



GOVERNMENT
OF SEYCHELLES

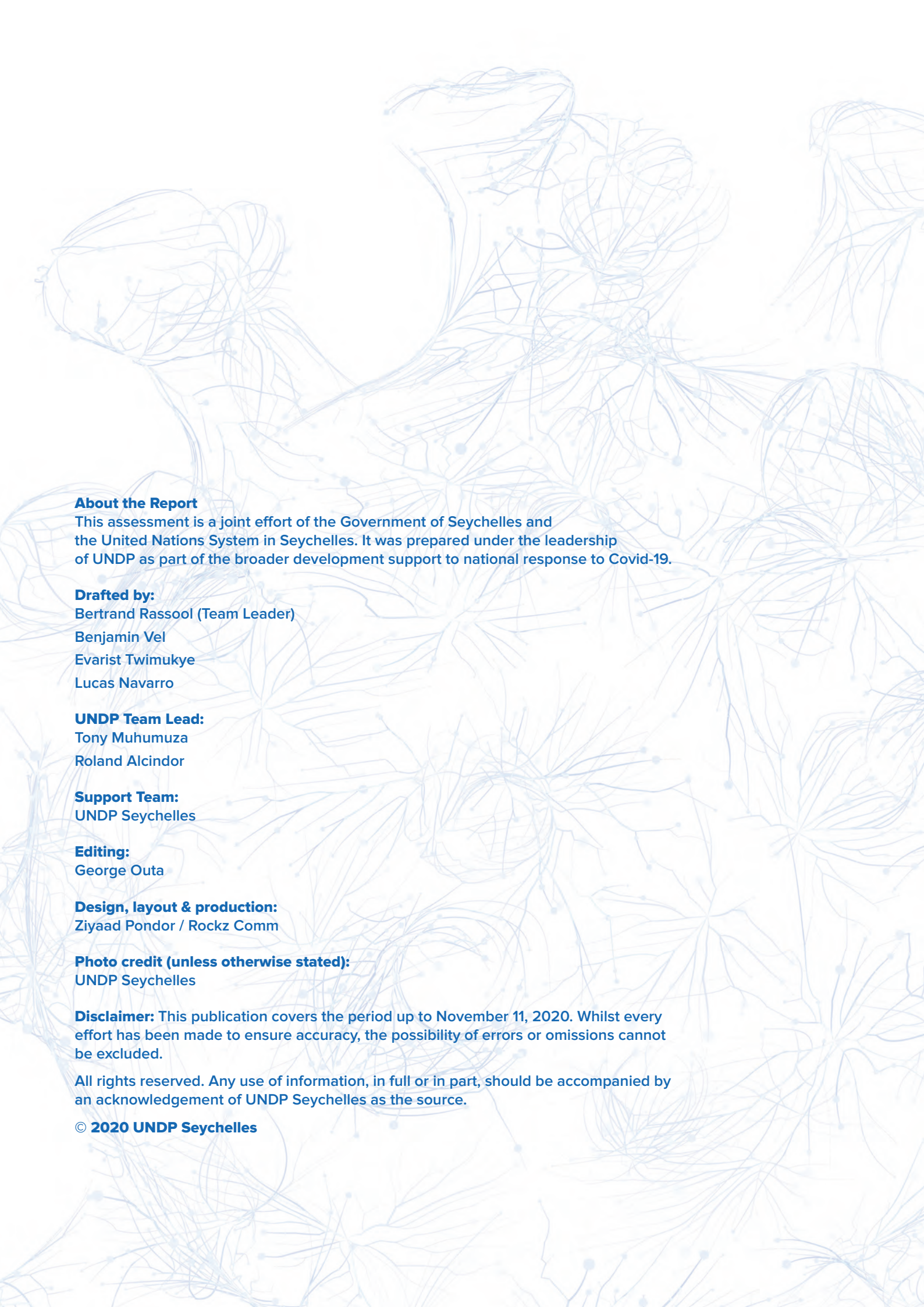


UNITED NATIONS
SEYCHELLES



AN ASSESSMENT OF THE
**SOCIO-ECONOMIC
IMPACT OF
COVID-19
IN SEYCHELLES**

DECEMBER 2020



About the Report

This assessment is a joint effort of the Government of Seychelles and the United Nations System in Seychelles. It was prepared under the leadership of UNDP as part of the broader development support to national response to Covid-19.

Drafted by:

Bertrand Rassool (Team Leader)

Benjamin Vel

Evarist Twimukye

Lucas Navarro

UNDP Team Lead:

Tony Muhumuza

Roland Alcindor

Support Team:

UNDP Seychelles

Editing:

George Outa

Design, layout & production:

Ziyaad Pondor / Rockz Comm

Photo credit (unless otherwise stated):

UNDP Seychelles

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ABBREVIATIONS AND ACRONYMS

A4AI	Alliance for Affordable Internet	NDRF	National Disaster Relief Fund
AfDB	African Development Bank	NEET	Not in Employment, Education and Training
AGM	Annual General Meeting	NGO	Non-Governmental Organization
AML	Anti Money Laundering	NPL	Non-performing Loans
APDAR	Agency for Prevention of Drug Abuse and Rehabilitation	NSP	Needle and Syringe Programming
ASFF	Alliance of Solidarity for the Family	PAD	Poverty Alleviation Department
ASFF	Alliance of Solidarity for the Family	PCR	Polymerase Chain Reaction
ASP	Agency of Social Protection	PEA	Private Employment Agencies
BOP	Balance of Payments	PHA	Public Health Authority
BTL	Below-The-Line	PHOC	Public Health Operation Centre
CBS	Central Bank of Seychelles	PLM	Potential Labour Force
CCA	Cancer Concern Association	PMC	Property Management Corporation
CCCS	Central Common Cold Store Ltd	PPE	Personal Protective Equipment
CEPS	Citizens Engagement Platform Seychelles	PUC	Public Utilities Company
CFT	Countering the Financing of Terrorism	RCSS	Red Cross Society of Seychelles
CIA	Central Intelligence Agency	SAA	Seychelles Agricultural Agency
COI	Conserverie de l'Océan Indien	SACOS	State Assurance Corporation of Seychelles
COMESA	Common Market for Eastern and Southern Africa	SBC	Seychelles Broadcasting Corporation
Covid-19	Coronavirus Disease	SCCI	Seychelles Chamber of Commerce and Industry
CSO	Civil Society Organisation	SCR	Seychellois Rupee
DBS	Development Bank of Seychelles	SDG	Sustainable Development Goals
DMC	Destination Management Company	SDS	Skills Development Scheme
EEZ	Exclusive Economic Zone	SETS	Seychelles Employment Transition Scheme
EU	European Union	SEYCOM	Seychelles National Commodity Company
FA4JR	Financial Assistance for Job Retention	SEYPEC	Seychelles Petroleum Company
FDI	Foreign Direct Investments	SFA	Seychelles Fishing Authority
FSA	Financial Services Authority	SFWU	Seychelles Federation of Workers Union
FSW	Female Sex Workers	SHTA	Seychelles Hospitality and Tourism Association
GBP	Great Britain Pound	SIDS	Small Island Developing States
GBV	Gender-Based Violence	SIDOL	Seychelles Institute of Distance and Open Learning
GDP	Gross Domestic Product	SITZ	Seychelles International Trade Zones
GEMPLUS	Gender and Media Association	SMB	Seychelles Marketing Board
GETUS	General Employer of Trade Union of Seychelles	SME	Small and Medium Enterprises
GOP	Gainful Occupation Permit	SMS	Short Message Service
GOS	Government of Seychelles	SFWU	Seychelles Federation of Workers Union
HFC	Housing Financing Corporation	SPF	Seychelles Pension Fund
HIV	Human Immunodeficiency Virus	SPTC	Seychelles Public Transport Company
IBRD	International Bank for Reconstruction and Development	SRHR	Sexual and Reproductive Health and Rights
ICT	Information Communication Technology	SSA	Sub-Saharan Africa
IDC	Island Development Company	STC	Seychelles Trading Company
IMF	International Monetary Fund	SW	Sex Workers
IOT	Indian Ocean Tuna Ltd	UAE	United Arab Emirates
IOTC	Indian Ocean Tuna Commission	UCPS	United Concrete Products Seychelles Ltd
IPHS	Ile Du Port Handling Services Ltd	UHC	Universal Health Coverage
IT	Information Technology	UK	United Kingdom
LGBT	Lesbian, Gay, Bisexual and Transgendered	UN	United Nations
MAT	Medically Assisted Therapy	UNDP	United Nations Development Programme
MEECC	Ministry of Environment, Energy and Climate Change	UNECA	United Nations Economic Commission for Africa
MEHRD	Ministry of Education and Human Resource Development	UNESCO	United Nations Educational, Scientific and Cultural Organization
MEICS	Minister of Employment, Immigration and Civil Status	UNGA	United Nations General Assembly
MFJ	My First Job	UNU-WIDER	United Nations University World Institute for Development Economics Research
MMP	Methadone Maintenance Programme	URS	Unemployment Relief Scheme
MMT	Methadone Maintenance Therapy	US	United States
MPA	Marine Protected Areas	USD	United States Dollar
MPI	Multidimensional Poverty Index	VAT	Value-added Tax
MSME	Micro, Small and Medium Enterprises	WASO	Women in Action and Solidarity Organisation
NBS	National Bureau of Statistics	WHO	World Health Organization
NCD	Non-Communicable Diseases	WTO	World Trade Organization

FACT SHEET

The socio-economic impact of Covid-19 in Seychelles



Despite the 31% increase in the dollar exchange rate since March, inflation remained stable at 1.8% in September



With a 70% loss in tourism revenue, the tertiary sector has been the hardest hit by Covid-19



Fishing remained vibrant, with canned tuna production increasing by 16% year on year in Q2 2020



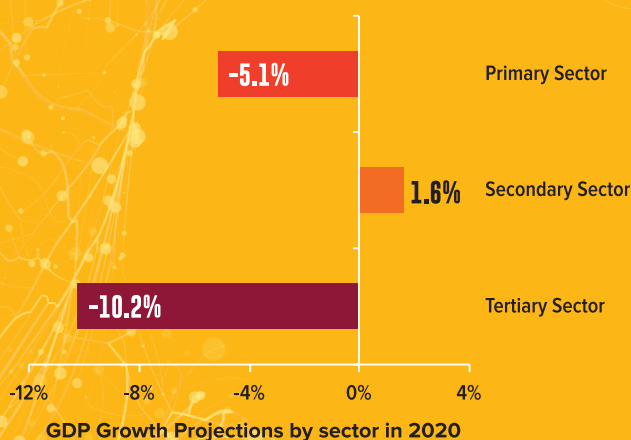
The unemployment rate rose from **2.7% in 2019 to 4.8%** in the first half of 2020.

Between March and September,

- **1,300 employees** rendered redundant
- **4,000 applications** for migrant workers were cancelled



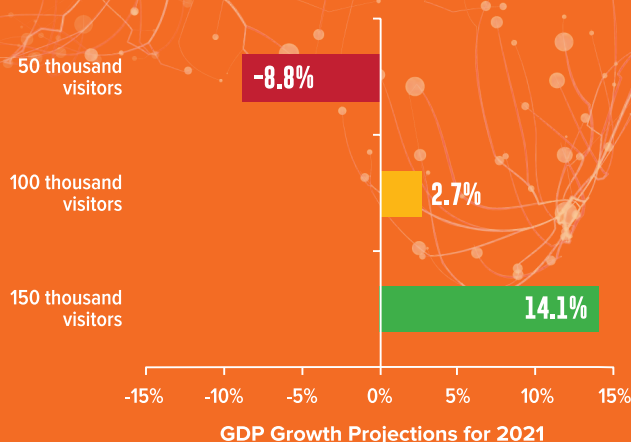
No records of increase in Gender Based Violence



Outlook for 2021

The **economic projections for 2021** are very sensitive to the scenarios for tourism:

- In the optimistic and intermediate scenarios of **150,000 and 100,000 tourists per year**, respectively, the economy will recover
- However, under the pessimistic scenario (50,000 visitors) we forecast a **8.8% GDP contraction**
- **Job losses may continue in 2021:** the employment to population rate is projected to **further decline by 1-3 percentage points**, depending on the scenarios assessed for tourism recovery.



FOREWORD

The socio-economic shock caused by the Covid-19 pandemic is costly to every nation, including Seychelles that has effectively managed its spread. Seychelles along with other highly tourism-dependent Small Island Development States, will be most affected by the pandemic, and face the most difficulty to recover since long-haul travel will take longer to return to normal. Recovery will also be accompanied by the need for dynamism in everything that we do to keep at pace with any scale of future change. The entry point for public policy is to design mechanisms that will facilitate re-engineering of the economy and society in order to remain relevant in the new and evolving global marketplace.

In line with this thinking, this report identifies some of the areas that require collective action to enable Seychelles to recover quickly from the pandemic, and also to learn from past experiences and devise long-term solutions for building a resilient economy. Key among the recommendations is the need to re-awaken the discourse on diversification of the economy since the pandemic has clearly demonstrated the vulnerabilities that come with over-reliance on the tourism sector. In the immediate term, preventing the spread of the virus, investing in measures that will stimulate local economic activity, supporting social cohesion, addressing the rising unemployment, together with mechanisms for innovative and sustainable financing in the face of the growing debt burden, will remain at the core of Government response.

The preparation of this report was an effort of several actors, to whom the Government of Seychelles extends its gratitude. I wish to thank the United Nations Country Team in Seychelles for the unwavering support to recovery of the country, starting with the technical and financial support provided by the United Nations Development Programme (UNDP) that enabled the production of this report. I appreciate the commitment demonstrated by the Inter-ministerial Steering Committee that guided the entire process, under the leadership of the Ministry of Finance, Trade, Investment and Economic Planning.

I call upon actors in the public and private sector to work together to harness the opportunities highlighted in the report in order to address the challenges imposed by the Covid-19 pandemic and to build a resilient society. The Government of Seychelles is resolute in its efforts to build the productive capacities of the economy, expand the capabilities and opportunities for the citizens, and cement transformation to an advanced and resilient economy, amidst the growing threats to the global landscape. As the country recovers from the debilitating effects of the pandemic, the ambition of the Government of Seychelles remains a demonstration of capacity to give hope to its citizens.



Mr Naadir N. H. Hassan

*Minister of Finance, Economic Planning and Trade
Government of Seychelles*

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This report was developed with the technical leadership and financial support of the United Nations Development Programme (UNDP), as part of the efforts of the wider United Nations System and advocacy by the Resident Coordinator to support the socio-economic response and recovery efforts to the Covid-19 pandemic.

The consultation and drafting process was overseen by the Government of Seychelles through a High-level Steering Committee chaired by the Ministry of Finance, Trade Investment and Economic Planning and membership including: Ministry of Foreign Affairs and Tourism - Department of Foreign Affairs; the Central Bank of Seychelles; Ministry of Employment; Ministry of Family Affairs, Ministry of Health; Ministry of Tourism; National Bureau of Statistics; The United Nations Development Programme (UNDP); World Health Organisation (WHO); International Organisation for Migration (IOM) and the World Bank.

The report was guided by a core technical team nominated by the United Nations Country Team and chaired by the UNDP Senior Economist and the Team Leader Socioeconomic Development Unit. The team included representation from the Economic Commission for Africa (ECA), International Organisation for Migration (IOM), Office of the United Nations High Commissioner for Human Rights (OHCHR), United Nations Population Fund (UNFPA), the United Nations Entity for Gender Equality and the Empowerment of Women (UN Women), World Health Organisation (WHO) and the World Bank. Additional contributions were received from the Office of the United Nations Resident Coordinator (UNRCO) and the International Labour Organisation (ILO) informed the conceptualisation of the report.

The report also benefited from wide-ranging consultations with stakeholders in the public and private sector; and, at the community level. Appreciation goes to all these key informants who, despite the difficulty posed by the pandemic, provided information that enriched the report.



Christine Umutoni
UN Resident Coordinator
Mauritius and Seychelles



Amanda K. Serumaga
UNDP Resident Representative
Mauritius and Seychelles

EXECUTIVE SUMMARY

This report presents an initial assessment of the social and economic impact of Covid-19 on Seychelles. It has been prepared in line with the UN Secretary General's recommendation of extending UN support to national Covid-19 responses. The report is aimed at stimulating policy debate on recovery and building a resilient economy that can withstand future shocks, and to inform programming by Government and the UN system. The study relied on secondary data from national and global sources, complemented by extensive consultations with sector experts, communities and actors in the formal and informal private sector including small, medium and large business establishments. It identifies several impacts of the pandemic on the economy and social sector, while also articulating the efficacy of Government programmes designed to cushion the country from the negative shock presented by the pandemic.

On the economy, the report points to several impacts. Tourism revenues are projected to decline by more than 70%, contributing to a projected GDP contraction of 11.5% for 2020. The foreign exchange inflows reduced significantly from USD 3 million per day in 2019 and 2020 prior to Covid-19 to between USD 0.5 and 2 million per day since April 2020. The budget balance as a share of GDP was 0.9 percent in 2019 and is estimated to be one of the worst among Small Island Development States (SIDS) at -15.5 percent in 2020 and -6% in 2021. Exports of goods and services are projected to decrease by 38.9 percent in 2020 and to recover by 28.9 percent in 2021. In spite of increasing transaction costs, the tuna fishing industry has remained the most active industry, continuing to outperform the pre-Covid levels, replacing tourism in the short-run as the main source of foreign exchange revenue.

However, the short-term measures to contain the pandemic could shift operations to other competing markets that could provide port services with relaxed conditions, further constraining recovery. The shutdown of the tourism sector including its gradual resumption has affected agricultural production. The fall in demand for agriculture supplies by hotels, restaurants and cruise ships/charter vessels has compelled farmers to shift production towards products popularly demanded by the local population, although the market remains small. The rise in the cost of imported inputs severely hurt the local livestock industry that largely depends on them for more than 65% of their total cost of production. However, the introduction of Government subsidies on imported inputs, particularly livestock feed, have played a significant role in relieving this sector.

In the social sector, the pressure exerted by the pandemic on health response is believed to have diverted attention from other non-Covid-19-related diseases such as non-communicable diseases (NCDs) and mental health, that equally required sustained intervention and follow-up. The depreciation of the rupee has increased the costs of medicines and equipment such as ventilators, directly impacting on the level of care provided. The impact on employment has been severe although Government relief programmes have played a significant role in cushioning workers. The pressure on jobs informed the Government decision to cancel over 4000 applications for migrant workers and allow companies to render some workers redundant. Between March and September, more than 1,300 employees were rendered redundant and considered for Government support.

With the economy likely to perform at 80% compared to 2019, formal employment is anticipated to be between 1.3 and 4.5 percentage points below the projected level of 2020. While Gender Based Violence was expected to increase as a result of the lockdown, Government records did not indicate a rise in reported cases.

The study advances detailed recommendations at the end of each section. Overall, given the vulnerabilities associated with over-reliance on the tourism sector, the study emphasises the need to re-invigorate the discourse on diversification of the Seychelles economy into critical sectors such as fisheries and agriculture. To enable businesses to recover quickly, the study calls for additional lines of credit on concessionary terms to support enterprises through Development Bank, while supporting commercial banks to reschedule loan repayments to avoid default. The study has also highlighted the potential of the private sector supplementing Government effort in public transport. The successes registered in outsourcing transport services during the lockdown provide opportunity to devise mechanisms for partially privatizing public transport. In the social sector, a National Contingency and Continuity Plan is vital to

ensure that other diseases that require sustained monitoring are given due attention in times of crisis. The report also points out the need to strengthen partnership with the private sector and other actors to invest in skills upgrading in order to protect workers, including those rendered redundant because shortfalls in the quality of labour continue to exert pressure on Government resources to sustain the unemployed.

The report is organised into four short sections. Section 1 provides the overall context and background framed around the declaration and onset of the pandemic and the immediate responses by the Government of Seychelles. The conceptual framework used in the assessment is also presented in this section. Section two delves into the real socio-economic impacts, with detailed focus on specific sectors such as tourism and aviation, fisheries and maritime, agriculture, transportation, construction, industrialisation, and financial services. In section three the report focusses on the social impacts of the pandemic, particularly with respect to health, the nation's social fabric and cohesion as well as impacts on employment and education.



1

BACKGROUND AND CONTEXT

1.1 Declaration and onset of a global pandemic

The World Health Organization (WHO) declared Covid-19 a pandemic on 11 March 2020. The pandemic presented an unprecedented crisis in history with far reaching implications on the global economy and human health. In the wake of the crisis, the IMF world outlook conservatively estimated that the global economy will contract sharply by -3% in 2020 while in June it forecasted a global contraction of 4.9%. As activity recovered sooner than expected in the developed world in the second quarter, the global output growth projection was revised to -4.4% in the World Economic Outlook released in October 2020. Growth prospects for the Seychelles are however worse than expected with the projected output contraction adjusted from -10.8% by the start of the pandemic to -13.8% in October. Baseline estimates for recovery in 2021 are dependent on global containment and prudent economic measures put in place in the latter half of 2020. The Small Island Developing States (SIDS) are particularly vulnerable due to their dependence on trade, limited economic diversification and heavy reliance on tourism.

Prior to the pandemic, Seychelles had consistently performed favourably on many development indicators, often leading the ranks within the African continent. In 2019, Seychelles ranked at the 62nd position globally in the Human Development Report, thereby being the first in the African region, to have achieved very high Human Development. Political stability in the country has enabled Seychelles maintain a steady economic growth of around 3.5% annually over the last three years. The first Voluntary National Review presented in July 2020 by the Government also highlighted the progress made by Seychelles in various sectors such as Health, Gender, Energy and Environment while other sectors were on track. The tourism industry which has been the main pillar of the economy, accounting for almost 2/3 of GDP was expected to attain record levels in 2020 both in terms of visitor arrivals and foreign exchange earnings. Similarly, the Tuna industry which is another important pillar of the economy was booming before the outbreak of the pandemic. At the macroeconomic level, the reasonably good balance of payments performance of the last 10 years was expected to be sustained in 2020. The country's gross official foreign exchange reserves were set to further increase from the record level of approximately USD 600 million at the end of 2019 or the equivalent of 5 months' import. Public debt to GDP ratio which had declined steadily since the 2008 crisis to 59% at the end 2019 had been expected to reach the target of pre-Covid 50% by 2021 but with the pandemic this is not likely to be possible.

The onset of the Covid-19 pandemic therefore threatens to reverse economic progress and adversely impact the economy and way of life of the people. On 14 March 2020, Seychelles recorded two cases of Covid-19 and since then, this number has increased to 148 as of October 13, 2020. According to UNECA, the impact of Covid-19 on the Seychelles might resemble that of other small island economies because they share most of the structural features common to small island economies which renders them exposed to unexpected global economic shocks. These include, high current account deficits, driven in part by high trade costs associated with remoteness and high-levels of import-based consumption; the dependence on external borrowing; and, a high savings-investment gap¹.

In response to the need for evidence on the impact of the pandemic, the United Nations through the technical leadership of UNDP supported the Government of Seychelles to undertake the first diagnostic study, in line with the UN Secretary General's recommendation of UN support to Covid-19 response. The study utilised secondary data from national and global sources, complimented by information obtained from extensive consultations with diverse actors including sector experts, actors in the formal and informal private sector, notably, the small, medium and large business establishments, as well as communities. The next Section of the report highlights Government response to the pandemic, followed by an elaboration of the conceptual framework and the expected transmission mechanisms of Covid-19 in section 3. A detailed assessment of the impact of the pandemic is presented in Section 4.

1.2 Immediate Government response to the pandemic

On 20 March 2020, President Danny Faure² announced sweeping measures to contain the spread of the virus, cushion the economy and sustain welfare. The Government has been undertaking health system strengthening; emergency facility measures including the provision of a special allowance for frontline health workers, immigration staff and customs officials at the airport and seaport and the establishment of a National Disaster Relief Fund to raise funds from Governments, private individuals, corporations and institutions aimed at providing emergency relief supplies; provide temporary relief for small business through short-term loans for equipment, raw materials and assist charitable organizations provide community support. In the social sector, commendable measures included: provision of special allowance for the elderly; financial assistance to children at home; budgetary allocation

¹ UNECA, 2020. Socio-economic and Trade Analysis for Western Indian Ocean Island States – Seychelles Focus

² <http://www.statehouse.gov.sc/news/4777/address-by-president-danny-faure-on-measures-to-address-the-Covid-19-situation>

Key measures

- 30-day ban on all international travel from 23 March 2020.
- No new work permits to be issued until further notice.
- Public Schools and day cares to remain closed.
- Increase the capacity of quarantine facilities.
- Government to guarantee salaries of all private sector employees guaranteed for the months of April May and June 2020 and no redundancies will be accepted during this period.
- Increased budgetary support to Agency for Social Protection to provide financial assistance to those in the informal sector.
- Loan repayments to be reduced for a period of 6 months.
- Reduction of 25 cents per unit in electricity tariffs for domestic and residential sectors.
- Financial assistance to SMEs to ensure continuity of business from April-June 2020.
- Central Bank to support businesses access quick credit.
- Taxes due for March 2020 to be deferred to September 2020 including Corporate.
- Social Responsibility Tax, Tourism Tax and Business Tax.
- Farmers assisted with 14 additional plots for Farmers Association to increase production and move towards food security. Excess produce to be retailed through the Seychelles Trading Corporation at discretion of farms.
- Interest rates for loans in Agriculture or Fisheries reduced to 1%.

for the Agency of Social Protection (ASP) and the Unemployment Relief Scheme (URS); reduction of loan repayments for a period of 6 months; and moratorium on electricity tariff increase for the public sector and a 25% reduction for the domestic sector. By May the IMF approved the country request for a USD 31.2 million loan for emergency financial assistance.

A salary bailout to private sector, initially for the period April-June 2020 was extended to 31 December 2020 most of it provided under the Financial Assistance for Job Retention (FA4JR) programme³. Government also offered financial assistance to informal sector under the Unemployment Relief Scheme of the Agency for Social Protection. The number of persons receiving such benefits rose from about 1,000 before the outbreak, to more than 4,000 as of July 2020. Whereas Government had initially made it mandatory for 100% job retention (i.e. no furloughing or no redundancies) during the period April – June 2020, such policy was revised with effect from 1 July 2020, whereby private sector could negotiate redundancies with the Ministry of Employment.

³ Initially, the salary bailout was for all employees, but with effect from 1st July it applied to Seychellois employees only

In July 2020, the Government established the Seychelles Employment Transition Scheme (SETS) with the objective of assisting all employees made redundant with effect from 1 July 2020 by ensuring that they would continue to receive their monthly salary up to a ceiling of SCR 30,000 until 31 December 2020. SETS also caters for self-employed individuals who are receiving FA4JR assistance and such redundant employees with re-skilling as well as up-skilling with a view to find alternative employment. As of end-July 2020, there were applications for 850 employees to be made redundant. SETS was also mandated to carry out an Onboarding Programme to assist the unemployed under the URS scheme to develop skills and find employment.

The Minister of Finance postponed taxes until September 2020 and budgeted SCR 1.1 billion to guarantee jobs of 37,000 employees in the private sector up to a ceiling of SCR 30,000 per month. The budget address also outlined the processes for the accessibility and screening of the financial assistance to SMEs and those employed in the informal sector. Those SMEs in the informal sector who could not qualify for FA4JR financial assistance have been largely assisted under the URS Scheme. Several cuts were also announced on budget lines that the public sector could do without, for instance, stationery, travel, new recruitments, board fees, allowances and capital projects, among others.

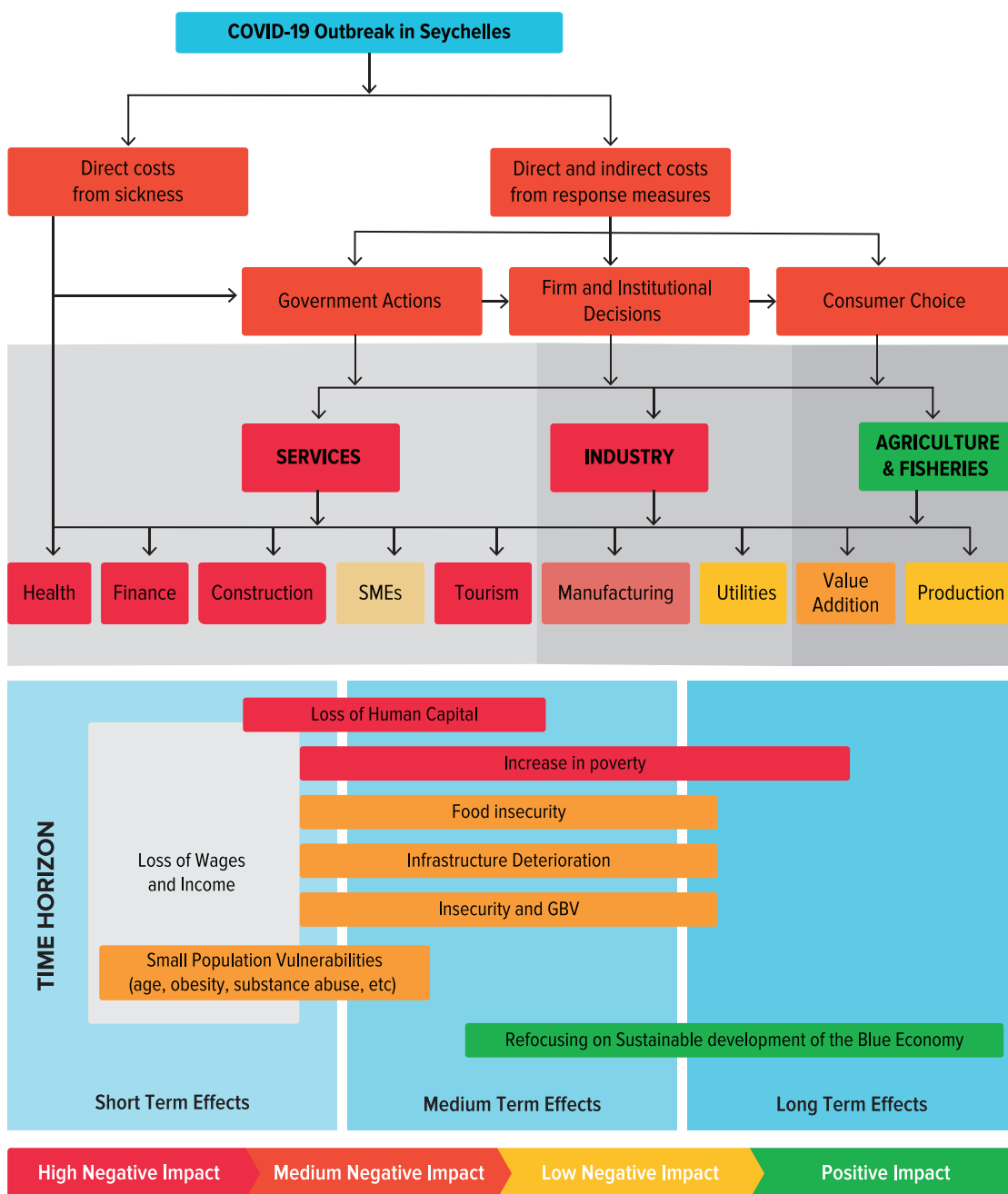
In late March, the Central Bank of Seychelles (CBS) reduced the policy rate by 100 basis points and increased liquidity in the banking system. The CBS initially set up a long-term lending instrument of SCR 500 million for commercial banks to assist SMEs struggling with the financial impact of the pandemic with emergency relief measures. This was followed by another on-lending facility of SCR 750 million for commercial banks to assist larger businesses. Commercial banks were also called upon to grant a moratorium of six months on the repayment of principal and interest on loans to assist businesses. The CBS maintained its flexible exchange rate policy and limited foreign exchange interventions to the extent needed to address disorderly market conditions, while allowing exchange rate adjustment. Consequently, the Rupee depreciated by 25-30% against most major currencies (USD, Euro, GBP). The inflation has remained moderate and the CBS indicated intention to closely monitor its developments. A Solidarity Bond was also launched with maturity ranging from 3-7 years to attract and immediately mobilize resources.

As of late October, there are expectations on the announcements by the elected President Wavel Ramkalawan, on how the policy responses will continue in a context where new lockdowns in the country's main tourism markets will have a negative impact on the economic recovery.

1.3 Conceptual framework

The report has adopted a conceptual framework that assesses the impacts likely to feed into the Covid-19 transmission channels in Seychelles as further elaborated in figure 1 here below.

FIGURE 1 | Transmission channels for potential socio-economic impacts of Covid-19 in Seychelles



Source: Adapted with adjustments from Evans and Over (2020).

1.3.1 Expected transmission mechanisms and impacts

As shown in **Figure 1**, the Covid-19 outbreak is likely to impact Seychelles through several transmission channels with both direct and indirect effects in the short to medium and long-term. The indirect effects could have arisen, for instance, from ban on travel from Seychelles to high risk areas and vice versa; Government quarantine for travellers; contact tracing; a national lockdown from 8 April 2020; suspension of international commercial passenger flights; temporary closing of cruise ships, and; the closure of the national museum and other cultural centres-among other measures.

In general, the disease and the disruptions aimed at containing it could lead to social effects (e.g., morbidity and mortality for those infected, and increased vulnerability to poverty among other shocks) and intangible effects (e.g., social cohesion, stigmatization, governance and security, and risk perceptions); and economic effects (e.g., decline in economic growth and employment, decrease in trade activities, knock-on effect on financial sector, increase in public debt due to increased health expenditures, loss of revenues), exacerbated by foreign exchange volatility.

The United Nations Economic Commission for Africa (UNECA)⁴ identifies several impacts that may feed into the above transmission mechanisms in Seychelles, including the following:



(1) Dominant trade linkages with Europe

Seychelles' exposure to Europe, which turned out to be the epicentre of the Covid-19 pandemic is one of its most serious vulnerabilities. For example, the European Union makes up about 68% the Seychelles fish and seafood exports. And given the unprecedented rate at which the Euro Area economy is now expected to contract (-8.3% in 2020), this will lead to reduction in demand for imports from all countries, including from the Seychelles. The United Kingdom one of the most affected countries which just suffered a 20% contraction in the first half of the year is one of the biggest export markets for the Seychelles. Therefore, the loss in export revenue because of this would impact the balance of payment position of the country.



(2) High dependency on tourism

One of the main vulnerabilities for the Seychelles economy emanates from a very high dependency on tourism (most of arrivals coming from the heavily impacted Europe) and other services sectors which have suffered immensely from the pandemic. The ban on international travel with effect from 23 March 2020 until 31 July 2020 brought the tourism industry to a standstill. Cruise ships visits have been suspended indefinitely since February 2020 and extended until end of 2021 and beginning of 2022⁵. The loss of income from tourism and the backward-forward linkages of this loss will impact many macroeconomic variables including foreign exchange, BOP, GDP and lead to employment losses especially in the services sector.



(3) Health impact

Although Seychelles has a relatively high number of doctors and nurses per capita, the wider system is under-prepared to handle a pandemic like Covid-19. Another related vulnerability for the Seychelles is that it has an ageing population with the highest old-age dependency ratios in East Africa. More than 10% of the population is over 65, who appear to be at a significantly increased risk of severe disease following infection from Covid-19. The impact on the health sector performance has a potential to lead to social upheavals for the most vulnerable.



(4) Balance of payments crisis

There is a possibility that Seychelles may face a BOP crisis as merchandise and service export revenues decline and the imports of Covid-19 related products increase. Moreover, Covid-19 has increased the uncertainty in global capital flows. While the development institutions including the World Bank and the African Development Bank have provided some concessional financial support, Seychelles does not qualify for many of these due to its high-income status. This impact on trade has a potential to cause disruptions in regional and global value chains linked to the Seychelles economy.

⁴ UNECA, 2020. Socio-economic and Trade Analysis for Western Indian Ocean Island States – Seychelles Focus

⁵ <https://edition.cnn.com/travel/article/seychelles-cruise-ship-ban-coronavirus/index.html>



(5) Slippage in debt sustainability goals

According to the IMF, the public debt to GDP ratio is expected to jump from 55.3% at end-2019 to 88.6% by end-2020 and gross financing needs from 24% in 2019 to 39.25% in 2020, respectively, reversing the strong downward trend since the 2008 crisis⁶. As main sources of foreign currency are affected, efforts to service the external/foreign currency-denominated debt may place significant pressure on the exchange rate. Moreover, since Seychelles is also facing a significant GDP growth shock, this ratio may increase further and could undermine the country's ability to meet servicing obligations as well as the ability to import vital capital goods imports (machinery and transport equipment constitute around 30% of the country's import bill).



(6) Large sustained job losses

It is estimated that the travel and tourism industries contribute both directly and indirectly approximately $\frac{2}{3}$ of total employment in Seychelles⁷. There is a risk that most of these jobs will be lost and that could last through the medium-long term if the Covid-19 situation in Seychelles deteriorates or if the recoveries in the main source markets do not materialize quickly. This loss in employment has the potential to lead to poverty and other social impacts that may negatively impact social cohesion.



(7) Losses by the private sector

As noted earlier, the Seychelles economy is heavily dependent on the service sector and most of the private sector is concentrated in this area. Therefore, with the sector and especially tourism having been hit hard by the pandemic, dependent businesses are affected severely with food wholesalers reporting significant business losses as most establishments are non-operational. Other expected impacts are on foreign investment and remittance inflows.



(8) Opportunities and potential positive impacts

On a positive note, the pandemic might motivate the country to better focus on sustainable development of the Blue Economy which is a current priority. This has the potential to diversify the economy and make it more resilient to crises like Covid-19. In 2018, the Seychelles Blue Economy Strategic Framework and Roadmap was approved as part of an ocean-based strategy integrating the economy, the environment and society. Other areas with potential beneficial impacts in the long term are the development of the ICT, a sector where the pandemic has highlighted the need to increase investments; the increase in the local embeddedness of the tourism sector, which is currently heavily dependent on imports; and last, but not least, the incentives towards a process of reskilling and skill upgrading of the labour force.

⁶ IMF, 2020. Request for purchase under the rapid financing instrument—press release; staff report; and statement by the executive director for Seychelles, IMF Country Report No. 20/170

⁷ World Tourism and Travel Council, 2019. Annual Research: Key Highlights – Seychelles.



2

**IMPACT
ON THE
ECONOMY**

GDP CONTRACTION

The expected decline in tourism revenues of more than 70% in 2020 will severely impact on growth with the national GDP contracting by 11.5%.

LOSS OF FOREIGN EXCHANGE

Commercial banks lost close to 75% of their foreign exchange earnings as a result of the plummeting of tourism activity.

COST OF IMPORTED GOODS

The cost of imported goods rose by about 30% following the depreciation of the rupee against the dollar.

JOB LOSSES

Job losses may continue into 2021 with the employment to population rate projected to decline by 1-3 percentage points, depending on the scenarios assessed for tourism recovery.

CASE FOR DIVERSIFICATION

The pandemic has highlighted the need for Seychelles to diversify its economy with the two most obvious sectors for economic diversification being fisheries and agriculture.

SHORT TERM GAINS OF INDUSTRIAL FISHING

Industrial fishing has remained vibrant, thereby replacing tourism in the short-run but short-term measures to contain the pandemic could shift operations to other competing markets

NON-PERFORMING LOANS

A delay in recovery and any withdrawal of assistance to the private sector will increase the risk of non-performing loans for local commercial banks.



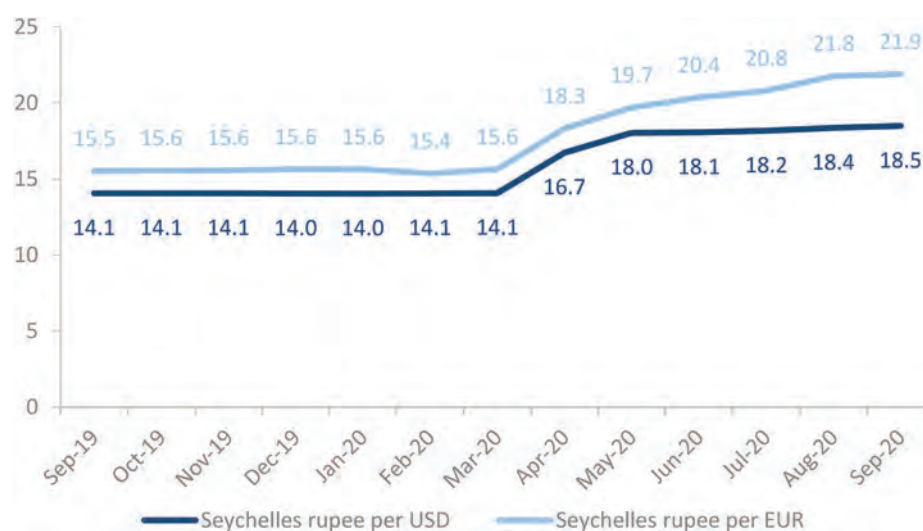
2.1 Macroeconomic outlook and projections

Key sectors of the economy notably tourism, fisheries, and shipping which contribute about 37% of total employment in the country have been severely hit by the pandemic. According to the Seychelles National Bureau of Statistics, GDP growth rates are closely linked to the seasonality of tourism. Therefore, given that Covid-19 affected the sector seriously, the impact on growth will be severe. Tourism revenues are expected to decline by more than 70% and resulting in a widening of the balance of payments current account deficit which in the past used to be largely funded by FDI. The impact of the pandemic will also likely be felt in construction, trade, agriculture and transport sectors.

On the monetary front, Seychelles generally has a low stable inflation rate. According to the NBS the year on year inflation rate by September 2020 stood at 1.8%, compared to 1.4% in September 2019, and the core inflation rate was 3.3% in the same period. The low inflation rate creates room for the monetary authorities to stimulate the economy post-Covid through monetary stimulus measures that include quantitative easing and direct support towards commercial banks including a reduction in reserve ratio requirements.

After remaining stable against the US dollar and the Euro throughout 2019 and until March 2020, the Seychelles rupee began to depreciate at the onset of the Covid-19 lockdowns. Between March and September the exchange rate increased by more than 30% and 40% against the US dollar and the Euro, respectively (**Figure 2**).

FIGURE 2: Exchange Rate of the Rupee (end period)



Source: Central Bank of Seychelles.

According to the Central Bank of Seychelles, as at the end of December 2019, the stock of gross official reserves held at the Central Bank stood at USD 580 million, which was an increase of USD 31 million (by 5.6%) relative to the previous year primarily due to purchases from the market. Gross official reserves were equivalent to 3.8 months of the country's total imports of goods and services. The monthly foreign exchange

inflows into commercial banks and bureau de changes reduced significantly with the pandemic (**Figure 3**). Indeed, daily foreign exchange inflow reduced from USD 3 million per day in 2019 and 2020 prior to Covid-19 to between USD 0.5 and 2 million per day since April 2020. Notwithstanding the collapse of the tourism industry, the industrial fisheries sector has contributed to maintain a significant foreign exchange revenue stream.

FIGURE 3: Monthly foreign exchange inflow (in USD million)

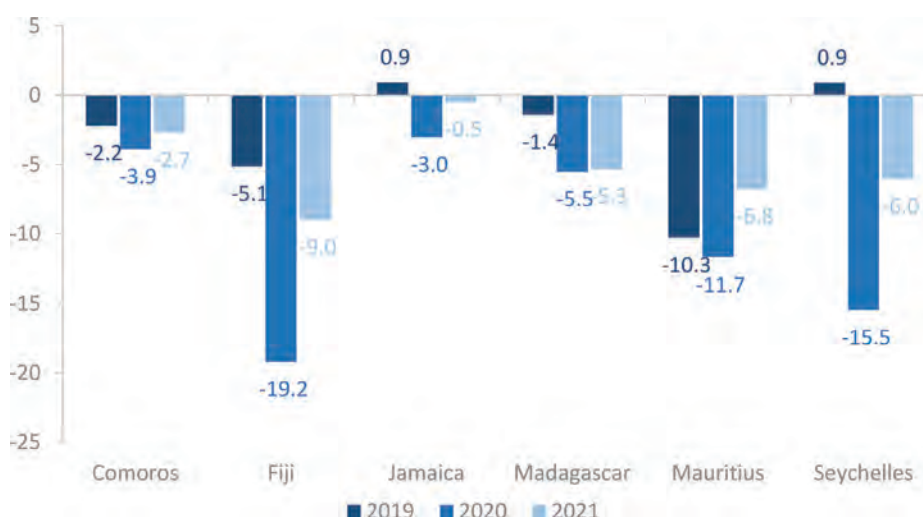


Source: Central Bank of Seychelles.

The budget balance as a share of GDP was 0.9% in the year 2019 and is estimated by the IMF at -15.5% in 2020 and -6% in 2021 (Figure 4). The estimates, especially in 2020, compare unfavourably with those of other SIDS, reflecting the higher vulnerability of the Seychelles economy probably due to lower diversification. Public sector debt to GDP was 55.3% in 2019 and is now estimated at 88.6% in 2020. Similarly, Government expenditure as a percentage of GDP in Seychelles was still low

pre-Covid amounting to about 37.4% in 2018. There was therefore enough fiscal space to allow for expansionary policies to address the impact of the crisis but the very large increase in the debt to GDP ratio would put a limit on them if the pandemics spans during 2021. Any further ballooning of public debt will impact negatively on the country's external reserves. This calls into question the Government's ability to sustain the financial assistance it has been providing to the private sector.

FIGURE 4: Budget balance in relation to GDP for selected SIDS 2019-2021



Source: IMF, 2020.

The current account balance has been in deficit since the mid-1990s, though the size of the deficit as a share of GDP has been increasing. It is particularly expected to decrease sharply to -28.3% in 2020 before recovering slightly to -25.7% (Figure 5). Projections for 2019 indicate that total export revenues for the year 2019 is about USD 0.49 billion and would decrease by 16% over the 2018 figure of USD 0.57 billion. In 2019, goods worth around USD1.09 billion were imported, again a decrease of 16%, compared to USD 1.27 billion in 2018. The trade deficit for the year 2019 is

estimated to be USD 0.6 billion, approximately 10% lower than the deficit of 0.7 billion USD for the year 2018. Exports of goods and services are projected to decrease by 38.9% in 2020 and to recover by 28.9% in 2021. The projections for imports indicate they would drop by 29.9% in 2020 and increase by 22% in 2021⁸. The official data for Seychelles provides a better picture; based on merchandise trade data from NBS, the trade deficit in the period January to July of 2020 was 0.33 billion USD, 3% smaller with respect to the same period of 2019.

FIGURE 5: Current account deficits (% GDP) in Seychelles 2004-2021

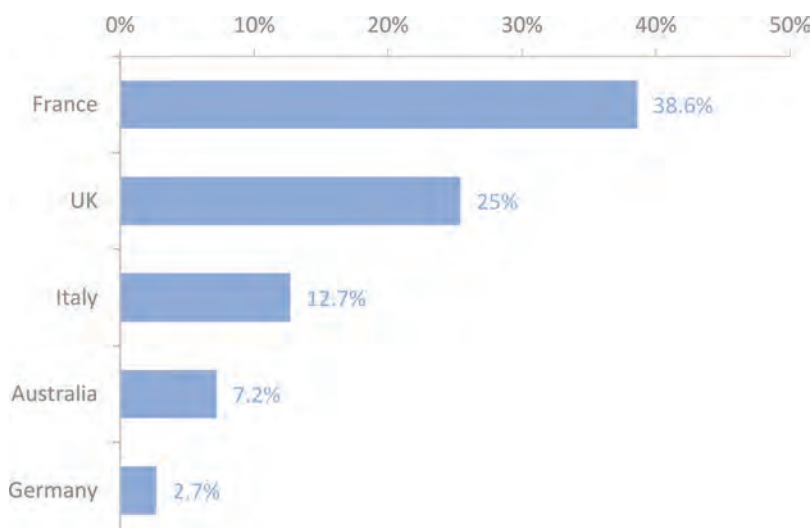


Source: IMF, 2020.

Trade as a share of GDP, stood at 182% in 2018 and was 155% in 2019. Seychelles is therefore a highly trade dependent country as is the case with other SIDs. This has serious implications for the country given the major impact Covid-19 has had on the country's major trading partners and therefore what happens in those economies will directly determine the duration and total impact of the

crisis for Seychelles. The top 5 export destination in 2018 for Seychelles accounted for nearly 87% of merchandise Seychelles exports (Figure 6). The most recent data available for the first semester of 2020 depicts a similar picture, with France accounting for 38.3% of total exports, followed by the United Kingdom (23.8%), Italy (15.9%), Germany (2.8%) and Hong Kong (2.6%).

FIGURE 6: Most important export partners for the Seychelles in 2018



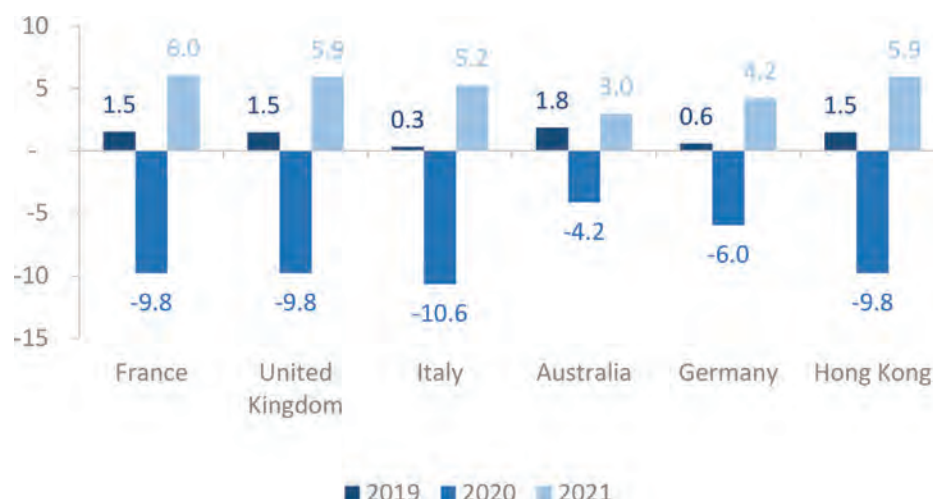
Source: NBS.

⁸ IMF, 2020. Request for purchase under the rapid financing instrument—press release; staff report; and statement by the executive director for Seychelles, IMF Country Report No. 20/170

In 2018, the Herfindahl-Hirschman index of market concentration in goods exports was 0.5 on a range of 0 (perfect diversification) to 1 (perfect concentration), indicating that the Seychelles economy has a relatively concentrated merchandise export market base. In addition, exports are also highly concentrated by product, with international sales of canned tuna representing more than 80% of total exports. This will not help the country to cushion the impact of the crisis, requiring serious measures to diversify the economy. In

this respect, Seychelles resembles many of the other SIDS that have higher levels of export concentration such as Comoros, Maldives, Seychelles, Sao tome and Principe and Timor-Leste⁹. Moreover, the impact (duration and severity) of the crisis in key traditional export markets such as Germany, Italy, UK and France will have a significant bearing on the export performance of Seychelles for the next year. The growth outlook of these countries (Figure 7) is bleak for 2020 but better in 2021, according to the IMF projections.

FIGURE 7. GDP growth rates in the pre-Covid top destinations of Seychelles exports



Source: International Monetary Fund, World Economic Outlook Update, October 2020.

The IMF forecast that Seychelles will contract by 13.8% in 2020, the second deepest contraction in Southern Africa (Figure 8) and way above the 3% contraction of Sub-Saharan Africa. This poor performance may be partly due to the country's deeper integration in the world economy and relatively higher tourism dependence compared to other African countries. The deep decline in GDP growth may also be missing other socio-economic vulnerabilities that are akin to other SIDS and those associated with its narrow export bases. Among SIDS, Seychelles is among the hardest economically affected countries (Figure 9).

The duration and depth of the contraction will depend on overall strength and resilience of the Seychelles economy. It will also depend on the effectiveness of domestic policy responses; the effectiveness of policy responses in Seychelles major trading and investment partners; how the disease continues to pan out, and; how soon a vaccine can be found. Conversely, factors that will negatively impact the speed of the recovery of the Seychelles economy include (i) deep and protracted slowdown in Seychelles major export markets, mainly France, UK and Italy (ii) delayed recovery in the national tourism industry (iii) exposure of critical

Methodological Note

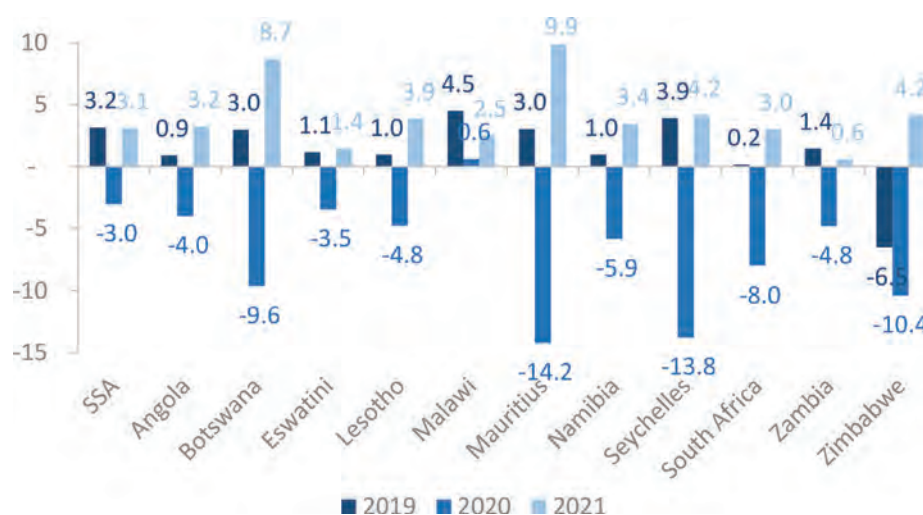
We estimate the impact of a tourism demand shock from Covid-19 using an input-output analysis framework. To the best of our knowledge there are three studies (Archer and Fletcher, 1996; Valenghi, 2004 and Pratt, 2015) analyzing the economic impact of tourism in the Seychelles using this methodology. The three studies rely on different assumptions as there is not official information on input-output tables for Seychelles. The first step in our specific exercise is to obtain a measure of the tourism demand shock. For that purpose, we need data on the total expenditure by tourists before and after the pandemic. We use the most recent official data on the number of visitors and spending. Regarding the projections, we assume that the number of tourists in the last quarter of 2020 is equal to ¼ of the Central Bank of Seychelles authorities forecast of 32,400 visitors in 2021. For 2021 we consider three scenarios, a pessimistic one of 50,000 visitors, an intermediate of 100,000 visitors and an optimistic scenario of 150,000 visitors for next year. Then total tourists' expenditure is equal to the product of visitors' times average spending per visitor. Following this methodology, we estimate in 34,9% the direct contribution of tourism to the 2019 GDP. In order to obtain the total contribution of tourism to the GDP, we use the output multiplier of tourism of 1,81 found by Prat (2015), leading to a total impact of 63,2% of tourism in the economy prior to the pandemic. For the sectoral impacts we use NBS data on Value Added by Tourism related industry for 2018 (NBS Bulletin, 2019) and input-output multipliers by sector based on Valenghi (2004). As a result, we get total output multipliers of 0.04, 0.36 and 1.41 for the primary, secondary and tertiary sectors, respectively.

segments of the non-tourism services sector to the global markets, especially real estate and its construction component, along with offshore finance and business outsourcing services (iv) breakdown in the social fabric of the society.

Figure 10 presents the most recent projections available for the GDP growth in the economy of Seychelles for 2020 and 2021 by various institutions¹⁰. Also reported are own projections under three different scenarios for 2021 depending on the number of visitors. The worst scenario assumes 50,000 visitors, the baseline 100,000, and the optimistic one considers that the number of tourists would rise to 150,000. Even the optimistic scenario implies a several visitors less than half

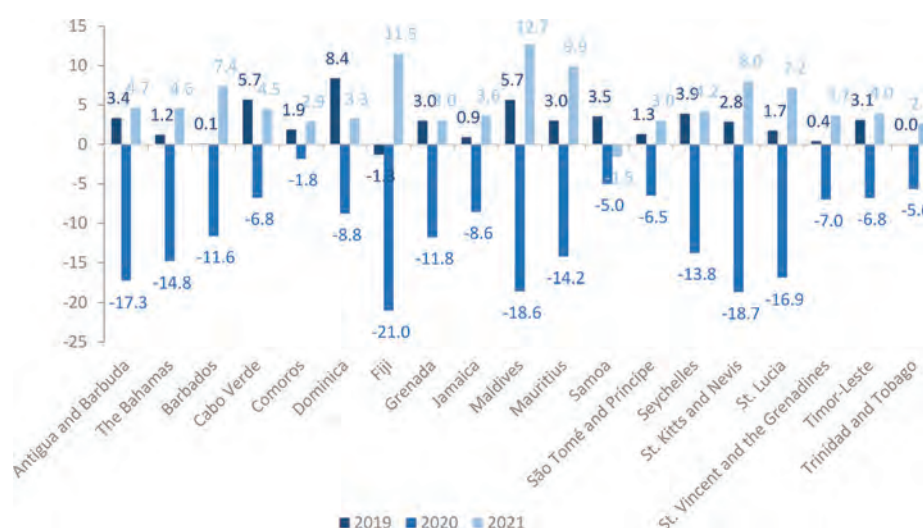
of what it was in 2019. This study projects a GDP contraction of 11.5% by 2020, in line with the AfDB, but below the IMF and World Bank forecasts of 13.8% and 15.9%, respectively¹¹. For 2021, there is wide variation in the economic activity forecasts by the different sources. While the World Bank and the IMF expect a recovery the AfDB projects a further contraction. Similarly, the projections of this Study are very sensitive to the scenarios for tourism. In the optimistic and intermediate scenarios, the economy would recover in 2021. Instead, under the pessimistic scenario (50,000 visitors) we forecast an 8.8% contraction in 2021 on top of a contraction of 11.5% in 2020, meaning that by next year the Seychelles economy would be operating at 80% compared to 2019.

FIGURE 8: IMF Growth Forecasts for Sub-Saharan Africa and the Southern African region



Source: IMF, 2020.

FIGURE 9: IMF Growth Forecasts for Seychelles and selected SIDS



Source: IMF, 2020.

9 World Tourism and Travel Council, 2019, Annual Research: Key Highlights - Seychelles.

10 IMF, Statista, 2020

11 Consistent with the most recent data available, the projections presented in this Study consider a lower inflation rate than the one predicted by the IMF, and this could contribute to the lower contraction projected in this Study.

FIGURE 10: GDP growth projections for Seychelles by different sources



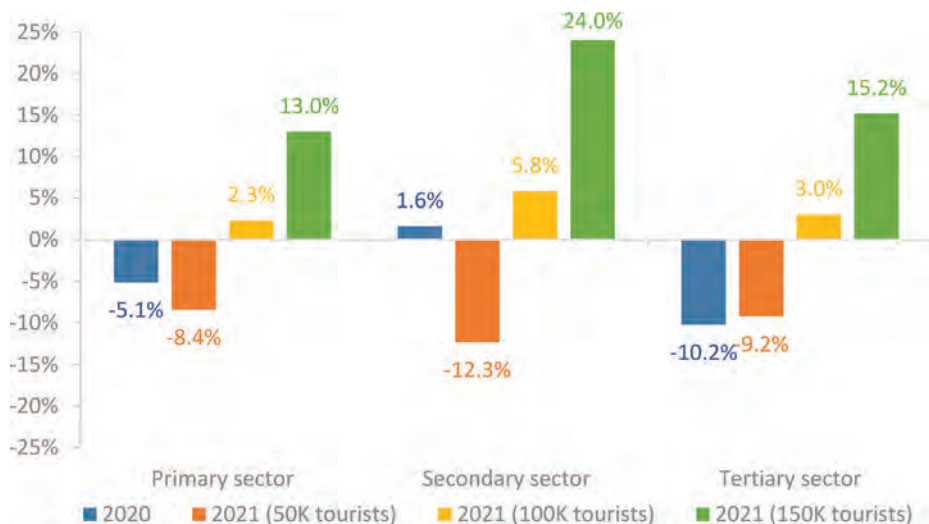
Source: World Bank, AfDB, IMF, NBS and own elaborations.

Given its importance, the service sector is the hardest hit and the one with the greater incidence in the GDP contraction of 2020 and the growth dynamics for 2021 under the three scenarios (Figure 11). In the case of the secondary sector there is an expected increase in activity in 2020 in line with what was observed during the first six months of the year. However, for 2021 the growth prospects of the different sectors are highly dependent and correlate positively with the likely evolution of tourism activity.

Without the stronger employment protection policies, including wage subsidies to all firms affected by the Covid-19, the job losses would be

twice as large as the expected by the end of 2020 (Figure 12)¹². Wage retention and job security in the private sector are priorities for the Government, and the budget for 2020 has been amended to guarantee salaries of some employees in the private and public sector from April to December for Seychellois. If the job protection policies were discontinued in 2021, employment would be between 1.3% and 4.5% below the projected level of 2020. This means that even in the optimistic scenario net job losses would continue next year. As consequence, the employment to population rate is projected to go down by 1 to 3 percentage points, depending on the three mentioned scenarios for tourism.

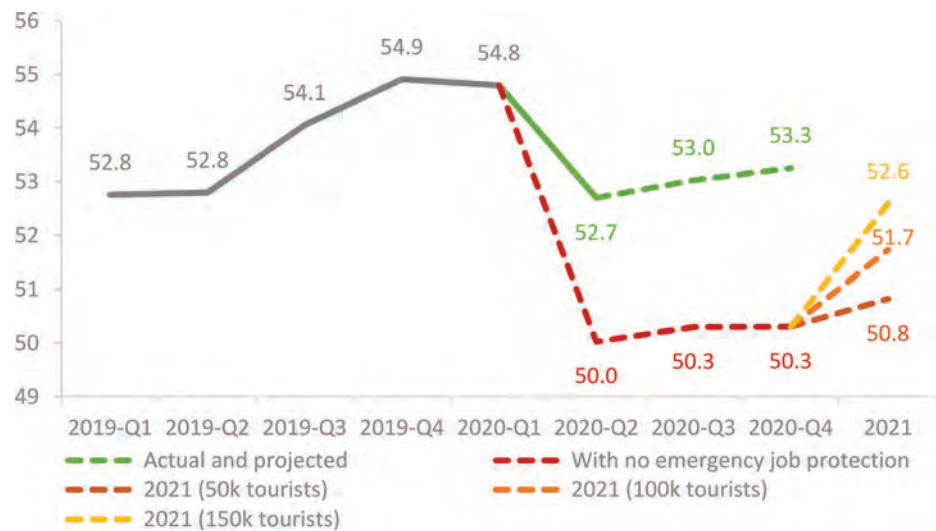
FIGURE 11: GDP growth projections by sector



Source: Own elaborations based on NBS.

¹² The projections are based on an input output methodology and estimates of the total tourism expenditure under three scenarios (50,000; 100,000 and 150,000 visitors)

FIGURE 12: Employment Projections (thousands)



Source: Own elaborations based on NBS.

2.2 Sectoral performance and outlook



2.2.1 Tourism and aviation

Bestowed with a very rich and diverse biodiversity and some of the most beautiful beaches, Seychelles has been among the top 10 tourism destinations in Sub-Saharan Africa¹³. While the country was an agrarian economy prior to the opening of the international airport in 1972, subsequent years saw the rise of tourism to become by far the single most important industry accounting for nearly 2/3 of GDP. The Covid-19 pandemic has shown that the Seychelles economy had indeed become over-reliant on tourism. Even the artisanal fishing sector and the limited remaining agricultural sector have themselves become dependent on tourism. It must be recalled that based on past experiences, the tourism industry in Seychelles has shown resilience whenever there were setbacks and resurged relatively quickly after each setback. This was the case after the Coup d'Etat in 1977, the Mercenary Attack in 1981, the mutiny within the local army in 1982, the Gulf War in 1990 / 1991 and SARS in 2003. Prior to the Covid-19 pandemic, Seychelles' tourism was growing strongly reaching a record level of 384,000 visitors in 2019. Based on the performance of the first two months of 2020, visitor arrival was expected to surpass 400, 000 in 2020.

The Covid-19 pandemic has brought Seychelles tourism industry to almost a standstill following travel restrictions which were extended with effect from 24 March 2020, prohibiting airlines to board passengers from any country (except returning Seychellois) and to prevent entry into Seychelles of any non-Seychellois unless such persons had obtained permission. Such travel restrictions were partially lifted with effect from 1 June 2020 when private jets and super yachts were allowed to bring passengers provided they adhered to a 14 day quarantine upon arrival with further easing on 1 August 2020. A new policy which took effect from 1 October 2020, now allows visitors who are Covid free from high risk countries (Special Status Countries) to visit Seychelles provided they are quarantined for the first four days in tourism accommodation establishments which have been granted Transit Hotel status.

When FA4JR scheme was extended to December 2020, it was amended to exclude foreign employees and emphasize assistance, primarily to tourism operators who were the most affected by the Covid-19 pandemic. Consequently, the new criteria allowed tourism operators to benefit irrespective of bank balances and other considerations that appeared stringent initially. Some stakeholders argue that the FA4JR Scheme as originally announced and implemented for the months of April, May and June 2020 could have been more selective and that a number of previously highly profitable private sector operators including hotels and DMCs could have been asked to fund their own staff at least for those initial months.

¹³ The projections are based on an input output methodology and estimates of the total tourism expenditure under three scenarios (50,000; 100,000 and 150,000 visitors)



Chronology of air and sea travel restriction measures



While the corollary of the FA4JR scheme was to support 100% job retention by the private sector, some private sector operators felt that such a mechanism amounted to “tying their hands” in already difficult times since they had other fixed costs to cover. Such views were intimated on behalf of concerned operators by the Seychelles Chamber of Commerce and Industry (SCCI) as well as by the Seychelles Hospitality and Tourism Association (SHTA). Such operators were in favour of rendering some staff redundant while Government nested this scheme in assisting the staff directly until they could secure alternative employment. The same private sector operators further argued that by forcing them to keep unproductive staff, they could face the prospect of liquidation or bankruptcy in which case all their employees would perforce lose their jobs. This was the subject of the much-debated Employment Bill which was eventually amended and approved by the National Assembly in May 2020.

With effect from 1 July 2020, the private sector was allowed to lay off let foreign workers and to make staff redundant subject to the approval of the Ministry of Employment. In parallel, Government set up the Seychelles Employment Transition Scheme (SETS) with the principal objective of assisting all employees made redundant with effect from July 2020 with payment of their basic salary as well as to assist them with training and upskilling and most importantly to help them find a placement with new private sector employers. SETS has proved most successful in achieving its objectives, particularly in assisting redundant employees with placements which in several cases have resulted in permanent contract of employment.

On the monetary front, the Central Bank launched two concessionary lines of credit commercial banks which are largely (up to 70%) guaranteed by Government of Seychelles: the first was a SCR 500 million line of credit which was guaranteed by the Government of Seychelles and for the benefit of SMEs while the second one was a SCR 750 million line of credit for the benefit of larger enterprises. Although both lines of credit were available to businesses across all economic sectors, there were relatively few businesses, mostly from the tourism sector, which successfully applied for the lines of credit despite the very attractive low interest rates. A number of applicants could not provide collateral required by the commercial banks, either because they had already pledged their assets such as land and buildings or that they did not have additional unencumbered assets to pledge. Moreover, commercial banks have been reticent to lend to private sector operators with a poor credit rating or which could not demonstrate that they would have enough revenue stream to repay additional loans.

In September 2020, Government made available a new SCR 100 million Covid Relief Scheme carrying 1.5% interest via the Development Bank of Seychelles in order to assist MSMEs with 70% unsecured loans of up to SCR 100,000.

Some tourism operators have also shown ability to adapt to the new post-Covid reality. Some car hire operators have tried to tap into the local market and domestic tourism. The high-end spas (outside of hotels) have almost maintained their Pre-Covid performance and recruited more Seychellois staff. Hotels and other accommodation establishments, particularly those on Praslin, La Digue and Silhouette have similarly come up with special weekend promotions for residents of Mahe. Conversely, some tourism accommodation establishments are welcoming residents of Praslin and La Digue. Some restaurants have also offered promotional menus as well as competitive offers for residents wishing to use their premises for special occasions. About 400 out of a total of 700 accommodation establishments invested in the required facilities and training in order to qualify for the Health Certificates in line with the new SOP guidelines in order to accommodate visitors from permissible countries once the international airport was reopened to commercial flights on 1 August 2020.

More recently, as of 24 September 2020, more than 70 accommodation establishments have applied to welcome guests from Special Status Counties (France, Germany, Italy, Austria, UK, Switzerland and UAE) and more than 40 establishments have already been approved since then. Several five-star hotels on Mahe and on island resorts have also been block-booked by high net worth visitors mostly from UAE. Such hotels have had to recruit and house extra (temporary) Seychellois staff. Spending by such guests is much more than that of conventional tourists. It is estimated that there were about 2,000 holiday makers from UAE in August 2020, with spending amounting to more than USD 15 million.

It is observable that several hotels, guesthouses, self-catering establishments and restaurants have taken the opportunity of the Covid shutdown to upgrade or renovate their premises, with some using their staff to carry out minor repairs and maintenance. Most boat charter and car hire operators have upgraded their fleets. Air Seychelles continued to maintain its aircraft fleet while ferry operators have maintained their vessels. Such maintenance of assets should be sustained via concessionary credit to ensuring immediate resumption of economic activity when the situation normalizes. Similarly, there should be a strong business case to maintain Seychelles' marine and

terrestrial protected areas including those of SNPA (Curieuse, Sainte Anne National Park, Port Launay and Morne Seychellois National Park), SIF (Vallee de Mai and Aldabra), Botanical Gardens and Biodiversity Centre, IDC islands, as well as Cousin, Aride and other PAs. Protected areas such as those of SNPA, SIF, Botanical Gardens, Nature Seychelles / Cousin, and Aride that used to be largely funded by tourism face the risk of biodiversity loss if parent organizations or NGOs do not have sufficient reserves to maintain them.

Outlook for the tourism sector

Both Government and the private sector (through the Seychelles Chamber of Commerce and Industry (SCCI), the Seychelles Hospitality and Tourism Association (SHTA), the Praslin Business Association, and the La Digue Business Association) have from the onset of Covid-19 been mapping out a flexible recovery plan for Seychelles' tourism industry by striving to achieve a balance between economic recovery and safety of the local population. This has been done through a High-Level Committee chaired by the President.

Initially, most local stakeholders expected timely release of the vaccine to enable the sector to resurge in the second half of 2020 or early 2021.

However, as of end-September 2020, the outlook has remained uncertain, given the recent second wave of the Covid-19 in chief markets including Europe, UK, Switzerland and UAE, following which there has been an acceleration in cancellation of hotel bookings for the rest of 2020. Whereas most key stakeholders expected visitor arrivals in 2021 to resurge to about 200,000 or half of what was recorded in 2019 and to reach almost 400,000 in 2025, the forecast for 2021 has now been revised downwards to between 50,000-150,000. According to Government (Ministry of Finance, Trade, Investment and Economic Planning) it may take as much as five years for Seychelles to achieve the same number of visitor arrivals it would have recorded in 2020.

It is against this backdrop that the High-Level Committee has agreed to a new health protocol for visitors from the Special Status Countries with effect from 1 October 2020. As part of the new travel advisory, visitors from such countries would be allowed entry into Seychelles provided they will have carried out a PCR test (confirming they are Covid free) from accredited laboratories within 48 hours prior to their arrival in Seychelles. Such visitors would have to spend the first four days and nights in a "safe" hotel approved by the Ministry of Tourism and the Public Health Authority and would be required to carry out another PCR test on the fifth day after arrival. It is only after they would have

been confirmed Covid free on day five that they will be allowed to move on from the safe transit hotel. The UAE may continue to be the main source of visitors to Seychelles. There are several factors which may underpin their appetite for Seychelles so long as the islands remain relatively Covid free. The UAE Royal Family have strong links with Seychelles which they consider almost as a home away from home. With the recent Covid spikes in UAE, it is possible that Seychelles is perceived as a relatively safe refuge. The proximity of Seychelles to UAE is another positive attribute for Seychelles.

While the country exhibited flexibility to cushion the tourism sector, in the short-run, the main challenge is its capacity to sustain this approach if the Covid pandemic continues to spread in the key markets beyond 2021.

In the absence of a quick recovery of the tourism industry, and if Government is unable to maintain assistance to the private sector, there is a growing risk that local commercial banks may face the prospect of a significant increase in non-performing loans. This will reduce the ability of the commercial banks to provide further credit to tourism operators pending the recovery of the tourism sector.

Policy recommendations to revitalise tourism and aviation

Government and the Central Bank / Development Bank of Seychelles should support tourism operators who do not have the reserves and the means to maintain their assets and to keep and train their staff especially by way of access to concessionary credit, since commercial banks may themselves come under stress and may not have the will or the capacity to provide additional credit to tourism operators, faced with the prospect of an increase in non-performing loans by the same tourism operators. The Government should also ensure that women-owned tourism businesses are considered for such initiatives

The Government and Central Bank should extend additional lines of credit on concessionary terms to support tourism operators via the Development Bank, while commercial banks should consider rescheduling (including moratoriums) of loan repayments in a bid to avoid defaulting by debtors.



2.2.2 Fisheries and maritime logistics

In April 2020, the Ministry of Fisheries and Seychelles Fishing Authority (SFA), the Seychelles Trading Company (STC) and fish processors, entered into an arrangement with artisanal boat owners and fishermen to purchase and stock the excess supply of commercial species at fixed price for fishing season. This intervention was critical for two reasons. 1. Sustaining employment of the actors involved, and 2) fish constitutes an important source of protein, and in the event of a disruption in availability of other sources of protein for the local population. April 2020 was a good fishing season with the northeast monsoon and the artisanal fish catch was expected to drop with the onset of the southeast monsoon in May onwards, as it is indeed (Figure 13).

Although STC has the cold storage capacity, the envisaged stocking was not implemented to the capacity earlier planned. This was partly because: 1) some boat operators perceived the offered purchase price of species such as snapper and grouper as too low; 2) the successful control of the pandemic could have influenced the STC not to stock up as much as originally envisaged; 3) whaler operators in Mahe and Praslin halted operations due to low purchase price and high fixed costs.

The semi-industrial fishing sector which consists of 40 longline fishing vessels targeting fresh tuna for export to Europe and US markets also came to a standstill in the absence of affordable air cargo.

These vessels employ about 250 personnel (mostly fishermen) over 90% of which are Sri Lankans. There are only 20 Seychellois employed by the vessels. In 2012, when there were only 10 such vessels with an all-Seychellois crew their overall catch was 200 mt with an export value of US\$ 10 million.

FIGURE 13: Fish catch (tonnes)



The 40 vessels operating in 2019 had a total catch of 1,200 mt worth only USD 20 million, reflecting a significant decline in the unit price of fresh tuna exported. According to the Fishing Boat Owners Association (FBOA), such drop in unit price is due to the poorer quality of tuna being exported. The FBOA believe that there has been a decline in the fishing standards of the Sri Lankan fishermen compared to those of their Seychellois counterparts and that the Sri Lankans should be trained to meet the same higher standards such that the quality of the tuna exported may revert to its previous premium level¹⁴.

Following the onset of Covid which resulted in the suspension of commercial flights between Seychelles and the rest of the world as well as a drop in demand for fresh tuna as Europe went into lockdown in April 2020, the semi-industrial operators opted to temporarily cease their fishing activities until such time that flights would resume and that there would be sufficient demand for fresh tuna.

Some semi-industrial operators opted to engage a total of five vessels in a new trial to fish demersal species such as Kalkal, local Salmon and Etelis which remain largely untapped by the artisanal sector since these species are from deeper waters and further

¹⁴ It is to be noted that fresh high quality tuna (using long-line fishing technique) fetches as much as USD 15 per kg while the local factory Indian Ocean Tuna Ltd uses frozen tuna from Purse Seiner fishing vessels which they purchase at US\$2 per kg in the case of skipjack tuna or maximum USD 3 per kg in the case of yellow-fin tuna.

out at sea. The Ministry of Fisheries expects that it may be worthwhile experimenting with the trial as it expects that the catch of such demersal fish could be processed into value-added products such as fish cakes, fish balls and fish sausages either for the local market or as potentially new export products. This could constitute one of the new opportunities which may help diversify the fishing industry in the medium to longer term.

Industrial fishing has remained vibrant, replacing tourism in the short-run but short-term measures to contain the Covid-19 pandemic could shift operations to other competing markets.

Tuna fishing by EU purse seiner vessels has continued to dominate this sector ever since it was developed in the mid-1980s, with catches in recent years ranging between 250,000 – 300,000 tonnes per annum. About one third of the catch is sold to the local canning factory of Indian Ocean Tuna Ltd while the rest is transhipped and exported mostly to EU. Most of the purse seiner vessels operate under the EU-Seychelles Fishing Agreement which is renewed every 5-7 years. As part of the Agreement, the purse seiner operators pay a royalty to the Government of Seychelles for tuna caught within the Exclusive Economic Zone (EEZ) of Seychelles. There is increasingly requirement under the Agreement for the tuna vessels to supply IOT at competitive prices as well as for them to offload their bycatch in Seychelles as local processors have now developed the capacity to process such bycatch into value-added products either for the local market or for export.

In addition to purse seiner vessels, there are a significant number of long-line fishing vessels which have traditionally operated under license within the EEZ of Seychelles. Such long-line vessels tend to mostly carry out transshipment of their catch at sea into reefer vessels. The Ministry of Fisheries expects that going forward, long-line operators will switch to transshipment of their catch into reefer containers onshore and that the use of reefer vessels will be gradually phased out. This would also allow for the possibility of sorting the tuna according to size and quality of the fish, thereby overall optimizing revenue from their catch. The main benefit to Seychelles of the tuna fishing industry has been the logistics sub-industry (berthing, stevedoring, shore-handling, use of reefer containers, loading of reefer vessels, loading of containers on to cargo vessels) which are provided by local service providers. It is not surprising that Hunt Deltel Company Limited, the largest of these logistics service providers, is among the top three foreign exchange earners in Seychelles.

In recent years, the Indian Ocean Tuna Commission (IOTC), of which Seychelles is a member, has

imposed limits¹⁵ on the catch of yellow-fin tuna in view of concerns about overfishing and that catch levels of such species were unsustainable.

Consequently, the Government of Seychelles together with key local stakeholders have reoriented emphasis on identifying and developing ways and means for more value-added from less overall catch of tuna transhipped in Seychelles. It has also been recognized that both the fishing port and commercial port (from which purse seiner also offload their catch) are too congested and do not offer the infrastructure facilities which would pave the way for additional value-added activities. It is against this backdrop that Sapmer, one of the main French purse seiner operators sought and obtained permission for its subsidiary Ile Du Port Handling Services Ltd (IPHS) to develop its own tuna quay at Ile du Port within Port Victoria Harbour which became operational in 2017. The IPHS tuna quay has also obtained SITZ status¹⁶. The other two large logistics service providers, Hunt Deltel Company Limited and Land Marine Limited have similarly developed plans by way of a joint venture which would invest in their own Tuna Quay next to the IPHS quay. Sapmer has also developed plans to build a 12,000-tonne cold storage and fish sorting facility using another subsidiary viz. Central Common Cold Store Ltd (CCCS).

The tuna fishing industry has temporarily replaced tourism as the single most important industry in following the onset of the pandemic.

The IOT canning factory has been operating at levels at least as high as pre-Covid pandemic. The purse seiner operations were also initially uninterrupted with the Seychelles Public Health Authority and the Ministry of Tourism, Civil Aviation, Ports and Marine facilitating crew change of vessels via special charter flights. However, in June 2020 almost 100 crew who had arrived on a special flight from Africa were found to be infected and were consequently kept in quarantine on the purse seiner vessels which remained anchored in the harbour of Port Victoria for a number of weeks until there were no active cases. This meant the Spanish fishing vessels which were immobilized for more than 2 weeks were unable to carry out their fishing operations during that period. Following the above incident, the Seychelles authorities reached agreement with the EU (French and Spanish) purse seiner operators that all crew change involving crew from outside Europe would not be carried out directly in Seychelles, but that such crew would have to be first tested in Europe or overseas European territories e.g. Mayotte. Notwithstanding the stricter health safety guidelines adopted for crew change, there were a further 5 cases of infected crew in August 2020 involving crew flown in from Europe. Once again, such crew were kept in quarantine on their vessels until such time they became Covid free.

¹⁵ New limits were set in 2018 by IOTC for catch of yellow-fin tuna to be 15% less of the base year 2015.

¹⁶ Seychelles International Trade Zone (SITZ) status offers private sector operators which qualify for same a package of fiscal and employment benefits.

While the pandemic has had temporary impacted on the operations of the purse seiner vessels, the consequences for Seychelles may be prolonged since there is the risk that the purse seiner operators being compelled to use alternative ports in the Indian Ocean such as Mayotte and Mombasa, may opt to keep using such ports even beyond the Covid-19 pandemic and the lifting of travel restrictions for crew change in Seychelles.

In view of such risks, the Ministry of Fisheries believes that Seychelles should not be over-reliant on purse seiners alone, and that Taiwanese and other long-liners licensed to fish in the EEZ of Seychelles should be incentivized to use Port Victoria for transshipment of their catch without having to wait for the prospect of reefer vessels being phased out.

In any event, there is growing concern by stakeholders¹⁷ that Seychelles is not earning as much as it should from the EU purse seiner operations under the EU-Seychelles Fishing Agreement. The value of the tuna transhipped in Port Victoria amounts to more than US\$500 million per annum, yet the total amount which Seychelles generates directly (royalties and contribution to Seychelles Fishing Authority) and indirectly (revenues of logistics service providers) is estimated to amount to less than 15% or less than USD 75 million per annum.

The industrial fishing sector has maintained a stable and important foreign exchange revenue stream both on account of the revenues of the logistics service providers as well as from the export of canned tuna. The industrial fishing sector has also helped to keep the Seychellois in productive employment both within the tuna logistics services e.g. stevedores and at the IOT canning factory.

The Covid-19 pandemic has shown that the industrial fishing sector has been able to maintain a stable and important foreign exchange revenue stream both on account of the revenues of the logistics service providers as well as from the export of canned tuna. The industrial fishing sector has also helped to keep the Seychellois in productive employment both within the tuna logistics services e.g. stevedores and at the IOT canning factory.

The Covid-19 pandemic will potentially unlock new opportunities across all of Seychelles fisheries sector. Going forward Government will develop a more conducive policy which will encourage increased investment by local entrepreneurs whether in the artisanal, semi-industrial and the industrial fishing sectors. Policies to empower persons with disabilities and women to be entrepreneurs in these sectors will also be developed. In this connection,

several stakeholders have regretted the fact that Seychelles has not succeeded in developing its own fleet of industrial fishing vessels, although it is conceded that earlier attempts in the 1990s to develop such a fleet were futile. Some stakeholders believe that a more realistic alternative to investing in a fleet of industrial fishing vessels, would be for Seychellois entrepreneurs to form a joint venture with foreign operators having the know-how and access to markets, but that such JV would not have to invest in the vessels (as this may be prohibitive) but to instead lease the vessels. In summary, it is acknowledged by most stakeholders that there is an urgent need to get more local entrepreneurs engaged across all three fisheries sectors (artisanal, semi-industrial and industrial) with the aim of generating more local value-added while adhering to sustainable fishing practices and operations.



As noted earlier, prior to the advent of international air access and tourism development in Seychelles, the economy depended on agriculture and artisanal fishing, with Praslin, Silhouette, North Island together and the outlying islands supplying the main population on Mahe with salted fish, meat, fruits and vegetables. In addition, these islands produced cash crops including cinnamon, coconut (coprah), patchouli and vanilla for export. As tourism development gained impetus in the 1970s, the comparative advantage of the domestic agricultural sector eroded as it was unable to compete with tourism and construction industries which were offering higher wages. After the state-owned Island Development Company (IDC) took over the lease and management of Silhouette and 13 groups of outlying islands, the focus of investment on these islands shifted towards tourism and villa development at the expense of agricultural development. It is recognized by most local stakeholders including the Ministry of Agriculture that the agricultural sector in Seychelles has underperformed during the last 25 years, which explains why the country is currently dependent on external food suppliers. Today, Seychelles is 80% dependent on imported food. In 2019, the share of the primary sector in the Seychelles' GDP was 2.7% and has stagnated at the same rate during the past decade.

¹⁷ Such concerns have been expressed by both sides of the National Assembly (NA) when the latest EU-Seychelles Agreement was discussed in the NA in 2019.

The shutdown of the tourism industry significantly impacted on agricultural sales.

Prior to the pandemic, farmers of both livestock, fruits and vegetables sold produce to hotels, restaurants and cruise ships/charter vessels. Even small fruit and vegetable farmers selling their produce in the local markets or by the roadside (via street vendors) have also been impacted since tourists, particularly those staying in self-catering establishments, used to buy fruits and vegetables directly from them. Medium to large farmers that used to sell to hotels, restaurants and other tourism operators shifted their production towards those products popularly demanded by the local population. For example, farmers that used to produce large quantities of pawpaw (a local fruit much sought after by hotels) have replaced their pawpaw plantations with pumpkin for which local demand is guaranteed.

The local livestock industry is especially dependent on imported inputs which account for as much as 65% of their total cost of production. As a result of the pandemic, the cost of imported goods rose by about 30% following the depreciation of the Rupee against the Euro and the US Dollar compounded by the reduction in foreign exchange. However, Government intervened to cushion the shock on imported agricultural inputs (livestock feed, eggs for hatchery, day-old chicks, seeds, fertilizers, plant protection products including pesticides), which could have filtered into prices of agricultural products such as meat, fruit and vegetables in the market. The Government is commended for having subsidized the costs of all key imported inputs to farmers in order to maintain pre-Covid prices to farmers. Government also introduced a subsidy on transportation of livestock feed to Praslin and La Digue (SCR 25 per 40-50 Kg bag). The subsidies will be reviewed after 31 December 2020 to take account of new developments and outlook for 2021. The pre-Covid prices for seeds, fertilizers and plant protection products set by the Agricultural Agency (SAA) were also retained. The SAA agreed to forego its pre-Covid margin of 5-15% on such products. As a result, consumer prices of locally produced meat, fruit and vegetables have remained stable.

While farmers have had to cut back on production of fruits and vegetables which they used to sell to hotels and restaurants, such decline in output has been partly offset by increased supply of their produce to the local population, thereby reducing the imported equivalent of such produce and saving the country's foreign exchange in the process.

The future of the agriculture sector

The pandemic has highlighted the need for food security and economic diversification. The concept of globalization is also being revisited by several countries which are rediscovering the merits of being more self-reliant on key goods including food and medicine. In this regard, the Ministry of Agriculture is exploring ways of limiting importation of key foods such as livestock products by advancing domestic production. This may have underpinned the Government's decision post-Covid to increase the levy on imported pork and chicken.

The ministry is also concerned about the poor quality of certain imported foods and the adverse effect they may impose on health of the local population. For example, chicken contains unwanted residues (antibiotics, hormones, water) which may be much higher than what is internationally permissible. Some actors argue that the most optimal solution to protect farmers and consumers would have been non-tariff rather than tariff barriers. Government may consider introducing import control of meats, meat products, fruits and vegetables which do not meet international quality standards for unwanted residues. There should be adequate provision in the 2021 Budget to ensure that the recently acquired laboratory machinery and equipment are backed up with appropriate human resource capacity to maintain the equipment and carry out quality control tests. Seychelles would not be in violation of World Trade Organization (WTO) regulations if it can undertake to apply the same quality control on locally produced meat, fruits and vegetables. The challenge with introducing quality controls across the board would be the affordability of such products to consumers, especially low-income households since quality control may result in price increases of the food products. A Cost-Benefit Study may therefore have to be carried out on how to mitigate or offset any price increase resulting from implementation of quality control of meat, fruits and vegetables and their processed products.

The local farming community is ageing. Out of the 575 registered farmers, 75% are more than 50 years old.

It is against this backdrop that the Ministry of Agriculture recently launched "La Semence – Youth Farming Enterprise" to encourage youth entrepreneurs to join the agricultural sector. This initiative will, in part involve assisting the youth with lease of agricultural land. In line with the President's Covid-19 Stimulus Package announced on 20 March 2020, Government has identified 14 agricultural plots to be leased to farmers. In addition, Government will lease the under-utilized plots which it has retracted from farmers (over 30 plots as of August 2020) to

new youth entrepreneurs who qualify under the “La Semence” Scheme. Under the Scheme, the youth would be encouraged to team up (2 or more per application). As of August 2020, there were a total of 18 partnership applications comprising 42 youths. The Ministry of Agriculture expect that a total of 10 plots (9 on Mahe and 1 on Praslin) of agricultural land will be awarded under the “La Semence” Scheme with two thirds earmarked for livestock production and one third for crop production.

To bolster backyard farming and to promote the values of farming to the youth, the Ministry of Agriculture, in partnership with the Ministry of Education, has launched another innovative scheme. “Every Home a Garden – Every school a Garden”. Under this scheme, the students will be provided with facilities to grow their own fruit and vegetable garden at their respective schools and they will be encouraged to bring seedlings to their homes such that they can in turn help promote backyard farming at home. In the case of households which do not have a garden per se, e.g., living in apartments or condominiums, the notion of “backyard farming” may still be carried out indoors using potted plants.

In order to better target the support which it can offer to different categories of farmers, the Ministry of Agriculture has, post-Covid, segmented farmers into: commercial, semi commercial and traditional. This segmentation will enable Government to improve on targeting of services and allocation resources to boost the sector.

There has been a debate on whether Government and IDC should re-invigorate agricultural development on the IDC managed islands. The Ministry of Agriculture announced that it was in discussion with IDC to propose a plan to that effect. A group of medium to large farmers from Mahe and Praslin were invited to carry out a familiarization visit to Coetivy Island in July 2020 and to explore the possibility of leasing land on Coetivy for agricultural development. A number of the farmers who visited Coetivy were thereafter interviewed and while some welcomed this initiative, others expressed concern regarding the cost of logistics and importing labour to Coetivy as well as availability of fresh or desalinated water. Some stakeholders believe that at least in the short to medium term, the emphasis should be on better valorisation of state land on Mahe and Praslin, now that Government has earmarked 14 new plots for agriculture and retracted over 30 plots (over 2 acres each) from farmers who were underutilizing such agricultural land leased to them by Government.

The medium to large farms in Seychelles are largely reliant on migrant workers (mostly Indian, Bangladeshi, Malagasy). It is increasingly difficult for local farms to attract Seychellois workers even

on a part-time basis. Even if post-Covid a number of Seychellois are being made redundant, they would opt to wait for more attractive employment.

Most local stakeholders believe that, apart from the youth who may now be motivated under the “La Semence Scheme”, Seychelles will have to continue to rely on foreign workers, going forward, not only for the medium to larger farms but even for the smaller ones. This perhaps explains why Government has not placed the same restrictions on Gainful Occupation Permits (GOPs) for foreign workers in the agricultural sector as it has done for most other sectors¹⁸.

Policy recommendations to revitalise agriculture

The Covid-19 pandemic has provided a wake-up call for the revival of agriculture in Seychelles and discourse on new policies and programmes for ensuring food security. It has also underscored the need to diversify the economy into critical sectors such as fisheries and agriculture.

The pandemic has highlighted the need for Government to offer more protection to farmers and consumers. The quality of imports of meat, fruits and vegetables must be upscaled in tandem with quality control of equivalent local products.

A Cost-Benefit Study is required to explore the implications of subsidizing the imports and production of essential food which meet minimum quality standards.

There is an urgent need to invite farmers to develop the 60% of agricultural land which is currently under-utilized. The “La Semence – Youth Farming Enterprise” is an excellent initiative to encourage more youth to invest in agriculture and gradually replace the aging farming community. Vulnerable groups such as women and persons with disabilities should be included in these initiatives

¹⁸ Government has also not placed GOP restrictions on workers in the fisheries and health sectors.



2.2.4 The industrial sector

The Seychelles industrial sector was historically strong and largely dependent on vanilla, cinnamon bark, cinnamon leaf oil, patchouli leaf oil, copra and coconut oil. Following the opening of the international airport in 1971 and the advent of tourism, the plantation owners could no longer attract workers who received higher wages in the tourism and construction industries. Consequently, all the plantations and their agro-industries gradually wound down and ceased operating.

Other successful companies then included: The Seychelles Tea Company that was established in the 1960s but subsequently acquired by Government and remains operational; the United Concrete Products Seychelles Ltd (UCPS) established in 1970 to produce aggregate, concrete blocks and later rock sand; the Gondwana Granite Company set up in 1992 to produce polished products mostly for the local market; the local brewery, SeyBrew, launched in 1972 and has sustained operation; among others. They were followed by the establishment of several food-based manufacturing entities.

By far the biggest local manufacturing entity in Seychelles was and remains the tuna canning factory which was launched in 1987 and initially operated by *Conserverie de l'Océan Indien*

(COI), a joint venture between the Government of Seychelles (GOS) and French companies Pecheurs de France and ACF. In 1996, GOS bought out the French companies and the company was renamed Indian Ocean Tuna Ltd (IOT). In the same year GOS sold 60% of the shareholding of IOT to Heinz, which was later purchased by Leighman Brothers and subsequently by Thai Union. The IOT canning factory is the biggest in the world with a capacity of processing more than 120,000 tonnes of tuna per annum or 335 tonnes per day. The quasi-totality of IOT's canned tuna is exported to Europe and US. IOT employs more than 2,000 workers, 68% of whom are foreign workers.

The quantity of tuna processed by the IOT tuna canning factory has increased post-Covid from 320 to 335 tonnes per day and the company expects daily production to further increase to 400 tonnes per day by end 2020. In June 2020, IOT had recruited 250 additional Seychellois and required a further 100 staff. The company reported that it was the first time that they had witnessed an increase in interest by Seychellois to work at the canning factory post-Covid compared to previously.

As can be depicted from **Table 1**, canned tuna production increased in Q2 2020 by 16.7% compared to Q1 2020 and by 16.0 % compared to Q2 2019. All other products (except for animal feed and egg production) registered decreases in level of production during Q2 2020 compared to Q2 2019. The decline in production of alcoholic products and mineral water may be due to the absence of tourists in Q2 2020.

TABLE 1: Production statistics for selected products in 2020

Product	Index Jan 2020=100					% var. Q2 2020 with respect to	
	Feb	Mar	Apr	May	Jun	Q1 2020	Q2 2019
Canned tuna	102.5	126.9	126.1	136.3	122.0	16.7	16.0
Egg production	91.3	107.7	107.6	115.7	115.9	13.4	2.6
Beer	84.9	16.3	29.7	119.2	73.7	10.6	-26.7
Stout	107.6	142.3	61.6	56.5	136.3	-27.3	-21.8
Spirits	102.0	94.2	8.8	14.9	16.4	-86.5	-76.7
Soft drinks	110.1	59.3	107.6	117.0	60.7	5.9	-2.5
Mineral Water	131.3	117.5	99.9	100.8	8.8	-39.9	-47.6
Tobacco	126.6	203.2	n.a.	269.8	227.5	15.7	-19.8
Blocks	117.9	127.2	36.9	128.9	152.8	-7.6	-16.4
Paint products	136.4	106.6	27.1	186.7	142.1	3.8	-17.2
Animal Feed	78.1	122.8	79.9	71.5	92.2	-19.0	3.7

Source: NBS.

Policy recommendations to revitalise industrial sector

Covid-19 has resulted in a paradigm shift in terms of globalization, with several countries contemplating a more inward-looking policy in order to protect their own industries and to be less dependent on the rest of the world especially for essential goods.

Government should also consider developing a revamped cottage-industry policy which would help employees who would be made redundant find alternative employment. The success of the snack and pickle industries highlights the potential which cottage industries may have in terms of generating new economic activity and employment. However, there should be higher quality and hygiene standards for such industries, with increased monitoring and enforcement.

Cottage industries should not necessarily be limited to agro-based activities or the local market but could potentially be developed for export of artisanal and craft products provided there was an umbrella organization to monitor the supply chain including adherence to standards and timelines for production. Such an umbrella organization could be a cooperative which Government may help set up. Examples of products which could be developed for export are embroidery products, straw hats, as well as products made from dead coral and seashells.

The revival of the patchouli, cinnamon, vanilla and copra industries constitute other avenues to be explored which could help further diversify the Seychelles economy. However, innovative higher value-added products (with attractive brands and packaging) should be developed such that there may be demand for the finished products in niche export markets.





2.2.5 The construction sector

The construction sector in Seychelles is dominated by two crushing plants and a few large construction companies whose founders were of Indian origin but who have in most cases become Seychellois through naturalization. The two crushing plants (UCPS and CCCL) produce aggregate, rock sand, and concrete products (blocks, bricks, roof tiles). A state-owned company Green Island Construction has dredged and stockpiled sand from the seabed which is also used as building material alongside rocksand. Apart from these locally produced items, all other building materials (cement, steel, timber, roofing material) are imported. While the crushing plants have mostly employed Seychellois workers, most of the medium to large construction companies have traditionally depended on foreign workers of Indian origin who must obtain a Gainful Occupation Permit (GOP).

The public sector has been to a large extent responsible for the tempo of activity in the construction sector especially as a result of implementation of housing projects, schools, hospitals and clinics, road projects, building of airstrips on outer islands, quay and port projects, dredging and reclamation projects, and other public infrastructure projects. Whenever Government has been compelled to delay implementation of infrastructure projects, it has resulted in a slowdown in overall construction activity.

Both the public and private sectors have had to put most new projects and even some ongoing projects on hold as a result of the Covid-19 pandemic and due to the related economic uncertainty. The public sector is only continuing with the implementation of infrastructure projects which are considered essential. The private sector will not proceed with new projects and are even putting ongoing projects (e.g. hotels) on hold due to the uncertainty with regards to economic recovery; as from March 2020 to-date there were in all 19 new projects and a total of 10 newly licensed establishments. Nevertheless, and although there are no quantitative data available, it is known that a number of tourism establishments took the opportunity (in the absence of tourists) to maintain renovate and upgrade their properties.

Table 2 shows the decline in overall VAT collection by the Seychelles Revenue Commission from the two crushing plants and the construction companies post-Covid compared to pre-Covid.

Such drop in VAT collection is a clear reflection in the decline in the overall turnover of the construction sector as a result of Covid-19.

TABLE 2: VAT collection from construction activities (SCR Million)

	Q1	Q2	Jul-Aug	Total
2019	16.87	29.48	8.87	55.23
2020	15.77	21.12	11.46	48.35
Diff	-1.11	-8.35	2.58	-6.88
% Diff	-6.5%	-28.3%	29.1%	-12.5%

Source: SRC.



Policy recommendations to revitalise construction

There are two schools of thought with regards to Government's capital expenditure and investment policy faced on the one hand with growing public debt and balance of payments pressures, and the need on the other hand to prop up the economy and maintain economic activity and employment which is often referred to in economics as the Keynesian approach.

This Study recommends that Government should consider reducing its recurrent expenditure but that it should use some of such savings to implement a minimum of essential infrastructure projects (e.g. commercial port, housing, road maintenance) in order to maintain economic activity and provide the necessary platform for eventual economic recovery.

As also recommended in the Tourism sub-section, Government and Central Bank should find (unconventional) means to assist tourism establishments with access to concessionary credit in order to maintain their properties. Such repair and maintenance works would also indirectly benefit the construction industry and contribute towards maintaining economic activity and employment.



2.2.6 The transportation sector

There are three forms of domestic transportation in Seychelles: land transportation, sea transportation and domestic air transportation.



Road transport

Land transportation in Seychelles is made up of private vehicles, commercial vehicles and the state-owned Seychelles Public Transport Company (SPTC). Until 1979, public transport consisted of privately-owned open-air camions which operated on Mahe and Praslin since motorized vehicles were traditionally quasi-banned on La Digue. The camions which were licensed to carry passengers and goods, only served the more populated districts and did not operate based on a scheduled itinerary. In 1979, Government set up SPTC and nationalized all public transport. Private operators were however allowed to continue to operate coaches and buses within the tourism sector, such as coaches operated by tour operators for excursions and buses owned by other tourism operators for carrying hotel staff. Government further expanded the omnibus sector in 2008 thereby allowing private sector operators to cater for contract services for transportation of members of the public to weddings, funerals, transportation of staff, as well as to cater for the demand on secondary roads where there was a lack of SPTC buses. Although SPTC has operated a reasonable service at very affordable prices to the public (including free service to students and pensioners), it has been unable to meet the expectations of the public, particularly bus users.

Furthermore, ever since it was set up, SPTC has been subsidized by Government, foreign grants and concessionary loans from external donors. In view of the slow pace of expansion of the road network on Mahe combined with a rapid surge in the number of private vehicles for personal use in the last ten years, road congestion and parking of vehicles in urban areas are becoming increasingly challenging. Owners of private vehicles are unlikely to switch to using public transport unless a more appealing service becomes available. Such a service would have to offer greater security, comfort, and reliability.

In a bid to curb foreign exchange outflows, Government imposed a moratorium with effect from 7 April 2020 on the importation of motor vehicles (excluding special purpose vehicles used in health and safety, construction, waste disposal, agriculture and refrigerated distribution). Importation of vehicles paid for prior to 7 April 2020 would also be permitted.

Following guidelines by the Public Health Authority requiring SPTC to implement social distancing on buses after the lifting of mobility restrictions within Seychelles on 4 May 2020, omnibus operators could transport post-secondary students to and from school with effect from 18 May 2020. A total of 65 omnibus operators expressed interest to participate

in the scheme which was coordinated on their behalf by the Seychelles Association of Omnibus Operators. The omnibus fleet consists of 12 seaters, 18 seaters and 30 seaters and all the qualifying operators were required to implement social distancing on their buses. This has demonstrated the ability of the private sector operators to operate side by side with SPTC with the common objective of providing greater capacity as well as a timely and reliable service to bus users.

In view of implementation of social distancing on its own buses, SPTC has had to increase its service during peak hours, and this has been made possible by redeployment of buses it previously used to transport post-secondary students.

Inter-island cargo transportation has traditionally been served by private schooner operators which, prior to the introduction of the catamaran ferry services, also used to carry passengers.

In 2018, the owner and operator of Cat Rose Inter-Island Ferry who had also been operating cargo schooners, launched a modern 275 tonne cargo vessel which has since been operating daily between Mahe and Praslin at 75% capacity pre-Covid. Such a service has unlocked potential for further development on Praslin as evidenced in overall growth in demand for such cargo transportation which was previously being unmet.

The inter-island ferry service has been severely



Sea transport

Sea transportation in Seychelles consists of inter-island ferry services and inter-island cargo vessels which are mostly privately owned and operated. Islands Development Company (IDC) also operates its own vessels to serve Silhouette and the IDC outlying islands, while certain construction companies also operate barges to carry machinery, equipment and construction materials to islands where they implement projects. The inter-island ferry services between Mahe, Praslin and La Digue are operated by Inter-Island Boats (Cat Cocos) and Cat Rose Inter-Island Ferry using modern high-speed catamarans. Such inter-island ferry business was largely dependent on tourism pre-Covid in terms of numbers of passengers and yield, given that non-residents pay premium fares which helps to cross subsidize the lower fares for residents.

affected following the virtual closure of the tourism industry. Following a recommendation by the National Assembly to support this sector to continue serving the population, Government implemented a 50% reduction in fuel duty with effect from August 2020.

With the lifting of mobility restrictions on 4 May 2020, there has been an increase in domestic tourism, particularly during weekends when residents of Mahe have been benefiting from special promotions by some tourism establishments on Praslin and La Digue. Consequently, the inter-island ferry operators have seen a rise in demand for their services during weekends. Notwithstanding such increased demand during weekends as well as financial assistance provided by Government through the FA4JR and fuel duty reduction, ferry operators report operating at a loss.



Domestic air transportation

Domestic air transportation consists of Air Seychelles inter-island services and Zil Air which provides both inter and intra island helicopter services. Air Seychelles domestic services have been operating for over 40 years between Mahe and Praslin, providing frequent daily services between both islands.

Pre-Covid, Air Seychelles domestic services was the most profitable of all of the company's operations thanks to buoyant demand by tourists who paid premium fares relative to residents. In the absence of tourists post-Covid, demand for Air Seychelles domestic services plummeted with only the remaining limited demand by residents. Even this local market could not be tapped into following the semi-lockdown and mobility restrictions.

As with the inter-island ferry services, Air Seychelles domestic operations however witnessed a rise in demand for its services after the lifting of the mobility restrictions on 4 May and the advent of new growth in domestic tourism particularly during weekends. Nevertheless, Air Seychelles domestic operations post-Covid remain heavily curtailed compared to pre-Covid. Zil Air helicopter services have similarly been drastically reduced post-Covid, although there remains a niche market since high-end visitors mostly on private jets were allowed since June 2020 and following the resumption of international commercial flights with effect from 1 August 2020.

Policy recommendations to revitalise transportation sector

While Covid-19 has imposed restrictions on both importations of vehicles and social distancing on public transport, it has also offered new opportunities in terms of potential long-term solutions for improving public transport services. Government should consider using the success of outsourcing omnibus operators to support SPTC, in order to explore the possibility of partially privatizing public transport.

The continual increase in importation of motor vehicles has been regarded as unsustainable based on the existing road network and parking facilities. The moratorium on importation of new vehicles offers the opportunity to identify means of improving vehicle repair facilities, while further reviewing the plans to expand the road network and parking facilities especially on Mahe.

To improve on sea transport, there is a need to urgently address upgrading of inter-island ferry baggage collection facilities and related infrastructure on all three islands (Mahe, Praslin and La Digue).



2.2.7 Information, technology and communications sector

Seychelles has a well-developed and modern IT and Communications sector, although prices for internet services remain high compared to the rest of Africa. There are three main service internet and telephony providers: Cable & Wireless, Airtel and Intelvision as well as a smaller service provider Kokonet. Seychelles Cable Systems Company Ltd which represents a partnership between the Government of Seychelles, Cable & Wireless and Airtel Seychelles installed Seychelles first undersea fibre optic cable in 2012 which has since supported 90% of internet traffic in the country. A second fibre optic undersea cable is planned to become operational in 2021. Cable & Wireless and Intelvision also provide cable TV while DSTV offers a satellite option for all main television channels. There are two local TV broadcasting stations, the state-owned Seychelles Broadcasting Corporation (SBC) and Telesel which is operated by Cable & Wireless. The country has three local radio stations, the state-owned SBC Radio and two private radio stations, Pure FM and K Radio.

Although Seychelles has a relatively modern IT and Communications Sector, a number of organizations both within the public and private sectors have yet to modernize their payments systems. While the Central Bank of Seychelles and local commercial banks have moved to an electronic payment clearing system for local transactions, and share an electronic credit information system, e-banking with the rest of the world has yet to be implemented.

With the onset of the Covid-19 pandemic several organizations both within the public and private sectors engaged in tele-working from home while some plan to maintain the new tele-working culture beyond Covid-19. Tele-education was also introduced during the semi-lockdown, but the prohibitive cost of internet remained an obstacle. The IT and Communications sector is one of the few sectors likely to grow in 2020 (3%) and 2021, despite loss of business by the IT and telephony service providers when tourism was halted. This was partly made up by increased use of IT and telephony on account of tele-working and personal use by households for social and recreational purposes.

There were also some missed opportunities which the local TV stations could have used during the semi-lockdown when most of the population remained at home. There was an opportunity to innovate and build partnership with Government and other actors to extend educational programme such as backyard farming to capture the population that was locked up at home.

Policy recommendations to revitalise IT and communications

There is need for Government to regulate the cost of internet to facilitate the new ways of working. Curtailing the prohibitive cost of internet is essential in fast-tracking recovery of the public and private sector, but also to support the sustenance of commendable practices such as telecommuting and e-education.



2.2.8 Wholesale and retail trade sector

The Wholesale and Retail trade in Seychelles was traditionally made up of importers and distributors of Indian and Chinese origin until 1980 when Government set up the state-owned Seychelles National Commodity Company (SEYCOM) which was subsequently renamed the Seychelles Marketing Board (SMB) until 2008 when it was replaced by the Seychelles Trading Company (STC) which continues to remain the single largest importer and distributor of a wide variety of food and non-food goods. The original objective of SEYCOM and SMB was to ensure that essential commodities which had to be imported would be stocked up such that there would be no shortages in between shipments, and to ensure that such essential goods would be competitive and affordable. Both SEYCOM and SMB had the monopoly to import most essential goods, especially food and household items as well as key building materials such as timber. It is widely recognized that both SEYCOM and SMB did not deliver on the second objective of ensuring that prices of imported essential commodities would be competitive and affordable, but that on the contrary, hefty commissions were paid to third party companies who acted as middlemen between suppliers and SEYCOM / SMB. Both SEYCOM and SMB became notorious for a total lack of transparency and accountability.

When STC was set up in 2008, Government removed the monopoly it had on almost all commodities and private sector importers were allowed once again to also import essential commodities. Several new wholesalers of foreign origin entered the market most notably ISPC, HSC, Global and APEX with the aim of principally supplying the hospitality industry. In terms of retail trade, there has been an ever-increasing number of retail shops on Mahe, Praslin and La Digue. There may be as much as 400 such shops which chiefly sell food, beverages, tobacco and household goods.

As a result of the pandemic and the cessation of international flights, essential commodities such as fresh fruits and vegetables had to be imported using special air cargo flights, resulting in a spike in prices. The rise in wholesale and retail prices was also compounded

by the depreciation of the rupee. Public sentiments in social media grew due to the perceived profiteering by importers and distributors who are believed to have factored in the depreciation costs for goods already in stock, forcing retailers to hike prices. While STC was among three categories of importers which could access foreign exchange directly from the Central Bank for imports of essential commodities, private sector importers had to obtain foreign exchange from their respective banks.

In spite of the demand for foreign exchange for imports exceeding supply available within the commercial banking system, during the period April-September 2020 the local population did not experience shortage of any essential commodities. Most shops have remained well stocked up. The STC maintained a stock of up to 6 months. The importers / wholesalers supplying to the hospitality sector registered the largest decline in their turnover. In August 2020, ISPC, one of the largest of such importers, which also operates a large supermarket, shut down its outlet temporarily but re-opened after receiving financial assistance under the FA4JR scheme.

Policy recommendations to revitalise wholesale and retail

The outlook for the wholesale and retail trade will, like all other sectors of the Seychelles economy, depend on the eventual recovery of the country's tourism industry.

This Study recommends that Government considers limiting importation of goods which do not meet minimum international standards, while finding means of maintaining affordability of essential goods, e.g., through removal of VAT, focusing on local production while empowering vulnerable groups such as women, persons with disabilities and migrants.



2.2.9 Financial services sector

Barclays Bank was the first commercial bank to operate in Seychelles in 1959. Other banks have since opened subsidiaries or branches in Seychelles. These include Banque Francaise Commerciale (subsequently replaced by its successor Mauritius Commercial Bank (MCB) Seychelles), Bank of Credit and Commerce International – BCCI (later replaced by its successor Novobanq / SIMBC), Habib Bank (closed in 2018), Bank of Baroda, Bank of Muscat International – BMI (later replaced by its successor Al Salam Bank), Bank Al Habib, Bank of Ceylon, and State Bank of Mauritius (SBM) which ceased operations in 2020. Seychelles Commercial Bank is a state-owned commercial bank, with a large portfolio. The Seychelles Credit Union, although not considered a fully-fledged commercial bank, is a privately owned “cooperative” type of bank. There are two types of bureaux de change: Class A bureau de change (12 bureaux) are licensed to buy and sell foreign currency without limitations. For example, it could engage in money transmission services. Class B bureau de change (11 bureaux) are restricted to buying and selling foreign currency only in the form of notes, coins and travellers checks. The internet and mobile service provider Airtel (Seychelles) was the first company to introduce payment services via mobile in 2017. Such payment services are regulated and supervised by the Central Bank of Seychelles.

To provide services that the market may not sustain under the traditional banking system there are two critical institutions—namely the Development Bank of Seychelles (DBS) and Housing Finance Company Limited (HFCL). The DBS was created in 1977 to fund development projects essentially by private sector promoters using lines of credit from Caisse Francaise / AFD, EIB, DEG and AfDB. HFCL was set up in 2003 by Government of Seychelles with the mandate of supporting lower to middle income families to purchase or construct their house. In addition to housing loans, HFCL also offers loans for purchasing land as well as home improvement loans for house extensions and special housing repairs.

The insurance sub-sector was nationalized in 1980 and all the insurance business was operated by the state-owned State Assurance Corporation of Seychelles (SACOS) which became operational in August 1980. SACOS, later privatized in 2005, now trades under the name of SACOS Insurance Group. The insurance sub-sector opened up and new entrants include H Savy Insurance (HSI), Mauritius Union Assurance (MUA), Alliance Insurance, and Falcon Insurance.

Other players in the financial sector include: MERJ Exchange (previously TROP-X), the only securities exchange in the country; the Seychelles Pension Fund (SPF); the Financial Services Authority (FSA) that regulates the non-bank financial services in Seychelles and manages the Seychelles International Trade Zones (SITZ) that was created to allow for international trading in and through Seychelles.

The Covid-19 pandemic has had the following indirect impact on financial institutions in Seychelles:

- **Significant reduction (75%) in foreign exchange** earnings by commercial banks and bureau de change as a result of the plummeting of tourism activity. Although there has been a decline in demand for foreign exchange post-Covid by importers and by workers effecting remittances abroad, the sharp drop in foreign earnings has meant that overall demand for foreign exchange has not been met. Consequently, the value of the Rupee which is determined by supply and demand has depreciated by more than 30%.
- **The Central Bank (CBS) which had recorded a record level of external reserves pre-Covid** (gross reserves of USD 600 million and usable reserves of USD 440 million) has had to judiciously manage such reserves, while having undertaken to meet the foreign exchange requirements of Seychelles Petroleum Company (SEYPEC), STC for essential goods and the Health Care Agency. The CBS has also been supplying foreign exchange to the commercial banks from time to time in order to mitigate the shortage within the commercial banking system.

- **The Central Bank has managed to maintain usable external reserves in excess of USD 400 million** as at end-September 2020, thanks also to the sustained performance of the industrial fishing sector as well as on account of combined loan proceeds from IMF, World Bank and AfDB in excess of USD 50 million.
- **Commercial banks have become more prudent** with regards to lending to the private sector which has in turn reduced lending to the private sector.
- **Although CBS has put in place 2 lines of credit of SCR 500 million and SCR 750 million to assist SMEs and larger businesses respectively** via the commercial banks, there has been limited access by the private sector to such lines of credit as at end-September 2020. Commercial banks have been unwilling to lend to private sector operators with limited the revenue stream to repay loans, or which cannot meet the collateral requirements by way of unencumbered fixed assets.
- **Government has extended a SCR 100 million line of credit to MSMEs** via the Development Bank of Seychelles for maximum loans of SCR 100,000 per MSME. Such loans are guaranteed by Government and may be up to 70% unsecured. This has had an impact of mitigating reduction in lending to the private sector.
- **Commercial banks are increasingly facing the prospect of non-performing loans (NPLs)** particularly by tourism operators as Covid-19 remains unabated in Seychelles' key markets and economic recovery may take much longer than expected. Some commercial banks are likely to come under stress in terms of meeting their minimum capital adequacy ratio requirements should the level of NPLs become significant.

As Seychelles continues to look towards its offshore sector to fill some of the void left by its struggling tourism sector, the Central Bank and the commercial banks will increasingly find it difficult to maintain their correspondent banking relationship with the large EU and US banks which have traditionally provided such correspondent banking services for US dollar and EUR transactions.

In view of the poor performance of the tourism industry envisaged for 2021, and with the public debt / GDP ratio likely to further balloon in 2021, the pressure on the country's external reserves will further increase and the Rupee is likely to further depreciate by an additional 20-30 % until such time that the recovery kicks in.

Policy recommendations to revitalise financial services sector

Covid-19 has highlighted the need for financial institutions to maintain adequate liquid reserves such that these organizations may show more resilience in the face of unforeseen adversity, without having to have immediate recourse to taxpayers' money. This Study recommends that going forward, Government sets a minimum limit for retention of earnings for various categories of businesses, especially commercial banks.





3

**IMPACT
ON SOCIAL
DEVELOPMENT**



HEALTH AND COST OF MEDICINES

The depreciation of the rupee has increased the costs of medicines and equipment such as ventilators thus directly impacting on the level of care provided.

ATTENTION TO NON-COMMUNICABLE DISEASES (NCDs)

The attention given to NCDs and other non-Covid-related ailments such as mental health that required sustained intervention declined with some drug sale points closed altogether during the lockdown.

JOB CREATION

The impact on businesses affected job creation, with only 438 vacancies registered between January-July 2020, compared to 633 vacancies during the same period in 2019.

REDUNDANCIES AND JOB LOSSES

More than 1,300 employees were rendered redundant between March and September, even though Government employment programmes have been effective in helping cushion the population, especially young graduates.

IMPACT ON MIGRANT LABOUR

The decline in jobs informed the rethinking on migrant labour, resulting in cancellation of over 4,000 applications

3.1 Health

In response to the pandemic, the Government of Seychelles undertook several measures that have effectively controlled the spread of the virus. Some of these include: **1)** establishment of four quarantine facilities and two isolation centres for treatment of Covid-19 patients; establishment of a 24-hour hotline for questions and concerns about the pandemic and to report various situations such as symptoms and non-compliance of public health measures; **2)** regular updates on the list of countries from which visitors are allowed in Seychelles with conditions such as testing negative for the virus 72 hours before entry, and following measures mandated in hospitality establishments (daily temperature measures, hand washing, sanitizer use in certain areas and use of masks wherever physical distancing is not possible); **3)** monthly allowances for health professionals to compensate for additional duties and responsibilities, and **4)** launch of digital platforms such as the Health Travel Authorisation platform to facilitate and streamline the arrival process for travellers to Seychelles, the Government and the airlines, and the Quick Response (QR) code or link for reporting symptoms related to Covid-19.

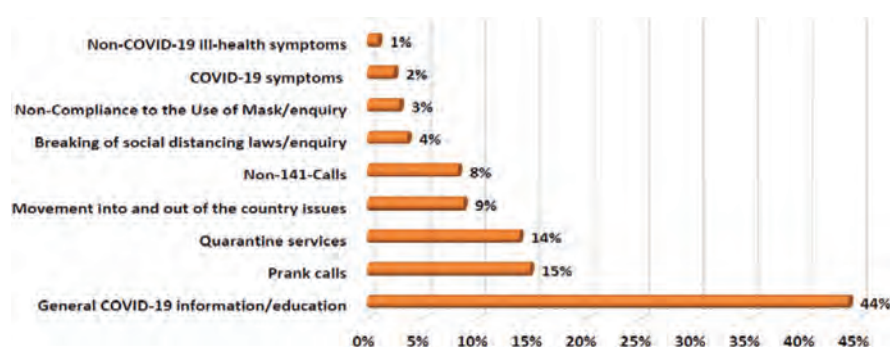
The Ministry of Health is also following the World Health Organisation (WHO) guidelines for occupational safety and health, as well as providing information on rights, roles and responsibilities¹⁹. Even then, the attention given to the pandemic risks affecting service delivery on other ailments that also require sustained intervention. A general concern has been the low attention given to NCDs, such as diabetes, hypertension, and dengue fever. The lockdown period heavily affects the supply of medicines and other supplies necessary to treat these diseases.



The Agency for the Prevention of Drug Abuse and Rehabilitation (APDAR) noted that the pandemic and the partial restrictions of movement led to a drop in the supply of heroin and a corresponding rise in cocaine use, possibly as an alternative for drug users. Both drugs are considered as problematic. Some drug sales points, e.g., Au Cap on the eastern coast of Mahé, shut down completely and sales moved to another area. The Methadone Maintenance Therapy (MMT) administered by APDAR for heroin users continued during the Covid-19 related restrictions. However, APDAR had to increase the MMT distribution points, from seven before the pandemic to 20 presently, to meet the health security requirements. For example, to accommodate physical distancing requirements, the stadium in the centre of Victoria is now used as one MMT distribution point to serve four districts, instead of each district having its own service point. The MMT distribution points on the inner islands of Praslin were increased from four to seven, and on La Digue, these were increased from one to three.

The Needle and Syringe Programming (NSP) scaled up services, introducing programmes at the Medically Assisted Therapy (MAT) health centre in Victoria. Registration of clients increased from around 30 to 80 or even 90 weekly. Services changed to accommodate the health security measures (on-site rapid HIV testing, leaflets about Covid-19 and personal protective measures, and telephone counselling).

FIGURE 14: Calls to Ministry of Health Covid-19 hotline number 141 for July 2020



Source: Ministry of Health (2020).

¹⁹ WHO (2020) Coronavirus Disease (Covid-19) Outbreak: Rights, Roles and Responsibilities of Health Workers, Including Key Considerations for Occupational Safety And Health.



Mental health issues linked to the pandemic

The Ministry of Health also established a hotline for Covid-19, led by the resident psychiatrist and operated by young Seychellois psychologists and provisional psychologists. The high number of prank calls (15%) during the critical time of emergency implied a serious strain on the attendants. In total, the attendants responded to 22% of calls unrelated to the pandemic. The reports from June to August 2020 noted that the main challenge was public frustration leading to abuse of the hotline operators. The frustrations are linked to, amongst others, inadequate guidance on PCR testing procedure, quarantine, isolation and surveillance services, insufficient or lack of written protocols and guidelines to help the public and organizations adjust to the required new normal, and the public being directed to the Department of Health website for information on services and guidelines which were then unavailable, or were outdated, especially on the website.

The immediate effect of the Covid-19 related restrictions was a slight decrease in the number of new clients seeking mental health treatment, from 376 in 2018 and 456 in 2019 to 268 in 2020 (Table 3), and how to ensure continuity of services.

In January to June 2020, for repeat cases, the Mental Health Services treated 1,177 repeat cases (all categories), compared to 2,769 repeat cases for outpatients only in 2019. The slight drop in the number of patients continues to be reflected in both the inpatient and outpatient services in 2020, as the restrictions imposed limited access to services.

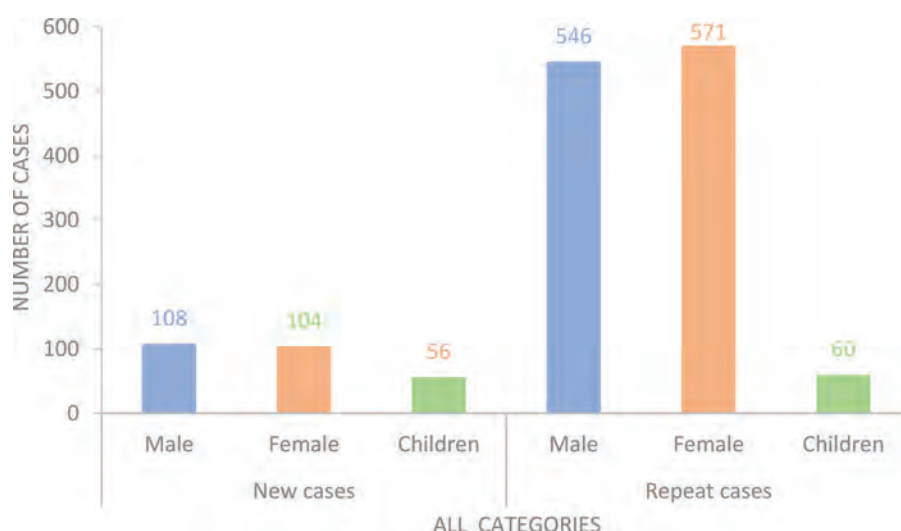
TABLE 3: Number of clients seeking mental health treatment

2018 (Jan-Dec)	2019 (Jan-Dec)	2020 (Jan-Dec)
376	456	268

Source: Ministry of Health (2020).

Another more qualitative impact was the anxiety in the patients who came into the Mental Health Services facilities for treatment, as they were afraid to go out, or coming into contact with people given the recommendations regarding 'no touching and hugging'. Some patients reported suicidal thoughts and self-harm (n=7), having to address heightened stress due to housing (n=11) and socioeconomic problems (n=21). Patients who were in quarantine and isolation also reported the feeling of abandonment, with no television or link to the outside world, with little or no information accorded to them. The focus remained firmly on the physical aspects of the patients without paying much attention to psychosocial needs.

FIGURE 15: Number of mental health services cases. January to June 2020



Source: Ministry of Health (2020).

3.2 Employment and social protection

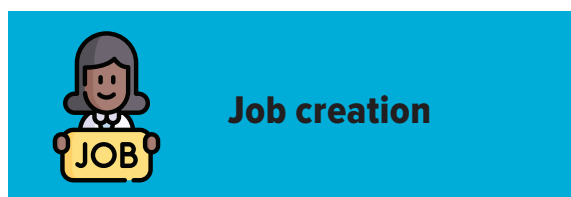
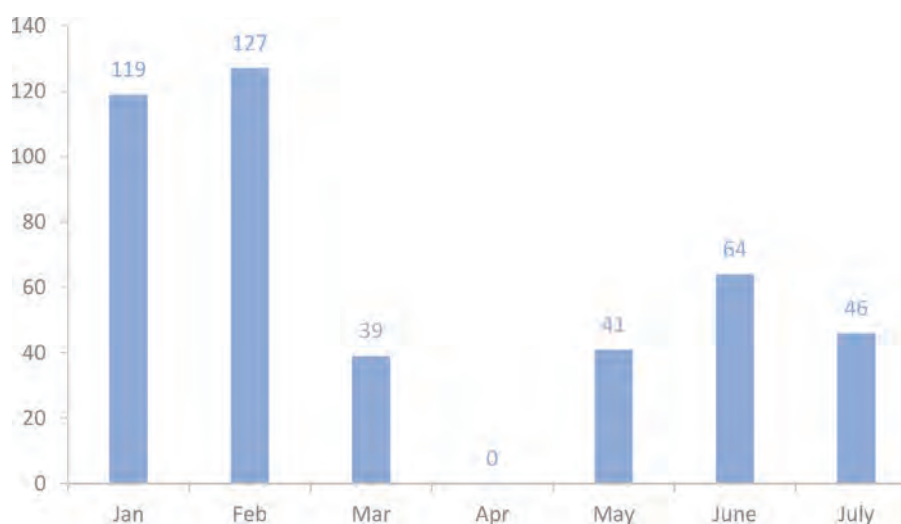


Figure 16 shows that there were no vacancies in April 2020. Although job opportunities increased with the easing of restrictions in early May 2020, the figures never reached the levels of the pre-Covid-19 months (January and February) when there was a total of 246 new vacancies. For the first seven months of 2020,

there were 438 vacancies registered with the Private Employment Agencies (PEAs) compared to a total of 633 new vacancies during the same period in 2019.

In Q1 2019, the number of job opportunities was 377, which was already 25% higher than the 2020 figures. For the whole year, there were more employment opportunities available in the private sector (622, 98.3%) than for 2020. Most of the total registered vacancies at end of June 2019 were from accommodation and food service activities industry (341, 53.9%) consistent with the tourism sector as the main economic pillar, followed by the construction industry (11.2%), services and sales (28.9%), elementary occupations (20%), craft and related trade workers (17.1%) and technicians and associate professionals (5.1%).

FIGURE 16: Job opportunities from January to July 2020



Source: Department of employment (2020).

TABLE 4: Employment situation January to July 2020

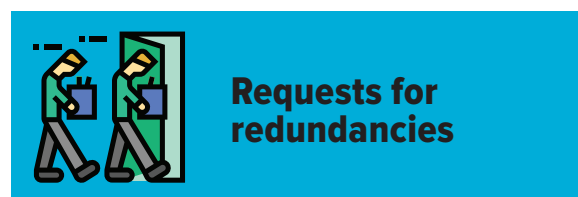
Data	Jan-Dec 2019	Jan-Jul 2020
PEA's Total Registered Job Seekers	234	406
Total Registered Unemployed My First Job Graduates	36	598
No. of registered unemployed youth (15-30 years)	185	270
No. of registered unemployed youth (15-24 years)	161	208
Total job placement	595	75
Total Graduates Placement (My First Job)	434	376
Total registered vacancies	1098	438
Total workers made redundant	n.a.	698
Total registered grievance cases	n.a.	118

Source: Department of Employment (2020).

The employment situation is further illustrated below in **Table 4**. Table 4. For the period of January to July 2020, there were 406 registered job seekers with the PEAs and a total of 438 vacancies. The demand for employment was even higher with 598 unemployed young people seeking their first job, 208 registered unemployed youth (15 to 24 years) and 698 workers who had been made redundant. The figures for the whole of 2019 show fewer job seekers (234 in 2019 compared to 406 in 2020 Q1 and Q2) and higher vacancies (1098 in 2019 compared to 438 in 2020 Q1 and Q2).

The situation remained fluid, changing quickly monthly, leading to the decision taken with the GOP Assessment Committee to revoke the GOP of all migrant workers who were presently overseas as from August 1, 2020. The decision was taken based on the rapid increase level of unemployment of the Seychellois (**Table 5**).

However, in the meanwhile, the Ministry of Employment, Immigration and Civil Status had received applications from 296 organizations for the return 1,165 migrant workers holding valid GOPs out of the 4,000 or so who were overseas at the time.



Another immediate impact of the pandemic was employers requesting permission, from the Employment Department, for redundancies or to pay only a portion of the salaries or for the employees to remain at home. The number

of employers or organizations requesting redundancies, from March to the first week of September, was 182 (**Figure 17**). These requests affected 1,317 employees (**Table 6** Reference source not found.).

By comparison, from January to June 2019, a total of 86 workers were affected by redundancy applications made to the Ministry by employers, representing a decrease of 58.0% (119 workers) from the same period in 2018 when employers sought to make redundant 205 workers. Most of those workers were from the wholesale and retail trade; repair of motor vehicles and motorcycles industry (26, 30.2%). The main reason for the applications for redundancy was cessation of operation in whole or in part of the business (85 applicants). More males (47, 54.7%) were affected than females (39, 45.3%). In 2020, the total number of employees affected by requests for redundancies up to the first week of September represented a fifteen-fold of the 2019 figures.

By September 07, 2020, 113 (62%) employers out of the 182 had their redundancy requests approved, whereas 37 of them had theirs either suspended (5) or withdrawn (32) by the employers themselves. The total number of employees affected for the year up to September 07 is 1,317 applications of which 854 (64.8%) are Seychellois and 463 (35.2%) are migrant workers. There were 683 approved applications for the Seychellois employees and 346 for non-Seychellois workers.

The workers most at risk at risk of losing employment are those in the tourism sector, and in sectors dependent on tourism. These jobs also tend to be in the lower wage bracket (SCR6,000 – SCR7,000), which includes cleaners, clerks, waiters. Young people (as indicated by the youth unemployment

TABLE 5. Evolution of unemployment in Seychelles, May and July 2020

Categories	May	July
Registered job seekers with PEAs	312	365
Registered job seekers with MEICS	284	396
URS registered	2,818	4,403
Redundancies (Seychellois)	48	370

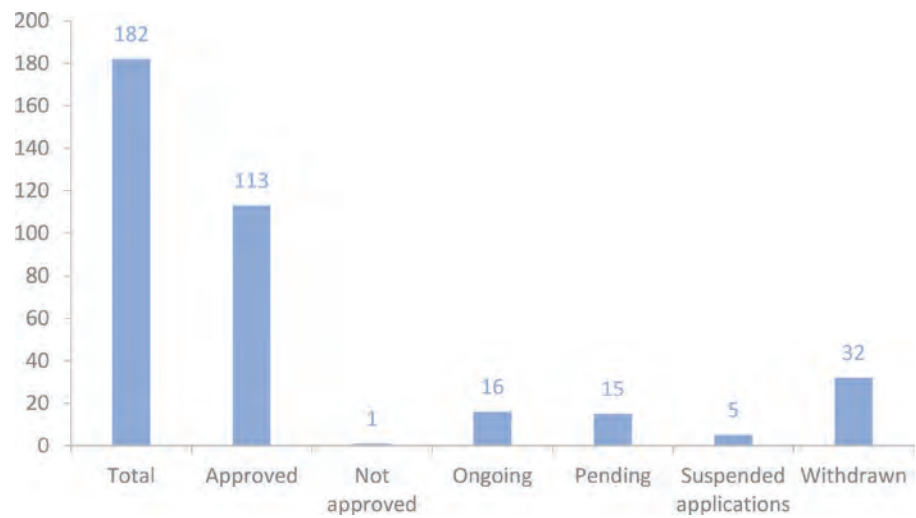
Source: Ministry of Employment, Immigration and Civil Status (2020).

TABLE 6. Comparative totals of employees affected by redundancies

2018 (Jan-June)	2019 (Jan. – June)	2020 (March to Sept.)
119	86	1,317

Source: MEICS, 2020.

FIGURE 17: Requests for redundancies by employers from March to September 2020



Source: MEICS, 2020.

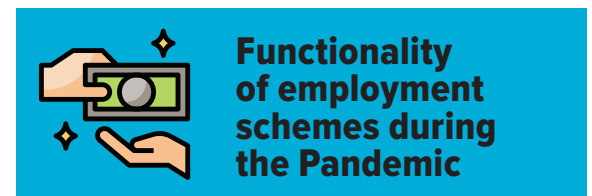
rate of 20%) were already most vulnerable to unemployment and presently, due to the economic situation caused by the Covid-19 pandemic, they were less likely to be employed. The youth Not in Employment, Education and Training (NEET) rate for 2020 Q1 was 29.2%, indicating the extent of untapped potential among the youth population, who could contribute to national development through work. Furthermore, this represents a 33.1% increase from the previous quarter. The NEET rate was higher for males (35.2%), than for females (23.8%)²⁰.

Figures for 2020 Q2 show that youth unemployment rate was 17%. The unemployment rate for males was 17.8% compared to 16.2% for females. The youth labour force participation rate stood at 50.2% and the informal employment rate was recorded at 16%²¹. There was a drop in the NEET rate in 2020 Q2, from 29.2% in 2020 Q1 to 25.5%. NEET rate for males (26.5%) remained higher than for females (24.2%). It is possible that the various employment schemes had enrolled young people, leading to the corresponding decrease in NEET rates.

The MEICS indicates that women and men have been affected differently by the layoffs, and redundancies. The Seychellois women have been most affected as there are now fewer jobs in the tourism sector, especially in accommodation and service. However, for the GOP involving migrant workers, men have been most impacted, as the jobs were in construction and in the hospitality industry, where 438 workers were made redundant.

Furthermore, workers who have been most affected are those in the informal sector with activities linked to tourism, such as boat boys, skippers, fishermen

and craft. Another group of workers affected are the artistes (singers, bands, musicians, craftsmen and artists) who depended on the tourism sector to sell their goods and services. However, these workers have been referred to either Agency for Social Protection or are registered with the Unemployment Relief Scheme (URS). Given the low populations and high level of tourism-related activities on the inner islands of Praslin and La Digue, there is a lot of informal employment.



Increase in the different employment schemes can be an indication of the level of employment. Unemployment Relief Scheme (URS): The total number of persons registered since inception in 2018 is 6,051. From January to April 2020, there were 1,760 unemployed persons out of 1,929 participants registered. By May 2020, the number had risen to 2,818 and in July to 4,403. Up to August 31 2020, 811 (13.4%) are employed while 890 (14.7%) remain active, keeping contacts with the placement officers, 219 (3.6%) have declined to take up the posts proposed for them and 4, 131 (68.3%) have still not been placed in employment. Available placement remains low as only 13.4% of registered persons have found any employment, even if the ones who refused posts (3.6%) are added to this total, it is still 17.0% only. The majority of the registered unemployed has not yet found any placement (**Table 7**).

²⁰ National Bureau of Statistics (2020), Quarterly Unemployment Statistics- Special Edition 2020-Q1

²¹ National Bureau of Statistics (2020), Quarterly Unemployment Statistics- Special Edition 2020-Q2

TABLE 7: Unemployment Relief Scheme (URS) data from January to August 2020

Types	Quantity	Percentage
Employed	811	13.4
Active on the Programme	890	14.7
Declined posts offered	219	3.6
Pending	4,131	68.3
Total registered in 2020	1,929	31.8
Total registered	6,051	100.0

Source: Department of Employment (2020).

TABLE 8: Skills Development Scheme (SDS) data from January to August 2020

Types	Quantity	Percentage
Employed	25	6.5
Active on the Programme	171	44.4
Declined posts offered	5	1.3
Pending	119	30.9
Unspecified categories	65	16.9
Total registered	385	100.0

Source: Department of Employment (2020).

Skills Development Scheme: Out of the 385 persons registered for this scheme, 25 (6.5%) have secured permanent employment, 171 (44.4%) are still actively engaged in the programme, 5 (1.3%) have declined the posts offered, and 119 (30.9%) are still awaiting placement (**Table 8**). There were 65 unspecified categories (16.9%).

My First Job (MFJ) Programme-Professional Centres Graduates: The MFJ programme has been more successful at securing permanent employment for the registered job seekers. Out of the 606 registered persons in the Internship Programme, 336 (55.4%) have secured permanent employment, 79 (13%) are in an internship programme with an employer and 145 (23.9%) have chosen to undertake further studies. Five (0.83%) are still unemployed and 41 (6.8%) have been deemed to not yet be ready for employment. Therefore, of the total of 606 registered young

persons, only 46 (7.6%) have not yet been placed in internship and/or secured permanent employment, and 560 (92.4%) have been adequately assisted.

My First Job (MFJ) – University Graduates: In 2019, there were 36 registered persons in this category compared to 89 in the first half of 2020. Since January 2020, the programme has placed 4 (4.5%) persons in employment, 73 (82.0%) in internship while 1 applicant (1.1%) opted to undergo further studies. There are still 6 (6.7%) persons awaiting placement and 5 (5.6%) who have indicated that they are not yet ready for employment.

Of the four employment programmes, MFJ for graduates of Professional Centres have placed a greater percentage of registered young people in employment or internships. Despite labour supply being high with more than 20, 000 migrant workers been more.

3.3 Vulnerable groups

CSOs working on gender issues, such as poverty alleviation, Gender-Based Violence (GBV) and Sexual and Reproductive Health Rights (SRHR) reported that the impact has been mostly on reduced access and availability of services. The Alliance of Solidarity for the Family (ASFF) which operates a men's clinic and provides SRHR services to both sexes noted the decrease in attendance to the clinic, and the lack of financial support to adapt to the new health security measures. Gender and Media Association (GEMPLUS) and the Ministry of Family Affairs noted that the expected increase in GBV did not occur, prompting questions about resilience of the population, under-reporting and factors (the confinement for the population was less stressful than expected) which may have led to the low levels of incidence.

It was not clear what the situation of sex workers (SW), including female sex workers (FSW) was during the restriction of movement in April and May and now with the less restrictive measures, even if the health security recommendations may lead to the need to adopt new business practices. CEPS which operates an EU-funded shelter for women experiencing GBV reported that the centre was operating at full capacity of 3 women and their children for three to four weeks. It further noted that the restriction of movement led to confinement and reduction of service provision by Government and civil society. However, echoing GEMPLUS and others, there was no major crisis regarding GBV. Once again, the situation puzzles local experts, with questions about possible resilience or under-reporting of cases.

3.4 Social fabric, social dialogue and cohesion



The Police Department recorded 733 reactive²² cases for the period of week 11 (beginning March 8) to 19 (beginning May 3) of 2019, compared to 476 for the same period in 2020. Weeks 11 to 19 represents the time of restrictions in movement imposed by the Public Health Authority (PHA) in order to control the spread of Covid-19. The difference of 257 cases represents a 35% decrease in crime committed and reported.

The highest recorded criminal activities from week 11 to week 19 of 2020 were theft (26%) and burglary (22%). Theft during the restriction period remained, generally below 50% of the weekly totals for the same period in 2019 for weeks 14, 15, 16, 18 and 19 (Figure 18).

Reactive cases showed the same downward trend during weeks 11 to 19, with some weeks such as no. 11, 14, 15, 16 and 18 when the crime rate dropped to by 30% or more.

As for burglary, the Police Department recorded fewer cases especially during weeks 13 to week 17. However, the cases begin increasing again towards the end of the restrictions. It is not expected that the drop will continue with the fewer restrictions in place.

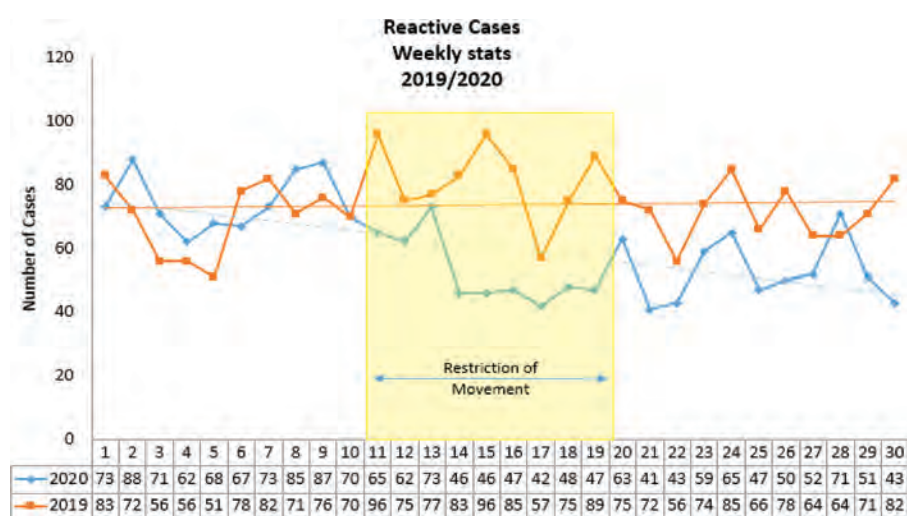
FIGURE 18: Theft cases during Covid-19 related restrictions compared to same period in 2019



Source: Police Department (2020).

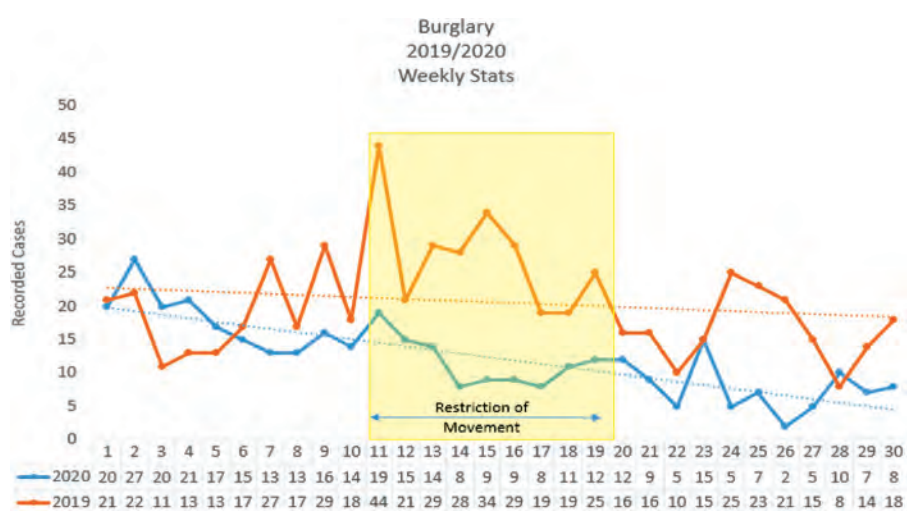
²² Reactive cases are those to which the police responded as a result of calls from the public for assistance. Generated cases arise from the police's own surveillance.

FIGURE 19: Reactive cases during Covid-19-related restrictions period compared to same period in 2019

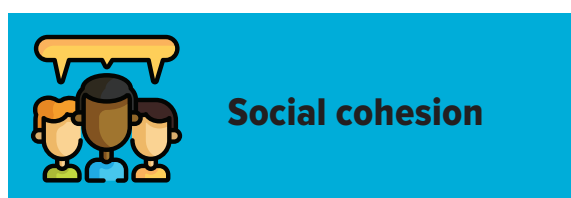


Source: Police Department (2020).

FIGURE 20: Reactive cases during Covid-19 related restrictions period compared to same period in 2019



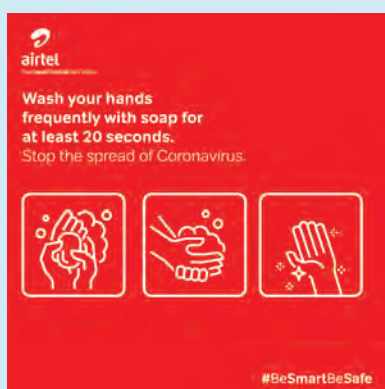
Source: Police Department (2020).



The private sector, especially the telecommunications companies, has been proactive in providing support to the population during the pandemic. The additional data for students, the Ministry of Health and households aims at assisting customers in conducting their businesses online and entertaining themselves²³.

The country remained relatively calm during the pandemic, even when there had been some discontent about the price hikes in shops. Instead, citizens formed Facebook groups through which to discuss these issues and alert members of lower or higher prices in various shops.

Case study: Airtel



Since 1 April, Airtel has been sending out SMS broadcasts, revised its below-the-line (BTL) messages and it has been running a digital awareness campaign on its official social media platforms propagating information and prevention tips for the Covid-19.

To mitigate the impact of social distancing for its customers, Airtel took several steps such as 15GB free data allowance per month to all Home Broadband Customers from April 2020 to June 2020. Providing their customers more data to remain connected online; 100% Data bonus on Home Broadband Boosters.

The telecommunication company also provided zero charging access and browsing on certain health-related websites for: World Health Organization (WHO), Seychelles Ministry of Health; free access to education sites, as it is committed to supporting our children in distance learning by identifying relevant education sites and offer access at Zero rate.

It also launched the Airtel Online payment platform and Airtel Care App to allow its customers to make payments for Airtel services, anytime and anywhere without the need to visit the company's customer care centres, thereby limiting social interaction.

Photo credit: airtelseychelles

3.5 Implications of the Covid-19 outbreak on the realization of the SDGs



The impact of the Covid-19 has the potential to affect at least 10 Sustainable Development Goals (SDGs), namely 1 to 5, 8, 10, and 16 to 17. Unemployment and job loss have the most impact on SDG1 (No Poverty), SDG2 (Zero Hunger) and SDG3 (Reduced Inequalities). Indeed, according to the United Nations University World Institute for Development Economics Research (UNU-WIDER) research on global poverty, Covid-19 could lead to an increase of half a billion people (8% of the world population) living in poverty under a worst case scenario of a per capita income or consumption contraction of 20%²⁴. In Seychelles, which accounts for 0.00126% of the world population, 8% accounts for 7,500 individuals²⁵.

The African Development Bank has revised the 2020 and 2021 GDP growth rate projections for Seychelles downwards, from 3.3% and 4.2% to -10.5% and -7.7%, respectively, in line with the projections presented before²⁶.

The informal sector has been greatly affected by the pandemic. The present measures of formalizing of informal employment have however helped to reduce vulnerability of economic actors in the informal sector.



Poverty in Seychelles is characterized by poor housing conditions, unemployment, sanitation issues and having food and nutrition requirements met. It is more likely to occur in women-headed households (12.9%) compared to those with men as the head (10.4%)²⁷. This situation is linked to SDGs5 and 10, which are Gender Equality and Reduced inequalities, respectively.

23 <http://www.nation.sc/articles/4494/airtel-donates-r1-million-to-the-ministry-of-health>

24 Sumner, A., Hoy, C. & Ortiz-Juarez, E. (2020) Global poverty: coronavirus could drive it up for the first time since the 1990s. WIDERAngle, [Online] Available from: <https://www.wider.unu.edu/publication/global-poverty-coronavirus-could-drive-it-first-time-1990s> [Accessed 28th September, 2020]

25 Poverty Alleviation Department (2020). Adapting to Covid-19 and Preventing Poverty Policy Paper

26 <https://www.afdb.org/en/news-and-events/press-releases/seychelles-african-development-bank-extends-10-million-loan-support-covid-19-responses-economy-reopens-36499>

27 National Bureau of Statistics (2020). Multidimensional Poverty Index Report 2019 Seychelles pp.29 Seychelles MPI Technical Committee



The present situation with Covid-19 could have worsened beyond the 21 households requiring immediate attention²⁸ as a direct result of job loss due to the pandemic. However, it is important to note that the 1,317 persons likely to be affected by redundancies since March 2020, unless they seek assistance from one of the Employment Schemes or the newly established Alleviation Schemes, such as SETS, would have fallen into poverty (both income and MPI).



The pandemic has already affected the physical and emotional health of 146 individuals, while countless others have been affected psychologically. This is directly linked to SDG3: Good Health and Well-Being. The measures established to help those wishing for more information and clarity about the virus has led to a significant level of abuse aimed at Hotline 141 operators to the point that the Ministry of Health lead person is seeking remedies to address this issue. There is some anxiety about the future and actions to be taken when FA4JR and SETS cease to exist. The issue is what will happen in January 2021. The key questions are whether it will be possible to sustain the salaries through the 2021 budget, and for how long (whether for another 6 months or a year), how fast the economy will recover in the next 6 months, what will happen if there is community transmission, and the Seychelles go back into a period of lockdown or restriction of movement.



The pandemic possibly had an impact on attainment of SDG4: Quality Education. All schools, both state and private, and all day-care centres were temporarily closed. The Ministry of Education and Human Resource Development (MEHRD) urged school to conduct lessons online. However, challenges included teachers being hesitant and unsure of how to deliver lessons via distance teaching modes, due to the lack of experience and training. Teachers needed assistance in a variety of quality audio-visual teaching methodologies

and capacity building in all related areas from pre-school through to higher education. The needs also include the development of print-based content, digitizing and uploading content on online platforms and expertise in the development and production of audio-visual materials.

The Seychelles is determined to work towards a more sustained and resilient system with digital networks and platforms for which its Information Communication Technology (ICT) sector can prepare through upgrading of its mobile networks and move to fibre optics. The country thus plans to not only strengthen its workforce of ICT professionals, but also maintain the UN prescribed "affordability" target, and the more demanding target set by the Alliance for Affordable Internet (A4AI).

The MEHRD made early arrangements in March 2020 for parents to collect materials for their children and worked on a contingency plan to allow students to continue their studies at home²⁹. The required materials and resources were distributed at the students' respective schools starting on 19 and 20 March.

The impact on educational performance due to the Covid-19 related interruptions and disruptions to the school academic is not yet clear. With the end-of-term examinations and National Examinations approaching in December 2020, the effects, if any, will be better highlighted.



Telecommunication companies have made donations and arrangements for school personnel and students to have increased access to connectivity and platforms to conduct lessons. For example, the Seychelles Institute of Distance and Open Learning (SIDOL), worked in partnership with Cable and Wireless to offer all SIDOL part time Instructors and students currently teaching and enrolled new mobile packages to benefits both of them with delivering their classes and their studies, respectively. This is aligned to the SDG17: Partnerships for the Goals.

Seychelles received financial support to combat the impact of Covid-19 on the economy. The World Bank approved on June 25 a US\$15 million loan from the International Bank for Reconstruction and Development (IBRD) to support the national response to the economic and social effects of the Covid-19 pandemic. The Development Policy Lending will help enhance the country's response

²⁸ Poverty Alleviation Department (2020). Provision of Emergency Accommodation: Current Situation

²⁹ <http://www.nation.sc/articles/3964/closure-of-public-schools-due-to-Covid-19>



Schools adapt to Covid-19-related school closures

Actions taken:

- Adjustment of all school calendars for students to catch up on curriculum and contact time for teaching and learning.
- The MEHRD developed several guidelines to maintain standards;
- Three sub-committees set up to specifically confirm the implementation of action plans, at Day Care centers and Child-minding Services, Primary and Secondary schools, Professional Centers and the University of Seychelles.
- All action plans are guided by three main principles of 'heightened vigilance' in light of the Covid-19 pandemic (hygiene, physical and social distancing)
- Several training sessions conducted for various groups working directly with young children and students to ensure application of the virus prevention protocol.

Despite the resumption of schools in safe conditions, the MEHRD is aware of several challenges it faces in terms of distance education mechanisms and equity since not all households have access to online learning platforms or to learning materials/resources.

Source : <https://en.unesco.org/news/towards-more-resilient-education-system-seychelles>

mechanisms in health, social protection and the private sector, and to support the country's post-crisis recovery through strengthened financial systems and climate resilience³⁰. Furthermore, *"the focus will be on protecting lives and livelihoods, to strengthen social assistance programs in aid of vulnerable households, and the deployment of financial mechanisms to manage the adverse economic impacts of Covid-19 in the private and financial sectors."*³¹

The African Development Bank also approved a USD 10 million loan to Seychelles to support the Government's Covid-19 national response programmes with focus on macroeconomic stabilization, strengthening national health responses to the Covid-19 pandemic, and safeguarding livelihoods and social safety nets³². The crisis response programme is also aligned with the Bank Group Ten-Year Strategy-TYS (2013-2022), the High 5s priorities, specifically "improve the quality of life of the people of Africa", and to the Bank's Seychelles' Country Strategy Paper (2016-2020). The latter aims at stimulating private sector activity to support economic diversification through policy reforms.

3.6 Culture and cultural events

Finally, the Covid-19 pandemic has led to the cancellation of major cultural and national events in Seychelles (the Creole Festival, National Day, the 250th Anniversary of the First Settlement and participation in international sports activities, namely the Olympic Games, Jeux de la Francophonie, Table Tennis, amongst "others". Apart from the confinements, the anxiety linked to future socioeconomic outlook, the cultural life of the islands has also been curtailed.

³⁰ <https://www.worldbank.org/en/news/press-release/2020/06/29/world-bank-announces-15-million-to-mitigate-the-impact-of-covid-19-in-seychelles>

³¹ Ibid

³² <https://www.afdb.org/en/news-and-events/press-releases/seychelles-african-development-bank-extends-10-million-loan-support-covid-19-responses-economy-reopens-36499>

3.7 Implementation of digitalization and online measures

Seychelles has moved towards more digitalized ways and means of conducting various types of businesses and interactions. Telecommunications companies, banks and PUC have established online payment systems for their clients in order to reinforce the health security measures. Schools, PCs and training institutes, such as SIDOL, have encouraged students to sign up for special connectivity packages offered by the telecommunications companies in order to facilitate their work from home.

Ministries and other organizations have held remote meetings with local and international partners and stakeholders through a variety of platforms such

as Zoom and Microsoft meetings. The President engaged in the United Nations General Assembly (UNGA) using online connections to deliver his address and similar meetings have been held with UNESCO by the MEHRD, EU and World Bank by the Ministry of Environment, Energy and Climate Change (MEECC). Remote training on these platforms have also been conducted. Some employers have organized their employees in a rota system and encouraged them to work from home. The Central Bank of Seychelles have supported these moves in order to reduce transmission of Covid-19 with posters and leaflets published in English and Creole, which are also posted on its website.

Recommendations for holistic social development

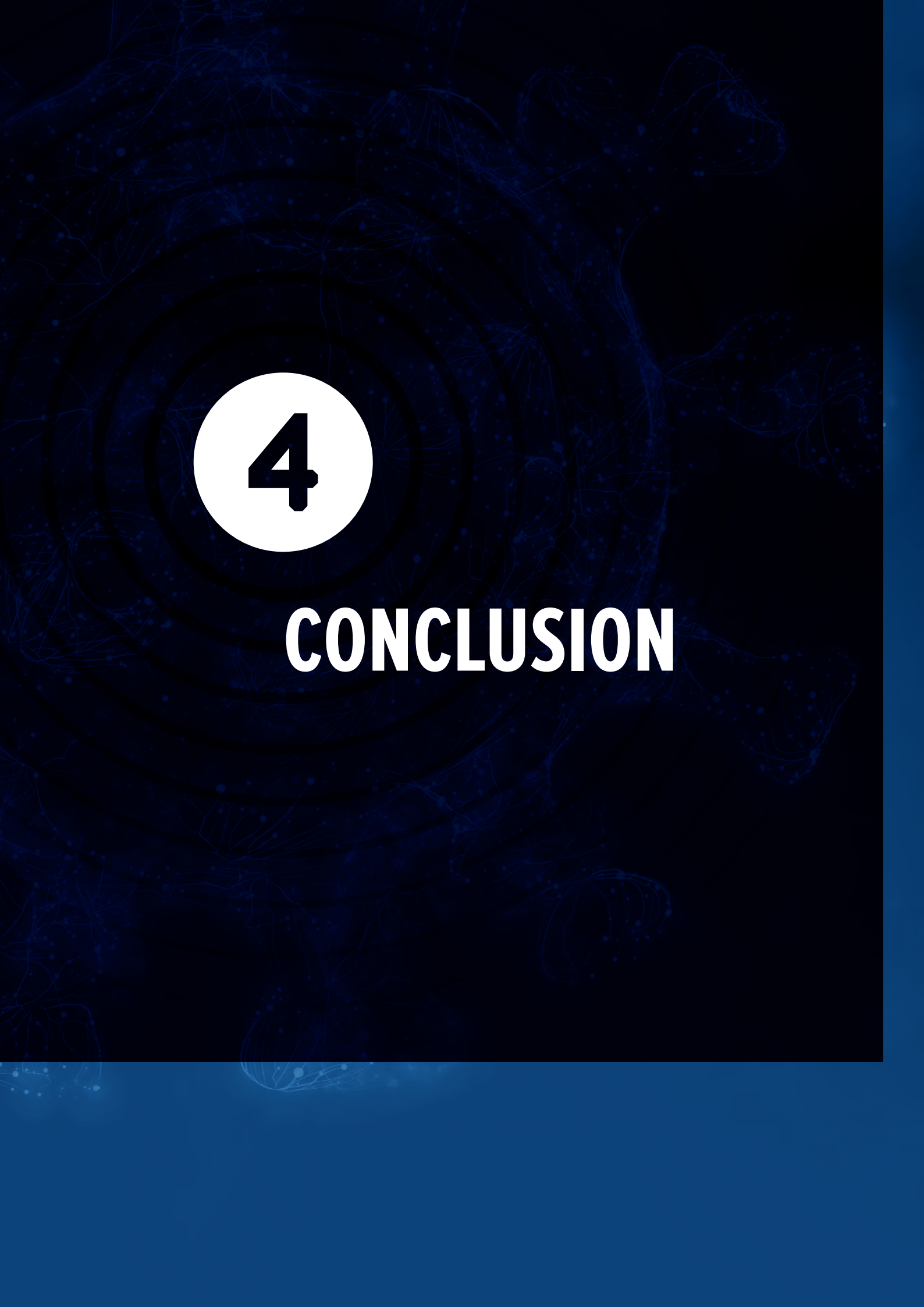
There is need to develop a National Contingency and Continuity Plan for improved and heightened national and sector preparedness and to ensure that other diseases that require sustained monitoring are given due attention in times of crisis. This will ensure that the country uses a holistic approach in addressing the social, psychological and emotional needs alongside the physical, medical and health aspects. Mental health and social professionals should be engaged as early as possible in the national response and processes to prepare the population including the patients, in order to address the additional stresses experienced as a result of the health emergency.

The Government should partner with the private sector to invest in skills upgrading programmes that will protect the workforce, including those rendered redundant. Shortfalls in the quality of labour could sustain unemployment and continue to exert pressure on Government resources.

Seychelles needs to scale up the use of different work options, such as teleworking, staggered hours, staff rotation and digitalization to have employees work from home, and students able to study using technology for distance learning.

Some social safety net measures taken pre-Covid-19 need to be maintained, but more targeted to ensure that the help reaches the appropriate populations. A discourse should be opened to devise innovative financing options that do not further constrain the financial health of the economy.

These initiatives should include vulnerable groups such as women, children and persons with disabilities.



4

CONCLUSION

This report has made a first attempt to assess the impact of Covid-19 on the economy of Seychelles. The analysis has benefited from a combination of own analysis with extensive review of early research and interviews with communities, and practitioners from both the public and private sectors. It has identified several impacts on the economy and on the social sector in Seychelles and articulated the efficacy of Government programmes that have been designed to cushion the country from the shock.

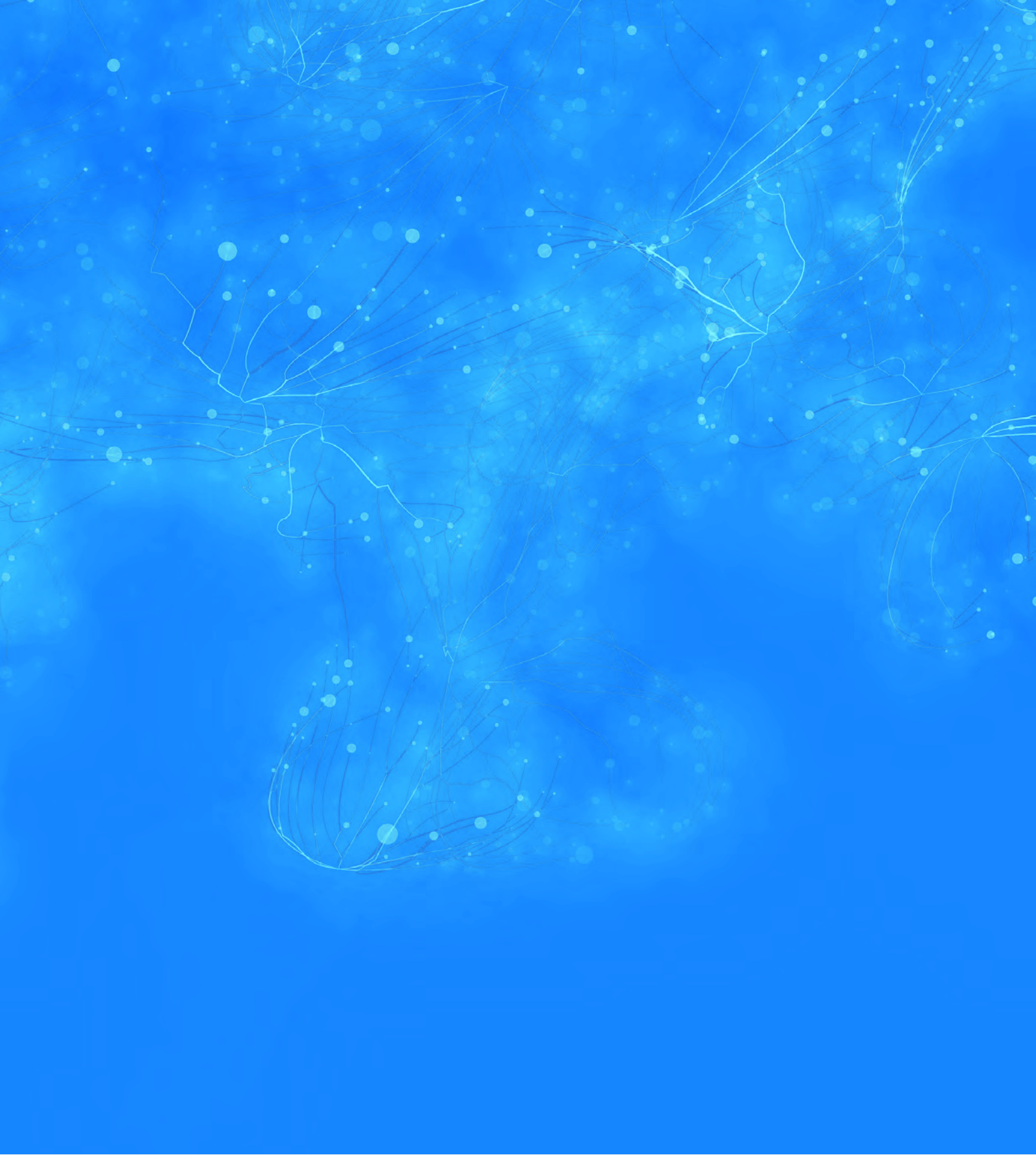
Although Seychelles registered very low Covid-19 cases, this report has demonstrated that the economy has been severely affected due to its heavy dependence and reliance on tourism whose revenue is anticipated to decline by more than 70% in 2020.

Of significant mention is the Government's relief measures that have protected businesses from further regression and closure, but also enabled households and the workforce to sustain their livelihoods. However, given the heavy strain of relief measures on Government budget, the report emphasises the need for innovative and sustainable measures for financing recovery. Several insights have been highlighted based on the country's response to the pandemic, resilience of different sectors of the economy, with strong emphasis being given to several factors, notably:

- i. The need to reduce reliance on the tourism sector, given its vulnerability;
- ii. The need to take advantage of the untapped potential of other sectors, especially in agriculture and fishing, and;
- iii. The importance of balancing responses to crisis and continuity of service delivery in critical areas that cannot wait for the crisis to end.

While this report draws several insights, analysis could have been informed by more up to-date data. In particular, Covid-19 surveys for households and enterprises could not be utilized in the report because data collection and processes were still underway. Given the need for continued research to guide and inform policy regarding the pandemic, such rich data is expected to enrich subsequent assessments.





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