary issues but the intervention has been postponed to 2005 due to difficulties encountered by the Project Management Unit of the project based in Brussels.

Victoria's fishing port facilities

Taking into account the importance of the fisheries sector for the Seychelles economy, the quality of the facilities provided at Victoria fishing harbour are of vital importance. A new quay has been set up in 2004 and the Seychelles Government is committed to facilitate the formalities and shipping services for the fishing fleets.

We should also take into consideration that Victoria's harbour has been severely damaged by the 26th December 2004 tsunami. Following some technical problems identified in the operations of the Indian Ocean Tuna, the Commission foresees an inspection mission to the Seychelles during the first semester of 2006.)

The low utilization of resources available under the All-ACP SFP is regrettable since these could provide for important complementary financing, besides funds available under the NIPs and RIPs, to allow for studies and expertise. It was agreed that more efforts would be deployed to make use of such horizontal programmes to ensure more efficient use of available resources as well as more synergies between existing instruments.

3.5.4 Water and Energy Facility

During the course of 2005, Seychelles submitted a request for assistance under the Water Facility for reduction of Unaccounted For Water (UFW) in the Mahé Distribution System and for the Corgat Estate Housing Re-development sewerage system. However the application was late and not taken into account in the first call.

4. Programming perspectives for the years 2006-2007

4.1 Pipeline and absorption capacity

In view of the 'sunset clause' which fixes the date of 31st December 2007 beyond which 9th EDF resources would no longer be committed, any reliquats from previous EDFs would be committed during the course of this year to augment the 9th EDF non-focal sector programme and the TCF. Discussions on timing for same on the basis of a precise estimation of these reliquats are expected in early 2006 between the NAO and the Delegation. It is forecasted that during the course of 2005, decommitment on individual and global commitments would respectively be around 49,756€ and 59,706€.

4.2 Proposal for revision of strategy

In line with the End-of-term review conclusions, there is no change of the strategy; subsequently, the focal sector - environment and more specifically solid waste management - is maintained. Further, the non-focal sector (capacity building for state and non-state actors) remains unchanged as per the ETR conclusions.

4.3 Preparation for the next programming exercise 2008-2013

As end 2005, the level of utilisation of the A envelope was 11.1%, reflecting the delays encountered in the preparation of the financing proposals. Taking into account the progress made during 2005 in the preparation of the 9th EDF interventions, it is realistic to expect that 100% of available 9th EDF resources will be committed by mid 2007. The Government requested that released funds be merged into the Technical cooperation facility (TCF) to cater for additional studies needed to identify the most sustainable solid waste treatment options on the islands of Praslin and La Digue and to cover the costs of preparatory studies for the 10th EDF.

Government's request to broaden the scope of the non-focal sector to cater for the needs of industrial sectors as well as NGOs in the on-going efforts for economic recovery, building on the macroeconomic studies under the 8th EDF, could be addressed through regional programming.

The indicative pipeline for assigned funds gives a relative assurance that by end 2007 all contracts under the on-going global commitments would be signed, except those relating to audits and evaluations, which are outside the "D+3" rule.

The Government's performance in sector policies and financial execution is satisfactory. For these reasons, no modification is proposed to the allocation of the A envelope.

For the European Commission

Name : Claudia Wiedey

Position : Head of EC Delegation to the Republic of Mauritius, Seychelles & the Comoros

Signature :

Date : 20·08·07

European Union
Delegation of the European Commission
Republic of Mauritius

For the Beneficiary Country

Name : Claude Morel

Position: National Authorizing Officer

Signature:

Date: 3/7/07

ANNEXES

Annex IA: Country at a Glance table: Macroeconomic Indicators

	2000	2001	2002	2003	2004	2005
BASIC DATA						
Population (Nos)	81131	81202	83723	82781	82475	82852
- annual change in %	0.9	0.1%	3.1%	-1.1%	-0.4%	0.5%
Nominal GDP (Rupees)	3513.3	3644.9	3822.4	3811.3	3848.9	3974.4
Nominal GDP (in million €)	..	694	739	623	563	580
Nominal GDP per capita (Rupees)	43304	44887	45655	46041	46667	47970
Nominal GDP per capita (in €) (3)	..	8547	8822	7528	6825	7005
- annual change in %	4.4%	3.7%	1.7%	0.8%	1.4%	2.8%
Real GDP (Rupees) (3)	2615.4	2556.0	2587.1	2434.4	2365.3	2393.9
Real GDP (annual change in %)	4.20%	-2.3%	1.2%	-5.9%	-2.8%	1.2%
Gross fixed capital formation (Rupees)	884.5	1482.0	978.5	395.4	490.2	1200.7
Gross fixed capital formation (in % of GDP)	25.2%	40.7%	25.6%	10.4%	12.7%	30.2%
INTERNATIONAL TRANSACTIONS						
Exports of goods and services (Rupees), BOP data	2889.7	2990.9	3014	3331.3	3452.4	3958.2
Exports of goods and services (in % of GDP)	82.3%	82.1%	78.9%	87.4%	89.7%	99.6%
- of which the most important: ... (in % of GDP)						
Trade balance (Rupees), BOP data	-960.6	-1493.7	-1025.4	-776.9	-1277.4	-2269.5
Trade balance (in % of GDP)	-27.3%	-41.0%	-26.8%	-20.4%	-33.2%	-57.1%
Current account balance (Rupees)	-108.0	-896.6	-555.0	-49.3	-330.0	-1075.0
Current account balance (in % of GDP)	-3.1%	-24.6%	-14.5%	-1.3%	-8.6%	-27.0%
Net inflows of foreign direct investment (Rupees)	79.0	329.2	213.6	271.5	167.3	431.4
Net inflows of foreign direct investment (in % of GDP)	2.2%	9.0%	5.6%	7.1%	4.3%	10.9%
External debt (Rupees)	1567.0	1934.0	2774.5	2511.3	2461.3	2108.4
External debt (in % of GDP)	44.6%	53.1%	72.6%	65.9%	63.9%	53.0%
Service of external debt (million rupees)	-	-	-	216	263	243
Service of external debt (in % of exports of goods and non-factor services)				6.5	7.6	6.1
Foreign exchange reserves (Rupees)	271.1	210.6	352.3	369.2	187.8	308.7
Foreign exchange reserves (in weeks of c.i.f. imports)	7.2	3.9	8.0	8.6	3.5	4.2
GOVERNMENT						
Revenue (Rupees)	1314.8	1290.3	1477.9	1867.6	1891.1	2167.6
Revenue (in % of GDP)	37.4%	35.4%	38.7%	49.0%	49.1%	54.5%
in grants (Rupees)	31.8	14	4.7	10.7	5.1	49.8
- of which grants (in % of GDP)	0.9%	0.4%	0.1%	0.3%	0.1%	1.3%
Expenditure (Rupees)	1797.7	1638.2	2121.1	1597.2	1788.8	1815.6
Expenditure (in % of GDP)	51.2%	44.9%	55.5%	41.9%	46.5%	45.7%
Capital expenditure	481.4	207.8	357.7	85.5	177.0	254.0
- of which: capital expenditure (in % of GDP)	13.7%	5.7%	9.4%	2.2%	4.6%	6.4%
Deficit including grants (Rupees)	-451.3	-333.9	-638.5	281.1	107.4	401.8
Deficit (in % of GDP) including grants	-12.8%	-9.2%	-16.7%	7.4%	2.8%	10.1%

	2000	2001	2002	2003	2004	2005
Deficit excluding grants (Rupees)	-515	-361.9	-647.8	259.6	97.2	302.2
Deficit (in % of GDP) excluding grants	-14.7%	-9.9%	-16.9%	6.8%	2.5%	7.6%
Total Debt (Rupees)	5459.9	6064.1	6929.5	6885.9	6305.3	6994.7
Debt (in % of GDP)	155.4%	166.4%	181.3%	180.7%	163.8%	176.0%
External Debt	1567.0	1934.0	2774.5	2511.3	2461.3	2108.4
- of which: external (in % of total public debt)	28.7%	31.9%	40.0%	36.5%	39.0%	30.1%
OTHER						
Consumer price inflation (annual average change in %)	6.3%	6.0%	0.2%	3.3%	3.9%	0.9%
Interest rate (for money, annual rate in %)						
Exchange rate (annual average of national currency per 1 €)	..	5.2516	5.1751	6.1156	6.8378	6.8483
Unemployment (in % of labour force, ILO definition)						
Total Employment (nos.)	32131	33105	34017	33111	32780	34542
Employment in agriculture (nos.)	2129	2143	2122	697	611	695
Employment in agriculture (in % of total employment) (1)	6.6%	6.5%	6.2%	2.1%	1.9%	2.0%

Source: National Statistics Bureau, Central Bank of Seychelles

Notes:

(1) 2000 - 2002 includes forestry and fishing

(2) 2005 has been revised

(3) GDP figures for 2006 are preliminary estimate

(4) Tade balance figures for 2005 and 2006 from Statistical Bulletin from NSB.
This differs from the corresponding current account balance BOP figure compiled by the Central Bank of Seychelles.

Annex IB: Millennium Development Goals (MDGs)

	Indicator	Base year 1990	1995	2000	2001	2002	2003	2004	2005	Target 2015	Remarks
1	Proportion of population living on less than USD 1 per day (1)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	not relevant to SEY
2	Prevalence of underweight children (under five years of age) (1)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	not relevant to SEY
3	Under-five mortalilty rate (per 1000 live birth)	19	16	13.2	15.3	18.2	19.4	14.6	10.4	not applicable	Achieved
4	Net enrolment ratio in primary education	n/a	n/a	93	91	92	94.8	96.4	100	not applicable	Achieved
5	Primary Completion Rate (%)	n/a	n/a	112.9	117.6	118.3	115.7	106.5	n/a	not applicable	Achieved
6	Ratio of girls to boys in (%)										
	- Primary education	n/a	n/a	97	96	95	95	95	94	Achieve equal access	
	- Secondary education	n/a	n/a	102	103	100	101	103	100	not applicable	Achieved
	- Tertiary education	n/a	n/a	117	113	126	119	143	133	not applicable	Achieved
7	Proportion of birth attended by skilled medical personnel (%)	n/a	n/a	100	100	100	100	100	100	not applicable	Achieved
8	Proportion of one-year-old children immunised against measles (%)	86	97	97	95	98	99	99	100	not applicable	Achieved
9	HIV prevalence among 15 to 24 year old pregnant women	n/a	n/a	0.3	0.0	0.3	0.2	0.1	0.3	Halt & reverse the spread of HIV	
10	Proportion of population without sustainable access to an improved water source	12	n/a	n/a	n/a	n/a	n/a	12	n/a	6	

Notes
n/a: not available
(1) no country data available for this indicator

Annex II: Financial Donors' Matrix -Seychelles

TA = Technical Assistance and/or Technical Cooperation; PG = Projects & Grants; TS = Training & Scholarship; M = Miscellaneous

Year	2001				2002				2003			2004				2005				
Amounts in €	TA	PG	TS	M	TA	P	TS	M	TA	PG	TS	TA	PG	TS	M	TA	PG	TS	M	**TOTAL**
Multilateral																				
European Union	72,678	3,882,012			63,466	301,126			16,073	886,908		139,679	2,994				971,904			**6,336,840**
UNEP		11,681										8,136	33,773							**53,590**
UNDP				19,017		128,169				176,064			1,689				41,605			**366,543**
Agence Internationale de la Francophonie		50,776		13,179		1,900		34,394		15,956					10,746		14,673		24,061	**165,685**
World Bank (GEF)				427,008				36,072												**463,080**
UNFPA		51,917								31,898			33,773							**117,588**
Dutch Trust Fund		193,741																		**193,741**
WMO			33,661											61,406				14,821		**109,888**
FAO					147,265.63			15,202		249,716										**412,183**
UNESCO						118,763		23,753		165,704			84,433		26,097		20,379			**439,129**
BADEA													43,313							**43,313**
GEF													186,881							**186,881**
United Nation Division for the Advancement of Women														6,141						**6,141**
ADB																	407,584			**407,584**
IAEI																14,673				**14,673**
Red Cross																2,446				**2,446**
Organisation for the Prohibition of Chemical Weapons																	1,400			**1,400**
Nairobi Regional Centre on Small Arms & Light Weapons																	2,038			**2,038**

Year	2001				2002				2003			2004				2005				
Amounts in €	TA	PG	TS	M	TA	P	TS	M	TA	PG	TS	TA	PG	TS	M	TA	PG	TS	M	**TOTAL**
Bilateral																				
France	456,414		498,252	3,803	13,301.41			64,956		263,801	795,379	115,750		138,163		933,738		414,995		**3,698,553**
China	190,173	760,690	150,236		95,010.09	3,800,403	114,012	19,002		49,711		107,460	76,757	168,866		6,659,182		281,604		**12,473,106**
United Kingdom																	1,365,406	9,337		**1,374,744**
Spain							19,002											5,891		**24,893**
Germany	9,509	22,250	56,386										14,894			5,187	12,094			**120,321**
Netherlands							57,006													**57,006**
Greece													84,433				8,152			**92,585**
India	190,173	190,173	152,138		133,014.12	57,006	228,024			911,372		46,054	38,379	99,784		88,927	12,227,521	177,855		**14,540,420**
Japan		4,798,133	270,045	28,526			104,511	24,703						61,406	23,027					**5,310,350**
Cuba	475,431		190,173		665,070.60		239,425					537,301		307,029		474,280		133,391		**3,022,100**
Australia			52,297														284,607			**336,904**
Hungary			19,017				19,002							15,351						**53,371**
Israel	20,919		18,257		19,002.02		-													**58,178**
Italy			19,017				-										5,336			**24,353**
Knights of Malta		119,809					-						15,351				8,893			**144,053**
Malaysia			95,086				95,010							38,379				29,642		**258,117**
Mauritius			9,509				-							30,703			42,796	88,927		**171,935**
New Zealand			23,772				19,002													**42,774**
Nigeria	57,052				57,006.05							34,541				133,391				**281,990**
Singapore			95,086				95,010							38,379				44,464		**272,939**
South Korea		118,858				95,010		144,415		57,996			61,406				24,455			**502,140**
Spain			19,017				19,002													**38,019**
USA				61,806				94,440							5,219		326,067	62,249		**549,782**
Cyprus							38,004							15,351			78,553			**131,908**
Egypt			34,231				28,503							23,027				87,742		**173,503**

Year	2001				2002				2003			2004				2005				
Amounts in €	TA	PG	TS	M	TA	P	TS	M	TA	PG	TS	TA	PG	TS	M	TA	PG	TS	M	**TOTAL**
Bilateral (suite)																				
Tunisia							19,002							15,351						**34,353**
Canada														26,865			800,806			**827,671**
Belgium														89,038			430,409	14,821		**534,268**
Indonesia														4,605						**4,605**
Monaco														3,838						**3,838**
Pakistan														4,605						**4,605**
Russian Federation														30,703				14,821		**45,524**
Austria																	4,076			**4,076**
Hong Kong																	741			**741**
Luxembourg																		1,334		**1,334**
Oman																	392,763			**392,763**
Malta																	1,528			**1,528**
Poland																	22,232			**22,232**
Palau																	40,758			**40,758**
Philippines																	4,076			**4,076**
Qatar																	407,584			**407,584**
Saudi Arabia																	20,379			**20,379**
South Africa																	73,404			**73,404**
Switzerland																	134,503			**134,503**
Thailand																	24,455			**24,455**
Trinidad & Tobago																	264,930			**264,930**
Ukraine																	2,446			**2,446**
Réunion (France)					152,016	92,160	61,377	9,311						15,351				101,942		**432,157**
TOTAL	**1,472,348**	**10,200,039**	**1,736,180**	**553,339**	**1,345,152**	**4,594,536**	**1,155,893**	**466,247**	**16,073**	**2,809,126**	**795,379**	**988,921**	**678,076**	**1,194,343**	**65,090**	**8,311,824**	**18,468,550**	**1,483,837**	**24,061**	**56,359,016**

Source: Government of Seychelles

Annex III: Summary Table of EC Cooperation

Decision year	Project Title	Amount
2007	Integrated Solid Waste Management Programme	3,000,000.00
2006	National Capacity Building Programme For State And Non-State Actors	860,000.00
2005	Contribution To Post-Tsunami Rehabilitation Efforts	700,000.00
2004	Technical Co-Operation Facility	642,000.00
2003	Préparation de L'actualisation Du Plan Directeur Déchets	80,663.14
2002	Anse Royale Landfill Project Evaluation	59,040.00
2002	Melon Fruit Fly Eradication Programme	1,100,000.00
2001	Feasibility Study For Fruit Fly Eradication Programme	9,347.00
1999	Le Niol Water Supply (71145)	1,000,000.00
1999	Tourism Capacity Building Project	361,394.20
1999	DBS- V Global Loan (20451)	1,770,000.00
1998	Le Niol Water Treatment Works - Consultancy Services	1,300,426.93
1998	Participation In Project Cycle Management Seminar	2,477.85
1997	Le Niol Water Treatment Works - Consultancy Services	32,061.87
1997	Victoria Market Rehabilitation	674,768.85
1997	Storm Damage Rehabilitation Study	9,842.79
1997	Anse Royale Landfill Project Evaluation (8 Sey 1)	2,644,734.00
1997	Storm Damage Rehabilitation 1997	455,475.53
1996	Séminaire Sur Les Procédures De FED	22,375.70
1996	Victoria Market Rehabilitation	59,828.56
1995	La Digue Environment And Transport (+7/21+7/22+6/17).	615,633.25
1995	DBS IV.(Bei:70990)	2,000,000.00
1995	Poverty Study Survey	-
1995	Technical Assistance At The Ministry Of Financial Planning	150,397.04
1995	Greater Victoria Sewerage: Study Of Sewerage Treatment Options	42,792.92
1995	Design And Tender Of Victoria Sewerage	27,602.05
1995	Solid Waste Management Project/Tender Docs	207,882.75
1995	Master Plan For The Development Of The Port Of Victoria	-
1995	Solid Waste Management-Ta For Privatisation	59,250.00
1995	Mise A Disposition Coordinateur Projets "Environnement".	47,554.00
1994	Integrated Biodiversity, Marine And Coastal Centre	322,282.96
1994	Support To Aids Programme	140,539.14
1994	To Review Global Situation(Solid Waste Management Study)	56,908.75
1994	Preparation Of A Master Plan For The Victoria Port Dvlpmt.	52,666.55
1994	Fruit Fly Control	67,500.72
1994	Etblis.Legislation Pèche & Formation Prof. Unite Inspection	43,834.14
1993	Assistance To Small Industry	977,192.77
1993	Credit Line Facility For Small Enterprises	250,000.00
1993	Promotion Touristique (Réalisation De 2 Films)	150,198.20
1993	(Ex 05 P016) Et Appui A La Petite Industrie	2,140.00
1993	(Ex. 05 P018) Economic Impact Of Tourism	29,654.30
1992	Biodiversity Conservation And National Parks Programme	406,075.14

Decision year	Project Title	Amount
1991	Consolidation Devel Artisanat	987,215.36
1991	Reparation of Old Tuna Quay	1,191,734.78
1991	Rehab. Quai Thonier	35,694.47
1990	Et Rehab Cocoteraie Mahé	20,119.11
1990	Exp Renov Old Tuna Quay	31,177.73
1989	Prêt Global D B S 3b Bon Int	219,316.90
1989	Prêt Global DBS 3 (EIB :70787).	1,470,000.00
1989	Rural Development	2,865,802.24
1987	Prog Dev Artisanat Seychelles	1,166,347.24
1987	Et Prog Act Dev Sect Agricole	64,727.10
1987	Et Drainage Appui Inst Gouver	33,600.74
1986	1 Prog Microreal - Tech Peche Nouv-Introd. Commerc.	171,071.43
1986	Et-Elabor Prog Operat Dev Agricole	51,776.47
1986	At-Seychelles. Fisheries- Biologiste-Statisticien	407,359.99

Source: CRIS

Annex IV Intervention Framework – 9th EDF

	Performance indicators	Sources of Verification	Assumptions
Long-term National sector targets • Striking the right balance between economic development and safeguarding the environment, i.e. ensuring sustainability in resource exploitation, and paying due attention to human resources • Better protection of the environment • To treat and dispose of solid waste in ecologically sustainable manner	All solid waste generated is being disposed with sound environmental practices Improvement in health status Clean environment with no visual soreness through littering Reduction in pollution of water courses, ground and surface water and lagoon	PUC, SWAC, SBS and Department of environment data (utilities companies and ministry) Ministry of Health Statistics MoE data and survey reports MoE test data on water quality	Recurrent budget and taxes are sufficient to cover operation and maintenance
Intervention objectives Integrated solid waste management programme	Efficient and integrated system of disposal of waste by comparing the amount of wastes generated and the amount of wasted disposed of. Solid waste is being collected, treated and disposed of sustainably. Gradual elimination of smell and flies nuisance. Hazardous waste is being collected, pre-treated and exported (scrap metal & waste oil). Solid waste being sorted at source.	MISD data and data from the on-site management company PUC, SWAC, SBS, & DoE Data (utilities companies and ministry)	Budget Interest Government support External Financial Assistance

	Performance indicators	Sources of Verification	Assumptions
Results Landfill facilities operational Environmental damage caused by solid waste minimised Increased solid waste treatmet/recycling	Health of environment will have improved Landfill volume utilised yearly 75% Of waste recycled	DoE, SWAC & STAR data on the amount of solid waste disposed of everyday MoE Statistical data	Export of waste for recycling remains feasible Waste collection and landfill management remains private Leacheates are collected and treated

Annex V - Chronogram of Activities: 9th EDF Focal Sector (as per Financing Agreement)

N°	Activity	2006		2006		2007				2008				2009				2010
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
1	Activities under Programme Result 1 (Environmentally sound Infrastructures for solid waste disposal are put in place)																	
1.1	Project management and supervision																	
1.2	Construction works Mahe				Tendering													
1.3	Projects for Praslin and La Digue							Tendering										
1.4	Closing of existing facilities in Mahé Praslin and La Digue																	
2	Activities under Programme Result 2 (Management of the Solid Waste sector is strengthened)																	
2.1	Review and assistance for institutional set up and organization structure of SWAC													Follow up				
2.2	Sector planning and monitoring																	
2.3	Education and sensitization schemes																	
3	Activities under Programme Result 3 (A sustainable direct cost recovery system for solid waste services is put in place)																	
3.1	Review of cost recovery taxation system																	
3.2	Implentation of cost recovery taxation system																	
4	Activities under Programme Result 4 (Solid waste reduction and segregation/recycling programs are developed as sustainable activities in the sector)																	
4.1	Develop a programme of waste reduction																	
4.2	Implementation of the programme																	
5	Activities under Programme Result 5 (Improvement of solid operation processes and contract)																	
5.1	Review operation contracts																	
5.2	Monitor operation contracts																	
6	Evaluation																	

Annex VI: Financial Situation for 9th EDF

COUNTRY:	SEYCHELLES EDF 9					
SITUATION :	31/12/2005					
Accounting N°	Project title	Global Financial Commitment (GFC) [1]	Individual Financial Commitment (IFC) [2]	% [2] / [1]	Paid [3]	% [3] / [1]
		1,200,000.00	1,096,214.00	91.35%	538,655.99	44.89%
9 ACP SEY 1	ECO TECHNICAL CO-OPERATION FACILITY (TCF)	500,000	396,214	79%	118,656	24%
9 ACP SEY 2	CONTRIBUTION TO POST TSUNAMI REHABILITATION EFFORTS	700,000	700,000	100%	420,000	60%

COUNTRY:	SEYCHELLES EDF 9		% of NIP	% of GFC	AMOUNT in EUROS
SITUATION :	31/12/2005				
	TOTAL N I P ENVELOPE including transfers and Top Ups)	[A]			5,202,850
[A]	Indicative Programme A & B envelopes				4,600,000
	Transfers from previous EDFs				602,850
[B]	GFC :	[B]	23.06%		1,200,000
[C]	IFC :	[C]	21.07%	91.35%	1,096,214
[D]	PAYMENTS	[D]	10.35%	44.89%	538,656
[E]	Uncommitted balance	[A] - [B]	76.94%		4,002,850

RAL/RAC/RAP TOTAL	RAL	[B] - [D]	12.71%	55.11%	661,344
	RAC	[B] - [C]	1.99%		103,786
	RAP	[C] - [D]	10.72%		557,558
RAL/RAC/RAP Category : NORMAL GFCs within delays	RAL		0.00%	0.00%	-
	RAC		0.00%		-
	RAP		0.00%		-
RAL/RAC/RAP Category : A IFCs all closed GFC to close	RAL		0.00%	0.00%	-
	RAC		0.00%		-
	RAP		0.00%		-
RAL/RAC/RAP Category : B Some IFCs not closed	RAL		0.00%	0.00%	-
	RAC		0.00%		-
	RAP		0.00%		-
RAL/RAC/RAP Category : C IFCs with outstanding advances	RAL		0.00%	0.00%	-
	RAC		0.00%		-
	RAP		0.00%		-
RAL/RAC/RAP Category : D IFCs with problems	RAL		0.00%	0.00%	-
	RAC		0.00%		-
	RAP		0.00%		-

RAL – Reste à Liquider
RAP – Reste à Payer
RAC – Reste à Contracter

Annex VII: Financial Situation for 8th EDF (as at 31.12.2005)

Accounting N°	Project title	GFC [1]	IFC [2]	% [2] / [1]	Paid [3]	% [3] / [1]	Action taken/to be taken and when (A-D):RAL Status of projects open beyond end date A: GFC to close, B: IFCs to close,C:IFC with open advances, D: IFC with problems
		5,571,213.27	5,305,276.60	95.23%	4,812,651.88	86.38%	TOTAL
8 ACP SEY 1	ANSE ROYALE LANDFILL	2,644,734.00	2,644,734.00	100%	2,644,734.00	100%	CLOSED
8 ACP SEY 2	LE NIOL WATER TREATMENT WORKS	1,300,426.93	1,300,426.93	100%	1,300,426.93	100%	CLOSED
8 ACP SEY 3	SHORT TERM CONSULTANCY - SETTING UP V.M.S.	24,955.00	24,955.00	100%	24,955.00	100%	CLOSED
8 ACP SEY 5	TOURISM CAPACITY BUILDING PROJECT	361,394.20	361,394.20	100%	361,394.20	100%	CLOSED
8 ACP SEY 8	ANSE ROYALE LANDFILL (8 SEY 1) EVALUATION	59,040.00	59,040.00	100%	59,040.00	100%	CLOSED
8 ACP SEY 9	MELON FRUIT FLY ERADICATION PROGRAMME	1,100,000.00	834,063.33	76%	341,438.61	31%	GFC TO BE CLOSED AS AFTER 31.12.2006
8 ACP SEY 10	PREPARATION ACTUALISATION PLAN DIRECTEUR DECHETS	80,663.14	80,663.14	100%	80,663.14	100%	CLOSED

			% of NIP	% of GFC	AMOUNT in EUROS
[A]	NET 8th EDF ENVELOPE*	[A]			5,571,213
	National Indicative Programme				6,000,000
	Transfers to 9th EDF upon closure of 8th EDF projects (inc partial decommitments)				(428,787)
[B]	GFC	[B]	100.00%		5,571,213
[C]	IFC:	[C]	95.23%	95.23%	5,305,277
[D]	PAYMENTS	[D]	86.38%	86.38%	4,812,652
[E]	Uncommitted balance	[A] - [B]	0.00%		-
RAL/RAC/RAP TOTAL	RAL	[B] - [D]	0.00%	0.00%	
	RAC	[B] - [C]	0.00%		
	RAP	[C] - [D]	8.84%		492,625
RAL/RAC/RAP Category : NORMAL	RAL		0.00%	0.00%	
GFCs within	RAC		0.00%		

delays	RAP		0.00%		
RAL/RAC/RAP Category : A IFCs all closed GFC to close	RAL		0.00%	0.00%	-
	RAC		0.00%		-
	RAP		0.00%		-
RAL/RAC/RAP Category : B Some IFCs not closed	RAL		0.00%	0.00%	-
	RAC		0.00%		-
	RAP		0.00%		-
RAL/RAC/RAP Category : C IFCs with outstanding advances	RAL		0.00%	0.00%	-
	RAC		0.00%		-
	RAP		0.00%		-
RAL/RAC/RAP Category : D IFCs with problems	RAL		0.00%	0.00%	-
	RAC		0.00%		-
	RAP		0.00%		-

***1.172 € différence.**

Annex VIII: EIB Projects

Situation as at 31.12.2005

EIB own resources

Loan No	Project	signed on	Amount signed	Amount disbursed	Amount cancelled	Current	1st repayment	last repayment
14149	DBS GL III B	9/12/1989	1,500,000.00	1,500,000.00		-	1/31/1994	7/31/2001
			1,500,000.00	**1,500,000.00**		**-**		

EDF

Loan No	Project	signed on	Amount signed	Amount disbursed	Amount cancelled	Current	1st repayment	last repayment
70012	DBS Equity Participation	10/31/1978	580,047.17	580,047.17		815,877.37		
70275	DBS PG	5/14/1982	1,000,000.00	1,000,000.00		92,381.80	3/1/1988	3/1/2007
70563	DBS GL II	9/16/1985	3,000,000.00	3,000,000.00		-	3/1/1991	3/1/2000
70787	DBS GLOBAL LOAN III A	9/12/1989	1,500,000.00	1,470,000.00	30,000.00	498,400.00	7/31/1995	7/31/2014
70990	DBS GL IV	12/22/1994	2,000,000.00	2,000,000.00		1,763,148.00	12/15/2000	12/15/2009
71145	LE NIOL WATER SUPPLY	1/5/1999	1,000,000.00	1,000,000.00		1,000,000.00	12/15/2001	12/15/2013
20451	DBS GL V	1/24/2000	2,000,000.00	1,770,000.00	230,000.00	1,770,000.00	12/15/2004	12/15/2011
			11,080,047.17	**10,820,047.17**	**260,000.00**	**5,939,807.17**		

Annex IX: EPA Questionnaire

1. a) **Technical capacity of Ministries concerned.**

Progress has been made in getting technical assistance and training especially this year (2006) but there is a need for further assistance in several fields.

b) **Existence of national strategies concerning trade and regional integration.**

Seychelles is actively involved in trade and regional integration discussions but does not have a clearly formulated strategy yet.

c) **Open dialogue with relevant stakeholders from the private sector and civil society.**

The private sector and civil society are members of the Task Forces and of the National EPA Forum (NEF) but their participation is often weak. This is partly due to the fact that the private sector is not always well organized and structured. The private sector through the Seychelles Chamber of Commerce and Industries (SCCI) has participated on most occasions to the Regional Preparatory Task Force (RPTF).

d) **Establishment and functioning of a national EPA negotiations committee.**

Government has put in place a national structure for the preparations and coordination of the EPA negotiations which reflects the recommendations of the ESA/ EPA Negotiating Guidelines. The essential elements of the structure are given below:

(i) EPA Coordinating Unit

The EPA Coordinating Unit is charged with day to day responsibility for all aspects of the EPA negotiations. This role is assumed by the Department of International Cooperation in the Ministry of Foreign Affairs and International Cooperation.

(ii) The National EPA Forum – Steering Committee

National preparations for EPA negotiations are led by the National EPA Forum (NEF) – Steering Committee. The Chair of the NEF is the Principal Secretary of the Department of International Cooperation and the alternate chair is the Technical Adviser for Trade in the Ministry of Finance. Other members of the NEF include various Government ministries and bodies, the Seychelles Chamber of Commerce and Industries (SCCI) and the Seychelles National Assembly. The chair of the NEF can also invite, as and when required depending on the agenda of the meeting, technical experts including specific members of the Task Forces.

The role of the NEF is to:

- Be present at the Regional Negotiating Forum (i.e. in the preparation of regional positions and consolidation of national positions) and in the EPA Negotiations with the EU to ensure coherence and consistence between the national and the regional positions in order to safeguard the interest of Seychelles;

- Provide leadership to the Task Forces and guide them in the preparation of briefs outlining the optimal negotiating positions for the country;
- Negotiate an EPA with the EU on behalf of Seychelles as part of the ESA region negotiating team.

(iii) Task Forces

In line with the recommendation of the preliminary national EPA impact assessment study, the Task Forces have been set to correspond to the six clusters in which the ESA region has chosen to negotiate on EPA, with emphasis on the areas/ sectors of greatest concern to Seychelles.

The main function of the Task Forces is to provide rapid and detailed information. The leader of each Task Force has the responsibility to organize the human and data resources of the Task Force so as to respond effectively against the requirements of the negotiating timetable and report directly to the NEF.

The role of the Task Forces is to:

- Undertake an analysis of the potential impacts of EPAs on the performance of the sectors and the sensitivity analysis of these sectors;
- Make recommendations of the adjustment requirements on the trade and economic policies;
- Determine the optimal trade negotiating position for Seychelles and to prepare briefs outlining these position which are to be used by the NEF in the Regional Negotiating Forum in preparation of regional trade negotiating position with the EC; and
- Provide the expertise as and when required by the NEF in the negotiation process.

The Taskforces are composed of technical persons from both the public and private sectors.

2. a) To what extent the Government position reflects stakeholders' opinion and interests in long term development.

The Task Forces ensure that all stakeholders' opinions are considered and passed on to the NEF and hence to the ESA-EU negotiations.

b) How does each country view the negotiating process and does it have confidence in the role played by the relevant regional organization(s) in these negotiations?

Seychelles finds very little in common with the other countries in the ESA group; it has the smallest population, smallest land mass, highest GDP per capita, etc. It is also the only country which is very dependent on fisheries. For these reasons Seychelles is not always confident that the interest of the group is in its best interest.

c) **Report any technical or political obstacles that might prevent a better implication of each government in regional integration and the EPA process.**

The mere fact that Seychelles is a small island country is a serious handicap towards regional integration especially as most of ESA countries are mainland countries.

This situation is made more difficult as COMESA is more focused on continental countries. It is much easier to obtain funds for regional mainland projects than for projects for island countries.

3 a) If it has benefited from one or more impact studies and/a national seminars, can you try to ascertain from the government if these have delivered the information and recommendations expected and have they been useful in identifying relevant opportunities and problems that could influence the country's position vis-à-vis the EPA, as well as what economic integration initiatives or reforms would be necessary to support and / or optimize the results of the EPA process.

The National Impact Assessment Study (NIAS), which was prepared in early 2004 was a good basis to start with in preparing for negotiations, though the NEF later felt that it lacked substance in certain specific key areas and its findings and recommendations were too broad. Certain supplementary studies were commissioned such as the studies carries out by the Institute of Development Studies (IDS) and the Economic Commission for Africa (ECA) to assess the consequences of the EPA on the economy of Seychelles. One study on the Rules of Origin and erosion of tariff preferences with respect to fisheries financed by the PMU, is ongoing.

b) **Have the studies/ seminars proposed concrete actions/ support measures and what is the country's (government, private sector) position vis-à-vis the support propositions.**

Most of the proposals are still under consideration and the study on Rules of Origin is ongoing.

c) **Report the current support to the countries EPA preparation efforts including other donor's cooperation.**

The Trade Policy Analyst under the "Hub and Spokes" Project (administered by the Commonwealth Secretariat) arrived in Seychelles in February 2006, and has been helpful in assisting with national preparations for the EPA negotiations.