

PPP Country Paper

Seychelles

Submitted to SADC-DFRC 3P
NETWORK Public-Private-Partnership
Working Group

LIMESSTRASSE 26, 61273 WEHRHEIM - 2013



Table of Contents

List of Figures	IV
List of Abbreviations	IV
1. Engagement Overview	6
2. Introduction	6
3. Methodology	7
4. Examination of the Term PPP	8
5. Application of SADC PPP Framework Road Map	8
5.1 PPP Policy in Seychelles	9
5.2 PPP Institutional Responsibilities	9
5.2.1 Role of PPP Unit in Seychelles	10
5.2.2 PPP Regulation, Approval and Implementation Roles in Seychelles	10
5.3 Seychelles Legal Framework	10
6. Recommendations	11



@ This publication includes information obtained or derived from a variety of publicly available and other sources. XS-Axis Consulting has not sought to establish the reliability of these sources or verified such information. XS-Axis Consulting does not give any representation or warranty of any kind (whether expressed or implied) as to the accuracy or completeness of the paper. The paper is for general guidance only and does not constitute investment or any other advice. Accordingly, it does not relieve any third party from conducting its own due diligence in order to verify its contents. The sole purpose of this Country Paper is to provide an overview of Public Private Partnership (PPP) Policy, Institutional Arrangement and Regulatory Framework as means of assisting the Client, Southern African Development Community-Development Finance Resource Center PPP Network (SADC3P), and its Member States to improve their Framework, and develop a common ground for aspiring potential harmonization of national PPP Policies.



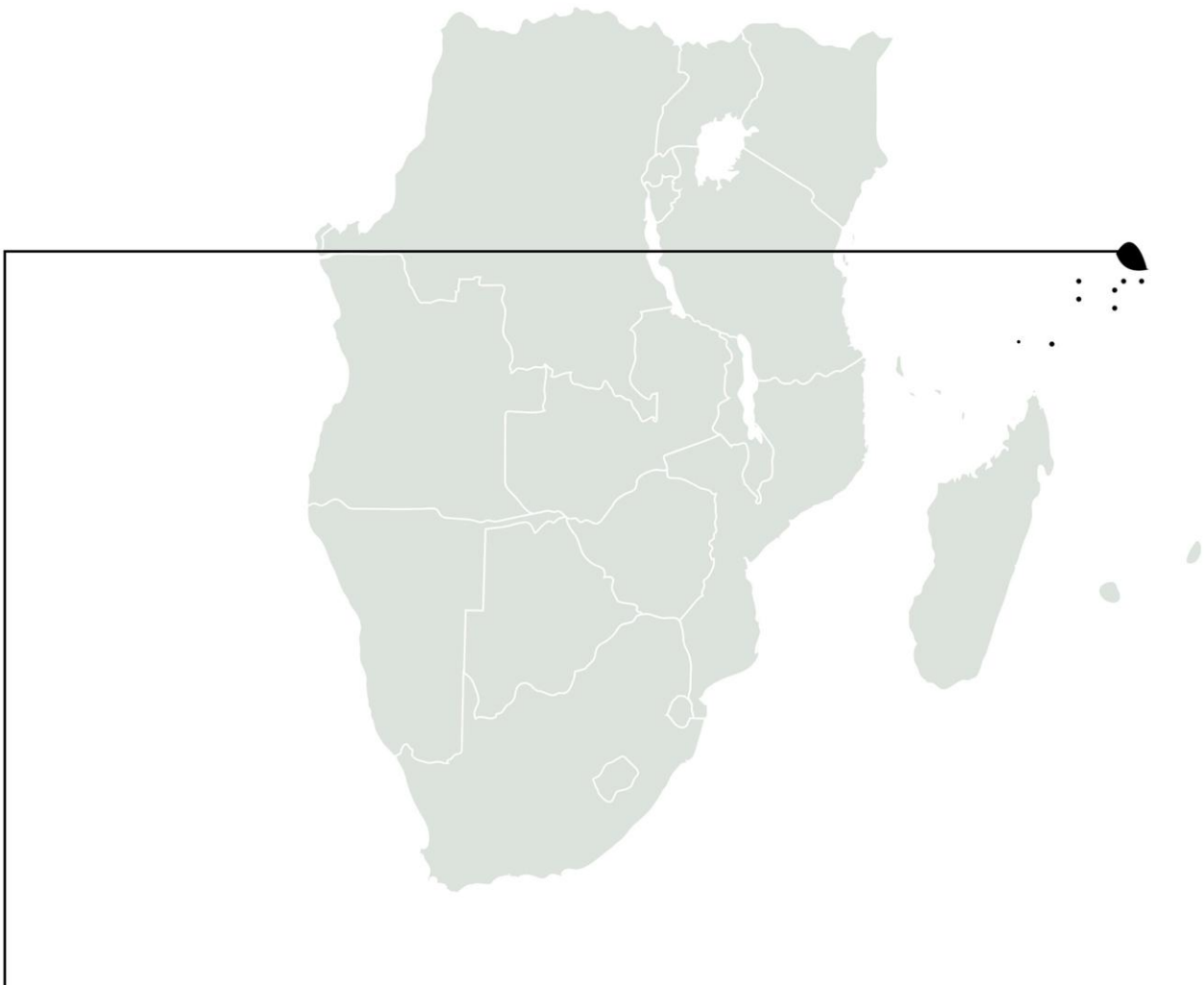
List of Figures

Chart 1: Overview SADC Road Map, Regional Strategy Paper, 2012

List of Abbreviations

AfDB	African Development Bank
GDP	Gross Domestic Product
MoF	Ministry of Finance
PPP/s	Public Private Partnership/s
SADC	Southern African Development Community
SADC3P	Southern African Development Community- Development Finance Resource Centre PPP Network
VfM	Value for Money





KEY INDICATORS - 2012

Seychelles

Population (Mio.)	0.1
GDP per capita (US\$)	11.226
PPP Level of Maturity	Very Low

(Regional Strategy Paper, 2012)

1. Engagement Overview

XS-Axis Consulting, Wehrheim (The Cross Sector Advisory) has been engaged by the Client, Southern African Development Community --Development Finance Resource Centre PPP Network (SADC3P) to prepare 14 country papers taking a look at current practice of PPPs with a specific focus on PPP Policy, Institutional Arrangements, and Legal Frameworks as a follow-up of the Draft Regional Strategy paper submitted to SADC3P in November, 2012. This paper focuses on Seychelle's PPP Policy, Institutional Arrangements and Legal Frameworks as a Member State in SADC providing specific recommendations for the implementation or enhancement of private sector participation in the development of public infrastructure in the country. The main objective is to serve as a strategic paper for the Government of Seychelles and its Ministries in order to refine, and ultimately develop further its PPP Policy, Legal Framework, and Institutional Arrangements aimed at closing the 'infrastructure gap', and its negative impact on economic growth, job creation and social cohesion in Botswana. Moreover, the country paper shall serve the SADC3P Network to identify areas of support to be offered by the SADC3P Network towards identified Member States.

We render this report to the best of our knowledge and belief. Our results are based on the most recent verifiable information available at time of the report. Public sources were used where appropriate and fact based observations were made.

2. Introduction

Seychelles, officially the Republic of Seychelles, with its 0.1 Million (Mio.) population is an 115-island country spanning an archipelago in the Indian Ocean, some 1,500 kilometres East of mainland Africa, North-East of the island of Madagascar. Since 2004, James Michel has been President of Seychelles; the President is elected every five years. After suffering an enormous balance of payments and debt crisis in 2008, the country stabilized its economically through successful fiscal reforms and fundamental exchange liberalization.

The Seychelles belongs to one of the lowest population countries in the world with around 100,000 inhabitants, but has a GDP per capita in USD 11,226 rendering it to a Middle Income country (The Global Competitiveness Report 2013–2014, 2013, World Economic Forum, p.335). Its investment grade credit rating and relatively high savings rate on the back of a high rating for political stability and absence of violence make it an attractive investment destination. Nevertheless, the Seychelles experiences a lowering of economic performance with Gross Domestic Product (GDP) growth rate of 2.9% in 2012, down from 5.0% in the previous year (World Bank, 2013, web page). Despite Seychelles' macro-economic policies, it suffers from lack of economic diversification, vulnerability to external shocks, distance from markets, and risks of environmental degradation and weather-related disasters, and challenges in the fight against piracy which has blighted the island nation in the past. GDP growth may still edge up to 3,7% in 2013 due to tourism and climate reforms. Thus, according to the World Bank, the Seychelles must pay attention to its fiscal position, and the depress of domestic growth due to slower economic growth. Nevertheless, the overall economic outlook is broadly positive in the medium term.

Seychelles' global competitiveness ranks 76 of an overall 144 countries, therefore, being quite excellent (the third best performing country) compared to other SADC Member States. Rankings for Seychelles as far as the infrastructure quality is concerned compared to other SADC countries --this relates to the quality of the overall infrastructure and quality of roads, railroad, port infrastructure, air transport



infrastructure, and available airline seat kilometres-- is also quite acceptable (ranking 56, the second best performing country). It reflects its Governments' success of efforts to improve the level of service provision as far as infrastructure is concerned. Overall, the high level of competitiveness of Seychelles is an indication of its Government's and policy makers' commitment, and the political will as an essential driver to achieving sustainable growth in the country and prosperity for its people. In terms of the most problematic factors affecting doing business in the country, the Global Competitiveness Report 2012-2013 provides an insight focusing on access to financing and poor work ethic in national labor force as well as an inefficient government bureaucracy as the main limiting factors hindering progress in Seychelles. Also the quality of infrastructure remains a bottleneck to proper economic performance.

Seychelles has yet not established a Framework for Public Private Partnerships (PPPs), but is currently working on developing the country's attractiveness in terms of mobilizing private finance and involving private sector in provision of infrastructure and services. In this context, it enacted the Investment Act in 2010 aimed at providing for a legal environment that is conducive to a greater flow of investments into the Republic and to protect the rights of investors. There is little record of PPP projects being implemented –there is information about a renewable energy wind IPP in Port Victoria and the Seychelles Government, and private telecommunication companies participated in the funding and implementation of the Submarine East Africa System. Seychelles shows another example of Eden Island which is a 50ha man-made island located off the coast of Mahe, the capital island of Seychelles. The project includes the development of a marina, a hotel and approximately 450 villas, duplexes and condominiums. This project, initiated by the Seychelles Government, has been cited as the single largest PPP undertaking by the Seychelles Government.

Due to its low track record in funding of infrastructure projects with private finance, and in recognition of the limited public resources, AfDB had proposed in its medium term country strategy 2011-2015 to assist the Government in preparation of a PPP Framework in order to improve the regulatory environment, complement the sub-component on infrastructure development (AfDB, Seychelles Country Strategy Paper 2011-2015, Regional Department East A., 2011, p.18).

This paper is to be considered as a follow-up strategic document to the Regional Strategy paper submitted to SADC3P in November, 2012 recognizing that PPP Frameworks do not develop in isolation, but evolve over time along a PPP maturity curve that often responds to various challenges faced while actually implementing PPPs in specific cultural, legal and procedural and institutional settings. The Regional Strategy document examined the current status of PPP frameworks across all Member States to classify SADC countries into four categories as far as their level of maturity of PPP Frameworks is concerned. It distilled Seychelles to belong to those few countries in SADC that have not established a PPP Policy and/or a PPP Law aimed at the promotion of their PPP schemes. The next chapter will elaborate on Seychelles' specific PPP efforts as a continuation of the above mentioned cross-country Regional Strategy aimed at providing an in-depth insight into the specific country strategy for Seychelles.

3. Methodology

Our approach in this country specific paper is to provide an overview of Seychelles' PPP Framework taking into account the country-specific strategy and drivers of resorting to PPPs and the individual level of PPP development. The ultimate idea is to draw lessons for Seychelles, and to come up with specific recommendations concerning potential areas of assistance needed. There will be an overview where Seychelles stands in its progress of the implementation of PPPs and an in-depth understanding for it. The Regional Strategy paper distilled Seychelles to be at



the very early stages of getting an understanding of PPPs as schemes and having no PPP Policy or Institutional Framework in place as of 2012. This paper will touch upon this evaluation and move further to analyze the current progress made in Seychelles aimed at depicting those development made since 2012 as far as the PPP Framework conditions are concerned.

Methodologically, we will evaluate Seychelles' approach towards developing a PPP Framework based on the recommendations provided to the Minister's of Finance and the road map developed for SADC countries aimed at establishing a typical good practice PPP Framework. The ultimate idea is to distil proper recommendations from our work for SADC3P and the Government and public sector in Seychelles as far as next steps are concerned.

4. Examination of the Term PPP

The Republic of Seychelles has so far not adopted any official definition of a PPP. It is interesting that the Investment Act of 2010 refers to PPPs in Part III, entitled business facilitation and PPPs. However, there is no explicit definition of the term, and there is no clear distinction made between other investment methods and PPPs.

In the absence of a mutual understanding on behalf of public sector officials of what the term PPP implies, it is advisable for the Government to consider developing a solid definition of what PPPs shall be constituted of, and what not. The idea shall be for public agents and also private sector to be able to draw clear lines between private sector investments, and PPPs –the latter as an alternative procurement option. Towards this end, the Government invested in 2013 in capacity building for officials from Ministry of Health and Finance to attend a training in Germany on PPPs with a focus on the health sector. Nevertheless, further investment in training and workshops on PPPs is needed in order to get a better understanding of the concept and requirements on a proper PPP Implementation Framework. Further training of public officials will serve as a complement support to public agents capacitating them to learn better to distinguish between various procurement options.

5. Application of SADC PPP Framework Road Map

The experience to date across comparators and SADC countries indicates that there is no unique formula for developing a sound PPP framework. More specifically, the development of a common framework for SADC needs to take into account the economic and political context of countries, their historically grown institutional and legal structures as well as the actual experiences with PPPs so far, with some countries having made considerable strides and others having made very little progress, and some none at all. Nevertheless, if PPPs are to work and render the expected results, we suggested in the Regional Strategy Paper dated 2012 the following PPP framework bearing a number of key features related to policy, institutional structures and Legal Framework (see next chart).

Thus, successful PPP schemes are characterized by clear policy statements, competent and enabled institutions that can appropriately identify, procure and manage PPPs, and efficient oversight procedures as well as proper legal frameworks. Nevertheless, it must be borne in mind that firm political commitment, stakeholder dialogue and a number of other factors such as a sound and strong PPP pipeline are important contributing factors for the promotion of PPPs in a larger context. It is also important to be aware of the contribution of sector reforms and their role in developing and supporting PPP schemes. In a number of countries sector institutions, for instance, power sector regulators have had an important role as far as the promotion of IPPs and



investment in the power sector are concerned. It is in this context that Member States with a low level of PPP maturity should acknowledge the relevance of sector institutions in terms of their contribution towards developing PPPs over time and across various sectors --which are however best supported by setting up efficient and proper frameworks at the national level. In this section, we examine these various elements of a PPP Framework to see how far Seychelles has proceeded in terms of its PPP Framework development and practice as well as the political commitment of the Government and its approach towards stakeholder integration into the PPP process.

SADC Framework Roadmap

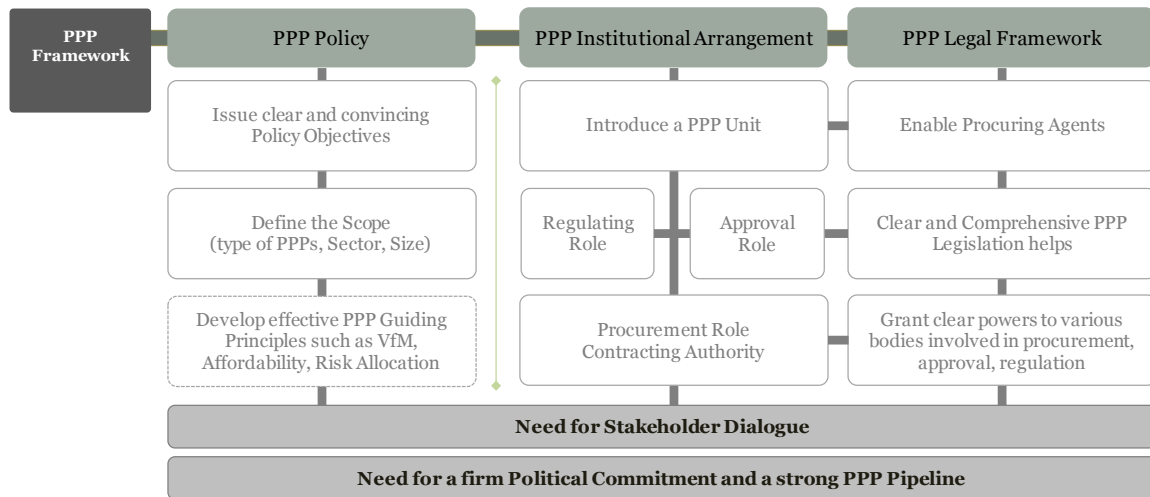


Chart 1: Overview SADC Road Map, Regional Strategy Paper, 2012

5.1 PPP Policy in Seychelles

Dedicated personnel in the Ministry of Finance (MoF) were working in October 2013 on getting an understanding of the concept of PPPs. The team was preparing a draft strategy document to make suggestions to the Cabinet concerning promotion of PPPs. Thus, Seychelles remains still at infant stages of developing and getting an understanding of the PPP concept. The country is very small, and the population base is not sufficient to be conducive for larger embarkment upon PPP projects. However, within the Ministry of Finance, there is recognition that PPPs may be a solution in social sector areas, especially as far as implementation in education and health is concerned. Thus, these may be sectors rather conducive for actual realization of smaller scale PPP projects.

5.2 PPP Institutional Responsibilities

The successful roll out of PPPs in Seychelles necessitates an institutional regime that is enabling and allows projects to be completed and benefits of increased private sector involvement and improved service delivery to be realised. In this context, the Government must certainly involve various Ministries in the actual process of procurement and approval as well as regulation as well as budgeting of PPP projects. The Government of Seychelles must effectively manage PPPs to avoid government failures and to introduce some sort of custom design to procurement and implementation of PPPs –smaller scale or larger ones. There are many institutional solutions to



integrate the various functions that are needed throughout a typical PPP process. There is no need to create a PPP Unit, especially considering the small size of the country and the potential or scope for implementing PPPs in Seychelles. A task force or a committee will be also proper means of assuming relevant functions to assist procuring entities in Seychelles. Overall, it is important to bear in mind that more successful countries have introduced a dedicated entity to correct government failures in delivering PPPs.

5.2.1 Role of PPP Unit in Seychelles

In the absence of an adequate PPP Framework in Seychelles, there is no dedicated PPP Unit in the country. There are plans to either establish a Unit or a Committee or a task force next year in 2014 to be located at the Ministry of Finance. There is political commitment and willingness to implement PPPs. Currently, the Seychelles Investment Board (SIB) acts as a coordinator and facilitator between the public and the private sectors in the assessment of investments, their implementation and monitoring. It offers services to investors, both foreign and local identification of potential partners including identification and selection of sites and business premises; organisation of visits and meetings with public agencies and economic operators; provision of market intelligence, market opportunities and information on costs of doing business; assistances with obtaining work permits and all required licenses and clearances from relevant authorities; preparation of brochures, newsletters and advertises Seychelles; organisation of trade missions and road shows; provision of aftercare services to investors to facilitate the realisation of the full potential of the investment.

Nevertheless, the concept of PPPs must be spread and conveyed better to be able to assess the tradeoffs, and to enable Government agents to evaluate whether a traditional procurement is a better option or rather the adoption of PPP as means of procurement. Within the MoF, there is just very limited knowledge about the concept of PPPs, thus not only the sheer size issue, but also lack of capacity in terms of human resources remains a challenge towards promotion of PPPs in the country. Thus, in order to move on with PPPs in a small country like Seychelles, there is an immediate need to put in place guidelines and policies first prior to introducing a Legal Framework.

5.2.2 PPP Regulation, Approval and Implementation Roles in Seychelles

There is no distinction between various roles since Seychelles has no proper Framework instituted yet for promotion and implementation of PPPs in the country. The SIB is the body in charge of implementation, monitoring and regulation of all investments, no matter whether PPPs or privately induced and financed projects.

5.3 Seychelles Legal Framework

Civil law is based on the French Napoleonic Code adapted to Seychelles and is known as the Civil Code of Seychelles. Criminal law is based on the British laws. Administratively, the country is divided into 25 districts and each has a District Administrator responsible for the well being of its constituents. There is no PPP Legal Framework in Seychelles. AfDB notes in its country strategy



paper 2011-2015 an improvement in the investment climate regulatory framework. Nevertheless, a number of challenges still need to be addressed for private sector to play a more significant role in the economy (AfDB, Seychelles Country Strategy Paper 2011-2015, Regional Department East A., 2011, p.12). As Seychelles embarks on its path reforms, it will need to focus on removing the infrastructure constraints (discussed above), creating a more business-friendly environment and expanding the countrys potential for small and medium sized enterprises (SMEs).

6. Recommendations

Seychelles is not only one of the smallest countries in the world population wise, but it is also one of the smallest island nations exposed to external shocks and threats such as piracy, environmental hazards, etc.. Other challenges relate in Seychelles to lack of sufficient land to provide for major investments. Seychelles Investment Board reaffirms by stating that one of the major constraints to doing business in a small island environment like Seychelles relates to the unavailability of suitable land (Investment Board Seychelles, web page). Various administrations, however, have tried to tackle this problem by extending the area around Victoria on the Eastern Coast of Mahé out to the sea. Land reclaimed from the sea is today the site of much of Victoria’s central business district and is the ground on which the country’s National Assembly sits. More recent reclamation projects have created space for the country’s power station, national stadium, housing projects, schools and industrial estates.

Despite these challenges, the Government of Seychelles shows some initial political commitment and willingness to implement PPPs in the country. There is currently no PPP Framework in place and there is only little experience with actual promotion and acquisition of PPPs. Since 2012, the Government of Seychelles has made considerable progress in improving the business climate in Seychelles. The Registrar General’s office has facilitated the process of registering companies through an online registration and name search facility. There is plenty of records of investors aiming at investing in the country.

As far as PPP investments are concerned, Seychelles is at its very infant stages having very little track record in terms of PPP project experience. However, there are signs of PPPs projects being discussed and potentially advanced. For instance, a Korean company specializing in renewable energy has signed an agreement with the Seychelles Government to carry out feasibility tests for clean energy use on La Digue Island. The representatives of the KC Cottrell Company are in Seychelles to investigate business opportunities and investments in the renewable energy sector. The process has been facilitated by the SIB, in collaboration with the Seychelles Energy Commission, and there have been talks with senior Government Officials, members of private sector, as well as workshops and site visits on Mahe, Praslin and La Digue.

The selection of appropriate projects for development as PPPs requires an understanding of the features of, and environment required for a successful PPP project. This may be based on experience gained within a country, but also from wider experience in other countries. For Seychelles, PPPs pose new demands on public agents, as skills are needed to

Concrete SADC3P Recommendations:

- Provide advisory services to put in place a proper institutional structure (Task Force or a Committee);
- Provide support to put in place PPP Guidelines or a light version of a PPP Policy identifying first those sectors which may best be conducive to application and procurement via PPPs in Seychelles;
- Eventually, provide assistance to establish a proper Legal Framework.



specify outputs, to understand complex financial structures and to allocate and manage risks in the most efficient manner. In order to further attract private sector in provision of PPPs in social sectors such as health and education, Seychelles must better invest in building capacity to identify and develop PPPs and engage the private sector for investment purposes. We recommend that public agents get a better understanding of the requirements posed on structuring PPPs, and designing and managing a PPP procurement process to clearly identify the output required by public sector; be transparent, and rely on evaluation criteria which recognize the complexity of public sectors' requirements.

Public sector in Seychelles must understand first the overall approach of a PPP which is designed to encourage greater competition amongst a wider range of suppliers and is ultimately aimed at helping to improve quality and deliver competitive prices. Whilst principles of good procurement practice apply equally in 'traditional' procurement, they are still more important in a PPP. Based on the above, we recommend capacitating Seychelles' Government involved in social sector investments to identify proper PPP projects for specific sectors in the country. The Government also needs to make sure that the regulatory Framework promotes PPPs and it needs to make sure that there is the necessary Policy Framework within which PPPs may be implemented. Thus, there is a lot to do on the ground to make sure that PPPs are not only identified and developed, but also are implemented in a successful manner.



Bibliography

African Development Bank, Seychelles Country Strategy Paper 2011-2015, Regional Department East A., 2011

Investment Board Seychelles, web page

The Global Competitiveness Report 2013–2014, World Economic Forum, 2013

World Bank, 2013, web page

