

SEYCHELLES

In Gear for the Future

Seychelles is the closest thing to paradise on earth, with an arresting natural beauty and the world's best beaches. Its geographic make-up is unique – it is the only group of granitic islands situated in the middle of an ocean, and most of the granite is over 750 million years old. This tropical retreat also boasts two UNESCO World Heritage Sites: Aldabra is the world's largest raised coral atoll, whilst the Vallée de Mai on Praslin is home to the famous Coco de Mer.

An archipelago of 115 islands in the Indian Ocean, the country's population of around 88,000 is one of the smallest in Africa. The former British colony was only granted independence in 1976. A one-party socialist state from 1979 until 1991, its transition to a market based economy brought its own share of challenges.

Although efforts were previously concentrated on infrastructure and people-centred development such as the provision of quality education, healthcare, housing, and other basic services, financing became scarcer after the fall of the Berlin Wall, and the island nation's reliance on imported basic commodities made the economy particularly susceptible to external shocks, such as escalating food prices and volatility on the world oil markets.

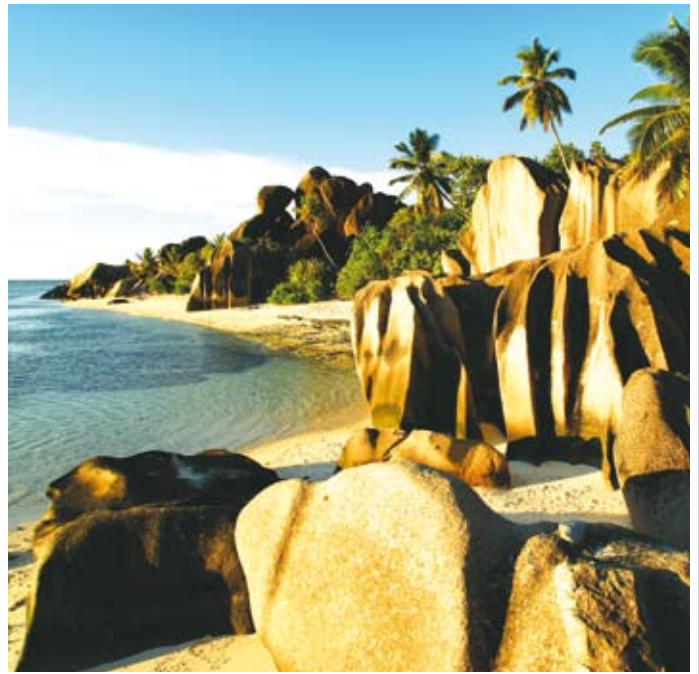
In 2008, Seychelles had one of the highest debt-to-GDP ratios in the world and an overvalued exchange rate with a premium of over 100% in major currencies. The country was plagued with deficits and borrowings that were unsustainable, and could no longer rely on tourism as a mainstay of the economy.

President James Michel elaborates, "The country was severely affected by the worldwide financial crisis. Of course Seychelles, being a small country with a small economy, was not spared at all and when the country reached the limit, the IMF was called."

Minister of Investments, Natural Resources and Industry, Peter Sinon, adds, "I thought then that the Seychelles was at breaking point. It had become that critical that we do something very brave and robust, which was to listen to the IMF and invite them in. That was the decision the president took. It was not an easy decision to make."

Whilst the IMF's involvement was a bitter pill to swallow, the reforms were absolutely necessary if the country was to tackle its spiralling public debt and the proliferating parallel currency market.

Despite the onerous reforms, which saw the liberalisation of foreign exchange and the devaluation of the Seychellois Rupee to half its previous value, the country managed to preserve its landmark social achievements and public services. President James Michel was adamant that these achievements should not be reversed when sitting down to negotiate with the IMF. His Excellency explains, "They agreed that we retain our social gains, whilst we worked on the modernisation of our economy. The key aspect was ownership."



Indeed, the government appropriated the IMF plan as its own and, with a skilful combination of leadership, political will and communication strategies, coupled with the cooperation and understanding of the Seychellois, was able to apply the remedies and ensure that the difficult but necessary process worked.

From the President down, the government reached out to the people in every corner of the country, engaging them in dialogue and receiving feedback. The Central Bank Governor and the Vice President, who is also the Minister of Finance, were also instrumental in communicating the problems to the populace, with various interviews and appearances.

The fruits of the reforms came sooner and better than anticipated. Mr Sinon states, "The reforms have restored confidence in the economy; the confidence of investors, consumers, and the confidence of the average person who will now put their money into the official system."

Tourism, the flagship industry of Seychelles, saw visitor numbers increase again and debts returned to sustainable levels. Foreign direct investors once again began looking at Seychelles as a viable option.

Transparency and accountability have paved the way for a new era in Seychelles' government, renewing the strength of the democratic process and creating the foundations for an economy that is back in good health, as evidenced by the growth rate of 6.2% in 2010. Moreover, President Michel notes the emergence of a more upbeat spirit in the Seychellois. The reforms have inspired a culture of achievement as well as an entrepreneurial spirit. As the country remakes itself and goes from strength to strength with renewed initiative and vigour, more opportunities will open up and Seychelles can position itself to take on the challenges of tomorrow.



The Seychelles Islands..

*Your year-round holiday destination,
land of perpetual summer-
safe ... pristine ... unique*

Seychelles – Beyond Sea and Sand

Seychelles is described by many as a once-in-a-lifetime experience, and with good reason. Its clear sapphire seas are inviting and rich in marine life; the perfect complement to its azure skies. As the CEO of the Seychelles Tourism Board, Alain St. Ange attests, "any picture taken of the Seychelles can never do justice to the country; the reality is always prettier than it appears in the pictures."

The government is consolidating its efforts to support the country's main income generator so that it can effectively address global tourism trends and overcome cutthroat competition. The Seychelles Tourism Board (STB) has taken the lead in restructuring the industry and strengthening its image abroad. The results are exceptional if not downright exciting.

Cooperation between the government, airlines and private investors has become stronger. The President's full support of the current initiatives, in his twin capacity as Chief Executive and Minister of Tourism, is testament to the paramount role of tourism in Seychelles' economy. President James Michel relates, "For the tourism industry to survive and to thrive, volume is needed. This is why we have encouraged a few four, and three star hotels to open."

Mr St. Ange adds "We were set on trying to sell the Seychelles as a very expensive, upmarket destination. It never worked because you separated the world in two sections. The biggest bulk of travellers were not invited anymore because you left them out of the equation. We reprogrammed the Seychelles

and repositioned it as an affordable destination, with something for every pocket."

This new market segment has created opportunities for small and medium-sized Seychellois enterprises that can open and operate guesthouses, small boutique hotels, restaurants and shops. Where previously only the big five-star hotels were involved, more local entrepreneurs are given a chance to participate.

Tourism on the rebound

In line with the increase in available accommodation, new airlines and flights to and from Seychelles come at an opportune time. The Civil Aviation Authority confirms that Emirates will increase its weekly flights from Dubai from seven to ten. Qatar Airways has switched to bigger planes servicing Seychelles, and their number of flights to the island is expected to increase as well. Soon the Asian market will have easier access to the islands through an air link with South Korea. However these increases pose a challenge for the national carrier, Air Seychelles. Faced with the intensifying competition, it has opted for innovation, highlighting its industry strengths. The Airline's Chairman and CEO, David Savy, proudly states, "Air Seychelles remains a preferred carrier to the country because we fly non-stop to Europe." Air Seychelles' recent introduction of lie-flat seats in its Pearl Class makes it the only carrier offering this high level of comfort on direct flights to Europe.



The famous Coco de Mer.

On the other hand the increased traffic between the Middle East and Seychelles has prompted more tourists and potential investors to visit the country. The region's sizeable expat community is also taking advantage of the four and a half hour flight to Seychelles for short haul holidays. Visitors from the rest of the African continent have increased by nearly 10%, likewise for arrivals from Russia, China and India. 2010 is considered a banner year for the industry with a new record of 174,529 visitors, up 11% from 2009.

Central Bank of Seychelles Securing Seychelles' Financial Future

The role of the Central Bank of Seychelles (CBS) will remain crucial in maintaining the momentum that has been gained from efforts to combat the recent economic crisis. As the country reaps the rewards of tough fiscal reforms, the financial services sector continues to develop and the status of the Seychelles as a premiere offshore jurisdiction rises, the contribution of the CBS to the country's progress will come sharper into focus.

On the local front, the financial sector is stable and secure. Inflation is low and banks are well capitalised and liquid. Governor Pierre Laporte, Central Bank of Seychelles Governor shares, "We have, according to the IMF experts, one of the best financial supervision systems in Africa."

It is hoped that more banks will arrive and set up new offices in Seychelles. The domestic banking sector would benefit greatly from the presence of new competition that in turn would see the development of new products and services, setting new benchmarks of corporate excellence and meeting the needs of a client base that is becoming increasingly sophisticated and demanding.

The offshore financial services sector is also creating positive buzz for the country, but the Central Bank is exercising caution. It is an industry that requires greater prudence in terms of disclosure and transparency, and vigilance with regard to compliance with international best practices. Fortunately, the country is on track: with the modernisation of key legislations such as the Revised Mutual Fund Act, the Securities Act and the Insurance Act of 2008, the signs of progress should encourage confidence and spur further investments. These developments enhance the capabilities of the Seychelles, representing another step forward and bringing it closer to becoming a fully established financial hub.

Also in progress is the creation of a Stock Exchange, which will provide another option for investment for major regional companies to get listed



and traded. Furthermore, it is another venue to engage Seychellois in local economic activities. It is the vision of President James Michel for locals to buy more shares and invest.

Investment opportunities are diverse in the Seychelles' financial sector and it is opening its doors to a wider market that includes countries from the Gulf, and emerging economies such as India and China. At the same time, the Seychelles' close proximity to the Middle East could see it extending its portfolio to include Islamic finance. By ensuring that its products are Sharia compliant, the Seychelles has a good chance of taking the lead in the region, as an Islamic financial jurisdiction.

Optimism is high in the Seychelles, with fundamentals in place and a focused strategy that is aligned across the board. As Governor Laporte aptly says, "Seychelles today has the right policies. We struggled for years to get it right and I believe today that the Seychelles is an example especially for the small islands to follow."



The STB has also taken a more inventive approach with regard to marketing. To enhance its synergy with African partner countries, a novel joint effort consisting of a packaged safari and beach vacation was launched last year. It combined a beach holiday in Seychelles with a safari in Tanzania or Kenya, offering ideal added value for tourists.

In response to the African "Big 5" marketing campaign, the STB prepared a campaign called "From the Big 5 to the Best 5", highlighting the Islands' attributes, including its magnificent beaches, which

are famous worldwide and regularly receive prizes from the World Travel Awards and Virgin Holidays Responsible Tourism Awards, and the uniqueness of the islands, as the only group of granitic islands located in the middle of an ocean. Far beyond the cyclone belt and with clear sapphire seas and warm tropical climes, the country is in perpetual summer.

These characteristics set Seychelles apart from similar island getaways, but what truly captures the essence of the uniqueness of the archipelago is the Seychellois themselves. The people are genuinely friendly and welcoming and from diverse ethnic backgrounds.

The country's tourism sector has also been repackaged abroad as more "activity-based", with the launch of the first ever "Carnaval International de Victoria". Held between the 4th and 6th of March, it is a celebration of the Seychelles' unique national identity and rich heritage as a melting pot of cultures and races. Visitors do not require visas, provided they have their passport, return ticket and proof of accommodation. As Mr St. Ange says, "We are friends of everybody and enemies of none. Everybody can land in the Seychelles."

Another development that is attracting investors is Eden Island, a residential marina just a few hundred metres from Mahé. Exclusive freehold title Apartments, Maisons or Villas on Eden Island qualify the buyer and family to a residency permit application and include a private mooring, appealing to boating enthusiasts. Discussing the economic impact on Seychelles, Eden Island's Head of Sales and Marketing, Peter Smith, says, "The development



currently accounts for some 600 direct and indirect jobs, 90% of which have gone to Seychellois". The first of its kind, Eden Island exemplifies the bright future that awaits foreign investors in Seychelles.

Diversification and innovation have certainly yielded higher volumes, and the tourism industry is back on track, with positive knock-on effects in other areas of industry. For instance, Cable & Wireless (Seychelles) Ltd, the island's leading communications provider, which currently services 98% of the hotels' telecommunication requirements, is in the process of upgrading its fibre optic cabling system, scheduled for completion next year. Such ventures involve huge investments, but as Mr Charles Hammond, CEO of Cable and Wireless states, "We have confidence in Seychelles and in the new developments. We truly feel that there is a great future here".

The STB can also take pride in the fact that many other similar island states are taking notice of its tourism model. The Hawaii Tourism Board recently praised the STB for its effective efforts in promoting the country.

Seychelles International Business Authority (SIBA)

The Seychelles is fast gaining international recognition as a preferred offshore Financial Services jurisdiction, and many believe it could be the next main growth driver of the economy, overriding tourism. Mr Danny Faure, Vice President and Minister of Finance rightfully describes financial services as another dimension of the Seychelles' economy. According to the Organization for Economic Cooperation and Development (OECD), from 2005 to 2010 the number of international business companies (IBCs) incorporated in the Seychelles has increased from 25,000 to 75,000, the number of Special License Companies (CSLs) from 31 to 206, and the number of trusts from 135 to 405.

The country has inherent competitive advantages, with such services being a top priority for both the public and private sectors. For a particular international line of business that depends heavily on reputation and perception, the country's success in this area is important, and will dictate the results of its future prospects.

Its solid reputation as an offshore jurisdiction is reinforced by its presence on the OECD'S "white list", which encourages checks and balances among international governments and actively promotes open financial systems based on high levels of transparency and integrity, principles to which SIBA and the Seychelles Government subscribe. The Seychelles has a reliable legal

framework in place and complies with international guidelines, thus effectively addressing any issues that potential investors may have.

The CEO of the Seychelles International Business Authority (SIBA), Mr Steve Fanny, emphasises what this entails, "If you are investing in the Seychelles, you have a structure in the law that will safeguard you. We have legislation that will prevent such things as money laundering and other types of illegal activities."

As the independent body that regulates and supervises the offshore industry, SIBA ensures that Seychelles is not only a viable investment destination, but a highly attractive one as well.

Key advantages to the Seychelles are speed, quality and expertise. A company can be incorporated within 24 hours. Considering these levels of professionalism, Seychelles' prices are competitive; highly knowledgeable International Corporate Service providers offer specialised advice on setting up International Business Companies, Company Special Licenses, Foundations and Trusts, among others.

Likewise, the Legal Practitioners Act, which is due to be enacted next year, will allow legal practitioners from overseas to come to practice in Seychelles. Mr Fanny believes these high-calibre law firms and individual professionals will bring valuable experience and know-how that the locals can adapt and learn from, as well as their portfolios of blue chip companies, thereby upgrading the entire industry.

The geographic location of Seychelles is another benefit to interested parties. It is easily accessible, and has a convenient time zone for travellers from major markets, just 4 hours ahead of the UK and 4 hours behind China.

It has also put in place double taxation agreements (DTAs) with other partner countries, such as China, increasing benefits for investors. These agreements maximise investments, as withholding taxes are set only at 5%, rather than 20%. These are mutually beneficial agreements that see more investments pouring into the partner countries, and profit to Seychelles for setting up the structure.

Potential abounds in Africa, and SIBA believes it is a good time to develop its funds industry. Mr Fanny expounds, "Some years ago people would not think about Africa as a setting for funds. But now we even have DTAs with some African countries including South Africa. I think this market is still untapped and there are massive opportunities in the African market."



Seychelles Fishing Authority

Fishing for a brighter tomorrow

Fishing is one of the pillars of Seychelles' national economy, contributing significantly to employment, foreign exchange earnings and of course food security.

With the most advanced levels of development in the region, fishing is a thriving industry that just a few years ago saw its direct contribution to the GDP even higher than tourism receipts. Most of the in-demand pelagic species are within the Seychelles' vast Exclusive Economic Zone of approximately 1.2 million square kilometres, which is about three times the size of France. Transshipment is a booming enterprise, with the abundance of "Blue Gold" (as tuna is known to the Seychellois) ensuring the interest of fishing companies and the resulting license fees.

However, piracy has become a significant concern, resulting in fewer foreign vessels coming in to fish and increasing the pressure to heighten security and guarantee the safety of every stakeholder in Seychelles' rich seas.

Mr Finley Racombo, CEO of the Seychelles Fishing Authority is justifiably concerned. "In late 2008 the piracy problem came up. Foreign vessels started to become reluctant to fish because of the threat of piracy, but we have spent more to reinforce vigilance and get the coastguards out to protect vessels."

Meanwhile, Minister Sinon noticed that the industrial fishing vessels began exploring other fishing areas. "We have one of the largest tuna factories in the world, and without the boats, there would be no fish, and without fish, there would be no tuna factory. The tuna factory is a source of many jobs that we cannot afford to lose."

Mr Racombo also adds, "It is not only about fishing, it is also about food security. There are also other cargos. There is a main sea route here. Once they block that, it creates more difficulties."

The Seychelles Fishing Authority, and the entire government, has put its foot down. Twenty-two Somali pirates have already been imprisoned by the government, as a forewarning to any bandits considering entering Seychelles' EEZ. Patrolling of the country's waters has been reinforced and the SFA has embarked on a drive to install Vessel Monitoring Systems in every Seychellois sea vessel, an initiative that will soon be enacted into law.

The response has been very positive. International ships are starting to come back, and the SFA has been laying the groundwork for improved facilities and a more diverse investment offering.

The construction of a new port will soon add to the capacity of Port Victoria for transshipment as well as the development of value added fish products. Mariculture (aquaculture in the ocean) is



another priority, with two active projects outside Mahé, and more locations being identified and developed for investors. The SFA has also strengthened its commitment to local fishermen and has actively supported the upgrading of their vessels and encouraged them to begin long line fishing. This effectively distributes wealth and creates investment opportunities for locals as well.

In tandem with these initiatives is the conscious effort to enforce sustainable fishing practices. Seychelles is a member of the Common Market for Eastern and Southern Africa (COMESA) and the Southern African Development Community (SADEC), and the cooperation and understanding encouraged by these organisations further ensures that guidelines are met in sustaining fish stocks and protecting the environment.



Liquid gold in the Garden of Eden

It is certainly an auspicious period for Seychelles. The country is teeming with growth and investment opportunities across economic sectors, but what may become the next frontier for the country could create shockwaves that would be felt around the world. The Vice President and Minister of Finance, Danny Faure, believes that, "the new economy will be one of the environment and energy."

President James Michel is optimistic, "I was briefed about the reserves, and it is very encouraging. We could have an oil basin equivalent to the Saudi Arabian oil field." Captain Guy Adams, Chairman and CEO of Seychelles Petroleum (SEYPEC) adds, "Since the seismic studies were completed, the estimates have increased from 1 trillion to 4.3 trillion barrels of oil, and the reserves are considered still active. The results look very good".

Drilling is ongoing and the potential is immense. Seychelles would switch from a country that relies heavily on imported oil to a major exporter of oil in as little as three to five years' time, and cheaper fuel could become available for fishing vessels and local industry. According to representatives of the US Treasury and Environment Departments, who recently visited the country, the Seychelles could become a major producer. SEYPEC has already consulted with the commonwealth secretariat and a number of countries including Norway and Ghana for advice on drafting legislation and guidelines, as the Seychelles' government is wary of the potential pitfalls a country can face following major oil discoveries. Planning is already underway to ensure both resources and revenue best serve the country's future generations.

The Seychelles' government and SEYPEC are determined that the exciting discovery should have a minimal effect on the environment. Sustainable practices and conservation of the ecosystem are top priorities. Indeed, the steady stream of visitors and thriving fishing industry rely on conservation of the archipelago's astounding natural beauty.



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