

Seychelles

Islands at the centre of a new area of growth

As the global economy shifts its focus away from traditional markets, this Indian Ocean island nation is setting its sights on becoming a hub that links emerging markets in Africa, Asia and the Middle East.



Offshore dreams
This OECD whitelisted jurisdiction aims to be the world's investment centre.
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A Creole experience
A trilingual melting pot with more to offer than just sun, sea and sand.
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The case for public interest
Despite a potentially life-changing oil find, Seychelles is determined to protect its society. Will it succeed?
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Links to the world
A new submarine cable opens up a whole world of possibilities.
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Anti-piracy observatory
Seychelles has created a piracy intelligence centre, calling for joined-up thinking in the face of a growing crisis.
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Ocean harvest
A balancing act between fisheries growth, resource management and environmental preservation.
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Island nation fights climate change
Facing grave threats from global warming, the islands convince the world to take action.
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A small nation stands tall

Writer: Ray Spencer

Seychelles is today held up as an example of how to do things right. Boasting one of the fastest growing economies in Africa and a world-class environmental record, it’s hard to believe that just five years ago the country was on its knees, unable to repay debts and spending money it didn’t have.

Just three months ago, an International Monetary Fund (IMF) report declared Seychelles’ recent economic performance as “favourable.” Given that in 2008 the IMF was forced to set economic reforms to rescue the archipelago from near collapse, that muted statement was real praise.

With high living standards, but large fiscal and current account deficits, the islands have moved from being a welfare state to a free market one. It’s the only country in the region without exchange controls.

External debt has been halved after restructuring and tightened monetary and fiscal policy, and the government is on track to shrink public debt to 50 per cent of gross domestic product (GDP) by 2017.

Real GDP grew by 6.7 per cent in 2010 and gained another 5 per cent to reach almost £1bn last year – one of the highest among African states.

Last year, global ratings agency Fitch upgraded Seychelles’ country ceiling to ‘B’ reflecting “outperformance, by a wide margin, of the fiscal targets set by the IMF, for a second consecutive year.”

Ex-IMF economist Pierre Laporte, now heading the Central Bank, notes: “The big one for us is domestic debt. By running a surplus on the budget, we have managed every year to use part to pay down the debt.”

Tourism accounts for a quarter of GDP and an even greater share of employment, with record arrivals attracted by pristine beaches. Direct flights from Europe, where 75 per cent of visitors originate, ended when Air Seychelles

became a regional carrier, but other airlines are filling part of the gap and Gulf countries provide hubs to link with Victoria.

The second economic pillar of Seychelles is fishing and it supplies the world’s largest tuna canning factory at an expanding Port Victoria.

Seychelles itself is safe, President James Michel insists, but he’s urging the UK and other large states to find lasting solutions within Somalia to the piracy issue.

Climate change is another international issue Michel is championing, because unchecked it threatens many of its 115 low-lying islands, as with all island states. Mahe is home to 75 per cent of Seychellois, while most others live on Praslin and La Digue.

Two developments will change Seychellois fortunes.

In the summer, a fibre-optic cable to Tanzania will bring the fast internet that Seychelles’ finance centre – as the third and growing pillar of the economy – needs to become a dynamic gateway to Africa for investors. To help develop offshore finance business a stock exchange is being set up this year.

This former French colony – which belonged to Britain until 1976 – also has potential offshore oil reserves as large as Saudi Arabia’s, which could be landed by 2015.

Seychelles, with its low tax rates, offers attractive investment opportunities in every area of the economy from a strategic Indian Ocean location. The government is acting as a facilitator, giving the private sector space to grow. «

Royal endorsement

Choosing which of Seychelles’ 115 islands to visit can be hard, but not for these returning royals.



There are few endorsements better than being chosen by the Duke and Duchess of Cambridge as a honeymoon destination.

Last year, amidst intense media interest, the royal couple stayed at North Island, north west of Victoria, which has been developed as a private 11 villa eco-tourist resort.

It was a return visit to the country, as Prince William and the then Kate Middleton had previously spent a diving break in 2007 at Desroches Island, a 40 minute flight from Mahé.

“The couple thoroughly enjoyed their time together,” said a Clarence House spokesperson, adding that they thanked Seychelles’ government for a honeymoon that was “such a memorable and special 10 days.”



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- 01 Ste Anne Marine National Park – one of the Indian Ocean’s prime scuba diving locations.
- 02 Seychelles is home to thousands of fairy terns, the world’s only all-white tern.
- 03 The Victoria Clock Tower, modelled on the Vauxhall Clock Tower in London
- 04 The Seychelles Central Bank on Independence Avenue, Victoria.
- 05 The world famous Anse Source D’Argent beach on La Digue Island.

Gaining international recognition

Writer: Ray Spencer

For a small country, Seychelles packs a big punch on the international scene, working to better both itself and its neighbours in the region.

President James Michel stated, “we have a very active role on the international scene, whereby I have been calling for the world community to recognise the needs of small island states, and Seychelles’ unique experiences in economic, social and environmental protection.”

“Seychelles has to share ample experience in the fields of nature protection and sustainable development.”

The UK, Russia, France, India, China, and Cuba have embassies in Victoria, while Seychelles has an ambassador to the UN and to the US and Canada, as well as embassies in China, France, India, South Africa, the Vatican, Belgium, UK and from November in UAE, the first in the Gulf region.

As Patrick Pillay, Seychelles High Commissioner to the UK, observes, “you cannot have economic reforms without being sure that you are connected to this increasingly complex global world so, in terms of diplomacy and visibility and connecting with different multilateral, bilateral, regional and international partners around the world, he [the president] has put a lot of emphasis on foreign relations and international partnership.”

Indian Ocean piracy has prompted Seychelles to strengthen global links to protect its borders and the core sectors of tourism and fishing. The government has entered into multiple agreements and memorandums of understanding with such partners as the US, France, EU, India, UK and China, which in De-

cember announced its first overseas naval base in Seychelles.

More positively, Seychelles is developing strong international trade relationships. As Jean-Paul Adam, Minister of Foreign Affairs, notes, “we are in the middle of the Indian Ocean in terms of continental politics; we are affiliated with Africa, but offer so much more because we have this view of the Indian Ocean.”

A member of the Small Island Developing States group, Seychelles also plays a keen role in the Southern African Development Community (SADC), the Common Market for Eastern and Southern Africa (COMESA), the Nonaligned Movement, the African Union, the Commonwealth, the Indian Ocean Commission and La Francophonie.

Pragmatic approach

A pragmatic approach has been taken to expanding international trade. The US has taken a back seat due to the long distance and time zone complications and even the eurozone, with its financial woes, is considered an unlikely market to gain new business interest.

Instead “we have been building a model geared towards emerging markets in Asia and Africa over the last five years,” reports Seychelles International Business Authority managing director and chief executive, Steve Fanny.

Even so, the EU has concluded an interim Economic Partnership Agreement with the Eastern and Southern African region, includ-

A diplomat's view



Jean-Paul Adam
Minister of Foreign Affairs

Q&A

Previously Secretary of State in the Office of the President for 13 years, Adam has held his current role since June 2010 and is passionate about his country’s development.

1. How important is Seychelles in this part of the world?

We’re the first stop between Africa and Asia with financial services opportunities that come through excellent access to African markets. We strongly believe that Seychelles is a stepping stone in terms of global geopolitics and the global economy.

2. Given the global economic crisis, is tourism growing?

We should not underestimate the scale of the problem. We are diversifying the way we market tourism and the product. In March 2011 we introduced an international carnival - we even had a delegation from the Notting Hill Carnival - and will have over 50 countries in the 2012 edition. Our largest market is Europe, but we’re seeing impressive growth from the Middle East and Africa, particularly South Africa, and there are huge opportunities in China, Korea and Australia.

3. How important is the Commonwealth?

The Commonwealth has done the most work on the specificities of islands and we would like that other development organisations look to the Commonwealth on these issues.

ing Seychelles. Its fishing industry has gained access to the EU by adopting high standards at its tuna canning factory – one of the largest in the world – and Seychelles licenses EU vessels to operate locally.

But it is with the UK that Seychelles retains a very special relationship. Minister Adams believes, “it’s a relationship that has stood the test of time and which we see will continue. Things like investment in education and people-to-people contacts will keep the relationship going.”

British AOK

Anything British is perceived as good quality and desirable – even something as basic as British biscuits are sought after, points out Patrick Vel, chief executive of the state-owned Seychelles Trading Company (STC).

The island nation imports 90 per cent of its needs and suffers from price volatility, but it tries “to protect the population from the harsh realities of the world.” For some basic commodities, STC fixes its prices for a period “to provide more stability.”

Britain has also trained Seychellois police and military. There’s been cooperation with the UK Crown Prosecution Service in piracy cases and the UK’s Serious Organised Crime Agency to set up a new maritime intelligence and information centre to target the pirates’ financiers.

The driving force putting piracy and climate change issues before a world audience is President Michel’s key message that both issues must be the concern of all nations. It is not only the Seychellois who are threatened by trade and tourism disruption and disaster if the numerous low-lying islands are flooded.

Suggesting that global assistance needs to be given to Somalia to resolve its internal problems, President Michel asserts, “We are very grateful to Britain for the support given to us in the fight against piracy.” But he wants the UK “to increase its engagement as a matter of priority, in order to ensure security in the Indian Ocean

region, where over two-thirds of the world’s oil is shipped and where trade and commerce is becoming exceedingly costly.”

Unfortunately, the climate change debate has become almost ideological. President Michel points out, “small islands and many

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We have been building a model geared towards emerging markets in Asia and Africa over the last five years

Steve Fanny
CEO of Seychelles International Business Authority

other developing states are the worst hit by climate change and also have the least resources to tackle it. There needs to be a much more focused approach from all developed nations to put resources available toward tackling the problem.” «

Stepping stones to prosperity

In their different ways, these top men deliver an economic vision for growth in practical terms.

“We’re not competing with Jersey and Guernsey; we compete against ourselves for what we can be tomorrow.”



Peter Sinon
Minister of Investment, Natural Resources and Industry

“A stepping stone to Africa” is how Sinon sees his country’s strategic position in the Indian Ocean, particularly with respect to financial services.

Companies could be listed on the planned stock exchange to help with what he regards as “a major deficiency on this continent.”

Once perfected, he believes that this approach could be exported. “This is the best way we can contribute and play a role in the regional integration process.”

He’s also keen for individual Seychellois to be able to do business as easily as foreign investors, so “we are doing the utmost to make the private sector the dynamo that really drives growth,” whilst the government facilitates and regulates.

The challenge is to maintain Seychelles fisheries in pole position, despite the knock-on effects of piracy. With one of the deepest ports in the Indian Ocean and the largest tuna canning plant in the region, a development agreement with the European Union has been signed complete with project deadlines and allocated funds.



Pierre Laporte
Governor of Central Bank

“People associate the reforms directly with me because I came from the IMF, but everyone did their bit.”

Often credited with spearheading the reforms which have dramatically improved Seychelles’ fortunes since 2008, Laporte’s previous experience as an International Monetary Fund (IMF) economist gave him a good understanding of what was needed.

A key challenge was getting the Seychellois people on board, despite slashing the public sector workforce by 17 per cent and removing fuel subsidies overnight. Removing exchange controls produced 60 per cent inflation, which fortunately fell to single figures within three months rather than the nine anticipated.

He’s introduced electronic funds transfers and automated cheque clearing but admits, “the banks need to work harder.”

To protect Seychelles’ reputation, he’s taken OECD advice to strengthen laws, making anti-money laundering a priority with a financial intelligence unit that is tough on crime.

Significant funds now flow into Africa from Asia and China and there are many opportunities for offshore banking, where the territory can make a difference.



Island nation fights climate change

Writer: Anna Reitman

Seychelles' leaders are putting climate change at the top of the agenda both at home and abroad in order to stave off the grave threat of rising sea levels facing the island nation.

At the latest climate change summit, COP17 in Durban, South Africa, only one school project was showcased to UN Secretary-General Ban Ki-Moon: Seychelles' school rainwater harvesting project.

Coordinated by the Department of Education, this project aims to raise awareness that harvesting rainwater is a means of adapting to climate change and saving on water costs.

Climate change is a high priority on Seychelles' agenda. Officials have long been vocal on the issue, with efforts underway to establish an agency in the UK to represent the concerns of small island states. The archipelago is particularly vulnerable because coastal development is just a few metres above sea level, while a large number of outer islands are virtually flat.

"It all comes down to the sustainability concept and how our environmental policies provide the necessary safeguards and checks," said Joel Morgan, Minister of Home Affairs, Environment, Transport and Energy, adding that energy efficient technologies which reduce carbon emissions need not hinder development.

The new headquarters of the state-owned Seychelles Petroleum Company (SEYPEC) is based on the idea of energy efficiency. All light bulbs and windows are energy saving and air conditioning is controlled to minimise con-

sumption. Meanwhile, one of SEYPEC's refuelling tankers is an energy saving vessel which consumes less than half the amount of fuel of other vessels travelling the same distance.

Nonetheless, it is a far more difficult task convincing industrialised nations to take concrete action on climate change. Leaders are being realistic, said Minister of Foreign Affairs Jean-Paul Adam, in recognising that no agreement can be reached by telling businesses to foot the entire bill.

At the end of COP17, the international community took one step closer to a deal and extend-

The archipelago is particularly vulnerable because coastal development is just a few metres above sea level, while a large number of outer islands are virtually flat

ed the Kyoto Protocol, preserving the only legally binding instrument with emission reduction targets and timetables for developed countries.

Still, these results received mixed reviews, notes BirdLife International, the world's biggest conservation partnership.

"Although a step in the right direction, there remains a profound mismatch between the level of action demanded by our best scientific knowledge and the current level of ambition of the world's governments to reduce greenhouse gas emissions," said Melanie Heath, BirdLife's head of policy. "We are currently on a path towards 3°C to 5°C of climate change in this century, with likely disastrous consequences."

BirdLife has been involved in Seychelles for the last 35 years under the moniker Nature Seychelles and promotes sustainability, wildlife conservation and educational programming. In a groundbreaking project funded by USAID, it is growing corals in underground nurseries and replanting them in degraded areas. BirdLife also owns the carbon neutral Cousin Island.

To offset 8,000 tonnes of tourism-related emissions, the UK-based carbon management company Carbon Clear advised Nature Seychelles to purchase carbon credits from a clean stove project in Darfur, a geothermal energy plant project in Brazil and a clean energy project in Indonesia.

"The environment has to have some meaning," said Nirmal Shah, CEO of Nature Seychelles. "It's not worth having airy fairy schemes. We make it real." ««

Anti-piracy observatory

Writer: Anna Reitman

Piracy has hurt the Seychellois economy and endangered the lives of fishermen, prompting the government to take bold action and forge international partnerships to protect its citizens.

Seychellois fishermen used to be notoriously secretive about their favoured fishing spots, but piracy has changed all that. Now, the government urges every fishing boat to install a vessel monitoring system in case of an attack.

"The international community forgot about Somalia for a very long time and it has been left in a state of anarchy and civil disorder," says Joel Morgan, Minister of Environment, Home Affairs, Transport and Energy.

The Coast Guard has successfully carried out the dramatic rescues of some crews held by pirates in open water, but two fishermen who were recently abducted to Somalia with million-dollar ransom demands were not so lucky.

Seychelles is particularly vulnerable, as it relies heavily on the maritime domain for its economy. In response, the government developed action plans that attracted a number of international partners willing to support its maritime security capabilities.

The anti-piracy flagship of the North Atlantic Treaty Organisation (NATO) recently completed a port visit focused on NATO's cooperation with the Coast Guard. Rear Admiral Gualtiero Mattesi, Commander of NATO's counter-piracy task force, visited the Maritime Rescue Coordination Centre (MRCC) in the capital of Victoria.

The main islands are still safe, but fishing vessels can no longer go as far afield, while higher insurance costs on imported goods strike at the cost of living for local residents. Another blow to product prices comes from increased transit

times in the perishable goods trade. Although there has been a jump in economic activity from warships coming in to make port, the once-thriving cruise ship industry is now virtually non-existent. Piracy is estimated to cost Seychelles some 4% of GDP.

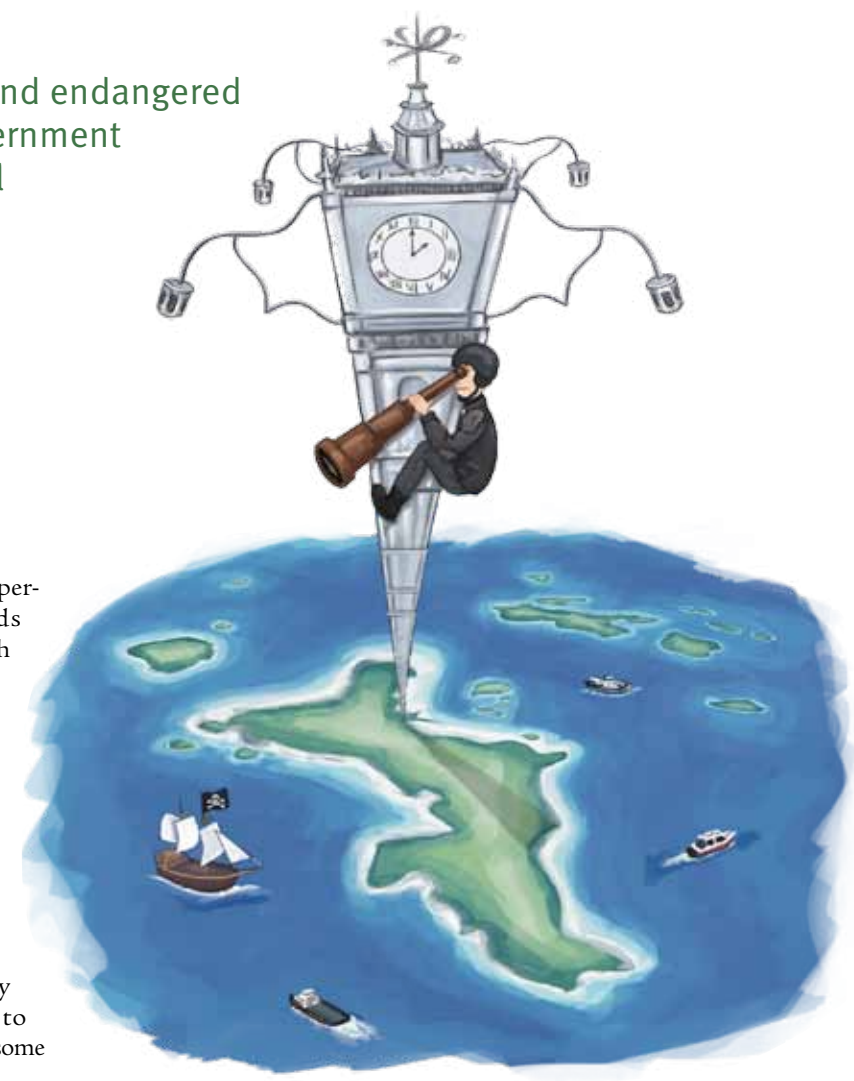
But it is not just a local problem. With two-thirds of the world's oil shipped through the Indian Ocean, piracy is a global challenge.

In November, President James Michel called on world leaders, including Prime Minister David Cameron, to undertake a comprehensive approach to solve the crisis. He proposed measures including increased support to peacekeeping forces within Somalia, in particular the African Union Mission in Somalia (AMISOM) in Mogadishu, targeted interventions against criminal and terrorist groups to supplant hubs of criminal activity, as well as several other measures to strengthen the maritime defence capacity of coastal states and improve patrolling and surveillance capabilities.

Minister of Foreign Affairs Jean-Paul Adam also notes that judicial and penal reform is an important component of the government's strategy.

"Seychelles has been very successful in prosecuting pirates. We have revised all our legal instruments in line with the UN Convention on the Law of the Sea, and modernised all our anti-piracy laws, having assembled a wider network to take action."

Adam adds that an anti-piracy observatory will be established in collaboration with the UK as a regional intelligence sharing centre, which will examine pursuing criminal cases against individuals financing piracy. ««



PERSPECTIVES



"The constraints on the industry due to piracy are number one on my agenda."

Finley Racombo
CEO of Seychelles Fishing Authority



"When we started getting threatened by piracy in 2008, everyone woke up to the fact that we had a serious problem on our hands."

Joel Morgan
Minister of Home Affairs, Environment, Transport and Energy

James Michel
President of Seychelles

Q&A

Last May, former journalist and army colonel James Michel won a third term as president, a position he's held since 2004 after being vice president for eight years. With extensive knowledge of the Seychellois economy, he has proposed "Strategy 2017" for sustainable development, whilst vigorously protecting the natural environment.

1. Halfway through your 10-year development plan, what progress is being made? Seychelles has limited natural resources and the three sectors – tourism, fisheries and financial services – remain important for the development of the economy. Despite its openness, the economy has shown strong resilience against the recent global financial crisis. Comprehensive measures to address macroeconomic imbalances and empower the private sector caused a contraction of only around 1 per cent in real GDP in 2008. In subsequent years, growth has been positive and above expectations – 6.7 per cent in 2010 and 5 per cent projected for 2011. In the absence of major external shocks, the country is on track to achieve its medium to long term objective.

In nominal rupee terms, Seychelles GDP was R5,628 million in 2006 (approx. £267m) and increased to R11,621 million in 2010 (approx. £551m), so it has already doubled. However, the main factor is the more competitive domestic currency between the two periods. We are now achieving budget surpluses to ensure debt servicing.

2. Are bilateral relations with the UK still important?

We value very much our historical relations with the UK. Three of the largest and oldest-established investors in our country are of British origin – Cable & Wireless, Barclays Bank and Seychelles Breweries. Combined, the UK-Eire area represents our fourth biggest source of tourists.

Today, bilateral relations are focused on education and piracy. I believe Seychelles and Britain can work together to garner support for anti-piracy engagements from key members of the international community, in order to implement a lasting solution to the instability in

Somalia. With continued support, we can take this a step further and build a framework that will benefit Seychelles, the region, and most of all Somalia.

3. How are you expanding the economy?

The potential for oil exploration is enormous in Seychelles and it is attracting investment for a resource that is becoming scarcer. We have seen rapid expansion of the fisheries sector. As fisheries is the second pillar of our economy, we are encouraging development of processing plants, as well as international partnerships with recognised brands in fish processing and exportation.

We are favouring innovation and investment in all areas of our society. What we have in Seychelles is precious and what we have achieved as a nation is remarkable. We have protected our pristine natural environment. We have political stability, social and racial cohesion, access to free education and health care, and we are on the path of sustained economic growth. I intend to protect these precious attributes, so that they continue to grow as our core strengths.

4. Can Seychelles become a strategic hub for international trade?

Seychelles is very attractive as foreign investors can enjoy our oasis of safety and security. We are a very stable country and this has been the key to our development. Our strategic location makes us an ideal port of call between the East and the West. We are part of free trade areas and have a reputation as a multilingual and multicultural society that is highly adaptable to changing working environments.

We will become even more attractive as an information gateway to Africa when we complete a submarine cable project linking Seychelles to Africa.

An expanded version of this feature, its articles and the full transcripts of interviews with government officials and leading CEOs can be viewed at: www.guardian.co.uk/the-report/seychelles and www.the-report.net

World vision for investment

Writer: Ray Spencer

Seychelles' economy is in need of practical, physical and financial investment in all sectors.

"We have embarked on a new era in which we want to position ourselves in the region as the centre for investment. Our ultimate vision is to become the investment centre of the world." It's clear that Sherin Renaud, chief executive of Seychelles Investment Bureau, and the Seychellois are not without ambition.

"It's a very long term view," but she insists "this is the area to focus on to do business. This is the place to invest money."

The country is looking for assistance within its key tourism and fishing industries, its emerging financial services sector and in developing new innovative technologies, particularly those associated with the environment.

Communications are set to take a leap forward with the completion of a fibre-optic submarine cable linking Seychelles to mainland Africa, bringing the essential business tools of enhanced telecommunications and secure high speed internet.

According to the Civil Aviation Authority, the 40-year old airport terminal and facilities are in need of an estimated £96 million in up-

Its corporate tax rate is low - nominally 15 per cent, but effectively 9 per cent after credits - and it's on the OCDE White List for transparency

grades. Concerning the form of investment, Transport Minister Joel Morgan assures that "we are open to any proposals but it has to be a win-win."

Another big-ticket project is the extension of Victoria's port with a 200-metre long quay to increase landing facilities for the country's large tuna processing plant. A new fish processing plant is also needed because new laws will require all catches to be utilised in order to add value. Here Morgan envisions "a combination of investors going into partnership with foreign partners."

In the long term, the discovery of offshore oil and gas will spur the modernisation of all port facilities.

Tourism is Seychelles' top revenue earner and new hotel projects are popping up along-

side the remodelling of existing properties, "where investors can join local partnerships," explains Alain St. Ange, chief executive of the Tourism Board.

To increase tourism yield "we need to offer things where visitors can spend their money, like water parks or aquariums or aviaries," he notes.

But as Minister Morgan points out, preserving the islands' environment and marine life is paramount. Developers must "follow procedures by planting endemics and helping to restore the wetlands and the environment," he emphasises.

Huge potential

Minister for Investment Peter Sinon sees huge potential in the offshore financial sector. Alongside external investors, he plans for a stock and securities exchange that allows the listing of foreign companies.

The Governor of the Central Bank, Pierre Laporte adds, "we need good household name banks – there's room for three or four more domestically, and others offshore with a lot of funds flowing from Asia into Africa."

Even the Savings Bank, now with 40 per cent private ownership, wants a strategic partner to increase its market share and delve into offshore business. "In two or three years' time the share value will double or triple," promises chief executive Michael Benstrong.

Lawyers, accountants, insurance firms, mutual and hedge funds and Islamic finance institutions are being targeted given the islands' advantageous proximity to the Middle East.

Seychelles has much to offer to prospective investors. Its corporate tax rate is low – nominally 15 per cent, but effectively 9 per cent after credits, with numerous double taxation agreements – and it's on the OECD White List for tax transparency.

Sound legal and regulatory frameworks, such as anti-money laundering provisions, are also in place. Seychelles prides itself on its relatively easy, fast and cost-effective process to open an International Business Company, currently the most popular structure.

Furthermore 96 per cent of the adult population is literate, speaking French and English, which contributes to a stable political environment. «

Seychelles

From The Big Five... To The Best Five

Diversity of locations

Beaches

Sapphire seas

Land of perpetual summer

Diversity of people

www.seychelles.travel

As a nation of 115 pristine coral islands dotted across the south-west Indian Ocean, Seychelles relies heavily upon **TOURISM** to provide the bulk of its foreign currency inflows. Meanwhile, the country’s 1.4 million square kilometre Exclusive Economic Zone (EEZ) allows its **FISHERIES** to dominate visible exports, leading to the emergence of the Port of Victoria as an important regional shipping centre. To shield the local economy from external shocks, the government is currently erecting a third economic pillar, namely, **FINANCIAL SERVICES**. Through this strategy, Seychelles intends to capitalise on its favourable location by becoming an important hub between Africa, Europe, Asia and the Middle East.



A Creole experience

Writer: Eleanor Wragg

➤ Long renowned as a luxury honeymoon hideaway, Seychelles is the ideal destination for an indulgent stay in the sun. With its enviable tropical climate, vast stretches of white sand and glittering turquoise waters, possible accommodation options include Raffles, Four Seasons and Hilton.

But high-end luxury resorts and palm-lined beaches only represent a fraction of the myriad of experiences offered in this Indian Ocean paradise.

“We have launched the Seychelles brand of tourism,” said President James Michel, who also holds the portfolio for tourism, underscoring the sector’s importance to the economy. “This is not merely about the promotion of Seychelles as a holiday destination, but also about preserving our natural environment, because this is what attracts visitors to our islands. We aim to give tourism value to our Creole way of life, which is the beauty of different cultures coexisting.”

A true melting pot

The trilingual Creole nation is a melting pot of different races, cultures and religion. To better exhibit this one of a kind heritage, the

country recently launched the “Carnaval International de Victoria,” a unique event bringing together the world’s most famous carnivals every March.

“In 2011, 19 countries turned up for the inaugural carnival, while 32 have signed up

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The Seychelles brand of tourism is not just about promoting the islands as a holiday destination, but also about preserving our natural environment and giving tourism value to our Creole way of life

President James Michel

for the second one,” said Alain St. Ange, CEO of the Seychelles Tourism Board. “For the tourists it makes such a melting pot of cul-

tures and this becomes an attraction in itself. We are bringing together all the cultures of the world.”

In addition to its distinctive cultural mix, Seychelles’ isolated history means that much of its rare flora and fauna cannot be found anywhere else on Earth. Just over half of its limited land area has been declared a nature reserve, and the Vallée de Mai Nature Reserve on Praslin and Aldabra are both UNESCO World Heritage Sites.

Seychelles’ tourism industry was born in 1971 with the opening of the country’s main airport, situated just 15 minutes’ drive away from the capital Victoria. The first plane to land was the British Overseas Airways Corporation (BOAC) Super VC-10. That year, the country saw 1,622 tourists. In 2010, the country welcomed over 170,000 visitors, mostly from Europe.

While this reliance on European markets leaves the country vulnerable to the region’s financial instabilities, Seychelles is one of the few countries in the world that has managed to maintain its pre-economic crisis tourist arrival figures, through a delicate balancing act of diversification and preservation in a sector

Once a Seychellois, always a Seychellois

In a bid to ramp up the impact of its overseas tourism offices and penetrate new markets, the Seychelles Tourism Board (STB) has launched an innovative global network of tourism ambassadors. These volunteers come up with unique ways to raise awareness of what their homeland has to offer – perhaps none more so than UK-based tourism ambassador Georgia Dunlop, who in December arranged the donation of a giant Aldabra tortoise to the Cotswold Wildlife Park in Oxfordshire to encourage UK tourists to visit Seychelles.

that provides more than 70 per cent of hard currency earnings.

From the big five to the best five

To buck the global trend of falling arrival numbers, the Seychelles Tourism Board opted to market the opportunity for visitors to combine their stay in the country with another destination – an admittedly bold move for a small place which is thousands of miles away from most locations – but one that has paid off in dividends.

The “Vanilla Islands” concept – where the tourism ministries of Seychelles, Madagascar, La Réunion and Mauritius position themselves to form a single, all-encompassing, exotic yet extremely diverse destination – is one scheme already in place. Meanwhile, Seychelles is attracting safari tourists from East Africa, who after a trip to see the “Big Five,” can fly over to Seychelles to enjoy what it calls the “Best Five” – the granite and coral islands, beaches, emerald ocean, year-round summer and the ethnic diversity of its people.

“I want to bring us all closer together and to sell us as a region,” said St. Ange.

The tourism board is also looking into increasing its yield from the visitors it already receives by appealing for investments in new activities, from water parks to aquariums, as well as concentrating on the flailing cruise ship business, which has been damaged by the threat of Somali piracy throughout the Indian Ocean.

A new island

One sizeable recent addition to Seychelles’ tourism offering is its 116th and newest is-



land, the luxury marina resort of Eden Island. In addition to offering second homes to foreign investors, the resort also runs a rental pool of its apartments, maisons and villas for holidaymakers. During the worst of the economic downturn Eden Island, like many other ongoing developments, was forced to make what CEO Craig Heeger calls “difficult decisions,” such as foregoing sales rather than reducing prices. But today he cites the development’s success as a testament to the will of the Government to support new opportunities in the sector.

“This has been effectively a public-private partnership,” said Heeger. “We have had no conflict or pushback, and have a very good relationship with the Government.”

When Heeger, who is South African, was first invited to Seychelles in 2002 to investigate the possibilities of constructing a huge development, he was initially put off by what he saw. “I was faced with a very confrontational and negative investment climate. The country had defaulted on loans around the world, it had a very low level of credibility in financial markets and it was accused of reneging on registered agreements.”

Today, almost a decade later, a change of government and an IMF intervention later, it’s clear that Seychelles has turned its fortunes around.

Affordable Seychelles

Although it will never be a mass tourism destination, Seychelles has also developed a product for tourists with a tighter budget. The Government’s drive to increase Seychellois participation in the sector has led to the development of affordable self-catering facilities and guesthouses.

“This is an ethical destination and a model of sustainability,” said Nirmal Shah, CEO of Nature Seychelles. “The Seychellois people are in charge of the businesses here at all levels. It’s almost as close to paradise as we can get.”

However, Seychelles is far from opening the floodgates to hordes of sightseers. The country prefers to take a sustainable approach by focusing on quality over quantity, keeping environmental conservation at the forefront of all its engagements.

In the words of President Michel, “I believe in sustainable tourism development, as tourism is the primary source of wealth creation for our population, but at the same time while we expand, we are conscious of the need to protect our unique natural environment.” ««

Building another piece of paradise

Seychelles’ sheer granite mountains make for stunning photos, but their tiny area of inhabitable land has hindered those looking to own their very own piece of paradise – until now. Built upon reclaimed land and connected to the main island of Mahé by a short bridge, the new 56-hectare Eden Island marina development of apartments and villas has been a roaring success, already accounting for 4% of GDP. “Eden Island is to a large extent the reason Seychelles was able to change its economy,” said Craig Heeger, CEO of the development. “We were a launch pad for credibility which helped to get the country onto the path it is now.”

Stay

If you’re looking for a touch of barefoot luxury with an eco-friendly twist, here are three of the best hotels.



Ephelia Resort - Mahé

Spanning 120 hectares with its own protected mangrove ecosystem, it offers the ultimate in green luxury.

www.epheliareort.com



Banyan Tree - Mahé

Once the site of the holiday homes of Peter Sellers and George Harrison, its design fuses local traditions with respect for the surrounding environment.

www.banyantree.com/en/seychelles



Raffles - Praslin

Tucked away on Praslin Island, it offers a world-class resort in a secluded setting.

www.affles.com/praslin



▲ Famed for its suggestively shaped nuts and catkins, the endemic Coco de Mer holds the record for the largest leaf and biggest seed in the entire plant kingdom. Isolated in the heart of Praslin, it grows in the hauntingly beautiful forest of Vallée de Mai, which was inscribed as a UNESCO World Heritage Site in 1983, and declared by 19th-century British General Gordon to be the original site of the biblical Garden of Eden.



◀ The islands are an ornithologist's paradise, with twelve endemic bird species, including the extremely rare magpie robin and the largest sea bird colonies in the world.



◀ Held over a period of three days in March, the "Carnaval des Carnavals" brings together the world's best events in one of the world's smallest capital cities.



◀ The Aldabra Atoll is home to the world's largest population of giant tortoises, while on Bird Island lives Esmeralda, the world's oldest giant tortoise. Born in 1771 and weighing almost 63 stone, she has a place in the Guinness Book of Records.

▲ The numerous coralline and granitic islands of Seychelles are blessed with some of the world's most stunning white sand beaches, lapped by the turquoise waters of the Indian Ocean.

▼ Visitors flock to Seychelles for its pristine, uncrowded beaches and world recognised dive sites as well as its exotic endemic flora, including intensely fragrant vanilla orchids.





Alain St. Ange
CEO of Seychelles Tourism Board

Q&A

Lauded as the saviour of the Seychelles tourism industry after boosting visitor numbers during an economic crisis, St. Ange takes a creative approach to marketing Seychelles.

1. In the midst of the global economic crisis, what's the secret of your success? Diversification into new markets. We were very concentrated on the EU, but now we have moved into South and North America, China, Korea and South Africa. We launched twin-hub vacations with East Africa, as well as the Affordable Seychelles campaign to promote smaller establishments. In our tourism offices, we have employed Seychellois who sell the country from the heart.

2. Where do you see investment opportunities within the Seychelles tourism sector?

There are opportunities to build new hotels, and areas where investors can join local partnerships and enhance existing developments. There is also the possibility of creating niche products, such as water parks.

3. How do you communicate Seychelles' competitive advantage as a tourism destination to the UK market? Seychelles is unique. We tell all the British people they can actually come to Seychelles and live the dream in a safe, English-speaking country.

Pioneering sustainable tourism

While other countries compete for tourism numbers, Seychelles stands out in protecting its pristine natural environment.

Cousin Island Nature Reserve



When Nirmal Shah, chief executive of Nature Seychelles which manages the island, saw media reports in Germany urging Europeans not to travel to long-haul destinations because of the environmental implications, he decided to take action. In 2010, after a rigorous accreditation process, Cousin Island was declared the world's first carbon neutral nature reserve. All emissions, including those flights tourists take to reach the destination, are fully offset by a combination of the reserve's forests and carbon credits purchased from projects in developing countries.

La Digue eco-island

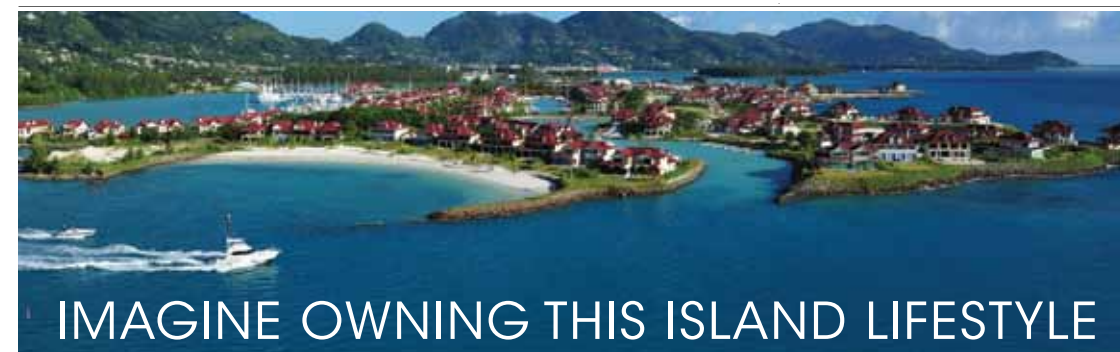


Following a 15-minute ferry ride from Praslin Island, most visitors to La Digue are initially struck by the the distinct lack of motor vehicles and sheer number of bicycles that greet them. This almost completely car-free island is set to operate solely on renewable energy by 2020, and aims to be designated the eco-capital of the world. "La Digue has all the attributes to become a perfectly safe and secure eco-island, with no pollution whatsoever. It can be done on other islands, but for now we want to tell the world it's happening here," said Alain St. Ange.

Outer Islands of luxury



The Outer Islands, between 230km and 1150km from Mahé, are passionately protected by the Seychelles Government. Only the most sustainable development is allowed under exceptional circumstances. Little more than coralline sand spits and lone rocky outcrops, they offer the true Robinson Crusoe experience among untouched habitats. Only Alphonse and Desroches Island offer accommodation facilities, while the remote raised coral atoll of Aldabra, a UNESCO World Heritage Site famed for its giant tortoises, is accessible via yacht charter.



IMAGINE OWNING THIS ISLAND LIFESTYLE



www.edenisland.sc



Ocean harvest

Writer: Anna Reitman

S As a vocal member of the UN-compliant Indian Ocean Tuna Commission (IOTC), Seychelles is an important regional player in promoting cooperation to maximise resources and encourage the sustainable development of fisheries, while building capacity in a tough economic environment.

It took just 20 minutes for a golf course proposed by Peter Sinon, Minister of Investment, Natural Resources and Industry, to be shot down by the Seychelles cabinet because it was located in a major water catchment area. This is part of the "delicate tightrope" between obligations to maintain sea and land resources, preserve the pristine environment and manage fish stocks.

Fishing has developed from an industry based on local consumption to one able to compete internationally as a vital pillar of the economy. When it comes to potential opportunities for UK investors, Sinon points to processing ventures for export as a key area to look at.

"Seychelles is regaining its status as the number one fishing industry in the Indian Ocean," says Sinon. "We tranship the most fish, we have the largest tuna canning plant in the Indian Ocean and we are up to standards with the EU for our exports." Indeed, the monetary contribution of fishing-related activities to GDP and foreign exchange exceeds that of tourism. Fishery products alone account for over 90% of exports. Moreover, around 80% of the tuna catch in the southwest Indian Ocean is landed or transhipped in the Port of Victoria.

The government intends to maintain the status of its major port, capitalising on some of its distinct advantages. As one of the deepest ports in the Indian Ocean lying outside the cyclone belt, Port of Victoria operates every day of the year and is the closest port of call to some 90% of the region's tuna fishing.

The European Union, Japan, South Korea and Taiwan have all reached agreements to fish in its Exclusive Economic Zone (EEZ), focusing on the catch of highly migratory species such as tuna, swordfish or sailfish in the open sea.

Going further

Simultaneously, exports have plummeted 30% since 2006. Piracy was the culprit for the biggest dip, when fishing vessels took a brief hiatus over safety concerns in 2008. But numbers have improved since security has been boosted aboard vessels. Further challenges for the fisheries industry are the migration of such pelagic spe-

cies as mackerel, sardines and anchovies and competition with Papua New Guinea and Mauritius.

Aside from increased competition, the fisheries sector requires significant investment and incurs high operating costs, in relation to its limited productivity and shortage of adequately trained human capital.

To solve issues of inadequate infrastructure, the construction of more landing areas is on the agenda. A 200-metre long quay for tuna vessels is planned in addition to vessel repair facilities. For environmental reasons, it is unlikely that dry docks will be included in future plans, as they may negatively impact the tourism sector.

"In the industrial sector, we need foreign investment," said Finley Racombo, CEO of the Seychelles Fishing Authority (SFA), "but we also need to get local partnerships involved and we have to put more pressure on that for it to go further. We have to put in place the credit facilities so that people can get access to finance to be involved in these activities."

Racombo explained that marine aquaculture, which is currently limited to only two production facilities, is another activity with room for development. One producing black-lip oysters and the other producing clams are both located on Praslin, the second largest island in Seychelles.

"We are hoping that by the end of 2012, the plan will be there and there will be a call for investors. We have done scoping around our granitic islands and identified high-value species," Racombo notes, adding that the SFA is opposed to the introduction of exotic species for farming. Any cultivated species would have to occur naturally.

However it's not just about catching or breeding more species for consumption. The SFA also aims to reduce waste and discards at sea. The fisheries regulator will make it mandatory that all catch is used, processed and landed as value-added products, which will also require additional facilities and investment.

"We need to continue on this road of progress within the fishing sector, improve on the level of production and come up with the investment, either foreign or local, to have more products and facilities. There is a big future for the Seychelles fishing industry, the potential is there, [and] the area for exploitation vast," said Racombo. ««

When Lehman broke...

In early 2006, Lehman Brothers led a consortium under the banner of MWB to buy Heinz's seafood business and became an owner of Indian Ocean Tuna (IOT), giving the American investment bank a big stake in Seychelles' largest private employer. Unsurprisingly, Lehman's demise caused some concern among employees, though upper-level IOT managers were confident of the company's solid financial position. After buying the company, Thai Union Frozen now runs one of the world's largest seafood companies with brands such as John West and Chicken of the Sea.

T F FS

Offshore dreams

Writer: Anna Reitman

As a means of diversifying an island country’s economy, financial services is a good bet. Seychelles is ideally situated between major trade and manufacturing channels of Asia, Middle East and Africa, while its time zone puts it between global financial centres London and Hong Kong.

“We can be a gateway to Africa, particularly in structured finance, because a lot of African countries are now even investing outward and there’s a lot of inward investment. So Seychelles can position itself to let you reduce the cost of financing going into Africa and provide structures that will maximise shareholder value,” said Steve Fanny, CEO of the Seychelles International Business Authority (SIBA).

In Africa, interest is growing from fellow members in regional initiatives such as the Southern African Development Community

(SADC) and Common Market for Eastern and Southern Africa (COMESA). Markets in Asia include China, India and Indonesia, while in the Middle East, interest is expected from the UAE, Qatar, Bahrain and Oman.

The only real competition in the area is Mauritius. The conventional wisdom is that for standard offshore structures, Seychelles is quicker and cheaper while Mauritius is better developed for more complicated requirements, in part because it has been a market-based economy for longer. At the same time, the two island nations have partnerships. Mauritius Commercial Bank, for example, has a branch in Seychelles and promotes the best of both worlds. Other foreign banks with branches include Barclays, which was the first to open in the 1950s and the first to be granted an offshore banking licence in 2004.

Aside from natural markets and established players already in the region, government-backed research shows that British investors might be most interested in financial services, real estate and offshore sectors with some officials noting that the financial sector may surpass fisheries to become the second pillar of the economy.

The focus on this sector is about insulating the economy from potential shocks such as the European sovereign debt crisis. That means diversification is high on the government’s agenda, as is fostering competition in order to push digital innovation in the financial sector.

Throwing down the gauntlet, Pierre Laporte, governor of the Central Bank of Seychelles, said, “what we would like to see is three or four more banks to bring digital innovation. Technological change is driving financial





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Despite its ideal location in a region booming with trade, when sophisticated investors think of a reputable and established international financial centre Seychelles rarely comes to mind. But the government is intent on overhauling the country’s legal and policy frameworks to change that.

services and in my view the banks here are not doing enough – the quality of services and level of modernisation is not enough.”

Structural shift

Despite those challenges, there is a diverse array of flexible structures available within the offshore sector. In a jurisdictional review, the OECD notes that aside from the benefits of a tax free or low tax environment, some products allow for the possibility of transferring a legal entity set up abroad into Seychelles.

The most popular offshore structure by far is an International Business Company (IBC) but there are a number of others such as trusts, protected cell, limited partnership, mutual and hedge funds, yacht and ship reg-

of doing business has considerably improved because the country is starting to “implement what is needed in terms of legislation and process.”

Where there’s smoke...

Still, there are a number of outstanding legislations which have been delayed as the country held two national elections last year and, consequently, faced interruptions to the National Assembly. Then, when the G20 published a list of suspected tax havens amongst which Seychelles was named, the small island nation found itself in a heated exchange with the largest economies of the world.

The Organisation for Economic Co-operation and Development (OECD) too had some observations. It highlighted “substantial weaknesses” in the legal and regulatory framework in the field of exchange of information. For example, there is no requirement to make ownership information available and in some cases there are strong secrecy provisions that prevent the disclosure of such information.

However, the government points to recently negotiated Taxation Information Exchange Agreements (TIEAs), with Guernsey being one of the most recent jurisdictions to sign on. It says those agreements are a clear sign of its commitment to enforcing the OECD recommendations.

Though clearly there is some progress and political will to tackle this issue, another recommendation does not seem to be on the radar. There is no requirement for offshore entities to keep account records and underlying documentation in accordance with international standards. “This absence of accounting requirements is an important deficiency in the Seychelles’ legal and regulatory framework,” said the OECD.

But the lack of a requirement to prepare or file annual audited accounts is found on promotional materials as a key feature of the IBC business company structure and whether there are any plans to change this is in question. Considering the importance that foreign investors place on issues of transparency, criticisms of its banking sector can have a profound negative impact.

Michael Benstrong, CEO of Seychelles Savings Bank, known as “the people’s bank,” admits there is a need to ensure that the correct legislation is in place to raise investors’ comfort levels.

“What is being said about Seychelles in some newspapers is not 100% true, but there is some truth there – there’s no smoke without fire...We need to continue to improve our image to avoid smoke going up,” Benstrong said. ««

Aside from natural markets and established players already in the region, government-backed research shows that British investors might be most interested in financial services, real estate and offshore sectors

istration and airline registration. Steve Fanny of SIBA notes that more education is required for service providers to feel comfortable with the full range. To move this forward, SIBA is investing in training and there are also initiatives which link the business community with the University of Seychelles, such as financial scholarships from the private sector.

There are also Seychellois repatriating after living and working in financial services abroad. Alexander Pierre, fund manager at Delta Asset Management, set up the first hedge fund in 2007 after living in London for some 20 years. He faced significant hurdles as a new entrant. Licencing, for example, took five months when other jurisdictions take about two weeks.

“Because [Seychelles] never had a hedge fund, we had to educate local investors...the offshore sector is something quite foreign to the local population...The financial sector is something we need to emphasise...and we’re trying to push the authorities to really develop it,” Pierre said.

At the same time, Kenny Roberts, who joined the firm shortly after Pierre, adds that the ease

Coming Soon

If there is one common complaint about African markets, it is the lack of liquidity and technology. Seychelles is trying to move forward on both. Meanwhile, as an offshore jurisdiction, it is quickly discovering that companies require highly specialised expertise to navigate the legal landscape associated with foreign-owned holdings.

1. Capital markets

In April 2011, the financial regulator invited proposals to set up a stock exchange, scheduled for this year. Expectations are high that the Exchange will quickly attract international listings while also linking with the rest of Africa and the world. Seychellois companies may take more time to cultivate a culture of investing, say regulators, but seasoned investors will have the platform they need to send investment flows into the country.

2. Fibre optics

The submarine fibre-optic cable is considered a defining development which will move the country’s highly literate workforce towards a knowledge economy. Information and Communications Technology (ICT) will open up e-commerce and business process outsourcing as well as enable provision of bundled services such as e-healthcare and e-learning solutions.

3. Legal eagles

To help overcome insufficient capacity in Seychelles for foreign law advice needed by offshore corporate and financial services, this year, the government will enact the Legal Practitioners Act, making it possible for foreign lawyers to practice. Meanwhile, Seychelles does have local lawyers, some of whom graduated in the UK, so a foreign law firm will be able to set up quickly.

Digging its way out of debt

The IMF has given Seychelles high scores for its reforms and efforts to reduce debt and set the country on a sustainable path. Though risks remain, the government has shown remarkable fiscal discipline.

► The lessons of the past are being used to benchmark the future of the Seychellois economy. Before 2005, it was entrenched in socialist principles. But when in 2008 it was saddled with the unenviable status of being one of the most indebted countries in the world, market-led reforms could no longer be avoided.

The crisis which led the island nation to a \$26 million IMF bailout is in part connected to Lehman Brothers. After taking a stake in the tuna canning factory, the investment bank began loaning the government money – to the tune of \$308 million at annual rates as high as 24% in the two years before its collapse, according to Bloomberg figures. The deals resemble those made in Asia and Russia a decade ago, “when too many bankers offered too many deals to too many governments”, in the words of Nobel laureate Joseph Stiglitz. One would not be hard pressed to find a more recent example of such behaviour.

When the dust settled, Seychelles’ arrears on its external debt amounted to \$263 million while public debt stood at \$1.3 billion, or 153% of the economy.

But that was then.

In its latest review preceding a \$4.7 million loan disbursement under an extended

“

Structural reforms continue to focus on improving public financial management and fostering private sector-led growth

Min Zhu
Deputy Managing Director, IMF

arrangement of \$30 million, the IMF said the country’s strong economic rebound was aided by sound macroeconomic policies and timely structural reforms.

“Structural reforms continue to focus on improving public financial management and fostering private sector-led growth. In the financial sector, efforts should focus on limiting the role of state-owned institutions, strengthening competition, enhancing governance and transparency and improving banking intermediation,” said Min Zhu, deputy managing director and acting chair of the executive board of the IMF.

The Central Bank of Seychelles is targeting public debt to shrink to 50% of GDP by 2017 and seems to be well on its way. After restructuring external debt, it has been reduced by half and domestic debt is being kept in check by paying it down with budget surpluses.



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The players: How they see it

Writer: Anna Reitman

Regulators and industry leaders are working together to achieve the ambitious goal of boosting the importance of financial services to the economy, both locally and globally.



(Clockwise from top: Alexander Pierre, Michael Benstrong, Steve Fanny, Sherin Renaud, Kenny Roberts)

Managing perceptions

Offshore banking isn’t about tax evasion, it’s about tax avoidance – an important distinction says Sherin Renaud, CEO of the Seychelles Investment Bureau. She explains that people confuse secrecy with confidentiality, but there are many reasons why people would want to use an offshore centre for confidential transactions. Seychelles is not averse to any exchange of information as long as it comes with strict conditions, she adds.

Local competition

The “big boys” in the banking sector are worried about the rapid rise of Seychelles Savings Bank, says Michael Benstrong, CEO. It has partnerships in the UK and Europe with major tier one banks and has accounts in major financial centres across the US, Europe and Asia. The bank has spent five years building a model geared towards emerging markets in Asia and Africa and Islamic finance is also a strategic focus.

Local market

Foreign interest is increasing, but is targeted at overseas clients with overseas operations. Kenny Roberts and Alexander Pierre, fund managers at Delta Asset Management, want to offer something to local investors and are themselves major investors in the Delta fund. They explain that local businesses earn some 3% annually by putting their money in banks but after three months of trading, the fund was about profit.

International competition

The markets to capture, says Steve Fanny, CEO at SIBA, are the UK, Asia and Africa. The American market is mostly locked up in the Caribbean and is in the wrong time zone while Europe continues to struggle with a liquidity crunch. So SIBA has been building a model geared towards emerging markets in Asia and Africa. And with Islamic Finance growing fast, the island’s proximity to the Middle East gives it an advantage, he adds.



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www.siba.net



Air links

Last summer marked the 40th anniversary of the arrival of the first aircraft at Seychelles Airport from London. Such air links are essential to expanding the islands' tourism and business sectors.

However, due to reduced demand and higher operating costs, Air Seychelles, the state airline, terminated all direct European flight services in January. The airline now operates as a strategic regional carrier to Mauritius and Johannesburg, making the islands a hub for connecting flights. Eliminating costly routes, such as Singapore, allowed the carrier to consolidate its finances, but it was still a difficult blow. "Air Seychelles is not a doomsday scenario, although there may be a slump initially," says CAA chief, Gilbert Faure.

Now other airlines are slowly filling the void. In mid February, Blue Panorama will offer direct flights from Rome and Air Austral's Paris connection starts at the end of March. In addition, Emirates, Etihad and Qatar are providing feeder routes via Gulf hubs, but the UK remains an underserved market.

There are plans to upgrade the 24-hour Seychelles Airport Terminal and later, to build a new runway on reclaimed land, helping to generate income from Seychelles' airspace. The handling of private aircraft is also seeing ever better returns.

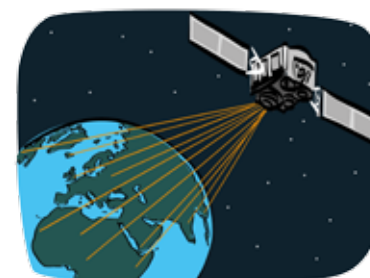


Ports

The Port of Victoria, on the north-eastern side of Mahé Island, is one of the deepest in the Indian Ocean, with two deep berths, two smaller ones and a reputation for efficient ship handling. Unlike Mauritius, Seychelles' port lies outside of the cyclone belt, offering a safe haven for passing vessels.

Essential for the country's expanding tuna fishing industry, the commercial port was first opened in 1975. Now there are plans for it to become the most favoured port of call for vessels operating within the region. A 200-metre long quay built on reclaimed land will increase berthing capacity and turnaround times, while providing modern onshore cargo handling. New repair facilities are also envisaged, although they most likely won't feature drydock capabilities.

Traditionally, cruise ships and private yachts would contribute towards the total of around 1,000 port calls each year. However, few are now doing so given concerns over Indian Ocean piracy, which has adversely affected port income from dues, berthing and handling. In contrast, navy vessel and cargo container activity has increased – 90 percent of the islands' needs are imported, mostly by sea. The port also handles almost all Seychellois exports, from vanilla and coconuts to tortoise shells and soap.



Telecommunications

Seychelles' world telecommunications network opened in 1893 when British-owned Cable & Wireless (C&W) built a cable link to Zanzibar capable of transmitting 15 words a minute.

Beginning locally in 1998, Airtel offers state-of-the-art 3G services and has captured 55 per cent of the mobile phone market. Boosting competition this year, South African firm Intelevison is Seychelles' third telecoms operator.

Internet connections currently rely on the slow satellite technology first introduced by C&W in 1996. Today, the country is on the brink of a communications revolution in the shape of a new submarine cable to Tanzania which is set to provide huge bandwidth at hitherto unseen speeds. Airtel is extending its network into Seychelles' most remote areas, where signal quality is a challenge. With technology from IBM and Ericsson, it is also expanding its fibre-optic network to benefit from the submarine cable.

Tsiresy Randriamampionona, Airtel Seychelles managing director, says 25 per cent of his 60,000 subscribers are post-paid, half of which are corporate accounts "which is very high compared to Africa."

Airtel supplies secure data centres and its wire line core network offers ISDN/DSL and other services to provide end-to-end data and enterprise services for corporates.

Industry voices



Gilbert Faure
CEO of Civil Aviation Authority

Q&A

1. After 40 years of jet aircraft connection, what next?

We aim to become an Indian Ocean gateway and we are working with the World Bank. We now need to implement our vision. Seychelles is popular and will continue to attract people. Politically we have no problems; we are a small nation.

2. How will Seychelles become a regional transport hub?

It is already developing. If we are to create a hub you will not only have airlines, you will have fly cruises. You can have twin centres with La Reunion, Mauritius, even Kenya to do the safari and the sea, and why not Abu Dhabi, to have sea and desert. We talk about strategies for the future, not only in airport facilities, but also capacity building.

3. What is your competitive advantage?

The location; we are blessed because we don't get cyclones unlike our neighbours down south. The equipment infrastructure that we have is up to standards, but we have plans for a new terminal to keep up with the trends. We have nice weather and the people are very friendly.



Patrick Vel
CEO of Seychelles Trading Company

Q&A

1. What can you do about pricing volatility?

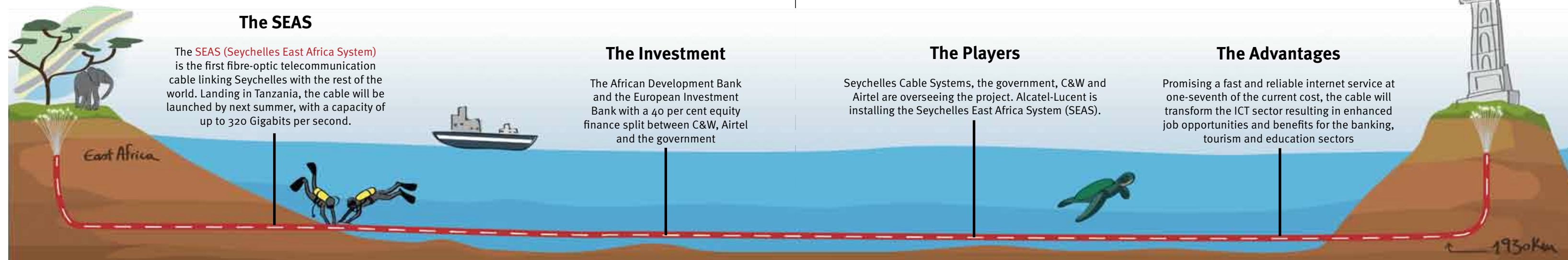
Being owned by the government we have to support the country and protect the population from the harsh realities of the world. For certain basic commodities, we try to mitigate price fluctuations and provide more stability. We fix our prices for a period and try to absorb price fluctuations.

2. Can British companies help?

We have very close UK ties, being a former colony, and the market is very sympathetic to anything British, as it comes with the tag of quality. We work with UK companies, such as Diageo, but we do not have any fixed structured businesses. We'd very much like to work with the UK.

3. Where can you get growth?

The market overall is not growing but there will be a shift in the basket of commodities, as people become more affluent. There are still opportunities we are not exploiting. The inner islands have a huge potential to produce fresh products. We want to get more involved in the tourism sector, supplying hotels and the industry generally.





The case for public interest

Writer: Ray Spencer

Black gold has been detected in Seychelles' EEZ, raising concerns about the potential effects on its environment and society.

President James Michel says the potential is "estimated to be as large as the Saudi Arabian oil fields," with oil flowing as early as 2015.

Studies of new oil-producing nations conclude that there's often a negative correlation between oil and democracy. As income rises, politics can turn ugly, to the detriment of social programmes and environmental protection.

Last year, in its second African Governance Report (AGR), the UN Economic Commission for Africa (ECA) declared that Seychelles leads the way in superior infrastructure, tax system, political competitiveness and fairness of elections, in addition to achievements in education, health and care for the elderly.

Michel has already consulted Norway, which has applied the benefits of North Sea petroleum to earn the highest place on the United Nations Development Programme's list of best social development performance.

"They have a very good system, via their sovereign fund, which ensures no one can pocket the oil revenues," said President Michel, who is drafting similar legislation.

A blueprint for oil

Norway's oil income framework is admired worldwide. It has established economic and ethical principles for the use of oil revenues to benefit current and future generations. Crucially, there's universal political understanding that, to avoid overheating the economy and waste, the national economy should be 'shielded' from the exceptional inflow of oil profits.

"We will know exactly which money belongs to the people. A certain amount will be allocated to development projects and the bulk of the money will go into the sovereign fund, which should be used for future generations and ensure continued sustainability," he said.

Central Bank Governor Pierre Laporte points out that oil revenue may also help cushion shocks from external inflationary effects on the country and "set up a fund to keep the economy going." His staff are taking courses in Norway on how to manage the possible financial inflow and operational best practices.

Few so large

Australian exploration company WHL Energy has independent confirmation of the potential to produce 3.5bn barrels of oil from its licenced area. The largest prospect has the potential for over 1bn barrels, surpassing the production capacity of most oil fields worldwide.

The government stands to receive a total royalty and corporate tax income of approximately £18bn from that

one find over the next 30 years. As returns from any project increase, the government is able to levy additional taxes.

"But there are no guarantees – this is a high cost, high risk business, where there is an average one-in-five chance of the first wells being successful," cautions WHL managing director Steve Noske.

He expects Seychelles "to share in the early benefits of developing and building the oil facilities through employment and procurement of materials and services, but the real material revenues begin to flow to the government once production commences."

UK-based Afren and Isle of Man-registered partner Avana Petroleum report "numerous large leads" that may produce 240m barrels. Their first exploratory drilling will take place before the summer and at two WHL sites in mid-2013.

So far, oil exploration has been minimal, but this year the government will auction further sectors.

Over the horizon

If drilling produces promising results, the Perth-based company will move to an offshore development phase with undersea piping and equipment and surface facilities being "well over the horizon; we don't see the need to bring production to the coastline at this stage," Noske says.

"We are very environmentally conscious and we would like to preserve the pristine environment of our country," highlights President Michel.

The government "insists that every underwater pipe must be capped and removed, as must every oil rig once

"We're not having a party yet - we have to prepare because we don't want to be like continental Africa where oil becomes a curse."

Pierre Laporte
Governor of the Central Bank

"We must use the oil money in a very responsible fashion, so that we don't destroy our culture and our life."

Captain Guy Adam
Chairman of SEYPEC

the oil reserves are exhausted," explains Captain Guy Adam, Chairman of Seychelles Petroleum Company (SEYPEC), the oil and gas industry regulator, stressing "we must develop the oil sector in a safe way."

Two-thirds of the world's oil already passes through the Indian Ocean region. SEYPEC owns, manages and operates a fleet of six tankers, five of which ply petroleum products around the world. It also has oil storage facilities for domestic supplies and re-exports, as well as bunkering.

"As the president said, when we do discover oil, we have to think of the next generation, we have to think of it as an insurance policy for us; we cannot allow it to be a curse," observes Peter Sinon, Minister for Investment, Natural Resources and Industry.

Along the same lines, Jean-Paul Adam, Foreign Affairs Minister, stresses that the government is not factoring any potential revenue into future economic models.

SEYPEC's Captain Adam insists, "We must use the oil money in a very responsible fashion, so that we don't destroy our culture and our life. If you have too much money all of a sudden it can be destructive. The way we're planning our economy is that oil is the bonus card."

Indeed, government officials seem determined to use any extra funds for promoting education, health, delivering housing and empowering people to take advantage of opportunities at the higher end of the economy.

While all stakeholders appear to be saying the right things about the anticipated black gold, only time will tell if good intentions translate into positive results for the public interest. <<<



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Reaching out with success

“Seychelles needs a quality education system. Without it, tomorrow’s generation will not be able to compete in an increasingly globalised world,” says Dr. Rolph Payet, president of Seychelles University.



It may be just three years old, but the University of Seychelles is centre stage in the drive to ensure the island nation’s economic stability, by successfully associating and collaborating with UK universities, industry leaders and overseas sponsors.

Seychellois education closely resembles the UK’s GCSE and ‘A’ Level examinations and for a decade, Seychelles University (SU) was linked with Manchester University (MU). Now it is affiliated with the University of London (UoL), which is “already singling us out as showing a lot of progress and doing very well,” says Dr. Payet, who is also SU’s Vice Chancellor.

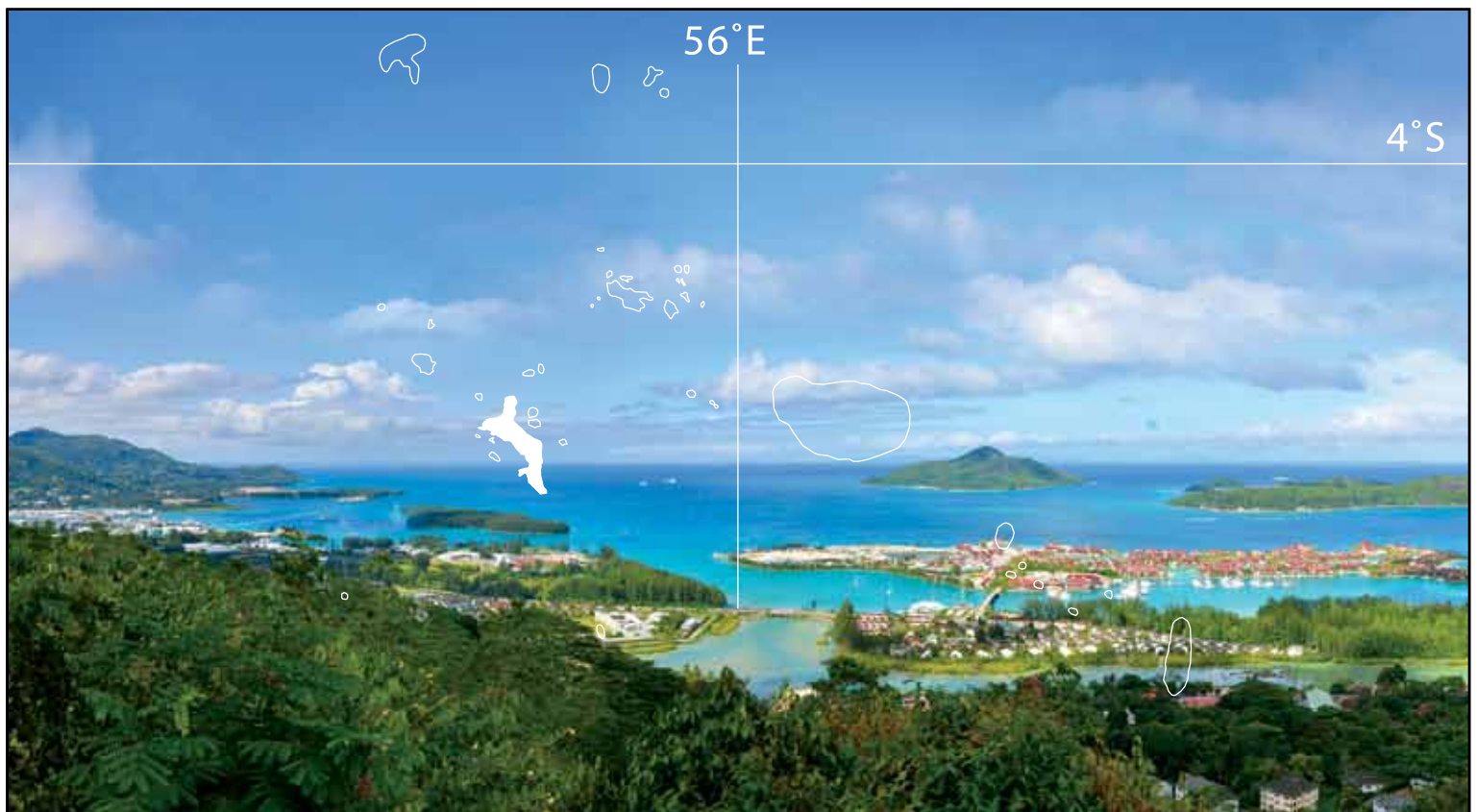
“We are using their [LSE and UoL’s] brands to really pull our name up by being associated with a very strong national brand. When students come to this university, the same quality

they expect in the UK will be delivered here,” insists Payet.

In the past, Seychelles was forced to send its most talented students abroad to study, where they were often poached. Today, the Seychellois people living abroad send their children back to their homeland to receive a UK-standard education at SU, with courses costing approximately 20 per cent less than in the UK.

Subjects in demand include law, economics and finance. The first class of 20 students is expected to graduate in Business Administration this year, while an Environmental Sciences degree will also be launched.

Private businesses in banking and tourism are financing scholarships, while the Indian Government is also sponsoring an IT Centre of Excellence.



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