



SEYCHELLES

November 2023

TECHNICAL ASSISTANCE REPORT – PUBLIC INVESTMENT MANAGEMENT ASSESSMENT – PIMA AND CLIMATE PIMA

This Technical Assistance Report on Seychelles was prepared by a staff team of the International Monetary Fund. It is based on the information available at the time it was completed in May 2023.

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TECHNICAL ASSISTANCE REPORT

SEYCHELLES

Public Investment Management Assessment –
PIMA and Climate PIMA

MAY 2023

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Abbreviations and Acronyms

C-PIMA	Climate Module of the Public Investment Management Assessment
EIA	Environmental Impact Assessment
FAD	Fiscal Affairs Department
GDP	Gross domestic product
IDC	Islands Development Company
IFMIS	Integrated Financial Management Information System
IMC	Inter-Ministerial Committee
IMF	International Monetary Fund
MDAs	Ministries, departments, and agencies
MoFNPT	Ministry of Finance, National Planning and Trade
MTEFF	Medium term fiscal framework
NCCP	National Climate Change Policy
NDC	Nationally Determined Contribution
NDS	National Development Strategy
PEMC	Public Enterprise Monitoring Commission
PFM	Public financial management
PIM	Public investment management
PIMA	Public Investment Management Assessment
PIMU	Public Investment Management Unit
PPBB	Program Performance Based Budget
PPP	Public-private partnership
PSIP	Public Sector Investment Plan
SCR	Seychelles rupee
SIA	Seychelles Infrastructure Agency
SNG	Subnational government
TIS	Treasury Information System
USD	US dollar
WEO	World Economic Outlook

Preface

At the request of the Ministry of Finance, National Planning and Trade (MoFNPT) of Seychelles, a team from the IMF's Fiscal Affairs Department (FAD) and the World Bank undertook a Public Investment Management Assessment (PIMA) and Climate PIMA (C-PIMA) during the period from January 18 to January 31. The mission team was led by Carolina Rentería and comprised Bryn Battersby, Isabel Rial, Suphachol Suphachalasai, Trish Chiinze, and David Gentry from the IMF, and Kirk Schmidt and Kene Ezemanari from the World Bank.

The mission met the Minister of Finance, Mr. Naadir Hassan at the close of the mission. During the mission, the team met with the Minister for Agriculture, Climate Change and Energy, Mr. Flavien Joubert, and the Minister for Lands and Housing, Mr. Billy Rangasamy. The mission also met with the Secretary of State, Mr. Patrick Payet, at the outset of and during the mission.

The mission conducted meetings with ministries, departments, and agencies involved in public investment and climate change in Seychelles. Within MoFNPT, the mission held meetings with the Financial Planning Division, the Macroeconomic Forecasting and Analysis Division, the Procurement Oversight Unit, the Public Investment Unit, the Debt Management Division, and the Treasury and Public Accounts Division.

The mission also met with senior representatives from the Ministry of Agriculture, Climate Change and the Environment, the Ministry of Lands and Housing, The Ministry of Transport, the National Tender Board, the Officer of the Auditor General, the Seychelles Infrastructure Agency, the Seychelles Energy Commission, the Seychelles Health Care Agency, the Seychelles Land Transport Agency, and the Division of Risk and Disaster Management.

The mission team also met with public corporations, including the Island Development Corporation, the Public Utilities Corporation, the Seychelles Civil Aviation Authority, and the Seychelles Port Authority.

The mission team would like to thank the Seychelles government for their cooperation and their participation in constructive discussions during the mission, and especially Ms. Astride Tamatave and Mr. Jude Commettant for coordinating mission activities and requests and being available for regular consultation.

Executive Summary

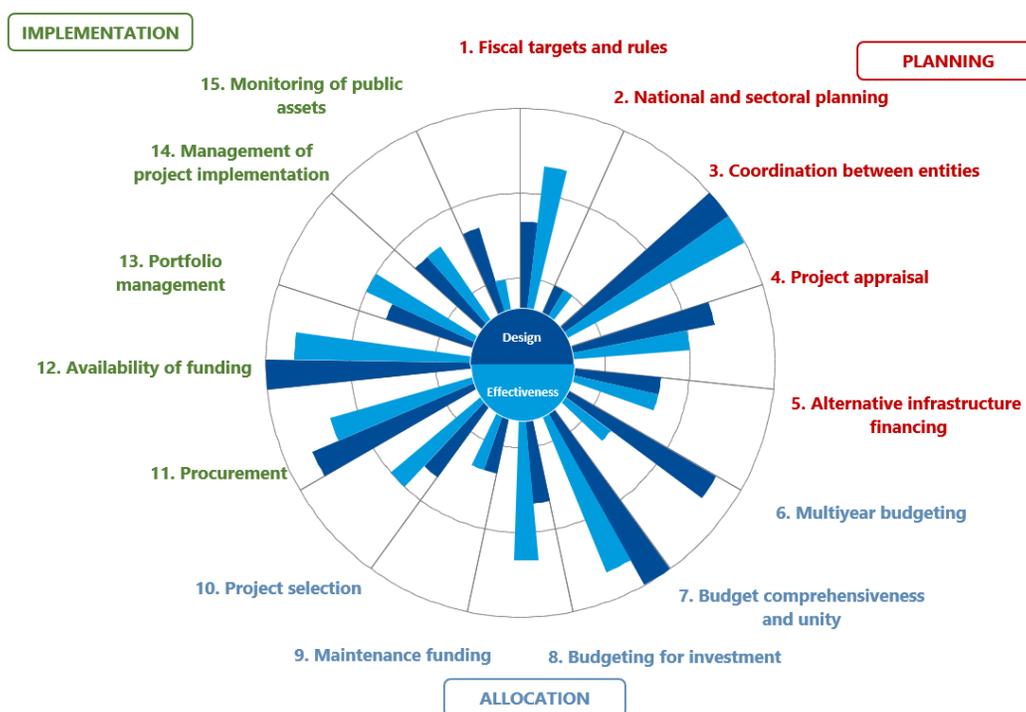
Seychelles' significant investments in public infrastructure in the 1990s contributed to the development of the economy and built a relatively large stock of public capital. However, this was largely debt-financed, pushing Seychelles debt-to-gross domestic product (GDP) to 200 percent by the early 2000s. During the period of rapid fiscal consolidation following the global financial crisis, investment as a share of total expenditure fell from an average of around 23 percent in the 1990s to 13 percent in the 2000s. Although this picked up in the mid-2010s when the government increased investment, it subsequently fell away by the end of the 2010s to be below 10 percent of expenditure for the first time in 20 years.

Despite declining investment, measures of infrastructure access and quality remain relatively high in Seychelles. Indicators of access to infrastructure are higher than in other small island states and emerging market economies. The country also has a relatively high level of perceived quality of infrastructure when compared to other small island states and emerging market economies. Still, the public investment efficiency gap is around 25 percent in Seychelles. This suggests that there is still room for improvements in public investment management that could enhance the quality and accessibility in future.

Measured against other small island states and emerging market economies, Seychelles performs comparably well in the design and more strongly in the effectiveness of public investment management institutions. Measures of institutional design show how well Seychelles rates in terms of its existing laws and regulations, as well as the formal guidelines and instructions issued by the government to implement these laws. The Public Investment Management Assessment (PIMA) diagnostic tool also measures how effectively, in practice, the government implements and enforces these laws and regulations. Although Seychelles performs well on both aspects, the results tend to be stronger on design than effectiveness. (See Figure 1, Table 1 and Annex 4 for detailed results).

Across the PIMA, Seychelles is particularly strong in budget comprehensiveness and in ensuring the availability of funding for projects, but substantial capital budget under-execution reveals gaps in several public investment management institutions. Seychelles budget processes are well formulated; are supported by a medium-term fiscal framework; and budget documentation provides comprehensive coverage and details of the public sector investment program. However, many projects in this program are not executed as planned. The PIMA has identified several linked causes for this under-execution, including weakness in the national and sectoral planning processes, challenges and gaps in the appraisal and selection processes for projects entering the budget, and limited capacity for preparing and analyzing this information across the government. Maintenance budgeting and planning, and the monitoring of public assets could also be improved, particularly by updating fixed asset registers and making this information available in the Fixed Asset Management System.

Figure 1. Seychelles PIMA: Institutional Design and Effectiveness

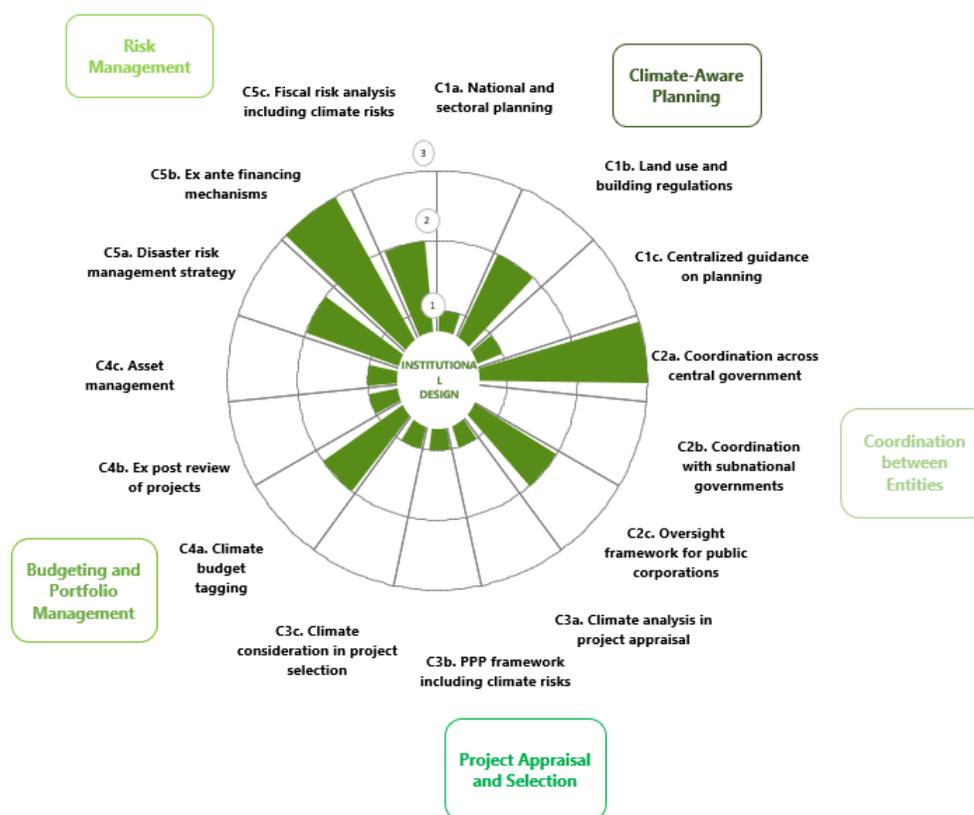


Source: IMF Staff calculations

Note: The further away from the center, the higher are the assessment ratings. Institution 3 omits scores for dimensions 3a and 3b, as there are no sub-national governments in Seychelles.

As an island country, Seychelles is particularly susceptible to climate change. The Climate PIMA (C-PIMA) highlights important gaps in the integration of climate in the public investment management framework. Seychelles' Nationally Determined Contribution (NDC) estimates that the total funding requirement to implement climate adaptation and mitigation measures would amount to USD 671 million between now and 2030, equivalent to 5 percent of GDP per year. This points to the need to mobilize resources to scale up climate-smart investment, complemented by enabling institutional reforms that increase the efficiency and effectiveness of public investment. While climate-related public investment is well coordinated across the central government and there are relatively well-established frameworks for climate-related risk management, there are important gaps in the appraisal, selection, and management of climate-related public investments (Figure 2 and Table 2). Addressing these and other gaps would help to create a robust climate-sensitive public investment management framework, providing a foundation for Seychelles to further attract international climate finance and catalyze green private sector investment.

Figure 2. Seychelles C-PIMA: Institutional Design



Source: IMF Staff calculations

Note: This assessment omits the score of C-PIMA dimension C2b because there is no local government structure in Seychelles.

Many institutions across the PIMA and C-PIMA would improve with changes that address the underlying causes of capital budget under-execution. The PIMA and C-PIMA comes at a timely moment for Seychelles, with a range of reforms underway, including the preparation of the new National Development Strategy, the implementation of a new Public Investment Management Policy with new institutions, and revisions and updates of the legal and regulatory framework. Annex 1 provides an action plan of the recommendations proposed throughout this document that, taken together, would support these efforts, close many of the gaps identified in the PIMA, and further strengthen public investment management institutions in Seychelles. These recommendations are also summarized in Table 3, where the priority of the recommendations can reflect both the immediate achievability of the reform or its overall importance. Among the highest of priorities in these recommendations is to ensure projects are adequately appraised before they are available for selection; to prepare criteria to guide project selection; to ensure the roles and responsibilities of major players in the public investment management processes are well-defined; and to develop national and sectoral plans with costed investment proposals and align these with the budget. These recommendations also offer an opportunity to simultaneously strengthen the climate sensitivity of public investment management in Seychelles. For instance, the National Determined Contribution objectives should be incorporated in the new national and sectoral plans, and climate considerations should be included in strengthened appraisal and selection processes. Across all recommendations, capacity and personnel availability should be considered, with systems and processes tailored to the small size of the government, emphasizing the importance of their simplicity and clarity.

Table 1. PIMA Summary Assessment for Seychelles

Phase/Institution		Institutional Strength	Effectiveness	Reform priority	
A. Planning	1	Fiscal targets and rules	MEDIUM. Seychelles sets targets and maintains a credible MTFF but does not have a legislated fiscal rule.	MEDIUM. Debt-to-GDP is converging towards the target of 50 percent. The MTFF has been only a weak guide for capital exp.	Low
	2	National and sectoral planning	LOW. There is a disjointed framework for national and sectoral planning, with no costing of plans or measurable outcomes.	LOW. Sectoral plans are neither costed nor monitored, nor affect the investment decisions of government.	High
	3	Coordination between entities	HIGH. There are no SNGs, but contingent liabilities from other PEs are reported to the central government and published.	HIGH. The national budget process does ensure districts are consulted, and there is comprehensive reporting of the CLs of PEs.	Low
	4	Project appraisal	MEDIUM. The PIM Policy project proposal form provides the basis for appraisal, including risk mitigation. Central support for the methodology is incomplete.	MEDIUM. The PIM Policy project proposal form, including risks, is often not completely filled out, which may result in approval of lower value projects.	High
	5	Alternative infrastructure financing	MEDIUM. Government oversees financial performance of PEs but lacks competition in economic Infrastructure markets. PPP regulatory framework is incomplete.	MEDIUM. Regulatory agencies are not independent and are exposed to conflict of interest. PPPs are limited. Effective PEs oversight.	Medium
B. Allocation	6	Multi-year budgeting	HIGH. Detailed multi-year capital forecasts and indicative ceilings produced. Project costs are identifiable in the budget.	LOW. 2023 ceilings matched budget, but there is under-execution and no published explanation of project cost changes.	High
	7	Budget comprehensive-ness and unity	HIGH. Most capital spending is through the budget. Current and capital budgets are prepared and presented together.	HIGH. Direct disbursement to private contractors exists but are not significant and policy to prevent them is drafted.	Low
	8	Budgeting for investment	MEDIUM. Project outlays appropriated annually. Virements from capital to current budget allowed with MoFNPT approval. No mechanism to protect ongoing projects.	MEDIUM. PSIP identifies ongoing projects, consistent with budget, approved by Cabinet & disclosed to legislature. Average virements 1.8 percent of total expenditures.	Low
	9	Maintenance funding	LOW. No standard methodologies for maintenance. The maintenance budget is shown in the economic classification.	LOW. Can't assess funding need for maintenance without stock of assets. Eco. classification undercounts funding.	High
	10	Project selection	MEDIUM. Major projects are reviewed centrally but without published criteria, and they are drawn from a pipeline of appraised projects.	MEDIUM. Most proposed projects go through the donor or the IMC selection process. 43% of 2023 projects were not in the prior year multiyear budget.	High
C. Implementation	11	Procurement	HIGH. Tenders and awarded contracts are publicly available. Government maintains a system to monitor contracts and an independent review body ensures fairness.	MEDIUM. The procurement process is conducted openly with binding decisions made by independent body. The database has limited functionality.	Low
	12	Availability of funding	HIGH. Weekly revised cash forecasts are made, and cash release mechanisms exist to ensure timely payments. Donor bank accounts are in the treasury single account.	HIGH. Cash forecasts are reasonably accurate. Not possible to monitor late payments because invoice dates are not always entered into the TIS.	Medium
	13	Portfolio management and oversight	MEDIUM. MoFNPT monitors capital projects and reports to Cabinet. Reallocation of funds across appropriations not allowed. Ex-post reviews not required.	MEDIUM. Clearly regulated supplementary budgets allow for reallocation of funds between capital projects. Ex-post reviews not conducted.	High
	14	Management of project implementation	MEDIUM. Project implementation plans required, but not a manager. Adjustment procedures are limited. No mandatory project ex post audits.	MEDIUM. Project managers are appointed. Implementation plans are often incomplete. The Min. of Transport has a project adjustment process. Ex-post reviews sometimes occur.	Medium
	15	Monitoring of public assets	MEDIUM. Accounting Manual requires MDAs maintain registries for fixed assets, but financial statements are cash basis.	LOW. Asset registries not regularly updated and information not accessible across agencies and projects.	High

Table 2. C-PIMA Summary Assessment for Seychelles

Phase/Institution		Institutional Strength	Reform priority	
PIMA Climate Change	C1	Climate-aware planning	LOW. Climate change considerations are not adequately mainstreamed into the public investment planning process	Medium
	C2	Coordination between entities	HIGH. Climate-related public investment is well coordinated across central government, but a stronger climate oversight of public enterprises is encouraged.	Low
	C3	Project appraisal and selection	LOW. Project appraisal and selection criteria do not reference climate change, nor is there a framework to assess the climate sensitivity of PPPs.	High
	C4	Budgeting and portfolio management	LOW. While some climate-related investments are identifiable, there is no systematic approach to identifying them. Ex-post reviews are not conducted, and asset management policies do not address climate-related risks.	High
	C5	Risk management	MEDIUM. An emergency management policy exists, and the coastal management plan assesses climate related hazards, but plans to mitigate climate-related risks are limited. A budget contingency exists, and there is provision for a disaster risk management fund. Climate risks are only qualitatively assessed in the Fiscal Risk Statement.	Medium

Recommendations

Table 3. PIMA and C-PIMA Recommendations

Investment Planning		
#	Recommendation	Priority
1	Include investment plans and their costings in the forthcoming national and sectoral plans.	High
2	Add new NDS objective-linked performance indicators to programs in the PPBB statement.	Medium
3	Enforce the PIM Policy for preparation of appraisal information; review thresholds for determining major projects and submit major projects to rigorous appraisal.	High
4	Ensure that relevant new legislation under consideration prevent conflict of interests for regulators, promote PPP best practice, and align with the climate framework	Medium
Investment Allocation		
5	Strengthen the anchoring role of MTFE in budget preparation by identifying and mitigating sources of bias and forecast error.	Medium
6	Enforce the PIMU reporting requirements and adjust the PSIP to more easily identify project costs and variations.	Medium
7	Develop routine and capital maintenance methodologies for MDA assets and revise the program classification to identify routine and capital maintenance.	Medium
8	Develop a database of appraised projects and create and apply selection criteria for prioritizing them. Strengthen the authorization process for projects entering the PSIP.	High
Investment Implementation		
9	Make ex-post independent reviews as mandatory for major and strategic capital projects.	High
10	Establish, by regulation, key project management requirements, procedures for adjusting projects, progress reporting, and ex-post audits; develop instructions for completing the implementation plan portion of the existing project proposal form.	Medium
11	Identify major and critical fixed assets managed by MDAs; update their asset registries; and upload information to the Fixed Asset Management System.	High

Climate-Sensitive Public Investment Management		
12	Fully integrate the NDC objectives in the new NDS, sectoral plans, and building legislation; develop guidelines on climate-smart planning and a systematic costing.	Medium
13	Develop and require the use of methodologies that include climate-related issues in project appraisals and selection criteria; conduct EIA before budget approval.	High
14	Summarize the expenditures for climate priorities in the PPBB; ensure that climate impacts are incorporated in ex-post reviews and in future maintenance manuals.	High
15	Prepare and publish scenarios of long-term fiscal sustainability analysis under different climate scenarios and operationalize the Disaster Risk Management Fund.	Medium
Cross-Cutting Issues		
16	Legal Framework: Use the existing reviews and plans to modernize, consolidate, harmonize, and sequence the different legal and regulatory amendments.	High
17	IT: Develop a plan to build a simple system to (i) follow up projects across the cycle and (ii) report the PSIP at various stages in the budget preparation.	Medium
18	Capacity: Map existing and new institutions and a proposal of the adjustments and clarifications needed in roles and responsibilities of the different actors of the system.	Medium
19	Capacity: Ensure the development of the PIM framework is customized to Seychelles' small size and limited personnel.	Medium

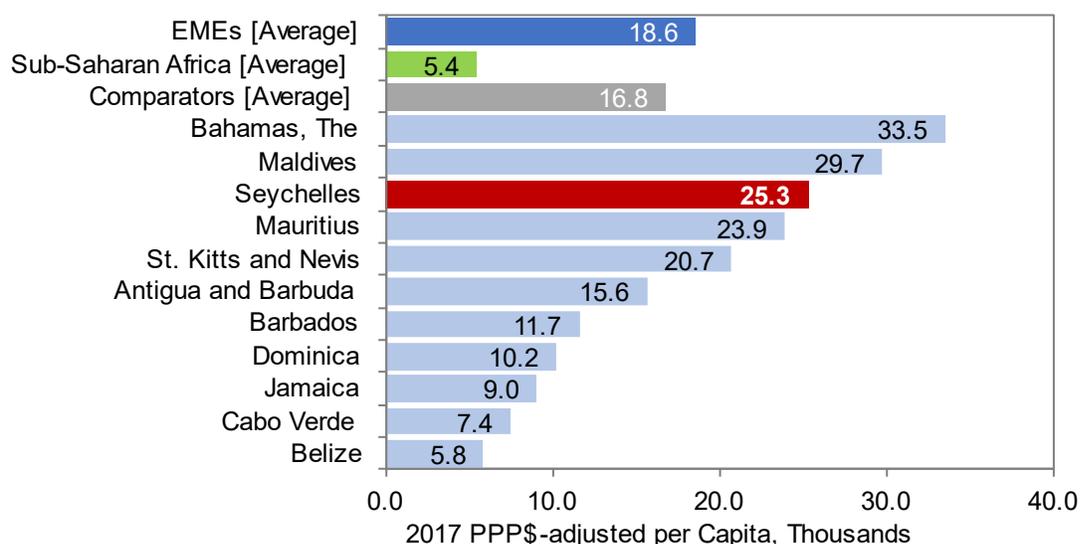
Note: 'Priority' reflects a combination of the immediate achievability of a recommendation and the importance of the recommendation.

I. Public Investment in Seychelles

A. Public Investment, Capital Stock and Fiscal Policy

1. **Seychelles is a high-income, small island state.** Seychelles has the highest GDP per capita in Sub Saharan Africa, with income exceeding the emerging market economy average and that of most other small islands states (Figure 3). The economy is supported by tourism – tourism related activities contribute around 25 percent to GDP¹. Intensive public investment, particularly in the 1990s, helped to support and sustain Seychelles' high GDP per capita, providing a platform for private sector investment in tourism and other key industries such as fisheries and finance.

Figure 3. GDP per capita in Seychelles and comparable countries
(2017 Purchasing Power Parity dollar adjusted, thousands)



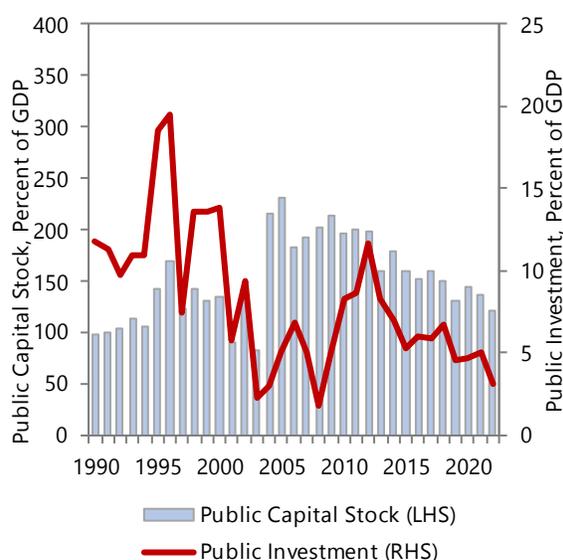
Source: IMF WEO database.

2. **Seychelles made significant investments in public infrastructure in the 1990s, which contributed to the development of the economy and built a relatively large stock of public capital.** However, public investment decreased in the early 2000s as the government began to shift its focus towards fiscal consolidation and debt reduction. Despite a setback caused by the Indian Ocean Tsunami in 2004 which damaged some of the low-lying infrastructure, the country managed to rebuild and renew the public capital stock by 2005. The strong and effective period of public investment during the 1990s and early 2000s, along with the reconstruction and renewal projects, helped the public capital stock reach around 250 percent of GDP by the mid-2000s (Figure 4).

¹ Source: IMF WEO database.

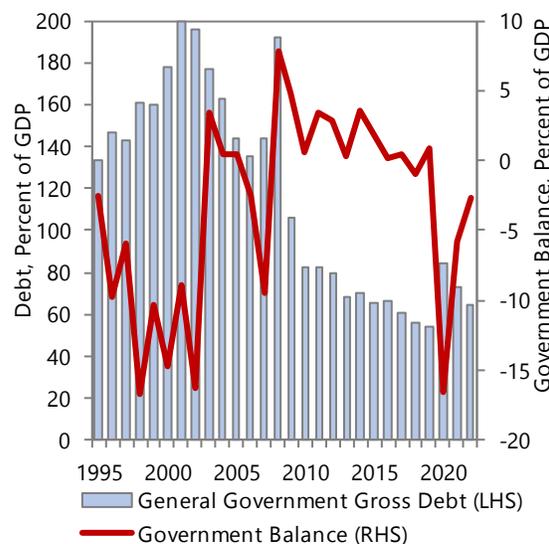
3. Seychelles public investment program in the 1990s was largely debt-financed, pushing Seychelles debt-to-GDP to 200 percent by the early 2000s. By the mid 2000s, the debt-to-GDP level was imposing a significant fiscal burden on the government, with debt servicing reaching 25 percent of government revenue and the IMF highlighting the unsustainability of government debt.² The global financial crisis prompted a restructuring of Seychelles debt, followed by a period of substantial fiscal consolidation. Through a combination of primary balance surpluses, debt restructuring, and international support, Seychelles was able to reduce its debt-to-GDP ratio from over 200 percent to 60 percent by the end of 2018, while maintaining an average GDP growth of four percent. This fiscal buffer also allowed Seychelles to weather the COVID-19 crisis, with debt-to-GDP rising to 89 percent in 2020 before an impressive fiscal consolidation saw this return to a projected 68 percent in 2022 (Figure 5).

Figure 4. Public Investment and Capital Stock (Percent of GDP)



Source: IMF-FAD infrastructure governance database.

Figure 5. Fiscal Deficit and Debt (Percent of GDP)



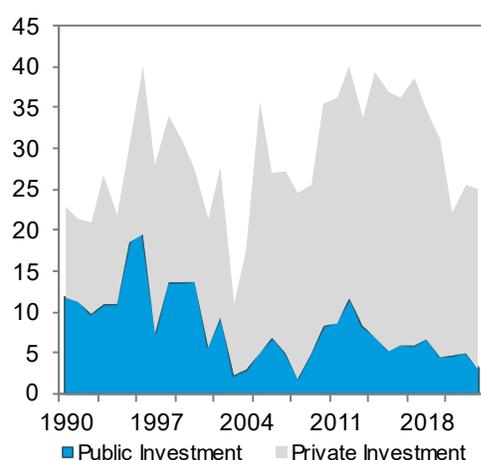
Source: IMF WEO database.

4. The period of rapid fiscal consolidation following the global financial crisis led to a shift in the composition of total investment in Seychelles towards the private sector. In the 1990s, public investment as a share of GDP was considerably higher than the emerging market economy average and the average of similar island states. However, public investment fell sharply in the early 2000s, reaching its lowest point during the peak of the global financial crisis. Private investment, which averaged around 50 percent in the 1990s, has made up around 80 percent of total investment since the financial crisis (Figure 6). Public investment has remained a smaller percentage of total investment in Seychelles and

²IMF (2008), Seychelles: 2008 Article IV Consultation and Request for a Stand-By Arrangement— Staff Report.

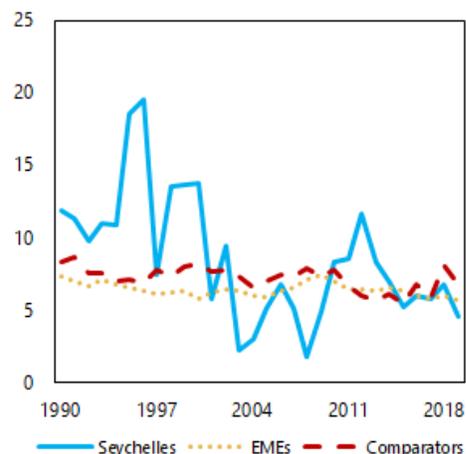
has hovered around the averages of emerging market economies and comparator island states, until the COVID-19 crisis when public investment fell further (Figure 7).³

Figure 6. Composition of Total Investment (Percent of GDP)



Source: IMF WEO database.

Figure 7. Comparison of Public Investment (Percent of GDP)



Source: IMF WEO database.

5. The government's expenditure priorities shifted away from public investment following the global financial crisis. Investment as a share of total expenditure fell from an average of around 23 percent in the 1990s to 13 percent in the 2000s. While this picked up in the mid-2010s when the government increased investment, it subsequently fell away by the end of the 2010s to be below 10 percent of expenditure for the first time in 20 years. The COVID-19 crisis saw this trend continue, with the government emphasizing social programs during the pandemic. However, the government is planning and forecasting an increase in public investment in the latest medium-term budget framework 2023-2025 (Figure 8).

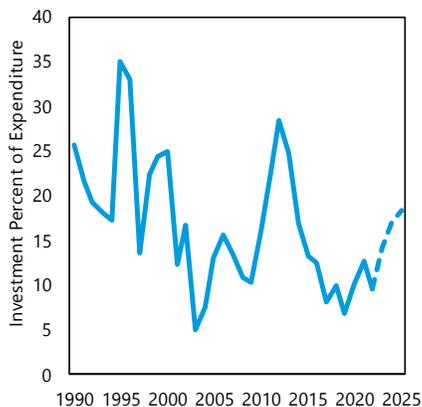
6. Lower public investment since the global financial crisis has not been sufficient to maintain the high stock of public capital. Seychelles public capital stock reached 250 percent of GDP at its peak around 2005, around \$50,000 per capita in purchasing power parity terms. This was considerably higher than other similar countries, and the emerging market economy average (Figure 9). However, the fiscal consolidation that followed the global financial crisis and the shift away from investment in government expenditure has seen the capital stock decline over the past fifteen years. Nonetheless, Seychelles' capital stock remains very high next to comparable countries and the average across emerging market economies (Figure 10).

7. Seychelles population and economic size mean that the expenditure on investment does not have to shift substantially to move many of these indicators. There are 472 central government public investment projects in the Seychelles Public Sector Investment Program (PSIP), with a median

³ Small island states include: The Bahamas, Maldives, Barbados, Antigua and Barbuda, St. Kitts and Nevis, Cabo Verde, Mauritius, Belize, and Dominica.

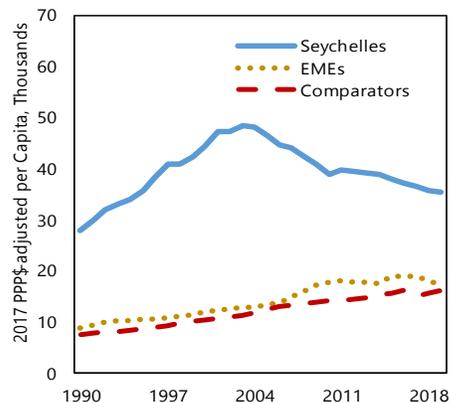
value of around SCR 3 million (USD 210,000) (Figure 11). The largest project in the public sector investment plan is related to new hospital infrastructure, with a project cost of SCR 540 million (USD 37.8 million, or 2.6 percent of GDP), and there are only nine projects with a project cost above SCR 150 million (USD 10 million). This is especially relevant in the context of this PIMA, where the assessment and recommendations are tailored to Seychelles’s small economic size, irregularity of large investments, small population, and limited personnel.

Figure 8. Investment Share of Expenditure (Percent)



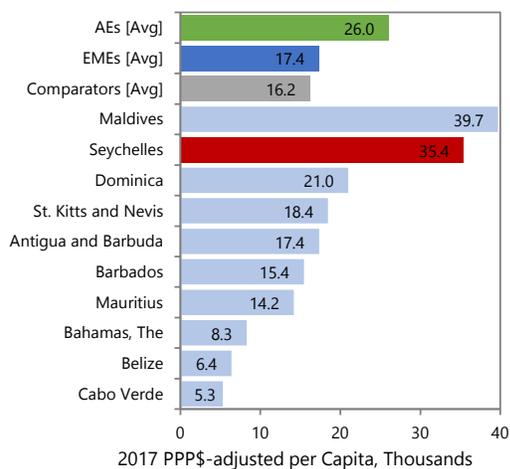
Source: Staff estimates based on Government of Seychelles Budget documents and IMF WEO.
Note: Dotted line represents Government of Seychelles 2023 Budget medium term forecasts.

Figure 9. Public Capital Stock Per Capita (2017 PPP dollars, thousands)



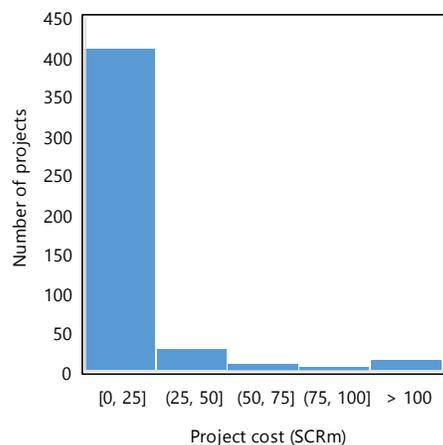
Source: IMF FAD infrastructure governance database.
Note: Comparators include Maldives, Dominica, St. Kitts and Nevis, Antigua and Barbuda, Mauritius, The Bahamas, Belize, and Cabo Verde.

Figure 10. Public Capital Stock Per Capita (2019, thousands)



Source: IMF FAD infrastructure governance database.

Figure 11. Size of Projects in the 2023 PSIP (Count by Project Cost)

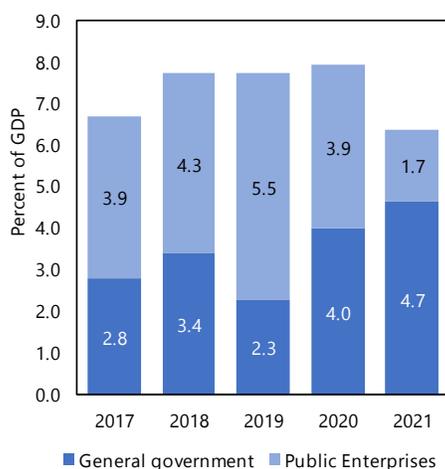


Source: IMF Staff estimates and Government of Seychelles 2023 PSIP

B. Composition and Financing of Public Investment

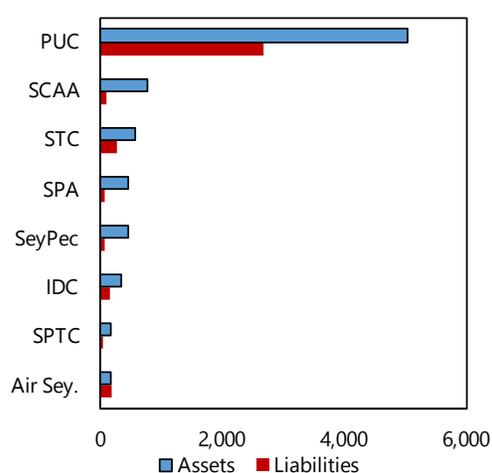
8. Public investments in Seychelles are primarily funded through the central government, though public enterprises⁴ also undertake extensive capital investment. There are no sub-national governments in Seychelles, so no delegated investment or expenditure to these levels of government. However, public enterprises (PE) make up a substantial component of public sector investment. Public enterprises contributed around 27 percent of total public sector investment in 2021, but this was as high as 70 percent in 2019 (Figure 12). The assets of infrastructure related PE are also significant, at around SCR 8 billion (or 380 percent of GDP), dominated by the assets of the Public Utilities Corporation, which is responsible for energy, water, and sewerage across the inner islands of Seychelles (Figure 13).

Figure 12. Capital expenditure by level of public sector (2022, Percent)



Source: Staff estimates, PEMC 2022 Public Enterprises Budget and Government of Seychelles
 Note: GG is general government and PE is public enterprise.

Figure 13. Assets and Liabilities of Infrastructure-related Public Corporations (2019, SCR million)



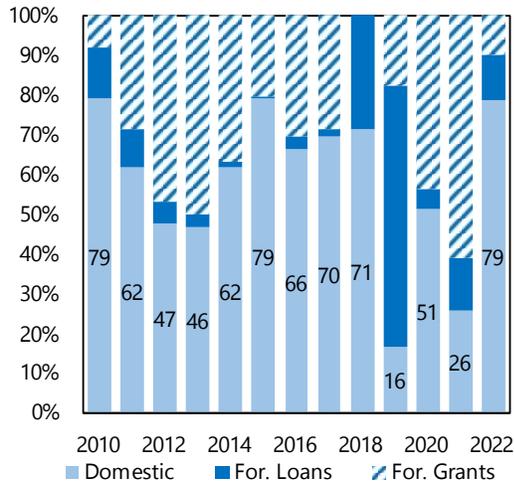
Source: Staff estimates, PEMC 2019 Annual Report
 Note: PUC is Public Utilities Corporation, SCAA is Seychelles Civil Aviation Authority, STC is Seychelles Trading Corporation, SPA is Seychelles Ports Authority, IDC is the Islands Development Company, SPTC and Seychelles Public Transport Corporation, Air. Sey is Air Seychelles.

9. While foreign grants play a role in public investment financing, most central government investment is financed domestically, and public private partnerships are not a prominent source of funding model. Prior to COVID-19, domestic financing made up around 60 percent of total investment, with the residual largely financed through foreign grants. Exceptions were in 2019, when foreign loans contributed substantially to the government's investment plans, and during COVID-19, when the government relied more heavily on foreign grants (Figure 14). Seychelles has made limited use of public private partnerships in building its capital stock compared to other comparable countries, and sub-Saharan Africa. The purchasing power parity capital stock is equivalent to only around 1.6 percent of

⁴ Throughout the document, the authorities' preferred term 'public enterprises' is used instead of public corporations.

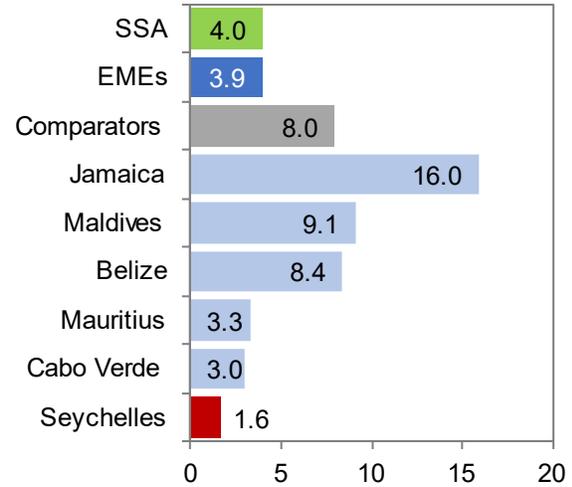
GDP (Figure 15), though the government is looking to this funding model for future investments (see Institution 5 of the PIMA).

Figure 14. Investment by Funding Source (Percent)



Source: IMF Staff estimates and Government of Seychelles.

Figure 15. PPP Capital Stock (2019, Percent of GDP)



Source: IMF FAD infrastructure governance database.

II. The Efficiency of Public Investment

10. Measures of infrastructure access and quality are relatively high in Seychelles (Figure 16).

The number of hospital beds per 1000 people is 3.6, and the number of secondary teachers per 1000 people is 7.2, higher than comparator countries, emerging market economies, and Sub-Saharan Africa. The country produces 4.1 kWh per 1000 people, which is more than other comparable countries. Additionally, over 90 percent of the population has access to improved drinking water sources, the internet penetration rate is around 70 percent, and the transportation infrastructure includes a network of paved roads, airports (including on remote outer islands) and seaports.

11. **Seychelles has a relatively high level of perceived quality in terms of infrastructure when compared to other small island states and emerging market economies (Figure 17).** In 2020, Seychelles ranked 53rd out of 190 countries in the "ease of getting electricity".⁵ The World Economic Forum's 2020–21 Global Competitiveness Report⁶ ranked Seychelles 42nd out of 141 countries in the "quality of electricity supply" category and 63rd out of 141 countries in the "quality of overall infrastructure" category. On these measures, Seychelles performs better than most other small island states, and comparably to emerging market economies.

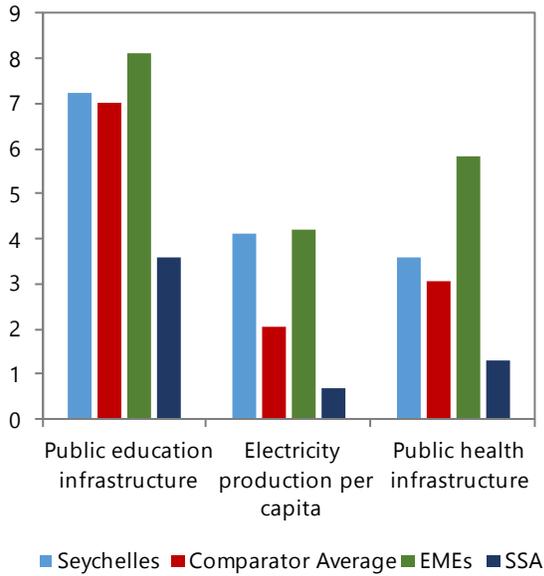
12. **The public investment efficiency gap in Seychelles is around 25 percent (Figure 18), suggesting there is still significant scope to improve the quality and accessibility of infrastructure.** The efficiency gap⁷ is a measure of the potential quality and access to infrastructure given the existing level of capital stock per capita, drawing on international comparisons and evidence. The gap in Seychelles is slightly smaller than the average for emerging market economies, but slightly larger than for other comparable small island economies (Figure 19). The gap suggests that the country is not fully utilizing its existing and substantial capital stock to provide optimal access and quality of public services and infrastructure for its population. The analysis and recommendations that follow in the next section would help to bridge this gap by improving the institutional framework for public investment management, particularly in the terms of the connection between strategic planning and the Program Performance Based Budget (PPBB), project appraisal, selection and implementation, and the monitoring and evaluation of projects; adjustments to the Public Investment Management (PIM) Policy and the roles and responsibilities of major players will support the reforms. These measures will help the country to optimize the use of its existing resources and improve the accessibility and quality of public services and infrastructure for the population.

⁵ World Bank, [Doing Business 2020: Comparing Business Regulations in 190 Economies](#).

⁶ World Economic Forum's 2020 [Global Competitiveness Report](#).

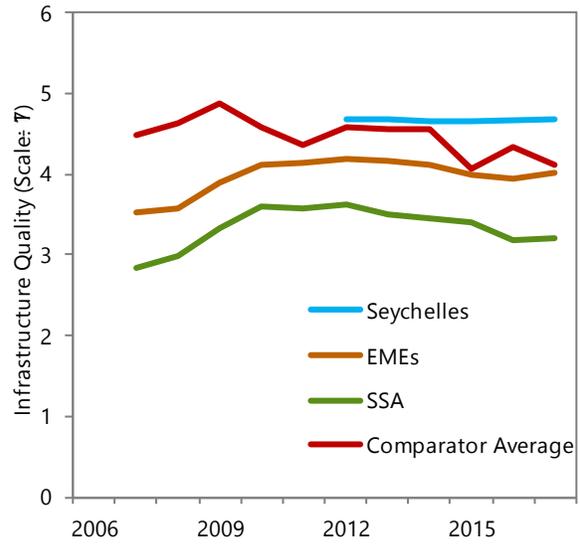
⁷ See the 2015 IMF Staff Report "[Making Public Investment More Efficient](#)" for an outline of the methodology for estimating investment efficiency.

Figure 16. Measures of Physical Access to Infrastructure



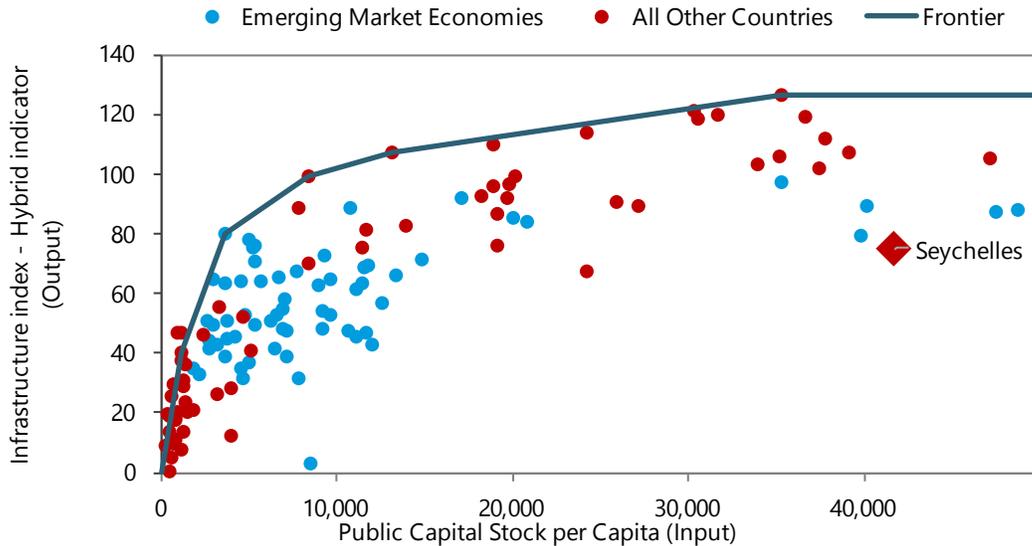
Source: World Bank and staff estimates.
 Note: Units vary to fit scale. Left hand axis: Public education infrastructure is measured as secondary teachers per 1,000 persons; kWh per 1000 people; and public health infrastructure as hospital beds per 1,000 persons.

Figure 17. Perceived Infrastructure Quality



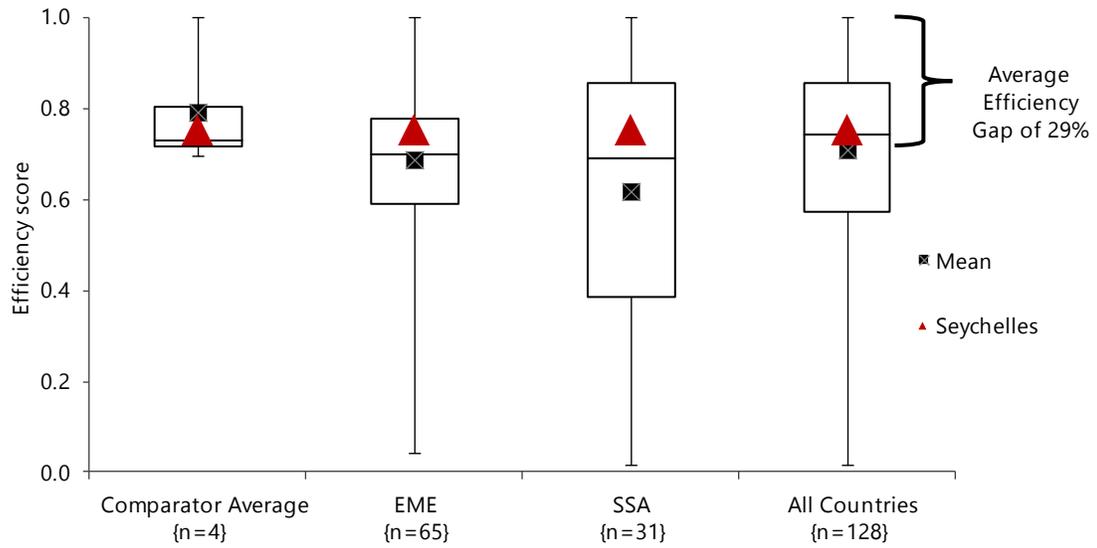
Source: World Economic Forum and staff estimates. The World Economic Forum surveys business leaders' impressions of the quality of key infrastructure services.
 Note: Seychelles data available only from 2012 onward

Figure 18. Public Investment Efficiency (Frontier, Hybrid Indicator)



Source: IMF Staff Estimates.
 Note: The hybrid indicator combines the physical and survey-based indicators into a synthetic index of the coverage and quality.

Figure 19. Public Investment Efficiency
 (Benchmark based on Hybrid Indicator)



Source: IMF Staff Estimates.

Note: The hybrid indicator combines the physical and survey-based indicators into a synthetic index of the coverage and quality.

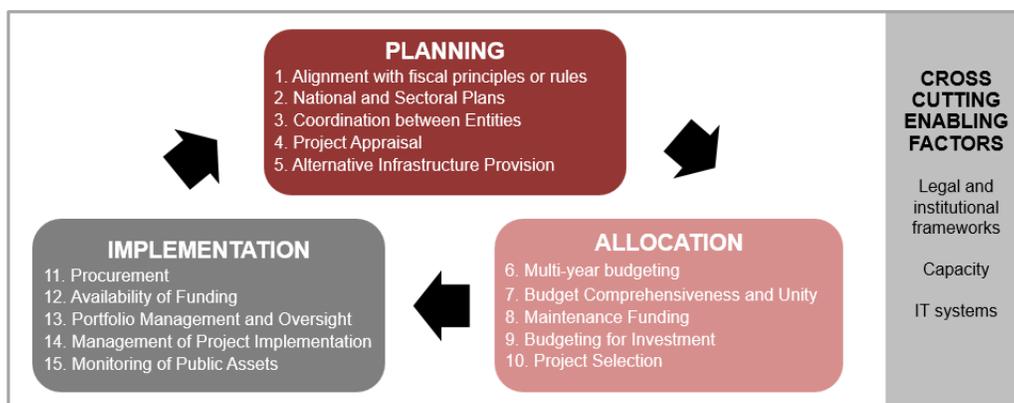
III. Public Investment Management Assessment

A. The PIMA Framework

13. The IMF has developed the **Public Investment Management Assessment (PIMA) framework to assess the quality of the public investment management of a country**. It identifies the strengths and weaknesses of institutions and is accompanied by practical recommendations to strengthen them and increase the efficiency of public investment. The PIMA uses the term ‘institutions’ to refer to the framework, rules and regulations, processes and practices that underpin the public investment management framework for a country.

14. The tool evaluates **15 "institutions" involved in the three major stages of the public investment cycle (Figure 20)**. These are: (i) planning of investment levels for all public-sector entities to ensure sustainable levels of public investment; (ii) allocation of investments to appropriate sectors and projects; and (iii) delivering productive and durable public assets.

Figure 20. PIMA Framework



Source: [Public Investment Management Assessment Handbook](#).

15. For each of these 15 institutions, three indicators are analyzed and scored according to a scale that determines whether the criterion is met in full, in part, or not met (see Annex 2 for the PIMA Questionnaire). Each dimension is scored on three aspects: institutional design, effectiveness, and reform priority:

- *Institutional design* refers to the objective facts indicating that appropriate organizations, policies, rules, and procedures are in place. The average score of the institutional design of three dimensions provides the score for the institution, which may be high, medium, or low.
- *Effectiveness* refers to the degree to which the intended purpose is being achieved or there is a clear useful impact. The average score of the effectiveness of the three dimensions provides the effectiveness score for the institution, which may be high, medium, or low.
- *Reform priority* refers to whether the issues contained within the institution are important to be improved in the specific conditions faced by Seychelles.

The following sections provide a detailed assessment of Seychelles according to this methodology.

B. Overall Assessment

16. Like many countries, Seychelles institutional design tends to be stronger than its effectiveness (Figure 1 in the Executive Summary). The sharpest differences between design and effectiveness are in multi-year budgeting, where capital expenditure is under-executed, and in appraisal, procurement, and the monitoring of public assets, where existing and new procedures are not being fully implemented. At the same time, some institutions are effective despite a relatively weaker design. Notwithstanding the absence of fiscal rules, Seychelles has maintained a trend toward lower debt-to-GDP, consistent with its fiscal policy targets. Portfolio management is also undertaken well, despite the absence of formal requirements defining how this should be done.

17. Seychelles compares well to other small island states and emerging market economies on some measures but is weaker on others (Figures 21 and 22). Seychelles is relatively stronger on the design of coordination mechanisms, the appraisal framework, budgeting, procurement, and project funding. But design is considerably weaker on national and sectoral planning. While multi-year budgeting is a design strength in Seychelles, its effectiveness relative to other island states and emerging market economies is considerably weaker. While the multi-year budgeting framework is sound, substantial under-execution in the capital budget reinforces the weaknesses in the planning processes, and points to gaps in the appraisal and selection of projects.

18. The following sections provide a detailed assessment of Seychelles public investment institutions and recommendations to address challenges and issues identified during the evaluation. The assessment finds that Seychelles is particularly strong in institutions related to budget preparation and the availability of funding for projects. However, weaker effectiveness and substantial capital budget under-execution reveals gaps in several public investment management institutions. The assessment identifies several linked causes for this under-execution, including weakness in the national and sectoral planning processes, its linkages to the budgeting process, challenges and gaps in the appraisal and selection processes for projects entering the budget, and limited capacity for preparing and analyzing this information across the government. Across many institutions, institutional design and effectiveness would improve with small changes. Among the highest of priorities in these recommendations is to ensure projects are adequately appraised before they are available for selection; preparing selection criteria to guide project selection; ensuring the roles and responsibilities of major players in the PIM processes are well-defined; and developing and aligning national and sectoral plans with costed investment proposals with the budget.

Figure 21. Design of Public Investment Management Institutions

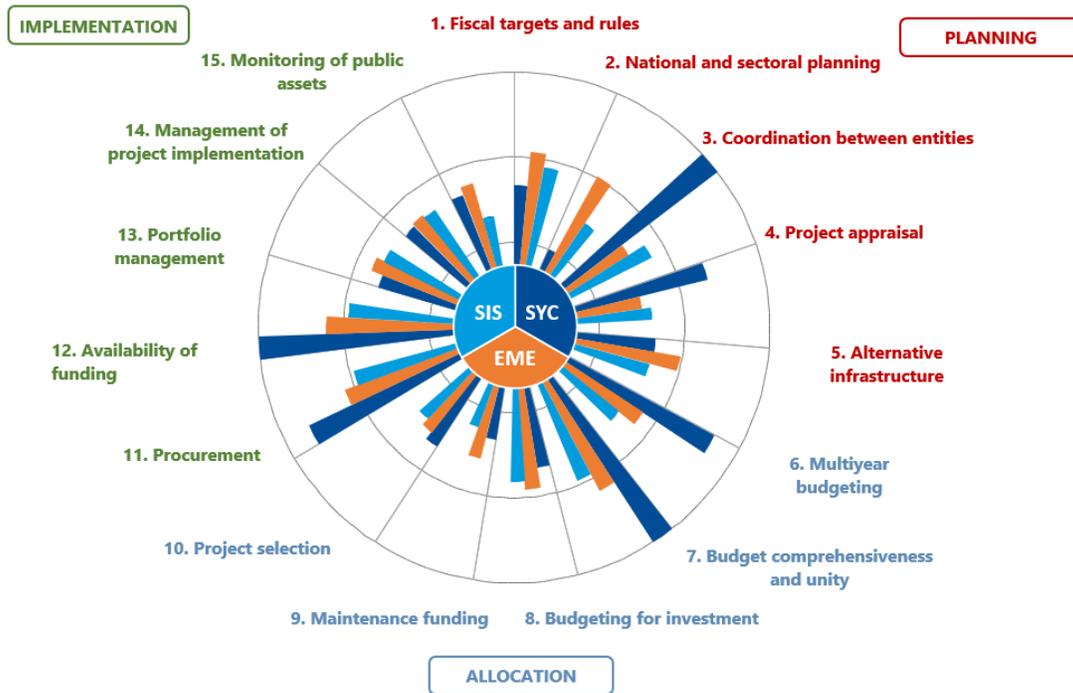
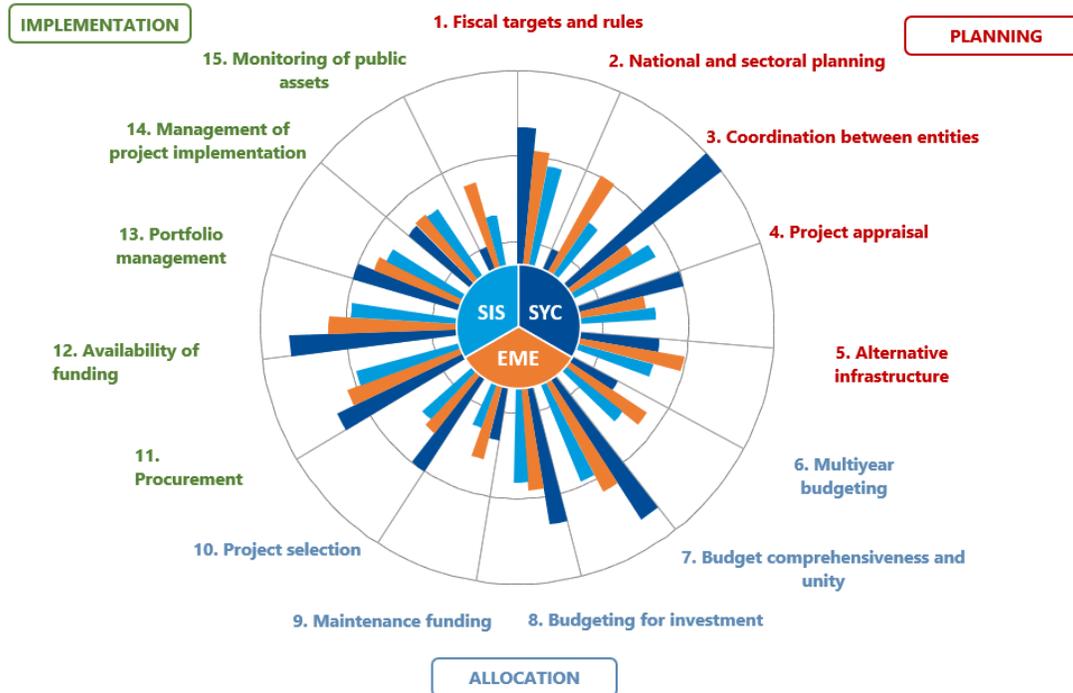


Figure 22. Effectiveness of Public Investment Management Institutions



Source: IMF Staff calculations

Note: Institution 3 on coordination between entities does not include scores for dimensions 3a or 3b (coordination with sub-national governments) as there are no sub-national governments in Seychelles. SIS is Small Island States, and EME is Emerging Market Economies.

C. Investment Planning

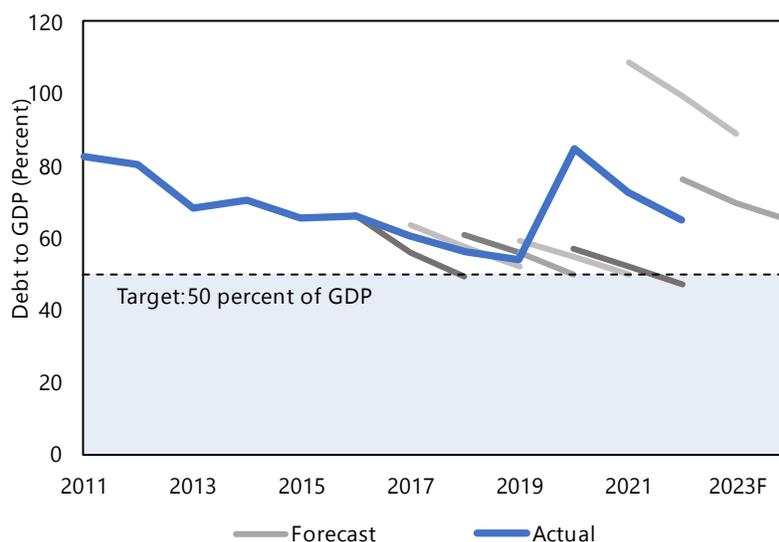
1. Fiscal Targets and Rules (Strength—Medium; Effectiveness—Medium; Reform Priority—Low)

19. Seychelles sets clear fiscal targets and maintains a credible medium-term fiscal framework (MTFF) that differentiates between capital and current spending but does not have a legislated fiscal rule. No permanent fiscal rule exists in the Public Financial Management (PFM) Act, the Public Debt Management Act or subsidiary law in the form of a numerical value for the debt target or ceiling. The Public Debt Management Act authorizes the Minister of Finance to specify the fiscal objectives through the Debt Management Strategy, which is on a 3-year rolling basis and presented together with the budget. The 2019 Debt Management Strategy set the public debt objective to achieve a debt-to-GDP ratio of 50 percent by 2020, continuing the same fiscal target published in previous Budget Strategy and Outlook papers. However, the 2023 Debt Management Strategy revised the target year to 2026, reflecting the shock of the COVID-19 crisis. The annual debt target has a moving path, based on forecasted profile of debt-to-GDP presented in the Debt Management Strategy. A detailed MTFF is produced and approved by Cabinet in the strategic phase of the budget calendar as part of the Medium-Term Expenditure Strategy. The strategy indicates the allocation to current and capital spending and is used as the basis for selecting new projects for the PSIP to accompany the budget.

20. Debt-to-GDP has been converging with its target, notwithstanding the absence of a fiscal rule, but the MTFF has only recently begun to anchor capital expenditure budgeting more tightly. Debt-to-GDP was converging to objectives established in the Debt Management Strategy prior to the COVID-19 pandemic and forecasts of debt-to-GDP were broadly in line with outcomes (Figure 23). The MTFF that underpins the preparation of the Medium-Term Expenditure Strategy is not published, however the first round of budget ceilings circulated to ministries, departments, and agencies (MDAs) are drawn from this fiscal framework. Prior to the preparation of the 2023 budget, budgeted capital expenditure varied considerably from the first ceilings prepared in the budget calendar. However, this link was strengthened in 2023, with the introduction of a new budget preparation calendar.

21. The MTFF should more strongly anchor the preparation of the capital expenditure budget. Over-forecasting capital expenditure (see Institution 6) can lead to an abundance of unplanned resources, which may be then poorly prioritized and used. One approach for strengthening the MTFF is to regularly publish analysis of the multi-year forecast errors of key fiscal aggregates, such as revenue, expenditure, and the fiscal deficit. Undertaking this analysis and explaining the results in the budget documents (for instance, the Fiscal Risk Statement) can help to identify and mitigate the sources of bias and forecast error, and to provide an evidence base for policies to strengthen further the anchoring role of the MTFF in budget preparation.

Figure 23. Debt to GDP Forecast v Actual
(Percent)



Source: IMF WEO, Staff calculations

2. National and Sectoral Planning (Strength— Low; Effectiveness— Low; Reform Priority—High)

22. The framework for national planning and sectoral planning in Seychelles has been disjointed in recent years, with no costing of sectoral investment plans nor inclusion of measurable outcomes and targets. The Ministry of Finance, National Planning and Trade (MoFNPT) is responsible for managing public investment planning and oversaw the preparation of the 2019-2023 National Development Strategy (NDS). While it was originally envisaged that sectoral plans would accompany the NDS 2019-2023, this was derailed by COVID-19, which required a whole-of-government response. Most MDAs do not have publicly available sectoral plans and where they do exist, they are past their lifespan. For example, the Education Medium Term Strategy (2018-2022) and National Health Strategic Plan (2016-2020) are now obsolete, and the latter has remained in draft form. Neither the NDS 2019-23 nor the outdated sector plans include public investment projects and their respective costs, and performance information is not contained in the strategies. The Public Investment Management Policy⁸ acknowledges the current limited linkage between public investment projects to sector objectives or national priorities since most sectors do not yet have strategies.

23. There is no costing of investment plans in the NDS nor in the outdated sectoral plans, and these plans are neither monitored nor affect the approval of investments. The NDS 2019-2023 notes that the strategy is not costed, citing the misalignment of the lifespan of the strategy (5-years) with

⁸ The Public Investment Management Policy is a guide produced by the Government of Seychelles to facilitate the co-ordination of public investment management for all public ministries, departments and agencies (MDAs). The policy "...lays out the steps that should be undertaken to identify, screen, prepare, approve, select, budget, implement, monitor and evaluate public investment projects in order that these investments promote economic and social development and growth in the Seychelles."

the budgeting framework (3-years) as a cause. While the NDS 2019-23 and outdated plans are not guiding investment plans, spatial masterplans (e.g., the Victoria masterplan – see Box 1), sub-sector plans (e.g., the Coastal Management Plan and the e-Mobility Plan), and MDA master plans (e.g., the Health Agency Master Plan) have provided information on investment plans. However, these special-case plans are not well-integrated across government, and there are sectoral gaps. The PPBB offers an opportunity to align investment projects with the NDS, but while the PPBB lists outcomes and indicators for individual programs and connects these to the PSIP, these are not linked to performance measures for achieving national strategy objectives.

Box 1. The Greater Victoria Masterplan

Greater Victoria accounts for 29 percent of the total population of Seychelles. The Victoria Masterplan 2040 identifies 15 key projects to achieve its goals. Each Plan project contains a wide variety of infrastructure, much of which will be publicly financed. For example, Project 1 creating a new waterside community, Ile Aurore, envisions the following infrastructure: 1500 new homes; a community hub; schools and sports pitches; a hotel and marina; an intra-island road; waterfront and beaches; a network of green spaces; pedestrian and cycle routes; and a wastewater treatment plant.

Each infrastructure element within the larger Plan project is: (a) assessed against social, economic, natural resource constraints (primarily land), and risk (primarily flooding and rising seas) factors; (b) phased; (c) prioritized; (d) assigned to a responsible public agency; and (e) linked to possible source of financing (e.g., government, private, or international funding). However, they are not costed.

Source: Seychelles Planning Authority, <http://www.spa.gov.sc/planning-system/plans-policies/victoria-masterplan-2040>

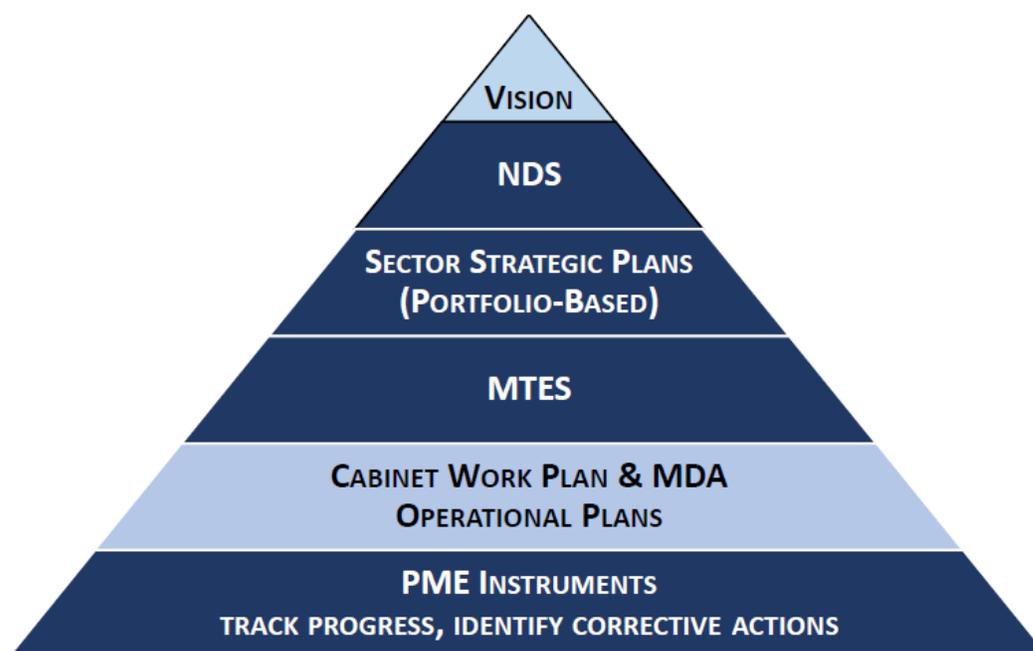
24. The drafting of the new National Development Strategy and the ongoing improvements to the PPBB framework offer an opportunity to quickly strengthen the planning framework in Seychelles. The new NDS 2024–28 is being drafted, and portfolio-based sector strategy plans are being prepared concurrently to complement the NDS, which is expected to be published in March. The government is intending to align the NDS, portfolio sector plans, and agency master plans as part of this process (consistent with Figure 24 in Box 2). The redevelopment of the planning framework is being coordinated by the Planning Department of MoFNPT and the MoFNPT plans to ensure costed investment plans are included as part of the portfolio sector plans. The Draft National Strategic Planning Guidelines (October 2022) include the identification of investments and a “fiscal impact assessment for strategic interventions” as part of Phase 4 under “Key Phases and Steps in Preparing a Sector Strategic Plan”. The government is also planning to introduce performance indicators in the PPBB with the adoption of the NDS 2024-28, which will facilitate the evaluation of the consistency of the public investment program with sectoral and national priorities.

Box 2. The National Development Strategy and Sectoral Plans in Seychelles

The Seychelles NDS 2019-2023 was prepared in 2018 to provide a platform for sectoral planning across the Seychelles government. The development priorities of the plan conform to the Sustainable Development Goals (SDGs) and the overarching direction of Vision 2033 (which was also launched in 2019). The strategy is presented as the first of three five-year national development strategies. This first NDS sets out the national development agenda and critical development priorities under the 6 Pillars of (i) Good governance; (ii) People at the center of development; (iii) Social cohesion; (iv) Innovative Economy; (v) Economic transformation; and (vi) Environmental sustainability and resilience. While the government planned to introduce aligned and complementary sector plans with the NDS 2019-2023, this plan was shelved when the government rapidly reprioritized its objectives to meet the challenges of the COVID-19 pandemic.

The government is now planning to introduce a comprehensive and aligned national and sectoral planning framework as a pillar of its Results-Based Management Policy.⁹ The Draft National Strategic Planning Guidelines present the government's intended alignment of the NDS with the long-term national vision strategy (currently Vision 2033), the Sector Strategic Plans, the Medium Term Expenditure Strategy (which contains the PSIP), MDA operational planes, and a performance monitoring and evaluation (PME) system (Figure 24).

Figure 24: National Planning Instruments, Standards and Tools under the National Strategic Planning Guidelines



Source: Seychelles Draft National Strategic Planning Guidelines, October 2022.

3. Coordination Between Entities (Strength— High; Effectiveness— High; Reform Priority—Low)

25. Seychelles does not have subnational governments, but contingent liabilities from public entities are reported to the central government and published.¹⁰ Districts are not autonomous and are funded directly from the national budget under the Ministry of Social Affairs, Community Development and Sports. The Public Enterprise Monitoring Commission (PEMC) provides financial oversight of public enterprises and reports to the MoFNPT. The PEMC also reports on capital investment projects self-financed by public enterprises that are presented for reporting in PSIP. Regular oversight reports that include the contingent liabilities of almost all public enterprises are prepared for the Ministry of Finance to feed into the Fiscal Risk Statement, which is part of budget documentation (see Box 3).¹¹ The 2023 Fiscal Risk Statement reported total exposure to on-lending and guarantees extended to public enterprises of around SR774 million (21 percent of total 2021 PE debt).

Box 3: PEMC Reporting of Contingent Liabilities

The PEMC monitors and reports on the financial performance of PEs. They produce and publish an annual report which presents three-year Consolidated Medium Term Financial Projections and Risks Analysis on PEs. The commission also produces a Public Enterprise Fiscal Risk Report, which details fiscal risks arising from contingent liabilities through loans and guarantees extended to PEs and legal claims. To the extent possible, these are quantified. In the 2023 report, about 83 percent of the public enterprises are included with the remaining excluded on the basis that they are involved in financial operations. Out of a total of 30 PEs, four are in the financial sector and one is said to be winding down.

The MoFNPT produces and publishes an annual Fiscal Risk Statement, which is also presented together with the Budget. The Fiscal Risk Statement includes a summary of public enterprise risks, which cover explicit and implicit contingent liabilities. Where possible, these risks are quantified.

Source: IMF Staff

26. While Seychelles does not have sub-national governments, the national budget process does ensure districts are consulted on investment projects, and there is comprehensive report of the contingent liabilities of public enterprises. The coordination of public infrastructure plans and financing for districts is well-structured with Seychelles Infrastructure Agency (SIA) centrally managing the process for projects submitted for PSIP by the Ministry for Local Government and Community Affairs. PEMC monitors contingent liabilities of public enterprises and provides comprehensive and detailed reporting of these liabilities in an annual Public Enterprise Fiscal Risk Report. A summary of the Public

⁹ Department of Public Administration, Result Based Management Policy, http://www.dpa.gov.sc/sites/default/files/documents/RBM_Policy_2013_approved%20version.pdf

¹⁰ Dimensions 3a and 3b relating to coordination with sub-national governments are unrated in this assessment.

¹¹ Fiscal Risk Statement which includes analysis on contingent liabilities from public enterprises have been presented and published at part of budget documents since 2019.

Enterprise Fiscal Risk Report is also produced in the Government's Fiscal Risk Report, which is published as part of the budget documentation.

27. The reporting of public enterprise fiscal risks in the budget documentation reflects good practice which should be continued. The reports are an excellent example of comprehensive and transparent reporting on PE contingent liabilities from capital projects, as well as broader fiscal risks related to Pes. The reports could also be improved, with summary heat maps of key financial ratios and risk ratings¹², and specific stress tests of individual public enterprises, particularly where those undertaking large capital projects. COVID-19 is likely to have resulted in new contingent liabilities and changes in risk profiles, and these should be assessed and reported on specifically in the report, and in the government's broader Fiscal Risk Statement.

4. Project Appraisal (Strength— Medium; Effectiveness— Medium; Reform Priority— High)

28. The Public Investment Management Policy is issued by the MoFNPT and stipulates appraisal methods for all major projects proposed for inclusion in the Medium-Term Expenditure Strategy, including a risk assessment. The Public Investment Management Policy (PIM Policy) mandates a standard project proposal form that covers i) project design and services and alternatives considered, ii) project costs, financing, risks, and externalities, and iii) details of project implementation. This includes what would be expected in a simple appraisal, such as a project's benefits, costs, and risks, from a social, economic, and financial perspective. This form is required of all projects costing over SCR 1 million (about USD 70,000), the definition of major projects.¹³ For large projects and complex medium sized projects, an integrated appraisal is required covering the technical, organizational, contractual, and other features of a project to maximize the net present value of investment decisions. There are no thresholds published for such projects; appraisals in the PIM Policy for such projects are more rigorous than is required for the substantial number of projects costing under SCR 1 million. SIA provides central support for costing and scoping projects not considered large and complex for ministries within its purview (Box 4). However, the SIA is not providing technical support to assess the objectives and benefits of a project. A risk assessment and risk mitigation plan are part of the standard appraisal for major projects.

29. The project proposal forms submitted to MoFNPT are often incomplete, which suggests that appraisals do not always filter out low value projects. Many projects submitted to MoF for inclusion in the budget are not accompanied by appraisal documentation required in the PIM Policy. The result is that implementation. The definition of major projects is at a very low monetary value, which reduces attention paid to larger projects that merit deeper analysis. There is no formal threshold for large and complex projects that should be subject to rigorous appraisal outlined in the PIM Policy, although in practice a threshold of SCR 10 million is used. However, many benefits of appraisal are realized through means other than the PIM Policy methodology. The SIA is organized to enhance spending efficiency and reduce risk given the stated objectives of an MDA. It does so primarily through its architectural, engineering, and project management expertise. Similarly, SIA assesses risk from an engineering

¹² The IMF FAD SOE Health Check Tool and SOE Stress Test tool can be used to produce these heatmaps and analysis, using the data contained in the documentation. See <https://www.imf.org/en/Topics/fiscal-policies/Fiscal-Risks/Fiscal-Risks-Toolkit>.

¹³ Concordant with the Procurement Act.

perspective.¹⁴ In addition, project appraisal is inherent in the development of local area masterplans. These masterplans assess projects that complement each other in space, and thus address the social, economic, and natural resource impacts, and risks, of an interdependent group of projects. The masterplans do not address specific financial impacts.

Box 4. The Seychelles Infrastructure Agency and the Inter-ministerial Committee

The Seychelles Infrastructure Agency (SIA) and the Inter-Ministerial Committee (IMC) were created by the Seychelles Infrastructure Act 2021 and became operation in 2021.

The SIA represents a major reform, with wide ranging benefits. It was authorized in the Seychelles Infrastructure Act 2021 and became operational in March 2022. Its main functions relate to project development, project implementation, and maintenance. SIA provides staff support for the Inter-ministerial Committee charged with prioritizing projects for the PSIP. While it covers projects and activities under the responsibility of budget public bodies, with the exception of the Department of Transport, Seychelles Land Transport Agency, self-financing commercial Pes, Public Utilities Corporation, and public enterprises with specialist technical mandates).

SIA works as a consultant or contractor to MDAs. MDAs submit to SIA project concept notes, which SIA fleshes out to a full project design to meet MDA objectives. Once approved in the budget, SIA implements the project through procurement, construction oversight, and completion certification. SIA carries out routine and capital maintenance under contract with MDAs. Funding for projects and maintenance carried out by SIA is appropriated in the respective MDA budgets. This ensures that the full amount of money, supported projects and activities, and accountability to achieve performance goals remain together.

The essence of this reform is centralization, through which specialized functions can be applied consistently, with more professionalism, and limited staff resources more efficiently employed. Seychelles is a small country. Infrastructure related functions were spread over many MDAs, in small offices. The SIA is staffed by around 120 officials, drawn together through a consolidation of MDA infrastructure staff and new hiring, comprising mostly architects, engineers, and project managers.

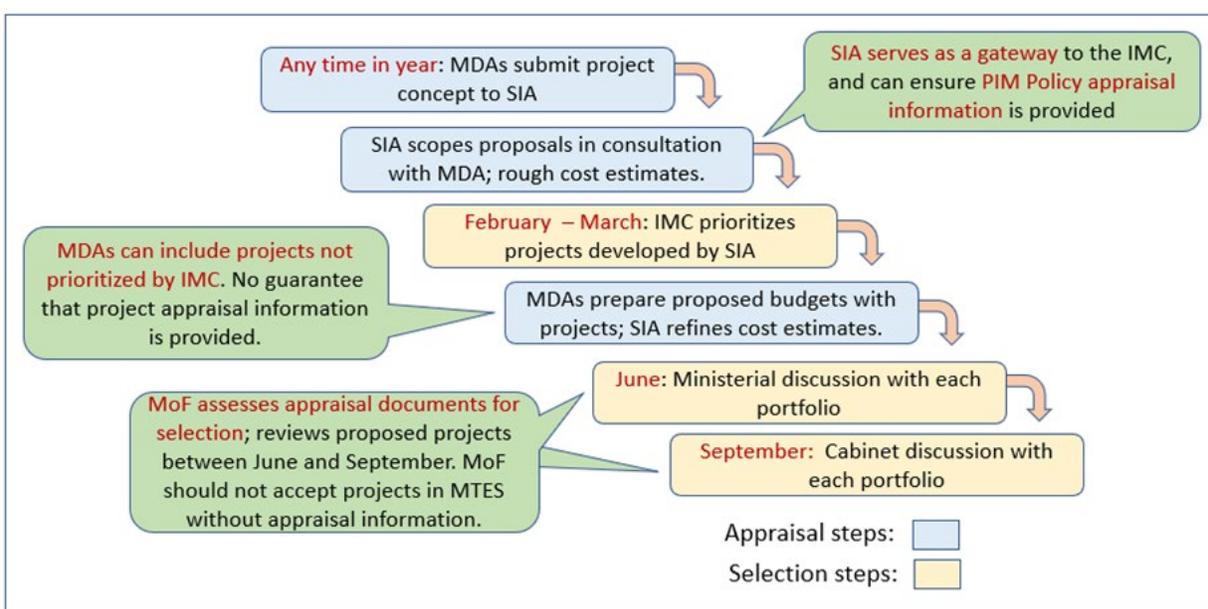
The IMC has two principal functions. First, to oversee the work of the SIA. Second, to review project proposals prepared by the SIA in consultation with MDAs and to prioritize them consistent with national development strategies. The IMC is chaired by the Minister of Lands and Housing, with the Minister of Agriculture, Climate Change, and Environment serving as Vice Chair. The IMC conducts the prioritization annually in February / March as part of the normal budget calendar.

Source: IMF staff

¹⁴ Climate risk is discussed in C-PIMA Institution C5.

30. The SIA should be responsible for ensuring that appraisal documentation is prepared for ministries under its authority, and the definition of major projects should be revised. The PIM Policy standard appraisal form is largely descriptive in nature and completing the form is consistent with SIA's responsibilities for project development and project management. In addition, appraisal information is necessary for the IMC to prioritize projects. Figure 25 illustrates how appraisal and selection steps are intertwined based on the budget calendar. The SIA can serve as a gateway ensuring that PIM Policy mandated appraisals are completed before the IMC review and prioritization. The MoFNPT, Public Investment Management Unit (PIMU) retains responsibility for setting the appraisal methodology and for conducting its review when projects are submitted to it for review. Appraisal methodologies should be better targeted to the size and complexity of the project. The current monetary threshold for designating a major project is too low. It should be increased to a level that justifies significant resources devoted to appraising it. In addition, the designation of a major project should be easily verified so that rigorous appraisals are always conducted on such projects.

Figure 25. Steps in Project Appraisal and Selection



Source: IMF staff based on official documents.

5. Alternative Infrastructure Financing (Strength— Medium; Effectiveness— Medium; Reform Priority— Medium)

31. The legal and regulatory framework does not promote effective competition in infrastructure markets, oversight of public enterprises is centralized by the MoFNPT by law, while specific legislation for public-private partnerships (PPPs) is pending revision and approval.

- **Market structure.** The telecommunications sector is fully privatized but all other major infrastructure markets (i.e., electricity, transport, and water) lack significant private sector involvement. A few regulatory entities are in place, and the Fair Competition Act (2009) governs

private sector activity, but regulatory entities are not independent and are fully funded through the budget.

- **PPPs.** There is no PPP strategy, and the legal and regulatory framework has been drafted but is pending revision and approval.
- **Oversight of public enterprises.** The PEMC, created by law in 2013, provides fiscal oversight of 27 public enterprises. All planning and infrastructure investment of public enterprises is coordinated and shared with government, even where no government funding is used. The 2013 Public Enterprise Monitoring Commission Act mandates the PEMC to advise the government on the financial performance of public enterprises and to issue publications relevant to this function. All public enterprises share their investment plans with Cabinet and their parent ministry for review, but do not require approval when projects are implemented using own revenues. Project information is shared with the SIA on a voluntary basis when support from the agency is required by the Pes.

32. In practice, regulatory entities are not independent and are exposed to significant conflict of interests, PPPs are limited, while the oversight of public enterprises is broadly effective.

- **Market structure.** By law the Seychelles Energy Commission is responsible of both regulatory and project implementation functions, constituting a significant conflict of interest. Moreover, the Energy Act allows Public Utilities to regulate themselves, generating uncertainty and regulation failures. Authorities plan to replace the current Energy Act by two complementary new acts: (i) the Multisectoral Regulation Act, which will transform the Seychelles Energy Commission from an electricity regulator to one that will regulate water, electricity and sanitation; (ii) the Electricity Act, which will eliminate current conflict of interest and address current gaps and inconsistencies. Both acts are currently in draft form.
- **PPPs.** PPPs are limited so far, but a few small projects have been implemented in an ad-hoc manner using the provisions in the PFM and Procurement Acts, and a few other projects are in preparation with the support of the SIA. Thus, existing legislation allows for the use of PPPs but lack clarity on how they are to be implemented, accounted, and reported. Moreover, there is no uniform PPP screening or financial modeling tool, specific PPP reporting requirements, or a PPP strategy to guide future projects. The government has drafted PPP legislation in 2017 and 2019, but neither have been adopted, resulting in different interpretations by MDAs and requests for special waivers.¹⁵
- **Oversight by Pes.** Delays by some public enterprises in the submission of audit financial statements potentially reduces that effectiveness of PEMC's oversight function. Authorities plan to address these and other weaknesses in the upcoming revision to the Public Enterprise Act. This will include strengthening the PEMCs ability to set performance targets and penalize non-compliance with reporting requirements.

¹⁵ International experiences shows that there are different options to strengthen the PPP legal and regulatory framework. Some countries include PPP provisions in their PFM and Procurement laws and regulations (e.g., Cyprus, Georgia) which reduces the incentive to develop parallel and/or inconsistent PIM frameworks for PPPs and traditional procured projects. Other countries develop a separate PPP legal and regulatory framework. However, when PPPs are regulated separately, there is a significant risk that the new PPPs' framework ends up being inconsistent with existing PFM and PIM frameworks, generating large inefficiencies in the provision of public infrastructure.

33. Strengthening the legal and regulatory framework governing regulated infrastructure markets, PPPs, and public enterprise oversight will promote a more effective provision of infrastructure in Seychelles. Priority should be given to strengthening the regulatory authorities and ensuring their independence; providing legal and policy guidance for PPPs in line with good international practices; and ensuring that reporting requirements to the PEMC are consistently enforced.

Recommendations

Issues: The disjointed planning framework, proliferation of planning documents and absence of costed investment plans undermines the governments' capacity to coordinate investment priorities across sectors.

Recommendation 1: The implementation of the Draft National Strategic Planning Guidelines, the preparation of the new NDS 2024-26 and the plan to concurrently introduce portfolio sector plans offers an opportunity to provide national and sectoral guidance and costings of sectoral investment plans. These investment plans and their costings should be included in these new national and sectoral plans.

Issues: While the PPBB sets program outcomes and indicators, and links these to PSIP projects, the PPBB is not linked to performance measures for achieving national strategy objectives. This is largely because the NDS is currently being drafted.

Recommendation 2: Once NDS objectives are set and performance measures identified, add these linkages to programs in the PPBB statement.

Issues: Many projects are submitted to MoFNPT in the budget proposal without required appraisals. The existing threshold to define a major project is too low, which by spreading limited appraisal resources over many projects means that large and complex projects that deserve a higher standard of appraisal are not subject to it.

Recommendation 3: Enforce PIM Policy for preparation of appraisal information; review thresholds for determining major projects and submit major projects to rigorous appraisal. SIA should ensure projects submitted to MoFNPT are properly appraised.

Issues: There is room to improve the legal and regulatory framework to promote private sector involvement.

Recommendation 4: Ensure that new legislation under consideration for the energy sector, the draft Act for PPP's and upcoming amendments to the PFM and Procurement Act, prevent conflict of interests for regulators and promote PPP practices in line with good international practices, and aligned with the country' climate smart framework.

D. Investment Allocation

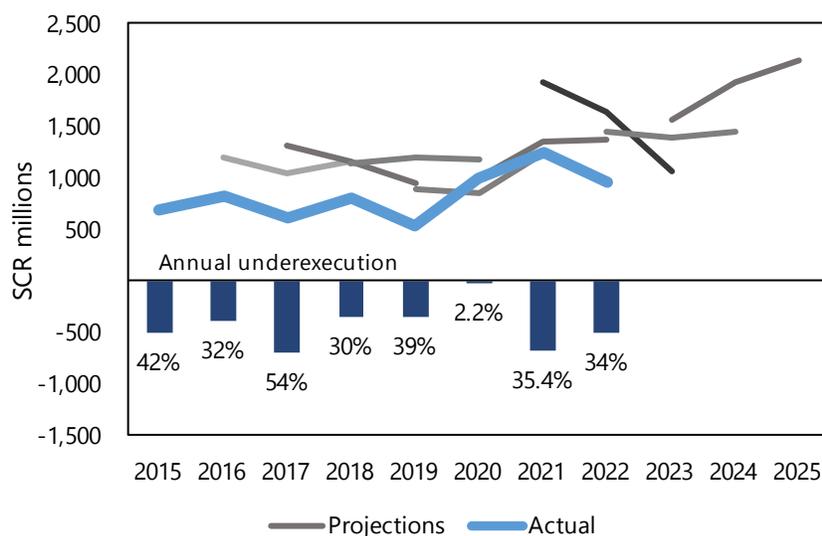
6. Multi-year Budgeting (Strength— High; Effectiveness— Low; Reform Priority— High)

34. Budget documents detail medium-term capital spending projections and project costs, and multi-year indicative ceilings are provided at a program and ministry level. Three-year projections of total capital spending for the general government are presented by ministry in the budget summary tables and are detailed in the Programme Performance Based Budget Statements.¹⁶ The fiscal year follows the calendar year, with multi-year ceilings first issued in March. The ceilings are indicative in nature as there is scope for amendment during budget consultations and project submissions following their issuance. Projections for the costs of all projects are included in the PSIP, disaggregated by external and domestic funding sources. While total costs are not presented, cumulative costs to date and forecast costs over the medium term are presented, allowing their calculation.

35. While capital ceilings are largely consistent with the budget, there is persistent under-execution in capital spending, and it is not possible to readily identify changes in project costs from year to year. The second set of ceilings on capital expenditure in the medium-term budget framework were consistent with appropriated amounts in the preparation of the 2023 budget, however there were notable discrepancies in previous years. Aggregate capital budget allocations have persistently deviated considerably from the budget (Figure 26). In the previous three years prior to COVID-19, capital allocations were around 40 percent below those budgeted. The quarterly Capital Project Progress reports to Cabinet present changes in some project costs, and the PSIP database includes both the original and updated project costs. However, while project costs are published in the budget, it is not straightforward to assess changes in project costs from year to year.

¹⁶ The PPBB statements provide a clear link between the PSIP and MDA programs.

Figure 26. Medium-term Capital Expenditure Forecasts and Actuals
(SCR, millions)



Source: IMF Staff estimates

36. The 2022 Fiscal Risk Statement highlighted capital under-execution as a significant concern and risk for the government. The statement notes that this under-execution has resulted from delays in procurement, poor project planning, and a lack of human resources and capacity. Adequately addressing these shortcomings (for instance, by implementing recommendations in the planning and allocation section of this PIMA) may help to reduce this level of under-execution. Enforcing the PIMU reporting processes established in the PIM Policy¹⁷ and publishing total project costs, the variations in project costs from year to year, and short explanations for these variations for each project in the PSIP would improve accessibility to this information. This would be a straightforward inclusion in the existing PSIP spreadsheets and tables and would provide information that could be used to identify projects of concern more readily in the PSIP.

7. Budget comprehensiveness and unity (Strength—High; Effectiveness— High; Reform priority: Low)

37. Most capital spending projects are delivered through the budget, irrespective of financing sources, and recurrent and capital budgets are prepared and presented together. Capital projects are delivered by ministries, departments, government service bodies, and public corporations. There is only one extrabudgetary entity.¹⁸ The budget documentation is comprehensive, including most externally funded capital projects and capital projects undertaken by public corporations. As mentioned above,

¹⁷ The Public Investment Management Policy requires that at the start of the budget selection time, parent MDAs of approved projects submit revised costings of projects, and, for already budgeted projects, variations based on the new macroeconomic framework.

¹⁸ Established in 2015, the Seychelles' Conservation and Climate Adaptation Trust (SEYCCAT) provides grants to eligible government and civil society entities to support the stewardship of Seychelles' ocean resources, island life, and blue economy. SEYCCAT is a grant distributing entity, not an implemented entity, and the projects funded so far have no or limited capital component. No similar entities have been identified by the mission.

currently, PPPs are marginal, with only a few housing contracts between the government and the Islands Development Company (IDC).¹⁹ In line with the 2018 PPBB Guidance, the MoFNPT prepares and presents together the recurrent and capital budgets using an administrative, economic, and program classification.²⁰ The MoFNPT and implementing bodies discuss operating costs related to all capital projects included in the PSIP. The latter is integrated to the PPBB process and is fully aligned with the medium-term budget framework.²¹

38. The budget is broadly comprehensive, with a limited number of capital projects not captured in the budget documentation. Two types of transactions were identified where the acquisition of fixed assets by government is not captured in the budget documents: (i) capital projects externally funded through grants, where disbursements are delivered directly to private developers; and (ii) capital grants delivered in kind. These irregularities, although of limited magnitude, were recognized in the 2021 annual report of the Auditor General (AG).²² The audit report highlighted the absence of a formalized policy for accounting these transactions in the government annual financial statements. In addition, three new PPP housing projects are currently under preparation by the SIA. Given that legal and regulatory framework for PPPs is yet to be approved, these projects will be procured under the 2008 Public Procurement Act. It is unclear how these new projects will be accounted for in the budget documents, though it is anticipated that expected expenses related to the projects will be included.

39. Budgeted comprehensiveness requires the MoFNPT to have full access of information on the acquisition of fixed assets regardless of financing sources. Even when the acquisition of fixed assets does not require cash outflows from the government's accounts, as in the case of direct disbursements and grants in kind, information on the value of the fixed assets should be reported to the MoFNPT and disclosed in fiscal reports and in the notes to the government's cash-based annual financial statements.

8. Budgeting for Investment (Strength—Medium; Effectiveness—Medium; Reform priority: Low)

40. Information on capital projects' future commitments is available for a limited horizon, transfers of funds from capital to recurrent budgets are allowed, while funding for on-going project is not formally protected. Appropriations are made annually and there are no provisions to carry-forward the unused balance appropriations to the next fiscal year. There are no legal or regulatory requirements to provide information on total costs of major capital projects in the budget documents. The budget process requires to disclose in the PSIP the total financing costs for capital projects covering the budget year and 2 outer-years, using administrative, economic and program classification, where

¹⁹ These are 3 PPPs on public buildings signed between the government and the SDC. These are government-funded PPPs where government does regular payments to SDC during operation, and the fixed asset is transferred to the government at the end of the contract. In line with IFRC accounting standards, both the fixed assets and the corresponding liabilities are accounted and disclosed in IDC annual financial statements.

²⁰ 2018 Programme Performance-Based Budget (PPBB) Guidance.

²¹ 2018 PPBB Guidance, Section 4.

²² 2021 AGO Annual Report, 2.47; 2.48.

individual capital projects are identified. The 2014 PFM regulation²³ allows for transfer of funds from capital to recurrent budgets (virements) with the authorization of the MoFNPT's Comptroller General, without quantitative restrictions. There is no formal mechanism in place to ensure that ongoing projects are given priority over initiating new projects.

41. In practice, major capital projects are well-protected during the budget implementation, with marginal virements and no evidence of on-going projects receiving insufficient funding.

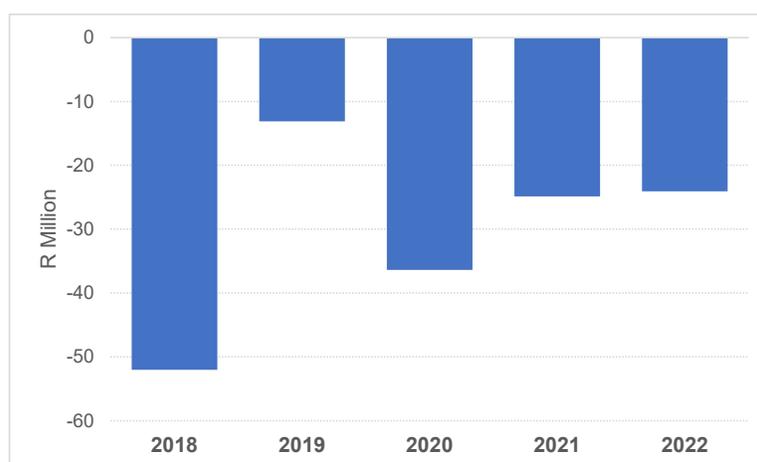
Although information of total project costs for major infrastructure projects is not disclosed, Seychelles' PSIP is comprehensive,²⁴ it is fully consistent with the medium-term budget framework, it is reviewed and approved by Cabinet, and it is disclosed to the National Assembly for information. In addition, the Capital Projects Progress reports submitted quarterly by the MoFNPT to Cabinet, include total project cost information for some implementing bodies. Virements from capital to recurrent budgets have been marginal over the past 5 years, averaging 1.8 percent of total capital spending (Figure 27). Yet, supplementary budgets are part of the regular budget process, allowing for large adjustments between capital and current budgets aggregates. Despite no formal mechanisms being in place to protect on-going projects, they are clearly identified in the PSIP, and spending agencies have a general practice of prioritizing them relative to new projects. There are no examples of major on-going projects receiving less funding than their needs.

42. Information of full project cost for major capital projects should be reported by government entities to the MoFNPT in a systematic and timely manner. In the Capital Projects Progress reports submitted by the MoFNPT quarterly to Cabinet, information of total cost for capital projects is disclosed only for some government entities (Box 6 in Institution 13). Total cost of on-going capital projects is critical for the government to decide whether it can afford new projects and its related future commitments.

²³ 2014 PFM Regulation, article 53.

²⁴ It covers all capital projects, domestically and externally funded, implemented by ministries and departments, regulatory bodies and public bodies providing essential government services. In addition, information on capital projects for the main public corporations is included as an annex in the PSIP.

Figure 27. Net Virements for Capital Budget (SCR Millions)



Source: IMF's estimates based on official data. Negative figures indicate a net flow from capital to current.

9. Maintenance Funding (Institutional Strength: **Low**; Effectiveness: **Low**; Reform Priority: **High**)

43. No standard methodologies are in place for estimating the need and related cost of routine or capital maintenance, and maintenance spending is only partially measured in the budget. There are no national standard methodologies for maintenance that are adaptable to specific classes of assets. The SIA has been assigned responsibility for routine and capital maintenance of the infrastructure of agencies under its responsibility. MDAs will budget for maintenance; the SIA will carry out the work under contract. Similarly, some major MDAs not covered by SIA, such as the Ministry of Transport and the Seychelles Land Transport Agency, do not have formal maintenance standards. Capital maintenance needs are not currently included in national or sectoral plans. The economic classification is used to identify routine and capital maintenance. In addition to the economic classification, the Ministry of Transport uses the program classification to separate road construction (although it distinguishes only by title new projects from capital maintenance projects), asphaltting projects, road maintenance, and road safety.

44. Given the small size of the stock of infrastructure, informal methods for estimating capital maintenance needs are likely adequate but not for routine maintenance. An accurate inventory of assets is not available (see Institution 15) and thus budget funding compared to replacement value cannot be calculated. Because Seychelles is a small country and infrastructure is concentrated on flat land, informal methods of assessing capital maintenance needs are effective. Informal methods would include the age of the asset, visual inspections, and the cumulative history of minor problems, such as small deformations in roads. The Ministry of Transport maintains a laboratory to analyze materials and soils and plans to enhance its ability to measure the condition of the roads and bridges, but it does not have published standards against which laboratory results are compared. Informal methods of assessing need are of less value for routine maintenance. Routine maintenance should be performed before a problem becomes apparent. While the SIA has not adopted formal maintenance standards, it has shown

it has such standards during negotiations on maintenance contracts with MDAs. Use of the economic classification to measure maintenance costs is not effective. For example, if government employees are used for maintenance, incorporating personnel costs under maintenance will distort the total wage bill. Conversely, if the labor cost of maintenance is incorporated under personnel, then the maintenance cost is underestimated.

45. Maintenance standards for routine and capital maintenance should be adopted and the program classification should be used to better measure maintenance costs. The SIA should develop routine and capital maintenance standards for major asset classes it oversees and include methods for estimating the cost of maintenance over time. Maintenance is an output, not an input, and should be measured under the program classification. SIA should work with MoF to introduce maintenance related codes in the program classification of MDAs. Without specifying exactly how the program classification should be modified, the result should be that the total costs of routine and capital maintenance can be reported by broad asset type. As noted above, the Ministry of Transport currently uses the program classification to identify maintenance costs. It could improve its classification by establishing a code to identify capital maintenance projects separately from new projects. Improvements in the asset registry would promote timely conduct of maintenance.

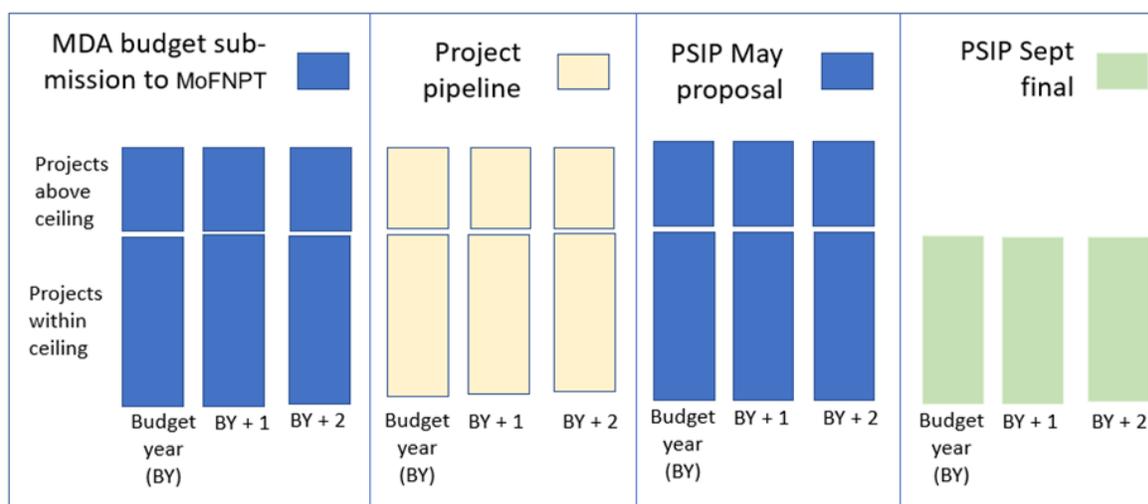
10. Project Selection (Strength— Medium; Effectiveness— Medium; Reform Priority— High)

46. Major projects are reviewed centrally but without published criteria, and they are drawn from a pipeline of appraised projects. The Seychelles Infrastructure Act 2021 establishes a required process for major projects, regardless of funding source, to be reviewed centrally by the IMC. The IMC is a specialized agency and independent of the MoFNPT. However, the committee does not review all major projects submitted for budget funding, as some public bodies are exempt from it by the Act (see Box 4 in Institution 4). The committee does not publish its selection criteria. Other entities, such as the Ministry of Transport and the Seychelles Land Transport Agency, prioritize their own projects, including externally financed projects, without published selection criteria. The PFM Act 2012, and the PIM Policy, authorize the MoFNPT to review projects submitted to the ministry by MDAs for budget funding. Box 5 provides a summary of the capital budgeting and project selection processes in Seychelles.

Box 5. Capital Budgeting and Project Selection in Seychelles

Figure 25 in Institution 4 shows how the selection process relates to the appraisal process. SIA, in consultation with line ministries, prepares project proposals for the MoFNPT. The budget process allows an MDA to submit project requests, including projects reviewed by the IMC but not limited to it, to MoFNPT with a total cost exceeding the funding ceiling provided for the budget year. The requests are subject to review in March by MoFNPT and the IMC. The PIMU, undertakes cost-benefit analysis for major projects and reviews the completeness of project proposals for smaller projects. Between March and July MDAs revise their project proposals and negotiate priorities and ceilings with MoFNPT. In September the final PSIP (which is consistent with the proposed budget) is presented to Cabinet for final selection. The pipeline of projects for selection consists of all projects proposed by MDAs. The PSIP is defined as the projects funded within the ceiling for the budget year. The meanings of these terms are shown graphically in Figure 28.

Figure 28: Graphical presentation of key terms and practices in capital budgeting in Seychelles



Source: IMF staff based on official documents.

47. Selection of poorly appraised projects, many of which were not in the prior year medium-term budget, hinders project execution. The quality of appraisal of projects in the pipeline has not been enforced, and the lack of selection criteria resulted in a failure to adequately screen out poorly appraised projects. In addition, approximately 43 percent of projects in the 2023 budget year were not included in the 2022-24 medium-term budget. The addition of projects from outside the previous year's medium-term budget suggests that planning weaknesses contribute to poor appraisal. 84 projects with total project costs of around SCR 1.6 billion (USD 118 million or around 7 percent of GDP) are included in the PSIP but have not gone through the pre-approval requirements. In the 2023 budget, around 11 percent of the appropriated capital expenditure was for projects that had not met these pre-approval requirements. This practice is a major contributing factor to the low execution rates for capital projects. However, other measures of the effectiveness of the selection process counterbalance some of these poor practices. For instance, externally funded projects, via loans and grants, comprised 71 percent of the capital budget in

2022. Typically, multilateral development partners employ rigorous analytical methods when selecting projects; bilateral development partners may use less rigorous analytical methods but would be expected to have at least the appraisal information contained with the PIM Policy. There is also evidence that national and local masterplans have been particularly useful for sequencing projects across sectors, for example coordinating utility, road, and building projects (see Box 1 regarding the Greater Victoria Masterplan in Institution 2). Finally, public utilities have well defined measures of capacity needed to meet predictable trends in demand.

48. Several steps should be taken to improve project selection. First, projects that are not adequately appraised should not be eligible for selection. The PIMU must exercise quality control over appraisals, and the authority for MoFNPT to reject poorly appraised projects submitted to them should be stated in the budget circular. Second, selection criteria should be established by MoFNPT. Many countries use project scoring systems which, after evaluating many factors, can rank projects numerically. An example of this easy-to-use technique is shown in Annex 5. Third, a project pipeline, separate from annual budget requests, should be established. This means preparing a list of appraised projects before the annual budget process begins (i.e., before January of each year) from which projects can be selected for review first by IMC and then MoFNPT. The project list would be updated continually, spreading the effort of appraisal throughout the calendar year. A simple information system should be developed to support the list of appraised projects for selection. For example, Rwanda has developed a simple excel based system that is effective. Fourth, large and complex projects could be funded in two sequential appropriations, with the first being to prepare a rigorous feasibility study, detailed design and engineering, and accurate cost estimates, and the second being to construct the fully evaluated, scoped, and costed project. In this way, the project is ready for implementation when the second appropriation is made.

Recommendations

Issues: Capital expenditure is persistently under-executed, which can lead to poor prioritization of resources.

Recommendation 5: While the main causes of under-execution are in the planning, appraisal, and selection processes, the anchoring role of MTFF in budget preparation could also be strengthened by identifying and mitigating sources of bias and forecast error and publishing these results.

Issues: Total project costs and variations from year to year are available for Seychelles' major capital projects, but they are not systematically compiled nor disclosed in the budget documentation.

Recommendation 6: Enforce the PIMU reporting requirements and add columns to the PSIP that show the original project cost, the current project cost, and the variance, drawing on the underlying PSIP database.

Issues: There are no maintenance methodologies to determine maintenance needs, costs, and optimal maintenance services. The amount of funding for routine and capital maintenance cannot accurately be identified in the budget.

Recommendation 7: SIA to develop routine and capital maintenance methodologies for MDA assets under its purview; and MoFNPT to revise the program classification to identify routine and capital maintenance.

Issues: Selection of projects that are not ready for execution is a key cause of under-execution of the capital expenditure budget.

Recommendation 8: Develop and maintain a list of appraised projects and create selection criteria for prioritizing them. Enhance and enforce the authorization process for projects entering the budgeted PSIP.

E. Investment Implementation

11. Procurement (Strength— High; Effectiveness— Medium; Reform Priority— Low)

49. The legal and institutional framework requires that procurement is competitive, well monitored, and that complaints are handled in a timely manner. The 2008 Procurement Act requires procuring entities to use open competitive tendering as the default option, with some exemptions, and requires the regular publication of information on the rewarding of tenders. The procurement process is closely monitored and tracked by both the National Tender Board and Procurement Oversight Unit to ensure fairness and transparency and includes a mechanism for reviewing and resolving procurement challenges. The 2008 Procurement Law is supported by a comprehensive procurement policy from 2014 and is regularly amended to keep it up-to-date. The approval thresholds for procurement are appropriate for the size and types of projects tendered in Seychelles (Table 4). The Procurement Law lays out a clear and transparent process for receiving and resolving challenges through the Procurement Oversight Unit and an independent review board. All challenges must be resolved within 35 days, and the final decision on challenges is binding and must be published by the unit.

50. Procurement is largely based on competitive methods, but monitoring is relatively weak due to limited functionality of the current procurement database. Most contracts are awarded through a competitive process using an open tender rather than direct bidding, 75 percent and 22 percent respectively in 2021 (Table 5). The bid opening process is transparent, widely accepted by all bidders, and takes place at the National Tender Board, ensuring fairness and impartiality. The National Tender Board maintains a spreadsheet that tracks all contracts awarded, including information on the date, title of procurement, procuring entity, winning bidder, and amount. However, the spreadsheet does not contain information on the procurement method, total time, or canceled bids, which limits its ability to effectively improve performance. In 2015, three challenges were received and resolved, however none of the three were resolved in the required 30-day period (Table 6). No additional information has been provided on challenges or resolutions since the 2015 Public Expenditure and Financial Accountability Assessment. The government has also established a process for debarment, which involves an investigation by the procuring entity and referral to the Procurement Oversight Unit for further investigation and decision, but this system has not been used. Authorities noted that procuring entities do not entered complaints on poor performance by contractors, which limits the ability of the National Tender Board to blacklist them.

51. Several changes to data collection and rules for contractors' investigations can be implemented to strengthen procurement. Government is in the process of updating the procurement

database, which will allow for improved reporting and analytical functionality for the National Tender Board. Additionally, planned amendments to the Procurement Act will allow mandatory triggers for investigations in the event of poor performance by contractors, allowing the Procurement Oversight Unit to initiate investigations even if they are not directly requested by procuring entities.

Table 4. Procurement thresholds

Type of procurement	Within Procuring Entities	Procurement Committees	National Tender Board
Goods & Services & Civil Works	Not exceeding SCR 250,000	Above SCR 250,000 to SCR 850,000	Above SCR 850,000
Consultancy	Not exceeding SCR 75,000	Above SCR 75,000 to SCR 250,000	Above SCR 250,000

Source: Act 33 – Public Procurement Amendment 2022

Table 5. Tender Requests and Results

	2019	2020	2021
Total Project Request	787	996	562
Total Approved Request	612	745	325
Total Approved Request under Open Tender Method	414	495	245
Total Approved Request under Limited Bidding	110	170	8
Total Approved Request under Direct Bidding	88	84	72
Total Deferred Request	145	191	199
Annulments	6	21	30
Total Rejected Request	22	32	7
Total Termination	2	3	1

Source: National Tender Board Annual Report 2021

Table 6. Procurement Challenges, Results, and Timeframe

Procuring Entity	Date Complaint Filed	Resolution Date
Ministry of Land Use and Housing	13-Mar-15	24-Apr-15
Ministry of Education	9-Dec-15	12-Feb-16
Financial Services Authority	24-Dec-15	12-Feb-16

Source: 2016 PEFA

12. Availability of Funding (Institutional Strength: High; Effectiveness: High; Reform Priority: Medium)

52. Cash-flow forecasts are prepared weekly, development partner project bank accounts are in the central bank, and cash for project outlays is normally released in a timely manner The cash forecasting system has been in place since 2010. Annual cash plans are prepared at the beginning of the fiscal year and updated weekly by the Chief Accountant based on budget, debt, and tax information provided by the respective units. The cash forecasts are used by the Central Bank of Seychelles for treasury single account liquidity management and domestic financing. Monthly budget expenditure estimates are made by MDAs at the beginning start of the fiscal year for the entire year and are updated in the mid-year review. The monthly expenditures estimates are inputs to the development of cash forecasts and to the four quarterly budget allocations used to control spending during the year. The quarterly budget allocations are not adjusted to ration cash. The TIS allows for recording commitments, but the practice is not enforced. Strong mechanisms exist to ensure timely payments: purchase orders are required, the treasury is to maintain a register of unpaid invoices, payment is to be made within 20 days of receipt of an invoice, and a constitutional provision allows for releases more than appropriations in unusual cases. By MoF instruction, all budget expenditures must go through the treasury single account unless otherwise authorized by the Minister of Finance. All but one account for projects financed externally are held in the central bank and are part of the treasury single account.

53. Cash is available when needed for domestically funded and externally financed projects but delays in payments occur for other reasons. While improvements can be made, cash forecasts are reasonably accurate. The lack of commitment controls is mitigated by the fact that budget allocations cover the quarter and may be revised when needed. Project execution rates have been low in recent years and thus aggregate demand on cash is less than the budget suggests. Given the small size of the Seychelles government, the likelihood is small that a major contract is issued without knowledge of existing or competing contracts. Externally financed projects are sometimes delayed, but for project management issues, not for reasons of insufficient cash. The main effectiveness issue relates to the ability of MoF to know if arrears are developing. The mechanisms to ensure timely payment do not work well. Purchase orders are not always used when required. Invoice dates are not universally entered into the TIS, and thus it is not possible to produce a report on the age of payables. Arrears exist as evidenced by the fact that vendors occasionally complain to the treasury that they have not been paid. Poor expenditure control and management issues are the cause of arrears. MoF staff recognize that arrears have occurred but have been an issue in recurrent budget spending, not project spending.

54. The authorities recognize limitations in the system of expenditure control and are planning a new Integrated Financial Management Information System (IFMIS), arrears reporting could be strengthened. A new IFMIS will undoubtedly help information flow between PFM functions, thus reducing duplicate data entry, and allowing for greater control using required fields and multiple approvals. However, controls in information systems can always be turned off. Before embarking on a new information system, MoF must be clear on exactly where the current shortcomings of expenditure control lie, and whether the issues are more related to use of the system or system features themselves. For example, there is no technical reason why invoice dates cannot be entered into the TIS and thus allow for close monitoring of past due payments. To improve arrears reporting, the MoFNPT should look to ensure

that dates for all invoices are entered into the existing TIS system, even before the new IFMIS becomes operational.

13. Portfolio Management and Oversight (Strength—Medium; Effectiveness— Medium; Reform priority: High)

55. Major capital projects are centrally monitored, funds cannot be reallocated between projects that fall under separate appropriations, and ex-post project reviews are required.

Seychelles regulations require the monitoring of capital projects during program implementation. In line with the 2014 PFM regulation, the MoFNPT's PIMU compiles monthly and quarterly progress reports on capital projects (see Box 6). Quarterly reports are submitted by the MoFNPT to Cabinet to inform decision making. The recently established SIA monitors several capital projects, as part of their project management advisory services provided to MDAs, but they are not published.²⁵ In addition IDC implements and manages all infrastructure projects developed in the outer islands and reports to the MoFNPT financial performance and progress of capital projects to the PEMC (see Box 7). Reallocations of funds between projects during implementation is allowed within one appropriation, but not for projects that fall under separate appropriations. As prescribed in the 2014 PFM Act and related regulations, funds can only be reallocated between appropriations through a supplementary budget. Similarly, the legal and regulatory framework does not require government entities to conduct ex-post reviews of capital projects that have completed the construction phase.

56. Clearly regulated supplementary budgets allow for reallocation of funds across projects, but ex-post reviews of major capital projects are not conducted. Although reallocations of funds among projects across different appropriations are not allowed during implementation, in practice reallocations take place through regular supplementary budgets, which are regulated by a transparent process and are systematically monitored. There is no evidence of a negative impact on execution rates of current practices for funds reallocation among projects. Ex-post reviews are not conducted by government entities, therefore no lessons learnt from previously completed projects can be incorporated in the life cycle of new projects.

²⁵ The SIA was established in 2021 to implement a coordinated and centralized public investment management approach (2021 SIA Act). It is operational since March 2022, providing spending entities a wide range of advisory services from project design, project preparation, tendering, maintenance, and contract management. So far, its mandate is limited, covering mainly capital projects in the housing sector. SIA's legal framework excludes major roads, ports, airports, and public utilities. SIA monitoring function is still being developed, and while the agency produces various reports for internal management purposes, it is not expected to compete with the role of the PIMU unit or its centralized monitoring function of the overall portfolio of public capital project.

Box 6. Seychelles: Progress Report of Capital Projects under Implementation

As part of the public investment portfolio oversight function, the PIMU prepares both monthly and quarterly progress reports of capital projects implemented by MDAs. These reports have a broader coverage compared to the PSIP, adding to the PSIP projects those implemented by public corporations that are funded through development grants and net lending. While monthly reports are used mainly for internal oversight purposes, quarterly reports are submitted to the Cabinet by the Minister of Finance to inform decision taking. Neither monthly nor quarterly reports are published. Quarterly reports consolidate information on project financial performance and physical progress for the most capital-intensive MDAs. Key areas comprise:

- Overall status of project implementation of main projects broken down by sources of financing (i.e., domestic, foreign loans and grants) for main capital-intensive MDAs.
- Brief analysis of execution rates and their main contributing factors
- Detailed information on individual capital project data for all MDAs following a standard template (Figure 29), including a brief assessment of project status and key contributing factors.

Figure 29. Example of standard capital project template for MDAs

Project name	Date awarded / started	Contractor	Original Contract value	Revised Contract value	Cumulative Expenditure	Expected data of completing	Amount left to pay on contract	Status
Project 1	26/3/18	Comp X	SCR m	SCR m	SCR m	11/22/22	SCR m	Contractor delayed to weather conditions
Project 2								
.....								

Quarterly reports comprise all critical information to enable top management to identify critical major projects effectively, to act urgently to resolve risks issues, and to prevent delays and additional costs. However not all MDAs provide complete information to the PIMU, particularly on total project costs (contract values).

Source: Quarterly report Q3 2022.

Box 7. Islands Development Company Ltd (IDC)

The company was created as a parastatal in 1980 under the Seychelles Company Act of 1972 and was entrusted with the management and development of 14 islands or atolls owned by the Government of Seychelles. Its mission is to ensure that the outer islands contribute to the socio-economic development of Seychelles, while adhering to the highest environmental standards. The company activities include:

- Operate air and sea links to the islands
- Manage electricity generation and distribution
- Manage potable water treatment facilities and distribution
- Manage sewerage and solid waste treatment facilities
- Maintain efficient telecom links to the islands
- Construct and maintain infrastructure
- Supply and stock essential food supplies on the islands and operates retail facilities
- Provide medical and medivac facilities
- Maintain law and order and manages national emergency plans
- Provide facilities for visiting government officials on islands
- Provide and maintain social infrastructure
- Engage in agricultural activities
- Support conservation programmes operated by conservation partners.

IDC reports directly to the Vice President of the Government of Seychelles. It is managed by a board of nine members, which defines the company's policy. Its 5-year investment development plan is submitted to Cabinet for approval. The company is allowed to borrow on commercial terms, and it does not receive explicit public guarantees or budget support in the form of subsidies, with exception of 2008. The company pays dividends to government and reports monthly on financial performance to the PEMC of the MoFNPT. IDC's annual financial statements are not audited by the Auditor General but by an external independent auditor.

More recently through one of its subsidiaries, IDC has tendered several projects with the government for the construction and rehabilitation of buildings and facilities (e.g., rehabilitation of the National Library, construction of new hospital in La Digue) using a PPP-government funded modality. Similarly, IDC collaborates with other government entities to facilitate the transfer of technology from the outer islands to mainland (e.g., support to the Public Utilities Corporation on innovative solutions for the use of sewage water for irrigation purposes).

Source: IDC' website <http://www.idcseychelles.com> and information shared by authorities.

57. There is a clear opportunity to improve portfolio management through formalizing independent ex-post reviews for major capital projects. Ex-post reviews for major capital should be considered an intrinsic part of the investment life cycle and their findings should be used to improve

design, costing, and implementation of future projects.²⁶ The legal and regulatory framework should provide for a clear process to identify major and critical projects to be subject to ex-post reviews. It should also state who has the mandate to enforce that MDAs to carry out ex-post reviews in a timely, systematic, and consistent manner. Clear guidance of what should be included in an ex-post project review should be provided (e.g., focus on project costs, deliverables, and outputs). Finally, to avoid conflict of interest ex-post reviews should be done by an independent party.²⁷ The upcoming revision of the PFM Act is a good opportunity to include the need for independent ex-post project reviews as part of the overall PIM process. The PIMU at the MoFNPT could be the body mandated to enforce that ex-post project reviews are carried out by MDAs, and to ensure that findings informed the next planning and budget cycle by adjusting PIM policies and procedures. Independence of ex-post reviews can be achieved in different ways. For example, given their experience in project monitoring, the SIA could do ex-post reviews of capital projects where the agency was not involved. Similarly, the IDC has extensive experience in developing, managing, and monitoring capital projects and could undertake ex-post reviews in an independent manner. Other options include the use of external independent consultants with the MDAs defining the terms of references of the review, but potential high costs should be considered. Annex 6 highlights some good practices from around the world.

14. Management of Project Implementation (Strength— Medium; Effectiveness— Medium; Reform Priority— Medium)

58. Policies and procedures for project implementation plans and project adjustments are established in the PIM Policy, but ex post project audits and project managers are not required. The Public Financial Management Regulations 2014 and the PIM Policy require preparation of project implementation plans before budget approval, but not assignment of a project manager. The Public Financial Management Regulations 2014 allows for project adjustments but without identifying what triggers an adjustment or how the adjustment is made. The PIM Policy stipulates that any project for which costs increase more than 20 percent, or demand declines by 20 percent, the project should be fundamentally reviewed. In addition, the Procurement Act 2008 allows for contract adjustments of up to 7.5 percent by the procuring entity, or more if approved by the authorizing entity, such as the National Tender Board. There is no legal or regulatory requirement for a project focused ex post external audit to be performed. In other words, while the Auditor General has authority to conduct a project audit, it is not required to do so.²⁸ Projects may be audited as part of an annual MDA audit.

59. Without being legally required, project managers are often appointed, and project audits performed selectively, but project implementation plans are not consistent. SIA and the Ministry of Transport systematically identify senior responsible officers for major investment projects or for groups of projects as in the case of La Digue (Box 8). Project implementation plans are often not prepared before budget approval, and when prepared often do not include major topics such as roles and responsibilities of the project manager and key staff, major tasks, schedule, budget and necessary resources, major

²⁶ Ex-post reviews are carried out by the government, while ex post audits, which are covered in institution 14, Management of Project Implementation, are conducted by the external auditor.

²⁷ That is to say, the agency/body responsible for promoting the project (i.e., involved in the design, implementation and monitoring of the project) cannot be responsible for undertaking the ex-post review.

²⁸ The Auditor General in recent years has audited the international airport terminal expansion and a large music venue.

risks, and key success factors, reporting, and document management. The Ministry of Transport has a formal project adjustment process, in which a project manager makes a proposal to an internal Vetting Committee that makes a final determination based on professional judgment. No project audits have been conducted in the last two years.

60. Creation of the SIA is a major step forward to improve project management, but a more comprehensive regulatory framework for project management would be helpful. While there is every indication that SIA will strive to establish a professional and robust project management system, it does not implement every project. Consistent project management across SIA and other entities can be realized only through specifying a few key requirements in regulation, such as appointment of a project manager, reporting, triggering events and procedures for adjustments, and ex post financial audits for large projects (e.g., the five largest projects by cost completed or prematurely terminated in a year). In addition, existing project implementation requirements specified in the PIM Policy project proposal form are so general as to cause compliance to vary widely. Development of instructions for how to prepare the implementation section of the PIM Policy form would be helpful.

15. Monitoring of Public Assets (Strength—Medium; Effectiveness— Low; Reform priority: High)

61. The Accounting Manual requires MDAs to maintain asset registries, and to compile government annual financial statements in line with cash-basis International Public Sector Accounting Standards. Requirements to keep and maintain registries for fixed assets are included in the Accounting Manual, issued in 2018.²⁹ The coverage of the manual is broad, including all ministries, departments, budget-dependent agencies, and public corporations covered by the 2013 Public Enterprise Monitoring Commission Act.³⁰ Asset registries include a description of the asset, a unique code, location of the asset, condition, and value. Accounting officers in each government entity are responsible for recording fixed assets in the Fixed Asset Management System and ensuring that annual verifications are carried out and certified by an independent public officer. The manual also provides guidance on the preparation of the government's annual financial statements in accordance with cash-basis International Public Sector Accounting Standards. The latter does not provide for accounting either the value of fixed assets or its depreciation. The statements, after approval by the Cabinet, should be submitted to the National Assembly and the Auditor General within ninety-one days. Public enterprises are required to compile their own asset registries and annual financial statements following International Financial Reporting Standards.

62. In practice, asset registries are neither comprehensive, nor are they regularly updated. Government entities are responsible for the maintenance of asset registries, but they face several challenges as highlighted in the annual reports of the Auditor General (e.g., inadequate historical data, poor monitoring skills, insufficient staff). The manual does not provide full guidance on critical issues, and it has no thresholds, which in practice requires that even minor capital outlays be recorded in the Fixed Asset Management System. For example, it prescribes asset registries to include the value of the asset,

²⁹ The 2018 Accounting Manual does not substitute existing laws but complements provisions in other key legislative pieces (i.e., the 2012 PFM Act, the 2014 PFM regulation, the 2008 Procurement Act, the 2017 Public Investment Policy, among others).

³⁰ However, the adoption of the manual by public corporations is voluntary.

but it is not specific on the valuation method for typical asset classes. Similarly, it prescribes registries to be regularly updated, but it does not give any guidance in terms of periodicity. Partial information on net acquisition of nonfinancial asset and depreciation is included in the consolidated cash flow statement. This information corresponds to public corporations that report to the MoFNPT on a voluntary basis.

Box 8. Project Management on La Digue

Seychelles faces additional challenges while building infrastructure on the island of La Digue due to its low population and the additional expense to bring in construction equipment and material for projects. Construction generally will cost an additional 20 percent more than similar construction on Mahé, all electricity is delivered to La Digue through two underwater cables from Praslin. The island currently has one school that includes all grades and one ten bed hospital. Both buildings are originally over 50 years old and, over the years, have been maintained and expanded to keep them operational.

The current hospital in La Digue offers basic services and generally will only treat/stabilize patients before sending them to Praslin or Mahé for additional care. The new hospital is designed to meet the growing needs of the island and includes a 50-bed capacity with X-Ray, dialysis capabilities and other advanced treatments. After completing the hospital design and seeking outside funding to support the new hospital cost, the government received a grant from Abu Dhabi to build the hospital. Construction for the new hospital began on a new site in August of 2022 and is on schedule to open in August of 2023. To mitigate some of the previous issues with flooding and power outages, the hospital was elevated several feet about ground level and will provide for a portion of its own energy through solar power.

While SIA typically divides its planning work sectors across the larger islands, on La Digue they take a whole island approach, the project manager for La Digue travels weekly to the island to oversee work across sectors, including SIA and non-SIA projects, improving efficiency. For example, a new school was originally designed in the same location as the old school and would have been phased in over six years, however, since it lacked funding, it has not yet been approved. With the building of the hospital, there is the potential to save costs by utilizing land adjacent to the new hospital which would reduce the construction time to two years and allow use of a public sports complex nearby for physical education. To take advantage of this opportunity, Government has increased the priority to identify funds before the end of the hospital construction. The new school facility will be competitively bid, however, the current equipment on the island may provide a lower cost for the overall facility. Land for the school has already been identified between the hospital and a public sports complex, which the new school would be able to utilize for physical education. A cost benefit analysis should be conducted on each of the school proposal sites before a final decision is taken.

Source: Staff based on interviews with the authorities.

63. Priority should be given to strengthening the management of asset registries. Poor information on asset registries makes it difficult to have certainty about the stock, conditions, and value of public assets. This has a negative impact not only on fiscal accountability, but also on effective asset management, including maintenance and assets at risk of climate change. The government should identify how they will use the data collected which will inform the selection of data to collect. For example,

the value of the asset in the asset registry is used to inform how much money is needed annually for maintenance.

Recommendations

Issues: Ex-post reviews are not required nor conducted by line ministries, therefore no lessons learnt from previously completed major projects can be incorporated in the life cycle of new major projects.

Recommendation 9: As part of the upcoming revision of the PFM Act and related regulations, include ex-post independent reviews as mandatory for major and strategic capital projects (i.e., above a threshold and/or related to critical sectors).

Issues: There is no consistency in project management across sectors. Consistent project management standardizes implementation of projects and treatment of contractors, and results in uniform data to support effective portfolio monitoring.

Recommendation 10: Establish key project management requirements by regulation, such as identification of a project manager, policies, and procedures for adjusting a project during implementation, progress reporting, and ex post financial audits. In addition, develop instructions for completing the implementation plan portion of the existing PIM Policy project proposal form.

Issues: Poor information on asset registries makes it difficult to have certainty about the conditions of the assets, which is key for effective maintenance practices and assessment of climate change risks.

Recommendation 11. Government should identify major and critical fixed assets managed by MDAs and give priority to update their asset registries and to uploading this information in the Fixed Asset Management System to inform decision making.

IV. The Climate PIMA

A. Climate Change and Public Infrastructure

64. Climate change and natural disasters have significant macroeconomic and fiscal implications in Seychelles. Annual mean temperature in Seychelles have risen steadily over the past decades and are projected to increase by 1.7-3.2°C towards 2100 relative to the 1995–2014 baseline across the 2-4.5 and 5-8.5 Shared Socioeconomic Pathway emission scenarios (Figure 30).³¹ This would likely lead to increased intensity and frequency of storms and heavy rainfalls, while water shortages will be exacerbated by prolonged droughts.³² The sea level has already risen at a rate of 5.6-6.6 millimeters per year between 1993 and 2010. The sea level could rise by 0.59-0.82 meters on average by 2100 under these scenarios. Combined with high tides and storm surges, the rise in sea levels poses a major risk to coastal infrastructure and population that are concentrated in the coastal areas.³³ These climate-related events could result in substantial damage to infrastructure and main economic sectors, with disproportionate impacts on the vulnerable groups due to their limited capacity to adapt/respond to climate change and natural disasters. Authorities indicate that adapting to climate risks in Seychelles would cost about USD 39 million per year (about 2.7 percent of GDP) by 2030.³⁴ IMF analysis shows that Seychelles has financial resilience to withstand a reasonably large disaster but would suffer a heavier debt burden. The country is also vulnerable to tail-risk events, which are increasingly likely with climate change—a catastrophic tail risk event would make debt unsustainable.³⁵

65. Climate-resilient infrastructure is key to averting the impacts of climate change and natural disasters. Storms and floods have already caused damages and disruptions to infrastructure in Seychelles (Figure 31), resulting in major economic costs. About 72 percent of natural disasters that occurred in Seychelles during 1980-2020 were climate-related (Figure 32). The 2004 Tsunami imposed economic damage of 3.6 percent of GDP, among the largest natural disaster events in Seychelles' history. Other major natural disasters occurred in the 1997 flood and the 2013 tropical storm, which caused damages of 0.5 percent of GDP and 0.7 percent of GDP, respectively (see also Figure 32). The entire airfield of Seychelles International Airport was flooded in the 1997 flooding, while high tides in May

³¹ World Bank Climate Change Knowledge Portal 2022. The 5-8.5 Shared Socioeconomic Pathway represents the high end of the range of future greenhouse gas emission pathways. In this scenario, emissions roughly double by 2050 and the average global temperature rise by 4.4C in 2100. The 2-4.5 Shared Socioeconomic Pathway represents the medium part of the range of future emission pathways. Greenhouse gas emissions in this scenario hover around current levels before starting to fall in mid-century, but do not reach net-zero by 2100.

³² Seychelles Meteorological Authority (2019) "New patterns of rainfall distribution are emerging in Seychelles compared to two decades ago."

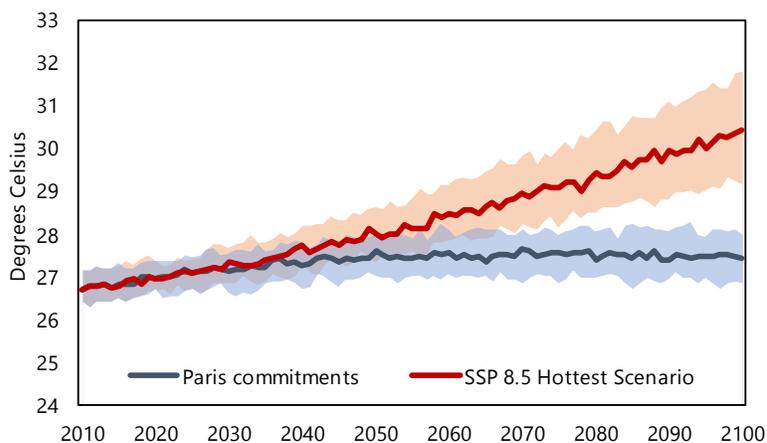
³³ Rice H, Rolf B, Rumschlang J, and D. Xie (2019) "Evaluating the impacts of sea level rise and storm surges on Seychelles' critical infrastructure." School for Environment and Sustainability, University of Michigan, Michigan, and Etongo, D. (2019), "Climate Change Adaptation in Seychelles: Actors, Actions, Barriers and Strategies for Improvement", retrieved from <https://seychellesresearchjournal.com.files.wordpress.com/2019/08/climate-change-adaptation-in-seychelles-daniel-etongo.pdf>.

³⁴ Nationally Determined Contribution 2021; [Seychelles Coastal Management Plan 2019](#).

³⁵ IMF (2017), Seychelles: [Climate Change Policy Assessment \(CCPA\) 2017](#).

2007 resulted in flooding as far as 50 meters inland, causing damage to public infrastructure.³⁶ Other notable effects of natural hazards include coastal erosion in Praslin in 1986, massive coral bleaching due to excessive warming of the sea temperature in 1998, tropical cyclone in 2006, and coastal flooding on Mahé in 2007 and 2012.³⁷

Figure 30. Annual Average Temperature Projections for Seychelles
Degrees Celsius



Source: World Bank Group, Climate Change Knowledge Portal. Note: Shaded area covers the 10 to 90 percentile band. Note: Paris Commitments are also known as the SSP1-2.6 scenario.

66. Given the climate trends, it is crucial to take full account of climate-related risks in infrastructure planning. Climate-related disasters and trends also have significant implications for the design and development of infrastructure projects across sectors, such as energy, transport, water supply, and urban areas. Seychelles has made continued progress to reduce the vulnerability in its infrastructure over the last two decades, e.g., through improved disaster preparedness and better planning of coastal and energy infrastructure and transport networks, but more needs to be done to make infrastructure more resilient to growing climate-related risks and natural hazards.

³⁶ Khan A, and V. Amelie (2014) Assessing climate change readiness in Seychelles: implications for ecosystem-based adaptation mainstreaming and marine spatial planning. Reg Environ Chang and Rice H, Rolf B, Rumschlang J, and D. Xie (2019) "Evaluating the impacts of sea level rise and storm surges on Seychelles' critical infrastructure." School for Environment and Sustainability, University of Michigan.

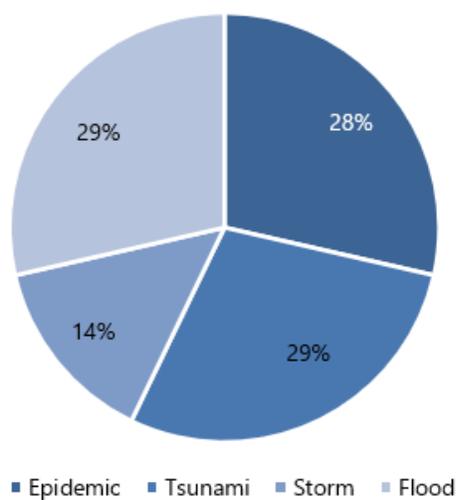
³⁷ Etongo, D. (2019), "Climate Change Adaptation in Seychelles: Actors, Actions, Barriers and Strategies for Improvement", retrieved from <https://seychellesresearchjournalcom.files.wordpress.com/2019/08/climate-change-adaptation-in-seychelles-daniel-etongo.pdf>. and Payet, R. and W. Agricole (2006), "Climate Change in the Seychelles: Implications for Water and Coral Reefs", Ambio, June 2006.

Figure 31. Damages to Public Infrastructure in Seychelles due to Floods and Storms



Source: NCCP 2020; 2nd National Communication 2011; Met Authority; Coastal Management Plan

Figure 32. Natural Disasters and Damages in Seychelles, 1980-2020



Year	Disaster type	Number of people affected	Total damages (percent of GDP)
1997	Flood	1,237	0.5
2004	Tsunami	4,830	3.6
2013	Storm	3,000	0.7

Source: EM-DAT 2022; Government of Seychelles 2013; adapted from CCPA 2017.

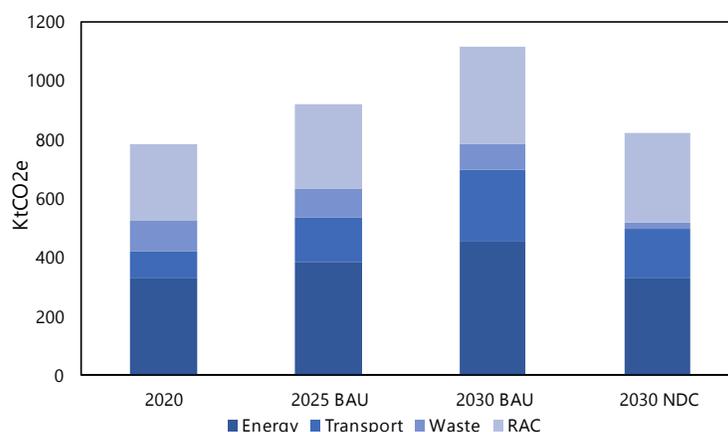
Note: The pie chart is based on the total 7 natural disasters that occurred during the 1980-2020 period. The table reports the 3 events that have records of economic damages.

67. Seychelles is embarking on a green infrastructure transition as part of the country’s overall development strategy. Building environmentally sustainable and climate resilient infrastructure is a main element of the NDS 2019-2023 and will continue to be a key pillar of the new NDS currently under preparation. Closing infrastructure gaps while addressing climate mitigation challenges, requires a transformation across sectors including scaling up renewable electricity generation (particularly solar, wind, and energy storage), promoting low emission public transport and electric vehicles, investing in energy efficiency buildings, and better infrastructure planning across urban and rural areas. These needs to be complemented by institutional reforms, funding strategies, enabling policies and regulations, as well as close coordination among institutions and stakeholders across the various sectors. Public investment plays a major role in Seychelles’ climate mitigation efforts, and mainstreaming climate change considerations into public investment management is instrumental in this process

B. Climate Change Objectives and Strategies

68. Despite its negligible contribution to the global emissions, Seychelles has committed to a robust climate mitigation goal and is scaling up climate finance to support its Nationally Determined Contribution (NDC). In its updated NDC, submitted to the United Nations Framework Convention on Climate Change in 2021, Seychelles set a greenhouse gas emission reduction target of 26.4 percent below its business-as-usual emission level by 2030, as well as a net-zero emission target by 2050 (Figure 33). The NDC estimates that the total funding required to support the implementation of climate adaptation and mitigation activities would amount to USD 671 million between now and 2030, approximately 5 percent of GDP per year. As per the PSIP 2023-2025, the government plans to spend an equivalent of 0.9 percent of GDP per year for climate change objectives. Seychelles issued the world’s first sovereign blue bond in 2019 and raised USD 15 million to finance sustainable use of marine resources. The country has also started to tap international climate funds such as the Green Climate Fund and the Global Environmental Facility at a relatively small scale. Using public investment management strategically, as part of the overall policy package, to further attract international climate finance and catalyze green private sector investment is key to financing and achieving the country’s climate goals.

Figure 33. Seychelles’ Emission Scenarios and NDC Commitment



Source: IMF Staff based on NDC 2021; RAC = refrigeration and cooling

69. **Seychelles has made significant progress in developing strategies and policies to support its national climate change objectives.** Table 7 presents Seychelles' climate-related policies and plans, and the main stakeholder institutions.

Table 7. Climate Change Strategies and Institutions in Seychelles

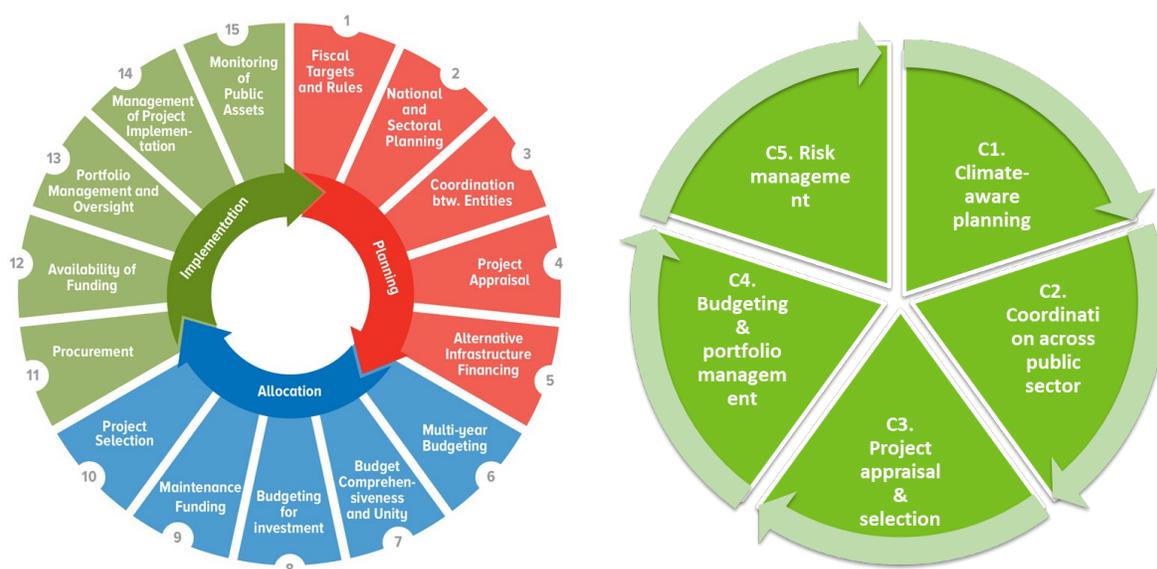
Key Strategies and Plans	Coverage
Nationally Determined Contribution	Pursuant to Article 4 of the Paris Agreement, Seychelles submitted its first NDC in 2021 and communicated the commitments towards 2030 in the context of the objectives of the Paris Agreement to hold the increase of the global average temperature to well below 2C above pre-industrial levels while pursuing efforts to limit the increase to 1.5C. The NDC covers climate adaptation and mitigation and includes cost estimates across key sectors.
National Climate Change Policy	The National Climate Change Policy (NCCP) was published in 2020. The NCCP presents climate policy challenges and priorities, sets out the institutional framework and implementation arrangements, and the monitoring and evaluation of the NCCP.
National Development Strategy	The NDS is the medium-term national development plan. The NDS covers the period of 2019-2023 and integrates climate change considerations among the guiding principles of Seychelles' development strategy. The NDS is being reviewed and updated. The new NDS will be supported by sectoral plans and will include climate resilience as a key pillar. In addition, Vision 2033 document provides an overarching long-term development vision of the country and guides the NDS.
Masterplans and sub-sector plans	The Government of Seychelles develop various masterplans that target specific sectors, including urban, e.g., the Greater Victoria Masterplan 2040, energy sector's integrated resources plan, e-mobility, Solid Waste Master Plan, and the National Biodiversity Strategy. There are also climate-related sub-sector plans such as the Coastal Management Plan, the Blue Carbon Roadmap, and the Seychelles Strategic Land Use Development Plan.
National Integrated Emergency Management Plan	The plan provides an overall strategy and guiding principles for Seychelles' disaster risk reduction and management agenda. It also sets out institutional framework across government, operations system, as well as implementation plan.
Institutions	Climate Related Responsibilities
National Climate Change Council	The National Climate Change Council has been established in principle in the NCCP. The council is chaired by the Vice President, with the Minister responsible for climate change acting as Vice Chairperson. The Council comprises staff from relevant sector ministries and has the main function to ensure coordinated actions across various sectors and institutions and mainstreaming of climate change in sector plans, policies, and masterplans.
Sector Ministries	In the NDC context, line ministries contribute sectoral targets and programs to the national climate strategy, and they incorporate climate policy targets and goals into their strategies and action plans. Line ministries play a critical role in the development and implementation of climate-relevant infrastructure projects and climate-related rules and regulations.
Ministry of Finance, Planning, and Trade	The MoFNPT plays a critical role in climate-related public investment planning and budgeting processes, and disaster risk financing. The MoFNPT coordinates and engages with sector ministries in the implementation of the PIM process and provides relevant policies and guidelines. It is also the counterpart institution for external financing of public investment projects.

Source: IMF staff based on various documents from the Government of Seychelles.

C. Climate PIMA Framework

70. **The Climate PIMA assesses five key public investment management practices from the climate change perspective and is an extension of the existing PIMA framework.** Figure 34 describes the main elements.

Figure 34. Climate Public Investment Management Assessment Framework



71. The Climate PIMA covers the following specific issues (see Annex 3 for the C-PIMA Questionnaire):

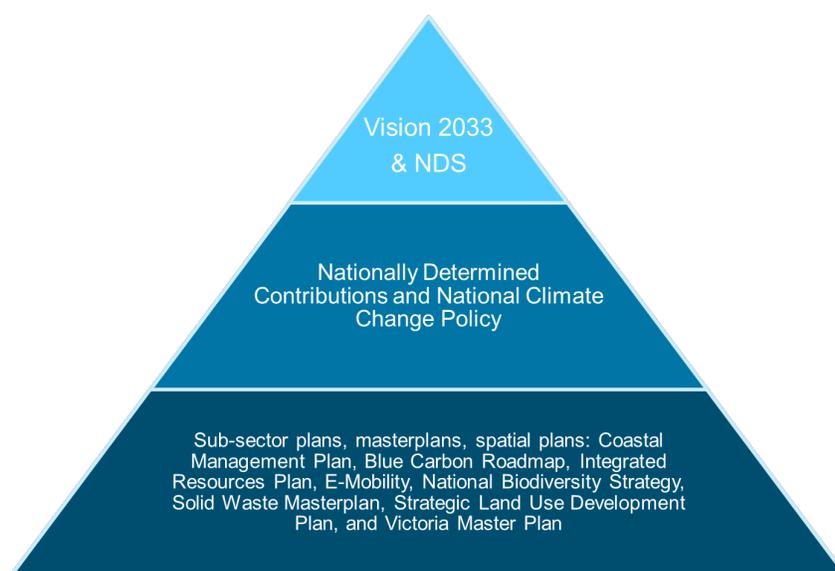
- **C1. Climate-aware planning:** Is public investment planned from a climate change perspective? This is necessary to ensure that long- and medium-term plans contribute to meeting climate objectives and facilitate effective prioritization and decision-making.
- **C2. Coordination across public sector:** Is there effective coordination of decision making on climate change-related public investment across the public sector? In addition to the central government, subnational governments (SNGs), public corporations (PCs) and private sector entities play key roles in realizing climate-related public investment. Climate adaptation investments will often take place at the SNG level, and both PCs and private sector entities may play key roles for instance in energy production.
- **C3. Project appraisal and selection:** Do project appraisal and selection include climate-related analysis and criteria? This is necessary to ensure that the most effective and efficient investments are prioritized. This serves to maximize the climate impacts of public investments with available resources.
- **C.4 Budgeting and Portfolio management:** Is climate-related investment spending clearly identified in the budget and subject to active management and oversight? Because the climate benefits may be less tangible and more difficult to quantify than other project benefits, systematic and consistent management, and oversight of benefits over the project lifecycle is critical.
- **C5. Risk management:** Are fiscal risks relating to climate change and infrastructure incorporated in budgets and fiscal risk analysis and managed according to a plan? The likelihood of climate related disasters is expected to increase over time. The impacts of these risks on public infrastructure must be systematically assessed and monitored, to facilitate adequate and effective risk mitigation.

D. Detailed Assessment

C1. Climate-aware Planning (Strength: **Low**; Reform Priority: **Medium**)

72. While national plans prioritize climate resilience, sectoral plans do not yet exist to support the implementation of NDC. Climate change is well mainstreamed into national plans. Both Vision 2033 and the NDS consider environmental sustainability and climate resilience as a guiding principle of Seychelles' development. With regards to policy and investment priorities, the NDS objectives are broadly consistent with the NDC in some sectors including energy, infrastructure, and transport. However, as discussed in PIMA Institution 2, there are currently no sectoral plans to provide investment roadmaps to achieve the NDC commitments. It is worth noting that Seychelles has several sub-sectoral plans/masterplans that target climate adaptation and mitigation objectives including the Blue Carbon Roadmap, the Coastal Management Plan, the e-mobility plan, the Integrated Resource Plan, the Solid Waste Master Plan, and the National Biodiversity Strategy, with the NCCP providing an overall institutional framework on climate-aware planning (Figure 35). But these climate-related plans and policies are developed independently of the sectoral plans, creating risks of misalignment and fragmentation in public investment planning. Although there is strong cooperation between the Ministry of Agriculture, Climate Change, and Environment and the sector ministries (see C-PIMA Institution C2), the climate-specific plans should be fully integrated into the overarching sector plans. While the NDC goals are being translated into the new NDS, Seychelles' net-zero emission target by 2050 is currently not supported by any concrete plan. The long-term low emission development strategy is expected to start later this year.

Figure 35. Seychelles' Climate-Related Plans and Strategies



Source: IMF Staff based on various documents from the Government of Seychelles

73. Land-use and spatial planning address climate risks and impacts on public investment but building legislation and construction guidelines do not include climate change. The Seychelles

Strategic Land Use Development Plan addresses both climate adaptation and mitigation aspects and provides an integrated climate and land-use planning framework across relevant sectors. More specifically, it promotes flood/landslide risk zoning, improving climate resilience of critical infrastructure and distributed utility networks, and developing renewable energy and waste management solutions. The Strategic Land Use Development Plan also underpins the development of Greater Victoria Masterplan. Existing building regulations and construction guidelines, governed by the Town and Country Planning Act 1972, do not include climate change considerations. The Ministry of Agriculture, Climate Change, and Environment has provided technical input to the revision of the building legislation to include climate change. The Physical Planning Bill 2021 has been drafted with the objective to repeal the Town and Country Planning Act and revise and consolidate the laws relating to land use planning. The Bill does not address climate change issues and only contains a provision for declaration of no development zones in cases of natural disasters. The Coastal Management Plan and the Marine Spatial Plan initiative contain elements of climate-sensitive spatial/land-use planning, but these are conducted on an ad-hoc basis and there is a lack of institutional linkages between the national/sectoral and spatial planning processes. From the implementation standpoint, the SIA adheres to the national climate and land-use policies, as well as building legislation/codes.

74. There is no centralized guidance and support for government agencies on the preparation and costing of climate-responsive public investment planning. National Planning Guidelines are published by the Economic Planning Department of the MoFNPT, but climate change considerations are not reflected in the document. The Global Climate Change Alliance Plus program funded by the European Union, provides training and capacity building workshops to planners and professionals on relevant subjects including applying cost-benefit analysis to climate planning, climate change and construction, and other general background knowledge on climate science and policy. However, the courses do not provide guidance on the preparation of climate-aware public investment planning in specific sectors. Also, there is no evidence of centralized technical support/guidance on the costing of climate-related planning. Currently, planning and costing of climate-related investment are fragmented and appear inconsistent across planning documents. For instance, the Coastal Management Plan contains a list of adaptation project and associated cost estimates, whereas NDC costing on coastal management is based on a different list of projects/measures. The process of NDC costing should ideally be mainstreamed into the costing of national and sectoral plans.

C2. Coordination Between Entities (Strength: High; Reform Priority: Low)

75. Public investment decisions are coordinated across all central government including from a climate change perspective. In principle, the PIM Policy facilitates the coordination of public investment across the central government regardless of financing sources and is guided by the priorities and key results areas of the NDS which includes climate resilience as a main pillar. Furthermore, the IMC and the National Climate Change Council play important roles in integrating national climate change objectives in the decision making on public investment, with the MOACCE being the Vice-Chairperson of both bodies. The IMC and the National Climate Change Council were established through the Seychelles Infrastructure Agency Act 2021 and the NCCP 2020, respectively. Both are anchored in the NDS and national climate change policy priorities. However, the two bodies are relatively new, and the effectiveness of their coordination functions remains to be seen. In addition, a national committee for addressing flood risks chaired by the President has been set up and the government has utilized several

other venues for informal discussions and coordination between ministries and agencies on climate-related public investment.

76. There is no local government structure in Seychelles and capital projects are executed through the central budget of the Ministry of Local Government.³⁸ As per PSIP 2023-2025, most projects of the Ministry of Local Government are not climate-related. However, districts and local communities play an important role in disaster risk preparedness, reduction, and response through the national resilience platform structure as part of the National Integrated Emergency Management Plan (see C-PIMA Institution C5) and participate in providing feedback on community-sensitive project proposals. There are examples of local projects that have considered potential climate impacts and natural hazards. For instance, the mission site visit took note of the new public hospital in La Digue that has been designed with a raised floor of at least one meter and equipped with solar rooftop (see Box 8 in PIMA Institution 15).

77. The regulatory and oversight framework for public enterprises promotes, but does not mandate, consistency between their investments and the NDC. The Public Enterprises Bill 2022 requires alignment between investments of public enterprises and the NDS priorities. However, there is no explicit legal requirement to ensure that investments carried out by public enterprises are consistent with national climate objectives or the NDC. As guided by the NDS, the PEMC intends to begin focusing on overseeing whether public enterprises adhere to the national climate policy. In fact, the PEMC conducted a climate change assessment on the Public Utility Corporation's investment. The codes of corporate governance exist and include environment and sustainability aspects, but they only provide broad guidance and good practices.

C3. Project Appraisal and Selection (Strength: Low, Reform Priority: High)

78. Major infrastructure projects are not required to include climate change-related considerations. While information on risks should be supplied, the PIM Policy project proposal's guideline does not explicitly solicit information on climate related risks. As noted in PIMA institution 4, the SIA has not adopted an appraisal methodology, while the budget circular provides no direction on project appraisal. The Environmental Protection Act 2016 requires that an environmental authorization be issued before a development, project, or activity is conducted in a protected or ecologically sensitive area.³⁹ Before issuing an environmental authorization, an environmental impact assessment (EIA) study must be completed. The Act does not specifically mention climate change, but the issue could be addressed through interpretation of sections of the law that stipulate what the EIA should examine: 47.(2).(e) any actions or measures which may avoid, prevent, change, mitigate or remedy the likely effects of the development, project, or activity on the environment; (f) the inevitable adverse effects that the development, project or the activity is likely to have on the environment if it is implemented in the manner proposed by the proponent. The Climate Change Department is consulted as part of the EIA process, but

³⁸ Dimension C2B on coordination with sub-national government is consequently un-rated in this assessment.

³⁹Provisions that address various aspects of environmental authorizations and the content of environmental impact assessment studies are found in Articles 44-51, Environmental Protection Act 2016.

this is not formally mandated. If required, EIAs currently are conducted after budget approval, resulting in project implementation delays and possible cost increases.

79. Currently, there is no PPP framework. A PPP framework has been drafted in 2019 but its revision and approval are pending, as described in Institution 5 of the PIMA. If the resulting framework is well designed, PPPs have potential to attract finance to revenue generating projects that address climate change. For example, some revenue generating projects carried out by the Public Utilities Corporation, such as photo-voltaic and wind energy generation are good candidates for being carried out by PPPs. A well-designed PPP framework from a climate perspective would result in a project design that reduces exposure to climate-related risks, climate

80. The Inter-ministerial Committee has not adopted selection criteria and local area masterplans have not consistently adopted climate change goals in their design standards. However, many local area masterplans have included climate change considerations. For example, the Greater Victoria Masterplan 2040 takes climate change into account when pursuing the vision of a resilient city. Specific climate related adaptation and mitigation projects are included in the masterplan, such as protection from flooding, landslides, coastal erosion, and storms, and protecting and enhancing coral reefs and mangrove areas. Future local area masterplans, or updates to existing masterplans, should reflect NDS climate change priorities.

81. If required, EIAs should be prepared before budget approval. The location of projects authorized for funding through the PSIP are known, and thus it can be identified if a project will be in a protected or ecologically sensitive area. This information is pertinent when considering the project for selection. If the project will need to have an EIA, it should be an ex-ante EIA, performed before the project is approved as it may materially affect the siting and scope of the project. In addition, prior budget approval endows the project with a level of commitment that may influence the EIA. If the cost of an EIA cannot be covered by the responsible MDA's existing budget resources, the project could be funded in the PSIP in two steps: first to cover the cost of the EIA, and second, as the details of the project are better known following the EIA, to cover the cost of final design and implementation of the project.

C4. Budgeting and Portfolio Management (Strength: Low; Reform Priority: High)

82. Some climate-related public investment expenditures are identified in the budget, but there are no ex-post reviews of climate-related investments, and there is no guidance for the maintenance of assets exposed to climate-related risks. The Department of Climate Change's investments are identifiable in the PSIP and provide a guide of total climate-related investment. The total value of investments in the PSIP for the Department of Climate Change represent 2.6 percent of the PSIP and 0.9 percent of GDP. However, not all of these are investment projects, some are foreign financed non-investment activities. The Department has also identified projects across the PSIP that have a clear relationship with climate change adaptation and mitigation.⁴⁰ This exercise, conducted in 2022, identified 52 projects that had a climate impact, prioritized these projects, and identified their timeframe, but the prioritized list, and the value of the projects, was not published with the budget documentation. As discussed under Institution 13 of the PIMA, the legal and regulatory framework does not require

⁴⁰ MACCE List of Climate Change Priority Projects for Funding: 16 August 2022.

government entities to conduct ex-post reviews of capital projects and there are no published ex-post reviews to date. There have been no ex-post audits of the climate change mitigation or adaptation outcomes of investment projects. Neither the 2018 Accounting Manual, nor the draft asset management policy, provides any guidance on estimating the maintenance needs of climate change-exposed infrastructure assets address climate-related risks.

83. Seychelles has taken steps to strengthen its capacity to track and prioritize climate-related public investment. The country has implemented a PPBB approach, which is aimed at improving the government's ability to achieve its objectives. This approach includes a three-phased budget preparation process that includes both top-down and bottom-up mechanisms. However, while program indicators are identifiable, program performance is not yet linked with the NDS, where climate change is a priority (See PIMA Institution 2). The government has coordinated with the International Renewable Energy Agency to enhance the knowledge and capacity for tracking and monitoring climate finance flows, specifically related to energy.⁴¹ A report on a proposed system of "climate markers" for Seychelles was also prepared with European Union assistance in May 2020.⁴² The proposed system could help identify and track relevant expenditures to support the country's shift towards becoming progressively more green and 'climate smart', but the system has not been implemented and there is little awareness of the activity across government.

C5. Risk Management (Strength: **Medium; Reform Priority: **Medium**)**

84. To manage disaster risks (including climate-related risks), the government has developed and published a National Integrated Emergency Management Plan and a Coastal Management Plan. The plan is a framework for a nationwide approach for the coordination of disaster risk response and recovery. The Coastal Management Plan evaluates the potential impacts of flooding on public infrastructure assets and networks and identifies 3,939 buildings and around 48 percent of the road network that is at risk from coastal flooding and provides mitigation measures.⁴³ The Disaster Risk Management Division is a statutory body responsible for coordinating the country's disaster risk reduction efforts and emergency response to natural disasters. Their strategic plan for 2021-2030 focuses on resilience, taking into account climate change risks such as flash flooding, cyclones, and erosion.

85. The government has also put in place ex ante financing mechanisms to manage the exposure of the stock of public infrastructure to climate-related risks. A Disaster Risk Management Fund is allowed for under the Disaster Risk Management Act (2014), though this has not been established. The government has negotiated a Catastrophe Deferred Drawdown Option with the World Bank, which is a contingency line of credit to provide liquidity in the case of medium-sized or cumulative disasters that cannot be funded with Seychelles' internal reserves. Additionally, the government's budget includes an explicit fixed annual contingency allocation of 50 million rupees (0.5 percent of expenditure,

⁴¹ Center for Clean Air Policy, "Seychelles Climate Finance Tracking Final Report", International Renewable Energy Agency, July 2022.

⁴² Global Climate Change Alliance, "Proposed System of Climate Markers for Seychelles", May 2020.

⁴³ [Seychelles Coastal Management Plan 2019-2024](#).

0.25 percent of GDP) which can be used for disasters, health crises, economic shocks, or emergency infrastructure needs.

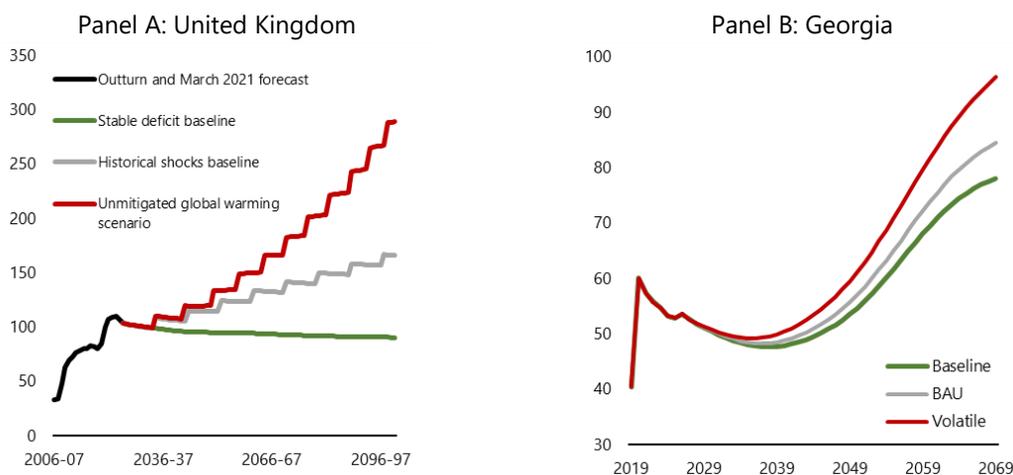
86. The government of Seychelles conducts and publishes a fiscal risk analysis that incorporates climate-related risks to public infrastructure assets, however this analysis is only qualitative in nature. The fiscal risk analysis includes a qualitative assessment of the risks of natural disasters facing public enterprises and a brief description of the annual contingency allocation that can be used for disaster response and reduction. This analysis could be improved by conducting a comprehensive mapping of fiscal risks from climate change, quantifying the fiscal risks through long-term fiscal sustainability analysis in the context of different temperature scenarios and quantifying the discrete risks to infrastructure and public assets from the hazards analyzed in the coastal management policy (See Box 9).

Box 9. Climate change fiscal risk analysis in the United Kingdom and Georgia

In its 2021 Fiscal Risk Report, the *United Kingdom's* Office of Budget Responsibility (OBR) outlines the fiscal implications and fiscal risks related to climate change. The OBR began by creating a simple long-term fiscal baseline for the budget deficit called the 'stable deficit baseline.' Based on historical experiences in the United Kingdom and worldwide, the additional impact of periodic fiscal risks was layered on top of that baseline, creating the "historical shocks baseline." The OBR then added an "unmitigated global warming scenario", which builds on the RCP8.5-scenario and assumes the cost of adaptation to be 0.3 percent of GDP a year. It also assumes the cost of natural disasters is twice as high and natural disasters occur twice as frequently (Figure 36). This simple framework provides illustrative scenarios that illustrate the potential fiscal scale of climate change risks in the United Kingdom.

In *Georgia*, the Ministry of Finance drew in IMF technical assistance to assess the fiscal impact of climate change from three complementary perspectives. They first examined the growing impact of higher temperatures on the macroeconomy through lower productivity and its consequences for public finances. Second, they then modeled the fiscal cost of more frequent and severe natural disasters, particularly floods, landslides, and droughts which Georgia is already predisposed to. Third, they qualitatively reviewed climate change-related discrete fiscal risks such as long-run power contracts, guarantees and on-lent loans to state-owned enterprises that may be affected by changing weather patterns. Their analysis found that climate change could reduce GDP per capita by 13 percent by the end of the century and increase public debt levels by 18 percent of GDP, both relative to the baseline.

Figure 36. Long-Run Fiscal Sustainability Analysis with Climate Change
(percent of GDP)



Source: OBR (2021), and Harris, J., et. al, (2022), "[Georgia: Updating the Balance Sheet and Quantifying Fiscal Risks from Climate Change](#)", IMF Technical Assistance Report.

Recommendations

Issue. Climate change considerations are not adequately mainstreamed into the public investment planning process.

Recommendation 12: Fully integrate the NDC objectives in the new NDS, sectoral plans, and building legislation, as well as develop guidelines on climate-smart planning and a systematic costing.

Issue. Appraisal and selection of projects are made without reference to climate change mitigation and adaptation.

Recommendation 13: Develop and require the use of methodologies that include climate-related issues in project selection criteria and project appraisals and conduct an EIA including climate impacts before budget approval.

Issue: There is no systematic approach to identify and track climate-sensitive investments and climate-related aspects are not included in asset management and ex-post reviews of projects.

Recommendation 14: Identify and summarize the expenditures targeting climate priorities in the performance-based budget as a pilot of that approach and ensure that climate impacts are incorporated in ex-post reviews and in the preparation of future maintenance manuals.

Issue: Fiscal risk analysis related to climate change is qualitative in nature limiting awareness of the government's fiscal exposure, while the disaster Risk Management Fund has not been established.

Recommendation 15: Prepare scenarios of long-term fiscal sustainability analysis under different climate scenarios, publish the results in the Fiscal Risk Statement, and operationalize the Disaster Risk Management Fund.

Cross-Cutting Issues

A. Legal and Regulatory Framework

87. Public investment is governed by a comprehensive legal and regulatory framework. The 2012 PFM Act, 2014 PFM regulation, and 2020 PIM Policy are the central legislative pieces governing public investment in Seychelles. The PIM Policy builds on the PFM Act and regulations, but also reflects key aspects included in the 2008 Public Procurement Act (with its 2011 and 2014 regulations) as well as the 2013 Public Enterprises Monitoring Commission Act. Table 8 provides an overview of the legal and regulatory framework impacting public investment management in Seychelles, including from a climate change perspective.

Table 8. Seychelles PIM Legal and Regulatory Framework

Act / Regulation / Policy	Year	Status
The Constitution of Seychelles	1993	
Public Financial Management Act	2012	Revision starting in 2023
Public Financial Management regulations	2014	
Public Investment Management Policy	2018	
Public Procurement Act	2008	Under revision
Public Procurement regulations	2011; 2014	
Public Asset Management Policy	...	Draft
Public Enterprise Monitoring Commission Act	2013	Under revision
Seychelles Infrastructure Agency (SIA) Act	2021	
SIA regulations	2022	Being developed
Auditor General Act	2010	
Public Private Partnerships Act	2011; 2019	Drafted but revision and approval pending
Energy Act	2012	Under revision
Road Act and regulations	1991; several years	Under revision
Environmental Protection Act	2016	
Disaster Management Act	2014	
Conservation and Climate Adaptation Trust of Seychelles Act	2015	
Town and Country Planning Act	1972	
Physical Planning Act	2021	
Meteorology Act	2015	

88. Various areas of the legal and regulatory framework that are critical for infrastructure, are currently being reviewed and drafted. While the revision process is broad, covering key laws and regulations governing public investment, there is no evidence that project implementation has been negatively impacted during this process. This is particularly the case when policies have already been approved by Cabinet, which allows line ministries to use circulars to implement capital projects. Similarly, even when policies are yet to be developed, as in the case of PPPs, MDAs have been able to procure PPP contracts using existing legislation (i.e., the 2014 PFM Act and the 2008 Procurement Act and their related regulations).

89. Seychelles relies on related environmental laws and regulations to support NDC implementation. Although there are existing climate-relevant laws and regulations, there are critical legal and institutional gaps to effectively coordinate and implement national climate change objectives in Seychelles. The country would benefit from a framework that defines clear roles and responsibilities of various climate-relevant actors and provide an institutional mechanism to implement the NDC and the net-zero emission target and enable the needed climate-related public investment. The Constitution of Seychelles of 1993 (Article 38) recognizes the right of every person to live in and enjoy a clean, healthy, and ecologically balanced environment and make the duty of every citizen of Seychelles to protect, preserve and improve the environment.

B. Information Technology

90. The PIM cycle is not highly automated.⁴⁴ Some systems exist to support the PIM cycle, such as the TIS (expenditure control), Visual AccountMate (accounting and reporting), and the Fixed Asset Management System (asset registry). Bespoke excel-based spreadsheet tools support fiscal analysis, PE monitoring, procurement, preparation of the PPBB, and cash forecasting. There are no systems to support planning. Three new systems for MoF, and one for SIA, are in an advanced stage of specification and procurement: a new IFMIS covering much of the PFM cycle, which will replace the TIS and Visual AccountMate systems; an aid coordination system; a debt management system; and a project management system.

91. The existing IT systems do not communicate well with each other, and new systems will strain limited IT human resources. Each existing system and tool were developed at the initiative of the using unit. However, such an approach often results in systems that are narrowly defined and do not communicate well with each other, thus requiring duplicate data entry that is labor intensive and error prone. For example, the TIS and Visual AccountMate systems, covering expenditure control and accounting, do not communicate automatically. In addition, the PPBB is compiled on spreadsheets, for recurrent and capital, and for portfolios, which are consolidated manually. The new IFMIS is intended, in part, to solve this inter-operability problem. However, IFMISs are notoriously difficult to administer and maintain, and, in addition to cost, will present a significant challenge to MoF to hire and retain IT staff who are in short supply in Seychelles.

⁴⁴ This section benefited from the TA report entitled *Strategy to Improve Public Financial Management Capacity through Integrated Financial Management Information Systems*, prepared by AFRITAC South, March 2021.

92. IT systems should be developed based on a long-term top-down plan. The IT plan should include a system to plan, budget and track investment projects, and should be simple while meeting the most important information needs. An IT plan should cover functions (to focus on high labor and time-sensitive functions), the general nature of systems to be developed (simple bespoke systems or off-the-shelf systems), integration (projects should be in the national plan, sector plans, and PSIP), interoperability, cost, and IT staff expertise required (MoFNPT staff and local contractors). Because of the small size of Seychelles, considerable weight should be given to systems that are inexpensive, easy to maintain, and easily adapted to evolving PFM practices. The IT plan should not stop at the organizational border of MoFNPT but should focus on PFM / PIM processes broadly and include, for example, SIA, the IMC, and MDAs that submit budgets to MoF for inclusion in the budget. How data are standardized and transferred between systems should be identified. Project identification codes should be the same throughout the PIM cycle and thus across systems engaged in PIM, such as the SIA system and the IFMIS. PIM processes would also benefit from a simple system to establish a pipeline of appraised projects before the annual budget process begins, as recommended in Institution 10, Selection. International experience suggests that controlling the development of new systems, and ensuring interoperability across MDAs is difficult, and will need high level political support.

C. Capacity

93. Seychelles is a small island economy, it confronts human resource and skills gaps in some specialized areas, including project management. The SIA was established in 2021 with a view to close the specialized skills gap for infrastructure management and project implementation in government (See Box 4 in PIMA Institution 4). The merging of smaller project implementation units in MDAs was aimed to enhance information sharing, coordinate master-planning, avoid duplication of responsibilities and standardize processes for public investment management across government.

94. The public infrastructure management function is coordinated by the PIMU in the MoFNPT, with some roles shared with the IMC and SIA. The PIMU is well-structured to effectively coordinate the policy function as guided by the PIM policy. PIMU is under the Office of the Comptroller General and has six staff (excluding senior management) comprising four finance analysts, one quantity surveyor and one project officer. The project management role is centralized and delegated to SIA, who collaborates closely with PIMU, IMC and MDAs and has 120 staff responsible for providing technical services for civil engineering and construction projects to all MDAs and maintenance of government properties.

95. The Economic Planning Department of the MoFNPT has the complementary role to coordinate the process of national and sector planning and its linkages to budgeting and performance management. The department is staffed by seven members, an inadequate number of staff with not sufficient technical capacity to guide MDAs on sector planning. This is evidenced by the complexity and lack of standardized process of planning for public investment by MDAs, with a significant number of sector plans not yet developed, updated, or integrated into the budgeting process.

96. There is awareness in MoFNPT of the human resource and skills gaps to implement public investment management and actions to close the gap within the ministry under implementation. There is a structural shortage of economists across government, but staff attrition, which was a big issue in 2019, especially for financial analysts, has since receded. The scheme of service for the MoFNPT is

being reviewed, with a salary freeze lifted and a 10 percent salary increment to be in effect beginning April 2023. Incentives are also being proposed to retain staff such as flexible work schedules, educational benefits, and allowances.

97. The ministry organizational structure is being reviewed to rationalize responsibilities. The Human Resource Director is yet to assume the post and the Secretary of State is carrying out the human resourcing function for the ministry in the interim. To strengthen technical capacity of staff, the department of Comptroller General has drawn up a training plan to be implemented in 2023.

98. Seychelles is at the initial stage of capacity building for implementing the NDC and climate-related PIM. The MoFNPT, who is responsible for executing PIM processes, does not have capacity on climate aspects. Sector ministries and agencies are familiar with climate issues broadly, but do not have the technical capacity on climate-sensitive PIM practices. While the expertise and experiences with climate science and policy are largely with the Ministry of Agriculture, Climate Change, and Environment, the ministry has limited staff capacity and usually seek technical assistance from external experts and international organizations. Most climate-oriented masterplans and sub-sector plans have been developed largely with support from organizations such as the World Bank, United Nations agencies, the NDC Partnership, bilateral donors, and international research institutions. The United Kingdom's Foreign Commonwealth Office is providing a climate finance advisor who will work jointly with the MoFNPT and the Ministry of Agriculture, Climate Change, and Environment to support climate finance mobilization and tracking. However, there is a need to develop local technical capacity for relevant government staff on mainstreaming climate change considerations into the PIM process including climate-smart planning and climate-related project preparation and implementation.

Recommendations

Issue: A significant revision of different elements of the legal and regulatory framework governing PIM is either being carried out or planned for the near future.

Recommendation 16: Use the existing reviews and plans for future reviews of various legislative pieces, to modernize, consolidate, harmonize, and sequence the different legal and regulatory amendments.

Issue: It is not possible to comprehensively report on projects at various stages during the budget preparation process, and existing IT systems are inefficient and unintegrated.

Recommendation 17: Establish a simple system to (i) follow up projects across the cycle, from design to execution and ex-post evaluations (ii) report the PSIP at various stages in the budget preparation as part of a high-level, long-term plan for IT systems.

Issue: The implementation of a new Public Investment Management Policy and creation of new institutions (SIA, IMC), creates risks of potential duplications, poor coordination and power struggles, and opportunities to generate strong synergies and complementarities.

Recommendation 18: Prepare a detailed mapping of the existing and new institutions and a proposal of the adjustments and clarifications needed in roles and responsibilities of the different actors of the system.

Issue: Seychelles small size limits the number of personnel available to develop and maintain the public investment management framework

Recommendation 19: Adopt IT and legal framework recommendations and ensure development of the PIM framework is customized to Seychelles' small size and limited personnel.

Annex 1. PIMA and C-PIMA Action Plan

Inst	Issue	Recommendations	Action	Priority	Responsibility	Timing
A. Planning Sustainable Levels of Public Investment						
2	The disjointed planning framework, proliferation of planning documents and absence of costed investment plans undermines the government's capacity to coordinate investment priorities across sectors	Investment plans and their costings to be included in new national and sectoral plans.	<p>Implement the Draft National Strategic Planning Guidelines.</p> <p>Provide national and sectoral guidance on the preparation of plans and costings of sectoral investment plans.</p> <p>Include costings of investment plans in new national and sectoral plans.</p>	<p>High</p> <p>High</p> <p>High</p>	<p>MoFNPT National Planning Dept. and MDAs</p> <p>MoFNPT National Planning Dept. and MDAs</p> <p>MoFNPT National Planning Dept. and MDAs</p>	<p>Immediate</p> <p>Immediate</p> <p>Early 2023</p>
2	While the PPBB sets program outcomes and indicators, and links these to PSIP projects, the PPBB is not linked to performance measures for achieving national strategy objectives. This is largely because the National Development Strategy is currently being drafted.	Once NDS objectives are set and performance measures identified, add these linkages to programs in the PPBB statement	<p>Identify the NDS objectives and align program performance measures with these objectives.</p> <p>Prepare and provide guidance to MDAs on the linkages between PPBB and the national and sectoral plans.</p> <p>Incorporate a summary of budget measures achieving NDS performance indicators at the outset of the PPBB statement</p>	<p>Medium</p> <p>Medium</p> <p>Low</p>	<p>MoFNPT Financial Planning Div. and MDAs</p> <p>MoFNPT National Planning Dept</p> <p>Financial Planning Division</p>	<p>Mid- 2023</p> <p>2023</p> <p>2024</p>
4	Many projects are submitted to MoFNPT in the budget proposal without required appraisals. The existing threshold to define a major project is too low, which means that large and complex projects that	Enforce the PIM Policy for preparation of appraisal information; review in the PIM Policy thresholds for determining major projects and submit major projects to rigorous appraisal.	<p>Require the SIA to prepare project appraisal information, in accordance with the current PIM Policy, in the course of its work on project development.</p> <p>Update thresholds for major projects. Thresholds for large and complex projects must be defined in a verifiable manner, distinguishing</p>	<p>High</p> <p>High</p>	<p>IMC, MoFNPT and SIA</p> <p>MoFNPT PIMU</p>	<p>Mid-2023</p> <p>Mid-2023</p>

Inst	Issue	Recommendations	Action	Priority	Responsibility	Timing
	deserve a higher standard of appraisal are not subject to it.		<p>the appraisal treatment of these projects separately from those that cost more than SCR 1 million.</p> <p>Enforce rigorous appraisal of large and complex projects to include analysis of benefits, costs, and risks, from a social, economic, and financial perspective in accordance with the PIM Policy.</p> <p>Adjust definition of major projects in PIM policy, if consistency with Procurement Act is required, clarify definitions of major projects for different purposes.</p>	<p>Medium</p> <p>High</p>	<p>MoFNPT PIMU</p> <p>MoFNPT PIMU</p>	<p>2023</p> <p>2024</p>
5	There is room to improve the legal and regulatory framework to promote private sector involvement.	Ensure that new legislation under consideration for the energy sector, the draft Act for PPP's and upcoming amendments to the PFM and Procurement Act, prevent conflict of interests for regulators and promote PPP practices in line with good international practices, and aligned with the country's climate smart framework.	<p>Assess whether the Multisectoral Regulation Act and the Electricity Act, currently under development, provide for a clear separation between regulatory and project implementation functions.</p> <p>If there is no clear separation, revise the drafts to ensure that regulators are not also serving an implementation function.</p> <p>Review the need for a PPP Act and assess the pros and cons of alternatively incorporating amendments in the PFM Act and Procurement Act, to include provisions for budgeting, accounting, and reporting PPPs.</p> <p>Draft PPP Strategy and Guidelines to provide a framework that does not create a parallel process for PPPs and is aligned with good international practices and the country's climate smart framework.</p>	<p>High</p> <p>High</p> <p>Medium</p> <p>Medium</p>	<p>MoFNPT and PEMC</p> <p>MoFNPT and PEMC</p> <p>MoFNPT and PIMU</p> <p>MoFNPT and PIMU</p>	<p>Immediate</p> <p>Immediate</p> <p>Mid-2023</p> <p>2024</p>

Inst	Issue	Recommendations	Action	Priority	Responsibility	Timing
B. Ensuring Public Investment is Allocated to the Right Sectors and Projects						
6	Capital expenditure is persistently over-forecasted, which can lead to poor prioritization of resources.	Strengthen the anchoring role of MTFE in budget preparation by identifying and mitigating sources of bias and forecast error.	Undertake and publish in the Fiscal Risk Statement multi-year forecast error analysis of key fiscal aggregates, including capital expenditure.	Medium	Macroeconomic Forecasting and Analysis Division	Mid 2023
6	Total project costs and variations from year to year are available for Seychelles' major capital projects, but they are not systematically compiled nor disclosed in the budget documentation	Enforce the PIMU reporting requirements and adjust the PSIP to more easily identify project costs and variations.	Add columns to the PSIP that show the original project cost, the current project cost, and the variance, drawing on the underlying PSIP database.	Medium	Financial Planning Division	2023
9	There are no maintenance methodologies to determine maintenance needs, cost, and optimal maintenance services. The amount of funding for routine and capital maintenance cannot accurately be identified in the budget	Develop routine and capital maintenance methodologies for MDA assets under its purview; and MoFNPT to revise the program classification to identify routine and capital maintenance.	Develop routine and capital maintenance methodologies for MDA assets under its purview, Estimate the cost of performing those services. Publish the results. Revise the program classification to identify routine and capital maintenance under each MDA that has maintenance responsibilities.	High Medium Medium Medium	SIA SIA and MoFNPT MoFNPT MoFNPT	2024 2024 2024 2024

Inst	Issue	Recommendations	Action	Priority	Responsibility	Timing
10	Weakness in project selection is a key cause of under-execution of the capital expenditure budget.	Develop and maintain a list (pipeline) of appraised projects; create and apply selection criteria for prioritizing them. Enhance and enforce the authorization process for projects entering the budgeted PSIP.	Authorize the MoFNPT and adequately staff the PIMU to exercise greater quality control over appraisals and reject inadequately appraised projects before inclusion in the budget.	High	MoFNPT and PIMU	2023
			Establish a scoring system, which includes criteria, to select projects.	High	PIMU, IMC, and SIA	2023
			Establish a list (pipeline) of appraised projects before the budget process begins from which MDAs choose projects for inclusion in their budget proposal.	High	PIMU	2024
			Projects should be consolidated in a simple, accessible information system.	Medium	MoFNPT (Financial Planning Division)	2024
			Appropriate funds for large and complex projects in two steps: first to conduct feasibility and other studies to ensure the project is costed and appraised well and is ready to be executed. If the conclusions of the studies are favorable, a second appropriation would be made to implement the project.	Medium	MoFNPT	2024
Announce in the annual budget circular that projects will not be included in the MTES if PIM Policy appraisal information is absent or materially incomplete.	High	MoFNPT	2024 Budget			
C. Delivering Productive and Durable Public Assets						
13	Ex-post reviews are not required nor conducted by line ministries, therefore no lessons learnt from previously completed major projects	As part of the upcoming revision of the PFM Act and related regulations, include ex-post independent reviews as	Develop a clear criterion to identify major and strategic capital projects to be subject to ex-post reviews.	High	MoFNPT, SIA	2024

Inst	Issue	Recommendations	Action	Priority	Responsibility	Timing
	can be incorporated in the life cycle of new major projects	mandatory for major and strategic capital projects (i.e., above a threshold and/or related to critical sectors).	<p>Include provisions in the revised PFM Act to make ex-post project reviews mandatory for projects under the selected criterion.</p> <p>Develop a template with detailed requirements to be included in ex-post project reviews and include the template as part of the revised PIM Policy.</p>	<p>Medium</p> <p>Medium</p>	<p>MoFNPT</p> <p>MoFNPT, SIA</p>	<p>2024</p> <p>2023</p>
14	There is no consistency in project management across sectors, thus no standardized implementation of projects and treatment of contractors, nor uniform data to support effective portfolio monitoring.	Establish, by regulation, key project management requirements, policies, and procedures for adjusting projects during implementation, progress reporting, and ex post financial audits; develop instructions for completing the implementation plan portion of the existing PIM Policy project proposal form.	<p>Identify specific proposals to be included in the proposed regulation.</p> <p>Establish project management requirements.</p> <p>Develop instructions for preparing implementation plans</p>	<p>Medium</p> <p>Medium</p> <p>Medium</p>	<p>SIA and PIMU</p> <p>SIA and PIMA</p> <p>SIA and PIMU in consultation with MDA's</p>	<p>2024</p> <p>2024</p> <p>2024</p>
15	Poor information on asset registries makes it difficult to have certainty about the conditions of the assets, which is key for effective maintenance practices and assessment of climate change risks.	Identify major and critical fixed assets managed by MDAs and give priority to update their asset registries and to upload information in the FAMS to inform decision making.	<p>Determine a criterion and/or threshold to identify critical fixed assets and include it in the PIM Policy document.</p> <p>Request MDAs to prioritize the updating of the asset registries for selected critical fixed assets and upload information in the Fixed Asset Management System</p>	<p>High</p> <p>High</p>	<p>MoFNPT, SIA, IDC</p> <p>MoFNPT, MDAs</p>	<p>2023</p> <p>2023</p>

Inst	Issue	Recommendations	Action	Priority	Responsibility	Timing
			Request MDAs to compile and upload information in the Fixed Asset Management System on the value of critical fixed assets based on construction costs. Coordinate with SIA and IDC for relevant assets to avoid duplication of efforts.	High	MoFNPT, SIA, IDC and MDAs	2024

Climate PIMA

Inst.	Issue	Recommendations	Action	Priority	Responsibility	Timing
C1	Climate change considerations are not adequately mainstreamed into the public investment planning process.	Fully integrate the NDC objectives in the new NDS, sectoral plans, and building legislation; develop guidelines on climate-smart planning and a systematic costing.	Fully integrate the NDC objectives and priorities in national and sectoral plans and ensure that capital projects included in national and sectoral plans are aligned with the NDC (link to PIMA Institution 2).	High	MoFNPT	2023
			Integrate climate adaptation and mitigation aspects in building legislation and construction codes.	Medium	National Planning and Ministry of Agriculture, Climate Change, and Environment	2024
			Develop relevant guidelines and provide capacity building for sector ministries and agencies on climate-smart planning	Medium	MOFNPT, Ministry of Agriculture, Climate Change, and Environment	2025
			Conduct a systematic costing of climate adaptation and mitigation investment across sectors.	Medium	MOFNPT, Ministry of Agriculture, Climate Change, and Environment	2025

Inst.	Issue	Recommendations	Action	Priority	Responsibility	Timing
C3	Appraisal and selection of projects are made without reference to climate change mitigation and adaptation.	Develop and require the use of methodologies that include climate-related issues in project appraisals and selection criteria; conduct EIA before budget approval.	Produce and require the use of methodologies to identify the net greenhouse gas emission, emission reduction alternatives, and climate resilience of projects in project appraisals.	High	MOFNPT and Ministry of Agriculture, Climate Change, and Environment	2024
			Consistent with the NDS, develop project appraisals and selection criteria that address climate change impacts, building on the recommendations in PIMA institutions 4 and 10.	High	MOFNPT and Ministry of Agriculture, Climate Change, and Environment	2024
			The project proposal form in addition to indicating the location of the project, should identify if it is a protected or ecologically sensitive area.	High	MOFNPT and Ministry of Agriculture, Climate Change, and Environment	2024
			If an EIA is required, mandate it is conducted before budget approval and addresses climate impacts.	High	MOFNPT and Ministry of Agriculture, Climate Change, and Environment	2024
C4	There is no systematic approach to identify and track climate-sensitive investments; climate-related aspects are not included in asset management and ex-post reviews of projects.	Identifying and summarize the expenditures for climate priorities in the PPBB; ensure that climate impacts are incorporated in ex-post reviews and in the preparation of future maintenance manuals.	Identify and summarizing the measures and expenditures for climate priorities in the PPBB.	High	MOFNPT	2023
			Consistent with recommendations in PIMA institutions 9 and 14, ensure analysis of the climate objectives of projects is incorporated when ex-post reviews are undertaken.	Medium	MOFNPT, MDAs	2025
			Incorporate climate considerations in the preparation of future maintenance manuals.	High	SIA, MOFNPT	2024

Inst.	Issue	Recommendations	Action	Priority	Responsibility	Timing
C5	Fiscal risk analysis related to climate change is qualitative in nature limiting awareness of the government's fiscal exposure, while the disaster Risk Management Fund has not been established.	Prepare scenarios of long-term fiscal sustainability analysis under different climate scenarios; publish the results in the Fiscal Risk Statement; and operationalize the Disaster Risk Management Fund.	Prepare scenarios of long-term fiscal sustainability analysis under different climate scenarios, assess the main discrete fiscal risks related to climate change, and publish the results in the Fiscal Risk Statement.	Medium	MOFNPT	2024
			Plan, establish and operationalize the Disaster Risk Management Fund.	Medium	Division of Disaster Risk Management, MOFNPT	2025

Cross Cutting Issues

Issue	Recommendations	Action	Priority	Responsibility	Timing
Legal and Regulatory Framework					
A significant revision of different elements of the legal and regulatory framework governing PIM is either being carried out or planned for the near future.	Use the existing reviews and plans for future reviews of various legislative pieces, to modernize, consolidate, harmonize, and sequence the different legal and regulatory amendments	Enforce existing laws and regulations in a consistent manner. In particular, the PIM policy is not being implemented consistently across MDAs.	High	MoFNPT, SIA, MDAs	Immediately
		Ensure that the planned revisions of the PFM Act and the Procurement Act include good practices for budgeting, accounting, and reporting PPPs in the government accounts.	High	MoFNPT	2023
		Clarify in the revised PFM Act the roles and responsibilities of all institutional actors involved in PIM. In particular, roles and responsibilities between the PIMU of the MoFNPT and the recently established SIA should be clarified to avoid coordination failures.	High	MoFNPT, SIA	2023
		The revised PFM Act and the planned update of the PIM policy should take into consideration the PIMA finding and recommendations, and other			

Issue	Recommendations	Action	Priority	Responsibility	Timing
		existing diagnostics and studies, taking special care of harmonization and consistency of proposals.	High	MoFNPT	2023
Information Technology					
It is not possible to comprehensively report on projects at various stages during the budget preparation process, and existing IT systems are inefficient and unintegrated.	Establish a simple system to (i) follow up projects across the cycle, from design to execution and ex-post evaluations (ii) report the PSIP at various stages in the budget preparation as part of a high-level, long- term plan for IT systems.	Determine the functional characteristics of the system. For example, who the users will be, design the reports that would be used, and identify the data required for the reports.	Medium	MoFNPT Budget office, including PIMU	2023
		Identify options for producing the system, including inclusion in the IFMIS, a simple be-spoke database software system (e.g., MS Access) or other; select the option.	Medium	MoFNPT, Dept of Information Communication Technology	2024
		Present to the IMC and Cabinet a concept notes for the PIM IT solution, including how it will interact with MDAs and other boundaries.	Medium	MoFNPT	End 2023
		If approved by Cabinet, create a working group composed of representatives of MoFNPT, SIA, and MDAs; working group to be chaired by a senior MoFNPT official.	Medium	MoFNPT	Early 2024
		The working group completes their work, including consultation with stakeholders, and presents their findings to Cabinet for approval and gazettal.	Medium	Working group, MoFNPT	Late 2024

Issue	Recommendations	Action	Priority	Responsibility	Timing
Capacity					
<p>The implementation of a new Public Investment Management Policy and creation of new institutions (SIA, IMC), creates risks of potential duplications, poor coordination and power struggles, and opportunities to generate strong synergies and complementarities.</p> <p>Seychelles small size limits the number of personnel available to develop and maintain the public investment management framework.</p>	<p>Prepare a detailed mapping of the existing and new institutions and a proposal of the adjustments and clarifications needed in roles and responsibilities of the different actors of the system.</p> <p>Adopt IT and legal framework recommendations and ensure development of the PIM framework is customized to Seychelles' small size and limited personnel.</p>	<p>Undertake a thorough review of the functions, roles, and responsibilities of the new and existing institutions, including MDA's.</p>	Medium	MoFNPT, SIA, Selected MDA's	2023
		<p>Identify potential conflicts, duplications, misalignments as well as complementarities and opportunities in the MoFNPT, SIA and selected MDA's.</p>	Medium	MoFNPT	Late 2023
		<p>Identify if the required personnel and skills are available in all institutions and propose adjustments if needed.</p>	Medium	MoFNPT, SIA, Selected MDA's	2023
		<p>Clarify roles and responsibilities, including checks and balances, in the update of the PIM Policy.</p>	Medium	MoFNPT, SIA	2023
		<p>Assess the design and implementation of processes and systems to strengthen the PIM Framework against capacity needs. Ensure systems, processes, and tools (including IT systems) are tailored to the Seychelles government and needs, and ease workloads rather than adding new staff requirements.</p>	Medium	MoFNPT, SIA	2024
		<p>Draw on technical assistance and training (e.g., AFRITAC South) to build skills and capacity (including in climate-sensitive PIM), tailored to Seychelles' capacity context.</p>	High	MoFNPT	2023

Annex 2. PIMA Questionnaire

Indicator		Scoring		
		1 = To no or a lesser extent	2 = To some extent	3 = To a greater extent
A. Planning Sustainable Levels of Public Investment				
1. Fiscal targets and rules: Does the government have fiscal institutions to support fiscal sustainability and to facilitate medium-term planning for public investment?				
1.a.	Is there a target or limit for government to ensure debt sustainability?	There is no target or limit to ensure debt sustainability.	There is at least one target or limit to ensure central government debt sustainability.	There is at least one target or limit to ensure general government debt sustainability.
1.b.	Is fiscal policy guided by one or more permanent fiscal rules?	There are no permanent fiscal rules.	There is at least one permanent fiscal rule applicable to central government.	There is at least one permanent fiscal rule applicable to central government, and at least one comparable rule applicable to a major additional component of general government, such as subnational government (SNG).
1.c.	Is there a medium-term fiscal framework (MTFF) to align budget preparation with fiscal policy?	There is no MTFF prepared prior to budget preparation.	There is an MTFF prepared prior to budget preparation but it is limited to fiscal aggregates, such as expenditure, revenue, the deficit, or total borrowing.	There is an MTFF prepared prior to budget preparation, which includes fiscal aggregates and allows distinctions between recurrent and capital spending, and ongoing and new projects.
2. National and Sectoral Planning: Are investment allocation decisions based on sectoral and inter-sectoral strategies?				
2.a.	Does the government prepare national and sectoral strategies for public investment?	National or sectoral public investment strategies or plans are prepared, covering only some projects found in the budget.	National or sectoral public investment strategies or plans are published covering projects funded through the budget.	Both national and sectoral public investment strategies or plans are published and cover all projects funded through the budget regardless of financing source (e.g. donor, public corporation (PC), or PPP financing).
2.b.	Are the government's national and sectoral strategies or plans for public investment costed?	The government's investment strategies or plans include no cost information on planned public investment.	The government's investment strategies include broad estimates of aggregate and sectoral investment plans.	The government's investment strategies include costing of individual, major investment projects within an overall financial constraint.

Indicator		Scoring		
		1 = To no or a lesser extent	2 = To some extent	3 = To a greater extent
2.c.	Do sector strategies include measurable targets for the outputs and outcomes of investment projects?	Sector strategies do not include measurable targets for outputs or outcomes.	Sector strategies include measurable targets for outputs (e.g., miles of roads constructed).	Sector strategies include measurable targets for both outputs and outcomes (e.g., reduction in traffic congestion).
3. Coordination between Entities: Is there effective coordination of the investment plans of central and other government entities?				
3.a.	Is capital spending by SNGs, coordinated with the central government?	Capital spending plans of SNGs are not submitted to, nor discussed with central government.	Major SNG capital spending plans are published alongside central government investments, but there are no formal discussions, between the central government and SNGs on investment priorities.	Major SNG capital spending plans are published alongside central government investments, and there are formal discussions between central government and SNGs on investment priorities.
3.b.	Does the central government have a transparent, rule-based system for making capital transfers to SNGs, and for providing timely information on such transfers?	The central government does not have a transparent rule-based system for making capital transfers to SNGs.	The central government uses a transparent rule-based system for making capital transfers to SNGs, but SNGs are notified about expected transfers less than six months before the start of each fiscal year.	The central government uses a transparent rule-based system for making capital transfers to SNGs, and expected transfers are made known to SNGs at least six months before the start of each fiscal year.
3.c.	Are contingent liabilities arising from capital projects of SNGs, PCs, and PPPs reported to the central government?	Contingent liabilities arising from major projects of SNGs, PCs, and PPPs are not reported to the central government.	Contingent liabilities arising from major projects of SNGs, PCs, and PPPs are reported to the central government, but are generally not presented in the central government's budget documents.	Contingent liabilities arising from major projects of SNGs, PCs, and PPPs are reported to the central government, and are presented in full in the central government's budget documents.
4. Project Appraisal: Are project proposals subject to systematic project appraisal?				
4.a.	Are major capital projects subject to rigorous technical, economic, and financial analysis?	Major capital projects are not systematically subject to rigorous, technical, economic, and financial analysis.	Major projects are systematically subject to rigorous technical, economic, and financial analysis.	Major projects are systematically subject to rigorous technical, economic, and financial analysis, and selected results of this analysis are published or undergo independent external review.
4.b.	Is there a standard methodology and central support for the appraisal of projects?	There is no standard methodology or central support for project appraisal.	There is either a standard methodology or central support for project appraisal.	There is both a standard methodology and central support for project appraisal.

Indicator		Scoring		
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4.c.	Are risks taken into account in conducting project appraisals?	Risks are not systematically assessed as part of the project appraisal.	A risk assessment covering a range of potential risks is included in the project appraisal.	A risk assessment covering a range of potential risks is included in the project appraisal, and plans are prepared to mitigate these risks.
5. Alternative Infrastructure Financing: Is there a favorable climate for the private sector, PPPs, and PCs to finance in infrastructure?				
5.a.	Does the regulatory framework support competition in contestable markets for economic infrastructure (e.g., power, water, telecoms, and transport)?	Provision of economic infrastructure is restricted to domestic monopolies, or there are few established economic regulators.	There is competition in some economic infrastructure markets, and a few economic regulators have been established.	There is competition in major economic infrastructure markets, and economic regulators are independent and well established.
5.b.	Has the government published a strategy/policy for PPPs, and a legal/regulatory framework which guides the preparation, selection, and management of PPP projects?	There is no published strategy/policy framework for PPPs, and the legal/regulatory framework is weak.	A PPP strategy/policy has been published, but the legal/regulatory framework is weak.	A PPP strategy/policy has been published, and there is a strong legal/regulatory framework that guides the preparation, selection, and management of PPP projects.
5.c.	Does the government oversee the investment plans of public corporations (PCs) and monitor their financial performance?	The government does not systematically review the investment plans of PCs.	The government reviews the investment plans of PCs, but does not publish a consolidated report on these plans or the financial performance of PCs.	The government reviews and publishes a consolidated report on the investment plans and financial performance of PCs.

Indicator	Scoring			
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B. Ensuring Public Investment is Allocated to the Right Sectors and Projects				
6. Multi-Year Budgeting: Does the government prepare medium-term projections of capital spending on a full cost basis?				
6.a.	Is capital spending by ministry or sector forecasted over a multiyear horizon?	No projections of capital spending are published beyond the budget year.	Projections of total capital spending are published over a three to five-year horizon.	Projections of capital spending disaggregated by ministry or sector are published over a three to five-year horizon.
6.b.	Are there multiyear ceilings on capital expenditure by ministry, sector, or program?	There are no multiyear ceilings on capital expenditure by ministry, sector, or program.	There are indicative multiyear ceilings on capital expenditure by ministry, sector, or program.	There are binding multiyear ceilings on capital expenditure by ministry, sector, or program.
6.c.	Are projections of the total construction cost of major capital projects published?	Projections of the total construction cost of major capital projects are not published.	Projections of the total construction cost of major capital projects are published.	Projections of the total construction cost of major capital projects are published, together with the annual breakdown of these cost over a three-five-year horizon.
7. Budget Comprehensiveness and Unity: To what extent is capital spending, and related recurrent spending, undertaken through the budget process?				
7.a.	Is capital spending mostly undertaken through the budget?	Significant capital spending is undertaken by extra-budgetary entities with no legislative authorization or disclosure in the budget documentation.	Significant capital spending is undertaken by extra-budgetary entities, but with legislative authorization and disclosure in the budget documentation.	Little or no capital spending is undertaken by extra-budgetary entities.
7.b.	Are all capital projects, regardless of financing source, shown in the budget documentation?	Capital projects are not comprehensively presented in the budget documentation, including PPPs, externally financed, and PCs' projects.	Most capital projects are included in the budget documentation, but either PPPs, externally financed, or PCs' projects are not shown.	All capital projects, regardless of financing sources, are included in the budget documentation.
7.c.	Are capital and recurrent budgets prepared and presented together in the budget?	Capital and recurrent budgets are prepared by separate ministries, and/or presented in separate budget documents.	Capital and recurrent budgets are prepared by a single ministry and presented together in the budget documents, but without using a program or functional classification.	Capital and recurrent budgets are prepared by a single ministry and presented together in the budget documents, using a program or functional classification.
8. Budgeting for Investment: Are investment projects protected during budget implementation?				
8.a.	Are total project outlays appropriated by the legislature at the time of a project's commencement?	Outlays are appropriated on an annual basis, but information on total project costs is not included in the budget documentation.	Outlays are appropriated on an annual basis, and information on total project costs is included in the budget documentation.	Outlays are appropriated on an annual basis and information on total project costs, and multiyear commitments is included in the budget documentation.

Indicator		Scoring		
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8.b.	Are in-year transfers of appropriations (virement) from capital to current spending prevented?	There are no limitations on virement from capital to current spending.	The finance ministry may approve virement from capital to current spending.	Virement from capital to current spending requires the approval of the legislature.
8.c.	Is the completion of ongoing projects given priority over starting new projects?	There is no mechanism in place to protect funding of ongoing projects.	There is a mechanism to protect funding for ongoing projects in the annual budget.	There is a mechanism to protect funding for ongoing projects in the annual budget and over the medium term.
9. Maintenance Funding: Are routine maintenance and major improvements receiving adequate funding?				
9.a.	Is there a standard methodology for estimating routine maintenance needs and budget funding?	There is no standard methodology for determining the needs for routine maintenance.	There is a standard methodology for determining the needs for routine maintenance and its cost.	There is a standard methodology for determining the needs for routine maintenance and its cost, and the appropriate amounts are generally allocated in the budget.
9.b.	Is there a standard methodology for determining major improvements (e.g. renovations, reconstructions, enlargements) to existing assets, and are they included in national and sectoral investment plans?	There is no standard methodology for determining major improvements, and they are not included in national or sectoral plans.	There is a standard methodology for determining major improvements, but they are not included in national or sectoral plans.	There is a standard methodology for determining major improvements, and they are included in national or sectoral plans.
9.c.	Can expenditures relating to routine maintenance and major improvements be identified in the budget?	Routine maintenance and major improvements are not systematically identified in the budget.	Routine maintenance and major improvements are systematically identified in the budget.	Routine maintenance and major improvements are systematically identified in the budget, and are reported.
10. Project Selection: Are there institutions and procedures in place to guide project selection?				
10.a.	Does the government undertake a central review of major project appraisals before decisions are taken to include projects in the budget?	Major projects (including donor- or PPP-funded) are not reviewed by a central ministry prior to inclusion in the budget.	Major projects (including donor- or PPP-funded) are reviewed by a central ministry prior to inclusion in the budget.	All major projects (including donor- or PPP-funded) are scrutinized by a central ministry, with input from an independent agency or experts prior to inclusion in the budget.
10.b.	Does the government publish and adhere to standard criteria, and stipulate a required process for project selection?	There are no published criteria or a required process for project selection.	There are published criteria for project selection, but projects can be selected without going through the required process.	There are published criteria for project selection, and generally projects are selected through the required process.

Indicator		Scoring		
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10.c.	Does the government maintain a pipeline of appraised investment projects for inclusion in the annual budget?	The government does not maintain a pipeline of appraised investment projects.	The government maintains a pipeline of appraised investment projects but other projects may be selected for financing through the annual budget.	The government maintains a comprehensive pipeline of appraised investment projects, which is used for selecting projects for inclusion in the annual budget, and over the medium term.

C. Delivering Productive and Durable Public Assets				
11. Procurement				
11.a.	Is the procurement process for major capital projects open and transparent?	Few major projects are tendered in a competitive process, and the public has limited access to procurement information.	Many major projects are tendered in a competitive process, but the public has only limited access to procurement information.	Most major projects are tendered in a competitive process, and the public has access to complete, reliable and timely procurement information.
11.b.	Is there a system in place to ensure that procurement is monitored adequately?	There is no procurement database, or the information is incomplete or not timely for most phases of the procurement process.	There is a procurement database with reasonably complete information, but no standard analytical reports are produced from the database.	There is a procurement database with reasonably complete information, and standard analytical reports are produced to support a formal monitoring system.
11.c.	Are procurement complaints review process conducted in a fair and timely manner?	Procurement complaints are not reviewed by an independent body.	Procurement complaints are reviewed by an independent body, but the recommendations of this body are not produced on a timely basis, nor published, nor rigorously enforced.	Procurement complaints are reviewed by an independent body whose recommendations are timely, published, and rigorously enforced.
12. Availability of Funding: Is financing for capital spending made available in a timely manner?				
12.a.	Are ministries/agencies able to plan and commit expenditure on capital projects in advance on the basis of reliable cash-flow forecasts?	Cash-flow forecasts are not prepared or updated regularly, and ministries/agencies are not provided with commitment ceilings in a timely manner.	Cash-flow forecasts are prepared or updated quarterly, and ministries/agencies are provided with commitment ceilings at least a quarter in advance.	Cash-flow forecasts are prepared or updated monthly, and ministries/agencies are provided with commitment ceilings for the full fiscal year.
12.b.	Is cash for project outlays released in a timely manner?	The financing of project outlays is frequently subject to cash rationing.	Cash for project outlays is sometimes released with delays.	Cash for project outlays is normally released in a timely manner, based on the appropriation.

Indicator		Scoring		
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12.c	Is external (donor) funding of capital projects fully integrated into the main government bank account structure?	External financing is largely held in commercial bank accounts outside the central bank.	External financing is held at the central bank, but is not part of the main government bank account structure.	External financing is fully integrated into the main government bank account structure.
13. Portfolio Management and Oversight: Is adequate oversight exercised over implementation of the entire public investment portfolio				
13.a	Are major capital projects subject to monitoring during project implementation?	Most major capital projects are not monitored during project implementation.	For most major projects, annual project costs, as well as physical progress, are monitored during project implementation.	For all major projects, total project costs, as well as physical progress, are centrally monitored during project implementation.
13.b	Can funds be re-allocated between investment projects during implementation?	Funds cannot be re-allocated between projects during implementation.	Funds can be reallocated between projects during implementation, but not using systematic monitoring and transparent procedures.	Funds can be re-allocated between projects during implementation, using systematic monitoring and transparent procedures.
13.c	Does the government adjust project implementation policies and procedures by systematically conducting ex post reviews of projects that have completed their construction phase?	Ex post reviews of major projects are neither systematically required, nor frequently conducted.	Ex post reviews of major projects, focusing on project costs, deliverables and outputs, are sometimes conducted.	Ex post reviews of major projects focusing on project costs, deliverables, and outputs are conducted regularly by an independent entity or experts, and are used to adjust project implementation policies and procedures.
14. Management of Project Implementation: Are capital projects well managed and controlled during the execution stage?				
14.a	Do ministries/agencies have effective project management arrangements in place?	Ministries/agencies do not systematically identify senior responsible officers for major investment projects, and implementation plans are not prepared prior to budget approval.	Ministries/agencies systematically identify senior responsible officers for major investment projects, but implementation plans are not prepared prior to budget approval.	Ministries/agencies systematically identify senior responsible officers for major investment projects, and implementation plans are prepared prior to budget approval.
14.b	Has the government issued rules, procedures and guidelines for project adjustments that are applied systematically across all major projects?	There are no standardized rules and procedures for project adjustments.	For major projects, there are standardized rules and procedures for project adjustments, but do not include, if required, a fundamental review and reappraisal of a project's rationale, costs, and expected outputs.	For all projects, there are standardized rules and procedures for project adjustments and, if required, include a fundamental review of the project's rationale, costs, and expected outputs.
14.c	Are ex post audits of capital projects routinely undertaken?	Major capital projects are usually not subject to ex post external audits.	Some major capital projects are subject to ex post external audit, information on which is published by the external auditor.	Most major capital projects are subject to ex post external audit information on which

Indicator		Scoring		
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				is regularly published and scrutinized by the legislature.
15. Monitoring of Public Assets: Is the value of assets properly accounted for and reported in financial statements?				
15.a	Are asset registers updated by surveys of the stocks, values, and conditions of public assets regularly?	Asset registers are neither comprehensive nor updated regularly.	Asset registers are either comprehensive or updated regularly at reasonable intervals.	Asset registers are comprehensive and updated regularly at reasonable intervals.
15.b	Are nonfinancial asset values recorded in the government financial accounts?	Government financial accounts do not include the value of non- financial assets.	Government financial accounts include the value of some non- financial assets, which are revalued irregularly.	Government financial accounts include the value of most nonfinancial assets, which are revalued regularly.
15.c	Is the depreciation of fixed assets captured in the government's operating statements?	The depreciation of fixed assets is not recorded in operating statements.	The depreciation of fixed assets is recorded in operating statements, based on statistical estimates.	The depreciation of fixed assets is recorded in operating expenditures, based on asset-specific assumptions.

Cross-cutting issues	
A	IT support. Is there a comprehensive computerized information system for public investment projects to support decision making and monitoring?
B	Legal Framework. Is there a legal and regulatory framework that supports institutional arrangements, mandates, coverage, procedures, standards and accountability for effective PIM?
C	Staff capacity. Does staff capacity (number of staff and/or their knowledge, skills, and experience) and clarity of roles and responsibilities support effective institutions?

Annex 3. C-PIMA Questionnaire

Indicator		Scoring		
		1 = To no or a lesser extent	2 = To some extent	3 = To a greater extent
C1. Climate-aware planning: Is public investment planned from a climate change perspective?				
C. 1. a	Are national and sectoral public investment strategies and plans consistent with NDC or other overarching climate change strategy on mitigation and adaptation?	National and sectoral public investment strategies and plans are not consistent with NDC or other overarching climate change strategy.	National public investment strategies and plans are consistent with NDC or other overarching climate change strategy for some sectors.	National and sectoral public investment strategies and plans are consistent with NDC or other overarching climate change strategy for most sectors.
C. 1. b	Do central government and/or sub-national government regulations on spatial and urban planning, and construction address climate-related risks and impacts on public investment?	Central government and/or sub-national government regulations on spatial and urban planning, and construction do not address climate-related risks and impacts on public investment.	Central government and/or sub-national government regulations on spatial and urban planning, or construction (through building codes) addresses climate-related risks and impacts on public investment.	Central government and/or sub-national government regulations on spatial and urban planning, and construction (through building codes) address climate-related risks and impacts on public investment.
C. 1. c	Is there centralized guidance/support for government agencies on the preparation and costing of climate-aware public investment strategies?	There is no centralized guidance/support for government agencies on the preparation and costing of climate-aware public investment strategies.	There is centralized guidance/support for government agencies on the preparation of climate-aware public investment strategies.	There is centralized guidance/support for government agencies on the preparation and costing of climate-aware public investment strategies.
C2. Coordination between entities: Is there effective coordination of decision making on climate change-related public investment across the public sector?				
C. 2. a	Is decision making on public investment coordinated across central government from a climate-change perspective?	Decision making on public investment is not coordinated across central government from a climate-change perspective.	Decision making on public investment is coordinated across budgetary central government from a climate-change perspective.	Decision making on public investment is coordinated across all central government, including externally financed projects, PPPs and extra-budgetary entities, from a climate-change perspective.

Indicator		Scoring		
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C.2.b	Is the planning and implementation of capital spending of SNGs coordinated with the central government from a climate-change perspective?	The planning and implementation of capital spending of SNGs is not coordinated with the central government from a climate-change perspective.	The central government issues guidance on the planning and implementation of capital spending from a climate-change perspective and information on major climate-related projects of SNGs is shared with the central government and is published alongside data on central government projects.	The central government issues guidance on the planning and implementation of capital spending from a climate-change perspective, information on major climate-related projects of SNGs is shared with the central government and is published alongside data on central government projects, and there are formal discussions between central government and SNGs on the planning and implementation of climate-related investments.
C.2.c	Does the regulatory and oversight framework for public corporations ensure that their climate-related investments are consistent with national climate policies and guidelines?	The regulatory and oversight framework for public corporations does not promote consistency between their climate-related investments and national climate policies and guidelines.	The regulatory and oversight framework for public corporations promotes consistency between their climate-related investments and national climate policies and guidelines.	The regulatory and oversight framework for public corporations requires that their climate-related investments be consistent with national climate policies and guidelines.
C3. Do project appraisal and selection include climate-related analysis and criteria?				
C.3.a	Does the appraisal of major infrastructure projects require climate-related analysis to be conducted according to a standard methodology with central support?	The appraisal of major infrastructure projects does not require climate-related analysis to be conducted according to a standard methodology.	The appraisal of major infrastructure projects requires climate-related analysis to be conducted according to a standard methodology.	The appraisal of major infrastructure projects requires climate-related analysis to be conducted according to a standard methodology, and a summary of appraisals is published or subject to independent external review.
C3b	Does the framework for managing longer-term public investment contracts, such as PPPs, explicitly address climate-related challenges?	The referred framework does not include explicit consideration of climate change for risk allocation or contract management.	The referred framework includes explicit consideration of climate change with respect to how risks are allocated between the parties in infrastructure contracts.	The referred framework includes explicit consideration of climate change with respect to how risks are allocated between the parties in infrastructure contracts, and contract managers in government departments and agencies

Indicator		Scoring		
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				are mandated to address climate-related challenges.
C.3.c	Are climate-related elements included among the criteria used by the government for the selection of infrastructure projects?	Either there are no explicit selection criteria or climate-related elements are not included among the criteria used by the government for the selection of projects for financing.	Climate-related elements are included among the criteria used by the government for the selection of all major budget-funded projects, and the criteria are published.	Climate-related elements are included among the criteria used by the government for the selection of all major projects, including externally financed projects, projects financed by extra-budgetary entities, and PPPs, and the criteria are published.
C.4 Budgeting and portfolio management: Is climate-related investment spending subject to active management and oversight?				
C.4.a.	Are planned climate-related public investment expenditure, sources of financing, outputs and outcomes identified in the budget and related documents, monitored, and reported?	Planned climate-related public investment expenditure are not identified in the budget and related documents.	Some planned climate-related public investment expenditure are identified in the budget and related documents, including investment expenditure funded externally, by extra-budgetary entities, and PPPs.	Most planned climate-related public investment expenditure, sources of financing, and outputs and outcomes are identified in the budget and related documents, including investment expenditure funded externally, by extra-budgetary entities, and PPPs, and expenditure on these projects is monitored and reported.
C.4.b.	Are ex-post reviews or audits conducted of the climate change mitigation and adaptation outcomes of public investments?	No ex-post reviews or audits are conducted of the climate change mitigation and adaptation outcomes of public investments.	Ex-post reviews or audits are conducted for selected major public investments of either the climate change mitigation or adaptation outcomes.	Ex-post reviews or audits are conducted and published for selected major public investments of both the climate change mitigation and adaptation outcomes.
C.4.c.	Do the government's asset management policies and practices, including the maintenance of assets, address climate-related risks?	Neither the government's asset management policies and practices nor methodologies for estimating the maintenance needs of climate change-	Methodologies prepared by the government for estimating the maintenance needs of some climate change-exposed infrastructure assets address climate-related risks.	Methodologies prepared by the government for estimating the maintenance needs and associated costs of most climate change-exposed infrastructure assets address climate-related risks, and government asset

Indicator		Scoring		
		1 = To no or a lesser extent	2 = To some extent	3 = To a greater extent
		exposed infrastructure assets address climate-related risks.		registers include climate-related information of these assets.
C5. Risk management: Are fiscal risks relating to climate change and infrastructure incorporated in budgets and fiscal risk analysis and managed according to a plan?				
C5.a.	Does the government publish a national disaster risk management strategy that incorporates the potential impact of climate change on public infrastructure assets and networks?	Either there is no published national disaster risk management strategy, or the strategy does not identify the key climate-related risks to public infrastructure assets and networks.	The government publishes a national disaster risk management strategy that identifies the key climate-related risks to public infrastructure assets and networks in terms of hazards, exposure, and vulnerability.	The government publishes a national disaster risk management strategy that identifies and analyses the key climate-related risks to public infrastructure assets and networks in terms of hazards, exposure and vulnerability, and includes the government's plans to mitigate and respond to these risks.
C5.b.	Has the government put in place ex ante financing mechanisms to manage the exposure of the stock of public infrastructure to climate-related risks?	The government has not put in place any ex-ante financing mechanisms to manage the exposure of the stock of public infrastructure to climate-related risks.	There is an annual contingency appropriation in the budget or other financing mechanisms that is available to meet the costs of climate-related damages to public infrastructure.	There is an annual contingency appropriation in the budget and other financing mechanisms that are available to meet the costs of climate-related damages to public infrastructure.
C5.c.	Does the government conduct and publish a fiscal risk analysis that incorporates climate-related risks to public infrastructure assets?	The government does not conduct a fiscal risk analysis that incorporates climate-related risks to public infrastructure assets.	The government conducts and publishes a fiscal risk analysis that incorporates a qualitative assessment of climate-related risks to public infrastructure assets over the medium term.	The government conducts and publishes a fiscal risk analysis that incorporates a quantitative assessment of climate-related risks to public infrastructure assets over the medium term and policies to mitigate these risks, and a qualitative assessment of the risks that may arise over the long-term.
Cross-cutting issues				
A	IT support. Is there a comprehensive computerized information system for public investment projects to support decision making and monitoring?			
B	Legal Framework. Is there a legal and regulatory framework that supports institutional arrangements, mandates, coverage, standards and accountability for effective			
C	Staff capacity. Does staff capacity (number of staff and/or their knowledge, skills, and experience) and clarity of roles and responsibilities support effective			

Annex 4. Detailed PIMA Scores

A. Planning		
	Institutional Design	Effectiveness
1.a.	3	3
1.b.	1	1
1.c.	3	1
2.a.	1	1
2.b.	1	1
2.c.	1	1
3.a.	-	-
3.b.	-	-
3.c.	3	3
4.a.	2	2
4.b.	2	2
4.c.	3	2
5.a.	1	1
5.b.	1	1
5.c.	3	3

B. Allocation		
	Institutional Design	Effectiveness
6.a.	3	1
6.b.	2	2
6.c.	3	1
7.a.	3	3
7.b.	3	2
7.c.	3	3
8.a.	2	3
8.b.	2	2
8.c.	1	2
9.a.	1	1
9.b.	1	2
9.c.	2	1
10.a.	2	3
10.b.	1	2
10.c.	2	1

C. Implementation		
	Institutional Design	Effectiveness
11.a.	3	3
11.b.	2	1
11.c.	3	3
12.a.	3	3
12.b.	3	2
12.c.	3	3
13.a.	3	3
13.b.	1	2
13.c.	1	1
14.a.	2	2
14.b.	2	2
14.c.	1	1
15.a.	3	1
15.b.	1	1
15.c.	1	1

Not met	Partially met	Met
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Annex 5. Project Selection Scoring Table

Scoring tables are commonly used in government and the private sector to prioritize and select projects. Many factors scored on a simple scale can result in useful analysis.

To create a project selection table, factors relating to policies, costs, and risks, among others, are identified, given a weight, and then scored. Projects with the highest total scores are selected, at least in the first round. The outcome of the first round of scoring should be examined to identify any clear outliers – either projects that were rejected or selected that should not have been based on other considerations (e.g., regional or sector distribution). In addition, one or two large projects can crowd out small projects when funding is limited. Subjective second round adjustments can be made so long as they are justified in writing.

Weights in the table should be calibrated through experience. If one factor becomes consistently dominant, its weight should be reduced. If a factor does not, except in extreme circumstances, contribute to selection, it may be dropped, or its weight increased. The objective of the scoring table is to balance a wide range of considerations.

The example in Table 9 is intended to demonstrate several devices when constructing the scoring table. First, it is acceptable to include political preferences. Second, rating of some factors may best be done by specialist agencies, such as SIA or the National Climate Change Commission. Third, weights can be positive and negative. Some factors, such as risks, should reduce the total score of a project. Finally, scoring tables are not well suited for ratios, such as benefit / cost. For this reason, gross size of cost is not shown as a factor since large projects are not inherently good or bad, but must be judged if benefits, in a form that can be compared with costs, exceed costs.

Table 9. Possible Selection Criteria and Scoring for Public Investment

Criteria	Weight (1-5)	Scoring	Score	Weighted score (weight*score)
Importance - clearly aligned with National Development Strategy goals	5	0 – no alignment 3 – 1 priority goal 4 – 2 or more priority goals		
Importance – cited in sector plan or masterplan	5	0 – not cited or no plan 3 - cited		
Importance – cited as high priority by President or Cabinet	5	0 - no 3 - yes		
Effectiveness – increases major outcome performance indicator over 5 years	4	0 – none 1 – between 1% and 5% 2 – between 5% and 10% 3 – between 10% and 20% 5 – more than 20%		
Efficiency – reduces operating cost over 10 years	4	0 – none 1 – 50% of project cost 3 – 100% of project cost 5 – 200% of project cost		
Financing	3	0 - commercial loan 1 – own resources 3 - concessionary loan 5 - grant		
Climate mitigation / adaptation - rated by National Climate Change Committee	4	0 – not measurable 2 – minor 4 - major		
Cost risk when completed – rated by SIA	-2	0 – little 1 – moderate 2 - high		
Timing risk for beginning in proposed year of Medium-Term Expenditure Strategy – rated by SIA	-2	0 – little 1 – moderate 2 - high		
Timing risk for completion as planned – rated by SIA	-2	0 – little 1 - moderate 2 - high		
Disaster risk – rated by Disaster Risk Management Division	-2	0 – little 1 – moderate 2 - high		
Consumes limited resources – land, labor, materials; rated by SIA and Planning Authority	-2	0 – little 1 – moderate 2 - high		

Annex 6. Good Practice in Post Project Reviews and Acting on Findings

Many countries have formal requirements for ex-post review of major projects and this step is considered a core phase of the investment life-cycle. Examples include:

(a) Infrastructure Australia has issued detailed requirements for post completion review.⁴⁵ Required information includes forecast and outturn data on cost, schedule and benefits, key findings from interviews with the project delivery team and the approach and timing for communicating findings and recommendations for future projects.

(b) In the UK, the Green Book documents requirements for ex-post evaluation, covering both process evaluation and impact evaluation.⁴⁶ The IPA undertakes periodic reviews of completed projects to distil lessons learned and improve future project delivery. In 2019 the IPA documented 24 lessons from close review of four transport megaprojects with application for major public projects in all sectors of public investment.⁴⁷

(c) In Ireland, a review of problems in the construction of the National Children’s Hospital recommended reforms of the governance process for public investment projects. This directly informed changes to the Public Spending Code – the requirements for evaluation, planning and management of public investment. Adjustments included new arrangements for project governance, risk management and cost forecasting.⁴⁸

Source: IMF staff based on official documents.

⁴⁵ Infrastructure Australia (2019) [Post Completion Review – Stage 4 of the Assessment Framework](#).

⁴⁶ UK Treasury (2022). [The Green Book, Appraisal and Evaluation in Central Government](#)

⁴⁷ UK IPA and Department for Transport (2019) [Lessons from Transport for the Sponsorship of Major Projects](#).

⁴⁸ Ireland Department of Public Expenditure and Reform (2019) [The Public Spending Code: A Guide to Evaluating, Planning and Managing Public Investment](#)