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GROUPE DE LA BANQUE AFRICAINE DE DÉVELOPPEMENT

Country Focus Report 2025

Seychelles



Making Seychelles' Captial Work Better for its Development

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TABLE OF CONTENTS

ACKNOWLEDGEMENTS III
TABLE OF CONTENTS IV
ABBREVIATIONS AND ACRONYMS VI
EXECUTIVE SUMMARY VII
GENERAL INTRODUCTION IX

1. MACROECONOMIC PERFORMANCE AND OUTLOOK 1
1.1 Introduction 1
1.2 Growth performance 1
1.3 Other recent macroeconomic and social developments 1
1.3.1 Monetary policy, inflation, exchange rate 1
1.3.2 Financial sector 2
1.3.3 Fiscal policy and public debt 2
1.3.4 External position – external financial flows 3
1.3.5 Social developments 3
1.4 Macroeconomic outlook and risks 4
1.4.1 Outlook (economic growth – inflation - fiscal and external position) 4
1.4.2 Risks 4
1.5 Policy options to accelerate Seychelles economic development 5

2. BOOSTING DOMESTIC CAPITAL MOBILIZATION AND EFFICIENT UTILIZATION 7
2.1 Introduction 8
2.2 Fiscal resource mobilization 8
2.2.1 Seychelles' financing needs 8
2.2.2 Tax revenue 8
2.2.3 Non-tax revenues 8
2.2.4 Mobilizing domestic fiscal resources and expenditure efficiency 8
2.3 Seychelles' natural capital 9
2.3.1 Overview of Seychelles' natural capital 9
2.3.2 Economic contribution of Seychelles' natural capital 9
2.3.3 Estimates and dynamics of natural capital 9
2.3.4 Challenges of leveraging Seychelles' natural capital 10
2.4 Business capital 10
2.4.1 Setting the stage 10
2.4.2 Indicators of business capital 10
2.4.3 Challenges and opportunities for enhancing business capital in the Seychelles 11
2.5 Seychelles' human capital 11
2.5.1 Current State of human capital in Seychelles 11
2.5.2 Major barriers to human capital development 12
2.5.3 Investing in education and skills development 12
2.5.4 Health as a pillar of human capital development 13
2.6 Financial capital 13
2.6.1 Domestic capital and financial markets 13

2.6.2 The State of Financial Development in Seychelles 13
2.6.3 Mobilizing financial resources for Seychelles' development 14
2.6.4 Off-shore-linked financial resources for Seychelles' development 14
2.6.5 Innovative finance 14
2.7 Policy recommendations 15

3. HARNESSING SEYCHELLES' CAPITAL POTENTIAL AND RESOURCES FOR DEVELOPMENT 17
3.1 Introduction 17
3.2 Institutional arrangement for the management and utilization of the various forms of capital 18
3.3 Governance challenges in the management and utilization of the various forms of capital for resource mobilization 19
3.4 The rule of law, the management and utilization of the various forms of capital 20
3.5 A Pan-African approach to strengthening the rule of law, institutions and governance for harnessing Seychelles' capital 21
3.6 Conclusion and Policy Recommendations 21

REFERENCES 23

LIST OF FIGURES

Figure 1: Trends in fiscal balance and public debt in Seychelles (in% GDP)

LIST OF TABLES

Table 1: Key macroeconomic indicators 4
Table 2: Decomposition of natural capital 9
Table 3: Key indicators of Education, Health, and Workforce in Seychelles 12

LIST OF BOXES

Box 1: Domestic resource mobilization efforts and development finance gap 3
Box 2: Navigating external shocks 4
Box 3: Reforms and investments in education that have worked well 12

ABBREVIATIONS AND ACRONYMS

AEO	African Economic Outlook
AfCFTA	African Continental Free Trade Agreement
AML/CFT	Anti-Money Laundering / Combating the Financing of Terrorism
CAD	Current Account Deficit
CBS	Central Bank of Seychelles
CFR	Country Focus Report
COMESA	Common Market for Eastern and Southern Africa
EEZ	Exclusive Economic Zone
ESG	Environmental Social and Governance
EU	European Union
FDI	Foreign Direct Investment
FiTI	Fisheries Transparency Initiative
GCF	Global Green Fund
GDP	Gross Domestic Product
GEF	Global Environment Facility
GNI	Gross National Income
HDI	Human Development Index
ICT	Information and Communications Technology
IFF	Illicit Financial Flows
IIAG	Ibrahim Index of African Governance
IMF	International Monetary Fund
IUU	Illegal, Unreported, and Unregulated (Fishing)
MICs	Middle-Income Countries
MSMEs	Micro, Small and Medium Enterprises
NCD	Non-Communicable Disease
NDS	National Development Strategy
NPL	Non-Performing Loans
ODA	Official Development Assistance
OECD	Organization for Economic Co-operation and Development
PPP	Public-Private Partnership
SIDS	Small Island Developing State
STEM	Science, Technology, Engineering and Mathematics
SWIOfish3	South West Indian Ocean Fisheries Governance and Shared Growth 3
TVET	Technical and Vocational Education and Training
VAT	Value-Added Tax
WB	World Bank

EXECUTIVE SUMMARY

Seychelles is Africa's only high-income Small Island Developing State (SIDS), with development shaped by strong governance, macroeconomic discipline, and innovative financing. Early state-led investment in infrastructure, universal healthcare and education laid the foundation for inclusive growth, social cohesion, and public trust. Since 2008, the government has demonstrated sustained commitment to reform, with notable success in implementing fiscal, institutional, and sustainability-focused policies that stabilized the economy and improved public sector efficiency. Today, Seychelles offers valuable policy lessons through its leadership in governance reforms, blue finance, debt-for-nature swaps, and marine spatial planning.

Real gross domestic product (GDP) growth is projected at 3.5% in 2025, supported by tourism and information, communications and technology (ICT). The fiscal deficit is expected to reach 1.7% of GDP, with public debt declining to 59% of GDP. Resilience remains challenged by global trade disruptions, climate vulnerability, and reduced concessional financing. Closing Seychelles' development finance gap --estimated at under 1% of GDP, and modest by regional standards --remains achievable with sustained efforts in economic diversification, infrastructure investment, and climate adaptation. Accelerating diversification into high-potential sectors, such as fisheries value chains, renewable energy, financial services, and the digital economy, will be key to reducing reliance on tourism and strengthening long-term economic resilience.

Seychelles' tax-to-GDP ratio (27.7%) is among Africa's highest, yet tax base broadening, efficiency gains, and capital market development remain critical. Governance remains a core strength underpinned by a professional public sector. Fiscal management is guided by medium-term targets aimed at maintaining debt sustainability. While digital systems for tax administration and public service delivery are being developed, accelerating their implementation and building institutional capacity will be key to improving efficiency and productivity. Strengthening skills development aligned with labor market needs is essential to improving employability and economic transformation. Scaling up innovative financing, particularly through public-private partnerships (PPPs) and blended instruments, and enhancing the valuation and sustainable use of natural capital, especially fisheries and marine ecosystems, can further boost resilience, investment, and long-term fiscal sustainability.

GENERAL INTRODUCTION

Seychelles is a high-income Small Island Developing State (SIDS) in the Indian Ocean, comprising 115 islands with a population of 121,354 and a landmass of just 455 square kilometers. Its Exclusive Economic Zone (EEZ), however, spans 1.37 million square kilometers, making the ocean and its associated ecosystems central to its development model. Since attaining high-income status in 2015, Seychelles has maintained relatively strong macroeconomic performance, with a Gross National Income (GNI) per capita of USD 16,940 in 2023—the highest in Africa.

Despite this achievement, Seychelles faces deep-rooted structural vulnerabilities. Its small domestic market, geographic isolation, and narrow production base heighten exposure to external shocks, including climate change, global economic volatility, and tourism fluctuations. The 11.7% GDP contraction during the COVID-19 crisis underscored these risks. While the economy has since rebounded, amid the fast-evolving global landscape and rising geopolitical tension, reinforcing long-term resilience depends on accelerating structural reforms, diversifying the economic base, and unlocking underutilized sources of capital -- including natural, financial, digital, and human capital.

The Country Focus Report (CFR) 2025 for Seychelles is anchored in the theme of the African Economic Outlook (AEO) 2025 “Making Africa’s Capital Work Better for Africa’s Development.” The CFR assesses the country’s macroeconomic performance, explores the mobilization and utilization of various forms of capital, and examines how governance and institutional structures can be leveraged to support inclusive and sustainable growth.

The report is structured into three chapters. Chapter I analyzes macroeconomic trends and projections. Chapter II focuses on capital mobilization across natural, human, business, and financial dimensions. Chapter III examines institutional and governance structures, with emphasis on how improved coordination, transparency, and regulatory effectiveness can enhance capital use and resilience.

MACROECONOMIC PERFORMANCE AND OUTLOOK

1

KEY MESSAGES

Seychelles' economy grew by 2.3% in 2023 and 2.9% in 2024, reflecting a moderation in the post-COVID tourism recovery. Inflation turned only slightly positive at 0.3% in 2024 following deflationary pressures in 2023 and early 2024, leading the Central Bank to lower its policy rate to 1.75%. A modest surplus of 0.2% of GDP in 2024 was achieved largely due to under execution of the capital budget, while public debt declined to 61.5%, from 80.9% in 2020. Growth is projected at 3.5% in 2025 and 3.7% in 2026. Despite strong social indicators, high youth unemployment and demographic pressures persist. Sustained growth requires diversification, sustained macroeconomic stability and investment in climate resilience and human capital.

1.1 Introduction

This chapter reviews Seychelles' recent economic performance and updates growth projections for 2025–2026. It examines the key risks and opportunities that could shape the outlook while evaluating macroeconomic trends, including fiscal policies, inflation, public debt, and financial flows. The chapter also outlines policy options to promote resilient, high growth and support macroeconomic stability and economic transformation in the face of ongoing shocks.

1.2 Growth performance

GDP growth stabilized at 2.9% in 2024, reflecting moderation following the strong post pandemic rebound. On the supply side, growth is driven by tourism, fisheries, information, communication and technology (ICT), and construction, with the latter two sectors showing resilience despite a slowdown in tourism. The services sector continues to dominate economic activity, contributing approximately 83% of GDP, with tourism alone accounting directly for 25% of GDP. The fisheries sector is the second-largest contributor. The industrial sector, including construction and light manufacturing, represents 15% of GDP, while agriculture remains marginal at about 2%, constrained by limited arable land and a narrow domestic market. Growth in tourist arrivals slowed to 0.5% in 2024, reflecting geopolitical tensions, weaker European demand, and a temporary decline in direct flights. On the demand side, growth was supported by household consumption and private investment, particularly in tourism and infrastructure. A rebound in construction activity during 2023–2024, driven by delayed public and private projects, boosted gross capital formation.

1.3 Other recent macroeconomic and social developments

1.3.1 Monetary policy, inflation, exchange rate

Between 2023 and 2024, Seychelles' monetary policy remained accommodative,

with the Central Bank of Seychelles (CBS) prioritizing inflation control and exchange rate stability. In 2023, inflation fell to -1.0% due to lower global commodity prices, before rebounding to 0.4% in 2024. To support economic growth, CBS reduced the monetary policy rate from 2% to 1.75% in March 2024. However, excess liquidity in the banking system weakened monetary policy transmission, limiting the impact of interest rate changes. With increased economic activity, demand for foreign exchange rose, contributing to a 4.0% depreciation of the Seychelles rupee against the US dollar in 2024.

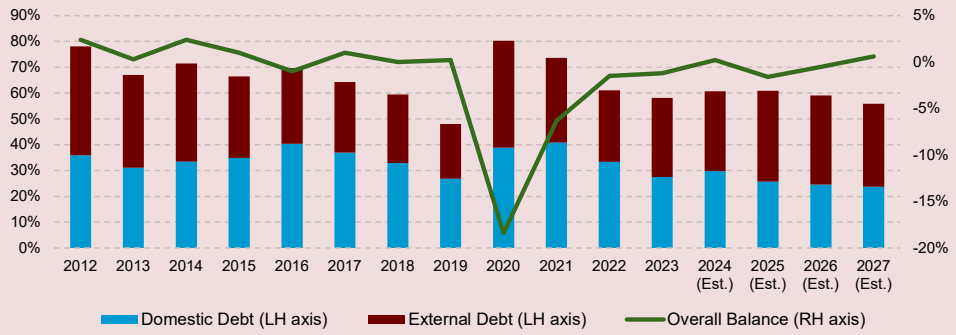
1.3.2 Financial sector

The financial sector remains resilient, characterized by steady credit growth and strong bank capitalization, though challenges persist in credit costs and asset quality. Credit to the private sector grew by 12.0% year-on-year end-2024, up from 7.4% in end-2023. However, the cost of credit remains elevated, with the average lending rate in December 2024 at 9.9%, resulting in a 8.4 percentage point spread between lending and deposit rates. Commercial banks remain well-capitalized, liquid, and profitable. The total capital adequacy ratio stood near 20% in 2024, comfortably above regulatory requirements, ensuring financial system stability. Non-performing loans (NPLs) declined from 8.1% at end-2023 to 5.5% in December 2024, indicating improved loan performance, although still above the pre-pandemic average of 3%. NPLs remain concentrated in tourism-related loans, underscoring the sector's continued vulnerability.

1.3.3 Fiscal policy and public debt

Before the COVID-19 pandemic, Seychelles maintained a prudent fiscal stance, recording a small surplus of 0.2% of GDP in 2019. The pandemic led to a sharp decline in revenues and emergency spending, resulting in a fiscal deficit of 15.9% of GDP in 2020, financed through domestic borrowing and external support. Public debt rose from 48.0% of GDP in 2019 to 80.1% in 2020. With economic recovery, fiscal consolidation efforts narrowed the deficit to 1.2% in 2023 and returned to a surplus of 0.2% in 2024, driven by expenditure savings. The stock of public debt stood at 61.5% of GDP end-2024, up from 58% at end-2023, mainly due to an increase in guarantees and new external loans by the central government. Seychelles remains at moderate risk of debt distress, according to the April 2024 IMF/World Bank analysis. In March 2024, Fitch Ratings upgraded the country's outlook to "positive," citing fiscal outperformance and continued debt reduction. Aligned with its Debt Management Strategy, the government is prioritizing longer debt maturities, diversifying currency composition, and reducing short-term obligations to mitigate refinancing and exchange rate risks.

Figure 1: Trends in fiscal balance and public debt in Seychelles (in% GDP)



Source: Ministry of Finance, National Planning and Trade, Seychelles, 2025

1.3.4 External position – external financial flows

Seychelles' external position reflects its structural import dependence and reliance on tourism and fisheries for foreign exchange. The current account deficit (CAD) widened from 7.2% of GDP in 2023 to 7.8% in 2024, due to softer tourism performance. Foreign direct investment (FDI) inflows, estimated at 13% of GDP and largely driven by tourism-related projects, alongside external borrowing, remain the primary sources of CAD financing. The structural nature of the deficit implies continued reliance on external capital, heightening balance of payments vulnerabilities. Foreign exchange reserves rose to USD 774 million by end-2024, equivalent to 4.0 months of import cover, up from 3.4 months in 2023. However, persistent CADs financed by volatile flows increase the risk of abrupt financing reversals, particularly under tightening global conditions. This highlights the importance of diversifying exports, maintaining prudent fiscal policy, and enhancing structural resilience to external shocks.

1.3.5 Social developments

Seychelles has strong social indicators and has made impressive progress in human development. With a Human Development Index (HDI) of 0.802, it ranks 67th globally and 1st in Africa and is on track to meet most sustainable development goals. Poverty is low, basic needs poverty is under 1%, and extreme poverty at 0.5% (2023). The Gini coefficient stands at 32.1%. Education is free and universal through secondary level, and literacy is nearly total. Primary healthcare is universal, with life expectancy at 73 years (2024), above Africa's average of 64.4. However, youth unemployment is 12%, and an aging population has led to a retirement age increase from 63 to 65.

Box 1: Domestic resource mobilization efforts and development finance gap

Mobilizing domestic resources is vital for Seychelles, given its limited access to concessional aid due to high-income status. The country has made strong progress, maintaining a post-pandemic tax-to-GDP ratio of 27%, well above the African average of 16%. The financing gap to achieve structural transformation by 2030 is under 1% of GDP (CFR 2024), meaning current and planned resources are nearly sufficient. Closing the gap requires only a 0.06% increase in the tax ratio, highlighting the importance of sustaining strong revenue performance and improving tax efficiency.

Table 1: **Key macroeconomic indicators**

Macroeconomic Indicators	2020	2021	2022	2023	2024(e)	2025(p)	2026(p)
Real GDP Growth	-11.7	0.6	12.7	2.3	2.9	3.5	3.7
Real GDP Growth per Capita	-14.0	-1.7	10.5	0.2	1.0	1.6	1.8
Inflation	1.2	9.8	2.6	-1.0	0.3	2.0	2.6
Overall Fiscal Balance, Including Grants (% GDP)	-15.9	-5.6	-1.4	-1.2	0.2	-1.7	-0.6
Current Account (% GDP)	-12.5	-10.4	-7.0	-7.2	-7.8	-9.0	-8.0
Population (million)	0.1	0.1	0.1	0.1	0.1		
Life Expectancy		71.3	71.7	75.0	73.0		

Source: Data from national authorities, AfDB Statistics Department, May 2025; estimates (e) and prediction (p) based on authors' calculations

1.4 Macroeconomic outlook and risks

1.4.1 Outlook (economic growth – inflation - fiscal and external position)

Projections for Seychelles over the next two years indicate moderate, sustained growth amid ongoing fiscal consolidation and accommodative monetary policy. Real GDP is forecast to grow by 3.5% in 2025 and 3.7% in 2026, driven by modest growth in tourism, expansion in ICT, and increased construction activity. Inflation is projected to rise to 2.0% in 2024 and 2.6% in 2025. The overall fiscal deficit is projected at 1.7% of GDP in 2025, improving to 0.6% in 2026. The current account deficit is projected to widen to 9.0% of GDP in 2025 and 8.0% in 2026.

1.4.2 Risks

Despite a broadly stable outlook, Seychelles faces notable downside risks due to high external exposure. These include a potential global growth slowdown and rising trade tensions, that could dampen tourism demand and fisheries exports. The economy remains vulnerable to climate change and geopolitical tensions, which may fuel inflation and widen the current account deficit. On the upside, the African Continental Free Trade Agreement (AfCFTA) implementation could boost growth through expanded market access, regional integration, and increased FDI. Targeted policy measures are essential to enhance resilience.

Box 2: Navigating external shocks

While Seychelles' direct trade and aid exposure to the US is limited, exports accounted for just 0.5% of total exports in 2024, recent tariff measures and suspended bilateral technical assistance highlight rising external risks. Escalating global trade tensions or weakening demand in key markets could weigh on the current account through lower fisheries exports, reduced port revenues, and tourism receipts. Disruptions to global supply chains may also raise input costs and delay investment, dampening short-term output.

Although no longer ODA-eligible, Seychelles remains reliant on targeted climate and project-based finance, including from the GEF, GCF, and EU. A broader contraction in donor flows could postpone key structural reforms and shift reliance to more costly financing, affecting fiscal space and public investment. Downside risks to GDP growth would materialize through slower tourism recovery, constrained

investment, and reduced activity in the fisheries sector. Preserving external and fiscal resilience will require continued trade diversification, institutional capacity building, and scaled-up access to innovative and climate-linked finance tailored to the country's structural vulnerabilities, despite its high-income status.

1.5 Policy options to accelerate Seychelles economic development

To secure recovery and enhance resilience, Seychelles must balance short-term stabilization with long-term structural reforms. Macroeconomic stability requires continued fiscal consolidation through improved tax administration, prudent capital investment, and controlled spending to build fiscal buffers. Strengthening debt management and maintaining an accommodative monetary stance will help sustain inflation. Economic diversification is critical to reducing Seychelles' reliance on tourism. Structural reforms should prioritize the development of high-value sectors such as ICT, financial services, and renewable energy -- anchored in investment in enabling infrastructure, including digital connectivity, logistics, and clean energy systems. The National Development Strategy (NDS) 2024–2028 provides a strategic framework for advancing this agenda. Private-sector development, particularly among micro, small and medium enterprises (MSMEs), requires improved access to finance and streamlined regulations. To strengthen external resilience, Seychelles should diversify FDI through targeted investment promotion and leverage AfCFTA to expand its export base. Climate adaptation must be integrated into development planning to reduce vulnerability and align environmental goals with long-term economic growth.

BOOSTING DOMESTIC CAPITAL MOBILIZATION AND EFFICIENT UTILIZATION 2

KEY MESSAGES

Seychelles' tax-to-GDP ratio reached 27.7% in 2023, among the highest in Africa, reflecting strong domestic revenue mobilization capacity. This performance provides a solid base for development financing. To enhance fiscal resilience and efficiency, priority should be given to improving public spending efficiency and broadening the tax base to create additional fiscal space for long-term investment and economic transformation.

- The financial system is bank-dominated, with three banks controlling over 80% of total assets. Private sector credit remains low at 32.4% of GDP, and access to finance remains a barrier for MSMEs. Capital markets are shallow, with only three local listings and minimal secondary trading. Expanding long-term instruments, including diaspora bonds, private equity, and insurance solutions, can improve financial intermediation and resilience.

- Natural capital, especially fisheries and marine ecosystems, is central to exports and livelihoods. Better valuation, integration into national accounts, and investment in fisheries value chains and co-management could enhance its economic returns and sustainability.

- Human capital outcomes remain strong, Seychelles ranks 1st in Africa on the HDI, but productivity is constrained by youth unemployment (12%) and high non-communicable disease (NCD) prevalence. Addressing skills mismatches through technical and vocational education and training (TVET) and targeted sector training will be vital to workforce readiness.

- Business capital is limited by high startup costs and a small entrepreneurial base. Unlocking private capital will require lowering barriers to entry, improving financial literacy, and leveraging Seychelles' pioneering role in blue finance to scale innovative instruments like climate bonds, carbon credits, and blended finance for SMEs.

2.1 Introduction

This chapter explores how Seychelles can enhance domestic capital mobilization and improve its efficient use to support sustainable development. It assesses the status, challenges, and reform efforts across fiscal resources, financial markets, natural capital, human capital, and private sector capacity. The chapter outlines strategies to better leverage these resources and provides policy recommendations to maximize their developmental impact. Strengthening domestic capital use will help reduce reliance on external financing, close financing gaps, and foster a more self-reliant and resilient economy.

2.2 Fiscal resource mobilization

2.2.1 Seychelles' financing needs

The CFR 2024 estimates Seychelles' financing gap to fast-track structural transformation at below 1% of GDP by 2030. Bridging this gap would require only a 0.06 percentage point increase in the tax-to-GDP ratio, compared to 18% in Cabo Verde and 21% in Mauritius. While some capital-intensive projects still require significant funding, Seychelles' fiscal position has improved markedly. Following a peak fiscal deficit of 15.9% in 2020, Seychelles recorded a surplus of 0.2% in 2024. Deficits are financed through domestic borrowing and concessional loans, while past surpluses supported debt reduction and reserve accumulation.

2.2.2 Tax revenue

With a tax-to-GDP ratio of 27.7% in 2023, Seychelles ranks among Africa's top performers—above Mauritius (19.6%) and Cabo Verde (19.8%), and slightly higher than Botswana (27.0%). The tax system is relatively buoyant, with a buoyancy coefficient of 1.16, indicating strong responsiveness of tax revenue to economic growth. The tax structure is heavily reliant on indirect taxes, particularly VAT (37%) and excise and trade taxes (26%), consistent with its tourism-driven, service-based economy. However, the country lacks broad-based income and social contribution systems, and the tax base remains fairly narrow and concentrated among a limited number of large firms. Ongoing reforms seek to broaden coverage and digitalize tax administration to improve compliance, efficiency, and equity.

2.2.3 Non-tax revenues

Non-tax revenues and grants have averaged 12% of total government revenue over the past five years, reaching 6.4% of GDP in 2024, slightly above the African average but below resource-rich countries like Congo and Equitorial Guinea, where levels exceed 20%. Major sources include dividends from stated-owned enterprises (SOEs), environmental levies, and immigration and tourism-related charges. Grants have declined close to 1% of GDP, reflecting Seychelles' high-income status. The non-tax revenue mix relies heavily on SOEs in sectors aligned in island development, transport, energy, and fisheries.

2.2.4 Mobilizing domestic fiscal resources and expenditure efficiency

Seychelles must expand its revenue base and enhance spending efficiency to sustain public finances. Capital investment remains low at 3–5% of GDP, with average execution at 81% due to weak project appraisal and fragmented budgeting. The tax system is buoyant and relies heavily on indirect taxes, but VAT exemptions led to forgone revenue of 3.9% of GDP in 2023. Rationalizing exemptions and phasing out subsidies, such as underpriced utilities, can create space for priority infrastructure and climate-related investments.

2.3 Seychelles' natural capital

2.3.1 Overview of Seychelles' natural capital

Seychelles' natural capital is predominantly ocean-based, comprising fisheries, mangroves (2,195 ha), seagrass meadows (142,000 ha), and coral reefs (169,000 ha), which support income generation, climate resilience, and the blue economy. The marine environment hosts over 1,000 fish species, with 30% of Exclusive Economic Zone (1,374,000 km^2) under protection. Forests cover 88.6% of land area (40,600 ha). Despite limited land and no mineral resources, natural assets underpin tourism, biodiversity, and blue carbon value. Renewable energy, mainly solar and wind, accounts for just 5% of the energy mix, reflecting untapped potential.

Table 2: **Decomposition of natural capital**

Share of natural capital	2016	2017	2018
Forests, timber	6%	5%	4%
Forests, ecosystem services	1%	1%	1%
Mangroves	57%	60%	63%
Fisheries	22%	23%	21%
Protected areas	10%	9%	8%
Cropland	4%	2%	3%
Pastureland	0%	0%	0%
Oil	0%	0%	0%
Natural gas	0%	0%	0%
Coal (all grades)	0%	0%	0%
Metals and minerals	0%	0%	0%

World Bank. 2021. The Changing Wealth of Nations 2021: Managing Assets for the Future. Washington, DC: World Bank

2.3.2 Economic contribution of Seychelles' natural capital

Natural capital, particularly fisheries, marine ecosystems, and coastal biodiversity, plays a foundational role in Seychelles' economy. Fisheries contribute nearly 90% of merchandise exports. Though fisheries revenue is notable—foreign vessel licenses, excess catch payments, and EU support generated USD 19 million in 2023—this represents less than 10% of the tuna catch's estimated market value, reflecting low rent capture. Moreover, less than a quarter of tuna caught in the EEZ is processed locally, with the remainder transshipped, constraining domestic value addition. Most fisheries-related revenues are retained by the Seychelles Fishing Authority (SFA) to finance infrastructure, monitoring, and management programs, although annual dividends are remitted to the national budget. With ecosystems also sustaining tourism and climate resilience, improving the valuation, transparency, and fiscal contribution of natural capital—particularly through enhanced processing and improved rent capture—offers untapped potential for sustainable growth.

2.3.3 Estimates and dynamics of natural capital

Seychelles' natural capital was last comprehensively valued by the World Bank at approximately USD 873 million in 2018, with the majority of this value derived from ocean-based renewable resources

such as fisheries and mangroves (World Bank, 2021). A more expansive estimate on marine resources from a separate World Bank assessment, the 2017 Project Appraisal Document for the SWIOFish3 program, placed the net present value of Seychelles' coastal and marine ecosystem services at approximately USD 64 billion over a 30-year period, discounted at 3%. This long-term valuation reflects projected service flows and encompasses a broader set of ecosystem services, including fisheries, climate regulation, nutrient cycling, and genetic diversity, primarily provided by mangroves, seagrasses, and coral reefs. In contrast Seychelles' modest stock of produced capital underscores its economic dependence on natural systems and the imperative to balance ecological preservation with strategic investment.

2.3.4 Challenges of leveraging Seychelles' natural capital

Despite its ecological wealth, the country has yet to integrate natural capital into its National Accounts or adopt the System of Environmental-Economic Accounting (SEEA), limiting the recognition of ecosystem services in policymaking. The sustainability of fish stocks, illicit financial flows (IFFs), particularly from illegal, unreported, and unregulated (IUU) fishing, and climate change remain key concerns for the long-term value of marine resources. On the other hand, Seychelles became the first country to meet the Fisheries Transparency Initiative (FiTI) Standards in March 2025, a significant asset for strengthening sustainability and governance in the sector. It is also among the first to map seagrass carbon stocks, but verification, capacity and limited carbon market access continue to delay conservation-linked revenue opportunities. The country's long-term wealth is intricately tied to the sustainable management of its marine and coastal assets, underscoring the importance of embedding natural capital accounting into national planning, strengthening ecosystem-based management, and ensuring that conservation and investment policies are aligned to preserve service flows essential to tourism, fisheries, and climate resilience.

2.4 Business capital

2.4.1 Setting the stage

Business capital refers to the financial, physical, and human resources that enable firms to invest, operate, and grow. In Seychelles, the private sector, though small, is critical for driving economic diversification, reducing dependence on tourism, and fostering inclusive growth. Business capital plays a central role in expanding opportunities, boosting productivity, and supporting structural transformation. While most enterprises are micro or small-scale and face high operating costs due to import dependence, the economy also features few large, capital-intensive firms in sectors such as tourism, banking, and telecommunications. Seychelles also hosts a highly advanced fish canning industry, Indian Ocean Tuna Ltd processes around 80,000 tons of tuna annually and produces over 300 million cans per year, highlighting potential for industrial value addition. Recent policy shifts toward private sector-led growth underscore the importance of enhancing access to finance, easing entry barriers, and improving the entrepreneurial ecosystem.

2.4.2 Indicators of business capital

Seychelles has a relatively modest stock of formal businesses relative to its working-age population. In 2022, 133 new limited liability companies were registered, with a new business density rate of 1.93 per 1,000 adults, slightly down from 2.60 in 2019, pre-Covid. Seychelles lags behind regional

peers such as Mauritius (9.6), South Africa (11.05), and Cabo Verde (18.5), highlighting untapped entrepreneurial potential. The number of new firms registered annually remains modest, pointing to limited entrepreneurial churn. Addressing entry barriers such as constrained access to capital and a small domestic market could unlock latent business capital, especially in knowledge-intensive and export-oriented MSMEs.

2.4.3 Challenges and opportunities for enhancing business capital in the Seychelles

Seychelles faces persistent business capital constraints linked to high costs and limited financial depth. The cost of doing business is elevated by high electricity tariffs (among the highest for Africa at over $0.30/kWh), dependence on imported inputs, limited credit, and land constraints for commercial use. According to the World Bank's B-READY 2024, registering a business takes 80 days and costs 10% of GNI per capita, longer and costlier than in peers like Mauritius (11 days, 2%) and Botswana (26 days, 1%). Private sector credit stood at just 32.4% of GDP in 2023, lagging Mauritius (67%) and Cabo Verde (54.9%). Capital markets are shallow, with only three listed companies and low investor participation. Opportunities lie in digital infrastructure, SME formalization, and climate-aligned finance. Strengthening entrepreneurship ecosystems and expanding access to seed capital and financial literacy programs can improve investment readiness and increase the pipeline of bankable projects. Reforms that lower entry costs and promote innovation-driven MSMEs are key to diversifying business capital and sustaining private sector growth.

2.5 Seychelles' human capital

2.5.1 Current State of human capital in Seychelles

Seychelles performs well on human capital indicators relative to regional peers. Primary school enrollment stands at 97.1%, comparable to Cabo Verde (96.4%) and above the African average (95.3%). Secondary enrollment is 74.3%, higher than the continental average (52.2%), but lower than Mauritius (89.5%) and Cabo Verde (86.5%). Rising dropout rates in upper secondary education threaten future workforce readiness. Average years of schooling is 10.3, one of the highest in Africa. Health outcomes are similarly strong. Life expectancy is 73 years, above Africa's average (64.4), though below Mauritius (75.1) and Cabo Verde (76.2). Maternal mortality is among the lowest in Africa at 3 per 100,000 live births. However, non-communicable diseases such as heart disease and diabetes account for over 70% of deaths, affecting productivity. Substance abuse, particularly heroin and alcohol, has emerged as a growing concern, especially among youth. The labor force participation rate is 66%, higher than Mauritius (55.4%), with unemployment at 3.2%. However, reliance on migrant labor, a rising dependency ratio, and emerging health risks remains barriers to sustainable human capital development.

Table 3: **Key indicators of Education, Health, and Workforce in Seychelles**

Indicators	Year	Seychelles	Mauritius	Cabo Verde	Comoros	Africa
Life Expectancy at Birth - (years)	2024	73	75.1	76.2	67	64.4
Maternal Mortality Rate (per 100,000)	2020	3	84	42	217	459.4
Labor Force Participation (%)	2024	66	55.4	57.4	50.7	65.4
Gross Enrolment Ratio (%)						
Primary School	2013-23	97.1	110.9	96.4	94.7	95.3
Secondary School	2013-23	74.3	89.5	86.5	55.2	52.2

2.5.2 Major barriers to human capital development

Seychelles faces pressing human capital challenges particularly concerning youth-at-risk. Substance abuse, including heroin, affects 10% of the working-age population, contributing to high incarceration rates 393 per 100,000 people. Youth unemployment in Q2 2024 was four times the national average of 3.2%. There are growing concerns about increasing secondary school dropout rates. Curriculum misalignment and weak STEM and TVET education create skills mismatches. Notably, 74.2% of the unemployed had only secondary education, and 13.7% had post-secondary qualifications, highlighting the need to improve education quality and relevance to labor market demands.

2.5.3 Investing in education and skills development

Seychelles is intensifying investments in education, with reforms emphasizing learning outcomes, STEM, and digital skills to align with economic transformation. Public spending remains high (4.7% of GDP), while ICT integration, robotics clubs, and expanded TVET in maritime, hospitality, and construction are improving relevance. The forthcoming National Human Resource Development Plan aims to better match training with labor market needs. Private-sector partnerships enable apprenticeships, while scholarships support critical fields like medicine and engineering. To overcome scale constraints, Seychelles is leveraging regional cooperation to access advanced higher education and expertise.

Box 3: Reforms and investments in education that have worked well

Seychelles has progressively strengthened its human capital base through sustained investment and policy reforms in education. Ranked 54th globally on the Human Development Index (2023) with a score of 0.848, the highest in Sub-Saharan Africa, Seychelles demonstrates how education-led strategies can drive inclusive development. Free and compulsory education to age 16 has driven near-universal enrollment and literacy above 95%, among the highest in Africa. The Seychelles' Institute of Early Childhood Development was officially designated a UNESCO Category 2 Centre, affirming the country's leadership in early childhood care and education globally. Ongoing reforms focus on STEM, digital literacy, and curriculum modernization to better align with labor market demands. The implementation of the AfDB-supported National TVET Policy (2023–2027) further aims to expand vocational training, address skills gaps, promote inclusion, and support economic diversification.

2.5.4 Health as a pillar of human capital development

Free primary universal health coverage in Seychelles ensures strong outcomes, with 99% immunization coverage, 100% skilled birth attendance, and a medical density of 2.6 doctors and 3.6 hospital beds per 1,000 people. However, over 70% of deaths are due to non-communicable diseases and substance abuse, affecting 10% of the population, undermining productivity. The National Health Strategic Plan (2022–2026) emphasizes prevention care, workforce training, digital health, and new hospital infrastructure development is planned to meet the evolving health needs of the population.

2.6 Financial capital

2.6.1 Domestic capital and financial markets

The Seychelles' financial system is bank-dominated, with commercial banks accounting for the majority of financial sector assets. While the sector is stable and well-capitalized, it remains highly concentrated—three banks control over 80% of total assets and deposits. Private sector credit reached 32.4% of GDP in 2023, underscoring limited financial intermediation to support business expansion. Capital markets remain shallow, with limited liquidity and virtually no secondary trading. The government bond market is relatively active, supported by regular issuance and a reliable yield curve. However, equity and venture financing are underdeveloped. Banks and institutional investors, including the Seychelles Pension Fund (SPF), which manages assets close to 20% of GDP, primarily invest in government securities due to limited alternative instruments. Although financial inclusion is high, with 95% of adults holding bank accounts, product diversification and financial innovation remain limited. Inward remittances account for just 0.5% of GDP, well below the regional average of 5%, despite a diaspora estimated at 36% of the resident population. Insurance sector remains underdeveloped, with total insurance penetration at 2.8% of GDP in 2021, dominated by general insurance (2.4%), while life insurance remains marginal at 0.38%, reflecting limited uptake of long-term financial protection products

2.6.2 The State of Financial Development in Seychelles

Seychelles has made measured progress in financial development, but the system remains unbalanced, dominated by strong financial institutions and significantly underdeveloped financial markets. According to the IMF's Financial Development Index, Seychelles scored 0.34 in 2021, up marginally from 0.33 in 2016, with diverging trends across subcomponents. The Financial Institutions Index rose from 0.53 to 0.60, driven by improved access (from 0.64 to 0.88), underpinned by widespread financial inclusion. However, efficiency declined slightly (from 0.73 to 0.66), and depth remains low (0.14), reflecting limited credit diversification and low insurance penetration. Conversely, the Financial Markets Index fell from 0.12 to 0.07, reflecting worsening structural gaps. Market depth declined (0.28 to 0.18), while access remained at zero and efficiency dropped from 0.02 to 0.01. Market capitalization stood at just USD 296 million in 2022, far below Mauritius (USD 7.6 billion), Cabo Verde (USD 529 million), and South Africa (USD 1.1 trillion), which dominates Sub-Saharan Africa's USD 1.3 trillion total. By contrast, Mauritius scored 0.61—nearly double Seychelles' Financial Development Index score—reflecting Mauritius' sustained efforts to position itself as a regional financial hub. To close the gap, Seychelles must strengthen capital market regulation, diversify financial instruments, and broaden investor

participation, particularly by encouraging listings, improving disclosure requirements, and incentivizing institutional investors.

2.6.3 Mobilizing financial resources for Seychelles' development

Mobilizing diverse financial resources is critical for Seychelles' sustainable development. While commercial banks and the Seychelles Pension Fund remain central players, their potential for broader financial intermediation is underutilized. The government bond market is relatively active, but equity markets, venture capital, and insurance remain underdeveloped. Insurance penetration is low, with general insurance retention at just 54% in 2022, reflecting reliance on overseas reinsurance. Limited product innovation and low financial literacy further constrain the sector's ability to mobilize long-term capital. Incentivizing microinsurance, climate risk coverage, and bundled products could boost domestic retention. Alternative financing -- fintech, crowdfunding, and diaspora funding -- remains largely untapped. The Seychelles National Diaspora Policy (2024–2029) offers an opportunity to launch a diaspora bond framework, modeled on successful examples from Israel, India, and Nigeria. Pilot issuances and partnerships with multilateral institutions could enhance credibility. Through MERJ Exchange's membership in the UN Sustainable Stock Exchanges Initiative, Seychelles can develop a roadmap for sustainable capital markets, including green, blue, and gender-linked instruments to attract impact investors. Adopting ESG disclosure standards and incentivizing thematic bonds can expand impact-aligned finance. Regional integration and improved MSME investment readiness can further deepen domestic capital markets.

2.6.4 Off-shore-linked financial resources for Seychelles' development

Seychelles' status as a small island and former offshore financial center shapes its access to external finance. Cross-border financial channels, including correspondent banking and regional linkages, remain limited, although regulatory reforms have strengthened oversight. Foreign direct investment remains concentrated in tourism and real estate, with limited diversification into high-value sectors. Portfolio investment is minimal. Following its graduation to high-income status, Seychelles is no longer eligible for official development assistance (ODA), reducing access to concessional finance. Public debt stood at 61.5% of GDP in 2024, underscoring the need to balance rising climate adaptation needs with long-term debt sustainability. Diaspora remittances remain modest at 0.5% of GDP despite Seychellois abroad representing over one-third of the population. Climate-related financing, including through global climate funds, has gained relevance, though access remains uneven. To bridge the financing gap, Seychelles can strategically deploy blended finance to crowd in private capital for investments in the blue economy, climate resilience, and digital transformation. Ensuring transparency in cross-border financial flows is essential to enhance investor confidence and preserve macro-financial stability.

2.6.5 Innovative finance

To meet rising development financing needs, Seychelles can scale up innovative finance to crowd in private capital. The country pioneered the world's first sovereign blue bond in 2018, raising USD 15 million through blended finance to support sustainable fisheries. A 2016

debt-for-nature swap redirected USD 21.6 million toward marine conservation, demonstrating Seychelles' capacity to combine public, private, and philanthropic capital for climate goals. Building on this momentum, the 2025 Climate Finance Strategy document aims to align investments with national priorities and expand access to international climate funds including exploring the issuance of climate resilience bonds. Seychelles is also exploring the blue carbon market, where mangrove and seagrass ecosystems may generate carbon credits and create new revenue streams for conservation. Despite this progress, broader adoption remains constrained by a limited pipeline of bankable projects, shallow capital markets, and a nascent fintech ecosystem. Unlocking potential will require stronger regulatory frameworks, enhanced capacity to structure deals, and deeper public-private collaboration. . Developing a national pipeline of investment-ready projects aligned with the NDS 2024-2028 and Nationally Determined Contributions (NDCs) will be key. Mission-oriented blended finance and fintech solutions can mobilize domestic savings, extend credit access, and support Seychelles' transition to a resilient, inclusive blue-green economy

2.7 Policy recommendations

To strengthen domestic capital mobilization, ongoing tax reforms should be consolidated to broaden the base, expanding digital compliance systems, and progressively integrate informal operators. Maintaining fiscal consolidation efforts and enhancing spending efficiency, in line with the medium-term strategy and the 50% debt-to-GDP anchor, remains essential for stability and creating fiscal space. Efforts to develop financial markets should be reinforced by diversifying institutional investor portfolios, promoting local listings, and deepening the corporate bond market. The development of a sustainable finance roadmap can help scale up green, blue, and climate-linked bonds. The 2024–2029 Diaspora Policy provides a foundation to pilot diaspora bonds and mobilize long-term external savings. Improving access to finance for MSMEs will benefit from scaling targeted credit guarantees, blended finance, and investment readiness programs. Simplifying business licensing, accelerating e-government platforms, and advancing PPP implementation can lower entry barriers. Climate-aligned financing instruments, such as climate resilience/green bonds and voluntary carbon credits, should be scaled up in partnership with multilateral development banks. Continued investment in TVET and alignment with priority sectors such as ICT, hospitality, and the blue economy is critical to enhancing labor productivity and economic diversification.

3 HARNESSING SEYCHELLES' CAPITAL POTENTIAL AND RESOURCES FOR DEVELOPMENT

The Role of institutions, economic governance, and rule of law

KEY MESSAGES

Seychelles' strong governance and institutional foundations, evidenced by its top ranking on the Mo Ibrahim Index and robust rule-of-law indicators, position it as a leading example of good governance in Africa. The country's pioneering initiatives, including the Blue Economy Roadmap and the world's first sovereign Blue Bond, illustrate how effective institutions can unlock transformative financing. These strengths offer a solid platform to accelerate sustainable development. However, persistent gaps, such as fragmented enforcement, limited regulatory capacity, and overreliance on indirect taxes, continue to constrain optimal capital mobilization. Strengthening key institutions such as the Seychelles Revenue Commission, Financial Intelligence Unit, and judicial bodies will be critical to expanding the tax base, improving compliance, and addressing illicit financial flows. Progress is already underway, including digital reforms in tax and court systems, but further investment in institutional capacity, transparency, and inter-agency coordination is needed. With targeted reforms, Seychelles can convert its governance leadership into a model of resilient, inclusive, and climate-aligned development -- and offer valuable peer-learning opportunities for African middle-income countries (MICs) and SIDS aiming to strengthen institutional credibility and public trust.

3.1 Introduction

This chapter explores how institutional quality, governance, and the rule of law shape Seychelles' ability to mobilize domestic capital and achieve sustainable growth. The government's role is pivotal in managing Seychelles' abundant natural, human, and financial resources. Institutional capacity, governance effectiveness, perceptions of corruption, and capital flight are critically assessed to understand their impact on resource mobilization. The chapter further identifies governance challenges and recommends targeted reforms to curb financial leakages, enhance capital utilization efficiency, and provide strategies to unlock Seychelles' full economic potential.

3.2 Institutional arrangement for the management and utilization of the various forms of capital

Seychelles has built a strong institutional platform that underpins its capacity to mobilize and utilize different forms of capital -- fiscal, financial, natural, and human. Since 2008, successive waves of reform have improved macro-fiscal management, enhanced policy credibility,

and contributed to top-tier governance rankings in Africa. The country ranked 1st in Africa on the 2023 Mo Ibrahim Governance Index, reflecting institutional stability and strong public-sector accountability. However, structural capacity constraints, fragmented oversight, and limited data systems continue to undermine full capital mobilization.

Fiscal and revenue institutions

The Seychelles Revenue Commission, a semi-autonomous agency under the Ministry of Finance, is the principal institution for domestic resource mobilization. It has made progress in digitalizing tax administration, enhancing taxpayer services, and supporting buoyant revenue performance, reaching a tax-to-GDP ratio of 27.7% in 2023. However, reliance on a narrow base and limited enforcement capacity reduce overall efficiency. Strengthening risk-based audit systems, interagency data-sharing, and the integration of informal economic actors will be key to improving long-term performance.

Financial sector oversight

The Central Bank of Seychelles plays a critical role in ensuring financial stability, supervising banks, credit unions, and payment systems. The Financial Services Authority (FSA) oversees non-bank institutions, including insurance and virtual asset service providers, while the Financial Intelligence Unit (FIU) supports financial integrity through enforcement of AML/CFT standards. These institutions have helped sustain investor confidence and navigate Seychelles' transition away from offshore-based finance. However, regulatory capacity gaps remain, particularly in emerging sectors such as online gambling and fintech, requiring further institutional strengthening.

Natural capital institutions

Natural resource governance is supported by institutions such as the Seychelles Fishing Authority (SFA), Ministry of Environment and Climate Change, and the Blue Economy Department. The country has taken pioneering steps in marine spatial planning and was the first to meet FiTI standards. These institutional frameworks enabled innovative financing, including the 2018 blue bond. However, operational capacity, cross-agency coordination, and enforcement mechanisms need to be reinforced to translate plans into effective co-management and climate resilience.

Human capital institutions

The Ministries of Education and Health, supported by the National Human Resource Development Council, are central to building the workforce of the future. Key initiatives include the TVET Strategy (2023–2026), curriculum reform, and expanded health infrastructure. However, persistent gaps in educational outcomes, teacher qualifications, preventive care delivery, and monitoring systems highlight the need for more integrated institutional planning. Better interministerial collaboration is critical to addressing youth disengagement, rising NCDs, and labor market mismatches.

Institutional Capacity and Innovation

While institutional frameworks are generally sound, implementation is constrained by limited staffing, digital infrastructure, and analytical tools. Advancing e-governance, establishing public-sector performance systems, and improving budget analytics will be critical. Leveraging diaspora expertise, regional partnerships, and AI-based tools could strengthen institutional innovation. A more coordinated, cross-sectoral approach to capacity building is essential to ensure that institutions evolve in line with the demands of capital mobilization and long-term development.

3.3 Governance challenges in the management and utilization of the various forms of capital for resource mobilization

Building on its strong institutional foundations, Seychelles has made progress in creating an enabling environment for development. However, further improvements are needed to fully translate these strengths into effective capital mobilization and utilization. Challenges remain in aligning tax policy with development goals, enhancing the valuation of natural resources, and addressing illicit financial flows and tackling climate change and human capital issues will be critical to unlocking the full potential of domestic and external capital for sustainable and inclusive growth.

Tax and fiscal governance

Seychelles' tax-to-GDP ratio is among the highest in Africa, supported by a buoyant system reliant on indirect taxes. However, over 70% of VAT is collected from just 35% of registered medium and large firms, and business taxes remain concentrated. While transfer pricing regulations and property tax reforms were introduced, enforcement remains limited. The informal sector—around 17% of employment—largely escapes taxation. Fiscal rigidity persists due to a high wage bill (11% of GDP), limiting flexibility for productive capital spending. Strengthening digital compliance, enhancing specinding efficiency, and broadening tax base will be essential to expand fiscal space and improve tax equity.

Natural resource governance

Marine and coastal ecosystems underpin Seychelles' economy, yet sustainability and enforcement gaps persist. Declining fish stocks, IUU fishing, and coral reef degradation threaten long-term value. While transparency has improved through FiTI compliance and marine spatial planning, investment in enforcement, co-management, and climate-resilient value chains remains limited. Agriculture is constrained by land scarcity and low investment, despite its importance for food security. Existing governance frameworks need to be translated into operational effectiveness, with a focus on integrated, ecosystem-based management.

Illicit financial flows (IFFs)

Progress in offshore reform has reduced IFF risks, with number of active international business companies declining and alignment with OECD standards improving. Seychelles was moved from the EU Annex I to Annex II list in 2024. However, vulnerabilities remain in sectors linked to trade mis-invoicing and profit shifting. Inter-agency enforcement capacity and supervisory oversight need continued strengthening to ensure credible and sustained implementation.

Human capital and service delivery governance

An aging population, unhealthy lifestyles, and gaps in prevention programs are contributing to a rise in noncommunicable diseases, placing additional pressure on productivity and public health expenditure. Education spending remains heavily weighted toward tertiary overseas scholarships, while secondary school dropout rates are rising and youth unemployment persists. Efficiency could be enhanced by strengthening foundational learning in primary and secondary education, expanding TVET opportunities, and scaling up preventive health services. Improving institutional capacity for planning, investing in digital health and education data systems, and accelerating curriculum reform will be critical to sustaining long-term human capital outcomes.

Climate governance

As a SIDS, Seychelles faces intensifying climate shocks, with estimated annual costs reaching up to 6.5% of GDP. Legislative and institutional reforms are needed to embed climate risk into public investment and budgeting. A stabilization fund, similar to those in Botswana and Chile, could help buffer fiscal volatility and climate-related shocks, reduce borrowing needs, and support more resilient countercyclical fiscal policy. Ongoing efforts on climate budget tagging and classification should be consolidated to guide investment prioritization.

3.4 The rule of law, the management and utilization of the various forms of capital

The rule of law is fundamental to the effective management and utilization of capital. It directly influences economic performance, investor confidence, and long-term development outcomes. In Seychelles, strong legal institutions and constitutional safeguards provide a solid foundation for capital mobilization. However, persistent gaps in enforcement and regulatory implementation must be addressed to unlock the full developmental potential of domestic and foreign capital.

Legal Framework and Property Rights

Seychelles operates a mixed legal system influenced by French civil law and English common law. Property rights are enshrined in the Constitution, which prohibits compulsory acquisition without fair compensation and a legitimate public interest. Investor protections were reinforced through the Investment (Amendment) Act, 2021 and the Investment (Economic Activities) Regulations, 2022, which clarified the treatment of domestic and foreign investors and delineated permitted and restricted sectors. These reforms contribute to legal certainty while safeguarding national sovereignty. However, the broader legal and regulatory framework remains under revision, including the Public Procurement Act, Public Enterprises Monitoring Commission Act, and the PPP Act, which have not yet been finalized

Contract Enforcement and Judicial Efficiency

While Seychelles has taken steps to strengthen its commercial dispute resolution framework, including the creation of a dedicated Commercial Court and expansion of alternative dispute resolution (ADR) mechanisms, contract enforcement remains a constraint to business confidence. According to the World Bank B-READY 2024, Seychelles underperforms across all measured dimensions of dispute resolution, particularly in the time, cost, and quality of judicial processes. Digitalization of court procedures has begun, but progress remains partial, and there is no operational electronic case management system for insolvency or commercial cases. Judicial capacity is further hindered by a shortage of specialized legal professionals and delays in decision-making. Addressing these gaps will require scaling up investment in e-justice systems, formalizing training for commercial judges, and improving monitoring of judicial performance to reduce backlogs and ensure timely resolution of disputes.

Rule of law and public trust

Available governance indices suggest Seychelles performs strongly on institutional quality. It ranked 1st in Africa and 20th globally on the 2024 Corruption Perceptions Index (Transparency International) and scored 79.0 on Security and Rule of Law in the 2023 Ibrahim Index of African Governance (IIAG), well above the continental average of 47.9. These outcomes reflect the country's commitment to judicial independence, civil liberties, and public safety. Nonetheless, governance challenges persist. According

to Afrobarometer (2022), only 18.5% of citizens believe tax officials are entirely free from corruption, while 58% fear retaliation for reporting wrongdoing. These perceptions signal the need to strengthen accountability mechanisms and reinforce integrity in revenue and regulatory institutions.

Civil society and oversight

Civil society organizations, such as Transparency Initiative Seychelles, play an active role in promoting transparency and anti-corruption reforms. Their efforts are supported by access-to-information laws and institutional oversight bodies like the Anti-Corruption Commission of Seychelles. Expanding civic oversight and enhancing whistleblower protections would improve institutional legitimacy and public trust.

Enhancing rule of law

To further strengthen the rule of law in support of capital utilization and sustainable development, Seychelles should: (i) continue improving commercial court efficiency and scaling up ADR mechanisms; (ii) regularly review and update investment legislation to reflect evolving market dynamics and ensure legal predictability; (iii) reinforce anti-corruption enforcement and finalize protections for whistleblowers; (iv) institutionalize structured public-private dialogue on regulatory reforms; and (v) advance legal harmonization through alignment with COMESA and AfCFTA frameworks to support cross-border investment and improve legal certainty.

3.5 A Pan-African approach to strengthening the rule of law, institutions and governance for harnessing Seychelles' capital

Seychelles can capitalize on regional initiatives to harmonize governance standards, promote trade diversification, and curb illicit financial flows. Deeper engagement with platforms such as the African Tax Administration Forum, the African Union High-Level Panel on IFFs, and AfCFTA's financial and trade protocols can strengthen policy coherence and cross-border asset recovery. Participation in regional tax treaties, such as the East African Community's Tax Treaty Network, demonstrates the value of collective approaches to combat profit shifting and improve revenue sustainability. By enhancing regional partnerships, Seychelles can boost institutional capacity, improve transparency, and expand its export base, thereby reinforcing domestic capital mobilization and contributing to more inclusive and resilient development.

3.6 Conclusion and Policy Recommendations

Seychelles' journey to high-income status offers critical lessons for African middle-income countries s and SIDS. Its success in blending prudent fiscal policy, institutional reform, and innovative financing highlights the power of policy credibility and public trust. The country's experience in marine governance, sustainable financing, and climate resilience should be leveraged in regional policy dialogue and South-South cooperation. By continuing to align its reforms with its unique strengths, Seychelles can sustain its development trajectory while offering a replicable model for inclusive, climate-resilient growth in Africa.

Recommendations:

- Advance tax digitalization by fully implementing the new Tax Management System and strengthening risk-based compliance, building on legal reforms mandating e-filing.

- Deepen capital markets by developing innovative instruments,such as

diaspora bonds, SME-focused credit products, and climate-linked securities,to expand long-term financing aligned with national priorities.

- Strengthen contract enforcement and investor confidence through judicial reforms, faster commercial court resolution, and expanded alternative dispute mechanisms.

- Implement the National TVET Strategy (2024–2028) and align skills training with priority sectors like tourism, ICT, and renewable energy.

- Integrate natural capital accounting into national budgeting and planning, prioritizing valuation of fisheries, marine ecosystems, and eco-tourism assets.

- Leverage Seychelles' experience to inform regional and global dialogue on climate-smart governance and resilience by sharing reform lessons—particularly on blue finance, governance, and sustainability—through AfDB knowledge platforms and regional policy dialogue.

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