

COOPERATION  
European Union - Republic of Seychelles

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## 1. Executive Summary

After 27 years, since independence, a new President was sworn in April 2004, following the stepping down of ex-President René. This change has taken place at a critical time when the economy is being subjected to significant pressure and a major reform programme, initiated in 2003 following the financial difficulties, needs to be put into implementation. The results of this reform have started to show, as seen in the improvements in the trade balance and in increasing the growth rate of GDP. However, the much needed liberalisation of fiscal and monetary policies has not progressed as expected and constitutes a strain on economic recovery. Indeed the macro-economic performance of the country is considered as an issue of concern considering the results of the macro-economic reform programme which have been insufficient to consolidate the initial impressive outcome.

As part of the reform, the government budget has been drastically curtailed with a view to reduce the budget deficit. Attention has however been paid to ensure that basic services such as housing, education and health continue to be provided with government assistance. It is nonetheless feared that the reduction in government allocation in other sectors may cause considerable strain on the budget of the average household in view of the very high costs of living. It is in this respect that the Government, together with the EC, agreed to allocated funds from under the 9<sup>th</sup> EDF for a programme that would aim at reinforcing the capacity of non-state actors to enable them to buffer some of the social impact of the reforms.

The MTR 2004 confirmed the strategy for the country under the 9<sup>th</sup> EDF, maintaining solid waste as the focal sector. Attention should however be paid to ensure that the economic constraints facing the Government currently do not limit the latter's capacities to fully develop an enabling environment for the sector. During the Annual Operational review early 2004, it was agreed that unutilised 'reliquats' from previous EDFs would be oriented towards the respect of human rights, as part of the non-focal sector project which is a national capacity building programme for state and non-state actors. The decision to have a Technical Cooperation Facility of €500,000 was also taken during the course of 2004 to support the financing of studies, reviews and evaluations. To note that the vast majority of preparatory works for the 9<sup>th</sup> focal sector would be financed under the resources of the TCF.

Efforts made by Government to close old commitments is noteworthy. In effect, the progress made in this respect is of extreme importance in view of programming for the 2006 End of Term Review, when a decision could be taken on the re-allocation of these unutilised resources.

The new President James Michel has brought more openness to dialogue between the Government and Non-State Actors, seeking to increase consensus on the above-mentioned reforms.

It is important for Government to start planning for the next programming cycle.

## **2. Update on the political, economic and social situation**

### ***2.1 Update of the political situation***

Since April 2004, the country is governed by the new president, Mr. James Michel who became president after the stepping down of former President René. President James Michel was previously the Vice President. The new Vice President is Mr. Joseph Belmont. Mr. Albert René, former President (1977 – 2004) is now the Head of the Seychelles Peoples Progressive Front.

### ***2.2 Update of the economic situation***

In 2004, the economic performance remained below its potential. The positive fiscal outcome which started in 2003 continued in 2004. The Macro Economic Reform Programme (MERP) of 2003 had managed to reduce liquidity and strengthened fiscal discipline. However it was not sufficient to address other persistent macro-economic imbalances.

Tightened fiscal policy, improved revenue collection and the imposition of a more stringent control over spending by ministries and departments, while representing noteworthy efforts made by Government, were the main factors that contributed to the positive fiscal outcome. The budget surplus enabled Government to reduce domestic debt. In effect, it is seen that there has been a general improvement in the budget balance, which was to be expected given that the programme aimed at reducing expenses. A 12% goods and services tax has been introduced and there has been substantial reduction in capital outlays. The main reasons are the improvement in the tourism arrival in 2004 as compared with 2003 figures and the increase in the production of canned tuna. This also contributed to an improvement in the economic growth rate from -6.3% to -2%.

Notwithstanding the above improvements, the targets set by the IMF are far from being reached. It is argued that the reforms that are underway are not sufficiently aggressive and failed in consolidating the initial impressive outcome and in reversing economic decline – reserves are still at historic lows (3.8 weeks of import) and public debt remains unsustainable (133.4% of GDP). There is need for further reform like the removal of import and price controls, the elimination of the foreign exchange allocation and the phasing-out of the Seychelles Marketing Board's import monopoly. The tsunami (and subsequent torrential rains) of December 2004 aggravated the situation by causing substantial economic damage, initially estimated at USD 30 million (around 3% of GDP), affecting tourism infrastructure and the artisanal fishing sector. The mobilization of contingency funds will impose deficitary strains on the finances of the economy. According to the IMF, the estimated 2004 budget surplus of 1½ is expected to turnout as a 1% deficit due to mobilization of contingency funds.

While this is a situation of concern especially to the international community, Government is confident in the sense that according to them, the MERP was mostly intended as a first phase of reform to mop up excess liquidity and that should be followed

by further reform which would be phased at a suitable pace to ensure that social gains are not compromised and that a tailor-made solution can be identified to suit the country's specificities. In this respect, Government is holding ongoing discussions with various organizations, mainly the World Bank.

One key element of the reform programme was effectively the reduction of government budget. For a country where the welfare state has been over generous in its provision of social and facilities, this reform will come with a cost and may lead to the emergence of poverty if no counterbalancing measures are taken. While officially, there is no readily available data, the welfare of the average Seychellois is likely to have diminished as a result of the crisis, in an economy where costs of living are extremely high.

For instance, the introduction of the taxes has led to inflation which has further risen the costs of living. In addition, in the short run the reduction in government spending has had dire impacts on economic growth which has translated into a decrease in the level of employment

The Retail Price Index in 2004 reveals that prices were more volatile compared to 2003. In the third quarter of 2004, the rate of inflation stood at 3.9%.

Overall, the macro-economic performance of the country is considered to be an issue of concern especially with regard to the results of the macro-economic reform, which was insufficient to consolidate the initial impressive outcome.

The tourism industry has been the backbone of Seychelles' economy, contributing 16% of GDP and providing direct employment to over 20% of the labour force. 87,642 tourists visited Seychelles from January 2004 to October 2004 against arrivals of 91,761 for the same period in 2003, representing a reduction of 5%. In 2004, visitor arrivals declined by 1%. Despite the drop in the number of visitors in the country, tourism income for the 2004, converted into rupees through the local banking system, recorded an increase of SR 75 million. This is due to an increase in average yield per visitor.

In July 2004, the Tourism Incentives Act was strengthened. The Act grants additional benefits and further concessions to businesses in the tourism sector. Several projects were approved by Government in 2004. Seychelles managed to attract several leading brands, such as Starwood, Taj, Four Seasons, Southern Sun, Constance, Beachcomber and Hilton. These projects might increase Seychelles' capacity by 1356 beds and create an estimated 2400 new jobs, especially for the youth.

The fishing sector policy for 2004 has focused on the promotion and development of sustainable and responsible fisheries and on optimizing the benefits from the fisheries sector for the present and future generations. Port Victoria has become the most important transshipment centre for tuna in South West Indian Ocean.

The agricultural sector is mainly oriented towards the domestic markets with the exception of some exports of tropical fruits and essential oils. Because of its relative importance for employment and sustainable development, the sector is considered

sensitive and therefore requires support. Farmers, farming entity, agricultural processors and agricultural exporters are eligible for concessions under this package. Similar to the fisheries sector, trades tax and GST concessions are granted on capital equipment, minor operating equipment and inputs, commercial vehicles and protective and safety equipment. Concessions on business tax, social security, GOP and accelerated depreciation allowances are also provided.

This sector in 2004 has permitted Seychelles to be almost self-sufficient in eggs and poultry products and in pork. Seychelles is producing around 50% of the fruits and vegetables consumed locally.

At the end of September 2004, in the financial services industry, Seychelles had 17,000 International Business Companies, 11 trusts, 20 Management companies and one offshore insurance company on Seychelles' register. Seychelles have issued 21 licenses to companies operating in the Seychelles International Trade Zone. The first offshore bank will be launched by Barclays Bank in 2005. There has been estimated revenue of SR 57 million in 2004.

A modern and one stop Investment Bureau was established in July 2004 under the President's Office. The Bureau ensures that all potential investment opportunities are optimized and investment projects processed in a timely, efficient, transparent and fair manner. It has the mandate for all activities relating to the promotion and facilitation of investments in Seychelles. Since its establishment, the Investment Bureau has processed 58 new projects, in tourism, industry, trade, infrastructure development estimated at SR 1.421 billion. Of the total investment approved, an amount of SR 88 million will consist of investments made by Seychellois, whilst SR 1.33 billion is in the form of foreign direct investments.

Seychelles is a net oil importer, and with the recent oil price hikes, the CIF value of mineral fuel rose from US\$ 71 million in 2003 to US\$ 107 million in 2004. With fuel prices for motor vehicles remaining constant and with an increase in electricity charges and public transportation, Government has had to absorb the increasing oil prices, leading to a substantial decrease in its revenue.

The tsunami of December 26<sup>th</sup>, which was followed by two days of torrential rains, caused substantial damage. The balance of payments will be impacted adversely due to decline in tourism and by import needs associated with the reconstruction. The lingering concerns about travel are estimated to have a negative impact on export earnings of approximately US\$ 29 million. The net effect on the current account is likely to be smaller, at about US\$ 14 million, as declines in tourism-related imports (estimated at about 70% of tourism revenue) would offset some of the impact. Repairing damages to hotels, housing stock, roads, ports, and public infrastructure in general will require an increase in imports of about US \$ 21 million. Reconstruction efforts will put further pressure on already limited foreign exchange.

### ***2.3 Update of the social situation***

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

The absence of a defined 'poverty line' severely limits the possibility of undertaking a detailed analysis of the social situation, in particular how the situation has fared over the years and how this compares with the MDGs. Annex 12 shows some of the figures which do exist. These relate to (i) the proportion of births attended by skilled health personnel; and (ii) proportion of 1 year old children immunised against measles. In both cases as in 2004 100% coverage was achieved.

In 2004 home ownership by Seychellois has increased to over 70%. This is a result in Government investing approximately SR 1.3 billion in the construction of housing which has benefited some 9000 families.

In the Health Sector, emphasis has been placed on the need to improve the operational efficiency, effectiveness and quality of services offered, whilst rationalizing expenditure. In line with the policy of involving the private sector in the provision of services that it can offer more effectively and at less cost, the Ministry of Health will contract out certain services. The prevention of HIV/Aids has been and will remain a priority of Government.

As regards water facilities, in 2002 around 87% of households reported to have access to treated water, and 11% obtained untreated water. The supply in both categories includes water from the Public Utilities Corporation and from private sources such as rivers and wells. Comparative figures from 1994 indicate a slight increase in the proportion of households that have access to treated water. Although the table shows a significant increase in the proportion of households without treated water, it is likely that a good proportion of these households had been in the 'not reported category' in 1994 (i.e. water source type was not known).

In 2004, all post-secondary institutions were transferred to the Ministry of Education and Youth with the aim to facilitate the development of new curricula for post-secondary courses using the competency-based approach. There has also been a policy established and legal framework for the development, assessment and award of national qualifications according to set standards. The National Qualification Framework will help in the creation of a more integrated education and training system. The framework will be the responsibility of a new body, the Seychelles Qualifications Authority which will be set up in 2005. Annex 13 gives details of net enrolment rates during the period 2000-2004.

The number of students on overseas training as at December 2004 is 500 young Seychellois studying outside Seychelles. The Seychelles Institute of Management (SIM) has intensified its courses in management and has introduced a number of distance learning programmes.

As at September 2004, the number seeking employment was 1594. However, there are many employment opportunities which, for one reason or another, job seekers are not taking up. Seychelles have had to rely on imported labour which is costly to the economy. Seychelles is pursuing an aggressive localization policy, with the full cooperation of local employers.

Seychelles has opted for a liberalized air access policy. The change in policy has brought about new scheduled services to Seychelles by Qatar Airlines and Emirates. This provides increased connectivity, frequency and flexibility to visitors. However Emirates and Qatar Airways bring serious competition to Air Seychelles.

The Government of Seychelles attaches importance to law, order, peace and security in the country. Substantial investment has been made in 2004 to strengthen the logistic base of the Police.

The economic strategy towards the Youth has been in line with their aspirations. Through “Aspirations 2013” and other youth related activities, the youth has shared their aspirations and their hopes for the future. In order to prevent exploitation and victimization of children, the Attorney General is drafting new legislation which will provide for harsher sentences for child molesters. The project Child Well-being Risk Indicator Framework has been introduced by Social Services as well as a review of the Conventions on the Rights of the Child.

### **3. Development agenda of the partner country**

Seychelles initiated its application for accession to the World Trade Organisation (WTO) in 1996, but the process has been fraught with difficulties in terms of available human technical capacity and institutionalizing domestic reforms in line with WTO conformity. Whilst an open, rules-based and non-discriminatory trading and financial system might provide some opportunities for Seychelles, the negative impacts on the national economy seem likely to outweigh these. The economic vulnerabilities associated with Seychelles’ mean that it is very difficult for it to compete in the world economy against high-income countries and larger developing countries.

However, in the context of the Macroeconomic Reform Programme of June 2003, Seychelles is moving to address imbalances in the economy. This portfolio of reforms reflects contemporary international norms in macroeconomic thinking, including the reduction of excess liquidity, a move from trade liberalization. Seychelles is also undergoing negotiations to enter into an EU-proposed Economic Partnership Agreement (EPA) as part of the implementation of the Cotonou Agreement. It is important to consider the expected socio-economic costs of conforming to the EPA. Restructuring

assistance should be made available and programmes implemented before free trade is fully introduced so that Seychelles is equipped to address issues of fiscal and social programmes to meet the challenges posed by freer trade with the EU. Seychelles is part of the Eastern and Southern Africa (ESA) group, coordinated by the COMESA Secretariat. The EPA will be WTO compatible.

Seychelles has been a leading advocate in pressing for a Vulnerability Index which takes into account factors other than GDP per capita in determining overseas development assistance (ODA) and special and differential treatment in the new international trade regime. Based upon developments to date, a Vulnerability Index will rate SIDS as being highly vulnerable. As part of the Atlantic, Indian Ocean, Mediterranean and South China Seas (AIMS), Seychelles has actively and constructively promoted the special needs of SIDS. The January 2004 AIMS meeting saw the finalization of the Mahé Strategy. It outlines the negotiating platforms of AIMS SIDS for the BPOA + 10 Review in Port Louis during January 2005. The formulation of the Mahé Strategy was a significant diplomatic achievement as it represents an important outcome of consensus-building amongst politically, economically and culturally diverse SIDS.

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

- The specificity of the country bearing in mind that the Seychelles may have the least to gain through regional integration of all ESA members
- The fact that the Seychelles is extremely vulnerable, both in economic terms (dependence on EU markets for its products) and environmental terms (natural disasters)
- The potential adjustment costs of an EPA

EPAs are intended to be WTO compatible. Although the Seychelles is not a WTO member, the EPA may have some repercussions on the country for which assistance may be required to deal with necessary adjustments.

Similar to many small island developing states, the Seychelles is highly dependent on foreign goods for consumption, production and re-exports. As such, the trade balance of the country is invariably in the deficit. The main trade receipts are dominated by the entries 'oil re-exports' and 'canned tuna'. On the trade-related payments side, the main

item was oil transactions. On account of the global rise in energy prices, the country's oil imports expenses rose by 37% over the previous year. Main trading partners are UK, France, Italy and South Africa.

Seychelles is currently implementing its second Environment Management Plan (EMPS 2000-2010). In line with Article 38 of the Constitution, the EMPS 2000-2010 has for a mission: 'The promotion, coordination and integration of sustainable development programmes that cut across all sectors of society in Seychelles'. See annex 10 for more information on the EMPS programme areas. Seychelles has institutionalised a diverse portfolio of environment-related laws and regulations. However, many need to be updated to reflect current priorities and address certain shortcomings. For example, although the first EMPS had a component on environmental legislation, most new legislation has been orientated toward environmental management, such as pollution control and environment impact assessments rather than being conservation focused. An initiative to draft a new Biodiversity Act was taken in 2000. Enforcement capacity is a serious issue at all levels and presents one of the most challenging obstacles in implementing Agenda 21 and the BPOA in Seychelles.

In 1993, Seychelles acceded to the Convention on the Elimination of Discrimination against all forms of Violence against Women. The African Charter on Human & People's Rights was signed in 2003 and the adjacent AU Protocol on the Rights of Women in Africa which remains to be ratified by Seychelles although it has now come into force.

## **4. Overview of past and ongoing cooperation**

### ***4.1 Focal sectors***

#### ***4.1.1 Focal sector under 9<sup>th</sup> EDF***

The environment sector has been agreed in the EU-Seychelles Country Support Strategy as the sole focal sector for Seychelles' 9th EDF Indicative Programme (Euro 3.9 million). The foreseen activities relate more specifically to environmental health, through the provision of an adequate solid waste disposal system, which will have a direct and positive impact on the population as a whole. The MTR 2004 confirmed the validity of this strategy. To note that the Government maintains a strong and results-oriented policy for the environment sector and in particular for solid waste management.

The overall assessment of the sectoral performance is considered to be sufficient. However attention should be paid to the constraints that the current economic situation may impose on Government's capacities to fully develop an enabling environment for the sector. Due to delays in the launching of the focal sector project because of previously unforeseen needs for preparatory studies, level of utilisation of 9<sup>th</sup> EDF (A-envelope) by end 2004 was low. The real absorption capacity of the sector, once the project, is launched should be assessed against the limited human capacities existing in the Seychelles.

There is an inextricable link between Seychelles' dominant pillars of its economy and the environment. Indeed, given the set-up of the Seychelles economy, it is clear that it cannot bear the costs associated with environmental degradation in the long-term. Thus, the need for a well-preserved environment is essential. A pristine environment is also equivalent to a better marketability of the Seychelles as a tourist destination. By being the very backbone of the Seychelles economy, tourism contributes to the foreign exchange revenue of the economy. At the same time, it also has an important social dimension in the sense that it creates employment – both directly and indirectly - and by doing so it provides opportunities to individuals/households to uphaul themselves out of the rut of poverty.

An update of the Solid Waste Masterplan has been completed during the course of 2004 with strong recommendations on a series of capital projects which need to be undertaken, together with an indicative investment plan and calendar of interventions. Additional consultancy services were launched during 2004 to undertake a more detailed study on the costs implications. The results of this study are awaited to prepare the Financing Proposal for the sector.

Since the project has not been initiated yet, it is not possible to comment on the results related to the sectoral indicators. However, in-terms of risk element, the uncertainties generated following the termination of technical assistance from the French Government should not be ignored. The departure of the current TA would effectively put a major strain on the local capacities in the management of the project which the Government will have to address in 2005. To note that the TA provided by France is still running and will come to an end in October 2005.

Attention will be paid while preparing the Project Proposal to ensure the integration of crosscutting issues and NSA involvement in the focal sector.

#### *4.1.2 Focal sectors under 7<sup>th</sup> and 8<sup>th</sup> EDFs*

These concern industry and environment respectively. Under the 7<sup>th</sup> EDF, the focal sector was industry with implementation of projects such as the Consolidation of the Handicraft Development, the Rehabilitation of the Victoria Market, and provision of support to small entrepreneurs in training and in consulting as well as access to equipment, through the Seychelles Industrial Development Corporation. Under the 8<sup>th</sup> EDF, the focal sector was the environment with projects such as the Anse Royale Landfill. For more information see Annex 8.

#### *4.1.3 Macroeconomic support*

An 8<sup>th</sup> EDF funded operation involved a study on a Macroeconomic Strategy for the Seychelles (Euro 200,000<sup>1</sup>). Based on the recommendations made by the consultants, three major sub-sectors were identified, namely export promotion, SME development and

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<sup>1</sup> 7 ACP RPR 476

macroeconomic modelling. These three studies were completed in 2000. However, there were no follow-up on these studies.

In July 2003 the Seychelles Government launched the Macroeconomic Reform Programme (MERP).

## ***4.2 Projects and programmes outside focal sector***

### ***4.2.1 Non-focal sector under the 9<sup>th</sup> EDF***

The CSP foresees a programme aimed at the enhancement of the national capacity of state and non-state actors. More specifically, state capacity building was expected to center on training for the Ministries of Administration and Manpower Development and Education and Youth while non-state component, assistance was aimed at empowering NGO's in their capacity to deliver quality service. The initial envelope was €600,000, which was increased during the Annual Operational review in early 2004 to €860,000 with resources from previous EDFs to include an additional activity which will aim at reinforcing local capacities to deal with human right issues.

The Financing Proposal of the state and non-state capacity building programme has been prepared and submitted to Brussels in October 2004.

Particular attention has been paid to the gender dimension. While the project has a major mandate to increase local institutional capacities, attention would at the same time be paid to ensure that, where possible, it has a positive impact on the environment.

### ***4.2.2 Non focal sectors under 7<sup>th</sup> and 8<sup>th</sup> EDFs.***

Projects range from tourism to environment. More details in annex 9.

## ***4.3 Utilisation of resources for NSAs***

Under the 9<sup>th</sup> EDF, the non-focal sector which has an important component for NSA's is still in the process of identification (see under 4.2.1). The process of project elaboration has warranted the involvement of NSA's, in particular the NGO's in the Seychelles, to ensure that the project activities aimed at them can effectively meet their real needs and requirements. Under previous EDFs, a few projects were successfully implemented where NSA's were directly affected. These include the 6.ACP.SEY.003 where 100% of funds were committed for the 1<sup>st</sup> Microproject Programme financed by the EC in the Seychelles, the 7.ACP.SEY.003 which was a credit line to small enterprises and the tourism capacity building programme aimed at putting in place an appropriate environment that would be conducive for both the public and private operators to thrive and to face the challenges of the future. The success reaped from the latter tourism project – namely on the issue of sustainability/subcontracting of services, as detailed out in the earlier section, is a clear evidence of the way by which all stakeholders are capacitated by EDF financed projects.

#### ***4.4 Technical Cooperation Facility - € 500,000 to undertake adhoc studies and evaluations.***

***The TCF was signed in February 2005.***

#### ***4.5 Utilisation of envelope B***

Seychelles is also entitled to benefit from resources (Euro 0.8 million) under 9th EDF non-programmable aid (the “B” envelope). This figure was reduced to Euro 0.7 after deduction to the contribution to the Peace Facility. Resources under the B envelope were committed for the programme of preparedness against tsunamis. In this respect, the Commission entered into a Contribution Agreement with the UNDP for the implementation of such a programme.

#### ***4.6 Other instruments***

##### ***4.6.1 European Investment Bank***

Total EIB financing under successive Lomé Conventions (I – IV) has so far amounted to Euro 12.6 million. Given the small size of the Seychelles economy, on-lending via a financial intermediary has proved to be the most effective way for the Bank to support the development of private sector SMEs. EIB interventions have therefore concentrated on global loans to the Development Bank of Seychelles (DBS) for the financing of small and medium-sized private sector enterprises in the industrial, agro-industrial, fisheries, tourism and transport sectors (Euro 12 million in all). A founding shareholder of DBS, the EIB also holds, in the name of the EC, a 16 % equity share in DBS. In the public sector, a Euro 1 million loan from risk capital was made to the Government of Seychelles in 1999 to part-finance the rehabilitation and extension of the Le Niol water supply system, a project co-financed by a Euro 1.35 million EDF grant.

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

To note that as at end 2004, the Seychelles had an accumulated arrears of Euro 2.1m with the EIB.

##### ***4.6.2 Regional co-operation***

The chosen priority sector, environment, is coherent with a number of ongoing regional co-operation programmes in the South Indian Ocean. Seychelles is a member country of the Indian Ocean Commission, which benefits from EDF regional allocations. The 7th EDF Regional Support Programme for Environmental Initiatives ended in December 2003 and directly benefited Seychelles in many areas. An environmental education programme (ARPEGE) is also being implemented under the 8th EDF. In addition, the World Bank has approved the financing of a major environmental project for the IOC (oil spillage contingency).

Other projects include the private sector support programme (PRIDE), a regional tourism development programme, and the *Université de l'Océan Indien* project, which aimed at reinforcing a regional dimension in tertiary education with a view to promoting efficiency and sharing of know-hows. Successes of these projects are quite disparate among the different countries of the IOC. In the case of Seychelles, for instance, given the size and nature of the private sector, the country did not necessarily meet the objectives as set by the PRIDE project. This gives an important lesson which should be taken into considerations when formulating other regional project, and this is the need to bear in mind the disparities that exist in all these countries. On this basis, the new projects should be sufficiently flexible so as to meet the real requirements of all these countries by still maintaining its regional connotation.

Under the 9<sup>th</sup> EDF, the regional entitlements from which Seychelles may benefit, in conjunction with other countries, are managed and attributed under a larger umbrella covering four regional organizations namely the COMESA, the EAC, the IGAD and the IOC. In total this allocation amounts to EURO 223 million. Two projects are already underway with resources from this envelope. These are the Tuna Tagging Programme and the *Projet Pilote Régional sur la Surveillance, le Contrôle et le Suivi des grands pélagiques* ( for more details see section 4.6.3 below). In addition, two other projects are in the instruction phase, namely the Euros 18 million Sustainable Management of Marine and Coastal Resources project and the Euros 7.9 million regional private sector programme.

#### *4.6.3 Fisheries*

##### *4.6.3.1 EU Fishing agreement: Important financial impact for Seychelles in 2004*

During 2003 the overall captures of high migratory species in the South West Indian Ocean were excellent. According to the fisheries scientific community such catches occur, on average, one year in three or one year in five. Indeed, on the whole, the Community tuna vessels reported to have fished 71,460 tonnes of tuna in 2003 in the Seychelles' waters only compared to the reference tonnage of 46,000 tonnes earmarked in the Seychelles Fishing Protocol with the EU. Accordingly, in conformity to the payments provisions in the said Protocol (i.e. €75/tonne), an amount of €1.914 million has been paid to the Seychelles in the second semester of 2004 in addition to the normal amount of €3.46 million. Furthermore, in 2003 the Seychelles has also received an amount of around €1.786 million directly from vessel owners (i.e. €25/tonne). Overall, financial implications of the European Commission and the vessel owners for the year 2003 amount to €7.16 million under the Fishing Protocol.

These important catches do not have to hide the need to narrowly monitor the regional stocks of Thunidaes which remain, with those of the Pacific Ocean, the most important ones of the world. In this context, the EC is financing two key regional programmes, namely (i) the Tuna Tagging Programme (€ 14 million over 5 years- whereby the implementation of technical activities is under the responsibility of the Indian Ocean Tuna Commission) and (ii) the “Fisheries Monitoring Control and Surveillance” (€3.5 million); both projects will start in early 2005.

The fisheries agreement has, besides bringing the above-mentioned financial resources to the Seychelles economy, a series of other important impacts such as the payment of salaries to local labour (estimated at some €5.5 million – for instance, for tuna alone, the Agreement employs around 2100 Seychellois), spend some € 6.3 million interms of purchase of local consumables, pay fiscal taxes in the amount of €1.9 million.

Besides these financial and social benefits, the Agreement also has an environmental dimension in the sense that it ensures that the fisheries are exploited in a sustainable manner.

#### 4.6.3.2 New Tuna fishing agreement negotiated with Seychelles in 2004:

The Fishing Protocol between the EU and Seychelles remains the most important tuna fishing agreement between the EU and a third country. In mid-2004, an evaluation of the Protocol, which expires in January 2005, was undertaken by the Commission and its positive conclusions have served as important inputs during its re-negotiation (carried out in September 2004).

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

- Increase of 20% in the reference tonnage (55,000 tonnes/year instead of 46,000 t/yr); this new tonnage corresponds to the average catches over the last 4 years;
- Identical increase in the contribution paid by the EC (4.125 million €a year compared to €3.45 million per year in the current Protocol). A minimum of 36% of this amount (i.e. €1. 485 million a year) will be reserved for the financing of specific activities within the "Fisheries" sector (including monitoring and surveillance), the remainder will be paid to the Treasury.
- The protocol will have a duration of 6 years (January 2005- January 2011)
- Decrease of 20% in the number of Community fishing vessels (a new total of 50 vessels having access to the EEZ of the Seychelles instead of 67): 40 seiners (unchanged) and 10 long liners (against 27 in the current Agreement).
- Increase by 50% in the advance payment made by the vessel owners at the beginning of the fishing year for all types of boats.

- Commitment of the EC and two of its Member States (France and Spain) to improving the fishing methods of their seiners (pilot projects currently under implementation) in order to decrease the rate of accidental captures of protected species and the fishing of young tunas.

#### 4.6.3.3 Sanitary issues on fish exports to the EU

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

An inspection mission of the EU Food and Veterinary Service has been undertaken in Seychelles in May 2004. The main problems reported by the mission were concerning the tuna canning factory (Indian Ocean Tuna) which exports its production to the EU and is vital as regards Seychelles exports, global employment and the country overall economy. Severe deficiencies have been reported by the mission in this canning plant. The company, now more closely monitored by the Competent Authority, reacted quickly and stopped its activities after the inspection mission to undertake important urgent repairs and start mid-term investments to correct the situation.

The competent authorities (Veterinary Services) as well as the private sector involved in the fisheries area have requested since 2003, the mobilization of the "All ACP S.F.P. project" on sanitary issues but the intervention has been postponed to 2005 due to difficulties encountered by the PMU of the project based in Brussels).

#### 4.6.3.4 Victoria's fishing port facilities

Taking into account the importance of the fisheries sector for the Seychelles economy, in particular the possibility for foreign fishing vessels to tranship or unload the fish in other neighbouring ports (see the recent sea food hub initiative in Mauritius), the quality of the overall facilities provided at Victoria fishing harbour are of vital importance. A new quay has been put in place in 2004 and the Seychelles Government committed itself to facilitate the formalities and shipping services for the fishing fleets. Very unfortunately the EIB cannot intervene in Seychelles to finance the sector. It is important to note that Victoria fishing port is the heartbeat of Seychelles.

We should also take into consideration that Victoria's harbour has been severely damaged by the 26<sup>th</sup> December 2004 tsunami.

## 5. Programming perspectives for the following years

Continuity and concentration of the European Union's development assistance since prior EDFs to current 9<sup>th</sup> EDF is being preserved, with the environment sector, particularly the solid waste sector being addressed. It is expected that the Financing Proposal would be

introduced in the circuit during the course of 2005 and the new project would be operational by mid-2006. To note that according to the CSP, total envelope for the focal sector was €3.3 m. However, in view of the urgency to undertake further detailed studies on investment requirements, it was agreed to increase the amount of the Technical Cooperation Facility (originally €250,000 as per decision of Annual Operational review of early 2004) by another €250,000 from the allocation of the focal sector, to finance preparatory studies for the very focal sector. Consequently, the amount of resources earmarked under the focal sector stands at €3.050 million.

As regards the non-focal sector, following the decision taken during the Annual Operational review of early 2004 which was to increase the envelope by another €260,000, a financing proposal in the amount of €860,000 was introduced in the circuit during the course of 2004 and it is expected that the project would be operational by mid 2005. The chronogramme giving an indicative timetable for these new commitments is at annex 2, while annex 3 gives an indication of commitments and disbursements until the end of 2007.

To note that in line with efforts to close old commitments, during the course of 2004, 3 projects were effectively closed. These included 7.ACP.SEY.001, 8.ACP.SEY.002 and 8.ACP.SEY.010 liberating respectively €12,784.64, €49,573.07 and €44,336.86. As regards 8.ACP.SEY.005, all individual commitments are closed except one. It is expected that the project would be closed during the first semester of 2005, thereby liberating around €50,000.

The preparation of the next programming cycle of the CSPs have not been started during 2004, but will be subject of in-country reviews and discussion between EC/NAO during 2005. The possibilities of financing studies, if necessary, as part of the preparatory work on the next programming exercise, exist under the Technical Cooperation Facility.

## **6 Dialogue in country with the NAO and NSAs, and Donor Co-ordination**

### ***6.1 Dialogue in country with the NAO and NSAs***

Despite the fact that the office of the Delegation is not physically present in the Seychelles, attention is paid to ensure regular meetings with the NAO as well as with stakeholders through regular missions undertaken by both Delegation staffs and officers from the Head Quarters. Relations have always been very warm with the Seychelles Government and people in general and it is expected that with the new non-focal sector project under the 9<sup>th</sup> EDF, which is due to be launched during the course of 2005, this will give further opportunities to hold exchanges in a more systematic manner with NSA's. Attention would be paid to ensure that the views of the latter are sufficiently taken into considerations in the next programming exercise. The NSAs emphasized on the need to progress swiftly in the elaboration of the new programme under the non-focal sector so that funds could be quickly made available for projects of national importance.

## ***6.2 Donor coordination***

The member-states present in the Seychelles are the French and the British, who coordinate with the EC on their respective aid programmes. The fact that the French Government has been providing assistance in the form of TA to help the Seychelles Government in managing environmental project has meant a close collaboration with the EC on a number of projects activities in that sector.

During the course of 2004, the IMF undertook a study on the economy with a view to proposing solutions to the financial crisis affecting the country. Further aid cooperation would depend to a certain degree on the extent to which these recommendations have been taken on board by national policies.

An updated Donor Matrix is included at the annexes.

## 7. Conclusions

The draft JAR 2004 was discussed by way of an exchange of written comments which took place from 2<sup>nd</sup> to 13<sup>th</sup> May, 2005 (which replaces the formal Country Team Meeting for countries where the A-envelope is less than €10 m). Based on the comments/observations as per the Minutes of the exchange of written comments, the Conclusions and main text of the JAR 2004 were revised. The EDF Committee gave its positive opinion on 4/11/2005, without any comments. All parties involved being agreeable to the changes, and considering a number of concurrent issues both on NAO and Delegation sides, the holding of a subsequent in-country review meeting was considered not essential to the purpose of the review. Therefore, with the finalization of the Conclusions and the main text of the JAR 2004 on the basis of the Minutes of the Country Team Meeting of April 2005, the operational review process for the JAR 2004 is considered completed.

The year 2004 is necessarily an eventful year, at least on the political front, with the change at the level of the Presidency. In effect, after 27 years of rule, President Albert René stepped down to allow his Vice President and Minister of Finance to take the post of President. This change came at a critical phase, ie at a time when the economy is subject to the harshest fiscal discipline programme ever implemented in a country traditionally renowned for its general welfare state.

The fiscal discipline programme, initiated in 2003, has yielded some initial positive results, if judged by economic data generated during the course of 2004. In effect, it is seen that there has been a general improvement in the budget balance, which was to be expected given that the programme aimed at reducing expenses. A 12% goods and services tax has been introduced and there has been substantial reduction in capital outlays. The main reasons are the improvement in the tourism arrival in 2004 as compared with 2003 figures and the increase in the production of canned tuna. This also contributed to an improvement in the economic growth rate from -6.3% to -2%.

Notwithstanding the above improvements, the targets set by the IMF are far from being reached. It is argued that the reforms that are underway are not sufficiently aggressive and failed in consolidating the initial impressive outcome and in reversing economic decline – reserves are still at historic lows (3 weeks of import) and public debt remains unsustainable (133.4% of GDP). There is need for further reform like the removal of import and price controls, the elimination of the foreign exchange allocation and the phasing-out of the Seychelles Marketing Board's import monopoly. The tsunami of December 2004 aggravated the situation by causing substantial economic damage, initially estimated at USD 30 million (around 3% of GDP), affecting tourism infrastructure and the artisanal fishing sector. The mobilization of contingency funds will impose deficitary strains on the finances of the economy. While this is a situation of concern especially to the international community, Government is confident in the sense that according to them, the MERP was mostly intended as a first phase of reform to mop up excess liquidity and that should be followed by further reform which would be phased at a suitable pace to ensure that social gains are not compromised and that a tailor-made solution can be identified to suit the country's specificities. In this respect, Government is holding ongoing discussions with mainly the World Bank.

One key element of the reform programme was effectively the reduction of government budget. For a country where the welfare state has been over generous in its provision of social

and facilities, this reform will come with a cost and may lead to the emergence of poverty if no counterbalancing measures are taken. While officially, there is no readily available data, the welfare of the average Seychellois is likely to have diminished as a result of the crisis, in an economy where costs of living are extremely high.

For instance, the introduction of the taxes has led to inflation which has further risen the costs of living. In addition, in the short run the reduction in government spending has had dire impacts on economic growth which has translated into a decrease in the level of employment.

Government is fully sensitized about the need to put in place a mechanism so as to fight poverty. It is in this respect that an important share of resources from the 9<sup>th</sup> EDF non-focal sector project are being geared towards the reinforcement of the capacity of Non State Actors so that they can better represent the interests of the vulnerable groups.

With the change in the political arena, there has also been a liberalization of the economy, whereby non-state actors, including the private sector, are being expected to play a prominent role in the economic process of the economy. The new President James Michel has brought more openness to dialogue between Government and Non State Actors, seeking to increase consensus on the reforms. The extent to which these actors effectively have the capacity to do so is however not yet known and should be explored in further details. To note that only recently, a Joint Economic Council has been set up in the Seychelles.

With the gradual erosion of preferential treatment in certain traditional markets on the one hand, and the emergence of growing and more direct competitors from lower-cost countries on the other, competition in both the current export markets and in tourism is likely to become increasingly fierce. Seychelles will need to increase its competitiveness, diversify its markets and improve investor confidence in order to reverse economic decline. As regards the EPA negotiations, the Seychelles belongs to the Eastern and Southern Africa block and is therefore concerned with the ESA-EC EPA Negotiations. The fisheries sector has been identified as the priority sector which is expected to be pertinent to the Seychelles given the importance of that sector as a foreign currency earner through tuna canning. Nevertheless, Government urges that during these negotiations, attention should be paid to take into considerations:

- The specificity of the country bearing in mind that the Seychelles may have the least to gain through regional integration of all ESA members
- The fact that the Seychelles is extremely vulnerable, both in economic terms (dependence on EU markets for its products) and environmental terms (natural disasters)
- The potential adjustment costs of an EPA

The fact is that EPAs are intended to be WTO compatible. Although the Seychelles is not a WTO member, the EPA may have some repercussions on the country for which assistance may be required to deal with necessary adjustments.

Given the fact that neither one of the 9<sup>th</sup> EDF projects have been launched by end 2004, it is not possible to comment on the results and on the relevance of indicators used as required in the report. As regards the focal sector, with some exceptions, Government maintains a strong and results-oriented policy for the environment sector and in particular for solid waste management. However, attention should be taken to avoid the risks that economic constraints limit Government's capacities to fully develop an enabling environment for the focal sector. Another limiting factor is the decision of the French Government not to renew the provision

of technical assistance to the Ministry of Environment, thereby putting a major strain on local capacities in the management of projects in that sector. The limited capacity of Government services could negatively influence the country's absorption capacity of EDF resources. To note that the indicators for the focal sector project were identified in 2004, following the Update of the Solid Waste Master Plan. These indicators would be of fundamental importance in the monitoring of the future cooperation programme.

As regards the perspectives for the future, the reform is likely to bring the much needed economic changes in an economy which has been artificially controlled by a too generous welfare state. The short term cost will be in terms of a situation of relative poverty for the average Seychellois who will be suddenly limited on the availability of social and other facilities. The country needs to develop its own capacities as a matter of urgency and at the same time, a further liberalization of the monetary system should be immediately put in place.

As regards the fisheries, the EU fisheries agreement had an important financial impact for the Seychelles after exceptionally good catches during the course of 2003. In effect, in conformity with the payments provisions in the Fishing Protocol, a total of €1.914 million has been paid to the Seychelles in the second semester of 2004 in addition to the normal amount of €3.46 million.

The Fishing Protocol between the EU and Seychelles remains the most important tuna fishing agreement between the EU and a third country. In mid-2004, an evaluation of the Protocol which expires in January 2005, was undertaken by the Commission and its positive conclusions have served as important inputs during its re-negotiations which were carried out in September 2004.

The fisheries agreement has, besides bringing the above-mentioned financial resources to the Seychelles economy, a series of other important impacts such as the payment of salaries to local labour (estimated at some €5.5 million – for instance, for tuna alone, the Agreement employs around 2100 Seychellois), spend some €6.3 million in terms of purchase of local consumables, pay fiscal taxes in the amount of €1.9 million.

Besides these financial and social benefits, the Agreement also has an environmental dimension in the sense that it ensures that the fisheries are exploited in a sustainable manner.

There is an inextricable link between Seychelles' dominant pillars of its economy and the environment. Indeed, given the set-up of the Seychelles economy, it is clear that it cannot bear the costs associated with environmental degradation in the long-term. Thus, the need for a well-preserved environment is essential. A pristine environment is also equivalent to a better marketability of the Seychelles as a tourist destination. By being the very backbone of the Seychelles economy, tourism contributes to the foreign exchange revenue of the economy. At the same time, it also has an important social dimension in the sense that it creates employment – both directly and indirectly - and by doing so it provides opportunities to individuals/households to uphaul themselves out of the rut of poverty.

Seychelles has a strong history of conservation and environment protection activities, which has been heightened over the last 12 years through the development and implementation of environment management plans.

Seychelles is currently implementing its second Environment Management Plan (EMPS 2000-2010). In line with Article 38 of the Constitution, the EMPS 2000-2010 has for a mission: ‘The promotion, coordination and integration of sustainable development programmes that cut across all sectors of society in Seychelles’.

**Table EMPS Programme Areas**

<p><b>Programme Areas</b>          Society, Population and Health          Land Use, Coastal Zones and Urbanisation          Biodiversity, Forestry and Agriculture          Energy and Transport          Fisheries and Marine Resource/Processes          Water, Sanitation and Waste          Tourism and Aesthetics          Environmental Economics &amp; Mainstreaming and Sustainable Financing          Regulatory, Policy and Institutional Mechanisms          Commerce, Industry and Production          Secretarial support programme</p>
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Other key policy documents which explicitly refer to the implementation and building-in of sustainable development principles are: the Ministry of Tourism and Transport’s Vision 21: Tourism Development in Seychelles 2001-2010 and Seychelles: Towards an Ecotourism Strategy for the 21st Century (SETS-21); the Education Strategy and Plan 2000-2005 of the Ministry of Education and Youth; and the Statement and Strategy on Social Development for Seychelles Beyond 2000 produced by the Ministry of Social Affairs and Employment.

Seychelles has institutionalised a diverse portfolio of environment-related laws and regulations. However, many need to be updated to reflect current priorities and address certain shortcomings. For example, although the first EMPS had a component on environmental legislation, most new legislation has been orientated toward environmental management, such as pollution control and environment impact assessments rather than being conservation focused. An initiative to draft a new Biodiversity Act was taken in 2000. Enforcement capacity is a serious issue at all levels and presents one of the most challenging obstacles in implementing Agenda 21 and the BPOA in Seychelles.

Combined with this, Seychelles is party to a number of international conventions. The major sustainable development related conventions to which Seychelles is party to include: the Convention on International Trade in Endangered Species of Wild Fauna and Flora, CITES (accessed to 1977); the Convention on Biological Diversity, CBD (ratified 1992); the Nairobi Convention (signed 1985, ratified 1994); the UN Convention on Rights of the Child (accessed to 1990); the UN Conventions on both Economic, Social and Cultural Rights as well as Civil and Political Rights (accessed to 1992); the Basel Convention on the Trans-boundary Movement of Hazardous Wastes (accessed to 1993); the MARPOL Convention (signed 1977, ratified 1984); the Montreal Protocol and its amendments (ratified 1993); the United Nations Law of the Sea (signed 1982, ratified 1991); the United Nations Convention on Desertification (signed 1994, ratified 1997); the United Nations Framework Convention on Climate Change (ratified 1992); the Kyoto Protocol (signed 1998); the Rome Statute of the ICC (signed 2000); and the International Convention for the Regulation of Whaling (signed

1979). In June 2002 Seychelles ratified the Stockholm Convention on Persistent Organic Pollutants (POPS) and will soon deposit instruments to ratify the Kyoto Protocol under the UNFCCC; the Beijing Amendment under the Montreal Protocol, and the Cartagena Protocol on Biosafety under the CBD.

The implementation of various conventions in Seychelles is done through various national fora. The Ministry of Environment and Natural Resources has, for example, established an International Conventions Unit to co-ordinate international convention issues.

In spite of its very small size, Seychelles endeavours to participate pro-actively and constructively in the various negotiations under these conventions. For example, it is positively recognised for its active role in the CBD, the UNFCCC, the Montreal Protocol and the POPS conventions. Unfortunately a serious lack of human and financial capacity prevents it from fully participating in all meetings.

A number of NGOs are active in the environmental field. The 9<sup>th</sup> EDF non-focal sector project is expected to increase the capacity of the civil society in general so that they are better equipped and can therefore serve in a more efficient manner. A number of donors are involved in the Seychelles. It is important to ensure that there is coordination among these donors for more efficiency through complementarity.

Priorities for the coming year would be to ensure that head-on progress is made so as to commit the projects for both the focal and non-focal sectors at the earliest.

COOPERATION  
European Union - Republic of Seychelles

J O I N T   A N N U A L   R E P O R T

2004

ANNEXES

**European Union – Republic of Seychelles**

**JOINT ANNUAL REPORT 2004**

**ANNEX 1 INTERVENTION FRAMEWORK – 9th EDF**

Table 1: The Intervention Framework proposed for the Environment Sector

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

<p><b>Results</b></p> <p>Landfill facilities operational</p> <p>Environmental damage caused by solid waste minimised</p> <p>Increased solid waste treatment/recycling</p>	<p>Solid waste being sorted at source.</p> <p>Health of environment will have improved</p> <p>Landfill volume utilised yearly</p> <p>75% Of waste recycled of waste recycled</p>	<p>DoE, SWAC &amp; STAR data on the amount of solid waste disposed of everyday</p> <p>MoE Statistical data</p>	<p>Export of waste for recycling remains feasible</p> <p>Waste collection and landfill management remains private</p> <p>Leachates are collected and treated</p>
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**European Union - Republic of Seychelles**  
**JOINT ANNUAL REPORT 2004**  
**9th EDF Activity Pipeline Chronogramme (updated on basis of table in CSP)**

Activity	Amount	Identification	Appraisal	Financing Decision
A-envelope resources				
9th EDF Focal sector project in Solid Waste	€ 3,05m	2004/3	2005/10	2006/4
9th EDF non-focal sector - Capacity Building Programme for State and Non-State Actors	€ 0,86m from EDF 9 A-allocation	2004/4	2004/10	2005/3
9th EDF Technical Cooperation Facility	€ 0.5m	2004/8	2004/8	2005/1
B-envelope resources				
Enhancement of capacity for prevention against disasters	€ 0.7m**	2005?	2005?	2005?

\*\* Awaiting finalisation of a National Management Plan for Natural Disasters, financed under UNEP.

200x/y refers to the year and the month

Identification: equivalent to date of submission of Project Identification Fiche

Appraisal - Financing Proposal submitted to HQ

Financing Decision - EDF Committee

ONGOING PROJECTS  
Commitments and Payments  
(current and forecast)

SEYCHELLES				SITUATION 31 December 2004			FORECAST 2005						FORECAST 2006						FORECAST 2007						
amounts in €				Global Commitment	Ind. Commitment	RAC	1st semester		2nd semester		total 2005		1st semester		2nd semester		total 2006		1st semester		2nd semester		total 2007		
Year Global Commit.	Accounting number (global commit.)	Title Project (global commitment)	date end implementation	ongoing indiv. Commitments	payments on ongoing indiv. Commitment	RAP	Individual commit. A	Payments B	Individual commit. A'	Payments B'	Total Indiv. Commit A + A'	Total Payments B + B'	Individual commit. C	Payments D	Individual commit. C'	Payments D'	Total Indiv. Commit C + C'	Total Payments D + D'	Individual commit. E	Payments F	Individual commit. E'	Payments F'	Total Indiv. Commit E + E'	Total Payments F + F'	
2000	8ACPSEY005	TOURISM CAPACITY BUILDING PROJECT	mars-04	420 000	370 179,02	0,00	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2002	8ACPSEY009	MELON FRUIT FLY ERADICATION PROGRAMME	déc-05	ML	ML	ML	200000	100000	420000	212000	620000	312000	20000	318000	0	10000	20000	328000	SC	SC	SC	SC	SC	SC	SC
2003	8ACPSEY010	PREPARATION DE L'ACTUALISATION DU PLAN DIRECTEUR DECHETS	mai-04	125 000	80 663,14	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2004	8ACPSEY001	TECHNICAL COOPERATION FACILITY	oct-11	500 000	0	500 000	420 000	92 000	0	216 000	420 000	308 000	20 000	132 000	20000	20 000	40 000	152 000	20 000	20 000	20 000	20 000	40 000	40 000	0

NEW PROJECTS  
Commitments and Payments

SEYCHELLES amounts in €				FORECAST 2005						FORECAST 2006						FORECAST 2007					
				1st semester		2nd semester		total 2005		1st semester		2nd semester		total 2006		1st semester		2nd semester		total 2007	
Year Global Commit.	Accounting number (global commit.)	Title Project (global commitment)	date end implement ation	Individual commit. A	Payments B	Individual commit. A'	Payments B'	Total Indiv. Commit A + A'	Total Payments B + B'	Individual commit. C	Payments D	Individual commit. C'	Payments D'	Total Indiv. Commit C + C'	Total Payments D + D'	Individual commit. E	Payments F	Individual commit. E'	Payments F'	Total Indiv. Commit E + E'	Total Payments F + F'
Expected 1st semester 2006	?	SOLID WASTE DISPOSAL LANDFILL PROGRAMME	Expected 2010	0	0	0	0	0	0	0	0	2 400 000	580 000	2 400 000	580 000	150 000	1 100 000	100 000	700 000	250 000	1 800 000
Expected May 05	?	NATIONAL CAPACITY BUILDING PROGRAMME FOR STATE AND NON-STATE ACTORS	Expected 2009	0	0	631 000	157 000	631 000	157 000	0	180 000	95 000	195 000	95 000	375 000	134 000	82 000	0	82 000	134 000	164 000



7 eme FED; ACP SEY Avec les Clotures; Sans les Montants temporaires;

ed	Pays	Prj	Decision-instrument / secteur / Libelle de l'engagement	Dat.ouv. Clot	Decide	Engage	Paye	Non engage	Non paye chef-fil fin-deci	
ACP SEY		1	Dec.284/1 (1) PES SUBVENTIONS (TOTAL) 11330 Vocational training   (Deleg) ECO CONSOLIDATION DEVEL ARTISANAT	08-10-1991	Y	987.215,36	987.215,36	987.215,36	0,00	0,00
ACP SEY		2	Dec.830/1 (1) PF1 SUBVENTIONS (TOTAL) 41030 Bio-diversity   (Deleg) PIRONEN AIDCO/C/5 BIODIVERSITY CONSERVATION AND NATIONAL PARKS PROGRAMME	03-11-1992	Y	406.075,14	406.075,14	406.075,14	0,00	0,00
ACP SEY		3	Dec.533/1 (1) PF1 SUBVENTIONS (TOTAL) 43010 Multisector aid /comp. not available   (Deleg) CREDIT LINE FACILITY FOR SMALL ENTERPRISES	03-05-1993	Y	250.000,00	250.000,00	250.000,00	0,00	0,00
ACP SEY		4	Dec.1633/1 (1) PF1 SUBVENTIONS (TOTAL) 33110 Trade policy and admin. management   (Deleg) ASSISTANCE TO SMALL INDUSTRY	22-06-1993	Y	977.192,77	977.192,77	977.192,77	0,00	0,00
ACP SEY		5	Dec.7501/1 (1) AGH SUBVENTIONS (TOTAL) 33210 Tourism policy and admin. management   (Deleg) PROMOTION TOURISTIQUE (REALISATION DE 2 FILMS)	06-07-1993	Y	150.198,20	150.198,20	150.198,20	0,00	0,00
ACP SEY		6	Dec.7774/1 (1) SUBVENTIONS (TRSF SEME FED) 15040 Government administration   (Deleg) ( EX 05 P016 ) ET APPUI A LA PETITE INDUSTRIE	03-12-1993	Y	2.140,00	2.140,00	2.140,00	0,00	0,00
ACP SEY		7	Dec.7833/1 (1) SUBVENTIONS (TRSF SEME FED) 33210 Tourism policy and admin. management   (Deleg) ( EX. 05 P018 ) ECONOMIC IMPACT OF TOURISM	03-12-1993	Y	29.654,30	29.654,30	29.654,30	0,00	0,00
ACP SEY		8	Dec.8050/1 (1) AGH SUBVENTIONS (TOTAL) 21040 Water transport   (Deleg) PREPARATION OF A MASTER PLAN FOR THE VICTORIA PORT DVLPMT.	26-05-1994	Y	52.666,55	52.666,55	52.666,55	0,00	0,00
ACP SEY		9	Dec.8065/1 (1) AGH SUBVENTIONS (TOTAL) 31181 Agricultural education/training   (Deleg) BOLLYJE AIDCO/C/5 FRUIT FLY CONTROL	31-05-1994	Y	67.500,72	67.500,72	67.500,72	0,00	0,00
ACP SEY		10	Dec.1523/1 (1) PF1 SUBVENTIONS (TOTAL) 41040 Site preservation   (Deleg) INTEGRATED BIODIVERSITY, MARINE AND COASTAL CENTRE	28-06-1994	Y	322.282,96	322.282,96	322.282,96	0,00	0,00
ACP SEY		11	Dec.769/1 (1) PF1 SUBVENTIONS (TOTAL) 13040 Std control including hiv/aids.   (Deleg) KHODSSU AIDCO/C/4 SUPPORT TO AIDS PROGRAMME	17-08-1994	Y	140.539,14	140.539,14	140.539,14	0,00	0,00
ACP SEY		12	Dec.8173/1 (1) AGH SUBVENTIONS (TOTAL) 31310 Fishing policy and admin. management   (Deleg) ETBLIS.LEGISLATION PECHE & FORMATION PROF. UNITE INSPECTION	12-09-1994	Y	43.834,14	43.834,14	43.834,14	0,00	0,00

7 eme FED; ACP SEY Avec les Clotures; Sans les Montants temporaires;

Fed	Pays	Prj	Decision-instrument / secteur / Libelle de l'engagement	Dat.ouv.	Clot	Decide	Engage	Paye	Non engage	Non paye	chef-fil	fin-deci
7	ACP SEY	13	Dec.8339/1 (1) AGH SUBVENTIONS (TOTAL) 15040 Government administration   (Deleg) A.T. A LA DIRECTION DU PLAN	25-01-1995	Y							
						150.397,04	150.397,04	150.397,04	0,00	0,00		
7	ACP SEY	14	Dec.4304/1 (1) CAPITAUX A RISQUES 24030 Formal sector financial institutions   (Siege) DEV.BANK OF SEY.(DBS) IV.(BEI:70990)	20-02-1995	Y							
						2.000.000,00	2.000.000,00	2.000.000,00	0,00	0,00		
7	ACP SEY	15	Dec.8462/1 (1) AGH SUBVENTIONS (TOTAL) 14030 Low-cost water and sanitation   (Deleg) GREATER VICTORIA SEWERAGE:STUDY OF SEWAGE TREATMENT OPTIONS	25-04-1995	Y							
						42.792,92	42.792,92	42.792,92	0,00	0,00		
7	ACP SEY	16	Dec.8555/1 (1) AGH SUBVENTIONS (TOTAL) 14050 Waste management/disposal   (Deleg) HAMANGA AIDCO/C/6 SOLID WASTE MANAGEMENT PROJECT/TENDER DOCS	29-06-1995	Y							
						207.882,75	207.882,75	207.882,75	0,00	0,00		
7	ACP SEY	17	Dec.4305/1 (1) AGH SUBVENTIONS (TOTAL) 13010 Population policy and admin. mgmt   (Deleg) POVERTY SURVEY STUDY	06-07-1995	Y							
						0,00	0,00	0,00	0,00	0,00		
7	ACP SEY	18	Dec.8583/1 (1) AGH SUBVENTIONS (TOTAL) MASTER PLAN FOR THE DEVELOPMENT OF THE PORT OF VICTORIA	20-07-1995	Y							
						0,00	0,00	0,00	0,00	0,00		
7	ACP SEY	19	Dec.8598/1 (1) AGH SUBVENTIONS (TOTAL) 14050 Waste management/disposal   (Deleg) SOLID WASTE MANAGEMENT-TA FOR PRIVATISATION	31-07-1995	Y							
						59.250,00	59.250,00	59.250,00	0,00	0,00		
7	ACP SEY	20	Dec.8608/1 (1) AGH SUBVENTIONS (TOTAL) 15040 Government administration   (Deleg) MISE A DISPOSITION COORDINATEUR PROJETS "ENVIRONNEMENT".	07-08-1995	Y							
						47.554,00	47.554,00	47.554,00	0,00	0,00		
7	ACP SEY	21	Dec.1801/2 (3) PF1 SUBVENTIONS (TOTAL) 14050 Waste management/disposal   (Deleg) HAMANGA AIDCO/C/6 LA DIGUE ENVIRONNEMENT & TRANSPORT PROJECT. (+7/21+7/22+6/17).	15-11-1995	Y							01-12-1996
						593.138,07	593.138,07	593.138,07	0,00	0,00		
7	ACP SEY	22	Dec.1801/3 (3) PF1 SUBVENTIONS (TRSF 5EME FED) 14050 Waste management/disposal   (Deleg) HAMANGA AIDCO/C/6 LA DIGUE ENVIRONNEMENT & TRANSPORT PROJECT. (+7/21+7/22+6/17).	15-11-1995	Y							01-12-1996
						22.495,18	22.495,18	22.495,18	0,00	0,00		
7	ACP SEY	23	Dec.8753/1 (1) AGH SUBVENTIONS (TOTAL) 15040 Government administration   (Deleg) SEMINAIRE DE FORMATION SUR LES PROCEDURES FINANCIERES DU FED	18-01-1996	Y							
						22.375,70	22.375,70	22.375,70	0,00	0,00		
7	ACP SEY	24	Dec.8849/1 (1) AGH SUBVENTIONS (TOTAL) 31191 Agricultural services   (Deleg) HAMANGA AIDCO/C/6 VICTORIA MARKET REHABILITATION	22-03-1996	Y							
						59.828,56	59.828,56	59.828,56	0,00	0,00		



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6 eme FED; ACP SEY Avec les Clotures; Sans les Montants temporaires;

ed Pays	Prj	Decision-instrument / secteur / Libelle de l'engagement	Dat.ouv. Clot	Decide	Engage	Paye	Non engage	Non paye chef-fil fin-deci
ACP SEY	1	Dec.5833/1 (1) SUBVENTIONS (TOTAL) 31120 Agricultural development   (Deleg) ET-ELABOR PROG OPERAT DEV AGRICOLE	10-06-1986 Y	51.776,47	51.776,47	51.776,47	0,00	0,00
ACP SEY	2	Dec.5848/1 (1) SUBVENTIONS (TOTAL) 31320 Fishery development   (Deleg) AT-SEYCHEL. FISHERIES- BIOLOGISTE-STATISTICIEN	16-07-1986 Y	407.359,99	407.359,99	407.359,99	0,00	0,00
ACP SEY	3	Dec.48/1 (1) SUBVENTIONS (TOTAL) 31320 Fishery development   (Deleg) 1 PROG MICROREAL - TECH PECHE NOUV-INTROD. COMMERC.	30-07-1986 Y	171.071,43	171.071,43	171.071,43	0,00	0,00
ACP SEY	4	Dec.6195/1 (1) SUBVENTIONS (TOTAL) 31140 Agricultural water resources   (Deleg) ET DRAINAGE APPUI INST GOUVER	23-07-1987 Y	33.600,74	33.600,74	33.600,74	0,00	0,00
ACP SEY	5	Dec.424/1 (1) SUBVENTIONS (TOTAL) 32140 Cottage industries and handicraft   (Deleg) PROG DEV ARTISANAT SEYCHELLES	25-09-1987 Y	1.166.347,24	1.166.347,24	1.166.347,24	0,00	0,00
ACP SEY	6	Dec.6157/1 (1) SUBVENTIONS (TOTAL) 31120 Agricultural development   (Deleg) ET PROG ACT DEV SECT AGRICOLE	21-12-1987 Y	64.727,10	64.727,10	64.727,10	0,00	0,00
ACP SEY	7	Dec.425/1 (1) PFI SUBVENTIONS (TOTAL) 31120 Agricultural development   (Deleg) RURAL DEVELOPMENT	31-03-1989 Y	2.865.802,24	2.865.802,24	2.865.802,24	0,00	0,00
ACP SEY	8	Dec.5592/1 (1) SUBVENTIONS (TOTAL) 33110 Trade policy and admin. management   (Deleg) MAN COM FOIRE SIDNEY	07-04-1989 Y	0,00	0,00	0,00	0,00	0,00
ACP SEY	9	Dec.3491/1 (1) BONIFICATIONS D'INTERETS 32120 Industrial development   (Siege) PRET GLOBAL D B S 3B BON INT	12-09-1989 Y	219.316,90	219.316,90	219.316,90	0,00	0,00
ACP SEY	10	Dec.6178/1 (1) SUBVENTIONS (TOTAL) 31162 Industrial crops/export crops   (Deleg) ET REHAB COCOTERAIE MAHE	30-05-1990 Y	20.119,11	20.119,11	20.119,11	0,00	0,00
ACP SEY	11	Dec.3492/1 (1) BEI CAPITAUX A RISQUES 43010 Multisector aid /comp. not available   (Siege) PRET GLOBAL DBS 3 (BEI:70787).	26-09-1989 Y	1.470.000,00	1.470.000,00	1.470.000,00	0,00	0,00
ACP SEY	12	Dec.6394/1 (1) SUBVENTIONS (TOTAL) 21040 Water transport   (Deleg) EXP RENOV OLD TUNA QUAY	09-10-1990 Y	31.177,73	31.177,73	31.177,73	0,00	0,00



## **Annex 8 Details of projects under 7<sup>th</sup> and 8<sup>th</sup> EDFs – focal sector**

### **EDF 7 FOCAL SECTOR - INDUSTRY (overview of objectives and results)**

Only an overview of objectives and results is presented here since activities have been completed and most projects already closed.

The principle objectives of the industrial development were rational use of existing raw materials and improvement of the external account by the increased export of industrial products and widening of the range of locally produced export products. Within this framework, the objective of Community support was industrial expansion and increased productivity, especially of small industry and handicraft sector by enhancing:

- efficient service industry
- improvement of the quality of handicraft products
- improvement of the training of small entrepreneurs and handicraft men
- setting up of a system of credit with special conditions
- identification of export markets

Support has thus been given to small entrepreneurs in training and in consulting, for access to equipment, for infrastructure and for the Seychelles Industrial Development Corporation (SIDEK). Concerning handicraft the support was aimed at consolidation of the results of the Lomé III programmes with emphasis on training, specialisation and marketing and support to the Company for the Development of Handicraft (CODEVAR). A credit line for small entrepreneurs and handicraft men was set up and managed by the Seychelles Development Bank (SDB).

Alongside the EDF intervention, the Government, committed to continue and reinforce its policy of industrial and handicraft development, focused on small and medium size entrepreneurs. This implied fiscal advantages for the creation and expansion of small and medium size industries; availability of a sufficient number of agents in the Department of Industry, SIDEK and CODEVAR; creation of advisory committee for industrial development; publication of an investment guide for the promotion of local and foreign investment; reliable statistics and land for creation of industrial zones.

The project “Consolidation of the Handicraft Development” (Euro 1,000,000<sup>1</sup>) aimed to promote and create employment by establishing small enterprises, reinforcing the process of import substitution and encouraging a more intensive use of local prime materials. The project was completed in 1998. Craftsmen are now offered the possibility of buying their raw materials and improving their design capabilities through the setting up of a specialised shop and library in Victoria. The objectives of the project, insofar as the promotion/creation of employment, reinforcement of import substitution process and use of local prime materials are concerned, are met.

The other project regarding the “Rehabilitation of Victoria Market” (Euro 700,000<sup>2</sup>) upgraded and expanded the market, in order to safeguard hygienic norms and to provide additional

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<sup>1</sup> 7 ACP SEY 001

<sup>2</sup> 7 ACP SEY 025

space to marketers. The market was inaugurated in June 1999 during National Day Celebrations.

## **EDF 8 FOCAL SECTOR : Environmental Protection**

The principal objective of the Government is to prevent environmental degradation which otherwise would become a serious impediment to sustainable economic growth. The replacement of the present dumping site for solid wastes with appropriate fully engineered landfill is one of the priorities of the Government. In addition, the improvement of the living standards of the people by, amongst others, providing safe and reliable potable water is high on the government's agenda of interventions in this sector. The Community supports the sectoral policy of the Government through financial and technical cooperation, rehabilitation, technical assistance, administration and supervision, investment projects/programmes.

### **RESULTS**

The Anse Royal landfill was effectively implemented with resources of the 8<sup>th</sup> EDF and was meant to receive processed wastes emanating on Mahé and thence, provide a medium to long term solution to the solid waste situation in the Seychelles. However, it was later realised that the basis on which the project was developed, i.e. the 1995-Solid Waste Master Plan, was inappropriate because of certain key weaknesses of the latter report. For instance, the predictions made in 1995 about the volumes of wastes that would be generated was grossly underestimated. Consequently, although the Anse Royale landfill represents a major site for the disposal of inert wastes, it was not in a position to fully meet its objectives as set out. .

Being fully conscious of the above problem, and realising the urgency to find a sustainable solution to the solid wastes problems, Government of Seychelles approached the EU for financial assistance to undertake an update of the 1995-Solid Waste Master Plan in the first instance and to subsequently utilise resources from the 9<sup>th</sup> EDF to finance projects that would transpire from the Update of that Master Plan. The EU was reassured by the fact that the eventual projects that would be considered for 9<sup>th</sup> EDF financing would effectively be part of an overall integrated strategy, and not merely a stand-alone one -shot project.

### **PROGRESS IN ACTIVITIES**

The Update of the Master Plan is financed from the reliquats of the 8<sup>th</sup> EDF (DAG of € 125,000). It is currently underway and it is expected that the final report will be submitted by the consultants by beginning April 2004. Meanwhile, on the basis of tentative investment figures to which Government has already unofficially concurred, a PIF for the eventual 9<sup>th</sup> EDF project/s is being prepared. It is expected that the Financing Proposal would be finalised by mid April, 04 once the final report (and the recommendations made therein) has been finalised and vetted/adopted by all parties, in particular the Government of Seychelles.

### **DEGREE OF INTEGRATION OF CROSS-CUTTING THEMES**

The TOR's for the consultants currently undertaking the update of the master plan include recommendations that should be made on how future projects could take into considerations the gender dimensions.

It is now increasingly appreciated that a close link exists between environmental protection and the involvement of women. In general, household members in Seychelles need to be sensitised on the proper sorting of kitchen/household wastes, with a special focus given to women. On the other hand, women's involvement in the domestic economy can also be related to the environment. For example, street cleaning, a job associated to women in the Seychelles, could be seen as protection of the environment, but also job creation.

For a country like the Seychelles where 48% of municipal wastes are green/kitchen wastes, such a notion would bring non-negligible results to the overall strategy of sustainable disposal of wastes. Moreover, for a country like Seychelles, protection of the environment impacts on the tourism industry, which directly means employment of many women in hotels, and indirectly, the creation of markets for specific products like crafts, which are usually done by women.

The consultants also ensure that there are sufficient representation by women among stakeholders during all stakeholders meetings that are carried out.

## **Annex 9 Details of projects under 7<sup>th</sup> and 8<sup>th</sup> EDFs – non focal sector**

### **7th EDF**

The non-focal sector of the 7th EDF (50 % of the total allocation) included environment and tourism (and other possible technical assistance projects).

#### **EDF 7 NON-FOCAL SECTOR OPERATIONS IN ENVIRONMENT SECTOR**

##### **RESULTS**

The 7<sup>th</sup> EDF coincided with a period whereby the notion of environment was gaining increasing interests with the vast majority of countries worldwide and Seychelles was no exception. The latter is understandable given that tourism is the very backbone of the economy and that tourism depends specifically on the pristine environment that exists in the Seychelles. A series of projects were implemented with resources from the EU and these were of major importance in assisting Government in its efforts to protecting the environment. Resources were also used to undertake the necessary preparatory studies that were eventually used for the implementation of the landfill at Anse Royale in Mare Chicose.

##### **PROGRESS IN ACTIVITIES**

All projects were successfully implemented, and for the vast majority of them 100% payments were done.

##### **DEGREE OF INTEGRATION OF CROSS-CUTTING THEMES**

Projects were undertaken by paying a particular attention to the gender issue. In effect, with the implementation of the projects in the environmental sector, an important number of jobs were created in hotels and other areas affected by the projects and where women found jobs.

### **8th EDF**

#### **EDF 8 NON-FOCAL SECTOR OPERATIONS IN THE PRIVATE SECTOR**

The Tourism Capacity Building project (Euro 350,000<sup>1</sup>) aims to promote the growth of the Seychelles economy and tourism sector in particular.

##### **RESULTS**

The project has been implemented with tremendous success. The concern of the EU is usually on the sustainability of projects that are financed. and through this project, it is clear that this concern is also shared by the Seychelles authorities. In order to ensure the sustainability of this Project, various ancillary services have been developed to creating positive external economies of scale. Indeed, worthwhile noting is that certain facilities are already being subcontracted to the industry at large. For instance, hotels send their linen for washing/ironing against a fee, and at the same time this provides the students with the opportunity to operate with real case situations.

##### **PROGRESS IN ACTIVITIES**

Progress has been satisfactory. Given that the funds of the project were judiciously earmarked and that there were some additional activities that needed to be financed, a request was

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<sup>1</sup> 8 ACP SEY 005

submitted by the NAO in October, 2002 for an increase in budget by Euro 70,000, the project's budget now totalling €120,000. At the same time, the Head Quarters were requested to look into the possibility of extending the validity of the FA from 31<sup>st</sup> March 2003 to 31<sup>st</sup> March 2004. Request to Brussels was sent on 31<sup>st</sup> October, 2002.

## **EDF 8 NON-FOCAL SECTOR OPERATIONS IN THE AGRICULTURAL SECTOR**

### **Melon Fruit Fly project (€1,100,000)**

#### **RESULTS**

Project under implementation.

#### **PROGRESS IN ACTIVITIES**

Long term consultants are in post to assist the Government of Seychelles in the implementation of the project. They are expected to start with the spraying activities in the month of March 04, that is in the drier seasons. A first work programme is being finalised and should shortly be signed. Purchase of vehicles for the projects is also underway – this has unfortunately witnessed some delays because of the current financial crisis which the Seychelles is undergoing, and thereby preventing the car dealers to meet the conditions as set out in the tender documents. The Delegation is working closely with the Seychelles authorities on how to find solutions.

#### **DEGREE OF INTEGRATION OF CROSS-CUTTING THEMES**

This project is likely to have a direct impact on the environment because cultivation, in particular on slopy regions, prevents soil erosion. In addition, it has a strong gender dimension because a number of women carry out farm activities. In the absence of this project, there will be a loss of interest in agricultural activities and this will definitely impact adversely on the employment that this sector accounts for.

#### **MACROECONOMIC SUPPORT**

An 8<sup>th</sup> EDF funded operation involved a study on a Macroeconomic Strategy for the Seychelles (Euro 200,000<sup>2</sup>). Based on the recommendations made by the consultants, three major sub-sectors were identified, namely export promotion, SME development and macroeconomic modelling. These three studies were completed in 2000. In July 2003 the Seychelles government launched the Macroeconomic Reform Programme (MERP).s

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<sup>2</sup> 7 ACP RPR 476

## Annex 10 Seychelles: Outline of Country Environmental Profile

### 1. Introduction

Seychelles is a small island state located between latitudes 4° and 5° south and longitudes 55° and 56° east in the South Western Indian Ocean between Africa and India. There are 115 islands, 41 granitic and remaining 74 are coralline scattered over an overwhelmingly large Exclusive Economic Maritime Zone (EEZ) of 1.37 million km<sup>2</sup>.

The major assets of the Seychelles are the rare beauty of its islands' natural environment and unique bio-diversity. It has a total land area of 445 km<sup>2</sup> with a uniquely mixed-origin indigenous population of 82,800 (2003). Its total coastline stretches over 600 km where 90% of its population inhabits along the coast. There are small inland water systems and coastal marine systems such as mangroves, coral reefs, sea-grass beds and the open ocean. The geographical and evolutionary isolation of the islands coupled with the geological antiquity of the granite islands has resulted in high endemism among certain animal and plant groups. It follows that the conservation and sustainable use of the natural and biological resources are of vital importance for the country and for its sustainable development. Furthermore, about 370 areas, which are about 20-25% of the total landmass has been classified as 'Sensitive Areas' which might become protected areas in the near future. Seychelles is now the country in the world with the highest percentage of land area protected under law for conservation purposes as National Parks or Nature Reserves.

Although Seychelles lies outside the tropical cyclonic belt, it is indirectly affected by such atmospheric perturbations as well as extreme climate changes. Moreover, for six months of the year, Seychelles often experiences serious drought conditions, resulting in severe water stress situations, which adversely affect agriculture, tourism and other sectors of the economy.

### 2. Background

Seychelles has a past record of solid economic growth, which today is no longer the case; it is nowadays experiencing serious economic and financial difficulties. The economy is still predominantly based on tourism, followed by fish and fish products (in the form of tuna canning), which constitute 95% of domestic exports and are the second highest foreign exchange earner.

The major constraints faced in the country's recent slow economic development are linked to its small island development status (SIDS) and its geographical status (small size, isolation, water stress, limited land area for economic activity, and vulnerability to climate change and sea level rise). Furthermore, the economy is vulnerable given that it is mostly based on tourism and fisheries, which are both volatile resources, and suffers from the shortage of skilled human resources.

### 3. State of the Environment

Tourism is set to remain the backbone of the Seychelles economy in the foreseeable future. Anticipated increases in the tourist industry coupled with urbanisation pose a serious threat to the environment, in particular to the coastal zones.

Urbanisation is one of the most significant factors exerting pressure on Seychelles' limited land resources and coastal environment. Almost 90% of the population and infrastructure in Seychelles is on the main island of Mahé, of which 61% is concentrated in the north of the island around the capital, Victoria. Saturation of the coastal areas by urbanisation in Seychelles is leading to development on coastal sand dunes, on wetlands, and even on the buffer zone of 20 metres from the coastline and on granitic areas, which are the habitat for endemic plants.

Moreover, land reclamation projects date back to the 70s and the largest land reclamation to date started in 1999, with a view to reclaiming 395 hectares of land from private landowners. Furthermore, some 20% of land is already under urban or industrial development. Moreover, soil erosion is a growing problem in the Seychelles; large amounts of earth are being washed onto beaches and into the sea due to large-scale construction projects. In the late 90s, heavy rains caused major landslides and soil erosion on the islands of Mahé, Praslin and La Digue.

Water is a scarce resource in the Seychelles (all islands being small); given the increasing development and the progressive settlement within the catchments, including water use for irrigation, the level of river pollution and contamination is on the increase.

Biodiversity in Seychelles is characterised by high rates of endemism and relatively low species diversity; it also has the highest degree of amphibian endemism of any island group in the world. However, Seychelles ranks third in the world in having the highest percentage (31%) of their native plants threatened.

Seychelles, in comparison to its neighbouring island states, is the most dependent on coastal and marine resources and therefore vulnerable to any degradation of these resources. There is a rise in coral reef degradation due to land-based activities, sewage discharge and over-exploitation. Moreover, 80% of the corals in Seychelles have been bleached in the late 90s as a result of an increase in sea temperature. This has had a direct negative impact on artisanal fishing, and resulted in coastal erosion. Coastal degradation and marine pollution are the greatest threats to the long-term viability and productivity of marine fisheries in Seychelles. Poaching of dolphins and other protected species is reportedly common on the islands. Seychelles is one of the first countries in the region to set up Marine National Parks. Furthermore, 15 marine protected areas covering an area of more than 46 km<sup>2</sup>, over 228 km<sup>2</sup> of ocean are legally protected under the National Parks and Nature Conservancy Act 1991. Over 47% of its land area is protected.

The Seychelles, similarly to its neighbouring countries in the Indian Ocean, has a low efficiency in the collection, treatment and disposal of solid waste. Praslin island, one of the most beautiful of the islands and most exclusive of tourist resorts, has no landfill, and solid waste is deposited at a dumpsite, which is highly harmful to the surrounding land and sea environment. Furthermore, around 14,000 tonnes of waste is produced annually, largely by the commercial fishing fleet; this comprises mostly of garbage, fish wastes and oil (used lubricating oil from ship engines and from refrigeration compressors).

#### 4. Environmental Policy, Legislative and Institutional Framework

There is an inextricable link between Seychelles' dominant pillars of its economy and the environment. Indeed, given the set-up of the Seychelles economy, it is clear that the economy cannot bear the costs associated with environmental degradation in the long-term. Thus, the need for a well-preserved environment is essential to the Seychelles and

indeed it ranks high on the island's policy agenda. Environmental protection is also closely linked to the social policies, which are at the forefront of government policy.

The government of Seychelles prepared its first Environmental Management Plan (EMPS) in 1989, wherein clear reference was made to sustainable development. Later, the government produced the second EMPS for the 2000-2010 period. The new EMPS covers ten thematic areas and several crosscutting issues. It adopts a more coherent and logical approach to the environmental problems while simultaneously paving the way for a more participatory approach involving the private sector and the NGO community in programme formulation.

Moreover, the first National Biodiversity Strategy and Action Plan (1997) is now a significant component in the new EMPS. Seychelles, like its neighbouring countries in the Indian Ocean, is party to many international conventions including the Convention on Biodiversity, CITES, UNFCCC, UN Law of the Sea, MARPOL Convention and the Montreal Protocol. Seychelles hosts the Regional Coordinating Unit for the implementation of the Nairobi Convention and adopted, in 1994, the Barbados Declaration and Programme of Action at the UN Global Conference on Sustainable Development of Small Island Developing States.

Seychelles has a strong history of conservation and environment protection activities, which has been heightened over the last 12 years through the development and implementation of environment management plans.

**Table        EMPS Programme Areas**

<b>Programme Areas</b>
Society, Population and Health
Land Use, Coastal Zones and Urbanisation
Biodiversity, Forestry and Agriculture
Energy and Transport
Fisheries and Marine Resource/Processes
Water, Sanitation and Waste
Tourism and Aesthetics
Environmental Economics & Mainstreaming and Sustainable Financing
Regulatory, Policy and Institutional Mechanisms
Commerce, Industry and Production
Secretarial support programme

Other key policy documents which explicitly refer to the implementation and building-in of sustainable development principles are: the Ministry of Tourism and Transport's Vision 21: Tourism Development in Seychelles 2001-2010 and Seychelles: Towards an Ecotourism Strategy for the 21st Century (SETS-21); the Education Strategy and Plan 2000-2005 of the Ministry of Education and Youth; the Statement and Strategy on Social Development for Seychelles Beyond 2000 produced by the Ministry of Social Affairs and Employment; and the National Plan of Action on Social Development by the Ministry of Health and Social Services.

Combined with this, Seychelles is party to a number of international conventions. The major sustainable development related conventions to which Seychelles is party to include: the Convention on International Trade in Endangered Species of Wild Fauna and Flora, CITES (accessed to 1977); the Convention on Biological Diversity, CBD (ratified

1992); the Nairobi Convention (signed 1985, ratified 1994); the UN Convention on Rights of the Child (accessed to 1990); the UN Conventions on both Economic, Social and Cultural Rights as well as Civil and Political Rights (accessed to 1992); the Basel Convention on the Trans-boundary Movement of Hazardous Wastes (accessed to 1993); the MARPOL Convention (signed 1977, ratified 1984); the Montreal Protocol and its amendments (ratified 1993); the United Nations Law of the Sea (signed 1982, ratified 1991); the United Nations Convention on Desertification (signed 1994, ratified 1997); the United Nations Framework Convention on Climate Change (ratified 1992); the Kyoto Protocol (signed 1998); the Rome Statute of the ICC (signed 2000); and the International Convention for the Regulation of Whaling (signed 1979). In June 2002 Seychelles ratified the Stockholm Convention on Persistent Organic Pollutants (POPS) and will soon deposit instruments to ratify the Kyoto Protocol under the UNFCCC; the Beijing Amendment under the Montreal Protocol, and the Cartagena Protocol on Biosafety under the CBD.

The implementation of various conventions in Seychelles is done through various national fora. The Ministry of Environment and Natural Resources has, for example, established an International Conventions Unit to co-ordinate international convention issues.

In spite of its very small size, Seychelles endeavours to participate pro-actively and constructively in the various negotiations under these conventions. For example, it is positively recognised for its active role in the CBD, the UNFCCC, the Montreal Protocol and the POPS conventions. Unfortunately a serious lack of human and financial capacity prevents it from fully participating in all meetings.

To note that a number of NGOs are active in the environmental field. The 9<sup>th</sup> EDF non-focal sector project is expected to increase the capacity of the civil society in general so that they are better equipped and can therefore serve in a more efficient manner. A number of donors are involved in the Seychelles. It is important to ensure that there is coordination among these donors for more efficiency through complementarity.

## 5. Support Provided by Donor Agencies for Environmental Management

Various international donor agencies have provided financial assistance for the environmental management of the Seychelles.

The Seychelles Environment Trust Fund has been established under the Global Environment Facility (GEF)-funded “Biodiversity Conservation and Marine Pollution Abatement Project”. The Fund is operated by the Seychelles Island Foundation, which manages the two World Heritage site. The Aldabra Atoll, declared as a Special World Heritage Reserve in 1982, is home to 150,000 giant land tortoises, and also Vallée de Mai declared in 1983. Vallée de Mai is the only home in the world for the endemic Coco-demer palm trees *Lodoicea maldivica*.

The European Union has also significantly contributed to the protection of the environment in the Seychelles, under the European Development Fund. Specific national and regional projects have focused on various key environmental issues as follows: (a) the sensitization of children from the ages of nine to twelve years old on the environment (ARPEGE) project – interestingly, to date, the Seychelles component of this regional pilot project has been the most successful in the region, whereby its population is at large aware of the importance of a clean environment; (b) the reduction in the use of agro-chemicals and integrated pest management (through PRPV); (c) the preservation of high value fish stocks (with the regional Tuna Tagging and Fishing Control and Surveillance Projects –

the Indian Ocean Tuna Commission headquarters is based in the Seychelles) and (d) solid waste management projects (under the 8<sup>th</sup> and 9<sup>th</sup> EDF NIP Seychelles).

## Migration

There are no consolidated figures on migration available for the Seychelles. A major variable however concerns the number of expatriates who work in the Seychelles. As at end 2004, out of a total departure of 4154 people, more than 30% concerned expatriates who left the country on a 'permanent' basis at the end of their contracts. This gives an idea of the relative number of foreign labour that works in the Seychelles.

The second important element is the emigration of Seychellois abroad. From available data, a total of 800 Seychellois had emigrated in 2004 with the main countries of emigration being UK and Eire, Italy, Australia and France.

An important number of Seychellois also travel abroad for higher education. In 2004, this figure amounted to some 352 reflecting the lack of facilities that exist locally in terms of higher education.

To note that the above findings are very much in line with trends observed in previous years.

## Net Enrolment Rates 2000-2004

		Pre-Primary	Primary	Secondary	Post Secondary
Population Estimate		3086	9899	8378	4953
2000	Enrolment	2531	9211	6930	759
2000	NER	82%	93%	83%	15%

		Pre-Primary	Primary	Secondary	Post Secondary
Population Estimate		2887	9893	8266	5130
2001	Enrolment	2305	8983	5882	1392
2001	NER	80%	91%	71%	27%

		Pre-Primary	Primary	Secondary	Post Secondary
Population Estimate		2872	9660	8252	5190
2002	Enrolment	2319	8925	6817	1297
2002	NER	81%	92%	83%	25%

		Pre-Primary	Primary	Secondary	Post Secondary
Population Estimate		2575	8819	7249	4211
2003	Enrolment	2268	8816	6906	1461
2003	NER	88%	100%	95%	35%

		Pre-Primary	Primary	Secondary	Post Secondary
Population Estimate		2575	8473	7211	4448
2204	Enrolment	2327	8341	6755	1247
2004	NER	90%	98%	94%	28%

It should be noted that although NER is under 100 % all students within the respective age groups are attending school at a different level as a result of the Ministry's admissions policy and the difficulty that exists to disaggregate population estimates by monthly intervals.