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Seychelles Country report

For the SADC-DFRC 3P



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1 Overall evaluation of Seychelles's readiness for PPPs

1.1 Background

We evaluated the Member Country by looking at 6 broad categories, containing a number of sub-categories. The six ('6') broad categories include:

- Attractiveness of the member countries
- Availability of domestic capital and debt funding
- Judicial system
- Governance and decision making
- Ease of doing business in the member country
- PPP environment in the member country

The information and indicators were obtained from external sources like World Bank, World Economic Forum, IFC, Ibrahim Index of African Governance, KPMG country reports and actual visits to the member countries (with exception to three ('3') countries, namely , Democratic Republic of Congo, Swaziland and Seychelles). Where possible, KPMG utilised its in-country office to address the categories and answer questions surrounding the projects.

Unfortunately no actual country visit was made to the Seychelles, although email correspondence made with Ministry of Finance, Ms Irene Croisee, Director of Public Budget Management.

Each sub-category was rated either one ('1'), two ('2'), three ('3') or four ('4') based on the indicators from various reputable sources. Where one ('1') and two ('2') refers to "Developing towards PPP readiness" and three ('3') and four ('4') indicates a "Maturing level of PPP readiness". Where no information was available, no value was given. Where there was an element of subjectivity, KPMG, based on years of experience, applied its own mind in coming up with a value. The overall broad category value is addressed in more detail below.

1.2 Attractiveness of Seychelles

Attractiveness of the member country	Source of information	Information
GDP % growth for last 3 years	World Bank	5.00%
Actual GDP in numbers (size of economy), current USD\$	World Bank	1 059 593 501
Lending Interest rates	World Bank	11.2
Inflation rate	www.tradingeconomics.com/country-list/inflation-rate	5.30%
Credit Rating	Country visit	Not available
Political Stable and Absence of Violence	Governance indicator, World bank	79.7 out of 100
Macro-Economic Environment	The Global Competitiveness Report 2012-2013, World Economic Forum	4.55 out of 7

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Attractiveness of Seychelles, overall result is a three ('3')

The Seychelles is one of the lowest population countries in the world with less than 100,000 inhabitants. Its GDP is USD1,059 million and the GDP per capita is USD25,600 making it a Middle Income Country. 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. This analysis results in an overall value of three ('3'), Seychelles is thus considered "maturing" in terms of this category.

1.3 Availability of domestic capital and debt funding

Availability of domestic capital and debt funding	Source of information	Information
Number of banks	Country visit	7
Number of equity investment funds	Country visit	Unknown
Number of pension funds	Country visit	Large State Pension Fund
3 year history of bond issuance	Country visit	Seychelles Treasury has issued 3, 5, 7, 10 yr bonds but not recently
Assessment of available capital (local) for investment	Country visit	Local bank 7 years of 60% or project costs up to SR8million Foreign Funding available

Foreign equity and debt providers will consider investing in Seychelles. The quantum and extent to which is based and the type and nature of the transaction as evidenced in the following two projects: for example, recently the Port Victoria 6MW Wind Farm was developed to provide much needed expected capacity and the Euro27million (60:40/D:E) financing of the Submarine East Africa System – the high-power submarine cable system. Shareholder include the Government of Seychelles, Cable and Wireless Seychelles and Airtel Seychelles.

Availability of domestic capital and debt funding in Seychelles, overall result is a one ('1')

The Seychelles has a limited debt market given its small size. However domestic banks can extend loans of up to 7 years and there is an active capital market with up to 10 year treasury bonds having been issued. This analysis results in an overall value of one ('1'), Seychelles is thus considered "developing" in terms of this category.

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1.4 Judicial system

Judicial system that contributes to effective commercial dispute resolution	Source of information	Information
Enforcing Contracts	Doing Business 2013 – The World Bank and IFC	83 out of 183 countries
Rule of Law	Governance indicator, World bank	54.9 out of 100

We used the key indicator 'Enforcing Contracts' from Doing Business as they focuses on how public institutions function in the case of a commercial dispute¹. Doing Business measures the time, cost and procedural complexity of resolving a commercial lawsuit.

Judicial system of Seychelles, overall result is a two ('2')

The Seychelles rates 41st in enforceability of contracts and scored 54.9 out of 100 in application of the Rule of Law. This analysis results in an overall value of two ('2'), Seychelles is thus considered “developing” in terms of this category.

1.5 Governance and decision making

Governance and decision making in member country	Source of information	Information
Institutions	The Global Competitiveness Report 2012-2013, World Economic Forum	4.25 out of 7
Africa's Governance	Ibrahim Index of African Governance	73 out of 100
Voice and accountability	Governance indicator	52.6 out of 100
Government effectiveness	Governance indicator	62.1 out of 100
Regulatory Quality	Governance indicator	36 out of 100
Control of Corruption	Governance indicator	65.4 out of 100

Governance and decision making of Seychelles, overall result is a two ('2')

The Seychelles was given a rating of 73 out of 100 for governance by the Ibrahim Index of African Governance and a government effectiveness rating of 62.1. This analysis results in an overall value of two ('2'), Seychelles is thus considered “developing” in terms of this category.

¹ Doing Business 2013, the World Bank and IFC

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1.6 Ease of doing business in Seychelles

Ease of doing business in the member country	Source of information	Information
Starting a business	Doing Business 2013 – The World Bank and IFC	117 out of 183 countries
Dealing with Construction permits	Doing Business 2013 – The World Bank and IFC	57 out of 183 countries
Getting electricity	Doing Business 2013 – The World Bank and IFC	144 out of 183 countries
Register property	Doing Business 2013 – The World Bank and IFC	66 out of 183 countries
Getting credit	Doing Business 2013 – The World Bank and IFC	167 out of 183 countries
Protecting investors	Doing Business 2013 – The World Bank and IFC	70 out of 183 countries
Paying taxes	Doing Business 2013 – The World Bank and IFC	20 out of 183 countries
Trading across borders	Doing Business 2013 – The World Bank and IFC	33 out of 183 countries
Resolving insolvency	Doing Business 2013 – The World Bank and IFC	65 out of 183 countries

Ease of doing business in Seychelles, overall score is a two ('2')

The Seychelles, is 117th out of 185 countries in the world in terms of ease with which to start a business and is ranked 70th for protecting investors. It is 167th in terms of access to credit and 57th for the ease of dealing with construction permits. This analysis results in an overall value of two ('2'), Seychelles is thus considered “developing” in terms of this category.

1.7 PPP environment in Seychelles

Enabling environment in the member country for PPPs	Source of information	Information
Legal system enabling PPPs in the member country	Country visit	
- Is there a presence/development of enabling legislation ie PPP Law/regulations etc?	Country visit	No
- Does a policy for private participation in the member country exist?	Country visit	Yes – in ICT and Tourism
- Public Sector appetite/capacity and experience relating to PPPs in the member country	Country visit	No
Is there Political support for PPPs?	Country visit	Unknown
- Is there a PPP focal point/ Unit in the member country?	Country visit	No
- Does an existing PPP track record in the member country exist?	Country visit	No – although Project Finance is offered

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Private sector capacity, capability and appetite	Country visit	
- Are multiple firms active in the PPP market?	Country visit	Unknown
- Does capacity exist in the private sector?	Country visit	Yes

PPP environment in the Seychelles, overall score is a two ('2')

There is no specific enabling legislation for PPP in the country and no dedicated PPP resources within the public sector. This correlates well with the lack of any track record of implemented PPP projects although there has been a renewable energy wind IPP in Port Victoria and the Seychelles government and private telecoms companies did participate in the funding and implementation of the Submarine East Africa System so experience in funding of infrastructure with private finance does exist.

This analysis results in an overall value of two ('2'), Seychelles is thus considered "developing" in terms of this category.

1.8 Observations

Our results are based on the most recent verifiable information available at time of the report.

Reputable external sources were used where appropriate and fact based observations were made.

Seychelles have conducted a number of unofficial PPP's, in particular the renewable energy and ICT space. For example, recently the Port Victoria 6MW Wind Farm was developed to provide much needed expected capacity and the Euro27million (60:40/D:E) financing of the Submarine East Africa System – the high-power submarine cable system. Shareholders include the Government of Seychelles, Cable and Wireless Seychelles and Airtel Seychelles.

The political climate tends to promote active local and foreign investment. Legislation, policies and statements promote the integration of the private sector in technology and tourism. However, local capital raising, particularly on the debt side is restrictive.

1.9 Conclusion

Based on the points above, it would appear that Seychelles political and economic environment would support the active promotion of the PPP model, there is doubt upon sufficient legislative support and capacity (both private and public) to support the PPP delivery model. Seychelles would need to introduce some reforms and legislative frameworks towards PPP's as well as create an enabling financing environment conducive for PPP implementation. Overall Seychelles is thus considered "developing" in terms of this assessment.

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