INTERNATIONAL MONETARY FUND

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SEYCHELLES

2026 ARTICLE IV CONSULTATION, FIFTH AND SIXTH REVIEWS UNDER THE ARRANGEMENTS UNDER THE EXTENDED FUND FACILITY AND THE ARRANGEMENTS UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY, AND REQUEST FOR A WAIVER FOR NONOBSERVANCE OF A PERFORMANCE CRITERION—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR SEYCHELLES

June 2026

In the context of the **Staff Report for the 2026 Article IV Consultation, Fifth and Sixth Reviews Under the Arrangement Under the Extended Fund Facility and the Arrangement Under the Resilience and Sustainability Facility, and Request for a Waiver for Nonobservance of a Performance Criterion**, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board and summarizing the views of the Executive Board as expressed during its May 26, 2026, consideration of the staff report on issues related to the Article IV Consultation and the IMF arrangements.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on May 26, 2026, following discussions that ended on March 19, 2026, with the officials of Seychelles on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on May 13, 2026.
- An **Informational Annex** prepared by the IMF staff.
- A **Statement by the Executive Director** for Seychelles.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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International Monetary Fund
Washington, D.C.

IMF Executive Board Concludes 2026 Article IV Consultation and Completes Fifth and Sixth Reviews Under the Extended Fund Facility and Resilience and Sustainability Facility with Seychelles

FOR IMMEDIATE RELEASE

- The Executive Board of the International Monetary Fund (IMF) completed today the fifth and sixth reviews of Seychelles' economic performance under the Extended Fund Facility (EFF) and Resilience and Sustainability Facility (RSF) Arrangements. Completion of the reviews allows for an immediate disbursement of about US$41 million intended to strengthen macroeconomic stability, sustain growth, and reinforce fiscal and monetary policy frameworks, while also supporting efforts to strengthen resilience to climate change.

- Seychelles has made strong progress toward key economic objectives, including a reduction of public debt, rebuilding foreign exchange reserves, strengthening the monetary policy framework and financial sector supervision, and advancing climate related reforms.

- Supported by strong economic outturns in 2025, these achievements have left Seychelles in a stronger position as it confronts new shocks emanating from ongoing war in the Middle East.

Washington, DC – **May 26, 2026:** The Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation[1,2] and completed the fifth and sixth (final) reviews of Seychelles' performance under the Extended Fund Facility (EFF) and Resilience and Sustainability Facility (RSF) with Seychelles. Completion of the reviews allows for an immediate disbursement of about US$41 million intended to strengthen macroeconomic stability, sustain growth, and reinforce fiscal and monetary policy frameworks, while also supporting efforts to strengthen resilience to climate change, exploit synergies with other sources of official financing, and catalyze financing for climate-related investments.

Seychelles' economic performance has been strong. Real GDP growth for 2025 is estimated at 5.1 percent, driven by record tourist arrivals. Headline inflation (CPI) was just below zero at end-year. The fiscal outturn was tighter than targeted at a primary surplus of 2.5 percent of GDP, while the ratio of public and publicly guaranteed debt to GDP declined to 53.6 percent. The external current account deficit dropped to 6.5 percent of GDP, and foreign exchange reserves rose to over 4 months of import cover.

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[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

[2] Option 1: Under the IMF's Articles of Agreement, publication of documents that pertain to member countries is voluntary and requires the member consent. The staff report will be shortly published on the www.imf.org/seychelles page.

The Middle East war poses significant challenges for Seychelles. About 60 percent of tourist arrivals in Seychelles come through Doha, Dubai, or Abu Dhabi. Seychelles also imports about 95 percent of its energy, much of its food, and most if its industrial inputs—prices for which are now rising either directly or through higher freight and shipping costs. Under a baseline set of assumptions, real GDP growth is expected to fall to 1.5 percent in 2026, inflation to rise to 3.1 percent by end-year; the primary fiscal surplus to fall to about 0.9 percent of GDP (compared to 1.5 percent in the budget); and the external current account deficit is projected to expand to 7.8 percent of GDP.

Program performance under the EFF was strong. All but one of the quantitative targets for the 5th and 6th reviews were met. Most structural benchmarks (SBs) under the EFF were met. Only two SBs have not been met but will likely be finished after the program ends. For the RSF arrangement, all but one of the reform measures (RMs) slated for the reviews were implemented. Implementation of RMs has broadly been in line with expectations and has adhered to good practices and recommendations from Fund TA.

Following the Executive Board's discussion, Mr. Bo Li, Deputy Managing Director, and acting Chair, issued the following statement:

"Seychelles has continued to demonstrate sound macroeconomic management and commitment to structural reforms. Economic performance in 2025 was strong, supported by record tourist arrivals, low inflation, and improved fiscal and external positions. Fiscal outcomes exceeded projections due to strong tax revenues and lower-than-expected public investment execution. Public debt declined further, while international reserves increased beyond program targets. Monetary policy remains appropriately accommodative amid uncertain global conditions and low inflation thus far. Progress on key macrostructural reforms has also been notable.

"Program performance under the EFF was strong. All but one quantitative target for the fifth and sixth reviews were met. All but two structural benchmarks were completed, with these remaining reforms expected to be finalized after program completion. Implementation under the RSF also progressed well, and remained broadly aligned with Fund technical assistance recommendations. Only one reform measure was not fully completed, but work will continue after the end of the program. The authorities have continued to pursue prudent macroeconomic policies and an ambitious reform agenda despite a more challenging external environment.

"Near- and medium-term risks have increased following the war in the Middle East. Seychelles remains vulnerable to disruptions in air travel and tourism activity, as well as higher commodity prices and shipping costs that could fuel inflation and weaken the external position. Flexibility will be needed in the short-run to adjust to these shocks. Over the medium-term, continued gradual fiscal consolidation—supported by revenue mobilization, expenditure rationalization, and strong SOE oversight—remains important to safeguard debt sustainability and rebuild policy buffers. Sound monetary policy and exchange rate flexibility will also remain essential to contain inflation, absorb external shocks, and preserve reserve adequacy. Continued steps to strengthen financial sector supervision, regulation, and resilience remain important.

"Over the past three years, the EFF and RSF have played an important role in helping Seychelles navigate successive shocks, strengthen macroeconomic fundamentals, and enhance climate resilience. Continued implementation of the reform agenda will support sustainable growth, reduce vulnerabilities, and strengthen Seychelles' capacity to adapt to climate-related risks. Given the outstanding credit to the Fund, Post Financing Assessments will be conducted."

Executive Board Assessment[3]

Executive Directors agreed with the thrust of the staff appraisal. They commended the authorities for their strong program performance which has supported macroeconomic stability, strengthened buffers, and advanced structural and climate-related reforms despite heightened external challenges stemming from the war in the Middle East. Recognizing the highly uncertain near-term outlook and elevated downside risks, Directors underscored the importance of continued prudent policies and structural reforms to boost competitiveness, economic diversification, climate resilience, and inclusive growth.

Directors welcomed the government's continued commitment to fiscal consolidation, including strengthening revenue mobilization and improving spending efficiency, and the gradual reduction of public debt toward the medium-term anchor of 50 percent of GDP. They, however, noted the potential risks to the fiscal trajectory from further planned increases in social welfare spending. They underscored the importance of careful calibration of such measures, and of making increases in social spending contingent on gains from revenue mobilization efforts. They highlighted the need to create fiscal space and strengthen capacity to ensure sufficient public investment to support growth and climate resilience. They supported efforts to strengthen public financial, investment, and debt management, and enhance SOE oversight.

Directors agreed that monetary policy should remain data-dependent and the CBS should closely monitor monetary and financial conditions, enhance communication, strengthen the monetary policy framework, and stand ready to tighten as needed to anchor inflation expectations. They welcomed the authorities' efforts to build international reserves while preserving exchange rate flexibility as an important shock absorber.

Directors welcomed the continued resilience of the financial sector. At the same time, they highlighted the need for close monitoring of rising household credit and sectoral concentration risks. They encouraged continued strengthening of risk based supervision, full implementation of the bank resolution framework, and further steps to reinforce crisis preparedness and financial safety nets. They also encouraged further improvements to the AML/CFT framework, beneficial ownership information, and oversight of virtual asset service providers.

Directors congratulated the authorities on the successful completion of the EFF and RSF arrangements, and welcomed their commitment to completing the outstanding reform measures, including the electricity tariff framework, post program. Directors looked forward to the initiation of a Post-Financing Assessment and continued Fund engagement with Seychelles through policy advice, surveillance, and capacity development.

It is expected that the next Article IV consultation with Seychelles will be held on the standard 12-month cycle.

[3] At the conclusion of the discussion, the Managing Director, as Chair of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.IMF.org/external/np/sec/misc/qualifiers.htm.

Seychelles: Selected Economic and Financial Indicators, 2023-31

	2023	2024	2025	2026	2027	2028	2029	2030	2031
	Act.		Prel.	Proj.					
	(Annual percent change, unless otherwise indicated)								
National income and prices									
Nominal GDP (millions of Seychelles rupees)	30,441	32,381	34,134	35,373	37,303	39,007	40,862	42,841	45,138
Real GDP (millions of Seychelles rupees)	26,233	27,112	28,493	28,926	30,087	31,077	32,100	33,157	34,248
Real GDP	5.2	3.4	5.1	1.5	4.0	3.3	3.3	3.3	3.3
CPI (annual average)	-1.0	0.3	0.3	2.6	1.7	2.1	2.4	2.5	2.5
CPI (end-of-period)	-2.7	1.7	-0.2	3.1	1.6	2.2	2.4	2.5	2.5
GDP deflator average	1.4	2.9	0.3	2.1	1.4	1.2	1.4	1.5	2.0
Money and credit									
Broad money	5.7	7.4	10.9	2.5	8.6	5.7	7.2	8.1	5.8
Reserve money (end-of-period)	-3.5	-4.3	12.8	0.9	8.6	5.7	7.2	8.1	5.8
Velocity (GDP/broad money)	1.2	1.2	1.2	1.2	1.1	1.1	1.1	1.1	1.1
Money multiplier (broad money/reserve money)	3.7	4.2	4.1	4.2	4.2	4.2	4.2	4.2	4.2
Credit to the private sector	7.4	12.1	11.1	8.3	9.2	8.0	7.8	7.5	6.9
	(Percent of GDP, unless otherwise indicated)								
Savings-Investment balance									
External savings	6.4	7.9	6.5	7.8	5.6	5.8	5.4	4.7	4.6
Gross national savings	18.3	16.0	18.0	17.3	19.1	18.8	19.1	19.8	20.1
Of which: government savings	2.2	3.2	3.1	1.9	2.5	3.1	3.0	3.0	3.3
private savings	16.1	12.8	14.9	15.4	16.6	15.7	16.1	16.7	16.7
Gross investment	24.7	23.9	24.4	25.1	24.6	24.6	24.5	24.5	24.6
Of which: public investment [1]	4.2	3.4	3.8	4.5	4.0	4.0	3.9	3.9	4.0
private investment	20.5	20.5	20.6	20.6	20.6	20.6	20.6	20.6	20.6
Private consumption	49.2	50.5	49.8	48.7	47.5	47.7	47.5	47.1	46.9
	(Percent of GDP)								
Government budget									
Total revenue, excluding grants	31.1	32.6	32.2	32.8	32.2	32.7	32.7	32.7	32.8
Expenditure and net lending	33.2	33.1	32.9	35.4	33.8	33.6	33.6	33.6	33.5
Current expenditure	29.4	29.5	29.4	30.9	29.7	29.6	29.7	29.7	29.5
Capital expenditure [1]	3.8	3.3	3.5	4.5	4.0	4.0	3.9	3.9	4.0

Overall balance, including grants	0.2	0.9	0.1	-1.3	-0.8	-0.2	-0.1	-0.1	0.1
Primary balance	1.7	3.1	2.5	0.9	1.5	2.0	2.0	2.0	2.0
Total government and government-guaranteed debt [2]	57.2	58.1	53.6	57.1	56.0	54.3	52.4	50.6	48.2
External sector									
Current account balance including official transfers (in percent of GDP)	-6.4	-7.9	-6.5	-7.8	-5.6	-5.8	-5.4	-4.7	-4.6
Total external debt outstanding (millions of U.S. dollars) [3]	5,651	5,898	6,154	6,498	6,717	6,658	6,645	6,654	6,678
(percent of GDP)	260.2	264.6	265.5	288.7	274.3	262.8	253.5	245.5	237.0
Terms of trade (-=deterioration)	-2.9	1.6	5.0	2.7	-2.1	-1.1	-2.4	-0.8	0.0
Gross official reserves (end of year, millions of U.S. dollars)	682	774	878	828	876	902	955	1,035	1,075
Months of imports, c.i.f.	3.4	3.6	4.2	3.7	3.8	3.8	3.8	4.0	4.1
In percent of Assessing Reserve Adequacy (ARA) metric	105	115	128	118	120	120	124	128	128
Exchange rate									
Seychelles rupees per US$1 (end-of-period)	14.2	14.8	14.9	…	…	…	…	…	…
Seychelles rupees per US$1 (period average)	14.0	14.5	14.7	…	…	…	…	…	…

Sources: Central Bank of Seychelles; Ministry of Finance; and IMF staff estimates and projections.

[1] Includes onlending to the parastatals for investment purposes.

[2] Includes debt issued by the Ministry of Finance for monetary purposes.

[3] Includes private external debt.

INTERNATIONAL MONETARY FUND

SEYCHELLES

May 13, 2026

STAFF REPORT FOR THE 2026 ARTICLE IV CONSULTATION, FIFTH AND SIXTH REVIEWS UNDER THE ARRANGEMENTS UNDER THE EXTENDED FUND FACILITY AND THE ARRANGEMENTS UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY, AND REQUEST FOR A WAIVER FOR NONOBSERVANCE OF A PERFORMANCE CRITERION

EXECUTIVE SUMMARY

Context. Seychelles' economic performance has been strong. Real GDP growth for 2025 is estimated at 5.1 percent, driven by record tourist arrivals. Headline inflation (CPI) was just below zero at end-year. The fiscal outturn was tighter than targeted at a primary surplus of 2.5 percent of GDP, while the ratio of public and publicly guaranteed debt to GDP declined to 53.6 percent. The external current account deficit dropped to 6.5 percent of GDP, and foreign exchange reserves rose to over 4 months of import cover. However, the Middle East war poses significant challenges for Seychelles. About 60 percent of tourist arrivals in Seychelles come through Doha, Dubai, or Abu Dhabi. Seychelles also imports about 95 percent of its energy, much of its food, and most if its industrial inputs—prices for which are now rising either directly or through higher freight and shipping costs.

EFF performance. The 5th and 6th reviews—the final reviews under the arrangements—are being combined as the new government needed more time to decide on macroeconomic policies and the FY26 budget. Performance under the EFF has been strong. All quantitative targets for end-June 2025 were met, and all but one for end-December (the floor on total revenue). The authorities requested a waiver of non-observance for the missed QPC the basis that it was a minor deviation from the target. The government has implemented most structural reforms under the EFF, although the remaining two (a pilot retail-oriented window for banks to purchase government securities, and pilot functional reviews of the ministries of finance, education, and health) are expected to be completed after the end of the program. All the ITs for both reviews were met. More broadly, Seychelles has demonstrated a very strong level of performance during the three years of the EFF, exceeding many of the original program objectives.

RSF performance. Implementation of climate-related reforms under the RSF has been good. Although capacity constraints have created some delays with respect to implementing a number of reform measures, all but one (RM8, related to publication of a multi-year, cost-reflective electricity tariff trajectory) have been implemented.

Outlook and risks. The near-term outlook is highly uncertain in the context of the war in the Middle East and the resulting disruption to regional air travel and international shipping, and the surge in commodity prices. Staff and the authorities agreed on a revised macroeconomic framework based on a one-month significant disruption. Under this baseline scenario, projected real GDP growth in 2026 is reduced from 3.3 percent of GDP (pre-war) to 1.5 percent; inflation may rise to 3.1 percent by end year; the primary fiscal balance deteriorates to about 0.9 percent of GDP from 1.5 percent (set in the Budget), and the external current account deficit expands to 7.8 percent of GDP, with foreign reserves covering 3.7 months of imports. Under a tailored adverse scenario where the war in the Middle East is assumed to last longer (a significant disruption to Gulf-based tourism arrivals for three months), real GDP growth declines to 0.9 percent in 2026, inflation rises to 4.6 percent YOY, and there is a significant deterioration in the government primary balance, public debt, the external current account, and gross foreign exchange reserves.

Article IV. The Article IV consultation focused on the medium-term outlook and how to ensure macroeconomic stability past near-term shocks, build resilience, and maintain the momentum of reform and steady improvement in public finances. In this context, the analytical work focused on (i) estimating the impact of the energy transition on the external sector, (ii) assessing the importance of public investment on growth dynamics, (iii) assessing Seychelles' debt anchor and its impact on growth; and (iv) examining recent developments with respect to virtual assets in Seychelles and the associated regulatory framework.

Policy recommendations. The policy framework is guided by the need to preserve macroeconomic and financial sustainability, build fiscal and external buffers, and advance prospects for long-term inclusive growth and economic resilience in line with the objectives under the EFF and RSF and staff recommendations. Continued fiscal consolidation—anchored in revenue mobilization, expenditure rationalization, and better SOE risk management—remains key to maintaining debt sustainability and convergence to the debt anchor of 50 percent of GDP while financing priority investments. Sound monetary policy and continued exchange rate flexibility are essential to contain inflation and absorb external shocks while anchoring the level of international reserves at about 4 months of import cover.

Staff's views. Considering Seychelles' strong program implementation and the government's policy commitments going forward, staff recommend completion of the fifth and sixth reviews of the EFF and RSF.

Approved By
Andrea Richter Hume (AFR) and Lamin Leigh (SPR)

The discussions in Victoria took place during March 3–19, 2026. The in-person team consisted of Todd Schneider (head), Farayi Gwenhamo (resident representative), Pedro Juca Maciel (all AFR) and Oana Elena Luca (SPR). Miho Tanaka (LEG) participated virtually in a relevant meeting. The team was supported by Andrew Esparon (local economist). Jack Ree, Danielle Bieleu, and Henry Quach (all AFR) assisted with the preparation of this report.

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ANNEXES

APPENDICES

CONTEXT

1. National elections were held in September-October 2025, bringing a new administration and policy agenda. The presidential race was tightly contested, with Patrick Herminie of the United Seychelles Party (USP) winning in a run-off against incumbent Wavel Ramkalawan with 52.7 percent of the total vote. Herminie's victory gave USP full control of government after it also achieved a majority in the national assembly. The new administration quickly launched an agenda for the first 100 days. Consideration of the FY26 budget was delayed to allow time for integration of priorities from the 100-day agenda, most noticeably a range of social spending measures including reinstatement of a 13th month salary, lowering the retirement age from 65 to 63[1], increasing the social security retirement benefit (with plans to effectively double the average disbursement by 2029), and reconstituting agencies shuttered or merged by the previous government.

2. The new administration faces significant challenges from the war in the Middle East. The Seychelles economy is vulnerable to the effects of the war through several channels. Roughly 60 percent of tourist arrivals in Seychelles come through Dubai, Doha, or Abu Dhabi. With the closure of airspace and curtailment of flights by Gulf airlines in the weeks following the outbreak of hostilities, year-on-year tourist arrivals fell by an average of 32 percent. However, longer term hotel bookings remain steady, suggesting that appetite for tourism in Seychelles remains strong if travel routes can be secured. As a stop-gap measure, Air Seychelles has initiated direct flights to Paris and Rome to partially overcome the disruptions in Middle East hubs.[2] Beyond tourism, the war also poses significant challenges through the import channel. Seychelles imports about 95 percent of its energy, much of its food, and most of its industrial inputs—all of which are affected by the ongoing conflict, either via direct price increases or through shipping disruptions and higher freight costs.

3. The authorities' response thus far has largely been through monitoring, communication, and limited fiscal measures. An economic monitoring committee was activated on March 2nd, tasked with continuous monitoring of fuel supply, food security, aviation connectivity, and foreign exchange reserves, as well as regular public communications. The government has imposed limits on wholesale and retail mark-ups on a variety of basic commodities imported by the Seychelles Trading Company. On April 11, the government announced new measures including a 5 percent increase in gasoline prices, remote working arrangements for civil servants to reduce fuel and electricity demand, and targeted support for affected businesses through tax deferrals and expedited VAT refund processing. Further action (such as direct support to the most vulnerable as was provided during the 2022 shock) will be considered if the crisis is prolonged. Foreign exchange markets showed some initial movement in the three days following the onset of the war but have

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[1] This reverses a decision taken in 2023 to raise the retirement age from 63 to 65 to increase the sustainability of the program. Retirement benefits are the largest social welfare program.

[2] The additional Air Seychelles flights are considered temporary and will likely be phased out once Gulf airlines resume operations.

since stabilized. Fuel and essential food supplies remain stable, with the government committed to maintaining stocks of key commodities, including medications, for a minimum of two months.

4. **Sustaining economic growth and ensuring fiscal and external sustainability over the medium-term will require continued fiscal prudence while ensuring sufficient room for public investment.** The authorities remain committed to bringing public and publicly guaranteed debt to around 50 percent of GDP by 2030. The fiscal trajectory embedded in the FY26 budget envisions smaller primary surpluses than projected at inception of the EFF, with higher recurrent spending and lower capital expenditures. Given overperformance on fiscal consolidation in recent years, this trajectory is still consistent with achieving the public debt target. However, there are risks to the outlook from the steady increase in social spending, reliance on administrative gains in revenue (through higher compliance and increased transfers from public enterprises), and a less ambitious level of capital expenditure (around 4 percent of GDP annually). Growth accounting results highlight the importance of investment and capital stock to growth dynamics (Annex VI). Continued fiscal consolidation and a steady reduction of the debt burden to around 50 percent of GDP by 2030 remains critical to ensure a buffer to external shocks and to support medium-term growth (Annex VII).

RECENT DEVELOPMENTS

5. **Macroeconomic performance in 2025 was robust.** Real GDP grew by an estimated 5.1 percent in 2025, reflecting record tourism income. Visitor arrivals rose 13.1 percent YoY, driven by improved connectivity and targeted promotions that offset declines from traditional European markets. Visitor arrivals from the U.S., Poland, Israel, India, and China grew by double digits (Text Table 1). Average spending per tourist increased 14.3 percent, and overall tourism income rose 29 percent compared to 2024. In non-tourism sectors, weaker growth in agriculture was offset by robust activity in manufacturing, construction, and public services. The unemployment rate fell to 2.6 percent by Q3 2025.

Text Table 1. Seychelles: Visitor Arrivals, Selected Countries

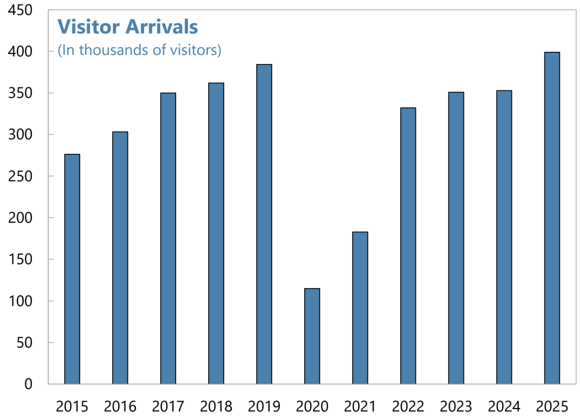
Markets	Arrivals		Growth (% change)
	2024	2025	YOY
Germany	57,501	55,497	-3.5%
France	41,833	41,409	-1.0%
UAE	19,761	20,980	6.2%
Switzerland	13,746	14,740	7.2%
UK	20,559	22,042	7.2%
Russia	35,030	37,595	7.3%
Italy	18,911	22,524	19.1%
USA	11,467	13,798	20.3%
Poland	8,453	13,392	58.4%
India	7,628	13,499	77.0%
Israel	8,525	15,578	82.7%
Other	*109,348*	*127,786*	*16.9%*
Total	**352,762**	**398,840**	**13.1%**

Sources: Central Bank of Seychelles; and IMF staff calculations.

6. **Headline inflation fell to -0.2 percent by end 2025, while average inflation for the year was 0.3 percent.** Modest upticks in such items as alcoholic beverages, restaurants and hotels, transport, health, and education services were more than offset by lower food prices (imported and domestic) and utilities. Core inflation also remained low at 0.4 percent. Broadly stable utility rates and downward pressure on food and transport (reflecting lower global commodity prices and a broadly stable exchange rate) were the most significant drivers of disinflation during the year.

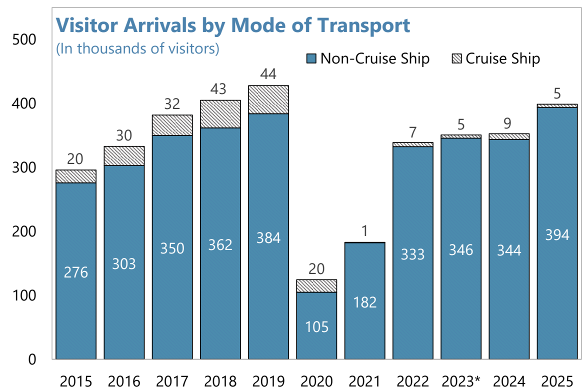
Figure 1. Seychelles: Recent Developments in Tourism

Visitor arrivals have steadily gained momentum, finally surpassing pre-pandemic levels in 2025.



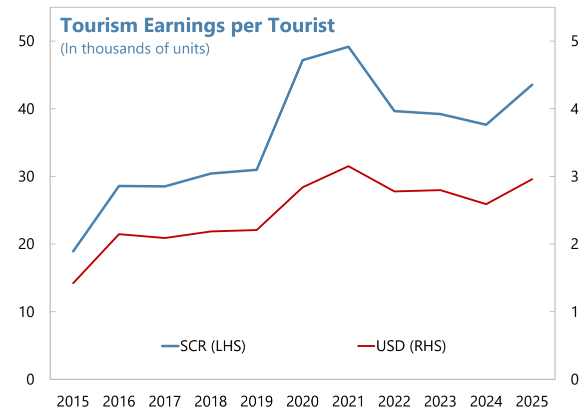
Improved air connectivity has supported arrivals growth.

Cruise passengers declined in 2025, leading to higher average length of stay.



*Note: Estimations based on NBS visitor arrivals by air and sea travel start in 2023.

Spending per tourist in 2025 increased due to lower cruise passengers and higher hotel occupancy rates.



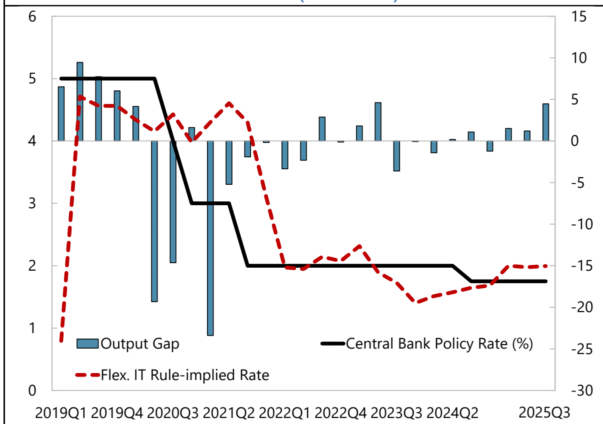
Sources: Authorities' data, Central Bank of Seychelles, Flightradar24, NBS, UN Tourism data; and IMF staff calculations.

7. **The monetary policy stance is assessed as slightly expansionary (Text Figures 1-2)[3].** CBS has maintained the monetary policy rate (MPR) at 1.75 percent since March 2024 despite strong economic activity and credit growth in 2025. In October, CBS lowered the Minimum Reserve Requirement (MRR) from 13 to 10 percent on rupee-denominated deposit liabilities to provide greater scope for increased credit to support economic activity. Monetary operations have been calibrated to steer the 7-day Deposit Auction Arrangement (DAA) to the MPR. Excess reserves increased in H2 2025, due to only partial sterilization of accumulated international reserves and the

[3] There is not an exact estimate of what share of the consumption basket falls under administered prices, but CBS estimates suggest a maximum range of 8.9 percent (likely less given that some products are imported and sold by firms other than the Seychelles Trading Company). Inflation and output gap have had little (if any, negative) relationship in Seychelles. However, the policy rate has been trailing below the Taylor Rule-implied interest rate since 2025Q1. The level of M3 is also too high to attain the inflation target and its growth rate too high to bring M3 back to a level consistent with economic activity and financing deepening (i.e., a level without monetary overhang).

reduction in the MRR. The impact of monetary policy on market interest rates and domestic credit conditions remains limited due to weak transmission and persistent excess liquidity.

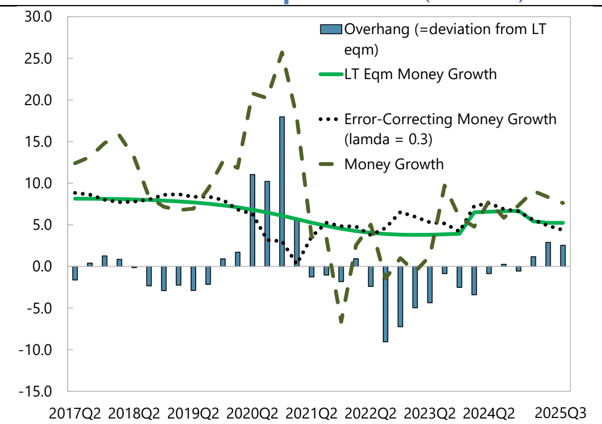
Text Figure 1. Seychelles: Policy vs. Rule Rates[1] (Percent)



1/ Flex IT Rule-Implied Rate is driven by an augmented forward looking Taylor Rule equation with the following parameterization: autorepression coeff = .9, output gap coeff =.5, inflation gap coeff=.5

Sources: Central Bank of Seychelles, Haver Analytics, and IMF staff estimates.

Text Figure 2. Seychelles: M3 Growth: Actual vs. Equilibrium[1] (Percent)



1/ LT equilibrium is M that meets quantity theory of money relations with trend Y (GDP), V (velocity) and inflation target. The short-term path of M is assumed to be determined by an error correcting monetary growth rule: Monetary Growth Rate = LT equilibrium Monetary Growth Rate - lamda * Monetary Overhang (where Monetary Overhang = Log difference between actual real money stock and its equilibrium demand level).

Sources: Central Bank of Seychelles, Haver Analytics, and IMF staff estimates.

8. The external current account deficit narrowed from 7.9 percent of GDP in 2024 to an estimated 6.5 percent in 2025. Surging tourism earnings and a stronger services balance more than offset a deterioration in the goods trade balance. Robust FDI inflows continued to support the financial account.[4] Gross international reserves increased to \$878 million at end-December 2025, equivalent to 4.2 months of import cover and 128 percent of the IMF's Assessing Reserve Adequacy (ARA) metric. This exceeds the level of coverage expected for the end of the medium-term when the EFF program was initiated. CBS net purchases amounted to \$121 million, surpassing the \$70.9 million purchased in 2024. The nominal exchange rate depreciated by 1 percent against the US dollar and 13.3 percent against the Euro as of December 2025 (end of period, YOY). In NEER and REER terms, the rupee depreciated by 3 percent and 5.4 percent, respectively. The external sector assessment (Annex III) indicates that Seychelles' 2025 external position was moderately weaker than the level implied by medium-term fundamentals and desirable policies but an improvement relative to the previous year's assessment.

[4] Net FDI inflows increased to 16.5 percent of GDP in 2025, up from 11.7 percent of GDP the year before. This is due to the importation of a superyacht (US\$116 million or 5 percent of GDP) registered for charter activities. The statistical treatment of this transaction in the balance of payments is still being determined with IMF CD support.

9. The 2025 fiscal outturn was tighter than projected, despite a shortfall in nontax revenue (Text Table 2). The primary fiscal surplus reached 2.5 percent of GDP in 2025, compared to 1.2 percent set out in the 4th review. Tax revenue performed better than projected on the back of robust economic activity. However, nontax revenue was 1.8 percentage points of GDP less than expected due mainly to lower dividends from parastatals.[5] Also contributing to the higher primary surplus was a shortfall in government spending—particularly in public investment (linked partly to lower external grants). Notably, implementation of domestically financed projects has improved in recent years, reaching an execution rate of about 80 percent.

Text Table 2. Seychelles: Consolidated Government Operations, 2025

	2025		Difference	
	4th Review	Oututrn	SR million	Percent of Revised GDP
Revenue and grants	11,740	11,174	-566	-1.7
Tax	9,587	9,855	269	0.8
Nontax	1,773	1,150	-623	-1.8
Grants	381	169	-211	-0.6
Expenditure and net lending	12,287	11,218	-1069	-3.1
Current expenditure	10,401	10,050	-351	-1.0
Wages and salaries	3,615	3,509	-105	-0.3
Goods and services	4,098	4,042	-56	-0.2
Transfers	1,747	1,586	-160	-0.5
Interest due	926	896	-30	-0.1
Capital expenditure	1,639	1,199	-441	-1.3
Domestically financed	1,131	1,098	-33	-0.1
Foreign financed	509	101	-408	-1.2
Net lending and Contigency	247	-30	-277	-0.8
Primary balance	378	852	474	1.4
Overall balance	-547	-44	503	1.5

Sources: Central Bank of Seychelles; and IMF staff calculations.

10. The financial sector is stable, but lending spreads remain elevated. Commercial banks are well capitalized, liquid, and profitable. NPLs as a share of gross loans declined to 4.7 percent at end-2025 compared to 5.5 percent at end-2024 and a peak of 8.1 percent at end-2023. Private credit growth (fueled by household and real estate lending) was robust at 11.1 percent (December 2025, yoy). Due to the banking sector's limited size and high concentration, the cost of credit remains high. The average lending rate declined slightly in 2025 to 9.8 percent. The spread vis-à-vis deposit rates remains high, at 7.4 percentage points. Profitability indicators showed some deterioration, with return on assets and interest margin to income declining between end-2024 and end-2025.

11. Article IV. Implementation of the recommendations from the 2024 Article IV Consultation has been satisfactory (Annex IX). Most recommendations have been or are in the process of being implemented. Some delays are evident and linked to the legislative process.

OUTLOOK AND RISKS

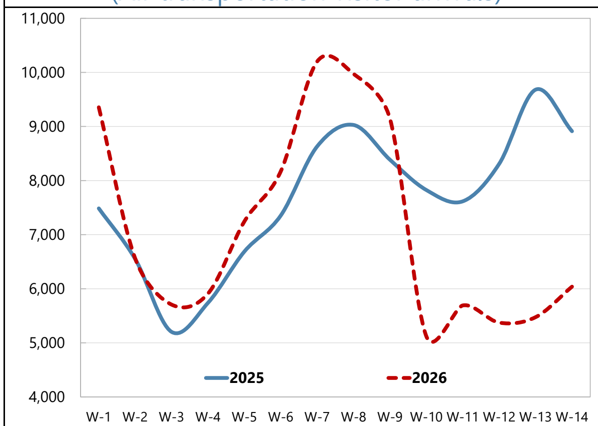
12. The near-term outlook is highly uncertain. The war in the Middle East has severely disrupted maritime and air traffic and led to a surge in international commodity prices and freight costs. The economic impact will depend crucially on how long the conflict lasts and how widely the

[5] The authorities expected to carry out a transaction involving a transfer of funds to the Island Development Company (IDC) as net lending for investments in the luxurious resort project in the Assomption Island, followed by the collection of dividends of $20 million dollars for the land concession to the investor group. However, this transaction did not materialize

effects are felt. For Seychelles, the main channels of transmission are (i) disruption to air traffic from Gulf States; (ii) higher oil prices in the context of Seychelles' 95 percent import dependency for power generation; and (iii) disruption to air and sea freight, leading to higher prices and shipping costs for commodities and industrial/construction inputs.

Text Figure 3. Seychelles: Weekly Tourist Arrivals, 2025-2026

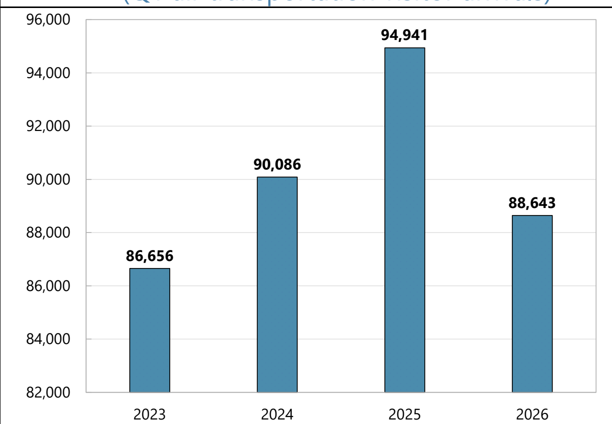
(Air transportation visitor arrivals)



Source: National Bureau of Statistics Seychelles; and IMF staff

Text Figure 4. Seychelles: Quarterly Tourist Arrivals

(Q1 air transportation visitor arrivals)



Source: National Bureau of Statistics Seychelles; and IMF staff

13. The effects of the war are expected to be significant for Seychelles (Text Table 3). The baseline macroeconomic projections presented here assume sharp disruptions to air travel in March-April, followed by a gradual recovery in air and sea transport. Under this scenario tourist arrivals are projected to decline by 3.7 percent relative to 2025, with a decline of 2.3 percent in spending per tourist. Oil prices (Brent) are set at an average of $82.2 per barrel for 2026, in line with the WEO.

Text Table 3. Seychelles: Selected Economic Indicators

	2026 Projection	
	Pre-Crisis	Baseline
National income and prices	(Annual percent change)	
Real GDP	3.3	1.5
CPI (annual average)	0.9	2.6
CPI (end-of-period)	1.4	3.1
GDP deflator average	0.7	2.1
Money and credit		
Credit to the private sector	9.4	8.3
Government budget	(Percent of GDP)	
Total revenue, excluding grants	33.3	32.8
Expenditure and net lending	35.3	35.4
Current expenditure	30.7	30.9
Capital expenditure	4.5	4.5
Overall balance, including grants	-0.7	-1.3
Primary balance	1.5	0.9
Total government and government-guaranteed debt	55.0	57.2
External sector		
Current account balance (in percent of GDP)	-4.1	-7.8
Gross official reserves (end of year, millions of U.S. dollars)	906	828
Months of imports, c.i.f.	4.1	3.7
In percent of Assessing Reserve Adequacy (ARA) metric	125	118

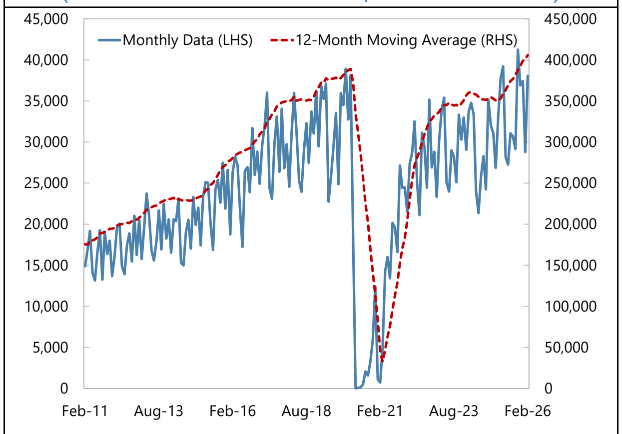
Sources: National Bureau of Statistics Seychelles; and IMF staff calculations.

14. In the wake of these shocks, real GDP growth drops to 1.5 percent (compared to pre-war projections of 3.3 percent) in line with the decrease in tourism income and a staggered recovery of arrivals through Gulf air hubs. Inflation rises to 3.1 percent YOY, based on a pass through of international prices. The primary fiscal surplus declines from 1.5 percent of GDP (as under the FY26 budget) to about 0.9 percent of GDP, while public and publicly guaranteed debt increases from 53.6 percent of GDP at end-2025 to 57.2 percent at end-2026 (inclusive of new government guarantees). The external current account deficit expands to about 7.8 percent of GDP, while gross foreign exchange reserves of the central bank decline by about $44 million to a level equivalent to 3.7 months of import cover. Financial stability risks rise given high bank exposure to the tourism sector, and recent strong credit growth to households.

15. The medium-term outlook will rest heavily on developments in the short-term, the policy response, and macroeconomic policies beyond 2026. On the positive side, Seychelles has a strong track record of recovery after external shocks (Text Figure 5)[6], with rising economic activity supported by steady increases in tourist arrivals, as well as increasing activity in IT and financial services. In the baseline, growth is projected to recover in 2027 and stabilize around 3.3 percent over the medium term. Average annual inflation is projected to converge to 2.5 percent. The current account deficit is expected to stabilize over the medium term around 5 percent of GDP and gross foreign exchange reserves are projected to increase gradually to an average of 3.9 months of import cover over the medium term. However, Seychelles' ability to achieve such a recovery will hinge on maintaining macroeconomic and financial stability, a prudent macro-fiscal trajectory, a conducive business environment, and credibility as a safe jurisdiction for financial and other business services.

Text Figure 5. Seychelles: Tourist Arrivals

(Number of visitor arrivals, Feb 2011-2026)



Sources: National Bureau of Statistics Seychelles; and IMF staff calculations.

16. Risks remain tilted to the downside (Annex I). The external outlook is vulnerable to extended conflict in the Middle East and other geopolitical tensions that could dampen global growth, investment, and tourism. Should tourism activity continue to be depressed for a longer period, the reduction in FX inflows would likely weaken the rupee and pass through to inflation. Additionally, prolonged conflict runs the risk of an extended period of elevated international commodity prices as well as higher shipping costs—affecting Seychelles directly through the import channel. Associated global financial market volatility and higher long-term interest rates could disrupt FDI and deteriorate financial conditions. On the domestic side, the rebalancing of public expenditure toward higher social spending could weaken fiscal buffers if additional space is not found through a lower government wage bill and reduced goods and services spending, and possibly lower potential output—particularly if compression of public investment occurs to make up for revenue shortfalls over the medium term. Financial stability risks may arise from banks' rising exposure to households and credit concentration. Seychelles remains vulnerable to sea level rise and natural disasters via damage to coastal infrastructure and tourism.

[6] Including recovery from the pandemic and the shock from the war in Ukraine.

17. An alternative scenario highlights Seychelles' vulnerability to an extended Middle East war (Annex XII). Under this scenario, the war is assumed to last for three months—causing a significant disruption to tourism arrivals during March, April, and May, with a more gradual recovery in the remaining months of the year. Oil prices are assumed to hold at about $111 per barrel in 2026, and $124 per barrel in 2027. As a result, real GDP growth declines to 0.9 percent in 2026, inflation rises to 4.6 percent YOY, the primary fiscal surplus shifts to a deficit of 2.0 percent of GDP, and public debt rises to 63.2 percent of GDP (delaying achievement of public debt at 50 percent of GDP beyond 2030). The external current account deficit rises to 15.8 percent of GDP, while central bank foreign exchange reserves drop to 3.4 months of import cover. Financial stability risks would increase further given the extended nature of the shock. Should the alternative downside scenario (or elements thereof) materialize, the authorities will need to hold course on allowing prices and the exchange rate to adjust to facilitate adjustment, postpone new broad-based expenditure initiatives, and focus on targeted measures to support the most vulnerable—potentially drawing lessons from measures undertaken during the pandemic or in 2022 on the heels of the war in Ukraine and the spike in international commodity prices.

Authorities' Views

18. The authorities shared staff views regarding recent economic developments, the outlook, and potential risks. They cited Seychelles' particular vulnerability to disruptions in flight connectivity and shipping supply due to the war in the Middle East. They agreed that it would be important to allow pass-through of international prices and that exchange rate flexibility remains essential to support adjustment. If the crisis is prolonged, the authorities noted that they are considering targeted measures to support the most vulnerable (bearing in mind experience with recent shocks). They reiterated that the government remains committed to sound macroeconomic policies in the medium-term. The public debt target remains the medium-term anchor for fiscal policy, supported by a prudent monetary stance and the floating exchange rate regime.

PROGRAM PERFORMANCE

19. Program performance under the EFF and RSF was strong. All but one quantitative target for the 5th and 6th reviews were met (the floor on revenue for December 2025 was missed due to lower-than-expected dividends from state enterprises) and is considered minor. Most structural benchmarks (SBs) under the EFF were met. However, two SBs (launch of a government securities window at the CBS, and completion of a functional review of the public sector) will not be fully met before the Board meeting. All but one reform measure (RM) slated for the reviews were implemented. Although the authorities made significant progress on RM8 (which is focused on scaling up renewable energy) more time is needed to complete technical work supporting a multi-year tariff system for end-use electricity tariffs and publication of an associated tariff trajectory. Implementation of RMs has been broadly in line with expectations, adhered to good practices and recommendations from Fund TA. Importantly, staff see the reforms as durable in the sense that they are embedded in government processes and regulation and will likely be improved and adapted going forward.

Text Table 4. Seychelles: EFF Quantitative Targets, 2023-25

	2023		2024		2025	
	Jun.	Dec.	Jun.	Dec.	Jun.	Dec.
Quantitative performance criteria						
Net domestic financing of the government (ceiling)	✓	✓	✓	✓	✓	✓
Primary balance of the consolidated government (floor)	✓	✓	✓	✓	✓	✓
Total revenue (floor)	✓	✗	✓	✓	✓	✗
Continuous quantitative performance criteria (ceilings)						
Accumulation of new external payments arrears	✓	✓	✓	✓	✓	✓
Accumulation of new domestic payments arrears	✓	✓	✓	✓	✓	✓
Indicative targets						
Net change in total PPG debt (ceiling)	✓	✓	✓	✓	✓	✓
Priority social expenditure (floor)	✓	✓	✓	✓	✓	✓

Sources: Seychellois authorities; and IMF staff calculations.
Symbols: ✓ Met; ✗ Not met.

20. The authorities remain committed to completing the two missed SBs after the program ends. The CBS had intended to launch a pilot retail-oriented window for banks to purchase government securities by January 2026, but more time is needed to complete prerequisite reforms—establishing a Real Time Gross Settlement System (expected Q2 2026) and a Central Securities Depository (Q3 2026) (MEFP, ¶97). A second reform—to complete pilot functional reviews of the ministries of finance, education, and health by end-2025—is now expected to be completed, with support from the World Bank, by the end of 2026 as an important input to a comprehensive analysis of the size and structure of the public sector (MEFP, ¶39).

POLICY DISCUSSIONS

Staff agreed with the authorities on a revised macro framework and quantitative targets consistent with program objectives. Discussions focused on the impact of the war in the Middle East on the economy, policy responses, and contingency measures should the conflict be prolonged. Staff recommended the authorities to balance the increase in social spending with continued fiscal consolidation and debt reduction, strengthen the monetary policy operating framework, and preserve financial stability. Staff recommended to maintain the current monetary policy stance, to closely monitor monetary and financial conditions and stand ready to tighten in coordination with fiscal policy should the crisis extend and inflation expectations become de-anchored. Moreover, the exchange rate should be allowed to adjust in response to worsening external conditions as a shock *absorber. Discussions also focused on (i) the balance of payments impact of transitioning to renewable energy; (ii) estimating the impact of public investment on growth dynamics, (iii) assessing Seychelles' debt anchor and the importance of prudent debt management for economic growth; and (iv) examining recent developments with respect to the operations and oversight of virtual asset service providers.*

A. Fiscal Policy

Near-Term Fiscal Stance

21. The FY26 budget[7] targets a primary surplus of 1.5 percent of GDP, compared to a 1.8 percent surplus envisioned at the time of the 4th review. The budget framework marks a shift in priorities along the following lines (see also Text Table 5):

- ***An increase in recurrent spending in line with the president's 100-day agenda***. This includes reinstatement of a 13th month salary, lowering the official retirement age for social security benefits from 65 to 63, increasing the monthly social security benefit (starting with an SR 800 increase in FY26 and aiming to increase to SR 10,000 per month by 2029), reinstituting allowances and gratuities to public servants, and reconstituting agencies shuttered or merged by the previous government. The total cost of these and other measures is estimated at an additional 1.7 percent of GDP in recurrent spending.

- ***Offsetting cuts to lower priority recurrent expenditure for a savings of 0.4 percent of GDP*** (Text Table 5). The most notable measures include a freeze on new civil service recruitment; a 50 percent cut to overseas airfare and subsistence spending; and cuts to minor capital outlays.

- ***Public investment targeted at 4.5 percent of GDP.*** This compares to 5 percent envisioned at the time of the 4th Review and 6.2 percent when the EFF was approved. This would still be a significant accomplishment, however, given that public investment spending has averaged about 3.3 percent of GDP per year over the past decade.

- ***Measures to enhance revenue collection***. To further offset the increase in recurrent spending, the government will pursue additional revenue measures in 2026, expected to yield 0.9 percent of GDP. These include an increase in nontax revenues relative to 2025, including long-term leases and implementation of e-invoicing in Q4, which is expected to boost VAT collections. In the opposite direction, the government abolished the Tourism Environmental Sustainability Levy of SR 25 per person per night for visitors staying in small establishments (24 rooms or less). The impact is estimated at 0.1 percent of GDP.

22. The onset of the crisis has heightened fiscal risks. Slower growth will inevitably spill through to lower tax collection (particularly the VAT). Higher import costs may tighten margins for

[7] The budget was approved in the first two weeks of March. Adjustments to reflect the impact of the Middle East war will likely be made as part of the regular mid-year supplemental budget process.

state enterprises, limiting their ability to make dividend transfers to the government while maintaining sufficient cash reserves and funding for investment projects. The cuts already made to lower-priority government spending in the FY26 budget have reduced maneuvering room to adjust to any new shocks, leaving reductions in capital spending as one of the few options to protect the overall balance and avoid taking on additional debt. Under the baseline macroeconomic framework, staff and the authorities agreed on seeking to achieve a primary surplus of 0.9 percent of GDP. To support this objective, staff recommended to (i) allow pass through of changes in international prices to ensure continued viability of state enterprises, adjustment of domestic consumption, and ease pressures on the foreign exchange market; and (ii) avoid further use of price controls in favor of direct transfers to the most vulnerable. Should economic conditions worsen to a point where additional action is needed, targeted and time-bound direct support to the most vulnerable is recommended.[8]

Medium-Term and Article IV Issues

23. The key challenge for the medium-term is balancing plans for further increases in recurrent spending against public investment needs, while also building up resilience and achieving the public debt anchor. As part of the FY26 budget, the government has committed to increasing the primary fiscal surplus to 2 percent of GDP by 2028, which (given the faster than expected decline in public debt over the last three years[9]) appears consistent with reaching the 50 percent debt target by 2030. However, this fiscal trajectory also incorporates a further expansion of social spending, most importantly a commitment to raise monthly benefits under the Social Security Fund (SSF) to SR 10,000 by 2029).

Text Table 5. Seychelles: Fiscal Impact of the Main New Measures Announced by the Government, 2026-31

Description	2026	2027	2028	2029	2030	2031
Revenue	**0.8%**	**0.2%**	**0.2%**	**0.2%**	**0.2%**	**0.2%**
Tax Revenue	**0.0%**	**0.2%**	**0.2%**	**0.2%**	**0.2%**	**0.2%**
1. Personal Income Tax- enhanced expatriates earnings monitoring	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%
2. VAT: E-invoicing reform	0.1%	0.2%	0.2%	0.2%	0.2%	0.2%
3. Tourism Environmental Sustainability Levy (removal for small enterprises)	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%
Non-Tax Revenues	**0.8%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
4. Dividend Income (deferment of 2025 Divident to be collected in 2026)	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
5. Long Term Lease - Land and Buildings	0.7%	0.0%	0.0%	0.0%	0.0%	0.0%
Expenditure	**1.2%**	**2.0%**	**2.5%**	**3.0%**	**2.9%**	**2.7%**
Expenditure Increasing Government Initiatives	**1.7%**	**2.4%**	**2.9%**	**3.4%**	**3.2%**	**3.0%**
1. 13th Month Salary	0.5%	0.6%	0.5%	0.5%	0.5%	0.5%
2. PSC Staff Benefit - performance allowance & Annual Gratuity	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
3. Long Service Allowance and Gratuity Revision	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
4. Re-instatement of government entities/agencies	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
5. Transfers to Social Programmes of Central Government	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
6. Subvention to Public Enterprises	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
7. Benefits and Approved Programmes of the Agency of Social Projection	0.9%	1.4%	1.9%	2.4%	2.3%	2.2%
Expenditure Saving Measures	**-0.4%**	**-0.4%**	**-0.4%**	**-0.3%**	**-0.3%**	**-0.3%**
1. Freeze/Limitations on New Recruitment	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%
2. 50% cut on overseas airfares and subsistence allowance budget under MDA's b	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%
3. 25% cut on acquisition of Minor Capital outlays allocation	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%
4. Other cuts on non-priority spending	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%
Total Primary Balance Impact	**-0.4%**	**-1.8%**	**-2.3%**	**-2.8%**	**-2.7%**	**-2.5%**

Sources: IMF staff calculations.

24. The authorities consider that the projected increase in social spending can be delivered while maintaining a fiscal trajectory consistent with the debt target. Projected capital expenditure has been reduced to about 4 percent of GDP over the medium term—in line

[8] The government's measures to respond to the COVID-19 pandemic crisis are detailed in Text Table 1 of IMF Country Report No. 20/170.

[9] At the inception of the EFF in May 2023, gross public and publicly guaranteed debt was projected to reach 63. 1 percent of GDP by 2025, compared to an estimated outturn of 53.6 percent.

with spending levels of recent years but less than envisioned at the onset of the EFF. This nonetheless raises concern as staff estimate that a sustained level of public investment around 5 percent of GDP per year is needed to replenish the capital stock, support growth, and provide for climate resilient infrastructure (Annex VI). Additional savings are expected to come from freezing public salaries until 2028 and making significant cuts (1.2 percent of GDP) to spending on goods and services (expected to come partly through completing several IT and consulting projects). Consideration will also be devoted to introducing a tax on non-domestic suppliers of digital services to residents.

25. Discussions focused on the risks to the medium-term outlook and reforms to ensure a balanced approach to reconciling social spending, investment, and debt objectives. Staff noted potential risks to the fiscal framework over the medium-term, and in this context made the following recommendations.

- ***Delay or reconsider further increases in recurrent expenditure*** (such as revision of schemes of service or further increases in the retirement benefit), contingent on identifying additional revenues.

- ***Prioritize the functional review of public sector agencies with a view to reducing the public wage bill over the medium-term.***[10] While wage and recruitment freezes have been utilized effectively in the past, a public sector functional review combined with reform of salary structures offers a more durable basis for fiscal savings while helping to ensure the quality and efficiency of public services. In this context, it is important that the pilot functional reviews (SB, December 2025) for Finance, Education and Health be completed by end-2026.

- ***Bolster medium-term fiscal revenues through changes to tax policies favorable to continued growth, simplicity, and equity. Based on IMF TA recommendations, some measures that might usefully*** be considered as part of FY27 budget planning include:

- ***Eliminating VAT exemptions for the first sale of residential properties and for construction services***. Alternatively, undertake this reform sequentially—such as starting with the taxation of construction materials and services, and then first sales of residential properties and all sales of commercial properties.

- ***Remove the VAT exemption for travel agency services***. Applying VAT to domestic travel agents would require the introduction of deemed registration for foreign suppliers of digital services to ensure that domestic providers are not placed at a competitive disadvantage.

- ***Raise the presumptive tax rate from the current 1.5 percent to 3 percent***. Presumptive taxation applies to several professional services with high profit margins. As such, the 1.5

[10] Expected to be reduced by 0.3 percent of GDP in 2027 and 2028.

percent turnover tax is likely significantly lower than what these businesses would pay under a profit-based tax system.

- ***Reduce personal income tax (PIT) deductions***. Several monetary and in-kind payments to employees are currently exempt from income tax. These exemptions create horizontal inequity, as employees with the same total income may pay different amounts of tax. One possibility is to eliminate these exemptions while modestly increasing the threshold for the first (zero-tax) bracket to ensure low-income employees are not brought into the tax net.

- ***Reform interest limitation rules in the business income tax (BIT)***. Currently, Seychelles does not have strong interest limitation rules, leaving the tax base vulnerable to profit shifting, particularly by multinational enterprises.

- ***Introduce taxation of capital income***. Apply a uniform tax rate to all individual capital income, including capital gains, equal to the dividend tax rate.

26. Seychelles should continue targeting a debt anchor of 50 percent of GDP as a reference for the medium-term fiscal strategy. The country's recent experience demonstrates that a credible medium-term fiscal framework, grounded in a clear fiscal anchor, can significantly reduce debt vulnerabilities, lower risk premia and debt rollover costs, and mitigate fiscal risks.[11] The level of the debt anchor reduces the likelihood that temporary debt increases—whether driven by external shocks, natural disasters, or countercyclical policy—translate into persistent growth losses or heightened fiscal distress (Annex VII). To be effective, the anchor should be supported by credible medium-term fiscal frameworks, strong fiscal institutions, and operational rules that ensure convergence while allowing flexibility in the face of large shocks.

27. Advancing digitalization of tax administration should remain a priority. The Tax Management System has progressed to the pilot phase, enabling streamlined services like business registration, tax return submissions, and online payments. Meanwhile, the SRC is implementing a Compliance Risk Management Framework supported by a centralized data warehouse, operational since October 2025, to enhance risk-based analysis and revenue assurance using integrated data and AI tools (SB, December 2025). SRC is also utilizing the Case Management and Tracking System in domestic taxes to support risk-based compliance interventions by enabling identification, monitoring, and resolution of audits and enforcement cases, improving timelines, accountability and enhancing managerial oversight (SB, August 2025). Rollout of e-invoicing is expected for H2 2026 aiming to automate invoicing and payments, boosting efficiency, compliance, and fraud prevention within the digital transformation of tax administration.

[11] Between 2020 and 2025, the debt-to-GDP ratio declined from 77 percent to 53.6 percent, while borrowing costs fell significantly: yields on 365-day Treasury bills dropped from 4.9 percent in July 2021 to 2.7 percent in December 2025, and the yield on 7-year Treasury bonds decreased from 8.4 percent to 4.7 percent. In September 2025, Fitch sovereign credit rating rose from BB- to BB.

28. Continued improvements to public financial management (PFM) can support fiscal objectives. Implementation of the IFMIS is advancing, with pilot rollout scheduled for January 2027 and full government deployment by January 2028. The database of major fixed government assets was established in November (SB, November 2025) and a Public Expenditure and Financial Accountability (PEFA) report has been completed and reviewed by the authorities. The corresponding action plan targeting improvements in overall spending efficiency was approved by the Cabinet of Ministers on April 29, 2026 (SB, November 2025).

Authorities' Views

29. The authorities remain committed to fiscal responsibility, anchored on a medium-term fiscal framework that places public debt firmly on a downward trajectory. They emphasized that implementation of VAT e-invoicing can not only provide additional yields but also reinforce a culture of tax compliance. They acknowledged staff's recommendations on tax policy reforms and are open to further discussion with the IMF in the context of preparing the 2027 budget, as well as detailed consideration of a digital services tax. They agreed that ongoing pilot functional reviews of finance, health, and education can be a valuable input to improving public service delivery and containing wage and salary costs—particularly if combined with a review of pay structures and continued digitalization. They appreciated staff's analysis on fiscal risks, particularly given the potential financing challenges going forward and heightened risk of external shocks.

B. Public Debt Management and Government Financing

30. Gross public debt came down to an estimated at 53.6 percent of GDP at end-2025. This is about 7.7 ppt lower than projected at the 4th review. The sizeable reduction comes from a stronger primary surplus, the uptick in GDP, lower than expected issuance of government guarantees, and cash management measures[12,13]. In September 2025, Fitch Ratings upgraded Seychelles' Long-Term Foreign-Currency Issuer Default Rating from 'BB-' to 'BB', with a stable outlook.

31. Seychelles would benefit from diversifying sources of financing and developing the domestic debt market.[14] At end-2025, external debt represented 54 percent of total debt. This proportion is expected to rise to 59 percent in 2026 as the authorities expect US$184 million in external financing in 2026 for budget support and project financing, mostly from the World Bank,

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[12] Guarantee issuances primarily support loans contracted by SOEs for the development of large infrastructure projects.

[13] Government deposits (financial assets) increased from SR 1,719 million at the end of 2023 to SR 3,056 million by the end of 2024, representing an accumulation equivalent to 4.2 percent of GDP. In 2025, the government has drawn on these deposits to meet payment obligations, thereby reducing the need for additional borrowing. By December 2025, government deposits had fallen to SR 2,336 million.

[14] To develop the domestic debt market, the authorities have diversified debt instruments by issuing T-bonds quarterly, which has extended the maturity profile of the domestic debt stock and reduced refinancing risks. A pilot project to develop a buyback facility for trading government securities (SB for end-January 2026), will help strengthen the securities' secondary market, but implementation will be delayed until late 2026.

IMF, and AfDB. Domestically, the government may reduce net issuances in the baseline scenario due to lower financing needs and higher external financing projected for 2026. For 2027, the government expects to diversify sources of financing and rely more on domestic markets to fill financing needs (Table 3b).[15]

32. The authorities remain committed to submitting the Public Debt Management Act for National Assembly approval. The proposed legislation defines clearly debt management objectives, establishes the Minister of Finance's authority to borrow, and clarifies the roles and avoids redundancy of technical units. The new Cabinet is expected to assess the draft Act in the first half of 2026 before submitting it to the National Assembly.

33. The Sovereign Risk Debt Sustainability Framework (SRDSF) indicates that Seychelles is at a moderate risk of sovereign stress, and debt is assessed to be sustainable with high probability. Medium and long-term risks are assessed as moderate on the basis of the strength of institutions and the authorities' commitment to a prudent fiscal stance. Due to its high-income status, Seychelles has limited access to concessional financing. The authorities will continue with the strategy of diversifying sources of financing and increase reliance on domestic financing in the medium-term due to elevated exposure to FX and MDBs following expected budget support disbursements in 2026. Staff assess this strategy as appropriate and note that the financial sector has sufficient room to absorb additional domestic financing. Staff recommended continued development of the domestic debt market by maintaining a regular issuance schedule, increasing the share of T-bonds, completing the Central Securities Depository (CSD) project, and launching the pilot retail investor-oriented purchase window (SB, January 2026). Moreover, continued fiscal prudence and diversification of external funding, managing currency and refinancing risks, and aligning borrowing with development priorities will be essential (Annex IV).

Authorities' Views

34. The authorities concurred with staff's assessment of the need to diversify sources of financing and promote development of the domestic market. They noted the substantial progress made on public debt management in recent years, including lengthening maturities and reducing borrowing costs. They reiterated their commitment to submit the new Public Debt Management Act to the National Assembly. In consultation with the Fund, CBS has drafted the operational framework for a 6-month pilot retail investor–oriented purchase window, but implementation has been delayed to 2027 to complete operational procedures and controls as workflows will shift from manual to automated with the readiness of the CSD system.

[15] The government has recently reached an agreement with India for bilateral financial support of $175 million, consisting of a $125 million line of credit and $50 million in grant assistance. Specific terms were under negotiation at the time of the mission.

C. Monetary Policy

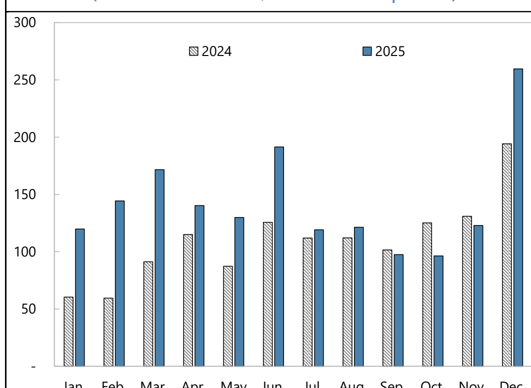
35. The monetary policy stance is assessed as slightly expansionary. With the onset of the Middle East conflict, the expected decline in real GDP growth, and price pressures expected to come mainly from exogenous shocks, staff recommended maintaining the current monetary policy stance and taking a data-dependent approach. CBS should closely monitor money growth, credit growth, and financial conditions, continue to enhance public communications to anchor long-term inflation expectations, and stand ready to tighten in coordination with fiscal policy should the crisis extend and inflation expectations become de-anchored.

36. Excess liquidity in the banking system has increased, driven by accumulation of international reserves. CBS' open market operations strategy remains unchanged—to absorb all free excess reserves on average by the end of each minimum reserve requirement maintenance period. Staff recommend that CBS adopt a fixed-rate full-allotment approach for the deposit auction arrangement (DAA) weekly operations to manage the observed excess liquidity. Additionally, given that the reduction in the MRR level appeared to have little impact in terms of fostering high lending to productive sectors, staff recommend CBS consider raising the MRR—once the effects of the ongoing conflict end and conditions stabilize—to assist in reducing excess liquidity.

37. The CBS needs to continue improving the monetary policy framework based on using the interest rate as the operational target. Progress has been made on the CBS implementation action plan to strengthen the monetary policy framework and develop the interbank market. In 2025, CBS conducted inflation expectation surveys involving banks, firms, and households (SB end-June 2025). Work is ongoing on testing all open market operations instruments with each bank on an annual basis and introducing a collateralized intraday lending facility. However, excess liquidity has limited the transmission of monetary policy and is driven mainly by banks' systematic underbidding due to precautionary demand for liquidity and structural rigidities in the interbank money market.[16] Staff recommend CBS to continue implementing the monetary policy operating framework action plan and promoting structural policies to develop the interbank market.

Text Figure 6. Seychelles: Average Excess Reserves

(In millions of SCR, at end-MRR period)



Source: Authorities' data.

[16] Due to the shallow interbank market and banks' limited willingness to trade reserves, institutions maintain substantial precautionary liquidity buffers to absorb potential shocks. Consequently, banks frequently underbid in CBS' open market operations, with tendered amounts consistently falling short of the auctioned volumes designed to maintain neutral liquidity conditions. Since early 2024, the interest rate for CBS's main OMO instrument (7-day DAA) has remained at the level of monetary policy rate while longer-dated OMO rates traced T-bill tender rates.

Authorities' Views

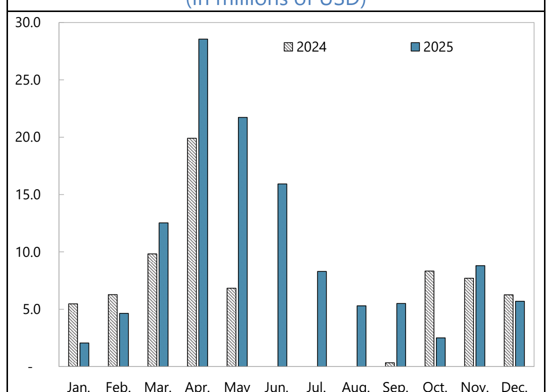
38. Given the highly uncertain outlook, the authorities consider that the current monetary policy stance remains appropriate. They agreed that careful monitoring of price pressures will be critical and underscored that the CBS remains prepared to adjust monetary policy as warranted and in coordination with fiscal policy. They emphasized that the effectiveness of monetary policy will remain limited until CBS can more effectively manage domestic liquidity. With regard to excess reserves, the CBS noted that banks' precautionary liquidity preferences reflect the need to strengthen their liquidity management capacity and the challenges associated with developing an interbank market, particularly given the small scale of the banking system.

D. Exchange Rate Policy and External Sector Issues

39. CBS took advantage of higher-than-expected FX liquidity in the market to exceed the internal target for FX accumulation. As committed under the program, interventions aimed to increase reserve buffers while maintaining a floating exchange rate. Net international reserves reached $727.5 million at end-December 2025, meeting the QPC by a wide margin. Gross reserves reached 128 percent of ARA metric at end-2025. For 2026, FX interventions are expected to be scaled down due to slower projected growth in tourism income.

Text Figure 7. Seychelles: FX Interventions in 2024 and 2025

(In millions of USD)



Sources: Authorities' data ; and IMF staff calculations.

40. Exchange rate flexibility remains essential to facilitate adjustment and maintain buffers against external shocks. As with past shocks, the exchange rate should be allowed to depreciate in response to reduced FX flows resulting from lower tourism revenues and higher import prices. CBS should be ready to intervene to smooth excessive volatility or disorderly market conditions; however, such interventions should be limited, transparent, and consistent with the exchange rate being largely determined by market forces, without targeting a specific level. As the crisis recedes and the rupee stabilizes, CBS should resume interventions, aimed at accumulating a reserve buffer equivalent to about 4 months of import cover or 120 percent of the ARA reserve metric.

41. Official actions taken by the Seychelles authorities have given rise to Multiple Currency Practices (MCPs). In line with the MCP Policy, staff identified an MCP arising from the use of an official exchange rate in transactions between the CBS and the government through government SCR accounts. The MCP arises from the CBS selling rate for GBP—calculated as the previous day's mid-rate plus a one percent commission—with the last impermissible spread[17]

[17] As specified in the Guidance Note for the Fund's Policy on Multiple Currency Practices, "impermissible spread" is the difference between exchange rates arising from official action breaching the range between the highest and

observed on November 7, 2025. This official action predates approval of the program and therefore does not give rise to a breach of the continuous performance criterion on the non-introduction and non-modification of MCPs. Staff assesses that the macroeconomic impact of the practice is limited; however, the MCP is inconsistent with the member's obligations under Article VIII, Section 3.

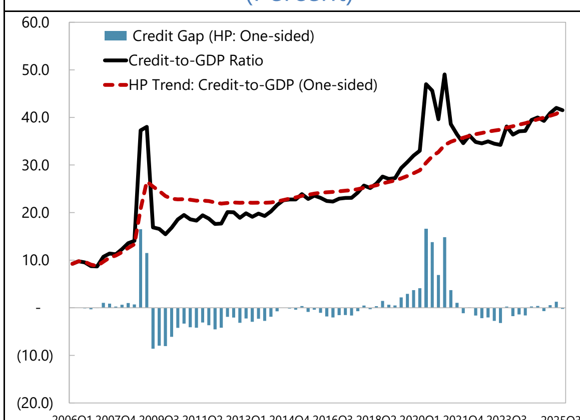
Authorities' Views

42. The authorities concurred with staff's views regarding exchange rate flexibility. They agreed with the need to maintain competitiveness and build external buffers and indicated that they would do so as the opportunities arise in the market to purchase FX. The authorities expressed reservations regarding the January 2025 staff assessment of official actions under the new MCP policy, which they believe does not fully reflect and accommodate the particularities of the FX market in Seychelles. The authorities are not requesting Board approval for the measures inconsistent with Article VIII as they are looking to revise these measures after the completion of the program.

E. Financial Stability

43. The financial system remains stable, well capitalized, and liquid, and systemic risks are assessed to be contained in the near term. Despite two years of credit expansion, there is little or no credit gap (Text Figure 8). Following a period of tighter lending conditions in the post-pandemic period—driven by heightened bank risk aversion and asset quality concerns—recent credit growth has realigned more closely with its long-term trend, signaling a normalization toward more balanced lending conditions. Banks' capital adequacy indicators recorded a marginal decline in 2025, though they remained well above the regulatory thresholds. NPLs have fallen to 4.7 percent of gross loans from 5.5 percent in the previous year. However, large exposures and credit concentration have increased particularly to the mortgage and private household sectors, and the three largest banks continue to account for more than 80 percent of the sector's total assets. Earnings and profitability ratios have declined modestly. Financial stability risks appear limited, supported by strong capital and liquidity buffers, and low contagion risk given that interbank linkages are limited in Seychelles' nascent money and capital markets. However, sectoral exposures, especially strong growth in household credit in 2024 and 2025, require close monitoring

Text Figure 8. Seychelles: Credit Gap
(Percent)



Sources: Haver, IMF staff estimates.

1/ Seasonally adjusted series. One away HP filtering applied in line with BIS methodology (warning signal generated using only the data available at specific point in time).

lowest exchange rates of the benchmark rate on a given day in the wholesale FX market, with a margin of -/+ 2 percent.

of banks' credit portfolios. Macroprudential measures may be needed should financial risks arise.[18] Structural features such as strong dependence on external demand also warrant continued attention, as they may influence the financial sector's resilience to external volatility. This issue has heightened prominence given the recent shock to the economy, and the potential negative implications for household incomes.

44. CBS has made good progress in strengthening the supervisory framework. Significant strides have been made in embedding the new supervisory risk rating model and formulating supervisory action plans across all licensed banks. The framework provides a welcome shift to dynamic risk updates and supervisory action planning—setting a robust foundation for proactive banking supervision. However, there remain gaps in supervisory coverage for off-site and on-site supervision which need attention. Recent technical assistance in this area highlights the importance of reinstating quarterly off-site analyses for large banks and at least annual reviews for smaller banks, and fuller coverage of liquidity risk, market risk, cyber risk, and strategy/governance. In the current environment of heightened global uncertainty, enhanced supervisory monitoring of these risk exposures under the risk-based supervision framework is particularly important. It is also recommended to institute a process of annual consultations between CBS and banks (prudential consultations).

45. Passage of the draft Bank Recovery and Resolution Act remains important to strengthen the institutional framework for crisis management and bank resolution. In line with conditionality under the EFF, the draft Act was approved by Cabinet in November 2024 (SB, September 2024), marking a significant milestone in strengthening the national financial stability framework. Since then, CBS has consulted with the Attorney General's Office (AGO) to update and finalize the draft Bill. The proposed legislation provides a clear framework for the recovery and orderly resolution of banks, aligning with international standards and best practices to reduce systemic risks and protect depositors.[19] Staff recommended that the updated and finalized Bill be reviewed by the new Cabinet of Ministers, with a view to submitting it to the National Assembly for approval before end-2026.

46. Recapitalization of the CBS remains a priority. Amendments to the CBS Act enacted in 2024 specify that CBS capital needs to be raised to SR 550 million with government support over a 10-year period starting January 2024. CBS estimates that SR 319 million (about 1 percent of GDP) in

[18] IMF TA on macroprudential framework and toolkit is expected for September 2026. Currently the authorities rely primarily on prudential regulations and stress testing—they are expected to improve its macroprudential stress test framework based on the recommendations from the IMF TA in January 2025.

[19] As part of ongoing efforts to strengthen the financial sector safety net and crisis preparedness arrangements, CBS continues to advance the establishment of a comprehensive Emergency Liquidity Assistance (ELA) framework. Following the IMF technical assistance mission conducted in August 2025, CBS established a dedicated interdivisional working group to operationalize the framework, including the development of regulations, internal procedures, simulation exercises, and decision-making arrangements, with the drafting of the internal Guidelines currently ongoing.

new capital is required, which falls in the range recommended by IMF technical assistance. The government is committed to initiating the 5-year recapitalization process in 2028.

Authorities' Views

47. The authorities remain committed to strengthening the regulatory and supervisory framework to ensure financial stability. They acknowledge persistent gaps in both off-site and on-site supervisory coverage that require attention. Banks' portfolios are being closely monitored due to the strong growth in household credit observed in 2024 and 2025. Technical assistance from the IMF to support the development of the macroprudential framework and toolkit is scheduled for September 2026. The authorities also emphasized the importance of advancing the legal framework for bank resolution and committed to CBS recapitalization beginning in 2028.

F. Other Structural Reforms

48. Special audits (focused on governance) of key SOEs are progressing but face delays.[20] The audit for SEYPEC, SCAA, PUC, and Air Seychelles have been completed. The findings from PUC and SEYPEC have already been discussed with the responsible ministers and the Minister of Finance. The findings for SCAA, SAA, and Air Seychelles are scheduled to be discussed in the first quarter of 2026. The contract agreement with the audit firm for the IGPA of STC is expected to be signed in March 2026, with the audit work anticipated to be completed by the second quarter of 2026. Meanwhile, procurement processes for the audit of IDC are ongoing, following the unsuccessful outcome of the initial procurement attempt as declared by the procurement committees.

49. The authorities should continue their efforts to enhance their AML/CFT framework. The authorities are making efforts to enhance the quality of beneficial ownership (BO) information held by companies, and to enable access to the Central BO register by all reporting entities, which will be operationalized once the new IT system is introduced. FSA, the offshore sector AML/CFT regulator, intensified supervisory efforts in 2025 to further enhance compliance with BO regulations following the December 2024 deadline for entities to update their registers, and issued directions and penalties for non-compliance. Thematic inspections revealed high compliance rates in the offshore sector but noted significant gaps in completeness. Concurrently, FIU is also continuing its guidance and outreach efforts, as well as inspections, to enhance compliance in the domestic sector. FIU has initiated a central BO database, whose access has now been expanded under the BO Act to all reporting entities under AML/CFT obligations. The launch of a new IT system, which is required to enable such access, is scheduled in Q4 2026. The authorities have operationalized the licensing framework for virtual asset service providers (VASPs) and are working toward the full establishment of a risk based supervisory framework, a critical reform given the Seychelles' elevated ML/TF risk associated with the offshore VASP sector.

[20] The key public enterprises being audited are Public Utilities Corporation (PUC), Seychelles Petroleum Company (SEYPEC), Air Seychelles, Island Development Company Limited (IDC), Seychelles Civil Aviation Authority (SCAA) and Seychelles Trading Company Ltd (STC).

50. The authorities will leverage the recently completed study on tourism dynamics and associated action plan (approved by Cabinet on April 29, 2026) (SB for September 2025) to increase competitiveness and value-added. Seychelles faces rising competition from more affordable destinations like Mauritius, Tanzania, and Madagascar, alongside traditional rivals such as the Maldives and emerging competitors like Sri Lanka. The key recommendations from the study focus on (i) targeting high-value visitor segments to boost revenue while controlling low-yield growth, (ii) improving and diversifying tourism offerings by enhancing quality and expanding experiences, (iii) modernizing the legal and regulatory framework to better support sustainable tourism development, and (iv) fostering local employment through upskilling and increased workforce participation in the sector. These strategies collectively aim to balance economic growth with environmental sustainability and social inclusiveness in Seychelles' tourism industry.

51. A sustainable medium-term growth path will need to rely on economic diversification as tourism approaches environmental limits. In line with the current National Development Strategy (NDS), this entails increasing tourism yields by building a more integrated tourism model and increasing value added in Seychelles. Additionally, diversifying into sectors such as finance, fisheries, renewable energy, information and communication technology, and niche agricultural products can help reduce the economy's vulnerability to external shocks and fluctuations in tourism. The promotion of sustainable aquaculture, blue economy initiatives, and value-added processing industries further presents valuable opportunities for job creation and boosting export revenues, contributing to a more resilient and diversified economic base.

Authorities' Views

52. The authorities consider economic diversification crucial for sustaining medium-term growth and building greater resilience. They emphasized the importance of increasing tourism yield by developing a more sustainable, resilient, and integrated tourism model. Furthermore, they seek to promote greater value addition in the fisheries and blue economy sectors while ensuring the marine ecosystem's sustainability is preserved. The authorities are dedicated to strengthening the effectiveness of their anti-money laundering and combating the financing of terrorism (AML/CFT) framework. They acknowledged the importance of good governance for building Seychelles reputation as a reputable offshore jurisdiction.

G. Climate Change Mitigation and Adaptation

53. The authorities have updated the public investment management policy (*RM3, September 2025*). Two major infrastructure projects (Finance House and Transport House) were selected following methodologies to assess net GHG emissions, emission reduction options, and climate resilience in project appraisals. The government intends to apply the process across all future major infrastructure initiatives.

54. The authorities have completed identification of climate-related expenditure and included a fiscal sustainability analysis in the FY26 budget (*RM4, September 2025*). Identification of climate-related expenditures (adaptation and mitigation) has been successfully incorporated into the guidelines and tagging exercise since 2024. Climate budget tagging has been fully implemented across all MDAs in the 2026 budget process.

55. Cabinet endorsed in August the action plan on climate finance mobilization including institutional mechanisms, financing modalities, and necessary guidelines (*RM10, October 2025*). Funding for the Rock Landslide Mitigation Prevention Measures Project[21] was secured in the original 2025 budget with an allocation of SR 14.9 million, supplemented by an additional SR 4.3 million allocated during the year.

56. The authorities introduced green fiscal and tax incentives to promote positive environmental outcomes and reduce greenhouse gas emissions in support of the NDC (*RM11, March 2026*). There are several measures taken since June 2023 to introduce additional green fiscal incentives to promote climate resilience and environmental sustainability (MEFP, ¶114), including the tourism environmental levy, photovoltaic (PV) rebates, a scheme of loans with favorable term conditions for PV system equipment and installation, tax exemptions for electric vehicles, and tax holidays for businesses involved in manufacturing products from organic waste.

57. Cabinet approved on April 29, 2026 the adoption of a Multi-Year Electricity Tariff (MYT) framework as part of the ongoing electricity tariff reform process. In doing so, the government has committed to a multi-step process toward developing a detailed tariff proposal for Cabinet consideration and public consultation—the final subcomponents of RM8. However, while the authorities have completed several elements of RM8, as the tariff framework is not yet complete and the tariff trajectory not yet published, RM8 is assessed as not met. Staff will continue to work with the authorities post-program on completing this objective, potentially with external technical assistance.

58. RMs on financial sector issues have been completed. RM 6.2, related to management, supervision, and disclosure of banks' climate-related risks has been implemented. CBS has also adopted and implemented a banking sector climate risk analysis framework and published it on the CBS website (RM9, September 2025). The climate risk exposure assessment of the banking system based on this framework [was published in April] (RM 9.1, March 2026). CBS also published the summary report on the CBS website on climate-related financial risk exposure covering at least two major commercial banks in April (RM6.3, May 2026). On RM 6.1 (December 2025), after the TA support provided in April, the data gap analysis for supervision and disclosure of banks' exposure to climate risks was completed, and the strategy for bridging the data gaps was published.

59. Implementation of RMs under the RSF has contributed to prospective balance of payments stability. Reforms measures related to fiscal operations are expected to reduce fiscal costs and contingent liability risks by strengthening public financial management, strengthening investor confidence, and bolstering opportunities to mobilize multilateral, bilateral, and private financing for climate investment. Financial sector reforms should bolster resilience by laying the

[21] Major adaptation and mitigation project selected by the authorities.

groundwork for reducing financial sector losses when climate risks materialize, lowering recapitalization needs for bank, and lowering import needs for repair and reconstruction.

Authorities' Views

60. The authorities concurred with the team's assessment on the progress of RMs. They remain committed to advancing capacity building for climate resilience initiatives beyond the completion of the RSF, focusing on ongoing skills development, strengthening data collection and risk management systems, investing in climate mitigation and adaptation initiatives, and fostering strategic partnerships with development partners and the private sector to mobilize and scale up climate finance.

H. Data Adequacy Assessment

61. Data provision has some shortcomings but is broadly adequate for surveillance (Annex XIII). In most evaluated areas, except for national accounts, Seychelles' data is generally reliable, timely, and adequate for surveillance purposes. Government staff are actively involved in providing supplementary data and clarifying the reasons for any anomalies. National accounts have undergone revisions to historical data in line with revised methodologies. Critically, the NBS is undertaking a rebasing of the national accounts (from 2014 to 2026) and is planning to complete this exercise by 2028. Similar work is underway to update the Consumer Price Index (CPI) to better reflect current household expenditure patterns, based on data from the 2024 Household Budget Survey (HBS). NBS faces resource and capacity constraints in this area and engages IMF assistance to bolster data collection and assessment. The authorities concur with staff on the need for further CD in national accounts, prices, and external statistics**.**

PROGRAM MODALITIES

62. Staff support the requests for completion of the fifth and sixth reviews under the EFF/RSF, and waiver of non-observance of the end-December 2024 QPC on the floor on total revenues on the basis of a minor deviation. Upon successful completion of the fifth and sixth reviews, SDR 11.830 million and SDR 17.95425 million will be disbursed under the EFF and RSF arrangements, respectively (Table 7). The resources under both arrangements will be used for budget support. Staff also support deleting the end-June ITs, as the test date occurs after the final review.

63. The program under the EFF is fully financed and Seychelles' capacity to repay the Fund is adequate, but some risks remain. (Table 8). In 2026, Fund credit will peak at 7.9 percent of GDP, 7.4 percent of exports of goods and services, and 21.4 percent of Gross International Reserves. Debt service to the Fund peaks at 0.9 percent of GDP, 0.8 percent of exports of goods and services, and 2.5 percent of GIR in 2027. Shocks to global trade and commodity prices and a weaker demand for tourism could exacerbate balance-of-payments pressures. This includes pressures that might emerge from materialization of an alternative scenario (Annex XII). The authorities' commitment to the program and their sound repayment history provide assurance.

64. Exchange measures and CFMs. The continuous PC on non-introduction of exchange restrictions and non-modification of MCPs is met. The authorities confirmed that Seychelles has not introduced any new exchange measures that may give rise to restrictions on the making of payments and transfers for current international transactions or multiple currency practices or has engaged in any type of discriminatory currency arrangements subject to the Fund's jurisdiction, including measures imposed solely for reasons of national or international security.

65. The Fund will continue providing CD based on the authorities' priorities. After the program completion, continued support is needed to strengthen public financial management and revenue administration, improve the monetary policy framework, the macroprudential toolkit, financial sector surveillance, and the quality of macroeconomic statistics (Annex II).

66. Fund engagement under the EFF/RSF expires in mid-2026. After the completion of the fifth and sixth Reviews, Fund credit outstanding (GRA and RSF) is projected to reach [557] percent of quota. Absent an arrangement or policy coordination instrument, Seychelles would meet requirements for Post Financing Assessment.

STAFF APPRAISAL

67. Seychelles economic performance in 2025 was robust. Stronger than expected growth was driven by record tourist arrivals, despite concerns earlier in the year over lower global growth and a dampening effect on tourism demand. Strong economic growth (also supported by gains in manufacturing, construction, and public services) helped facilitate a further increase in fiscal and external buffers, and a further reduction in public debt relative to GDP. The external position, while still moderately weaker than implied by fundamentals and desirable policies in 2025, improved relative to the previous year. This strong performance comes at the end of a successful three-year engagement under the EFF and RSF.

68. The Middle East war poses a significant shock, but Seychelles is approaching from a position of strength. Based on an assumed one-month significant disruption to air connectivity through the Gulf States, an associated decline in tourism income, and the effects of higher oil and other import prices, real GDP growth is projected to slow to about 1.5 percent in 2026, end-year headline inflation to rise to 3.1 percent, and the external current account deficit to increase to 7.8 percent of GDP along with a modest decline in central bank foreign exchange reserves. Lower tourism activity is also likely to reduce government revenues and increase the overall fiscal deficit. On the positive side, vigorous economic performance in recent years has left Seychelles in a position of comparative strength. Central bank foreign exchange reserves at end-2025 were over 4 months of import cover, inflation has been low (or negative) in recent years, and public debt as a share of GDP is at its lowest level in six years.

69. A flexible approach to macroeconomic policies will be needed in the months ahead given uncertainty over the length and breadth of the war. Staff welcome the quick response by the government to monitor developments, potential impacts on Seychelles, and to communicate regularly with the public. Measures thus far have been limited to mitigating the rise in retail prices on selected commodities. Staff recommended that changes in international prices be allowed to pass through to the consumer in the months ahead, such that state enterprises can continue to operate without losses and to facilitate early adjustment. Any additional spending measures should be well targeted to the most vulnerable segments of the population and temporary in nature. Exchange rate flexibility will also be critical in the face of shifting supply and demand for foreign exchange and a necessary tool to enable adjustment and prevent an unwarranted loss of external buffers. Emphasis on structural reforms to enhance the business environment, promote diversification, inclusive growth, and stronger resilience to climate related shocks will be critical over the medium-term.

70. Maintenance of sufficient fiscal and external buffers should remain a priority over the medium term. As a small island state with a strong dependence on tourism and a heavy reliance on imports, Seychelles remains exceptionally vulnerable to external shocks. While public debt is assessed as sustainable in the medium term, steady and growth-friendly fiscal consolidation will be needed to further reduce vulnerability to debt and debt servicing shocks—particularly if Seychelles is less able to access concessional financing going forward. Staff welcome the authorities' commitments to build fiscal and external buffers, by continuing to target a medium-term debt anchor at 50 percent of GDP and international reserves equivalent to 4 months of imports (120 percent ARA metric). Adapting to and mitigating the effects of climate change also remains essential for sustained and inclusive growth.

71. There are risks to the fiscal trajectory. Staff welcome the government's commitment to fiscal discipline and adherence to the medium-term public debt anchor. Achieving these objectives while also creating sufficient space for public investment will require careful costing and justification of further increases in recurrent spending, a contingency-based approach where such spending is dependent on materialization of sufficient revenues, and efficiency gains to create fiscal space in such other areas as the public wage bill. Continued efforts will be needed on revenue mobilization and can be supported through additional technical assistance from the Fund.

72. The CBS will need to maintain a close watch on inflationary pressures and be prepared to adjust the monetary policy stance if needed. A data driven approach is warranted in the context of unfolding shocks as well as coordination with fiscal policies. CBS will also need to maintain a focus on measures to support the monetary policy framework and maintain exchange rate flexibility**.** To support the interest rate-based framework, CBS should continue draining excess liquidity to improve the transmission mechanism while fostering the development of the interbank market. The authorities remain vigilant against inflation risks, especially those related to external shocks, and are committed to limiting foreign exchange interventions to accumulate reserves and smoothing out disorderly exchange rate fluctuations.

73. Financial sector risks are assessed to be low, but supervisory capacity needs to be strengthened. Progress has been made in implementing the new supervisory risk rating model and developing supervisory action plans for all licensed banks, however there are gaps in supervisory coverage for off-site and on-site supervision that needs to be addressed. Moreover, the CBS recapitalization and the legislative agenda for a bank recovery and resolution framework will be instrumental in supporting Seychelles' resilience to financial crises. The authorities should continue their ongoing reforms to strengthen the resilience and integrity of the financial system (including AML/CFT and transparency of beneficial ownership information).

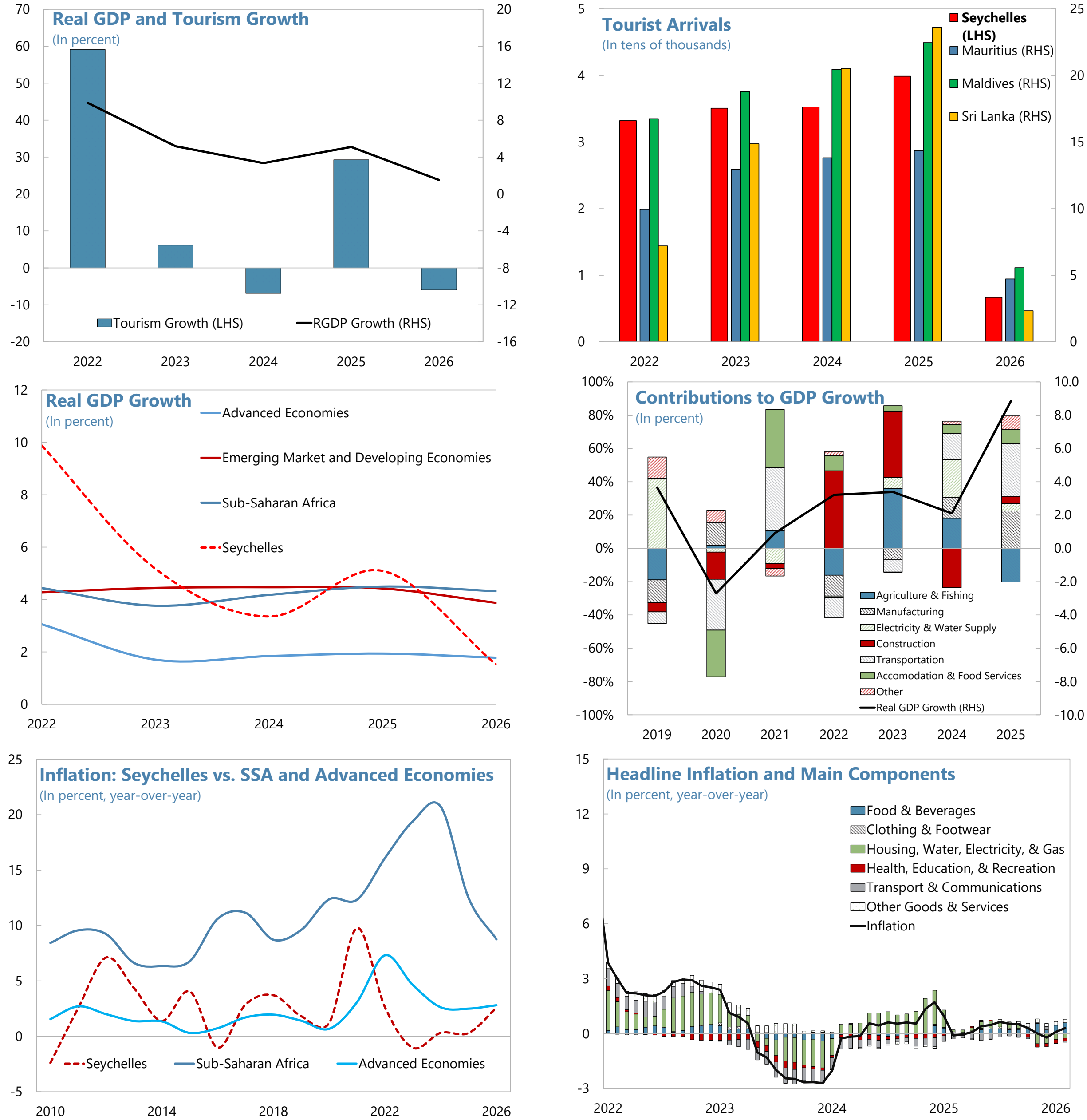
74. Program performance has been strong, heralding a robust track record of policy implementation and structural reforms under the 2023-26 EFF and RSF arrangements. All quantitative targets for end-June 2025 were met, and all but one for end-December. Moreover, all ITs for both reviews were met. The government has implemented most structural reforms under the EFF, although two will take additional time. In particular, the completion of the pilot functional reviews of the ministries of finance, education, and health is now expected to be completed by end-2026 as an important input to a comprehensive analysis of the size and structure of the public sector. The EFF and RSF have served an essential role in facing shocks over the past three years, including navigating the post-COVID-19 pandemic era, and has contributed to building macroeconomic resilience.

75. Staff notes that a legacy multiple currency practice, identified under the Fund's new MCP policy effective February 2024, remains in place and predates approval of the EFF arrangement. The authorities are not requesting the Fund's approval of the identified MCP on the CBS selling rate for GBP. However, staff advise the elimination of the above-mentioned MCP in line with the MCP policy.

76. Staff support the authorities' request for completion of the fifth and sixth reviews of the arrangements under the EFF and the RSF, and request for waiver of nonobservance of the missed QPC as the breach was minor (3.1 percent) due to lower-than expected dividend revenues. Staff also support the disbursement totaling SDR 11.830 million and SDR 17.95425 million under the EFF and RSF arrangements, respectively. The authorities have shown strong commitment to reforms and proven ability to implement measures. Moreover, the RM disbursements under the RSF will reduce prospective BOP risks. Staff also support the request to delete the end-June ITs because the test date falls after the final review. The attached Letter of Intent and Memorandum of Economic and Financial Policies set out appropriate policies to pursue after the program's completion.

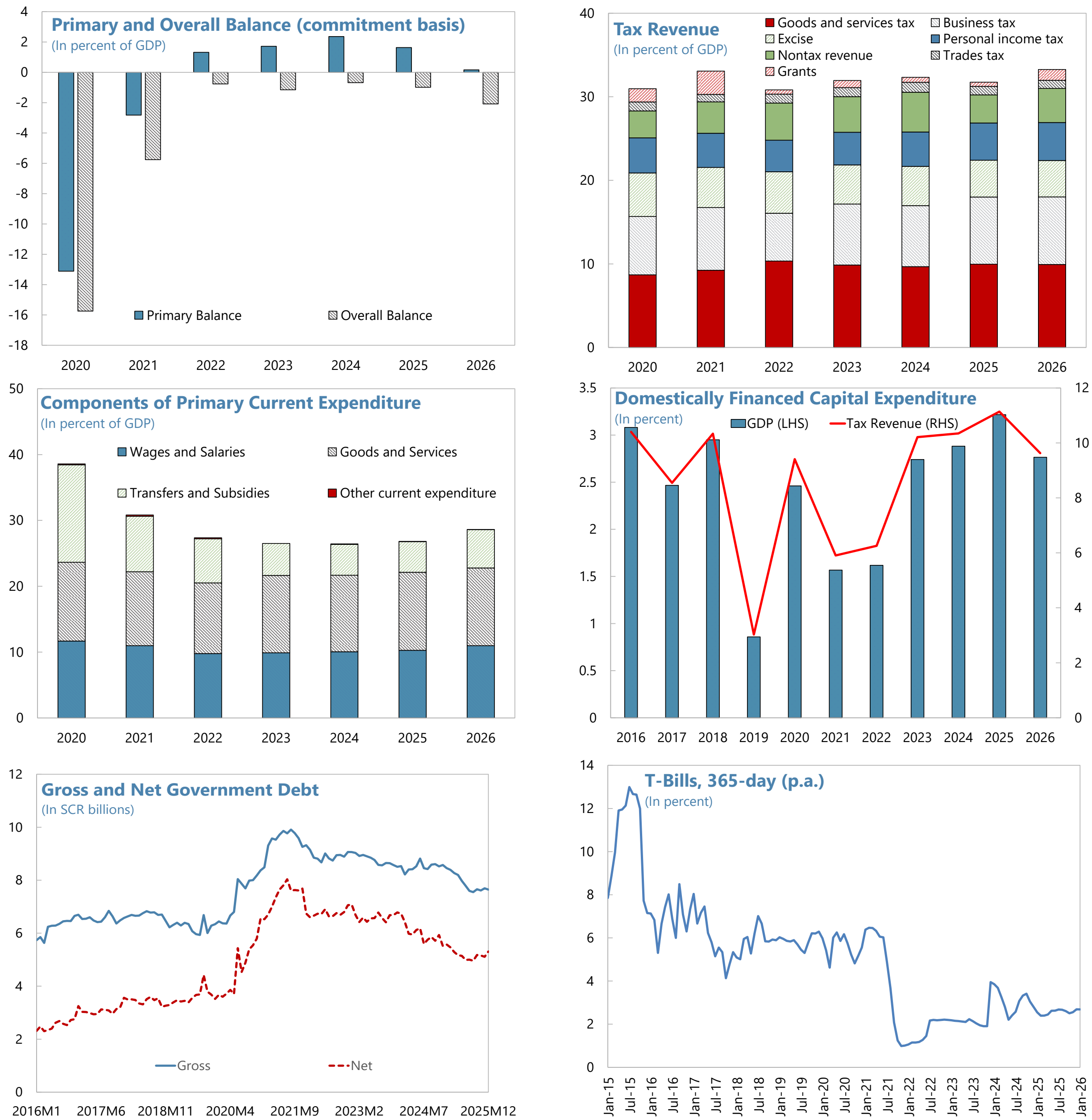
77. Staff recommends the next Article IV consultation with Seychelles to be held on the 12-month cycle. Given that outstanding credit to the Fund exceeds the 200 percent quota threshold, staff recommend initiation of a Post Financing Assessment (PFA).

Figure 2. Seychelles: Economic Developments



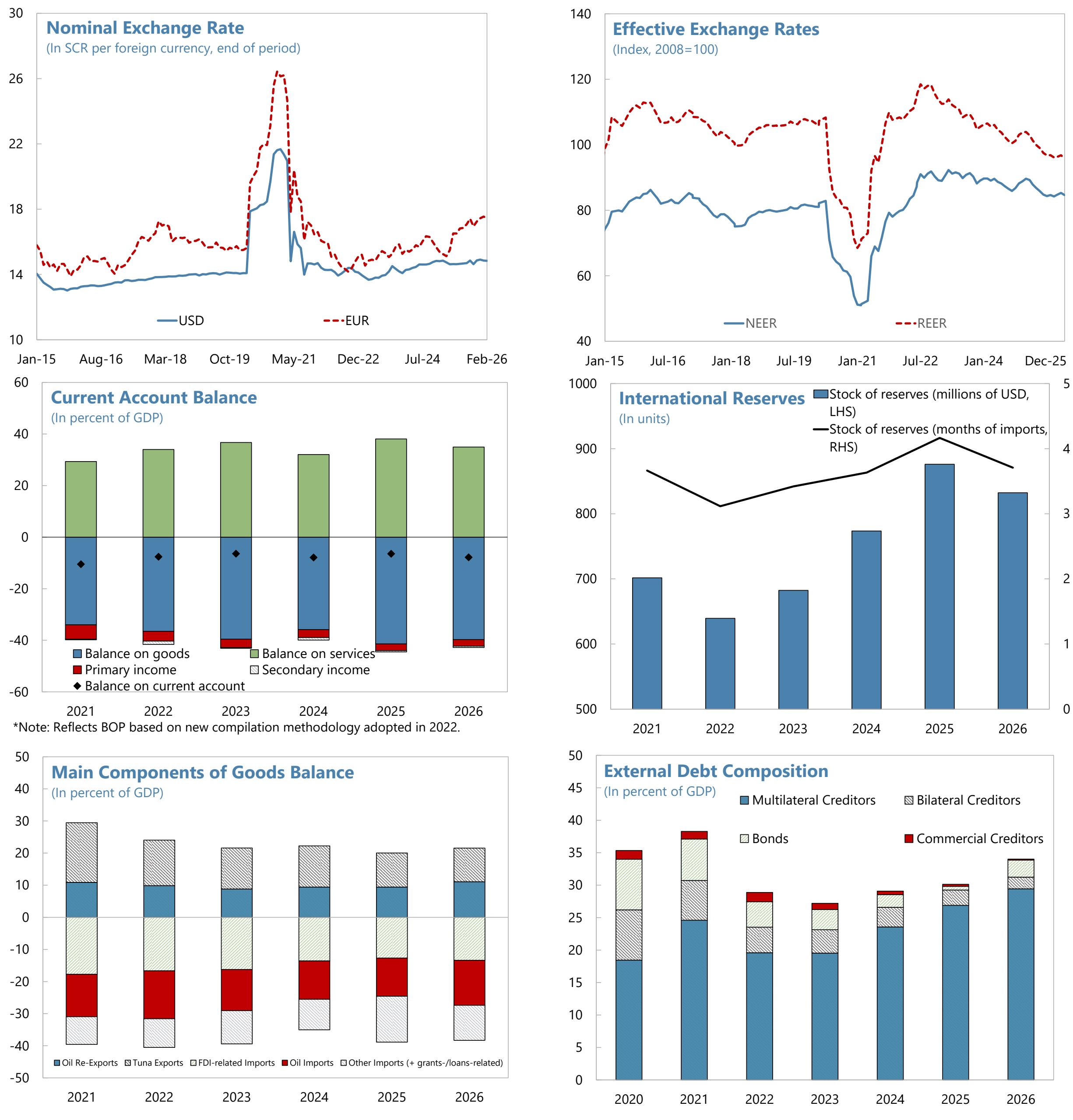
Sources: Haver Analytics, National Bureau of Statistics Seychelles, IMF WEO Database; and IMF staff estimates.

Figure 3. Seychelles: Fiscal Sector Developments



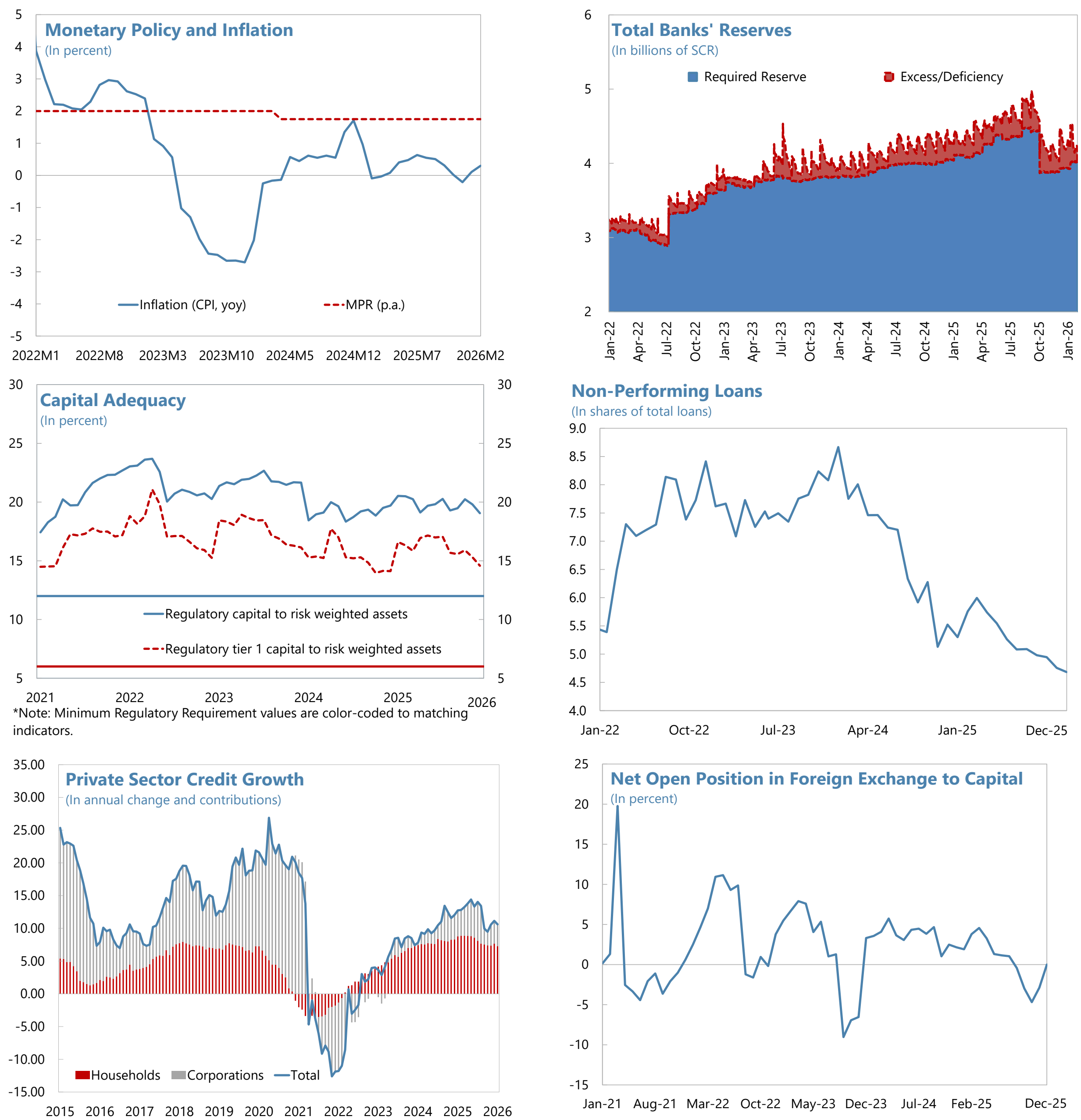
Sources: Authorities' data, National Bureau of Statistics Seychelles; and IMF staff estimates.

Figure 4. Seychelles: External Sector Developments



Sources: Central Bank of Seychelles; and IMF staff calculations.

Figure 5. Seychelles: Monetary and Financial Indicators



Sources: Central Bank of Seychelles; and IMF staff calculations.

Table 1. Seychelles: Selected Economic and Financial Indicators, 2023-31

	2023	2024	2025		2026		2027		2028	2029	2030	2031
	Act.	Act.	Est.		Proj.				Proj.			
			4th Review		4th Review		4th Review					
	(Annual percent change, unless otherwise indicated)											
National income and prices												
Nominal GDP (millions of Seychelles rupees)	30,441	32,381	32,899	34,134	34,464	35,373	36,466	37,303	39,007	40,862	42,841	45,138
Real GDP (millions of Seychelles rupees)	26,233	27,112	27,808	28,493	28,692	28,926	29,662	30,087	31,077	32,100	33,157	34,248
Real GDP	5.2	3.4	3.2	5.1	3.2	1.5	3.4	4.0	3.3	3.3	3.3	3.3
CPI (annual average)	-1.0	0.3	1.0	0.3	2.0	2.6	2.6	1.7	2.1	2.4	2.5	2.5
CPI (end-of-period)	-2.7	1.7	1.2	-0.2	2.6	3.1	2.8	1.6	2.2	2.4	2.5	2.5
GDP deflator average	1.4	2.9	0.7	0.3	1.5	2.1	2.3	1.4	1.2	1.4	1.5	2.0
Money and credit												
Broad money	5.7	7.4	7.0	10.9	...	2.5	...	8.6	5.7	7.2	8.1	5.8
Reserve money (end-of-period)	-3.5	-4.3	-2.2	12.8	...	0.9	...	8.6	5.7	7.2	8.1	5.8
Velocity (GDP/broad money)	1.2	1.2	1.1	1.2	...	1.2	...	1.1	1.1	1.1	1.1	1.1
Money multiplier (broad money/reserve money)	3.7	4.2	4.6	4.1	...	4.2	...	4.2	4.2	4.2	4.2	4.2
Credit to the private sector	7.4	12.1	9.4	11.1	9.1	8.3	8.6	9.2	8.0	7.8	7.5	6.9
	(Percent of GDP, unless otherwise indicated)											
Savings-Investment balance												
External savings	6.4	7.9	9.2	6.5	9.2	7.8	8.8	5.6	5.8	5.4	4.7	4.6
Gross national savings	18.3	16.0	16.6	18.0	16.4	17.3	16.9	19.1	18.8	19.1	19.8	20.1
Of which: government savings	2.2	3.2	3.2	3.1	2.5	1.9	3.7	2.5	3.1	3.0	3.0	3.3
private savings	16.1	12.8	13.4	14.9	13.9	15.4	13.2	16.6	15.7	16.1	16.7	16.7
Gross investment	24.7	23.9	25.9	24.4	25.6	25.1	25.7	24.6	24.6	24.5	24.5	24.6
Of which: public investment [1]	4.2	3.4	5.3	3.8	5.0	4.5	5.1	4.0	4.0	3.9	3.9	4.0
private investment	20.5	20.5	20.6	20.6	20.6	20.6	20.6	20.6	20.6	20.6	20.6	20.6
Private consumption	49.2	50.5	48.6	49.8	47.6	48.7	48.0	47.5	47.7	47.5	47.1	46.9
	(Percent of GDP)											
Government budget												
Total revenue, excluding grants	31.1	32.6	34.5	32.2	34.3	32.8	34.8	32.2	32.7	32.7	32.7	32.8
Expenditure and net lending	33.2	33.1	37.3	32.9	37.2	35.4	36.1	33.8	33.6	33.6	33.6	33.5
Current expenditure	29.4	29.5	31.6	29.4	31.8	30.9	31.0	29.7	29.6	29.7	29.7	29.5
Capital expenditure	3.8	3.3	5.0	3.5	5.0	4.5	5.1	4.0	4.0	3.9	3.9	4.0
Overall balance, including grants	0.2	0.9	-1.7	0.1	-1.3	-1.3	-0.4	-0.8	-0.2	-0.1	-0.1	0.1
Primary balance	1.7	3.1	1.2	2.5	1.8	0.9	2.5	1.5	2.0	2.0	2.0	2.0
Total government and government-guaranteed debt [2]	57.2	58.1	61.2	53.6	61.8	57.1	60.4	56.0	54.3	52.4	50.6	48.2
Of which: Domestic and External Guarantees	2.4	2.5	3.7	2.6	5.5	5.2	6.5	6.4	6.3	6.0	5.8	5.4
External sector												
Current account balance (in percent of GDP)	-6.4	-7.9	-9.2	-6.5	-9.2	-7.8	-8.8	-5.6	-5.8	-5.4	-4.7	-4.6
Total external debt outstanding (millions of U.S. dollars) [3]	5,651	5,898	6,208	6,154	6,428	6,498	6,645	6,717	6,658	6,645	6,654	6,678
(percent of GDP)	260.2	264.6	283.8	265.5	285.0	288.7	282.9	274.3	262.8	253.5	245.5	237.0
Terms of trade (-=deterioration)	-2.9	1.6	0.8	5.0	-1.7	2.7	-1.3	-2.1	-1.1	-2.4	-0.8	0.0
Gross official reserves (end of year, millions of U.S. dollars)	682	774	817	878	830	828	862	876	902	955	1,035	1,075
Months of imports, c.i.f.	3.4	3.6	3.9	4.2	3.8	3.7	3.8	3.8	3.8	3.8	4.0	4.1
In percent of Assessing Reserve Adequacy (ARA) metric	105	115	118	128	117	118	118	120	120	124	128	128
Exchange rate												
Seychelles rupees per US$1 (end-of-period)	14.2	14.8	...	14.9	...	...	...	...	...	...	...	...
Seychelles rupees per US$1 (period average)	14.0	14.5	...	14.7	...	...	...	...	...	...	...	...

Sources: Central Bank of Seychelles; Ministry of Finance; and IMF staff estimates and projections.

[1] Includes onlending to the parastatals for investment purposes.

[2] Includes debt issued by the Ministry of Finance for monetary purposes.

[3] Includes private external debt.

Table 2. Seychelles: Balance of Payments, 2023-31

	2023	2024	2025		2026		2027		2028	2029	2030	2031
	Act.	Act.		Est.		Proj.				Proj.		
			4th Review		4th Review		4th Review					
	(Millions of US dollars, unless otherwise indicated)											
Current account balance (+ surplus; - deficit)	-139	-176	-202	-150	-207	-176	-206	-136	-147	-142	-128	-128
(percent of GDP)	-6.4	-7.9	-9.2	-6.5	-9.2	-7.8	-8.8	-5.6	-5.8	-5.4	-4.7	-4.6
Balance of goods and services (+ surplus; - deficit)	-61	-86	-127	-77	-112	-107	-111	-45	-47	-46	-36	-30
Exports of goods	568	595	568	512	592	536	629	536	545	564	582	603
Of which: oil re-exports	192	210	175	218	168	249	195	239	237	244	252	260
Of which: tuna exports	277	286	292	246	300	236	309	243	250	258	266	274
Imports of goods	1,427	1,394	1,400	1,472	1,465	1,430	1,553	1,520	1,562	1,621	1,684	1,749
Of which: oil imports	279	266	250	276	241	316	278	311	316	326	336	347
Exports of services	1,833	1,714	1,755	1,966	1,814	1,882	1,897	2,112	2,184	2,268	2,364	2,464
Of which: tourism earnings	994	925	942	1,196	980	1,125	1,019	1,269	1,314	1,360	1,408	1,458
Imports of services	1,036	1,000	1,050	1,084	1,054	1,095	1,084	1,174	1,214	1,256	1,298	1,348
Balance on primary income (+ surplus; - deficit)	-71	-69	-52	-61	-74	-58	-74	-68	-75	-69	-66	-70
Of which: interest due	32	31	50	38	53	39	52	42	41	40	39	37
transfers of profits and dividends	8	8	8	8	8	8	8	8	20	20	20	20
Balance on secondary income (+ surplus; - deficit)	-6	-21	-23	-12	-20	-11	-21	-23	-25	-27	-26	-29
Of which: general government, net	27	29	28	35	32	37	33	36	36	37	40	40
Capital account	12	19	23	20	33	23	19	16	16	20	20	21
Financial account (- inflows; + outflows) [1]	-135	-221	-191	-294	-182	-76	-234	-184	-174	-196	-211	-170
Direct investment, net	-279	-262	-267	-383	-317	-286	-359	-312	-318	-333	-339	-344
Abroad	-40	-35	-31	-46	-35	-43	-40	-43	-43	-43	-43	-43
In Seychelles	240	226	236	337	282	243	318	269	274	290	295	301
Portfolio investment, net	-10	19	13	14	9	13	9	14	14	7	7	7
Other investment, net	154	22	63	76	126	197	115	115	130	130	120	167
Government and government-guaranteed	0	-55	-44	-6	-5	-39	4	11	-18	-18	-20	-18
Others	154	77	107	82	131	237	111	104	148	148	141	185
Net errors and omissions	0	0	0	0	0	0	0	0	0	0	0	0
Overall balance	8	64	12	164	8	-77	48	63	43	74	104	63
Financing	-8	-64	-12	-164	-8	77	-48	-63	-43	-74	-104	-63
Change in net international reserves (increase: +)	8	64	12	164	8	-77	48	63	43	74	104	63
Change in gross official reserves (without RSF, increase: +)	13	63	19	163	4	-72	32	47	26	53	81	39
Change in liabilities to IMF, net (without RSF)	5	-1	7	-1	-4	4	-16	-16	-17	-20	-23	-24
Purchases/drawings	16	16	16	8	8	16	0	0	0	0	0	0
Repurchases/repayments	11	18	9	9	12	12	16	16	17	20	23	24
Financing gap	0	0	0	0	0	0	0	0	0	0	0	0
Use of Fund credit RSF	4	8	24	5	9	25	0	0	0	0	0	0
Change in gross official reserves (with RSF, increase: +)	17	71	43	168	13	-48	32	47	26	53	81	39
Memorandum items:												
Exports G&S growth, percent	7	-4	0	7	4	-2	5	10	3	4	4	4
Tourism growth, percent	6	-7	2	29	4	-6	4	13	4	4	4	4
Exports of goods volume growth, percent	3	6	0	-5	3	1	5	-1	1	2	2	3
Imports G&S growth, percent	7	-3	2	7	3	-1	5	7	3	4	4	4
Imports of goods volume growth, percent	16	-3	2	10	5	-8	6	8	3	5	4	4
Exports G&S, percent of GDP	111	104	106	107	107	107	108	108	108	108	109	109
Imports G&S, percent of GDP	113	107	112	110	112	112	112	110	110	110	110	110
FDI, percent of GDP	13	12	12	17	14	13	15	13	13	13	12	12
Gross official reserves with RSF (stock, e.o.p.)[2]	682	774	817	878	830	828	862	876	902	955	1,035	1,075
(Months of imports of goods & services)	3.4	3.6	3.9	4.2	3.8	3.7	3.8	3.8	3.8	3.8	4.0	4.1
Percentage of IMF reserve adequacy metric	105	115	118	128	117	118	118	120	120	124	128	128
Gross official reserves without RSF (stock, e.o.p.)[2]	678	761	781	860	784	786	816	833	859	955	1,026	1,029
(Months of imports of goods & services)	3.4	3.6	3.7	4.1	3.6	3.5	3.6	3.6	3.6	3.8	4.0	3.9
Percentage of IMF reserve adequacy metric	104	113	112	125	110	112	112	114	114	124	127	123
Government and government-guaranteed external debt	578	645	742	661	784	782	786	784	771	750	725	691
(Percent of GDP)	27	29	34	29	35	35	33	32	30	29	27	25
GDP (Millions of U.S. dollars)	2,172	2,229	2,188	2,318	2,256	2,251	2,349	2,449	2,533	2,621	2,711	2,818

Sources: Central Bank of Seychelles; Ministry of Finance; and IMF staff estimates and projections.

[1] Per STA recommendations, net lending under financial account is recorded as positive following BPM6 guidance.

[2] The level of GIRs computed from the BOP includes the budget support

Table 3a. Seychelles: Consolidated Government Operations, 2023-31[1]

(Millions of Seychelles Rupees)

	2023	2024	2025		2026		2027		2028	2029	2030	2031
	Act.	Act.		Est.		Proj.				Proj.		
			4th Review		4th Review		4th Review					
	(Millions of Seychelles rupees)											
Total revenue and grants	9,726	10,758	11,740	11,174	12,375	12,052	13,017	12,299	13,030	13,670	14,343	15,159
Total revenue	9,466	10,565	11,359	11,005	11,806	11,596	12,678	12,019	12,738	13,364	14,022	14,820
Tax	8,169	9,021	9,587	9,855	10,087	10,155	10,820	10,760	11,299	11,862	12,439	13,140
Personal income tax	1,190	1,331	1,408	1,519	1,502	1,607	1,598	1,714	1,804	1,902	2,005	2,113
Trade tax	330	382	402	345	424	345	457	336	343	349	355	362
Excise tax	1,426	1,522	1,622	1,504	1,622	1,544	1,738	1,636	1,701	1,802	1,893	2,028
Goods and services tax (GST) / VAT	3,002	3,132	3,299	3,400	3,482	3,512	3,705	3,792	4,001	4,196	4,404	4,644
Business tax	1,601	1,883	2,037	2,232	2,140	2,359	2,265	2,463	2,601	2,734	2,874	3,037
Corporate Social Responsibility tax (CSR)	5	2	0	2	0	15	0	5	5	5	5	5
Marketing tourism tax (MTT)	109	97	101	112	107	116	113	122	128	135	141	149
Property tax	35	50	51	44	52	45	53	45	46	47	48	56
Environmental Sustainability Tax		168	173	186	216	139	240	149	152	156	159	162
Hotel Turnover Tax		122	127	154	151	148	179	158	162	166	170	177
Other	470	332	366	354	389	326	472	341	356	371	386	407
Nontax	1,297	1,544	1,773	1,150	1,720	1,441	1,858	1,259	1,438	1,502	1,583	1,680
Fees and charges	446	494	534	437	551	514	615	510	512	537	568	608
Dividends from parastatals	582	704	908	601	977	529	1,090	626	608	637	674	718
Other	270	345	331	112	192	398	153	122	317	328	341	355
External grants	260	193	381	169	568	456	339	280	293	306	321	339
Expenditure and net lending	10,094	10,728	12,287	11,218	12,818	12,524	13,157	12,596	13,092	13,728	14,385	15,130
Current expenditure	8,945	9,545	10,401	10,050	10,947	10,914	11,313	11,078	11,527	12,148	12,725	13,321
Primary current expenditure	8,070	8,560	9,475	9,154	9,890	10,121	10,271	10,237	10,684	11,289	11,845	12,457
Wages and salaries [2]	3,009	3,257	3,615	3,509	3,795	3,881	3,936	3,986	4,074	4,233	4,445	4,689
Goods and services [2]	3,582	3,763	4,098	4,042	4,228	4,179	4,349	3,971	4,091	4,271	4,480	4,717
Transfers [2]	1,478	1,512	1,747	1,586	1,850	2,060	1,969	2,279	2,519	2,786	2,920	3,051
Social program of central government [4]	243	230	281	244	304	333	339	342	346	351	368	388
Transfers to public sector from central governmen	48	59	59	61	52	72	49	82	95	99	104	110
Benefits and programs of Social Security Fund [4]	1,187	1,222	1,407	1,282	1,494	1,656	1,581	1,855	2,078	2,335	2,448	2,553
Other	0	29	16	16	17	0	18	0	0	0	0	0
Interest due	875	985	926	896	1,057	793	1,043	841	843	859	880	863
Foreign interest	315	487	489	471	606	440	602	406	409	412	416	408
Domestic interest	560	498	437	425	451	353	441	434	435	447	464	456
Capital expenditure	1,147	1,076	1,639	1,199	1,721	1,606	1,850	1,510	1,570	1,586	1,665	1,815
Domestically financed	834	933	1,131	1,098	857	978	966	989	1,025	973	1,022	1,050
Foreign financed	313	142	509	101	864	628	884	520	545	613	643	677
Net lending	-34	21	197	-60	100	-55	-81	-52	-65	-65	-65	-65
Contingency	36	86	50	30	50	60	75	60	60	60	60	60
Primary balance	507	1,014	378	852	614	320	903	543	782	801	839	892
Overall balance, commitment basis [3]	-368	29	-547	-44	-443	-473	-140	-297	-62	-58	-41	29
Change in float	415	263	0	82	0	0	0	0	0	0	0	0
Overall balance, cash basis (after grants)	47	293	-547	38	-443	-473	-140	-297	-62	-58	-41	29
Financing	11	-172	906	40	587	861	140	297	62	58	41	-29
Foreign financing	136	945	1,126	58	158	1,070	-300	-405	-233	-340	-548	-611
Disbursements	792	1,917	2,045	841	1,232	1,986	736	428	447	457	321	339
Project loans	147	36	247	16	360	265	585	280	293	306	321	339
Program/budget support	645	1,881	1,798	824	871	1,721	151	148	154	151	0	0
Of which RSF	58	120	359	78	143	388	0	0	0	0	0	0
Scheduled amortization	-656	-971	-919	-782	-1,074	-916	-1,036	-832	-680	-797	-870	-949
Of which Paris Club buy-back												
Domestic financing, net	-266	-1,118	-265	-132	384	-233	391	552	220	374	565	558
Bank financing	-225	-1,066	-202	78	360	-171	352	497	198	336	509	502
CBS	491	-1,410	0	825	0	0	0	0	0	0	0	0
Commercial banks	-716	343	-202	-747	360	-171	352	497	198	336	509	502
Nonbank financing	-41	-52	-62	-210	24	-62	39	55	22	37	57	56
Privatization and long-term lease of fixed assets	17	42	45	48	45	25	50	150	75	25	25	25
Increase in government assets	58	120	359	78	143	388	0	0	0	0	0	0
Of which RSF	58	120	359	78	143	388	0	0	0	0	0	0
Statistical discrepancy	125	-41	0	66	0	0	0	0	0	0	0	0
Memorandum item:												
Total social spending [4]	1,711	1,740	1,991	1,996	2,019	2,026	2,033	2,040	2,054	2,152	2,256	2,377

Sources: Seychelles authorities; and IMF staff estimates and projections.

[1] Data include the central government and the social security system, from the 1st review and going forward.

[2] Wage and salaries and goods and services (to be) spent by government agencies other than Ministries are reclassified into these items from transfers.

[3] Only interest payments on foreign debt are on a commitment basis. Other expenditures are recorded when checks are issued or transfers initiated.

[4] The total amount of social spending considered in the IT (memorandum item) also includes items under goods and services and wages and salaries.

Table 3b. Seychelles: Consolidated Government Operations, 2023-31[1]

(Percent of GDP)

	2023	2024	2025		2026		2027		2028	2029	2030	2031
	Act.	Prel.	Est.		Proj.					Proj.		
			4th Review		4th Review		4th Review					
	(Percent of GDP, unless otherwise indicated)											
Total revenue and grants	32.0	33.2	35.7	32.7	35.9	34.1	35.7	33.0	33.4	33.5	33.5	33.6
Total revenue	31.1	32.6	34.5	32.2	34.3	32.8	34.8	32.2	32.7	32.7	32.7	32.8
Tax	26.8	27.9	29.1	28.9	29.3	28.7	29.7	28.8	29.0	29.0	29.0	29.1
Personal income tax	3.9	4.1	4.3	4.5	4.4	4.5	4.4	4.6	4.6	4.7	4.7	4.7
Trade tax	1.1	1.2	1.2	1.0	1.2	1.0	1.3	0.9	0.9	0.9	0.8	0.8
Excise tax	4.7	4.7	4.9	4.4	4.7	4.4	4.8	4.4	4.4	4.4	4.4	4.5
Goods and services tax (GST) / VAT	9.9	9.7	10.0	10.0	10.1	9.9	10.2	10.2	10.3	10.3	10.3	10.3
Business tax	5.3	5.8	6.2	6.5	6.2	6.7	6.2	6.6	6.7	6.7	6.7	6.7
Corporate Social Responsibility Tax (CSR)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Marketing Tourism Tax (MTT)	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Property tax	0.1	0.2	0.2	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Environmental Sustainability Tax	0.0	0.5	0.5	0.5	0.6	0.4	0.7	0.4	0.4	0.4	0.4	0.4
Hotel Turnover Tax	0.0	0.4	0.4	0.4	0.4	0.4	0.5	0.4	0.4	0.4	0.4	0.4
Other	1.5	1.0	1.1	1.0	1.1	0.9	1.3	0.9	0.9	0.9	0.9	0.9
Nontax	4.3	4.8	5.4	3.4	5.0	4.1	5.1	3.4	3.7	3.7	3.7	3.7
Fees and charges	1.5	1.5	1.6	1.3	1.6	1.5	1.7	1.4	1.3	1.3	1.3	1.3
Dividends from parastatals	1.9	2.2	2.8	1.8	2.8	1.5	3.0	1.7	1.6	1.6	1.6	1.6
Other	0.9	1.1	1.0	0.3	0.6	1.1	0.4	0.3	0.8	0.8	0.8	0.8
External grants	0.9	0.6	1.2	0.5	1.6	1.3	0.9	0.7	0.8	0.8	0.7	0.8
Expenditure and net lending	33.2	33.1	37.3	32.9	37.2	35.4	36.1	33.8	33.6	33.6	33.6	33.5
Current expenditure	29.4	29.5	31.6	29.4	31.8	30.9	31.0	29.7	29.6	29.7	29.7	29.5
Primary current expenditure	26.5	26.4	28.8	26.8	28.7	28.6	28.2	27.4	27.4	27.6	27.6	27.6
Wages and salaries [2]	9.9	10.1	11.0	10.3	11.0	11.0	10.8	10.7	10.4	10.4	10.4	10.4
Goods and services [2]	11.8	11.6	12.5	11.8	12.3	11.8	11.9	10.6	10.5	10.5	10.5	10.5
Transfers [2]	4.9	4.7	5.3	4.6	5.4	5.8	5.4	6.1	6.5	6.8	6.8	6.8
Social program of central government [4]	0.8	0.7	0.9	0.7	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Transfers to public sector from central governmen	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.2	0.2	0.2	0.2	0.2
Benefits and programs of Social Security Fund [4]	3.9	3.8	4.3	3.8	4.3	4.7	4.3	5.0	5.3	5.7	5.7	5.7
Other	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest due	2.9	3.0	2.8	2.6	3.1	2.2	2.9	2.3	2.2	2.1	2.1	1.9
Foreign interest	1.0	1.5	1.5	1.4	1.8	1.2	1.7	1.1	1.0	1.0	1.0	0.9
Domestic interest	1.8	1.5	1.3	1.2	1.3	1.0	1.2	1.2	1.1	1.1	1.1	1.0
Capital expenditure	3.8	3.3	5.0	3.5	5.0	4.5	5.1	4.0	4.0	3.9	3.9	4.0
Domestically financed	2.7	2.9	3.4	3.2	2.5	2.8	2.6	2.7	2.6	2.4	2.4	2.3
Foreign financed	1.0	0.4	1.5	0.3	2.5	1.8	2.4	1.4	1.4	1.5	1.5	1.5
Net lending	-0.1	0.1	0.6	-0.2	0.3	-0.2	-0.2	-0.1	-0.2	-0.2	-0.2	-0.1
Contingency	0.1	0.3	0.2	0.1	0.1	0.2	0.2	0.2	0.2	0.1	0.1	0.1
Primary balance	1.7	3.1	1.2	2.5	1.8	0.9	2.5	1.5	2.0	2.0	2.0	2.0
Overall balance, commitment basis [3]	-1.2	0.1	-1.7	-0.1	-1.3	-1.3	-0.4	-0.8	-0.2	-0.1	-0.1	0.1
Change in arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in float	1.4	0.8	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance, cash basis (after grants)	0.2	0.9	-1.7	0.1	-1.3	-1.3	-0.4	-0.8	-0.2	-0.1	-0.1	0.1
Financing	0.0	-0.5	2.8	0.1	1.7	2.4	0.4	0.8	0.2	0.1	0.1	-0.1
Foreign financing	0.4	2.9	3.4	0.2	0.5	3.0	-0.8	-1.1	-0.6	-0.8	-1.3	-1.4
Disbursements	2.6	5.9	6.2	2.5	3.6	5.6	2.0	1.1	1.1	1.1	0.7	0.8
Project loans	0.5	0.1	0.8	0.0	1.0	0.7	1.6	0.7	0.8	0.8	0.7	0.8
Program/budget support	2.1	5.8	5.5	2.4	2.5	4.9	0.4	0.4	0.4	0.4	0.0	0.0
Of which RSF	0.2	0.4	1.1	0.2	0.4	1.1	0.0	0.0	0.0	0.0	0.0	0.0
Scheduled amortization	-2.2	-3.0	-2.8	-2.3	-3.1	-2.6	-2.8	-2.2	-1.7	-2.0	-2.0	-2.1
Of which Paris Club buy-back												
Domestic financing, net	-0.9	-3.5	-0.8	-0.4	1.1	-0.7	1.1	1.5	0.6	0.9	1.3	1.2
Bank financing	-0.7	-3.3	-0.6	0.2	1.0	-0.5	1.0	1.3	0.5	0.8	1.2	1.1
CBS	1.6	-4.4	0.0	2.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial banks	-2.4	1.1	-0.6	-2.2	1.0	-0.5	1.0	1.3	0.5	0.8	1.2	1.1
Nonbank	-0.1	-0.2	-0.2	-0.6	0.1	-0.2	0.1	0.1	0.1	0.1	0.1	0.1
Privatization and long-term lease of fixed assets	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.4	0.2	0.1	0.1	0.1
Increase in government assets	0.2	0.4	1.1	0.2	0.4	1.1	0.0	0.0	0.0	0.0	0.0	0.0
Of which RSF	0.2	0.4	1.1	0.2	0.4	1.1	0.0	0.0	0.0	0.0	0.0	0.0
Statistical discrepancy	0.4	-0.1	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:												
Nominal GDP (millions of Seychelles Rupees)	30,441	32,381	32,899	34,134	34,464	35,373	36,466	37,303	39,007	40,862	42,841	45,138
Total social spending [4]	5.6	5.4	6.1	5.8	5.9	5.7	5.6	5.5	5.3	5.3	5.3	5.3

Sources: Seychelles authorities; and IMF staff estimates and projections.

[1] Data include the central government and the social security system, from the 1st review and going forward.

[2] Wage and salaries and goods and services (to be) spent by government agencies other than Ministries are reclassified into these items from transfers.

[3] Only interest payments on foreign debt are on a commitment basis. Other expenditures are recorded when checks are issued or transfers initiated.

[4] The total amount of social spending considered in the IT (memorandum items) also includes items under goods and services and wages and salaries.

Table 4. Seychelles: Depository Corporations Survey and Central Bank Accounts, 2023-31

	2023	2024	2025		2026		2027	2028	2029	2030	2031
	Act.			Prelim.		Proj.			Proj.		
			4th Review		4th Review						
	(Millions of Seychelles rupees)										
Depository corporations survey											
Net foreign assets	18,960	21,746	23,342	25,443	24,079	26,247	26,883	27,765	28,929	30,629	31,666
Central bank	8,996	10,849	11,838	12,446	12,225	12,286	12,895	13,445	14,348	15,813	16,658
Other depository corporations	9,964	10,897	11,505	12,997	11,855	13,960	13,987	14,320	14,580	14,815	15,008
Net domestic assets	6,028	5,092	5,365	4,329	6,286	4,274	6,276	7,295	8,649	9,979	11,282
Domestic credit	15,520	15,469	16,252	16,582	17,555	16,967	18,677	20,020	21,559	23,318	25,057
Net claims on the government	4,840	3,546	2,985	3,535	3,201	2,915	3,412	3,610	3,947	4,455	4,957
Of which: Government deposits at the Central Bank[1]	-1,310	-2,720	-2,720	-1,895	-2,720	-1,895	-1,398	-1,199	-863	-355	-355
Credit to the economy	10,680	11,923	13,267	13,047	14,354	14,052	15,265	16,409	17,612	18,862	20,100
Of which: credit to the private sector	9,731	10,904	11,927	12,112	13,013	13,117	14,330	15,474	16,677	17,927	19,165
Other items, net	-9,492	-10,378	-10,887	-12,253	-11,269	-12,693	-12,401	-12,725	-12,910	-13,338	-13,775
Broad money	24,988	26,837	28,707	29,772	30,365	30,521	33,159	35,059	37,578	40,608	42,947
Currency in circulation	1,374	1,349	1,319	1,429	1,337	1,442	1,567	1,657	1,776	1,919	2,029
Foreign currency deposits	9,647	10,154	10,921	11,670	11,575	11,973	13,007	13,753	14,741	15,930	16,847
Local currency deposits	13,968	15,334	16,467	16,673	17,453	17,106	18,584	19,649	21,061	22,759	24,071
Central bank											
Net foreign assets	8,996	10,849	11,838	12,446	12,225	12,286	12,895	13,445	14,348	15,813	16,658
Foreign assets	9,714	11,480	12,442	13,088	12,839	12,945	13,534	14,091	15,002	16,476	17,329
Foreign liabilities	718	632	605	643	614	659	639	646	654	663	672
Net domestic assets	-2,326	-4,360	-5,597	-5,098	-5,899	-5,019	-5,000	-5,097	-5,401	-6,145	-6,432
Domestic credit	-1,499	-3,234	-4,146	-3,612	-4,254	-3,122	-3,248	-3,187	-3,398	-3,912	-3,965
Government (net)	-113	-1,530	-1,530	-709	-1,530	-709	-212	-13	323	832	832
Other depository corporations (net)	-1,155	-1,492	-2,430	-2,656	-2,533	-2,162	-2,778	-2,910	-3,450	-4,467	-4,513
Other (parastatals)	-231	-212	-186	-247	-191	-251	-258	-264	-270	-277	-284
Other items, net	-827	-1,126	-1,451	-1,486	-1,645	-1,897	-1,752	-1,910	-2,004	-2,233	-2,467
Reserve money	6,670	6,384	6,241	7,201	6,326	7,267	7,895	8,347	8,947	9,669	10,226
Currency in circulation	1,641	1,665	1,635	1,763	1,653	1,776	1,901	1,991	2,110	2,253	2,364
Commercial bank reserves	5,029	4,719	4,606	5,438	4,673	5,490	5,994	6,357	6,837	7,415	7,862
Of which: required reserves in foreign currency	1,827	1,811	1,496	1,811	1,586	1,640	1,782	1,884	2,020	2,182	2,308
required reserves in domestic currency	1,991	2,187	2,429	2,187	2,569	2,575	2,783	2,936	3,135	3,372	3,561
Memorandum items:											
Gross official reserves (millions of U.S. dollars)	682	774	817	878	830	828	876	902	955	1,035	1,075
Foreign currency deposits (millions of U.S. dollars)	680	688	720	782	752	774	849	888	945	1,008	1,052
Broad money growth (12–month percent change)	5.7	7.4	7.0	10.9	5.8	2.5	8.6	5.7	7.2	8.1	5.8
Credit to the private sector (12–month percent change)	7.4	12.1	9.4	11.1	9.1	8.3	9.2	8.0	7.8	7.5	6.9
Reserve money (end-of-period; 12–month percent change)	-3.5	-4.3	-2.2	12.8	1.4	0.9	8.6	5.7	7.2	8.1	5.8
Money multiplier (broad money/reserve money)	3.7	4.2	4.6	4.1	4.8	4.2	4.2	4.2	4.2	4.2	4.2
Velocity (GDP/broad money; end-of-period)	1.2	1.2	1.1	1.2	1.1	1.2	1.1	1.1	1.1	1.1	1.1

Sources: Central Bank of Seychelles; and IMF staff estimates and projections.

[1] Negative shows accumulation, positive shows retiring (debt that is not rolled over)

Table 5. Seychelles: Financial Soundness Indicators for the Banking Sector, 2018–25

	2018	2019	2020	2021	2022	2023	2024	2025	
								Jun	Dec
	(Percent, end-of-period)								
Capital adequacy									
Regulatory capital to risk weighted assets	20.5	19.5	17.1	22.7	20.7	21.8	19.8	19.8	19.1
Regulatory tier 1 capital to risk weighted assets	16.8	16.2	14.1	17.2	15.2	16.0	14.1	17.0	14.7
Capital to assets (net worth)	10.1	9.9	8.4	9.2	8.8	10.1	10.4	10.2	10.1
Net tangible capitalization [1]	10.1	10.0	8.5	9.3	8.9	10.2	10.5	10.3	10.2
Asset quality									
Foreign exchange loans to total loans	24.2	26.0	36.4	27.9	24.5	19.7	15.3	15.1	14.0
Non-performing loans to gross loans	3.5	2.7	3.3	5.5	7.6	8.1	5.5	5.3	4.7
Provision as percentage of non-performing loans	19.2	25.1	38.3	32.5	20.3	18.5	21.5	23.7	22.3
Earnings and profitability									
Return on assets (annualized)	3.7	2.5	1.0	2.6	8.0	1.0	2.2	2.1	1.8
Return on equity (annualized)	35.7	24.0	11.5	28.1	91.3	10.2	21.8	19.9	17.2
Interest margin to gross income	54.5	62.6	58.3	51.8	57.3	65.3	65.4	61.5	57.6
Noninterest expense to gross income	55.9	57.7	55.3	56.0	46.7	76.1	70.6	52.2	68.3
Net interest margin (annualized) [2]	4.2	9.4	7.4	7.3	3.6	4.5	4.6	3.9	3.8
Net noninterest margin (annualized) [3]	-0.8	-3.1	-1.7	-2.8	-0.3	-2.8	-1.9	-0.9	-1.7
Expense to income	61.4	63.7	60.7	65.0	52.0	79.2	74.2	58.5	72.7
Interest expense to gross income	14.4	16.6	13.6	12.4	11.0	15.0	14.0	15.0	16.2
Liquidity									
Core liquid assets to total assets [4]	45.2	44.1	44.1	43.6	47.8	49.1	47.5	51.6	51.5
Broad liquid assets to total assets [5]	58.2	55.3	57.3	59.4	63.0	62.7	60.7	62.1	61.7
Liquid assets (broad) to short term liabilities	63.7	60.6	62.3	66.3	69.0	69.4	67.6	68.8	68.7
Liquid assets (broad) to total liabilities	64.7	61.6	62.5	65.4	69.1	69.7	67.6	69.2	68.6
Liquid assets to deposit liabilities	68.5	65.3	67.8	69.4	72.5	73.5	71.2	73.0	72.7
Foreign exchange exposure [6]									
Total long position in foreign exchange to capital	...	...	...	5.2	6.9	7.7	4.3	5.2	2.6
Total short position in foreign exchange to capital	...	...	...	-4.3	-3.2	-8.3	-2.4	-3.8	-4.5

Source: Central Bank of Seychelles.

[1] Defined as: equity capital/(assets-interest in suspense-provisions).
[2] Defined as: (Interest income - interest expense)/average assets.
[3] Defined as: (Non-interest income - non-interest expense)/average assets.
[4] Core liquid assets include cash, balances with CBS, and deposits with other banks.
[5] Broad liquid assets include core liquid assets plus investments in government securities.
[6] The FX exposure series was discontinued. The data for 2025 refers to November.

Table 6. Seychelles: Program Monitoring – External Financing Requirements and Sources, 2023-31
(Millions of US Dollars)

	2023	2024	2025	2026	2027	2028	2029	2030	2031
	Act	Act	Est.	Proj					
Gross Financing Requirements	**198**	**245**	**204**	**234**	**191**	**191**	**193**	**183**	**188**
Current account deficit	139	176	150	176	136	147	142	128	128
CG Debt Amortization	59	69	54	58	55	44	51	55	59
Sources of Financing	**198**	**245**	**204**	**218**	**191**	**191**	**193**	**183**	**188**
Public sector	63	123	59	85	28	45	49	52	54
o/w: World Bank	1	25	40	15	0	0	0	0	0
African Development Bank	26	58	25	25	0	0	0	0	0
Others	5	22	-23	28	10	10	10	10	9
IMF	16	16	8	0	0	0	0	0	0
EFF purchases	16	16	8	0	0	0	0	0	0
SDR allocation	0	0	0	0	0	0	0	0	0
FDI (net)	279	262	383	286	312	318	333	339	344
Portfolio investment (net)	10	-19	-14	-13	-14	-14	-7	-7	-7
Others (net)	-154	-77	-82	-237	-104	-148	-148	-141	-185
Capital account balance	12	19	20	23	16	16	20	20	21
Net errors and omissions	0	0	0	0	0	0	0	0	0
Change in reserves (without RSF, increase: -)	-13	-63	-163	72	-47	-26	-53	-81	-39
Financing gap	**0**	**0**	**0**	**16**	**0**	**0**	**0**	**0**	**0**
Prospective Financing				**16**	**0**	**0**	**0**	**0**	**0**
IMF EFF purchases[1]				16	0	0	0	0	0
RSF disbursement[1]	**4**	**8**	**5**	**25**	**0**	**0**	**0**	**0**	**0**
Add'l change in official reservers (increase: +)	4	8	5	25	0	0	0	0	0
Total change in official reserves (with RSF, increase: +)	**17**	**71**	**168**	**-48**	**47**	**26**	**53**	**81**	**39**
Memo items									
Gross international reserves with RSF	682	774	876	828	876	902	955	1,035	1,075
(percent of ARA)	105	115	128	118	120	120	124	128	128
(months of imports of G&S)	3.4	3.6	4.2	3.7	3.8	3.8	3.8	4.0	4.1
Gross international reserves without RSF	678	761	858	786	833	859	912	993	1032
(percent of ARA)	104	113	125	112	114	114	118	123	123
(months of imports of G&S)	3.4	3.6	4.1	3.5	3.6	3.6	3.7	3.8	3.9

Source: Central Bank of Seychelles and IMF staff estimates and projections.

[1] Including IMF disbursements associated with future reviews.

Table 7. Seychelles: Schedule of Reviews and Purchases Under the EFF-Supported Program and Proposed Disbursements Under the RSF Arrangement

Availability date	Conditions for disbursement	EFF Purchases	
		SDR million	Percent of Quota
May 31, 2023	Approval of the 3-year arrangement under the EFF	6.107	26.7
November 15, 2023	1st Review and continuous and end-June 2023 performance criteria	6.107	26.7
May 15, 2024	2nd Review and continuous and end-December 2023 performance criteria	6.107	26.7
November 15, 2024	3rd Review and continuous and end-June 2024 performance criteria	6.107	26.7
May 15, 2025	4th Review and continuous and end-December 2024 performance criteria	6.107	26.7
November 15, 2025	5th Review and continuous and end-June 2025 performance criteria	6.107	26.7
May 15, 2026	6th Review and continuous and end-December 2025 performance criteria	5.723	25.0
Total Access		42.365	185

Availability date	Conditions for disbursement	RSF Disbursements	
		SDR million	Percent of Quota
May 31, 2023	Approval of the RSF arrangement	-	-
November 15, 2023	Completion of RSF review of reform measure 1 implementation	3.123	13.6
May 15, 2024	Completion of RSF review of reform measure 2 implementation	3.123	13.6
November 15, 2024	Completion of RSF review of reform measure 5 implementation	3.123	13.6
May 15, 2025	Completion of RSF review of reform measure 6 implementation	0.78075	3.4
	Completion of RSF review of reform measure 7 implementation	3.123	13.6
November 15, 2025	Completion of RSF review of reform measure 3 implementation	3.123	13.6
	Completion of RSF review of reform measure 4 implementation	3.123	13.6
	Completion of RSF review of reform measure 8 implementation	3.123	13.6
	Completion of RSF review of reform measure 9 implementation	1.5615	6.8
	Completion of RSF review of reform measure 10 implementation	3.123	13.6
May 15, 2026	Completion of RSF review of reform measure 6.1 implementation	0.78075	3.4
	Completion of RSF review of reform measure 6.2 implementation	0.78075	3.4
	Completion of RSF review of reform measure 6.3 implementation	0.78075	3.4
	Completion of RSF review of reform measure 9.1 implementation	1.5615	6.8
	Completion of RSF review of reform measure 11 implementation	3.120	13.6
Total Access		34.350	150

Source: IMF staff.

Table 8. Seychelles: Program Monitoring – Indicators of Fund Credit Under the EFF and RSF

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046
										(Millions of SDR)											
Existing Fund credit																					
Stock [1]	96.7	85.6	73.4	58.7	43.4	28.2	20.9	16.3	13.3	11.7	10.3	9.0	7.7	6.4	5.0	3.7	2.4	1.1	0.2	0.0	0.0
GRA	83.4	72.3	60.1	45.4	30.1	14.9	7.6	3.1	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	13.3	13.3	13.3	13.3	13.3	13.3	13.3	13.3	12.8	11.7	10.3	9.0	7.7	6.4	5.0	3.7	2.4	1.1	0.2	0.0	0.0
Obligation	14.1	15.3	15.7	17.8	17.8	17.3	8.9	6.0	4.3	2.8	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.1	1.6	0.9	0.7
Principal (repayments/repurchases)	9.4	11.1	12.2	14.7	15.3	15.3	7.3	4.6	3.0	1.6	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	0.9	0.2	0.0
GRA	9.4	11.1	12.2	14.7	15.3	15.3	7.3	4.6	2.5	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	1.1	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	0.9	0.2	0.0
Charges and interest	4.7	4.2	3.6	3.1	2.6	2.1	1.7	1.4	1.3	1.2	1.1	1.1	1.0	1.0	0.9	0.9	0.8	0.8	0.7	0.7	0.7
Prospective Fund credit																					
Disbursement	29.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
GRA	11.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	18.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Stock [1]	29.8	29.8	29.8	29.8	28.8	26.8	24.9	22.9	20.9	18.9	17.1	15.3	13.5	11.7	9.9	8.1	6.3	4.5	2.7	0.9	0.0
GRA	11.8	11.8	11.8	11.8	10.8	8.9	6.9	4.9	3.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	17.1	15.3	13.5	11.7	9.9	8.1	6.3	4.5	2.7	0.9	0.0
Obligations [2, 3, 4]	0.8	1.4	1.3	1.1	2.0	3.0	2.9	2.9	2.8	2.7	2.6	2.4	2.3	2.3	2.2	2.1	2.1	2.0	1.9	1.9	0.9
Principal (repayments/repurchases)	0.0	0.0	0.0	0.0	1.0	2.0	2.0	2.0	2.0	2.0	1.9	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	0.9
GRA	0.0	0.0	0.0	0.0	1.0	2.0	2.0	2.0	2.0	2.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.9	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	0.9
Charges and interest	0.8	1.4	1.3	1.1	1.1	1.0	0.9	0.9	0.8	0.7	0.7	0.6	0.5	0.5	0.4	0.4	0.3	0.2	0.2	0.1	0.0
Existing and prospective Fund credit																					
Disbursements	29.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
GRA	11.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	18.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Stock [1]	126.5	115.4	103.2	88.5	72.2	55.0	45.8	39.2	34.2	30.6	27.4	24.3	21.2	18.0	14.9	11.8	8.7	5.5	2.9	0.9	0.0
GRA	95.2	84.1	72.0	57.2	41.0	23.8	14.5	8.0	3.5	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	31.2	31.2	31.2	31.2	31.2	31.2	31.2	31.2	30.8	29.6	27.4	24.3	21.2	18.0	14.9	11.8	8.7	5.5	2.9	0.9	0.0
In percent of quota	552.2	503.8	450.7	386.3	315.4	240.1	199.8	171.2	149.4	133.7	119.6	106.0	92.4	78.7	65.1	51.5	37.8	24.2	12.6	0.0	0.0
GRA	415.9	367.5	314.3	249.9	179.0	103.8	63.5	34.8	15.1	4.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	136.4	136.4	136.4	136.4	136.4	136.4	136.4	136.4	134.3	129.4	119.7	106.0	92.4	78.8	65.1	51.5	37.9	24.2	12.6	0.0	0.0
In percent of GDP	7.7	6.5	5.6	4.5	3.4	2.4	1.8	1.5	1.2	1.0	0.8	0.7	0.5	0.4	0.3	0.2	0.2	0.1	0.0	0.0	0.0
In percent of Government Revenues	22.7	19.7	16.8	13.3	10.1	7.1	5.5	4.3	3.5	2.9	2.4	2.0	1.6	1.3	1.0	0.7	0.5	0.3	0.1	0.0	0.0
In percent of exports of goods and services	7.2	6.0	5.2	4.1	3.1	2.2	1.7	1.3	1.1	0.9	0.7	0.6	0.5	0.4	0.3	0.2	0.1	0.1	0.0	0.0	0.0
In percent of gross reserves	20.9	18.1	15.7	12.5	9.4	6.7	5.1	4.1	3.3	2.7	2.3	1.9	1.5	1.2	0.9	0.7	0.4	0.3	0.1	0.0	0.0
In percent of external debt, public	25.0	21.2	19.1	16.8	14.0	10.5	8.6	7.2	6.1	5.5	5.0	4.4	3.9	3.3	2.8	2.2	1.6	1.0	0.5	0.2	0.0
Obligations to the Fund from existing and prospective Fund arrangements																					
Total obligations	14.9	16.7	17.1	18.9	19.9	20.3	11.8	8.9	7.1	5.6	5.0	4.8	4.7	4.6	4.5	4.4	4.2	4.1	3.6	2.8	1.6
Principal (repayments/repurchases)	9.4	11.1	12.2	14.7	16.2	17.2	9.2	6.6	5.0	3.6	3.2	3.1	3.1	3.1	3.1	3.1	3.1	3.1	2.7	2.0	0.9
GRA	9.4	11.1	12.2	14.7	16.2	17.2	9.2	6.6	4.5	2.5	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	1.1	2.2	3.1	3.1	3.1	3.1	3.1	3.1	3.1	2.7	2.0	0.9
Charges and interest	5.5	5.6	4.9	4.2	3.6	3.1	2.6	2.3	2.1	1.9	1.8	1.7	1.6	1.5	1.4	1.2	1.1	1.0	0.9	0.8	0.7
Of which:																					
GRA Basic Charges	3.1	3.1	2.7	2.3	1.8	1.2	0.7	0.4	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Surcharges	0.7	0.6	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which: Level-based	0.5	0.5	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Time-based	0.2	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
In percent of quota [5]	64.8	72.8	74.6	82.6	86.8	88.7	51.6	38.7	30.9	24.2	22.0	21.1	20.6	20.1	19.6	19.1	18.6	18.1	15.5	12.2	7.1
In percent of GDP	0.9	0.9	0.9	1.0	0.9	0.9	0.5	0.3	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0
In percent of Government Revenues	2.7	2.8	2.8	2.9	2.8	2.6	1.4	1.0	0.7	0.5	0.4	0.4	0.4	0.3	0.3	0.3	0.2	0.2	0.2	0.1	0.1
In percent of exports of goods and services	0.8	0.9	0.9	0.9	0.9	0.8	0.4	0.3	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0
In percent of gross reserves	2.5	2.6	2.6	2.7	2.6	2.5	1.3	0.9	0.7	0.5	0.4	0.4	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.1	0.1
In percent of external debt service, public	24.0	27.0	29.4	31.2	32.4	36.7	23.3	18.9	16.6	13.9	13.6	12.9	12.6	14.2	13.0	11.5	11.2	10.9	9.3	7.3	4.3

Sources: IMF Finance Department; and IMF staff estimates and projections.

[1] End-of-period.

[2] Repayment schedule based on repurchase obligations. Obligations to the Fund from Existing and Prospective Fund Arrangements includes charges.

[3] Seychelles belongs to the RST interest Group C.

[4] Based on the RST rate of interest of 3.679 percent as of April 30, 2026.

[5] Effective February 2016, the new quota of SDR 22.9 million is applied.

Table 9. Seychelles: Decomposition of Public Debt and Debt Service by Creditor, 2025-27[1]

	Debt Stock (end of period)			Debt Service					
	2025			2025	2026	2027	2025	2026	2027
	(In US$ million)	*(Percent total debt)*	*(Percent GDP)*	*(In US$ million)*			*(Percent GDP)*		
Total	1164	100.0	50.9	288.9	211.9	178.9	12.5	9.4	7.3
External	649	55.8	28.4	84.0	83.6	80.9	3.6	3.7	3.3
Multilateral creditors[2]	565	48.6	24.7	45.1	48.9	57.0	1.9	2.2	2.3
IMF	145	12.4	6.3						
World Bank	181	15.6	7.9						
AfDB	176	15.2	7.7						
Other Multilaterals	55	4.7	2.4						
o/w: EIB	29	2.5	1.3						
o/w: BADEA	15	1.3	0.7						
Bilateral Creditors	54	4.7	2.4	14.7	15.7	11.8	0.6	0.7	0.5
Paris Club	25	2.1	1.1	8.7	9.7	5.7	0.4	0.4	0.2
o/w: France	13	1.1	0.6						
o/w: UK	2	0.2	0.1						
Non-Paris Club	29	2.5	1.3	6.0	5.9	6.0	0.3	0.3	0.2
o/w: China	7	0.6	0.3						
o/w: Saudi Arabia	11	0.9	0.5						
Bonds	22	1.9	0.9	19.5	14.8	10.5	0.8	0.7	0.4
Commercial creditors	8	0.7	0.4	4.7	4.2	1.6	0.2	0.2	0.1
o/w: TDB	0	0.0	0.0						
o/w: Nedbank	3	0.3	0.1						
o/w: Habib Bank	3	0.3	0.1						
Domestic	515	44.2	22.5	204.9	128.3	98.1	8.8	5.7	4.0
Held by residents, total	n/a								
Held by non-residents, total	n/a								
T-Bills	142	12.2	6.2	86.7	48.0	0.0	3.7	2.1	0.0
Bonds	340	29.2	14.9	110.8	73.7	93.6	4.8	3.3	3.8
Loans	33	2.8	1.4	7.4	6.7	4.5	0.3	0.3	0.2
Memo items:									
Collateralized debt[3]									
o/w: Related									
o/w: Unrelated									
Contingent liabilities									
o/w: External public guarantees	14	1.2	0.6						
o/w: Domestic Public guarantees	47	4.0	2.0						
o/w: Other explicit contingent liabilities[4]									
Nominal GDP	2318.0			2318.0	2250.9	2449.0			

1/As reported by Country authorities according to their classification of creditors, including by official and commercial, as of end-2025. Debt coverage is the same as the DSA, except for domestic and external guarantees which are reported under memo items. The debt stock as percent of GDP is calculated in local currency.

2/Multilateral creditors" are simply institutions with more than one official shareholder and may not necessarily align with creditor classification under other IMF policies (e.g. Lending Into Arrears)

3/Debt is collateralized when the creditor has rights over an asset or revenue stream that would allow it, if the borrower defaults on its payment obligations, to rely on the asset or revenue stream to secure repayment of the debt. Collateralization entails a borrower granting liens over specific existing assets or future receivables to a lender as security against repayment of the loan. Collateral is "unrelated" when it has no relationship to a project financed by the loan. An example would be borrowing to finance the budget deficit, collateralized by oil revenue receipts. See the joint IMF-World Bank note for the G20 "Collateralized Transactions: Key Considerations for Public Lenders and Borrowers" for a discussion of issues raised by collateral.

4/Includes other-one off guarantees not included in publicly guaranteed debt (e.g. credit lines) and other explicit contingent liabilities not elsewhere classified (e.g. potential legal claims, payments resulting from PPP arrangements).

Source: IMF staff.

Annex I. Risk Assessment Matrix (RAM)[1]

Source of Risks	Relative Likelihood	Expected Impact if Realized	Policy Response
Conjunctural Risks			
Geopolitical Tensions and Intensification of Conflicts. Rising geopolitical tensions, and a weakening of multilateralism, raise the risk of an escalation in military conflicts, accompanied by damage to key physical and financial infrastructure, disruptions in major transit routes and supply chains, higher migration pressures, additional financial frictions and market volatility. **Trade-related Risks: Protectionism and Trade Disruptions.** Tariff and nontariff measures disrupt global supply chains, weighing on activity while increasing inflation. Trade diversion triggers broader protectionism.	High	High Geopolitical tensions and escalating trade measures lead to recession in key tourist origin countries, lowering tourist arrivals, hampering economic activity and deteriorating fiscal position. Supply disruptions and dollar appreciation leads to higher inflation and tighter financial conditions.	Allow automatic stabilizers to operate in the short run and consider further fiscal medium-term consolidation Targeted support for vulnerable sectors in case such risk materializes. Let the exchange rate act as a shock absorber to protect reserve buffers and utilize FXI to prevent disorderly market conditions. Develop a contingency plan (including risk management tools such as establishing contingent line of credit and a rule-based cash buffer) that would lower the impact. Seek to diversify tourism source markets.
Fiscal Vulnerabilities and Higher Interest Rates. Higher public debt and deficit levels put further upward pressure on long-term interest rates, sharply tightening global financial conditions, amplifying currency volatility, and reducing consumption and investment that exacerbate adverse debt dynamics. Disruptions are amplified by increased role of price-sensitive investors and leveraged NBFIs in sovereign debt markets, limited market absorption capacity when NBFIs offload debt securities, higher roll-over needs on shorter sovereign debt maturities, and strong sovereign-financial nexus. Concurrently, capital outflows from emerging and developing economies elicit a sharp increase in short-term rates.	Medium	High Deterioration of fiscal position, increase debt rollover costs and risks, worsening government financing conditions. Increase fragilities in the financial sector.	Implement fiscal consolidation and reduce debt levels. Improve debt profile by lengthening average maturity, diversify funding sources, managing currency and refinancing risks, and aligning borrowing with development priorities Create fiscal space through expenditure control, while protecting the most vulnerable people. Strengthen prudential regulations on the Financial Sector Preemptively rebuild FX buffers.

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenarios highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon.

Source of Risks	Relative Likelihood	Expected Impact if Realized	Policy Response
Conjunctural Risks			
Disorderly AI Correction. An abrupt revision in expectations of strong AI-led productivity gains causes a sharp market correction, investment decline, and wealth loss, which suppress demand and tighten financial conditions globally.	High	Medium Worsening government financing conditions by increasing debt rollover costs and risks, and amplifying fragilities in the financial sector.	Adopt prudent fiscal and monetary macro policies Create fiscal space for new Measures to mitigate market volatility. CBS to maintain vigilant monitoring and be ready to tighten monetary stance to anchor inflation expectations. Mobilize concessional loans from development partners. Ensuring a prudent macro-fiscal stance to foster market access at reasonable terms. Use FX buffers if necessary.
Commodity Price Volatility. Supply and demand imbalances—triggered by geopolitical tensions, coordinated production decisions, shifts in investor preferences, or structural changes in demand—fuel commodity price swings, amplifying external and fiscal pressures, social unrest, and macro instability.	High	High	CBS to maintain vigilant monitoring and be ready to tighten monetary stance to anchor inflation expectations. Provide targeted support for the most vulnerable population to deal with rising prices amid a delayed economic recovery. Let the exchange rate act as a shock absorber to protect reserve buffers.
Policy Uncertainty. Elevated and wide-ranging policy uncertainty weighs on sentiment and holds back consumption and investment. Political interference in independent economic institutions erodes public confidence and trust and raises the risk of policy mistakes.	High	High Elevated policy uncertainty weakens confidence, discourages consumption and investment, thereby hindering economic growth, and fiscal position.	Strengthen institutional independence, safeguarding the autonomy of key economic institutions. Implement stabilizing fiscal and monetary measures. Enhance coordination across policy areas to prevent contradictory signals and foster confidence.
Social Discontent. Persistently high living costs, youth unemployment and inequality, amid an erosion in governance standards and pressures from geoeconomic realignments, trigger social unrest, political repression and instability, affecting countries' capacity to pursue economic reforms.	Medium	Medium Delayed fiscal adjustments. Political instability. Supply disruptions and weaker confidence.	Prioritize and target public spending towards the most vulnerable people. Create fiscal space for expansion of the welfare network. Mobilize additional grants from development partners to cover more persistent external needs.

Source of Risks	Relative Likelihood	Expected Impact if Realized	Policy Response
Conjunctural Risks			
New Trade Agreements. Tangible progress in trade talks reduces uncertainty and trade barriers. Wider cooperation on services, FDI, and taxation boosts investment and bolsters public finances.	**Low**	**Medium** Improve economic activity in source markets and tourism activity. Enhance financial soundness and fiscal position, reducing debt sustainability risks.	Implement policies to foster long-term productivity. Develop portfolio of projects for investment opportunities in the country Overcome labor supply shortage.
Structural Risks			
Climate change. Extreme climate events and rising temperatures could cause loss of life, damage to infrastructure, food insecurity, supply disruptions, and heighten economic and financial instability.	**Medium**	**High** Materialization of risks related to natural disasters could disrupt tourism sector, trigger further public expenditure and jeopardize fiscal consolidation.	Prioritize the implementation of projects related to climate change. Continue rebuilding fiscal space, reducing public debt, increasing foreign exchange buffers, and improving the effectiveness of social protection.
Labor Shortages and Remittances. Tighter immigration policies exacerbate labor shortages in aging destination economies, reducing potential output, fueling inflation, and straining fiscal balances through lower revenues. Origin countries see depressed remittances and incomes, and worsening external balances, though a larger labor force could partly offset the remittance decline over the medium term.	**High**	**High** Delayed fiscal adjustment. Political instability. Limited financing inflows and investment projects delays. Supply disruptions and weaker confidence.	Prioritize and target public policies towards working age population outside the labor force. Implement immigration policies to address sectorial labor shortages. Develop social programs and invest in human capital through education and health spending.
Cyberthreats. Cyberattacks on physical or digital infrastructure, technical failures, or misuse of AI technologies could trigger financial and economic instability.	**High**	**Medium** Impact on public services that rely on digital infrastructure	Implement contingent plans for cyberattacks Assess the risk and impact of cyberattacks on public services.
AI Acceleration. Rapid AI adoption significantly improves productivity, boosts growth, and revives business dynamism. Realizing these gains requires complementary policies to manage energy constraints, scale critical inputs, and support labor market transitions.	**Medium**	**Medium** Enhance productivity and business dynamism, increasing potential output and improving macroeconomic conditions.	Invest in workforce reskilling and education. Enhance energy Infrastructure Expand social protections to mitigate transitional hardships for displaced workers. Design policies to ensure broad-based benefits from AI. Encourage responsible AI Governance

Annex II. CBS Workplan on the Monetary Policy Framework and Operations (July 2025 update)

Reform Areas	Action Name	Timeline	Status
Monetary Policy Framework	Review the composition of the Monetary Policy Technical Committee (MPTC)	2024Q3	Completed
	Analyze monetary policy decision-making process	2024Q3	Completed
	Reinforce the modelling team	2024Q3	Completed
	Enhance monetary policy communication	Continuous	Continuous
	Introduce a Monetary Policy Report	2022Q3	Completed
	Formalize monetary policy process manual	Continuous	Continuous
	Improve understanding of monetary policy shock transmission	2023Q2	Completed
	Conduct inflation expectations surveys	2025Q2	Completed
	Use Forecasting and Policy Analysis System (FPAS) tools in policymaking	Continuous	Continuous
Monetary Policy Implementation	Review the rollover mechanism of CBS' holding of Treasury bills	2024Q3	In Progress
	Address excess liquidity in line with the monetary policy stance	2023Q4	Continuous
	Assess the parameters of the Deposit Auction Arrangement	2025Q2	Completed
	Develop legal framework for repos repurchase and reverse repurchase agreements	2025Q4	In Progress
	Re-introduce reverse repos	2024Q4	Completed
	Consider instruments for longer-term liquidity absorption	2026Q1	Under Consideration
	Test all open market operations instruments with each bank on an annual basis	2026Q1	In Progress
	Conduct fine-tuning operations when there are liquidity imbalances	2025Q2	Continuous
	Introduce a collaterised intraday lending facility	2027	In Progress
	Review the structure of the CBS balance sheet	2025Q4	Under Consideration
Interbank Market	Develop a money market benchmarks project for reference rate in the rupee interbank market	2026Q2	Under Consideration
	Draft Seychelles annex of the Global Master Repurchase Agreement and develop appropriate legal background to repos for the interbank market	2028Q4	Under Consideration
Foreign Exchange Market	Review the foreign exchange auction strategy	Continuous	Continuous
	Review the net open position limit	2025Q2	Under Consideration

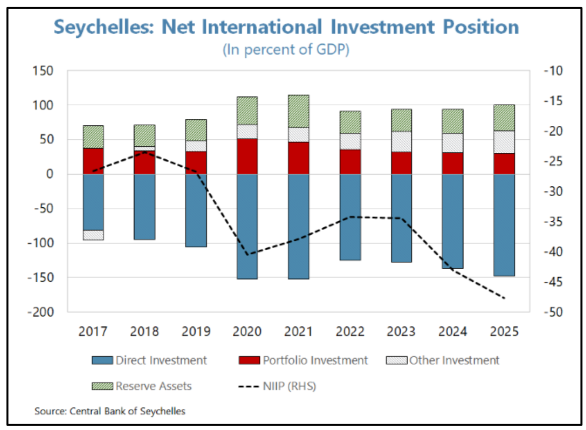
Annex III. External Sector Assessment

Overall Assessment: Seychelles' external position in 2025 was moderately weaker than the level implied by fundamentals and desirable policies based on IMF's EBA-lite current account model.[1] This assessment is based on preliminary data for 2025 and subject to model uncertainty. Seychelles' current account deficit improved in 2025 on account of record tourism arrivals which for the first time exceeded pre-pandemic levels. In the medium term, it is projected to stabilize at around 4 to 5 percent of GDP, reflecting a maturing tourism sector and ongoing infrastructure and climate investments.

Potential Policy Responses: The authorities should continue to maintain a flexible exchange rate regime and build external buffers against external shocks. Seychelles' external position already encompasses a strong fiscal position, which itself was linked to an under-execution of capital projects. Policy response should take into account that Seychelles is a microstate heavily reliant on high-end tourism earnings and on imports for consumption and investment (i.e., elasticities of exports and imports to exchange rates differ from most of larger economies). Going forward, the authorities face climate-related challenges and limited access to concessional financing due to their higher income status. Efforts should continue to implement structural reform to create environment conducive to steady FDI and loan financing on favorable terms, and to diversify and improve overall competitiveness.

Foreign Assets and Liabilities: Position and Trajectory

Background. Seychelle's net international investment position (NIIP) further deteriorated in 2025, reflecting continued reliance on external financing. Based on data through end-2025, Seychelles' NIIP stood at -47.7 percent of GDP compared to -43.1 percent at-end 2024. The widening of the next debtor position was driven primarily by strong FDI inflows, which continue to remain an important component of the financial account financing the current account deficit. At end-2025, direct investment accounted for 21.3 percent of gross assets (down from 23.4 at end-2024) and 58 percent of gross liabilities (unchanged relative to 2024), while portfolio investment was about 11.9 percent of gross assets (compared to 12.5 percent at end-2024) and 2.4 percent of gross liabilities (similar to end-2024).



Debt instruments dominated both sides of the balance sheet in gross terms. On the asset side, debt assets amounted to 243 percent of GDP, with currency and deposits accounting for about 140 percent of GDP, reflecting sizable reserve holdings and deposits abroad that provide liquidity buffers. On the liability side, debt liabilities reached 302 percent of GDP, driven largely by direct investment debt instruments (around 149 percent of GDP) and loans (about 66 percent of GDP) mainly on account of intercompany lending and external borrowing.

Assessment. Going forward, the current account deficit is projected to stabilize at around 4 to 5 percent of GDP reflecting a maturing tourism sector and continued need to invest in infrastructure to support inclusive growth and to address climate-related challenges. While the NIIP is expected to remain negative, the predominance of FDI on the liability side helps mitigate rollover and near-term financing risks and the high share of liquid debt assets, particularly currency and deposits, provides an important buffer against external shocks. Overall, external sustainability risks remain contained. Continued efforts to improve external competitiveness especially in the tourism sector, support productivity gains through capacity building which would reduce the cost of external financing, and maintain an environment conducive to steady foreign investment would help preserve external stability.

2025Q4	NIIP:	Gross Assets:	Debt Assets:	Gross Liab.:	Debt Liab.:
(% GDP)	-47.7%	328%	243%	376%	302%

Current Account

Background. The current account deficit narrowed to -6.5 percent of GDP in 2025, from -7.9 percent in 2024, due to an exceptional rebound in the tourism sector. The services balance improved from 32 percent of GDP in 2024 to 38.1 percent of GDP in 2025. Tourist arrivals rose by about 13 percent compared to 2024, surpassing the pre-pandemic peak of 384,204 visitors in 2019 by nearly 4 percent. On the goods side, exports declined by 4.5 percent of GDP compared to 2024, mainly due to lower tuna exports, which fell by 2.2 percent of GDP. Meanwhile, good imports increased by 0.9 percent of GDP, reflecting a one-off increase in FDI-related imports associated with the importation of a superyacht (US$116 million or 5 percent of GDP) partially offset by lower international food and oil prices. With an almost neutral general government overall balance, the current account result implies a negative private sector saving-investment balance of about 6.5 percent of GDP.

Assessment. The EBA-lite CA model estimates an adjusted CA deficit of - 6 percent of GDP in 2025, after accounting for cyclical factors and temporary effects. The multilaterally consistent adjusted CA norm is -3.3 percent of GDP, which is larger than in previous assessments, reflecting a less restrictive fiscal stance in the medium term required to meet the debt anchor given the structural improvement in tourism. Comparing the adjusted CA balance with the CA norm, the EBA-lite model yields a current account gap of -2.7 percent of GDP. However, staff assess Seychelles' external position as moderately weaker than fundamentals and desirable policies. This judgement reflects the increased reserve buffers and the effect of temporary factors, in particular a large one-off import transaction of a superyacht at the end of 2025 which masked much of the underlying improvement of the CA deficit owing to a strong recovery in tourism receipts. The statistical treatment of this transaction in the balance of payments is still being determined with IMF CD support.

Seychelles: EBA-lite Model Results, 2025

	CA model 1/	REER model 1/
	(in percent of GDP)	
CA-Actual	**-6.5**	
Cyclical contributions (from model) (-)	-0.2	
Natural disasters and conflicts (-)	-0.3	
Adjusted CA	**-6.0**	
CA Norm (from model) 2/	**-3.3**	
Adjusted CA Norm	**-3.3**	
CA Gap	**-2.7**	**18.3**
o/w Relative policy gap	3.3	
Elasticity	-0.8	
REER Gap (in percent)	**3.4**	**-23.6**

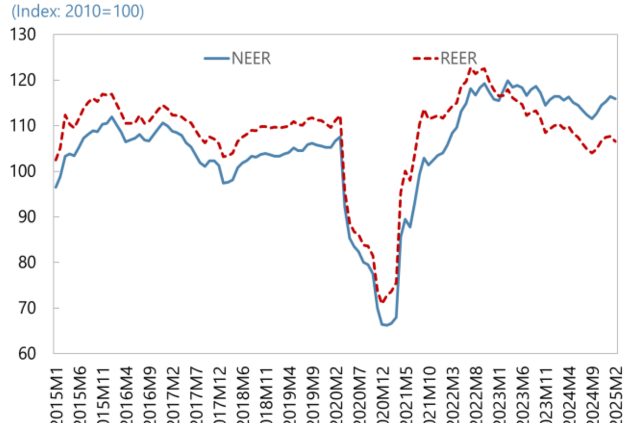
1/ Based on the EBA-lite 3.0 methodology
2/ Cyclically adjusted, including multilateral consistency adjustments.

Real Exchange Rate

Background. The exchange rate was stable against the US dollar (0.5 percent depreciation from December 2024 to December 2025) but weakened by 12.7 percent against the Euro over the same period. The rupee also depreciated 4.7 percent in NEER and 7.6 percent in REER terms.

Assessment. The CA gap estimated under the CA EBA-Lite model implies a overvaluation of 3.4 percent applying an estimated elasticity of -0.8. At the same time, the EBA-Lite REER model suggests a CA REER gap of 18.3 percent and an undervaluation of -23.6. The CA model typically is more reliable in capturing the evolving nature of Seychelles' external position.

Nominal and Real Effective Exchange Rates
(Index: 2010=100)



Capital and Financial Accounts: Flows and Policy Measures

Background. Net FDI has dominated Seychelles' financial account flows, averaging well above 12 percent of GDP since 2018. In 2025, net FDI inflows reached 16.5 percent of GDP, up from 11.7 percent of GDP in 2024 and 12.9 percent in 2023. This figure masks however the one-off importation of a superyacht for tourism services (US$116 million or 5 percent of GDP), which the authorities are still confirming – excluding it, FDI would have been 11.5 percent of GDP, and below 2024, as an expected ramp-up in FDI was rephased to the next years. The medium-term outlook for FDI remains nevertheless strong, driven by the construction of tourism-related establishments and resorts. New external debt

incurred in 2025 was provided by IFIs and bilateral loans from development partners. Due to Seychelles' high-income status, these loans were not provided on less concessional terms. Going forward Seychelles faces limited access to concessional financing. The authorities continue to levy an annual tax of 0.5 percent on immovable property owned in Seychelles by non-Seychellois, which has been assessed an inflow CFM under the Institutional View for Liberalization and management of Capital Flows. **Assessment.** Risks related to capital flows are increasing primarily due to Seychelles' high-income status which limits its access to concessional loans from development partners. Over the medium-term, the country's exposure to climate-related challenges may also impact its ability to attract FDI. The authorities should continue to maintain a flexible exchange rate regime and build external buffer against external shocks, while implementing structural reforms which would make Seychelles attractive to foreign investors. On the inflow CFM related to the tax on immovable property for non-Seychellois, staff recommends making the tax broad-based by applying it to both Seychellois and non-Seychellois or removing the measure and relying on alternative fiscal revenue enhancing measures.
FX Intervention and Reserves Level
Background. The exchange rate regime is classified as floating and foreign exchange interventions are aimed at addressing disorderly market conditions and maintaining an adequate level of international reserves. The authorities conducted foreign exchange auctions to accumulate reserves during 2025, especially in the first part of the year. Gross International Reserves (GIR) at end-2025 were $878 million (4.2 months of imports, 128 percent of ARA metric), increasing from $773 million (3.6 months of imports, 105 percent of ARA metric). GIR are projected to maintain import coverage in the range of 3-4 months over the medium term. **Assessment.** Staff will recommend continuing to increase external buffers. Compared against standard reserve adequacy benchmarks, staff estimates the international reserves at end-2025 to be within the advisable range of international reserves. Given the country's high dependency on tourism and the vulnerability of this sector to external shocks (including the impacts of climate change), the authorities should maintain external buffers at least at 120 percent of the ARA metric. Reserves in the range of 100-150 percent of the ARA metric are considered broadly adequate for precautionary purposes (see 2016 ARA Guidance). For Seychelles, a target of 120 percent of the ARA metric is appropriate given vulnerability to fluctuations in tourist arrivals; this level is similar to augmenting the standard EM ARA metric with a one standard deviation tourist arrivals "shock" which should provide a sufficient buffer to smoothen adjustment during a temporary shock from tourist arrivals. In the past, the authorities expressed caution over interventions in the foreign exchange market given the rapid pass-through from depreciation of the rupee to inflation via import prices. They indicated that they would intervene and accumulate more reserves if the market conditions allow.
[1] The external sector assessment is based on staff's estimates.

Annex III. Table 1. Seychelles: Classification of the Overall Assessments [1/]

CA gap	Description in Overall Assessment
> 4%	… substantially stronger…
[2%, 4%]	… stronger…
[1%, 2%]	… moderately stronger…
[-1%, 1%]	The external position is broadly in line with the level implied by fundamentals and desirable policies
[-2%, -1%]	… moderately weaker…
[-4%, -2%]	… weaker…
< -4%	… substantially weaker…

1/ The qualitative assessment of the external position is primarily based on the CA gap. Due to different elasticities, the same CA gap could be associated with different REER gaps for different economies.

Annex IV. Sovereign Risk and Debt Sustainability Analysis

Annex IV. Figure 1. Seychelles: Risk of Sovereign Stress

Horizon	Mechanical signal	Final assessment	Comments
Overall	...	**Moderate**	The overall risk of sovereign stress is moderate, reflecting moderate levels of vulnerability in the medium-, and long-term horizons.
Near term 1/	n.a.	n.a.	Not applicable
Medium term	**Moderate**	**Moderate**	Medium-term risks are assessed as moderate on the basis of the strength of institutions and the authorities' commitment to prudent fiscal stance. The DSA applied the contigent liability and natural disaster shock.
Fanchart	**Moderate**	...	
GFN	**Moderate**	...	
Stress test	Cont. Liabty. Nat. Diast.	...	
Long term	...	**Moderate**	Long-term risks are moderate on the basis of increasing financing needs for pensions, health care system and climate-related expenditures.
Sustainability assessment 2/	...	Sustainable	The projected debt path is expected to improve and stabilize over the long run and GFNs w ill remain at manageable levels.
Debt stabilization in the baseline			Yes

DSA Summary Assessment

Commentary: Staff assesses Seychelles to be at a moderate risk of sovereign stress and debt is assessed to be sustainable. Public debt decreased from 58.1 percent of GDP in 2024 to 53.6 percent in 2025, due to a positive primary balance, higher real GDP grow th and other flow s (particularly the usage of government's accumulated deposits for debt repayment). Medium-term liquidity risks are moderate as analyzed by the GFN Financeability and Debt fan chart index. Long-term risk is also considered moderate, and debt is considered sustainable. Moreover, the country may need to increase its reliance on domestic financing in the medium-term due to the elevated exposure of certain multilaterals follow ing the budget support disbursements anticipated for 2026. The authorities should continue to maintain a prudent fiscal position and develop domestic debt markets to diversify source of financing.

Source: Fund staff.
Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.
1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.
2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

Annex V. Sovereign Risk Debt Sustainability Framework

Annex V. Figure 1. Seychelles: Debt Coverage and Disclosures

1. Debt coverage in the DSA: 1/

CG	GG	NFPS	CPS	Other
	chosen			

1a. If central government, are non-central government entities insignificant? n.a.

2. Subsectors included in the chosen coverage in (1) above:

Sectors		Subsectors captured in the baseline	Inclusion	Comments
CPS / NFPS / GG: expected / CG	1	Budgetary central government	Yes	
CPS / NFPS / GG: expected / CG	2	Extra budgetary funds (EBFs)	No	Not applicable
CPS / NFPS / GG: expected / CG	3	Social security funds (SSFs)	Yes	
CPS / NFPS / GG: expected	4	State governments	No	Not applicable
CPS / NFPS / GG: expected	5	Local governments	No	Not applicable
CPS / NFPS	6	Public nonfinancial corporations	No	
CPS	7	Central bank	No	
CPS	8	Other public financial corporations	No	

3. Instrument coverage:

Currency & deposits	Loans	Debt securities	Oth acct. payable 2/	IPSGSs 3/
chosen	chosen	chosen	chosen	missing

4. Accounting principles:

Basis of recording		Valuation of debt stock		
Non-cash basis 4/	Cash basis	Nominal value 5/	Face value 6/	Market value 7/
	chosen	chosen		

5. Debt consolidation across sectors:

Consolidated	Non-consolidated
	chosen

Color code: chosen coverage; Missing from recommended coverage; Not applicable

Reporting on Intra-Government Debt Holdings

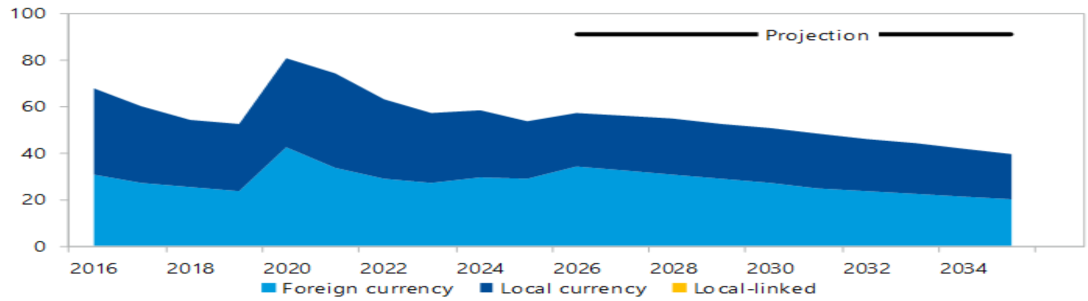
Sectors		Issuer \ Holder	Budget. central govt	Extra-budget. funds (EBFs)	Social security funds (SSFs)	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
CPS / NFPS / GG: expected / CG	1	Budget. central govt									0
CPS / NFPS / GG: expected / CG	2	Extra-budget. funds									0
CPS / NFPS / GG: expected / CG	3	Social security funds									0
CPS / NFPS / GG: expected	4	State govt.									0
CPS / NFPS / GG: expected	5	Local govt.									0
CPS / NFPS	6	Nonfin pub. corp.									0
CPS	7	Central bank									0
CPS	8	Oth. pub. fin. corp									0
		Total	0	0	0	0	0	0	0	0	0

1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.
2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.
3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.
4/ Includes accrual recording, commitment basis, due for payment, etc.
5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).
6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.
7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.

Commentary: The coverage in this SRDSA is for the general government and there are no subnational governments. Government guarantees are included in the debt coverage and there are two major projects in the pipeline for the period of 2026-28: Land Reclamation Project ($17.5 million) and the Seychelles Port Extension and Rehabilitation Project ($62.3 million). There are no outstanding arrears.

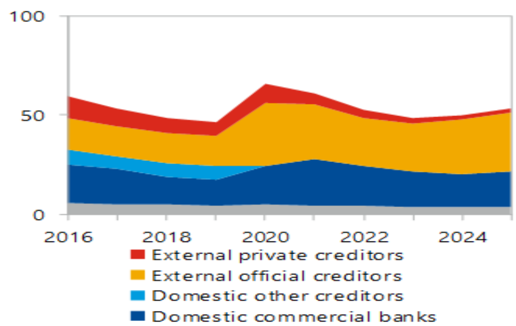
Annex V. Figure 2. Seychelles: Public Debt Structure Indicators

Debt by Currency (Percent of GDP)



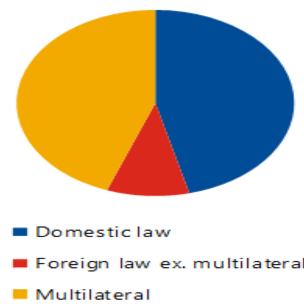
Note: The perimeter shown is general government.

Public Debt by Holder (Percent of GDP)



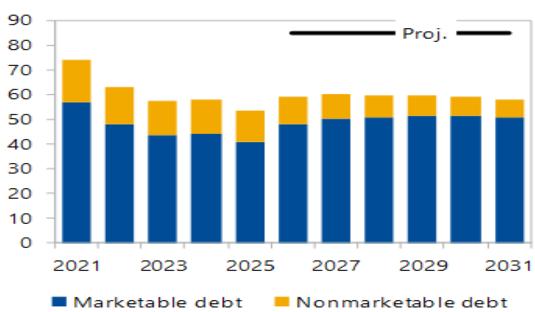
Note: The perimeter shown is general government.

Public Debt by Governing Law, 2025 (percent)



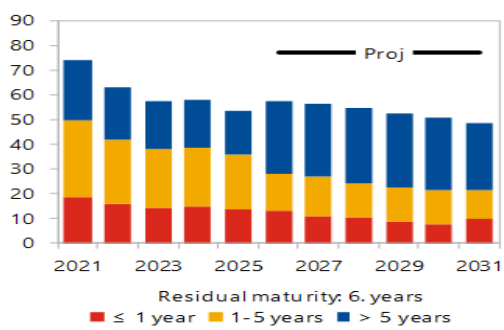
Note: The perimeter shown is general government.

Debt by Instruments (Percent of GDP)



Note: The perimeter shown is general government.

Public Debt by Maturity (Percent of GDP)



Note: The perimeter shown is general government.

Commentary: The share of foreign debt increased in recent years with the IMF financial program disbursements and WB and AFDB budget supports, and its share in total debt is expected to increase gradually over the next two years. Over the medium and long-term, market financing both from domestic and external financial markets will increase gradually. External creditors are largely multilaterals (IMF, World Bank and AfDB) and bilaterals (Paris and non-Paris club). However, access to concessional financing is limited due to its high-income status. The authorities have the long-term strategy of maintaining a balanced share of domestic and external loans in the total debt stock. Banks are the largest domestic creditors. The potential for greater domestic bond financing to replace external financing could be constrained by the absence of a secondary market mechanism for government securities. Authorities are working with the Fund to improve secondary market mechanism.

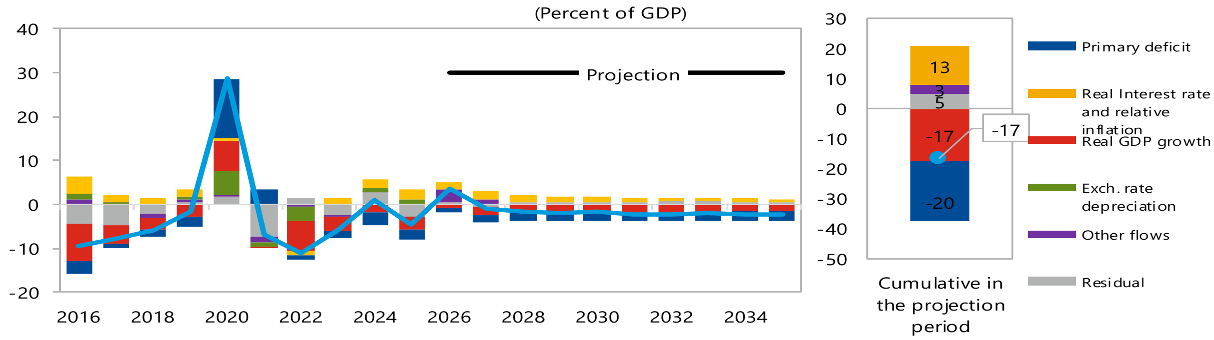
Annex V. Figure 3. Seychelles: Baseline Scenario

(Percent of GDP unless indicated otherwise)

	Actual	Medium-term projection						Extended projection			
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Public debt	53.6	57.1	56.0	54.3	52.4	50.6	48.2	46.0	43.9	41.6	39.3
Change in public debt	-4.5	3.5	-1.0	-1.7	-1.9	-1.8	-2.4	-2.2	-2.1	-2.3	-2.4
Contribution of identified flows	-1.8	3.1	-0.6	-2.3	-2.3	-2.3	-2.9	-2.9	-2.8	-2.9	-3.0
Primary deficit	-2.4	-0.8	-1.4	-2.0	-1.9	-1.9	-1.9	-1.9	-2.0	-2.0	-2.1
Noninterest revenues	32.6	34.0	32.9	33.4	33.4	33.4	33.5	33.6	33.7	33.7	33.7
Noninterest expenditures	30.2	33.2	31.5	31.4	31.5	31.5	31.6	31.6	31.7	31.7	31.6
Automatic debt dynamics	0.6	0.9	-0.3	-0.2	-0.4	-0.4	-0.7	-0.8	-0.7	-0.7	-0.7
Real interest rate and relative inflat	2.5	1.7	1.9	1.6	1.4	1.3	0.9	0.8	0.9	0.8	0.7
Real interest rate	2.5	1.3	1.8	1.8	1.6	1.5	1.0	0.8	0.9	0.8	0.7
Relative inflation	0.0	0.4	0.1	-0.2	-0.2	-0.2	-0.1	0.0	0.0	0.0	0.0
Real growth rate	-2.8	-0.8	-2.2	-1.8	-1.7	-1.7	-1.6 .	-1.6	-1.5	-1.5	-1.4
Real exchange rate	1.0	…	…	…	…	…	… .	…	…	…	…
Other identified flows	0.0	3.0	1.1	-0.1	0.0	0.0	-0.2	-0.2	-0.2	-0.1	-0.1
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(minus) Interest Revenues	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other transactions	0.1	3.1	1.1	-0.1	0.0	0.0	-0.2	-0.1	-0.1	-0.1	-0.1
Contribution of residual	-2.7	0.4	-0.4	0.6	0.4	0.6	0.5	0.7	0.7	0.6	0.6
Gross financing needs	12.9	13.3	13.2	10.7	10.3	8.5	7.5	9.4	9.2	9.4	6.4
of which: debt service	15.4	14.2	14.7	12.7	12.3	10.5	9.4	11.4	11.2	11.5	8.6
Local currency	11.7	10.2	11.1	9.5	9.1	7.4	6.5	8.7	8.9	9.5	6.9
Foreign currency	3.7	4.0	3.5	3.2	3.2	3.1	3.0	2.6	2.3	1.9	1.7
Memo:											
Real GDP growth (percent)	5.1	1.5	4.0	3.3	3.3	3.3	3.3	3.5	3.5	3.5	3.5
Inflation (GDP deflator; percent)	0.3	2.1	1.4	1.2	1.4	1.5	2.0	2.5	2.5	2.5	2.5
Nominal GDP growth (percent)	5.4	3.6	5.5	4.6	4.8	4.8	5.4	6.1	6.1	6.1	6.1
Effective interest rate (percent)	4.8	4.7	4.8	4.6	4.5	4.5	4.2	4.4	4.6	4.4	4.3

Contribution to Change in Public Debt

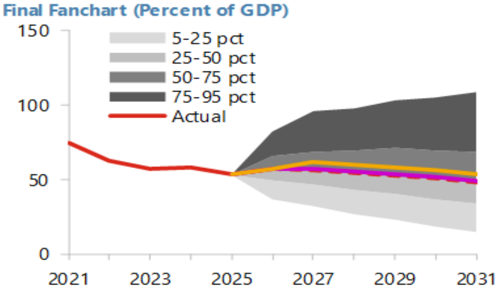
(Percent of GDP)



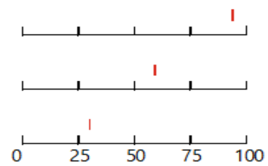
Commentary: Public debt has been on a downward debt trajectory after a temporary increase during the pandemic. Debt reduction is projected to continue in line to meet the authorities' medium-term target around 50 percent of GDP by 2030 and potentially lower over the longer term, mainly driven by continued fiscal consoliation and GDP growth. The actual debt stock for 2025 is significantly lower than projected in the previous DSA (June 2025), and the fiscal consolidation path is less ambitious, reflecting the new expenditure initiatives adopted by the government.

Annex V. Figure 4. Seychelles: Medium-Term Risk Assessment

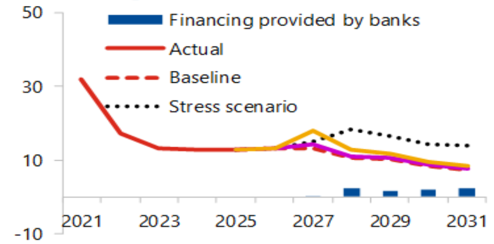
Final Fanchart (Percent of GDP)



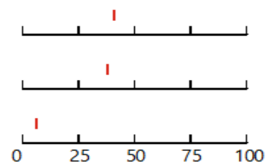
Debt fanchart module	Value	Contrib 1/	Percentile in peer group 2/
Fanchart width *(percent of GDP)*	94.3	1.4	
Probability of debt non-stabilizaiton *(percent)*	4.5	0.0	
Terminal debt-to-GDP x institutions index	23.4	0.5	
Debt fanchart index (DFI)		1.9	
Risk signal: 3/		**Moderate**	



Gross Financing Needs (Percent of GDP)



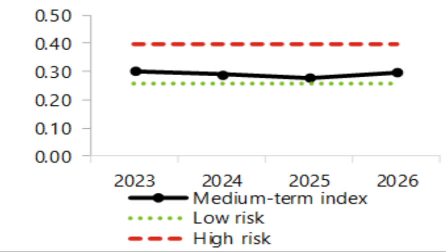
Gross financing needs (GFN) module	Value	Contrib 1/	Percentile in peer group 2/
Average baseline GFN *(percent of GDP)*	10.6	3.6	
Initial Banks' claims on the gen. govt *(pct bank assets)*	10.9	3.5	
Chg. In banks' claims in stress *(pct banks' assets)*	5.1	1.7	
GFN financeability index (GFI)		8.8	
Risk signal: 4/		**Moderate**	



Triggered stress tests (stress tests not activated in gray)

Banking crisis | Commodity prices | Exchange rate | Contingent liab. | Natural disaster

Medium-Term Index (Index Number)



Medium-term risk analysis

	Value	Value (normalized)	Weight	Contribution
Debt fanchart index	1.9	0.4	0.5	0.2
GFN finaceability index	8.8	0.2	0.5	0.1
Medium-term index		0.3		
Risk signal: 5/		**Moderate**		
Final assessment:		**Moderate**		

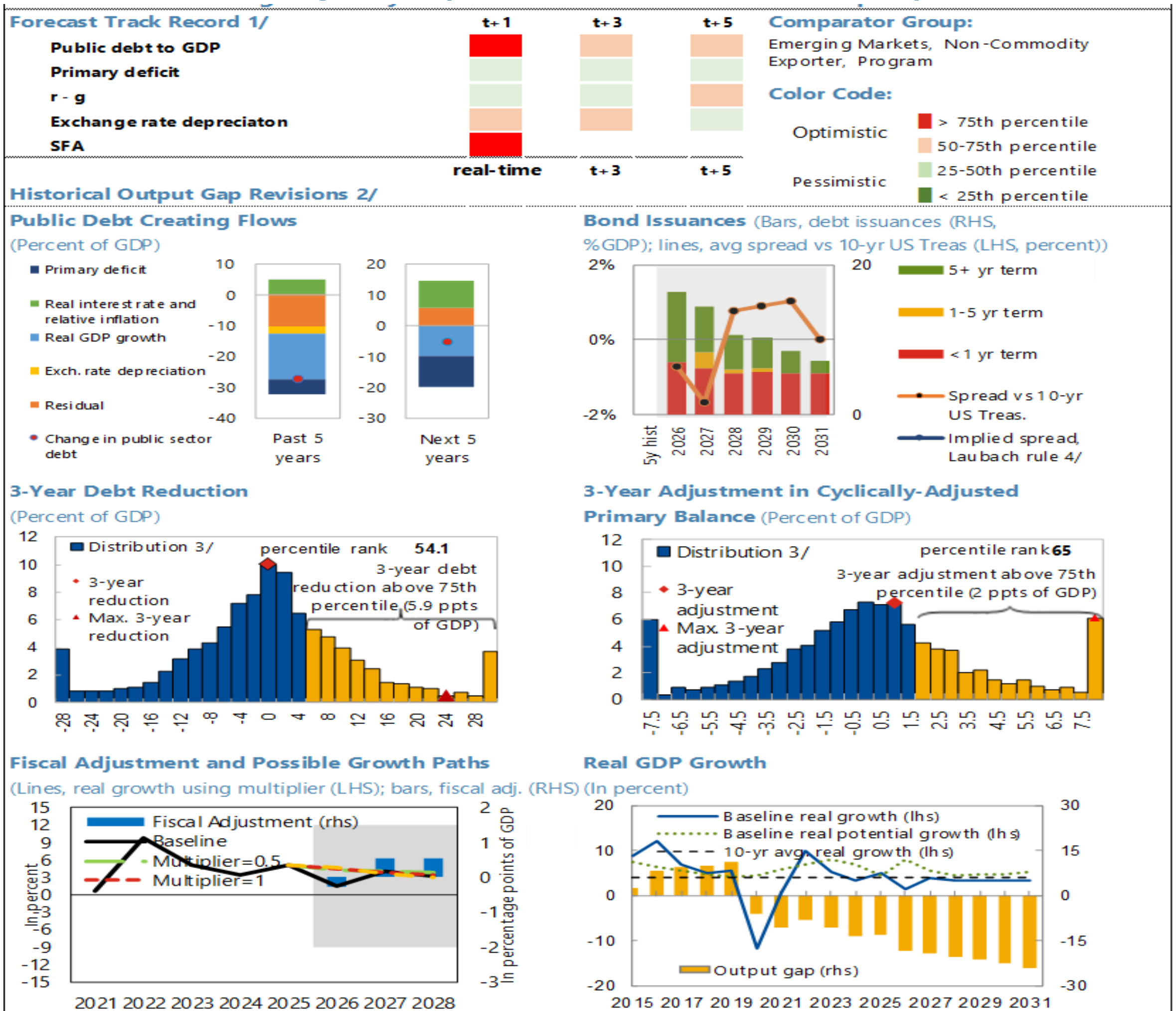
Prob. of missed crisis, 2026-2031, if stress not predicted: 18.2 pct.
Prob. of false alarms, 2026-2031, if stress predicted: 29.5 pct.

Commentary: Both medium-term tools indicate that risk is moderate. The fan chart analysis estimates risks to be moderate due partly to a relatively moderate probability of debt non-stabilization and a relatively low terminal adjusted debt-to-GDP ratio. The GFN module also indicates moderate risk for Seychelles in relation to its low average projected gross financing needs and relatively limited exposure on banks to government debt. In the stress scenario, the natural disaster shock was calibrated based on the Disaster Risk Financing Strategy TA Report that estimates the financing needs for public and private entities combined to US$59 million for a 100-year event (or 2.7 percent of GDP). This shock would elevate financing needs in the short-term but would stabilize after three years. In reality, due to geographical location, Seychelles has not experienced many natural disasters. However, the country is highly vulnerable to the rise in sea level from climate change. The RSF is supporting the authorities address climate concerns. The DSA also incorporates a stress test for a contingent liability related to the CBS recapitalization amounting SRC 330 million and financed by local banks.

Source: IMF staff estimates and projections.

1/ See Annex IV of IMF, 2022, Staff Guidance Note on the Sovereign Risk and Debt Sustainability Framework for details on index calculation.
2/ The comparison group is emerging markets, non-commodity exporter, program.
3/ The signal is low risk if the DFI is below 1.13; high risk if the DFI is above 2.08; and otherwise, it is moderate risk.
4/ The signal is low risk if the GFI is below 7.6; high risk if the DFI is above 17.9; and otherwise, it is moderate risk.
5/ The signal is low risk if the GFI is below 0.26; high risk if the DFI is above 0.40; and otherwise, it is moderate risk.

Annex V. Figure 5. Seychelles: Realism of Baseline Assumptions



Commentary: The V-shaped economic recovery from the Covid-19 pandemic, coupled with faster-than-anticipated fiscal consolidation, has significantly lowered public debt levels in Seychelles. The marked reduction in debt as a share of GDP over recent years, along with the government's strong commitment to prudent fiscal management, distinguishes Seychelles from many comparable countries. Nonetheless, the economy's heavy dependence on tourism leaves it vulnerable to external shocks. Additionally, Seychelles faces considerable climate-related challenges that could impact its long-term sustainability.

Source : IMF Staff.

1/ Projections made in the October and April WEO vintage.

2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates

3/ Data cover annual observations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical axis.

4/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.

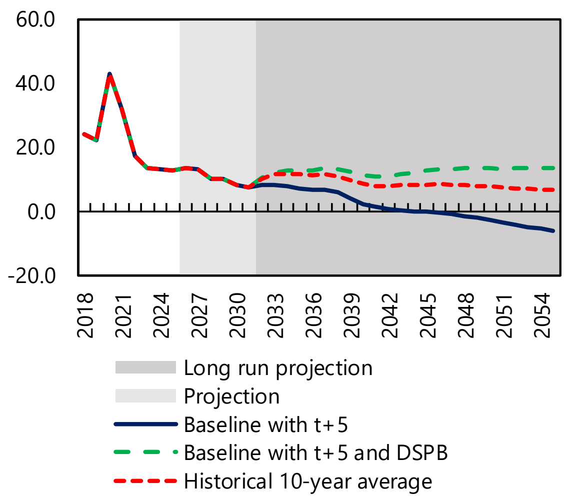
Annex V. Figure 6. Seychelles: Triggered Modules

Large amortizations	**Pensions**	**Climate change: Adaptation**	Natural Resources
	Health	**Climate change: Mitigation**	

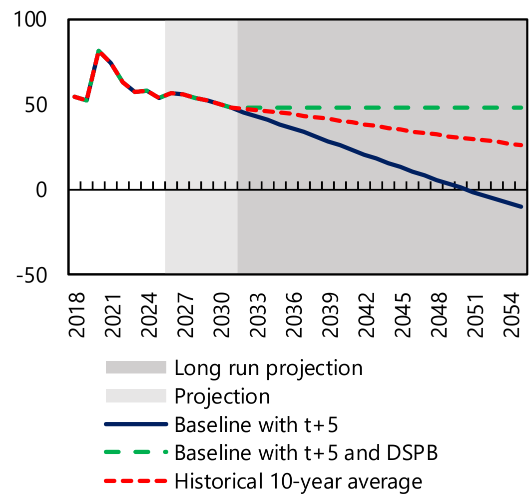
Long-Term Risk Assessment: Large Amortization

Projection	**Variable**	**Risk Indication**
Medium-term extrapolation	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Medium-term extrapolation with debt stabilizing primary balance	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Historical average assumptions	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Overall Risk Indication		

GFN-to-GDP Ratio



Total Public Debt-to-GDP Ratio

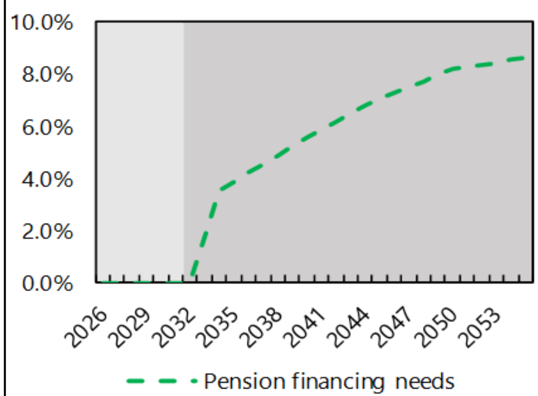


Commentary: The DSA long-term risk assessment is considered moderate. Unlike other small island economies, Seychelles has not been subject to frequent disasters like earthquakes due to its location. However, the country is highly vulnerable to climate change associated with the rise of sea-level. Effective planning and execution of climate policies and identifying and deploying new revenue sources to address social needs will be critical.

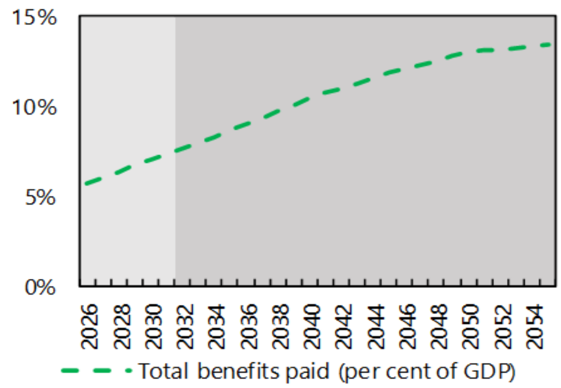
Annex V. Figure 7. Seychelles: Demographics: Pensions

Permanent adjustment needed in the pension system to keep pension assets positive for:	30 years	50 years	Until 2100
(pp of GDP per year)	5.0%	6.5%	8.1%

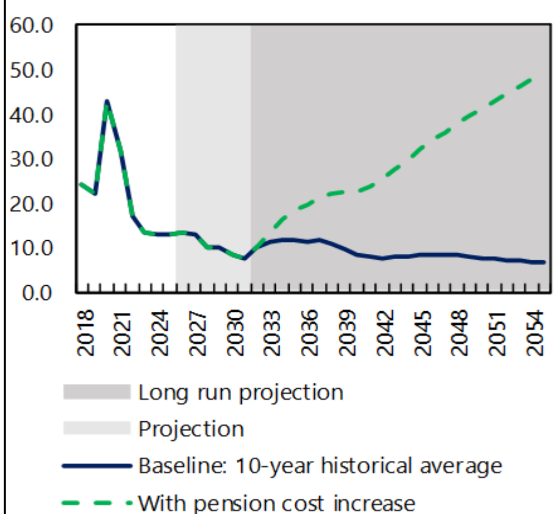
Pension Financing Needs



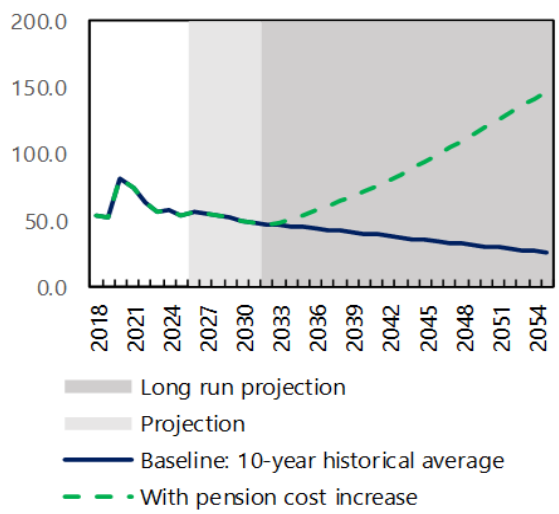
Total Benefits Paid



GFN-to-GDP Ratio

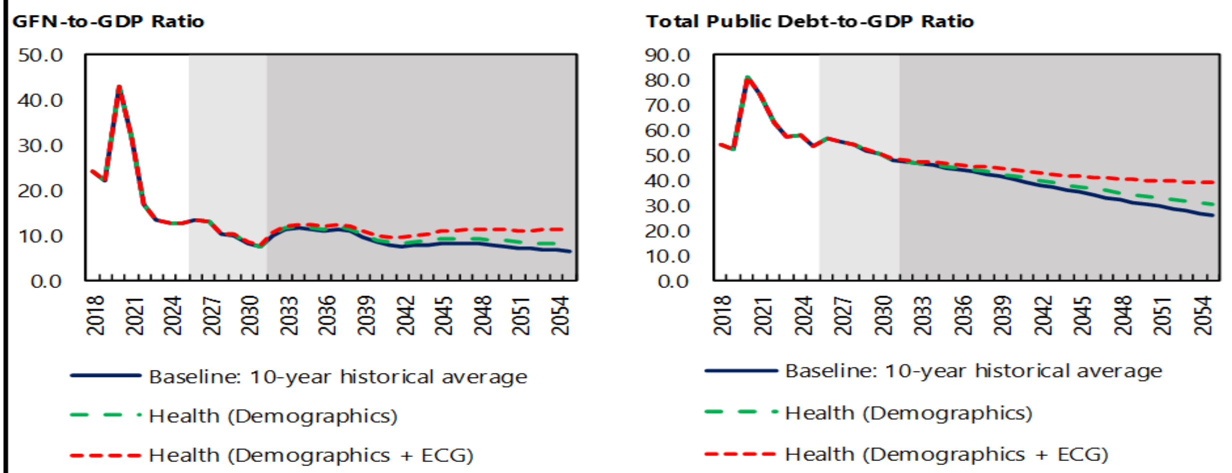


Total Public Debt-to-GDP Ratio



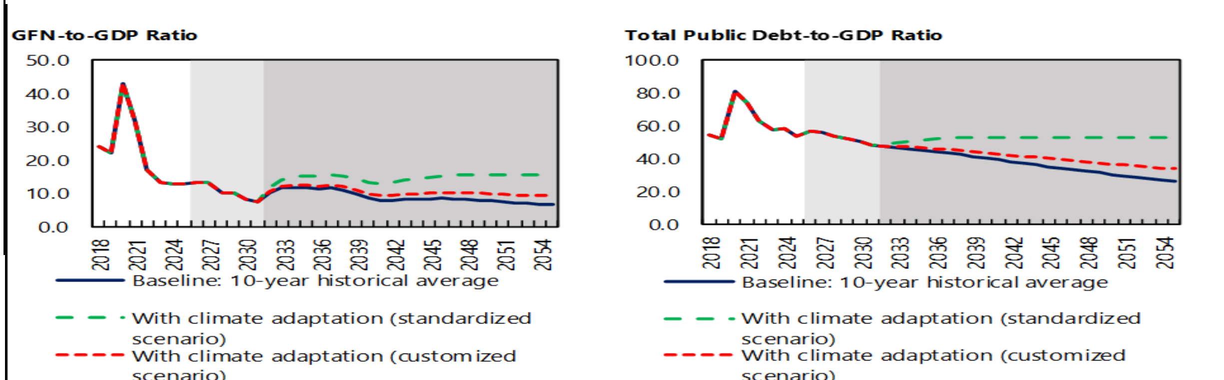
Commentary: Long-term financing needs for pensions are expected to rise, and the authorities are advised to implement measures to ensure the sustainability of the pension system.

Annex V. Figure 8. Seychelles: Demographics: Health



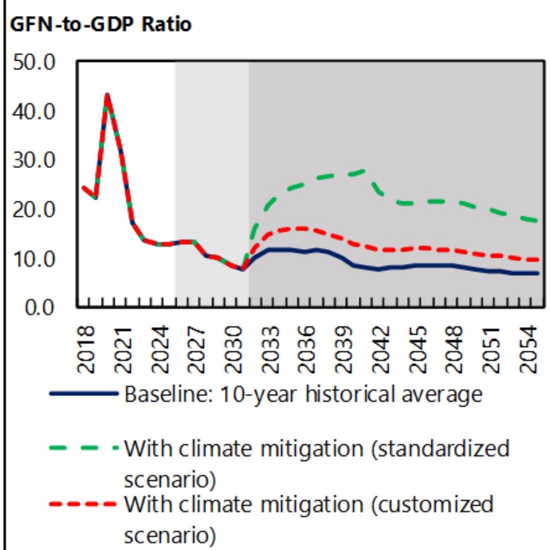
Commentary: Health spending needs may be higher than what is suggested by the model, given the increasing share of the population suffering from substance abuse and its long-term generational effect. The authorities actively seek external partners to build medical/health infrastructure and devise social programs to address this issu

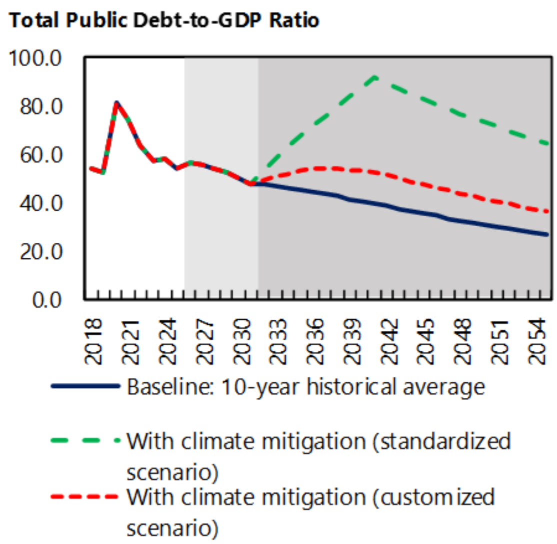
Annex V. Figure 9. Seychelles: Climate Change: Adaptation



Commentary: Based on the DIGNAD model simulations to Seychelles (Annex IV, IMF Country Report 23/235), an allocation of 2 percent of GDP for five years (0.4 per year) towards physical infrastructure designed to withstand natural disasters could prevent 5.3 percent of GDP in output loss and enable a faster recovery. The customized DSA climate adaptation scenario assumes a permanent additional investment of 0.4 percent. Due to its geographical location, Seychelles has not been affected much by natural disasters such as hurricanes. However, the rising sea level poses a significant threat via the vulnerability of critical infrastrucutre of tourism facilities on the coastline. The authorities are receiving the Fund's support through the RSF.

Annex V. Figure 10. Seychelles: Climate Change: Mitigation





Commentary: According to Seychelles NDC (2021), $331.5 million (or 15 percent of GDP) is the estimated investment needed for low-carbon interventions in energy, transport, and waste management. The DSA climate mitigation customized scenario assumes the total investment amount will be implemented over 10 years, 2 percent of GDP in the first 5 years, and 1 percent in the following 5 years.

Annex VI. Impact of Energy Transition on Seychelles' Balance of Payments

1. **Electricity generation in Seychelles remains overwhelmingly dependent on fossil fuels, which make up over 95 percent of total production.** In 2024, out of a total of 499.3 GWh electricity generated in the country, 491.5 GWh originated from Public Utility Company (PUC) power plants across Mahé, Praslin, and La Digue islands, while 7.8 GWh were produced by third-party rooftop photovoltaic systems. Although the share of renewables in the energy mix more than doubled over the past decade, solar and wind generation account for less than 5 percent of total electricity output. Thermal energy generation uses heavy fuel oil (LHO) and light fuel oil (LFO), which are imported from abroad. An additional 120 GWh will be needed in the medium term to support average consumption growth of 2.3 percent annually by 2030, In the longer term, an additional 150 GWh by 2043 and a further 100 GWh by 2050 will be needed to support average consumption growth of about 1.7 percent.

2. **The fossil-fuel energy mix has significant implications for Seychelles' external sector, given its reliance on imported petroleum products to meet energy needs.** In 2024, refined petroleum products were the leading import at US$266 million. Electricity-related fuel imports accounted for over 20 percent of the total fuel import bill, or 3 percent of GDP. From 2010 to 2023, fossil fuel imports for domestic use were even higher, averaging about 4 percent of GDP. This heavy dependence on energy imports will continue to weigh on the external sector, with the current account deficit projected to average about 4.6 percent of GDP over the medium term.

3. **Seychelles aims to bring renewable energy (RE) generation up to 15 percent of the total energy mix by 2030 (in line with commitments under Seychelles' Nationally Defined Contributions to the Paris Agreement) and 35percent by 2050.**[1] This transition is expected to affect the external accounts via four main channels, as analyzed using the IMF's Renewable Energy Balance of Payments (RE-BOP) tool (Ungerer et al , 2026). Compared to a "no reform" scenario where diesel-based electricity continues, meeting the RE goals is projected to worsen the current account and overall balance of payments in the medium term (by an average 0.6 percent of GDP annually, and approximately 0.16 percent of GDP respectively), before generating net gains in the long term. Over 2031-50, the balance of payments impact is projected to average a surplus of about 0.21 percent of GDP per year, with gains increasing as the share of renewables in electricity generation increases. Specifically:

- ***Net Energy Import Costs.*** Investment in solar and wind is expected to reduce fossil fuel imports gradually, generating savings of up to 0.3 percent of GDP by 2030. This would improve the trade balance by around 0.2 percent of GDP on average per year and reduce vulnerability to global oil

[1] Seychelles has committed to achieve carbon neutrality by 2050. In addition to the rapid expansion of renewable energy (currently planned to cover 35 percent of the energy mix by 2050), carbon neutrality is planned around a multi-pillar strategy which also includes improving energy efficiency and protecting and expanding natural carbon sinks (mangroves, seagrass, and coral reefs).

price volatility. These gains are sustained in the long term, with average net fossil fuel import savings of 0.4 percent of GDP per year over 2031-2050.

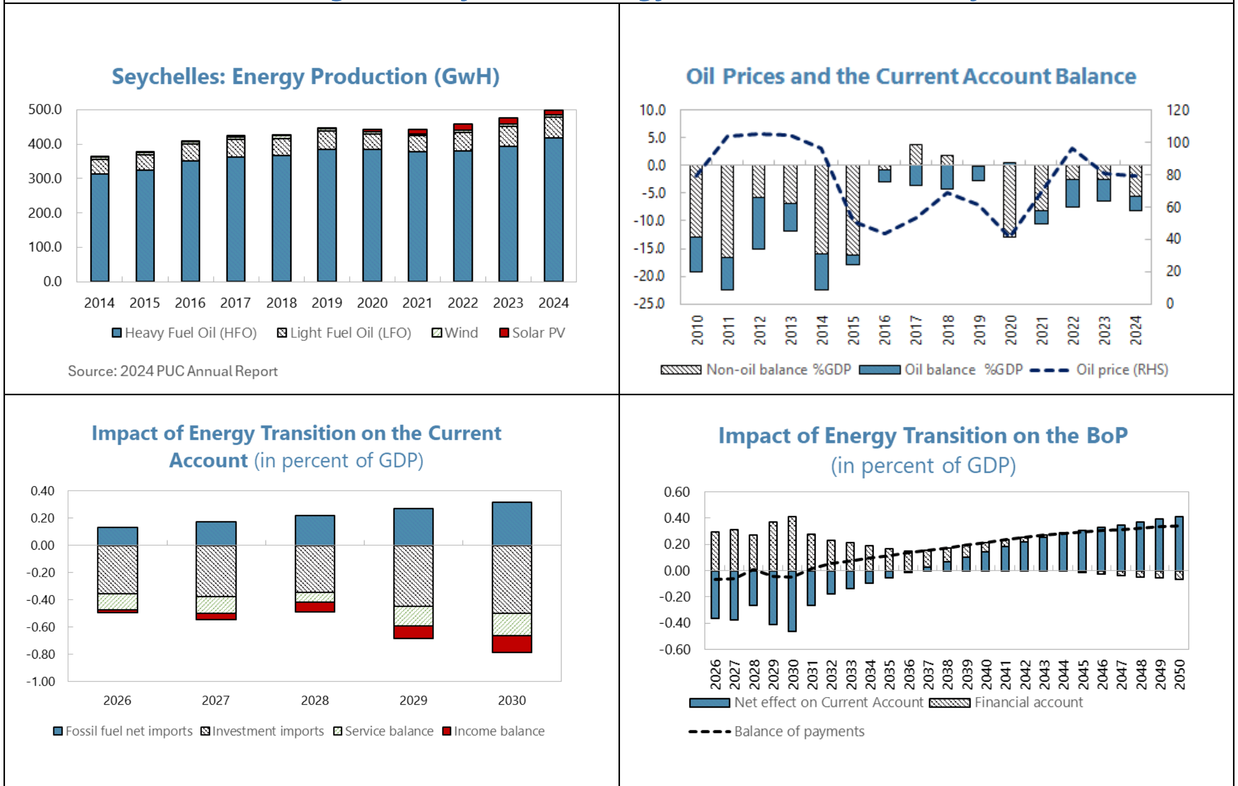
- ***Net Capital Goods Imports.*** The RE transition requires significant upfront one-off investments in grid updates and technologies such as solar panels, wind turbines, and energy storage systems, with $100 million for generation assets (SIRP 2025) and $37.5 million for grid infrastructure (WB 2025).[2] While global capital costs per unit of installed capacity have declined markedly relative to thermal energy, as a small and remote island state, Seychelles captures limited scale and supply-chain efficiencies and still faces elevated costs. As a result, in the medium term the ramp-up in capital goods imports is projected to worsen the trade balance by about 0.4 percent of GDP per year on average, more than offsetting fuel import savings. Cost pressures are further amplified by land constraints, which limit photovoltaic deployment onshore and require more expensive offshore installations, which implies that system reliability must be ensured through extra installed electricity capacity relative to effective demand. In the long term, as major RE projects are completed, pressures from capital goods imports ease and contribute to a structural improvement in the trade balance by 2050.

- ***Services and Income Balance Savings***. As a small island economy, Seychelles depends on expertise from abroad for project management and skilled labor. The RE transition is therefore projected to increase services imports by 0.12 percent of GDP on average annually in the medium term but generate savings of up to 0.8 percent of GDP by 2050. In addition, as most of the RE investment is expected to be financed through foreign participation, the transition will eventually be associated with the primary income account of the current account experiencing outflows, estimated at just over 0.1 percent of GDP over the period.

- ***Financial account.*** Investment in RE will require substantial FDI and loan financing, raising financial inflows by about 0.3 percent of GDP on average annually over the medium term, and declining in the outer years.

[2] Investments in grid expansion would still be necessary under a business-as-usual scenario.

Annex VI. Figure 1. Seychelles: Energy Mix and Balance of Payments



Source: IMF Staff and data from Seychelles' Integrated Resource Plan (2025)

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Annex VII. Public Investment and Total Factor Productivity: Role as Growth Drivers in Seychelles

A. Introduction

1. **Seychelles is a small, open, tourism-dependent economy in which public investment has played a central role in driving economic growth**. As in many Small Island Developing States (SIDS), Seychelles' economic development has been shaped by structural constraints. These include limited land and labor resources, high infrastructure and service delivery costs, strong import dependence, and high exposure to external shocks such as global demand fluctuations, commodity price volatility, and climate-related events. Notwithstanding these constraints, sustained public investment in infrastructure, transport, utilities, and social services provided a platform for private sector investment—particularly in tourism, as well as fisheries and financial services—supporting Seychelles' transition to high-income status. During the early stages of development, from the 1990s to the mid-2000s, economic growth was largely factor-driven, underpinned by elevated public investment, while total factor productivity played a limited role.

2. **Public investment helped to expand tourism capacity but also contributed to a run-up in public debt**. Exacerbated by global shocks, this led to increased macroeconomic vulnerabilities. These were eventually manifested in the 2008 debt default and crisis. Afterwards, Seychelles launched major reforms that transformed its economy, including increasing the role of TFP as a growth driver.

3. **Against this background, this annex analyzes the sources of economic growth in Seychelles** using a standard growth accounting framework that decomposes real GDP growth into contributions from capital accumulation, effective labor, and total factor productivity (TFP). This will underscore the significance of strategically prioritized public investment, including in climate-resilient infrastructure and key enabling sectors, as well as the role of total factor productivity (TFP) in fostering medium-term growth. Maintaining well-prioritized public capital investment is therefore essential, even during periods of fiscal consolidation, in order to preserve the capital base and advance productivity-driven reforms.

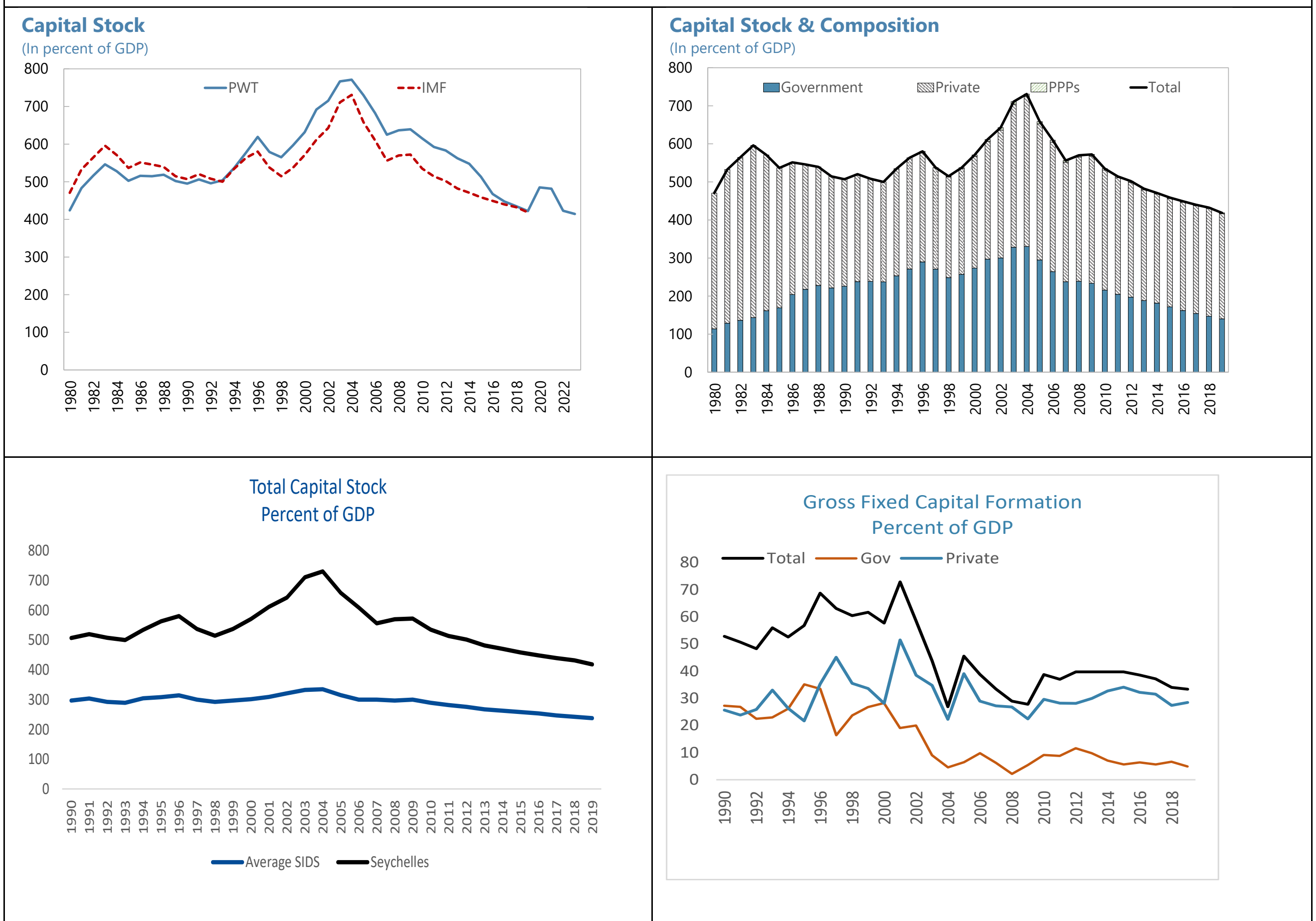
B. Factor Accumulation Trends

Capital Accumulation

4. **In terms of capital accumulation, Seychelles' significant investments in public infrastructure in the 1980s to mid-2000s built a relatively large stock of public capital (Figure 1).** During this phase, public investment increased capital intensity and supported private capital formation primarily through direct infrastructure provision. Rising public capital in transport, utilities, and tourism-related infrastructure reduced fixed costs and investment risks for the private sector, contributing to crowding-in effects and supporting tourism-led growth. Public investment in major infrastructure projects—such as expanding Seychelles International Airport, modernizing Port Victoria, and reclaiming land along Mahé's east coast—helped alleviate land and capacity constraints.

Leveraging the enabling public infrastructure and favorable tourism development policies, private investment and FDI boosted hotel and resort development, especially in the upscale sector, driving rapid growth in room and bed capacity and supporting Seychelles' move toward higher-value tourism. These initiatives saw Seychelles' capital stock peaking at around 700 percent of GDP in the mid-2000s. Public capital accounts for about one-third of the total — primarily in public infrastructure—while the private sector makes up the remaining two-thirds, concentrated in tourism (resorts and hotels), real estate, fisheries, ICT, and financial services.

Annex VII. Figure 1. Seychelles: Capital Stock and Gross Fixed Capital Formation



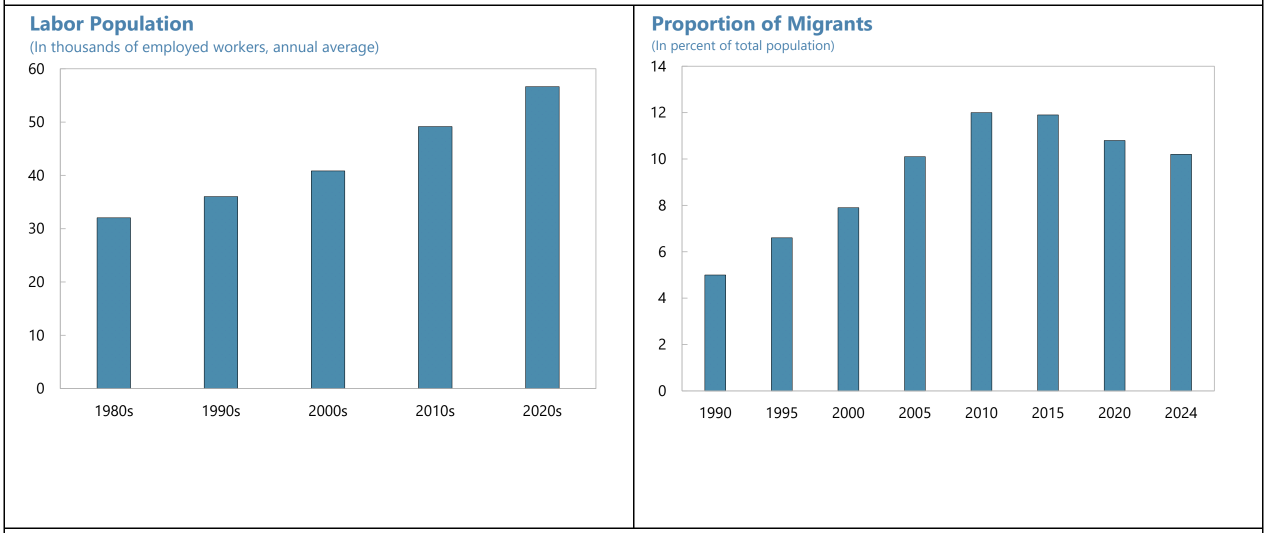
Sources: Penn World Tables and IMF

5. Post 2004, public gross fixed capital formation declined sharply, and capital intensity declined (Figure 1). Public investment was constrained by macroeconomic imbalances, rising public debt from a largely debt-driven public investment program, and foreign exchange shortages which culminated in the 2008 debt default. Consequently, by 2023, the capital stock fell to about 400 percent of GDP, returning to the early 1980s levels but still exceeding the average for peer SIDS.

Labor

6. **Over the years, labor inputs have risen steadily, with total employment expanding from approximately 32,000 in the 1980s to over 55,000 by the 2020s.** The increasing proportion of migrant workers has bolstered the workforce amidst modest population growth. In Seychelles, foreign labor is essential for mitigating shortages in tourism, construction, and services. Although this trend supports economic activity, it also underscores ongoing structural challenges related to local labor supply and skills development.

Annex VII. Figure 2. Seychelles: Labor Statistics



Sources: Penn World Tables; and United Nations

C. Growth Accounting

Methodology and Data

7. **For the growth accounting analysis, we use a Cobb-Douglas production** function where $\boldsymbol{Y_t}$ is the total output, $\boldsymbol{K_t}$ is the capital stock, $\boldsymbol{L_t}$ is the quantity of labor, $\boldsymbol{h_t}$ is the human capital per worker and $\boldsymbol{A_t}$ as the total factor productivity (TFP) in period t. Exponents α and (1- α) represent output elasticities of capital and human capital under the assumption of constant returns to scale.

$$\boldsymbol{Y_t = A_t\, K_t^{\alpha}(L_t H_t)^{(1-\alpha)}}$$

The variables are estimated in the following way:

Y_t: real GDP at constant 2021 national prices as obtained from Penn World tables (PWT).

K_t: capital stock at constant 2021 national prices from Penn world tables.

$L_t H_t$: is effective labor measured by L_t the number of persons engaged (in millions) from Penn world tables multiplied by the human capital index $H_t$defined below.

1-α is 0.5 in line with literature based on the share on labor income in output.

H_t: is constructed using the Mincerian return to schooling method, converting average years of schooling into a measure of effective labor per worker. It is calculated as follows:

$$\boldsymbol{H_t = e^{\phi s}}$$

where:

$\boldsymbol{s}$= mean years of schooling (ages 25+) from the World Development Indicators

$\boldsymbol{\phi}$= return to one year of schooling is set at 0.08 in accordance with literature

The PWT times series for real output and capital stock is consistent with the IMF World Economic Outlook and capital stock database.

The growth rate of TFP is computed as a residual, as follows:

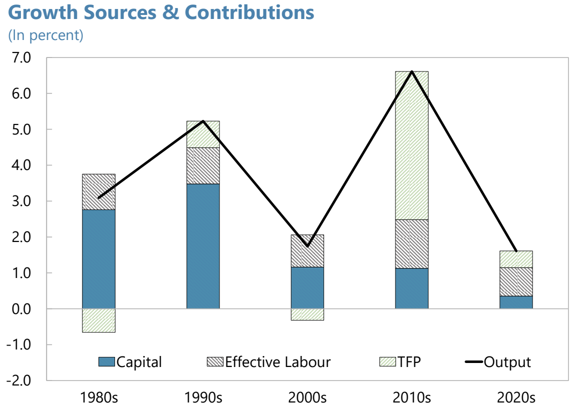
$$\boldsymbol{\hat{A} = \hat{Y} - \alpha * \hat{K} - (1-\alpha) * \hat{L} - (1-\alpha) * \hat{H}}$$

Results

8. **The growth accounting results are presented in Figures 3 and 4.** In tourism-dependent economies like Seychelles, TFP captures not only underlying productivity gains but also external shocks, tourism demand cycles, and shifts in capacity utilization. As a result, TFP is highly volatile year to year, making multi-year averages (figure 3) more informative. The results reveal the following:

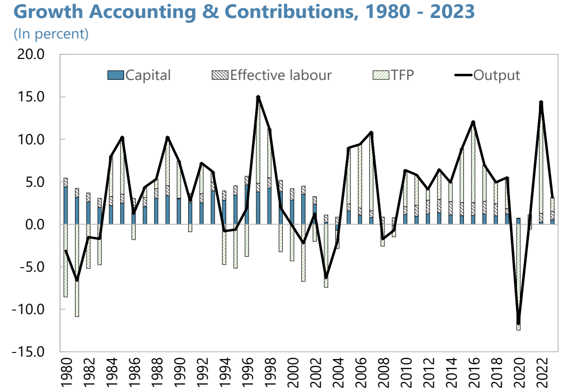
- **1990s.** Growth strengthened as capital accumulation and effective labor made strong contributions, supported by sustained public investment that facilitated tourism-led expansion and crowded-in private activity. Total Factor Productivity (TFP) turned positive but remained modest, indicating early efficiency gain and rising returns to investment.
- **2000s.** Growth weakened as capital contributions declined (amid a sharp decline in public gross fixed capital formation) and TFP turned negative while effective labor contribution remained moderate. This reflects the impact of the rising macroeconomic imbalances (the 2008 balance-of-payments and debt crisis).
- **2010s.** Post-crisis growth increasingly reflected a larger contribution from TFP, while capital accumulation remained more moderate than in earlier decades. This pattern is consistent with macroeconomic stabilization and improved policy frameworks, as investment recovered only gradually and efficiency gains remained partial, reflecting remaining gaps in project appraisal and implementation which continue to weigh on public investment. In addition, high volatility in TFP reflects shocks and structural constraints, see section E.
- **Early 2020s.** Growth has been volatile, with swings in TFP largely reflecting the pandemic-induced contraction and subsequent rebound rather than structural productivity changes. This underscores Seychelles' exposure to external shocks and the need for reforms that enhance resilience and efficiency.

Annex VII. Figure 3. Seychelles: Growth Accounting, 1980s-2020s



Sources: IMF staff estimates

Annex VII. Figure 4. Seychelles: Growth Accounting, 1980-2023



Sources: IMF staff estimates

D. Maintaining the Capital Stock in a Climate-Vulnerable Economy

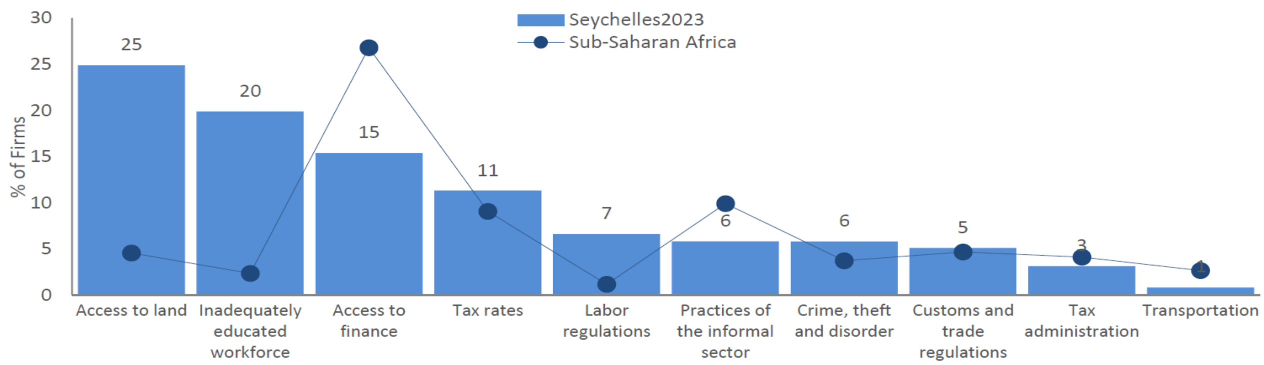
9. Preserving the capital stock is important for Seychelles given its reliance on infrastructure-intensive sectors like tourism and exposure to climate risks. IMF estimates place the total capital stock at around 400 percent of GDP at end-2023. Under standard assumptions, a depreciation rate of about 5 percent implies capital consumption of roughly 20 percent of GDP annually. Stabilizing the capital-to-GDP ratio would require capital accumulation in line with trend growth (around 3½ percent). Assuming private investment remains broadly stable, a public investment level of around 5 percent of GDP can be viewed as an indicative lower bound to help offset depreciation of public capital, subject to investment efficiency. This highlights the importance of maintenance, rehabilitation, asset replacement, and climate-resilient investment, consistent with the Seychelles C-PIMA.

Constraints on Productivity

10. The growth accounting results show highly volatile TFP reflecting not only short-term shocks but also underlying structural constraints. The structural constraints limit the economy's ability to fully translate factor accumulation into durable productivity gains. Heavy dependence on tourism and fisheries, combined with small market size and high operating costs, makes output highly sensitive to external demand and climate events. Labor market constraints, including skills mismatches and reliance on migrant labor, further limit specialization and efficiency gains. Strengthening public investment efficiency, prioritizing maintenance and climate-resilient infrastructure, deepening human capital, and supporting diversification would help smooth TFP volatility and raise sustainable productivity over time.

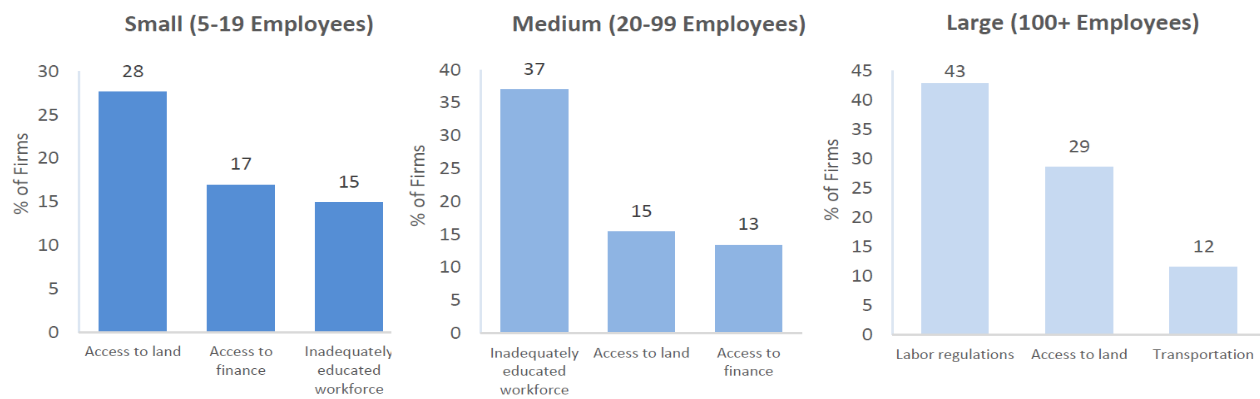
11. The World Bank 2023 enterprise survey for Seychelles highlight business environment constraints to that hinder firm level productivity. The top three constraints include access to land, skills shortages and access to finance, figures 5 and 6.

Annex VII. Figure 5. Seychelles: Top Ten Business Environment Constraints



Source: World Bank Enterprise Survey 2023

Annex VII. Figure 6. Seychelles: Top Three Business Environment Constraints by Firm Size



Source: World Bank Enterprise Survey 2023

E. Conclusion

12. Overall, the growth accounting results highlight the importance of protecting well-prioritized public investment—including in climate-resilient infrastructure and enabling sectors. This remains critical even amid fiscal consolidation to avoid eroding the capital base and to support productivity-enhancing reforms. To prevent capital degradation, growth accounting provides an estimate that recommends public investment at a minimum of 5 percent of GDP annually, under the assumption that private investment remains stable. It also shows that capital accumulation alone, in the absence of strong institutions and macroeconomic stability, is insufficient as a growth driver and underscores the central role of investment efficiency and productivity growth in sustaining long-term growth in Seychelles.

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Annex VIII. Reassessing Debt Anchors for Seychelles

A. Introduction

1. **Seychelles has been successfully implementing a fiscal consolidation strategy since the debt restructuring in 2008.** More recently, this policy has been anchored by sustained primary fiscal surpluses aimed at reducing public debt to approximately 50 percent of GDP by 2030. Seychelles' experience demonstrates that a credible medium-term fiscal framework, grounded in a clear fiscal anchor, can significantly reduce debt vulnerabilities, lower risk premia and debt rollover costs, and mitigate fiscal risks. Notably, the debt-to-GDP ratio declined from 77 percent in 2020 to 53.6 percent in 2025. Fitch upgraded the sovereign credit rating rose from B to BB in September 2025, while borrowing costs fell substantially: yields on 365-day Treasury bills dropped from 4.9 percent in July 2021 to 2.7 percent in December 2025, and the 7-year Treasury bond yield decreased from 8.4 percent to 4.7 percent.

2. **Debt anchors should be designed to ensure that a country can withstand short-term negative shocks without triggering a financial crisis and create the fiscal space necessary when adjustment is needed.** The design of these anchors can involve several methodologies. Some estimate debt limits by analyzing factors that raise the probability of debt distress. Others determine thresholds beyond which debt significantly impairs GDP growth. Additional approaches identify the critical debt level where fiscal dynamics become unsustainable because the country cannot continue to generate a primary surplus sufficient to offset automatic debt accumulation—scenario frequently described as fiscal fatigue. Establishing such anchors can be a crucial element to ensuring fiscal sustainability and market confidence given varying degrees of institutional strength with respect to public financial management and the need to keep interest payments below a sustainable share of government revenue to safeguard debt servicing capacity.

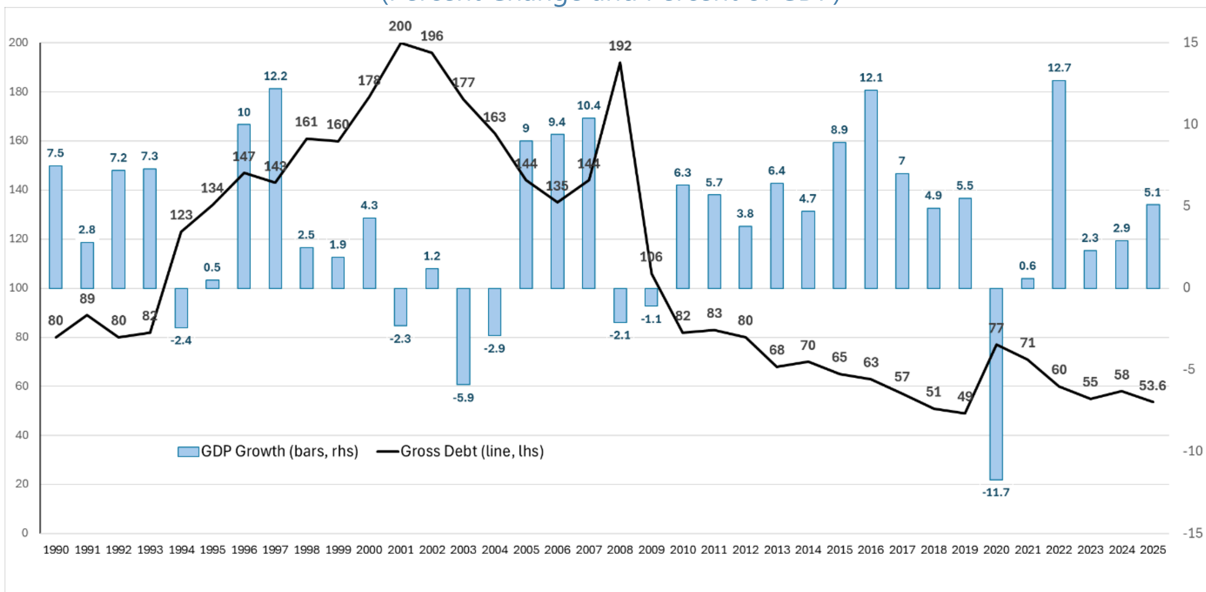
3. **Seychelles' historical economic data provides insights about sustainable levels of public debt.** Between 1994 and 2008, Seychelles faced a challenging economic situation due to negative shocks and expansionary fiscal policies that led to episodes of economic slowdowns, fiscal crises, arrears accumulation and debt distress. In 2008, the government initiated a comprehensive restructuring of debt with external creditors and implemented an ambitious reform plan to restore fiscal sustainability, remove foreign exchange restrictions and modernize monetary policy. The dividends of the successful implementation of this program contributed to macroeconomic stabilization, higher and less volatile economic growth, and reduction of public debt as a share of GDP (Figure 1). Based on historical data, a debt level above 80 percent of GDP in Seychelles is associated with an excessive debt service burden and greater volatility in economic growth.

4. **The objective of this annex is to reassess the debt anchor for Seychelles using updated data and multiple methodologies.** The 2024 Article IV Annex VII employed a method that estimates the probability of debt exceeding a maximum threshold linked to a high risk of debt distress. This approach suggested a debt anchor of 46 percent of GDP. This annex will update those estimates with

the latest data. Additionally, following the IMF (2023) framework, the debt anchor will be calculated based on a ceiling that ensures interest payments do not exceed 15 percent of government revenue, thereby keeping debt servicing within manageable limits relative to fiscal capacity. Finally, the annex will estimate the debt level thresholds at which negative impacts on growth may occur, drawing on Seychelles' historical experience as well as panel data from developing economies and Seychelles peers' countries with market access and high-quality institutions.

Annex VIII. Figure 1. Seychelles: GDP Growth and Gross Debt

(Percent Change and Percent of GDP)



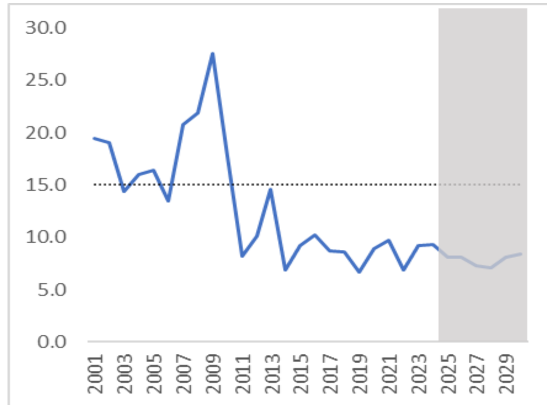
Source: IMF World Economic Outlook

B. Estimating a Fiscal Anchor Applying Methodologies of Fiscal Distress

5. Following Comelli et al. (2023), the debt limit and debt anchor are estimated based on the capacity to service debt is measured by the ratio of total interest payments to revenue. The methodology involves three sequential steps. First, a medium-term debt limit (maximum debt ceiling) is estimated based on debt repayment capacity thresholds using the identity below, where τ is the upper limit of interest payments to revenue ratio (excluding grants), beyond which fiscal stress is highly likely to occur. Second, a safety buffer around the debt limit is calibrated, by considering past macroeconomic and fiscal volatility. A sufficient safety buffer is critical for Small Island Developing States (SIDS) such as Seychelles given high vulnerability to climate change and natural disasters as well as high dependency on a few export sectors such as tourism and fisheries. Third, the medium-term debt anchor is computed as the debt limit minus the safety buffer. The safety buffer ensures that there is ample borrowing capacity between the maximum debt ceiling and the anchor (target) to provide space to absorb unforeseen shocks**.**

6. The maximum debt limit and debt anchor are estimated at 79.5 percent and 49.5 percent of GDP respectively, assuming a buffer of 30 percent and debt service to revenues ratio (τ) at 15 percent.[1] Historical data on the ratio of interest payments to revenues and the effective interest rate on debt indicate that a ratio of debt service to revenue above 15 percent often coincides with periods of fiscal crises and economic volatility (Figure 2). The next step in the analysis is to establish a prudent buffer below the debt limit to absorb potential negative shocks. Baum et al. (2017) suggest debt buffers ranging between 10 and 30 percent of GDP, depending on the model specification and country group. For Seychelles, staff analysis recommends a buffer of 30 percent of GDP due to the country's significant dependence on tourism and its high exposure to terms-of-trade shocks from imported fuel and food. Additionally, as the country operates a floating exchange rate regime, currency depreciations associated with negative external shocks entail a temporary valuation effect that increases the external debt to GDP ratio.[2] A recent example of such a shock is the COVID-19 pandemic in 2020, when gross debt surged by 28 percentage points of GDP, reaching 77 percent of GDP. This increase was driven mainly by negative GDP growth and exchange rate depreciation and was reversed in the following years. Taking the estimated debt limit of 79.5 percent of GDP together with the 30 percent buffer, the resulting debt anchor is set at 49.5 percent of GDP.[3]

Annex VIII. Figure 2. Seychelles: Interest Payments-to-Revenues
(Percent)



Source: Authorities, IMF staff estimates

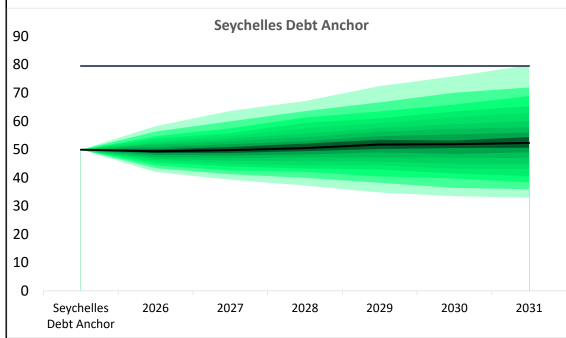
[1] Comelli et al. (2023) recommends the parameter between 16 and 19 percent based on SSA countries regressions. However, Seychelles has revenue to GDP ratio significantly higher than the average SSA countries which results in a lower level for the parameter.

[2] Countries that have fixed or peg FX regimes or belong to monetary union face lower variability of the debt level when face negative external shocks. [Does this refer only to the valuation effect, or is it a broader empirical fact? I ask because countries with pegs have less ability to adjust in the face of a shock, so the negative growth impact (GDP) could be larger.]

[3] Section C of this annex offers an additional input for establishing the debt limit, based on the threshold at which debt begins to hinder economic growth. This threshold is estimated to be 77 percent for the group of peer countries.

7. An alternative approach estimates the public debt anchor by setting the debt ceiling to ensure that debt remains within sustainable bounds in the face of economic shocks. Based on IMF (2018), this methodology assumes that the debt limit is already established and uses stochastic simulations, such as vector autoregression models, to capture the distribution of macroeconomic shocks and estimate a sufficient buffer that can absorb future shocks without experiencing elevated risk of debt distress. It incorporates a fiscal reaction function that models the government's primary balance response to debt changes, enabling calibration of the debt ceiling that maintains debt under the maximum debt limit with a specified confidence level (e.g., 95 percent). This method also accounts for contingent liabilities and fiscal risks to provide a prudential buffer, ensuring the debt anchor preserves fiscal sustainability and resilience to shocks.

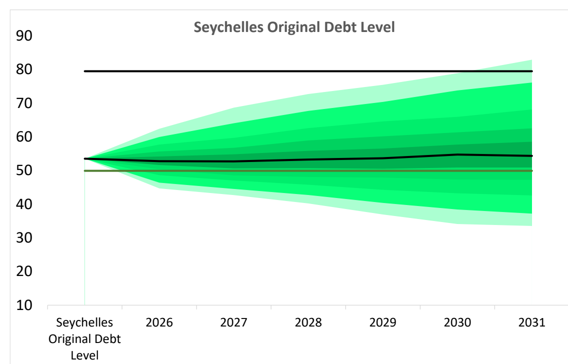
Annex VIII. Figure 3. Seychelles: Debt-to-GDP Projection based on Original Debt Level
(Percent of GDP)



Source: IMF staff estimates

8. Seychelles' debt anchor is estimated at 49.9 percent of GDP when the when this methodology (IMF 2018 and 2022) is applied. Assuming a debt limit of 79.5 percent and a tolerance risk level at 5 percent, the stochastic simulations based on Seychelles historical data indicate that the debt anchor should be at 49.9 percent. The risk tolerance represents the acceptable probability that the debt-to-GDP ratio will exceed the maximum sustainable debt level within the forecast horizon. Consequently, from the perspective of prudent fiscal governance, it is advisable to maintain the debt ratio at or below this anchor level to ensure the preservation of adequate buffers against unforeseen contingencies.

Annex VIII. Figure 4. Seychelles: Debt-to-GDP Projection based on the Debt Anchor Level
(Percent of GDP)

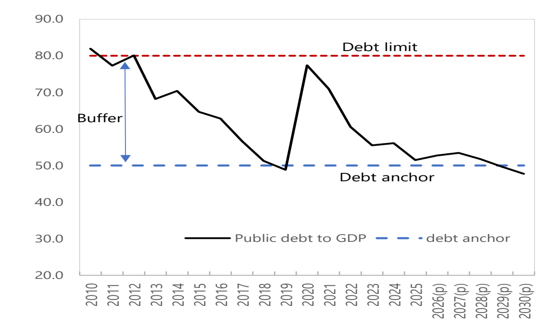


Source: IMF staff estimates

9. Debt anchors derived from the proposed methodologies should be interpreted as indicative benchmarks to guide medium-term fiscal policy rather than precise thresholds. Methodologies to estimate fiscal anchors face several limitations, they often rely on assumptions about economic stability, revenue efficiency, debt market conditions, and shock resilience, which can vary widely over time. These models may not fully capture the complexities of political economy dynamics, contingent liabilities, or evolving external conditions like commodity price volatility and climate risks. Governments are advised to use these estimates as part of a broader, flexible fiscal framework, continuously updating them with real-time data and considering country-specific factors. Seychelles has made significant progress toward bringing the ratio of public debt toward the anchor around 50 percent by 2030 (Figure 5), Maintaining this trajectory will require keeping the medium-term primary surplus in the range of 2 to 2.5 percent of GDP.

Annex VIII. Figure 5. Seychelles: Debt-to-GDP Projection, Debt Limit and Debt Anchor

(Percent of GDP)



Source: IMF WEO and IMF staff estimates

C. Assessing the Impact of Debt on Growth in Seychelles

10. Public debt levels are crucial in shaping economic growth trajectories, particularly in developing countries. While moderate public debt can finance productive investments that stimulate growth, excessive debt burdens can crowd out private investment, increase borrowing costs, and create macroeconomic instability. The ways through which debt affects growth include changes in interest rates, fiscal adjustments that reduce public spending on growth-enhancing initiatives, and investor perceptions that influence credit ratings and capital flows. Furthermore, high debt can lead to increased uncertainty and limit the government's fiscal space to respond to economic shocks, which can dampen growth prospects.

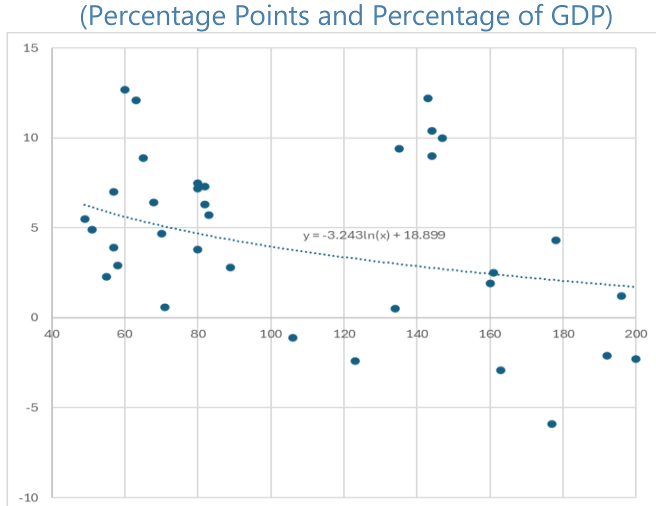
11. Empirical evidence from various developing countries indicates a nonlinear relationship between debt levels and economic growth. A consistent stylized finding is that public debt initially has a neutral or mildly positive effect on growth, but beyond a certain threshold, the impact becomes negative and significant. This threshold varies across different studies but generally falls within the range of 40 to 60 percent of GDP for developing countries and 70 to 100 percent for advanced economies. Additionally, the negative effects of high debt are often more pronounced in countries with weak institutional frameworks, where challenges in governance and fiscal management exacerbate the adverse consequences of heavy indebtedness on growth.

12. This study applies a panel threshold model to quantify the impact of public debt on economic growth and to identify critical threshold levels. Based on the methodologies of Kremer et al. (2013) and Law et al. (2021), the econometric framework distinguishes between debt regimes using an endogenous threshold, effectively capturing nonlinear relationships while addressing issues of endogeneity and country-specific heterogeneity. The model controls for key variables including lagged economic growth, initial income, population growth, gross fixed capital formation, financial development, and institutional quality—proxied by government effectiveness. Employing panel data from 16 developing countries peer sample for Seychelles,[4] characterized by relatively high institutional quality and market access over multiple years. Further methodological details and results are provided in the Appendix of this Annex.

13. The estimated public-debt threshold is at 77 percent of GDP for Seychelles' peer group countries. This range exceeds the benchmark threshold of 53-64 percent of GDP observed for the broader developing countries sample.[5] Below this threshold, public debt is broadly insignificant in its impact on growth, suggesting that these economies can sustain higher debt levels without immediate adverse effects. However, once debt surpasses the upper limit, the debt-growth coefficient turns statistically significant and negative, indicating that while strong institutions and sustained market access help mitigate the negative effects of excessive debt, they do not fully eliminate them. Robustness checks confirm that both the threshold's location and the negative high-debt impact remain consistent across various model specifications and sample restrictions. These results suggest that Seychelles and comparable economies enjoy greater—but still limited—fiscal space, with sustained debt levels above approximately 77 percent of GDP likely to hamper medium-term growth despite strong institutional frameworks.

14. The analysis of Seychelles' experience reveals a negative relationship between high debt levels and economic growth (Figure 6). Specifically, during the period from 1994 to 2008, when public debt consistently exceeded 80 percent of GDP, the country experienced a noticeable decline in its average growth rates alongside increased volatility in economic performance (Figure 1). This suggests that sustained high debt burdens in Seychelles contributed not only to lower growth but also to greater instability, highlighting the vulnerability of the economy to fiscal pressures and external shocks during episodes of elevated indebtedness.

Annex VIII. Figure 6. Seychelles: GDP Growth (vertical axis) and Gross Debt (horizontal axis)
(Percentage Points and Percentage of GDP)



Source: IMF

[4] Peer group sample: Seychelles, Mauritius, Maldives, Barbados, Bahamas, Fiji, Samoa, Cabo Verde, Jamaica, Saint Lucia, Grenada, Belize, Dominican Republic, Costa Rica, Panama and Uruguay.

[5] For references: Law et al (2021), Caner et al (2010) and Imbs and Ranciere (2005).

D. Conclusions and Policy Recommendations

15. This analysis provides a quantitative basis for adopting a debt anchor around 50 percent of GDP for Seychelles, grounded in both fiscal distress methodologies and growth regressions. Panel threshold estimates indicate that, for developing countries as a group, public debt begins to exert a statistically significant drag on real GDP per capita growth once it exceeds roughly 50–60 percent of GDP. While countries with sustained market access and stronger institutions—including Seychelles and its peers—exhibit a higher tolerance for debt, with growth penalties emerging between 75-80 percent of GDP. These estimates should be interpreted as upper bounds rather than policy targets. The empirical results show that debt above the threshold is consistently associated with lower medium-term growth, particularly in the post-COVID environment. Taken together, the findings underscore the importance of maintaining debt at levels that preserve growth resilience rather than testing the limits of estimated fiscal space.

16. The debt anchor estimation provides a prudent buffer against adverse shocks, uncertainty around threshold estimates, and shifts in global financing conditions. This range lies comfortably below the point at which growth effects turn negative in the benchmark regressions, while remaining consistent with stress-test-based approaches to debt sustainability used in market-access countries. A conservative anchor reduces the likelihood that temporary debt increases—whether driven by external shocks, natural disasters, or countercyclical policy—translate into persistent growth losses or heightened fiscal distress. To be effective, the anchor should be supported by credible medium-term fiscal frameworks, strong fiscal institutions, and operational rules that ensure convergence while allowing flexibility in the face of large shocks. In this way, the proposed anchor balances growth objectives with fiscal sustainability, providing a robust guide for policy in an increasingly uncertain global environment.

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Methodological Appendix to Annex VIII. Panel Threshold Estimations of the Impact of Public Debt on Growth

A. Empirical Model, Methodology and Data

1. **The empirical analysis employs a panel threshold growth framework tailored to capture nonlinearities in the public debt–growth relationship among Seychelles' peer countries.** The central premise is that the marginal impact of public debt on real GDP per capita growth varies depending on whether the debt level is below or above a specific debt-to-GDP threshold. To implement this, the baseline model incorporates both country fixed effects and period fixed effects, and distinguishes between two debt effect slopes by interacting the debt variable with an indicator function that divides the sample into "low-debt" and "high-debt" regimes around a candidate threshold, λ. This approach effectively controls time-invariant country-specific factors and common temporal shocks, while isolating how changes in debt within each country correspond to changes in growth across distinct debt regimes.

2. **The baseline threshold FE specification takes the form:**

$$g_{it} = \mu_i + \tau_t + \beta_L \, d_{it} \, \mathbf{1}(d_{it} \leq \lambda) + \beta_H \, d_{it} \, \mathbf{1}(d_{it} > \lambda) + \gamma' X_{it} + \varepsilon_{it},$$

where $g_{it}$is real GDP per capita growth, $d_{it}$is public debt (% of GDP), $\lambda$is the estimated debt threshold, $X_{it}$is the vector of controls (e.g., initial income, population growth, investment, and optional financial development/government effectiveness), $\mu_i$are country fixed effects, $\tau_t$are period fixed effects, and $\mathbf{1}(\cdot)$ is an indicator function equal to 1 if the condition holds and 0 otherwise.

3. **This approach follows the principle of dynamic panel threshold methods (e.g., Kremer et al., 2013) by conducting a systematic search over possible threshold values instead of imposing a predetermined cutoff.** At the same time, it maintains a clear and interpretable fixed-effects structure, making it well-suited for analysis within a small peer group sample.

4. **The peer-sample dataset comprises a panel of 16 countries comparable to Seychelles,[1] observed over 10 four-year periods from 1984-2023 constructed from annual data**. Following the approach of Law et al. (2021), all variables are converted into four-year non-overlapping averages to smooth short-term fluctuations and reduce the influence of cyclical movements and episodic shocks that can be particularly pronounced in small, tourism-dependent economies. Real GDP per capita growth is the dependent variable, while public debt is measured as general government gross debt expressed as a percentage of GDP, which serves as the threshold variable in the nonlinear specification.

[1] Seychelles, Mauritius, Maldives, Barbados, Bahamas, Fiji, Samoa, Cabo Verde, Jamaica, Saint Lucia, Grenada, Belize, Dominican Republic, Costa Rica, Panama and Uruguay.

5. **The control set is designed to balance comparability with literature and feasibility in a small peer panel.** The baseline specification includes initial income (lagged log income), population growth, and investment (gross fixed capital formation), consistent with standard growth regressions and the empirical debt-growth literature. Alternative specifications progressively introduce structural controls—financial development and institutional quality, proxied by government effectiveness—to assess whether the estimated debt–growth relationship is robust to broader macro-structural conditioning. Given the inclusion of period fixed effects in all regressions, common global disturbances (including crisis episodes) are absorbed by the time effects, and separate crisis dummies are not required in the preferred fixed-effects framework.

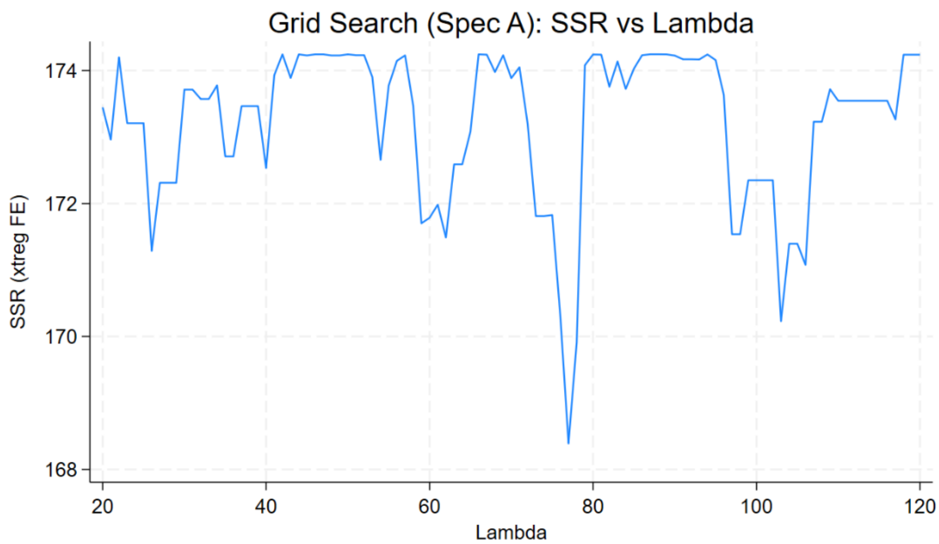
6. **The data series are assembled from a consolidated annual database harmonized across sources commonly used in this literature.** Public debt data are drawn from the World Economic Outlook (WEO) to ensure broad coverage and consistent definitions, while real GDP per capita growth and standard macro controls (e.g., population growth, investment, and related variables where available) are sourced from the World Bank's World Development Indicators (WDI). Institutional quality indicators are taken from the World Governance Indicators (WGI), with government effectiveness used as the primary proxy, and the financial development measure is constructed from the selected financial depth/development series available in the annual database. All series are aligned by country and year, checked for duplicates and consistency, and then aggregated into four-year non-overlapping averages to produce the final country–period panel used for estimation.

B. Results

7. **This section presents the main regression results on the nonlinear relationship between public debt and real GDP per capita growth for Seychelles' peer group.** First, the debt threshold is determined endogenously using a grid search procedure, which estimates the fixed-effects threshold regression across a range of candidate cutoff values and selects the one that provides the best model fit. The resulting SSR (sum of squared residuals) grid-search chart summarizes how the goodness-of-fit changes as the threshold varies, and it provides a transparent basis for choosing the preferred threshold used in the subsequent regressions.

8. **The SSR curve reaches its minimum at λ=77% of GDP, and the fit is very similar for nearby cutoffs (about 76–78%).** We therefore adopt 77% as the preferred threshold and verify that the main results are robust to using nearby values (Figure 7).

Annex VIII. Figure 1. Seychelles: Grip Search Results: SSR (vertical axis) and Gross Debt/GDP Threshold (Horizontal Axis)



Source: IMF staff estimates

9. Table 1 reports fixed-effects threshold regressions for Seychelles' 16-country peer sample using the preferred debt cutoff of 77 percent of GDP. It presents five specifications (A–E) that progressively expand the control set—starting from a baseline model with investment (gfcf), then a lean version, and then extensions that add financial development and government effectiveness. All regressions include country fixed effects and period fixed effects, standard errors are clustered at the country level, and the threshold is implemented by splitting debt into debt_low (≤77) and debt_high (>77).

10. The results show a clear and robust "high-debt penalty." Across all specifications, the coefficient on debt_high is consistently negative and statistically significant (around −0.018 to −0.020), indicating that debt accumulation above the threshold is associated with meaningfully lower growth. By contrast, debt_low is negative but weaker and generally not statistically significant once additional controls are added, suggesting that the adverse association is concentrated in the high-debt regime. Among controls, population growth is typically negative (often significant), while investment (gfcf) is positive and significant in the baseline and remains positive though less precisely estimated in richer specifications; the added structural controls (fin_dev and gov_effect) are not precisely estimated in this small sample, and their inclusion reduces the number of usable observations.

Annex VIII. Table 1. Seychelles: Results of Panel Threshold Estimations for the Seychelles' Peers

Threshold variable: Public debt (% of GDP)
Sample: 16 Market-Access, High Quality-Institution Developing Countries
Period: 1984–2023 (4-year non-overlapping averages)
Dependent variable: Real GDP per capita growth

Variable	Model A Lean+gfcf	Model B Lean	Model C +fin	Model D +goveffic	Model E +fin+goveffic
Debt threshold (% of GDP)	77	77	77	77	77
Debt ≤ threshold	-0.012*	-0.012*	-0.010	-0.009	-0.006
	(0.007)	(0.007)	(0.009)	(0.007)	(0.009)
Debt > threshold	-0.020***	-0.020***	-0.019**	-0.020***	-0.018**
	(0.004)	(0.004)	(0.006)	(0.006)	(0.006)
ln(initial income)	0.098	0.038	0.089	0.196	0.194
population growth	-0.234*	-0.249*	-0.210	-0.311**	-0.328*
Gross Fixed Capital Formation	0.049**		0.029	0.049*	0.027
Financial Development			-0.005		-0.018
Government effectiveness				0.451	0.732
Cons	0.116	1.863	0.993	-0.757	0.535
Country fixed effects	Yes	Yes	Yes	Yes	Yes
Period fixed effects	Yes	Yes	Yes	Yes	Yes
Observations	160	160	118	109	88
Countries	16	16	16	16	16

Notes: Robust standard errors clustered at the country level are reported in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% levels, respectively.

Sources: Staff Estimates

C. Robustness Check

11. **The study conducted three complementary robustness tests to ensure that the estimated nonlinear debt–growth relationship is not driven by a specific threshold choice, a particular set of controls, or a few influential observations.** First, the study selected the debt threshold endogenously via a grid search within the baseline fixed-effects model (Spec A), choosing the cutoff that minimizes the sum of squared residuals (SSR). The SSR profile exhibits a clear minimum at λ = 77% of GDP, with similarly good fits in a narrow range around this value (approximately 76–78%). This supports using 77% as the preferred threshold and motivates conducting local sensitivity analyses around it.

12. **Second, the annex evaluated influence and outliers using two small-sample diagnostics. A leave-one-country-out (LOOCV) exercise re-estimated the baseline model 16 times, each time excluding one peer country.** The main finding is highly stable: the high-debt coefficient

remains negative and statistically significant in every exclusion, with only minor variation in magnitude. This indicates the "high-debt penalty" is not driven by any single country. Additionally, the annex tested sensitivity to extreme values by winsorizing key variables (growth, debt, and investment) at the 1/99 and 5/95 percentiles. The estimated high-debt effect remains virtually unchanged and statistically significant, confirming that the main result is not driven by a handful of extreme observations.

13. Third, the study tested specification robustness by estimating a sequence of models (A–E) that progressively expand the control set while retaining country and period fixed effects and clustering standard errors at the country level. Across all specifications, the coefficient on debt above the threshold remains consistently negative and statistically significant. In contrast, the slope below the threshold becomes smaller and less precisely estimated as additional structural controls are added. Together, the grid-search threshold selection, local threshold sensitivity, LOOCV, winsorization, and specification comparisons provide consistent and robust evidence of an economically meaningful adverse association between growth and debt in the high-debt regime within the Seychelles peer sample.

Annex IX. Capacity Development Strategy

A. Context and Progress

1. **Reform implementation in Seychelles under successive Fund-supported programs has been underpinned by sustained Capacity Development (CD) engagement.** CD activities have focused on core areas of institution building, including public financial management, revenue administration, financial integrity (AML/CFT), monetary policy operations, financial sector supervision, and macroeconomic statistics. These CD priorities are closely aligned with the authorities' reform agenda under the Extended Fund Facility (EFF) aimed at safeguarding macroeconomic stability and supporting inclusive growth. They support macroeconomic stability and resilience-building in the face of Seychelles' high level of exposure to external shocks as a small island developing state.

2. **Approved in May 2023, the Resilience and Sustainability Facility (RSF), along with a new Extended Fund Facility (EFF), led to fresh CD requests aimed at supporting the authorities' climate-related reforms.** On the fiscal side, technical assistance has supported reforms in climate budgeting, climate-related fiscal risk analysis, and climate-sensitive public investment management. On the financial sector, the Central Bank of Seychelles (CBS) received TA on macroprudential stress testing and climate risk analysis, covering the foundations of climate risk assessment, relevant climate and exposure data and impact methodologies, assessment of available and potential data sources, identification of local hazards, exposure and vulnerability data (including scope for inter-agency data collaboration), and development of an initial climate risk analysis framework.

3. **Notwithstanding the large volume of CD activities and capacity constraints, the Seychelles authorities have demonstrated a solid track record of implementing recommendations.** In 2026, 18 CD projects were delivered, with the same amount planned for FY2027, figure 1. In FY2026, the TA spanned several workstreams delivered by FAD (33 percent), MCM (30 percent), STA (26 percent and LEG (12 percent). Seychelles' financial contribution to AFRITAC South further reinforces ownership and effective absorption of CD assistance.

B. CD Strategy

4. **The CD strategy aims to support the authorities' reform agenda as the EFF and RSF arrangements conclude in May 2026 against the backdrop of a government transition.** The FY2026 CD priorities were closely linked to the implementation of both EFF and RSF arrangement priorities (table below). TA activities focused on core areas, supporting the authorities' efforts to continue strengthening capacity for macroeconomic management through stronger public financial management and revenue administration as well as an improved monetary policy framework, stronger financial sector surveillance, enhanced AML/CFT framework, and better quality of key macroeconomic statistics. Under the RSF, MCM and STA TA delivered in April 2026 supported CBS in conducting a climate-related data gap analysis for supervisory and disclosure purposes and in developing a strategy to strengthen climate data availability, coverage, and use for risk assessment and policy formulation.

5. In FY2027 and the medium-term the Fund's CD engagement with Seychelles will transition toward a post-program focus on consolidating reforms and strengthening institutional durability. In FY2027, planned TA activities focus on strengthening public financial management and revenue administration, enhancing financial sector oversight and crisis preparedness, sustaining a risk-based AML/CFT framework (for virtual assets and virtual assets service providers), embedding medium-term fiscal frameworks and fiscal risk management, strengthening the effectiveness of the monetary policy framework, and improving the quality and timeliness of macroeconomic statistics. Across all areas, CD will emphasize prioritization, sequencing, and coordination with development partners, while remaining flexible to evolving risks, including climate-related challenges.

C. Main Risks and Mitigation

6. The main risks to successful TA delivery and implementation of recommendations relate to the limited number of staff in key institutions. These include the Ministry of Finance, Economic Planning, Trade and Investment (MoFEPTI), Seychelles Revenue Commission (SRC), National Bureau of Statistics (NBS) and Central Bank of Seychelles (CBS). These risks can at times be compounded by insufficient coordination between agencies. Ensuring effective TA implementation and follow-up of recommendations requires efficient use of the limited staff and strong coordination across institutions.

D. Authorities' views

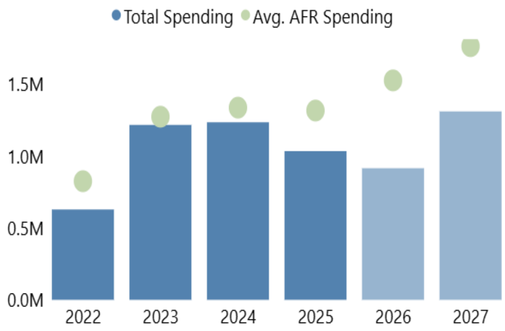
7. Authorities' feedback indicates that CD support is adequate, well-sequenced and highly valued as a key instrument for advancing program reforms and meeting international standards. In addition to TA support from the Fund and other development partners, the authorities are also relying on peer learning, for example, in revenue mobilization reforms on digital services taxes and taxation of foreign workers.

Annex IX. Table 1. Seychelles: Capacity Development Overview

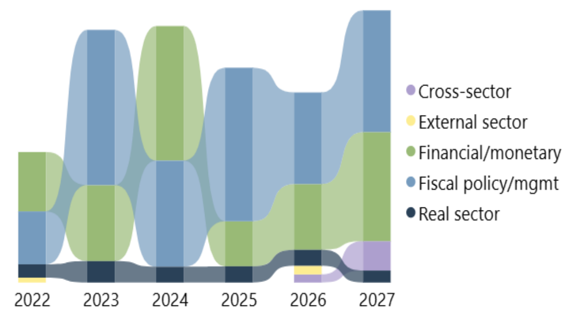
Priorities	Objectives	Challenges
Macro-Fiscal Policies	Strengthen the credibility of medium-term budget planning; balance fiscal consolidation; strengthen the identification, monitoring, and management of fiscal risks; wage bill and pension sustainability; improve coverage and quality of fiscal reporting; strengthen macro-fiscal forecasting capacities.	Political commitment will need to be maintained to ensure impactful reforms; capacity is limited given the small number of staff.
Public Financial Management	Infrastructure and climate change related investments; enhance the efficiency of public investment; improve debt and cash management practices; improve the efficiency and integration of IT systems.	Political commitment will need to be maintained to ensure impactful reforms. New IT systems will need to be tailored to Seychelles.
Revenue administration and tax policy	Strengthen revenue administration and governance arrangements and strengthen Customs and tax administration core functions; assess the efficiency of VAT in a small island country; improve tax expenditure reporting; assess scope to strengthen international tax rules.	The limited number of technically strong staff, as well as frequent turnovers of senior staff in the Seychelles Revenue Commission (SRC).
Debt Management	Continue to produce a comprehensive Medium-Term Debt Management Strategy (MTDS) and Annual Borrowing Plan (ABP); strengthen processes for accurate debt recording, reporting, and monitoring; develop the secondary market for government securities.	The small size of the Ministry of Finance, Economic Planning and Trade and Investment (MoFEPTI).
Monetary Policy Implementation	Strengthen the CBS staff's capacity for inflation forecasting and liquidity management; deepen the money market and improve the transmission mechanism of monetary policy in the context of an interest rated-based framework; develop the government securities; develop the market infrastructure; enhance the communication strategy/policy of the CBS.	The small size of the CBS staffing
Financial Stability and Crisis Management	Implement a risk-based supervision system and upgrade other supervisory processes; amend the capital adequacy regulation; strengthen the legal basis for and the mandate of the Financial Stability Commission (FSC); develop the Emergency Liquidity Assistance (ELA) framework; management of climate-related risks.	The limited number of technically strong staff.
Payments and Infrastructure	Advise and assist the central bank and other relevant authorities in developing and reforming the national payment system.	The limited number of technically strong staff; lack of structured coordination between agencies.
Real Sector Statistics	Strengthen the compilation and dissemination of national accounts, price, and external sector statistics according to internationally accepted statistical standards.	Lack of human resources at the National Bureau of Statistics (NBS) and the high staff turnover.
Government Finance statistics (GFS)	Build capacity and improve the quality of fiscal and debt statistics	The small size of the MoFEPTI.
Financial Sector Statistics	Increase the scope of monetary and financial statistics to include credit providing nonbank financial institutions and payment companies and compile FSI in line with the latest international standards (2019 FSI Guide).	The small size of the CBS staffing.

Annex IX. Figure 1. Seychelles: Capacity Development Overview

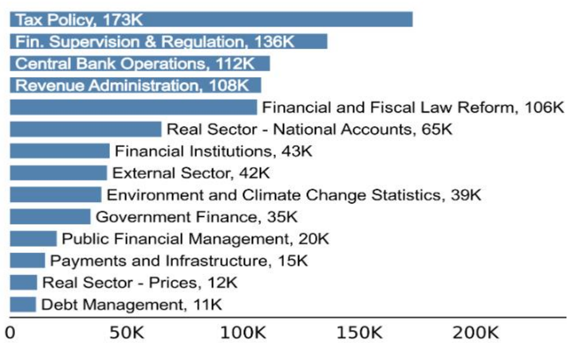
CD Spending, FY2022-27
(Million USD)



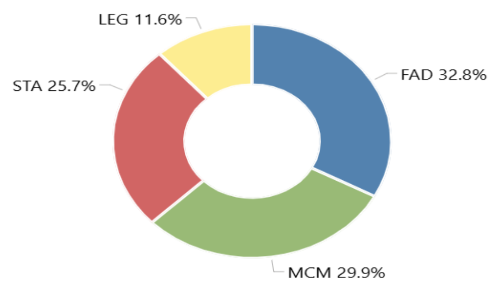
CD Spending by Sector, FY2022-27
(Million USD)



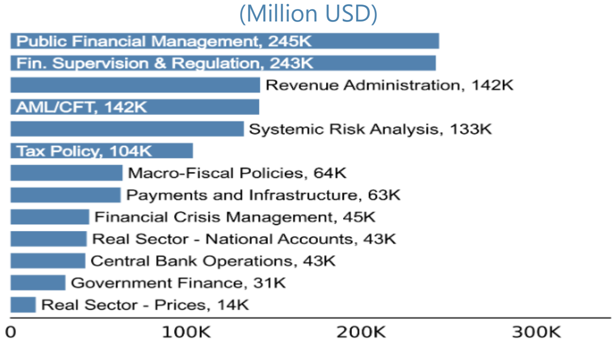
CD Spending by Workstream, FY2026
(USD)



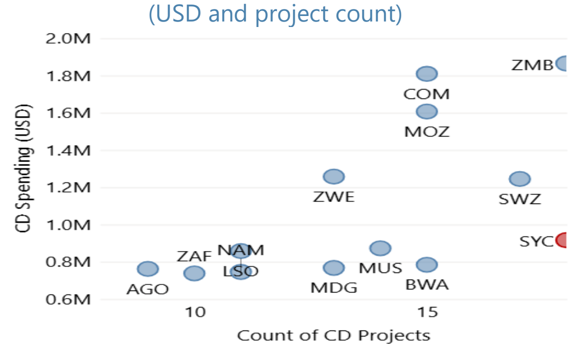
CD Spending by Delivery Department, FY2026
(USD and project count USD)



CD Spending by Workstream, FY 2027
(Million USD)



CD Projects and Spending, AFRITAC South Peers, FY2026
(USD and project count)



Annex X. Main Recommendations of the 2024 Article IV Consultation

	Recommendations	Status
	Fiscal Policy and Financial Management	
1.	Build fiscal and external buffers to provide greater flexibility to address shocks without jeopardizing fiscal sustainability or development objectives.	In Progress
2.	Sustain revenue mobilization efforts: continue VAT reforms (2024–26) to strengthen collections and improve refund efficiency, review tax exemptions to enhance transparency on foregone VAT and business tax revenues and prioritize audits in areas such as transfer pricing.	In Progress
3.	Continue modernization and digitalization plans to bolster expenditure management and Public Financial Management. Implement the new Human Resource Management System (HRMS) to support efforts to streamline the wage bill. Install and operationalize a new Integrated Financial Management Information System (IFMIS)	In Progress
4.	Strengthen public investment management (PIM) and incorporate climate considerations into the public investment pipeline.	In Progress
5.	Public Debt Management: Leverage international partnerships to enhance access to concessional financing and technical assistance for bolstering resilience and sustainability. Revise the Public Debt Management Act alongside the Public Finance Management Act to enhance debt management. Develop a medium-term debt management strategy that incorporates measures to hedge against interest rate fluctuations and currency risks. Initiate a framework to operate a buy-back facility for trading of government securities through commercial banks in 2025 to support the liquidity of bonds and increase the potential for greater domestic financing.	In progress, legislative reforms still need to be considered by the new Cabinet.
6.	Improve the targeting of social spending, improve coordination across ministries and create a social registry.	In progress, the new government's 100-day social agenda necessitate further assessments.

	Recommendations	Status
Monetary, Exchange Rate and Financial Sector Policy		
	Continue improving the monetary policy framework based on the interest rate as the operational target.	In Progress
7.	Maintain a flexible exchange rate regime and build FX buffers against external shocks.	In Progress
8.	Strengthen the CBS balance sheet to address erosion of its financial solvency caused by several structural operational elements, and by the impact of soft lending measures during the pandemic.	In Progress
9.	Address remaining gaps in off- and on-site supervision of the banking system and continue close monitoring of non-performing loans to safeguard financial sector stability.	In Progress
Climate		
10.	Devise a climate finance strategy and establish a project pipeline	Completed
11.	Participate in international climate finance mechanisms will be essential to secure funding for climate adaptation and mitigation projects on favorable terms.	Ongoing
Structural Reforms		
	Complete the study on the dynamics of tourism on overall economy and on revenue potential and prepare an action plan to maximize the impact of tourism in Seychelles' economy over the long-term	Completed
12.	Enhance the transparency of beneficial ownership (BO) information, crucial to prevent misuse of the international business sector for money laundering and terrorist financing.	In Progress
13.	Improve governance, transparency, and monitoring of SOEs to reduce risks including through the public enterprise legislation and SOEs audits.	In Progress

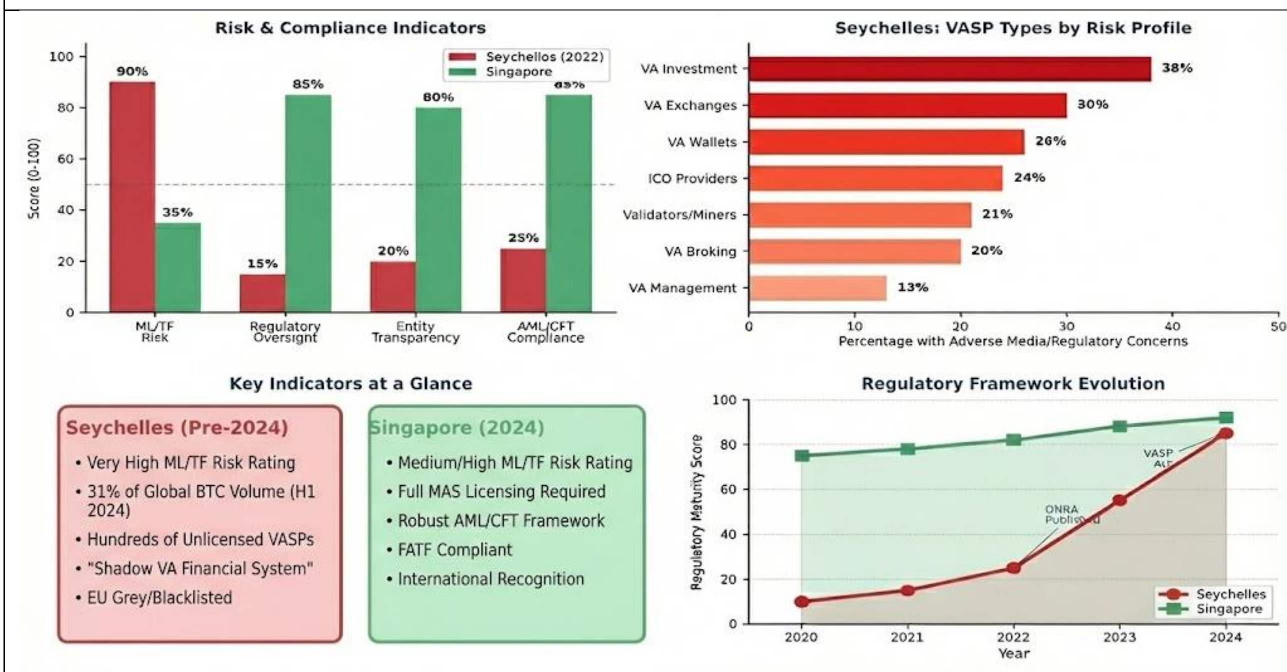
Annex XI. Virtual Asset Service Providers in Seychelles: Recent Developments

This Annex details recent developments relevant to virtual asset service providers (VASPs) in Seychelles, highlighting a transition from minimal oversight to a comprehensive licensing and compliance framework aligned with international standards. The authorities' new regulatory framework is designed to address and prevent potential challenges associated with the sector including AML/CFT risks.

A. Introduction

1. **Regulation and oversight of virtual asset service providers (VASPs) in Seychelles was minimal for many years**. Seychelles as a jurisdiction became known as crypto-friendly, hosting several large exchanges including entities that subsequently faced regulatory action in other jurisdictions. This approach, while attracting business activity, also drew scrutiny for potential financial crime risks.

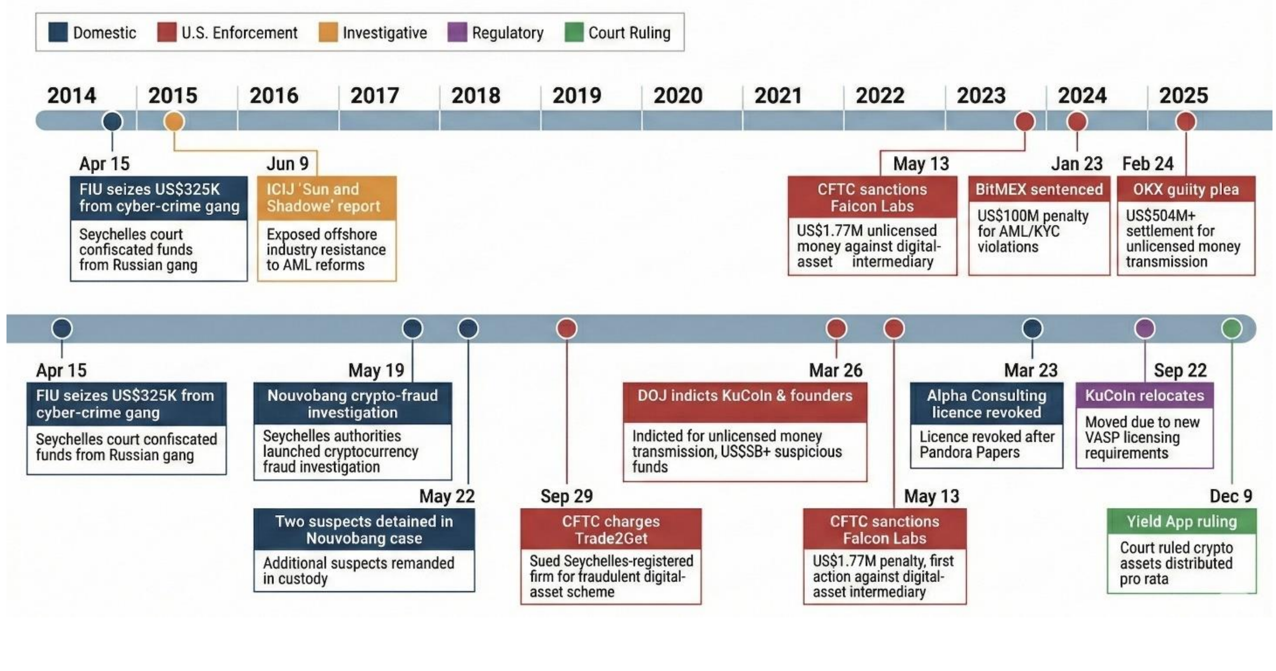
Annex XI. Figure 1. Seychelles: Comparative Risk Assessment Dashboard Seychelles vs Singapore (2022)



Sources: Central Bank of Seychelles ONRA (July 2022); MAS Annual Reports; Crystal Blockchain; IMF Staff Calculation.

2. The July 2022 Overall National Risk Assessment (ONRA) documented significant vulnerabilities in the virtual asset sector. The assessment assigned a very high risk rating for Money Laundering and Terrorist Financing (ML/TF), attributed largely to the unregulated non-bank financial institution and offshore sectors. According to the assessment, approximately 31 percent of global Bitcoin transfer volumes in the first half of 2020 were handled by exchanges resident in Seychelles and hundreds of unlicensed VASPs operating from the jurisdiction.

Annex XI. Figure 2. Seychelles: Financial Crime and Regulatory Enforcement Timeline 2014-2025



Sources: Compilation of news reports, official statements, court documents, and regulatory filings

VASP Framework

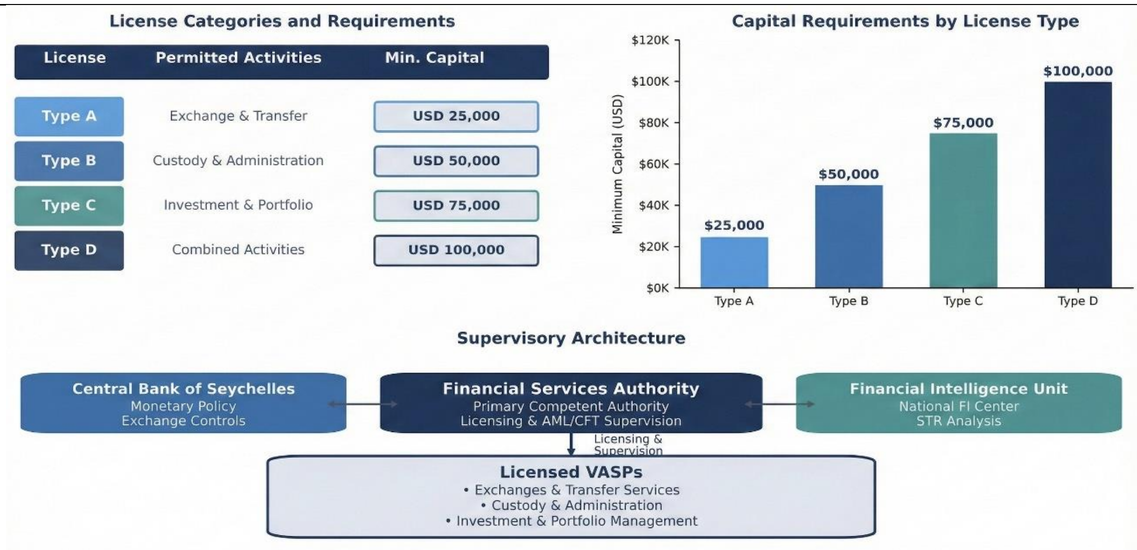
3. As shown in Figure 3, the Virtual Asset Service Providers Act, 2024 (effective 1 September 2024) establishes a four-tier VASP licensing regime with graduated minimum capital requirements (USD 25,000–100,000) linked to the scope of permitted activities. The framework designates the Financial Services Authority as the competent authority for licensing and AML/CFT supervision, supported by the Financial Intelligence Unit for STR analysis and financial intelligence, and the Central Bank of Seychelles for relevant monetary policy and exchange-control interfaces. The Act also restricts higher-risk activities, including mining facilities, mixer/tumbler services, and anonymity-enhanced virtual assets.

AML/CFT Compliance Obligations

4. **Licensed VASPs are covered by the national AML/CFT regime under the 2020 AML/CFT Act. Requirements include institutional risk assessment frameworks with board-approved ML/TF risk policies, customer due diligence, identity verification procedures and ongoing monitoring of business relationships, and five-year record retention.** The Act implements the Travel Rule with a threshold of SCR 50,000 (about USD 3,850), requiring the transmission of originator and beneficiary information for qualifying transfers, consistent with FATF Recommendation 16.

5. **In addition, licensed VASP are subject to ongoing obligations including reporting and audit requirements, fit-and-proper standards, and client-asset protection rules, including local substance and disclosure obligations.** Certain activities require separate authorization, and unlicensed operations are subject to criminal penalties.

Annex XI. Figure 3. Seychelles: VASP Licensing Framework Structure



Source: Virtual Asset Service Providers Act 2024 FSA organizational Structure

Licensing Application Process

6. **As of end-January 2026, Seychelles' VASP framework is moving from enactment to implementation, with applications progressing through the Financial Services Authority (FSA) assessment process.** Based on the FSA's public register, eight entities have submitted complete applications and are currently in the assessment stage (pending determination). Publicly available regulatory statements indicate that nine applications have been refused, and 8 were rejected to date. The nine refusals are free to resubmit applications while the 8 rejected are barred from re-applying

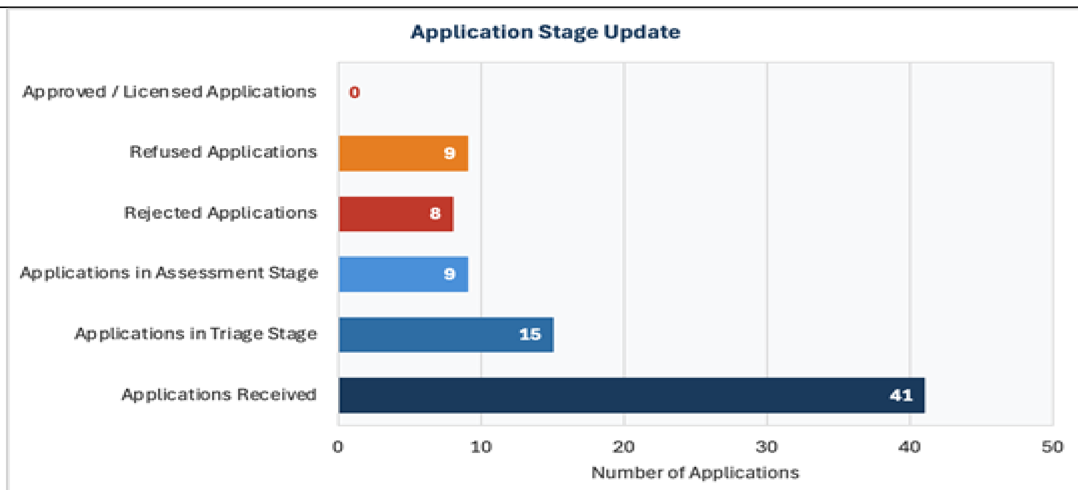
for 6 months from the date to rejections. As of end-January 2026, no VASP licence(s) had been granted.

Regulatory Framework and Revenue Implications: SDL and VASP Licensing

7. Seychelles has established two distinct licensing regimes for entities engaged in digital asset activities. The Securities Dealer License (SDL), which governs leveraged trading, contracts for difference (CFDs), and fiat-settled transactions, carries a business tax liability of 3 percent on income. The VASP license, introduced to regulate custody services, payment facilitation, and asset transfer infrastructure, offers a preferential rate of 1.5 percent but imposes substantially higher compliance and technical audit requirements.

8. As of the current reporting period, the FSA has not issued any VASP licenses. The protracted approval process and rigorous due diligence standards have limited market entry under this framework. Accordingly, the Seychelles Revenue Commission (SRC) has not yet recorded any tax revenue attributable to VASP-licensed operations. All revenue from digital asset-related activities derives exclusively from securities dealers subject to the 3 percent rate.

Annex XI. Figure 4. Seychelles: Application Stage Update

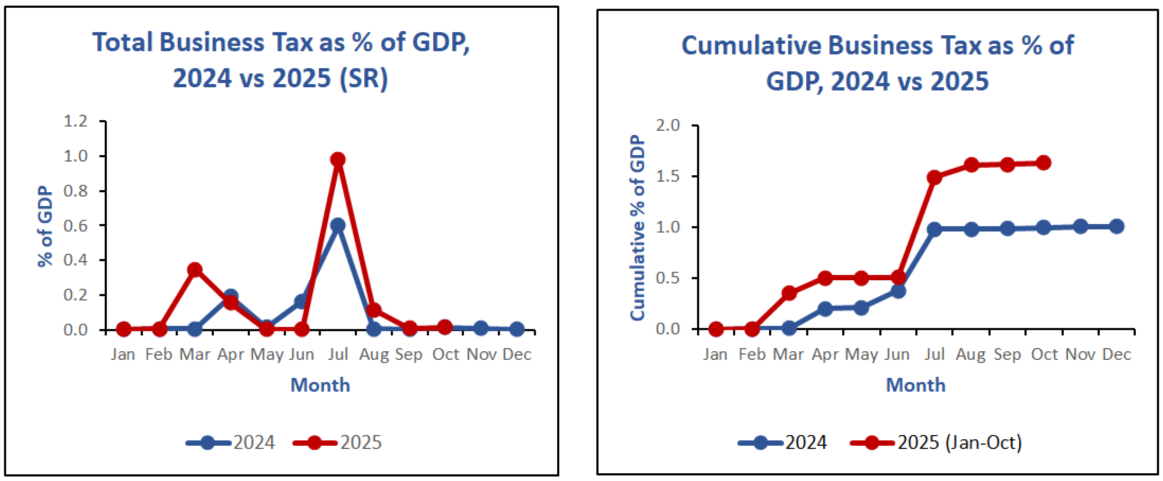


Source: Virtual Asset Service Providers Act 2024 FSA

9. Taxation of virtual asset service providers is an increasingly important stream of revenue. In 2024, business tax collections from licensed securities dealers totaled SCR 353.4 million, equivalent to 1.1 percent of GDP. For the period January to October 2025, collections reached SCR 586.5 million, or 1.7 percent of GDP. The majority of licensed securities dealers, approximately 56 percent, or 105 of 190 entities, offer crypto-CFD products, indicating that crypto-related business activity already constitutes a significant component of this revenue. As the FSA issues additional

VASP licenses over time, collections under the 1.5 percent VASP rate would represent a supplementary revenue stream.

Annex XI. Figure 5. Seychelles: Business Tax Revenue Collected from Securities Dealers %GDP



Source: Virtual Asset Service Providers Act 2024 FSA

10. Linkages to the onshore financial sector and real economy. Direct linkages appear limited but run through three channels: fiscal, with business tax from securities dealers, the majority offering crypto-CFD products. Real-economy substance, as the VASP Act requires a local office, resident director, and in-jurisdiction board and management meetings, supporting domestic employment and professional services; and jurisdictional exposure. The Act captures any Seychelles-incorporated entity providing virtual asset services regardless of where rendered, exposing the jurisdiction to reputational and legal risks from VASPs operating abroad. Direct bank exposures and domestic retail participation are understood to be limited, though monitoring data would benefit from further development.

B. Conclusion

11. The VASP Act, 2024 represents a significant shift in Seychelles' approach to virtual asset regulation, moving from minimal oversight to a structured licensing regime. The framework incorporates key elements of international standards including the FATF recommendations and establishes clear supervisory authority with the FSA. The prohibition on high-risk activities such as mixers and anonymity-enhanced transactions demonstrates alignment with global best practices.

11. Effective oversight will depend on several factors. Regulatory capacity constraints, including staff retention challenges at the FSA, affect supervisory implementation. The August 2025 ESAAMLG enhanced follow-up report assigned Seychelles a "Partially Compliant" rating on FATF Recommendation 15 on new technology, indicating work remains. Deficiencies identified include the absence of sectoral and entity level risk assessments needed to conduct risk based supervision, as well as the lack of a supervisory manual. Political commitment to sustained enforcement and adequate resourcing of supervisory functions will be critical to achieving the framework's objectives.

12. Close coordination at both domestic and international levels will be essential to continue strengthening the AML/CFT framework for VAPs, including enhancing coordination among relevant authorities. Close coordination between CBS, the FSA and FIU will be essential for effective regulation and supervision of the sector. Given Seychelles' role as a hub for global VASPs that often provide services outside Seychelles, the authorities should continue to step up international cooperation to effectively monitor the activities of these VASPs and take coordinated action at all levels, including licensing, supervision and enforcement.

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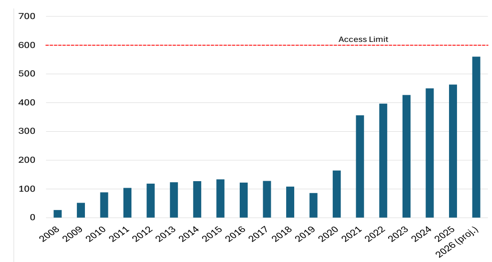
Annex XII. Performance and Achievements Under the EFF and RSF (2023-2026)

1. Seychelles has had close and continuous program engagement with the Fund for the last 15 years. Starting with the 2008 SBA in the wake of a sovereign debt default, Seychelles moved to two successive EFF arrangements between 2009-2017, a PCI covering 2017-20, emergency assistance under the RFI in 2020, a follow-on EFF from 2021-23, and the three-year EFF/RSF arrangements from 2023-26. Access to Fund credit has increased sharply since the COVID pandemic and is now near the normal General Resources Account (GRA) access limit.

Annex XII. Figure 1. Seychelles: Fund Credit Outstanding
(% of Quota)



Source: IMF

2. A look back at engagement during the 2023-26 EFF and RSF highlights both successes and challenges and offers some potential lessons for Fund engagement through both vehicles.

EFF Performance

3. The 2023-2026 EFF was the sixth upper credit tranche (UCT facility) for Seychelles since the beginning of Fund program engagement in 2008. Conditionality under successive reforms has gradually shifted from fundamental macroeconomic reforms to second and third wave reforms focusing on structural issues. In terms of quantitative targets, Seychelles has demonstrated an exceptional level of performance. Out of 88 Performance Criteria (PCs) and Indicative Targets (ITs), only [two] were missed—both with respect to total revenue. The first was very small (a deviation of 0.1 percent relative to the target), and the second was linked to nontax revenues (parastatal dividends and receipts from sale of government assets) that did not materialize.

Seychelles: Fund Supported Facilities

	Dates	SDR	% of Quota
Standby Arrangement	2008-09	17.6	200
Extended Fund Facility	2009-12	19.8	225
Extended Fund Facility	2014-17	11.4	105
Policy Coordination Instrument	2017-20	0.0	0
Rapid Financing Instrument	2020	22.9	100
Extended Fund Facility	2021-23	74.0	323
Extended Fund Facility	2023-26	42.4	185
Resilience and Sustainability Facility	2023-26	34.4	150

Source: MONA Database; IMF staff reports.

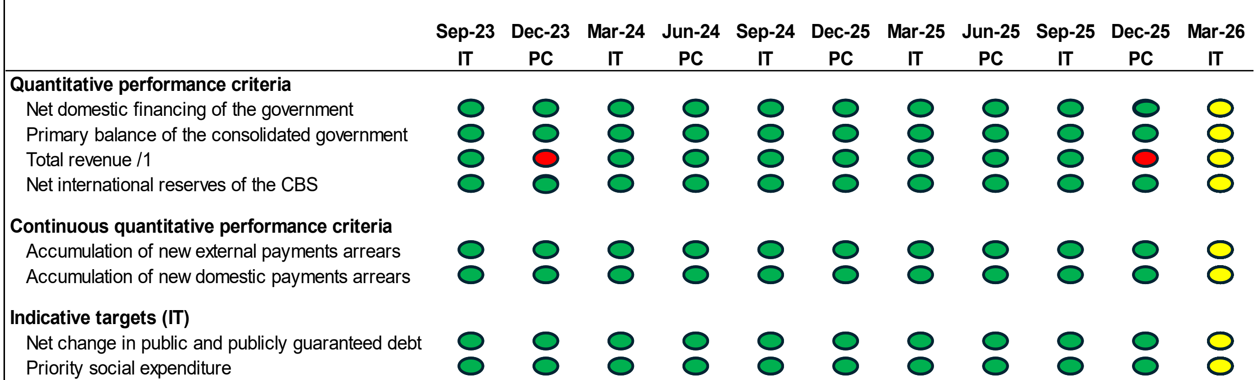
4. Implementation of structural reforms has also been strong, although not without challenges. Under the current EFF, Seychelles committed to a total of 25 Structural Benchmarks (SBs) spread across the following areas:

- Fiscal and public financial management policies (12);

- Monetary policy and financial stability (7);
- Real sector reforms (4);
- State-owned enterprises (2); and
- Financial integrity and AML/CFT issues (1).

5. Of these 25 structural benchmarks, 13 SBs were met on time, 10 were met with a delay; and two were not met. Delays were mostly short-term (one or two months) and linked to capacity constraints. Of the two not met, both are likely to be completed after the program expires.

Annex XII. Figure 2. Seychelles: Performance on Quantitative Targets Under the Extended Fund Facility



1/ The December 2023 PC on total revenue was missed by SCR9.7 mn--a deviation of 0.1 percent relative to target. Underperformance in December 2025 was larger (2.3 percent) but linked to nontax revenues.

Source: IMF Staff

6. Substantial progress was also made with respect to the underlying objectives of the EFF. The EFF focused on three principal objectives: (i) increase economic resilience by rebuilding fiscal and external buffers; (ii) promote long-term economic growth (including through bolstering public investment); and (iii) strengthen the monetary policy framework.

7. Fiscal adjustment has been stronger than programmed under the original EFF. Cumulative primary surpluses in 2022-25 amounted to 7.7 percent of GDP versus 1.5 percent envisioned at program approval. The ratio of public and publicly guaranteed debt to GDP has fallen to an estimated 53.6 percent in 2025, compared to 63.1 percent envisioned at the beginning of the EFF. A substantial part of this over-performance was linked to lower-than projected expenditures. Bottlenecks with respect to implementation of capital projects have been a consistent theme, despite strong implementation of recommendations from the Climate Public Investment Management

Assessment (CPIMA). The EFF also envisioned a greater reliance on tax as opposed to nontax revenues over the medium-term, and this shift has not materialized.

8. External buffers have also risen faster than expected. Gross reserves of the Central Bank of Seychelles have climbed to 4.2 months of reserve cover (ARA metric of 126) at end-2025. This compares to projected levels of 3.8 months and an ARA metric of 112 when the EFF was approved in mid-2023.

9. Average growth has been slightly higher than expected. Average growth in 2022-25 is estimated at 5.9 percent, compared with 5.3 percent projected at the beginning of the EFF. A substantial share of this growth has come rising tourist arrivals and spending, which reflects a successful effort to diversify tourism source markets and increase connectivity (air links).

10. Reform of the monetary policy framework has largely been implemented as planned, but monetary policy transmission remains relatively weak. Excess liquidity in the banking system (due in part to the increase in foreign exchange reserves but also a steady decline in gross financing needs of the government) continues to undermine monetary policy transmission.

RSF Performance

11. The RSF arrangement for Seychelles was intended help build resilience to climate change and strengthen the policy implementation framework to exploit synergies with other official financing and catalyze further private financing for sustainable development. The channels through which reforms were to work toward these objectives were: (i) by enabling climate-smart infrastructure investment and fiscal management; (ii) building financial sector resilience and climate finance mobilization; and (iii) implementing climate mitigation and adaptation policies and disaster risk financing. The RSF package was expected to play a strong catalytic role, particularly through establishing a climate finance mobilization framework to unlock public and private finance, better management of climate-related risks in the financial sector to support scaling up of private climate finance, strengthening enabling institutions to promote climate investments and enhance climate-spending efficiency, and promoting private sector climate-related investments. In addition, the RSF would work in synergy with programs from other Development Partners (DPs) to help catalyze private finance.

12. Seychelles' RSF arrangement had a high level of ambition, consistent with the high level of access. The RSF began with 11 Reform Measures (RMs) when the program was introduced in 2023, comparable to such other early RSF cases as Costa Rica, Jamaica, and Barbados. However, these 11 RMs encompassed 20 individual actionable items, as several RMs had multiple subcomponents to be met before being considered complete. This RM agenda was redesigned in 2024 to better tailor to capacity constraints and as a result expanded to 15 RMs with a total of 26 actionable steps. Out of this total, eight RMs were implemented on time, and six were implemented with delays. Considering that Seychelles was in the first wave of RSFs and the high level of ambition embedded in RMs, the 93 percent completion rate is an impressive track record.

Annex XII. Figure 3. Seychelles : RSF Timeline

REFORM AREA	Program Start	1st Review	2nd Review	3rd Review	4th Review	5th Review	6th Review
REFORM AREA 1 Strengthening climate integration in national planning and public investment	–	**RM1:** Integrate climate adaptation and mitigation priorities (NDC) into the National Development Strategy to align public investment with climate objectives.	–	–	–	**RM3:** Update public investment management policy to include climate appraisal methodologies and NDC-aligned project selection. **RM4:** Identify and report climate-related expenditures and conduct fiscal risk analysis under climate scenarios.	–
REFORM AREA 2 Enhancing climate resilience and facilitating low-carbon transformation	–	–	**RM2:** Approve updated building legislation incorporating climate resilience and mitigation standards.	**RM5:** Adopt a national climate finance mobilization strategy and develop a pipeline of climate-related investment projects.	**RM6:** Issue draft guidelines on management, supervision, and disclosure of climate-related financial risks. **RM7:** Develop and adopt a comprehensive Disaster Risk Financing Strategy. **RM8:** Establish frameworks for renewable energy pricing, procurement, and integration of independent power producers.	**RM10:** Operationalize climate finance framework and secure funding for at least one priority climate project.	**RM11:** Introduce green fiscal and tax incentives to support emissions reduction and environmental outcomes.
REFORM AREA 3 Strengthening climate risk management in the financial sector	–	–	–	–	–	**RM9:** Develop and implement a climate risk analysis framework for the banking sector. **RM6.2:** Finalize disclosure guidelines and introduce regulatory reporting templates for climate risks.	**RM6.1:** Finalize guidelines on supervision of climate-related financial risks and develop a strategy to address data gaps. **RM9.1:** Publish a climate risk exposure assessment of the banking sector. **RM6.3:** Publish a summary report on climate-related financial risk exposure for major banks.

Note: RM = Reform Measure

Source: IMF Staff

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13. The RSF has made a fair amount of progress in meeting the original objectives.

- ***Enabling climate-smart infrastructure investment and fiscal management***. Reform measures in this area were based on the Climate Public Investment Management Assessment (CPIMA) undertaken by FAD in 2022. Implementation of RMs has bolstered the appraisal, selection, and budgeting process for climate-related public investments, helped to embed climate accounting and fiscal risk planning into annual budgets, and helped create a more robust climate-sensitive public investment management framework—all of which provide a better foundation for Seychelles to attract international climate finance and catalyze green private sector investment. However, despite implementation of PFM and other reforms, public investment remains below levels outlined as part of EFF design. And while climate-related financing has been forthcoming from multilaterals, there does not yet seem to be a significant catalytic effect with respect to private financing flows.[1]
- ***Building financial sector resilience and climate finance mobilization.*** The CBS has made significant advancements in heightening awareness of climate-related financial risk exposure and working with the banks (through consultation and formal guidance) to strengthen assessment and disclosure of such risks. This includes most recently a data gap analysis and a strategy for addressing these gaps with a view to providing a much stronger information base for assessing climate-related risks.
- ***Implementing climate mitigation and adaptation policies and disaster risk financing***. The RSF has played a valuable role in helping enable government efforts on mitigation and adaptation policies—supporting the authorities' NDC commitments and providing a springboard for internal and external discussions on climate mitigation and adaptation. Importantly, RMs under the RSF have focused on integration of climate adaptation and mitigation elements in building legislation, adopting a comprehensive national disaster risk financing strategy, and new frameworks to support adoption of renewable energy. This last effort is particularly important, as renewable energy will remain a cornerstone of government's efforts to advance economic, social and climate priorities. For the RSF arrangement, all but one of the RMs slated for the reviews were implemented.

14. The overall impact of the RSF on Seychelles' capacity to meet the challenges of climate change will take time. Much of the reform effort has been focused on the "plumbing" of public financial management, financial sector supervision, disaster response, and climate financing—creating the processes and guidelines that will not only help Seychelles' respond to climate-related challenges, but also meet the requirements to help raise additional financing for climate related investments and mitigate risks to the financial sector. Encouragingly, these reforms have so far proven to be durable—stretching beyond their immediate implementation date and showing signs of having become embedded in policy processes and regulation.

[1] A climate financing roundtable, co-chaired by the IMF and World Bank, was convened in February 2025. The authorities report that the event had significant positive effects, including getting Seychelles in front of multilateral and bilateral stakeholders, and helping the government crystallize it's thinking with respect to climate financing priorities.

The Links between RSF and Balance of Payments in Seychelles

1. **Staff assesses that strengthening the Seychelles' prospective balance of payments stability requires fiscal, financial, and structural policies – including macro-structural reforms in selected specific economic sectors.** Reform areas covered by the RSF include: (i) Public Financial Management and Enabling Institutions; (ii) Climate Mitigation and Adaptation Policy and Disaster Risk Financing; (iii) Financial Sector Resilience and Climate Finance Mobilization. All reforms proposed are key to managing the impacts of climate change on longer-term balance of payments stability. For each of these reform areas, the table below shows an assessment of the current status—including policies or institutional frameworks (left column) and the desired long-term policy outcome (third column), which include shifting to market-based pricing mechanisms and filling institutional gaps that can result in market failures that may give rise to fiscal liabilities and external financing needs. RSF-supported reform areas (both RMs and commitments in the MEFP), represented by the green arrow (second column) are targeted at helping the country achieve these outcomes.

2. **To fully achieve the policy outcomes, additional reforms will be necessary. Some of the possible additional reforms, drawn from available diagnostics, are reported in the blue arrow.** These are reforms that may be supported by [the concurrent UCT facility], development partners, or carried forward independently by the authorities—in synergy with and building off the momentum of the RSF; however, they do not necessarily represent authorities commitments. Some of these additional reforms may be already underway, highlighting the complementarity of the RSF with efforts from country authorities and other development partners. The relative length of the green arrow compared to the "full set" of reforms provides a proxy of the progress expected to be possible directly through RSF-supported reforms. This reflects the authorities' ambition (cognizant of their capacity) under the RSF arrangement as well as limits to the Fund's expertise in certain areas. For example, the Fund's expertise in areas such as agriculture or other sectoral policies is limited and development partners are better placed to provide this support.

Annex VII. Table 1. Seychelles: Links between RSF and Balance of Payments

Current Status	Main reforms: RSF-supported (green) and beyond RSF horizon or supported by other partners (blue)	Desired LT Policy Outcome	Prospective BoP Risk Reduction
Climate change considerations are not adequately integrated into the national and sectoral investment planning process; Overarching climate initiatives not fully reflected in the appraisal, selection, and budgeting for such investments. Fiscal risk management could be improved by incorporating a robust analysis of fiscal risks from climate change and natural disasters and preparing for sufficient fiscal responses.	**Public Financial Management and Enabling Institutions** **Feasible during RSF duration** • Climate into planning. • Climate considerations into PIM. • Climate into PBB and fiscal risk frameworks. **Potential additional reforms** • PPP Act. • All loans and grants on budget.	Climate change consideration is fully integrated into planning processes and investment management framework.	*Fiscal and external sustainability.* - Reduces fiscal costs and contingent liability risks, contributing to debt sustainability and lowering external financing needs. - Facilitates budget oversight and improves medium-term fiscal and debt management planning. - Improves spending efficiency through better alignment with authorities' priorities. *Investment promotion* - Strengthens investor confidence and bolsters opportunities to mobilize multilateral, bilateral, and private financing.

Both fiscal policy and operational frameworks need to be put in place to facilitate climate mitigation investments. The absence of an institutional framework and guidelines constitute an obstacle to the transition towards renewable energy. Making infrastructure and building resilient to climate and disaster risks is a priority area. - No disaster risk financing framework at the national level to help meet the financing needs associated with different magnitudes of natural disasters.	**Climate Mitigation and Adaptation Policy and Disaster Risk Financing** **Feasible during RSF duration** • Power procurement plan and IPPs tendering. • Revised metering. • Green taxation. • Risk financing strategy. **Potential additional reforms** • Revised tariff schedule. • Carbon pricing. • Full cost recovery in electricity pricing. • Ad valorem taxes and feebates for vehicles. • Contingency funds. • Cost assessment of tail events. • Land use planning.	Rapid expansion of renewable energy Increased private sector investment in utility and small-scale renewable electricity generation. Reduced emissions and social costs from transportation sector.	*External, financial, and fiscal resilience.* Limits potential financial losses and fiscal pressures from exposure to disaster risks. *External and fiscal sustainability.* - Incentivizes a more efficient use of energy and supports the transition to cleaner energy- -reducing reliance on fuel imports and mitigating the effects of fuel price volatility. - Reduces the fiscal burden on government to address negative externalities while also potentially increasing revenues. - Reduces fiscal and external financing needs.
No mechanism for collecting data and reporting on banks' lending exposure to climate-related risks. No overarching strategy to deploy alternative financing instruments and mobilize financial resources at the scale needed.	**Financial Sector Resilience and Climate Finance Mobilization** **Feasible during RSF duration** • Comprehensive climate finance strategy. • Address data gaps. • Risk monitoring framework and disclosures. **Potential additional reforms** • Climate-related taxonomies. • Climate risk supervision framework.	Financial sector prepared to manage climate-related risks. Government able to mobilize climate financing on a scale.	*Fiscal and external sustainability.* Bolsters opportunities to mobilize multilateral, bilateral, and private financing. *Financial sector resilience and external sustainability.* Reduces financial sector losses when climate risks materialize, lowering recapitalization needs for banks and import needs for repair and reconstruction. *Investment promotion* Clarification of climate-related exposures facilitates investment by reducing uncertainty.

Sources: IMF Climate Module of the Public Investment Management Assessment and Green Public Financial Management (C-PIMA, 2023); and staff assessment.

Annex XIII. Impact of the War in the Middle East[1]

1. **Seychelles is a small, highly open island economy with a narrow production base and a large tourism footprint.** Tourism is the dominant source of foreign exchange and a key contributor to growth, employment, and fiscal revenues, with significant spillovers to transport, trade, construction, and other market services. This high degree of sectoral concentration heightens exposure to exogenous shocks, including global demand conditions in source markets, airlift constraints, terms-of-trade and fuel price shocks. Moreover, macro-financial linkages are also substantial: tourism receipts underpin foreign-currency liquidity and reserve adequacy, while bank and corporate balance sheets are indirectly exposed through credit to tourism-related firms and their supply chains. As a result, a negative external shock tends to propagate through the exchange rate, inflation, the external balance, and fiscal outcomes.

2. **The war in the Middle East has significantly disrupted maritime and air traffic, immediately affecting Seychelles' economy.** The primary transmission channels include (i) interruptions to air traffic from Gulf States, which represent about 60 percent of tourist arrivals; (ii) increased oil prices, impacting Seychelles' 95 percent import reliance for power generation; and (iii) disruptions to air and sea freight, resulting in higher prices and freight costs for commodities and industrial and construction materials. In the baseline scenario, the conflict is assumed to disrupt the economy for one month. Tourist arrivals are projected to fall by 3.7 percent compared to 2025, accompanied by a 2.3 percent decrease in spending per tourist. Brent oil prices are forecasted at $82.2 per barrel for 2026.

3. **Under the alternative scenario, the war in the Middle East is projected to persist longer with protracted effects lasting two years.** This is expected to cause a substantial disruption to tourism arrivals in 2026 followed by a slower and more gradual recovery in 2027. Moreover, the severe scenario takes into account (in a Seychelles-specific context) higher and prolonged fuel and food prices, the risk of second-round effects to inflation, and the potential for risk-off episodes and tighter financial conditions. The real GDP contraction of 0.9 percent in 2026 reflects the direct impact on accommodation and related services and second-round effects on transport, food and beverage, and retail. The adverse demand impact is amplified by weaker confidence and a pullback in private investment, while lower employment and incomes weigh on consumption. Inflation (end-of-period) rises to around 5 percent in 2026, largely driven by exchange rate depreciation and higher import prices, with some pass-through to core inflation given Seychelles' high import content. Second-round effects would likely be muted, as they have demonstrated to be in previous shocks such as the pandemic or the spike in food and fuel prices in 2022.

[1] The alternative scenario builds on the parameters of WEO Severe Scenario, with a tailored focus on the impact of the tourism sector in Seychelles, given that the Middle East accounts for 60 percent of the country's flight connectivity.

4. External and fiscal pressures intensify in tandem. Tourist arrivals are expected to decline 15.2 percent and average spending per arrival by 1.9 percent, with a slow recovery of 5 percent and 2.4 percent in 2027, respectively. Oil and food prices are assumed to remain high in 2026 and 2027, following the WEO Severe Scenario parameters. With lower tourism and higher oil imports, the current account deficit reaches 15.8 percent of GDP in 2026. On the fiscal side, weaker tourism activity and imports compress key revenue bases (notably VAT and income-related receipts), while spending rigidities and demands to protect priority outlays limit near-term adjustment. Consequently, the primary balance deteriorates into a deficit of 2 percent of GDP, and public debt rises above 63 percent of GDP in 2026. Although the assumption of policy adjustment improves the medium-term trajectory, debt remains elevated compared to the baseline and is projected at reach 56 percent of GDP by 2030—remaining above the authorities' 50 percent fiscal anchor and leaving the sovereign more vulnerable to financing shocks and renewed exchange-rate pressures.

Text Table 1. Seychelles: 2026 Budget. New Measures and Initiatives

		2025	2026	2027	2028	2029	2030	2031
Real GDP (% p.a.)	Baseline	5.1	1.5	4.0	3.3	3.3	3.3	3.3
	Alternative	5.1	(0.9)	2.2	5.4	3.3	3.3	3.3
Primary Balance (% GDP)	Baseline	2.5	0.9	1.5	2.0	2.0	2.0	2.0
	Alternative	2.5	(2.0)	(0.8)	2.0	2.0	2.0	2.0
Gross Debt (% GDP)	Baseline	53.5	57.2	56.2	54.5	52.6	50.8	48.4
	Alternative	53.5	63.2	63.4	59.7	57.8	56.0	53.6
Current Account (% GDP)	Baseline	(6.5)	(7.8)	(5.6)	(5.8)	(5.4)	(4.7)	(4.6)
	Alternative	(6.5)	(15.8)	(13.6)	(5.8)	(5.8)	(5.5)	(4.9)
Inflation Average (% p.a.)	Baseline	(0.3)	2.6	1.7	2.1	2.4	2.5	2.5
	Alternative	(0.3)	5.0	4.2	0.7	2.4	2.5	2.5
FX (SR/USD)	Baseline	14.7	15.7	15.2	15.4	15.6	15.8	16.0
	Alternative	14.7	16.9	16.6	15.6	15.8	16.0	16.2
Gross Reserves (Months of Imports)	Baseline	4.2	3.7	3.8	3.8	3.9	4.0	4.1
	Alternative	4.2	3.4	2.9	3.3	3.5	3.8	3.8
Gross Reserves (ARA Metric)	Baseline	128	118	120	120	124	129	128
	Alternative	128	106	92	103	111	119	118

Sources: IMF staff estimates

5. A credible policy package—centered on fiscal consolidation, prudent macro-financial management, and deployment of external buffers—would be essential to ensure debt sustainability and strengthen resilience. If the severe shock scenario materializes, short-term policy priorities include further reprioritizing budget spending, adjusting domestic energy prices, while providing targeted and temporary support to the most vulnerable; tightening monetary policy to anchor expectations; allowing the exchange rate to adjust, and limit interventions to smoothing excessive volatility or disorderly market conditions; and strengthening financial sector surveillance. Over the medium term, important reforms include strengthening domestic revenue mobilization and compliance, rationalizing and better targeting current spending while safeguarding priority social and growth-enhancing investment, and improving public financial management to better identify and manage fiscal risks. Monetary and financial sector policies should remain focused on preserving price and financial stability while building and maintaining adequate external buffers—through reserve accumulation during upswings and prudent external borrowing. Moreover, structural reforms to diversify economic activity and boost potential growth would be critical.

Annex XIV. Data Issues

Annex XIV. Table 1. Seychelles: Data Adequacy Assessment for Surveillance

Data Adequacy Assessment Rating 1/

B

Questionnaire Results 2/

Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
	B	B	A	B	B	B	B

Detailed Questionnaire Results

Data Quality Characteristics	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency
Coverage	C	B	B	B	B	
Granularity 3/	B		A	B	B	
			A		B	
Consistency			B	B		B
Frequency and Timeliness	A	A	A	B	A	

Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.
1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.
2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF *Review of the Framework for Data Adequacy Assessment for Surveillance* , January 2024, Appendix I).
3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.

A	The data provided to the Fund are adequate for surveillance.
B	The data provided to the Fund have some shortcomings but are broadly adequate for surveillance.
C	The data provided to the Fund have some shortcomings that somewhat hamper surveillance.
D	The data provided to the Fund have serious shortcomings that significantly hamper surveillance.

Rationale for staff assessment. Overall, data provision has some shortcomings, but it is broadly adequate for surveillance. In most evaluated areas, apart from national accounts, the data is reliable, timely, and sufficient for surveillance purposes. National accounts have undergone some significant revisions to historical data in the past two years, but in accordance with methodological changes and advised by IMF TA. In line with Fund recommendations, the National Bureau of Statistics is seeking to expand resources, and continues to work actively with IMF technical assistance missions to improve data compilation and consistency. The "B" ratings reflect data gaps on: (1) Prices statistics: require updating expenditure weights using the new Household Consumption Survey to improve accuracy; (2) Monetary statistics: need expanded coverage of insurance companies and other financial corporations to enhance completeness; (3) External sector data has partial information on the offshore sector, reducing overall coverage.

Changes since the last Article IV consultation. Technical assistance has been provided to address the weaknesses identified during the last Article IV consultation, including the national accounts, enhancement of the monetary and financial data and reporting, and prices statistics. Progress in implementing recommendations from this support is ongoing and the NBS and CBS are following a structured approach to addressing remaining weaknesses. On price statistics, NBS is implementing recommendations for the CPI update, including reviewing new Household Budget Survey data, compiling updated expenditure weights, and resolving related issues. On monetary and financial statistics, the CBS is making significant progress in expanding the coverage of insurance corporations and the FSIs reporting has been aligned with the 2019 Guide and the country has started reporting FSIs on a quarterly basis since November 2025. On the external sector, CBS is improving the consistency and coverage of the statistics. Support from and coordination with other government agencies will be essential for further improvements, as well as adequate staffing.

Corrective actions and capacity development priorities. The authorities are in agreement with the staff's assessment regarding the need for capacity development in national accounts statistics. Corrective actions and capacity development priorities have been established and integrated into the NBS agenda and continued support will be critical to advance major statistical initiatives including a comprehensive GDP rebasing, as well as an update of the Consumer Price Index.

Use of data and/or estimates in Article IV consultations in lieu of official statistics available to staff. Staff does not use any data and/or estimates in the staff report in lieu of official statistics

Other data gaps. Labor market statistics has room for inprovement. Specifically, timely updates on unemployment rates are needed. Additionally, providing detailed breakdowns of employment and earnings data for migrant and non-migrant workers would offer valuable insights into economic trends. On monetary and financial statistics, there is room for improving the coverage of financial activities beyond the banking system.

Annex XIV. Table 2. Seychelles: Data Standards Initiatives

Seychelles subscribes to the Special Data Dissemination Standard (SDDS) since May 2015 and publishes the data on its National Summary Data Page. The latest SDDS Annual Observance Report is available on the Dissemination Standards Bulletin Board (https://dsbb.imf.org/).

Annex XIV. Table 3. Seychelles: Table of Common Indicators Required for Surveillance

As of April 27, 2026

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data[6]	Frequency of Reporting[6]	Expected Frequency[6,7]	Committed Frequency[8]	Expected Timeliness[6,7]	Committed Timeliness[8]
Exchange Rates	2026-02-28	2026-02-28	D	D	D	...	...	...
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	2026-01	2026-02	M	M	M	M	1W	1M
Reserve/Base Money	2026-01	2026-02	M	M	M	M	2W	1W
Broad Money	2026-01	2026-02	M	M	M	M	1M	3W
Central Bank Balance Sheet	2026-02	2026-03	W	W	M	M	2W	1W
Consolidated Balance Sheet of the Banking System	2025-12	2026-02	M	M	M	M	1M	3W
Banks' Financial Soundness Indicators			Q	Q	Q	...	1Q	3W
Residential Real Estate Prices			Q	Q	Q	...	1Q	...
Total assets of other depository corporations[2]			Q	Q	M	M	1M	3W
Total credit from other depository corporations[2]			Q	Q	M	M	1M	3W
Sectoral Breakdown of Credit from Other Depository Corporations[2]			Q	Q	M	M	1M	3W
Domestic vs. Foreign Currency Breakdown of Other Depository Corporations' Assets and Credit, Total and by Sector[2]			Q	Q	M	M	1M	3W
Interest Rates[3,4]	2026-01-31	2026-02-28	M	M	D	...	...	...
Consumer Price Index	2026-01	2026-02	M	M	M	M	1M	7D
Revenue, Expenditure, Balance and Composition of Financing[5] General Government[6]	2025-12	2026-02	Q	Q	A	A	2Q	6M
Revenue, Expenditure, Balance and Composition of Financing[5] Central Government	2025-12	2026-02	Q	Q	M	M	1M	2M
Stocks of Central Government and Central Government-Guaranteed Debt[7]	2025-12	2026-02	Q	Q	Q	Q	1Q	45D
Total stock of General Government Debt[6]			Q	Q	Q	...	4M	...
External Current Account Balance	2025-09	2026-01	Q	Q	Q	Q	1Q	1Q
Exports and Imports of Goods and Services	2025-12	2026-02	Q	Q	M	M	8W	3W
GDP/GNP	2025-09	2025-12	Q	Q	Q	Q	1Q	1Q
Gross External Debt	2025-12	2026-02	Q	Q	Q	Q	1Q	1Q
International Investment Position	2025-12	2026-02	Q	Q	Q	Q	1Q	1Q

[1] Includes net market value of derivative positions.

[2] Other depository corporations include all deposit-taking corporations (except for the central bank) and money market funds.

[3] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

[4] Foreign, domestic bank, and domestic non-bank financing.

[5] The general government consists of the central government (budgetary funds, extra-budgetary funds, and social security funds) and state and local governments.

[6] Including currency and maturity composition.

[7] Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual; ("SA") semi-annual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than.

[8] Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan.

[9] Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (https://dsbb.imf.org/). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "...".

Appendix I. Letter of Intent

Victoria
May 8, 2026

Ms. Kristalina Georgieva,
Managing Director
International Monetary Fund
700 19th St, NW
Washington, DC 20431
USA

Dear Madam Managing Director:

On behalf of the Government of the Republic of Seychelles, [we request the IMF Executive Board to complete the fifth and sixth reviews under the EFF and RSF. We request the approval of the disbursements under the sixth and seventh tranches of SDR 11.830 million under the EFF and SDR 17.954 million under the RSF. We are also requesting a waiver for non-observance of the quantitative performance criteria for end-December 2025 on the floor on revenues on the basis that the deviation was minor due to lower dividends collection. We reaffirm our commitment to sound macroeconomic and structural policies supported under the Extended Fund Facility (EFF) and the Resilience and Sustainability Facility (RSF) arrangements. The completion of this review concludes the fifth and sixth reviews under the EFF arrangement and constitutes the final review under the RSF arrangement. These arrangements have played an important role in supporting macroeconomic stability, strengthening resilience to external shocks, and advancing our structural reform agenda.

Economic performance in 2025 was stronger than anticipated, with real GDP growth estimated at 5.1 percent, driven primarily by strong tourism activity and continued investment across the economy. Fiscal performance also exceeded expectations, with a primary surplus of 2.6 percent of GDP in 2025, supported by robust revenue collection and expenditure restraint, particularly through lower-than-budgeted capital execution. Public debt declined to about 53.6 percent of GDP at end-2025, while inflation moderated to -0.2 percent at end-2025, reflecting lower electricity tariffs and favorable international fuel price developments. The external position also strengthened, with gross international reserves rising to US$878 million at end-2025. At the same time, the banking system remained sound and well capitalized. These outcomes reflect the authorities' continued commitment to prudent macroeconomic management under difficult global conditions.

Looking ahead, the macroeconomic outlook is subject to heightened uncertainty, including from geopolitical tensions, shipping disruptions, commodity price volatility, and risks to tourism demand. In this context, we remain committed to maintaining fiscal discipline and preserving debt sustainability while protecting vulnerable households and supporting priority investment. For 2026, the Government is targeting a lower primary surplus than originally budgeted in view of the potential spillovers from the Middle East crisis, while standing ready to adopt expenditure rationalization measures should conditions deteriorate further. We will continue to strengthen public financial management, improve the efficiency of public investment, enhance domestic revenue mobilization, advance digitalization across government services, and reinforce oversight of public enterprises and fiscal risks.

We are also continuing to advance ambitious reforms to support climate resilience and sustainable growth. These include the integration of climate considerations into budgeting and public investment management, the rollout of climate budget tagging, reforms in the electricity sector to support renewable energy deployment, the preparation of NDC 3.0 with enhanced ambition through 2035, and the finalization of the Integrated Resource Plan for the power sector together with a five-year Power Procurement Plan. In parallel, we are pursuing reforms to strengthen social protection targeting, improve youth and human capital outcomes, and deepen structural transformation in tourism, agriculture, fisheries, and the digital economy.

We have made important progress toward strengthening the financial sustainability and climate resilience of the electricity sector, including through the preparation and submission to Cabinet of a Memorandum setting out the key steps toward the development of a revised electricity tariff framework. This work has helped advance internal deliberations on a technically complex reform area and has laid the groundwork for a more comprehensive tariff reform that supports cost recovery, protects vulnerable groups, and strengthens incentives for efficient energy use and investment. Although Reform Measure 8 was not fully implemented, we remain committed to completing this reform agenda, including by further developing the tariff framework and a credible tariff trajectory, and by undertaking the necessary consultations to build broad-based support for implementation.

Program performance has been strong. The completion of the fifth and sixth reviews marks the successful conclusion of the EFF-supported program and the RSF arrangement. The Government believes that the policies set forth in the attached Memorandum of Economic and Financial Policies (MEFP) are adequate to achieve the objectives of its program, but it will take any further measures that may become appropriate for this purpose. Seychelles will consult with the Fund on the adoption of these measures, and in advance of revisions to the policies contained in the MEFP, in accordance with Fund policies on such consultation. We will continue to provide the Fund with timely and accurate information required for monitoring purposes.

We authorize the publication of this letter, the attached Memorandum of Economic and Financial Policies, the attached Technical Memorandum of Understanding, and the related staff report.

Sincerely yours,

Pierre Laporte	Caroline Abel
/s/	/s/
Minister of Finance, Economic Planning, Trade and Investment	Governor, Central Bank of Seychelles

Attachment I. Memorandum of Economic and Financial Policies

I. Background and Macroeconomic Outlook

1. The global economic outlook in 2026 remains uncertain, reflecting evolving geopolitical tensions and shifting global trade dynamics. Recent developments in energy markets, alongside disruptions to key shipping routes, have contributed to increased volatility in commodity prices and transport costs. At the same time, tighter financial conditions and slower global trade continue to weigh on economic activity in some regions. For a small open economy such as Seychelles, these developments present external risks through weaker tourism demand, higher import prices, and potential pressures on foreign exchange markets. In this context, maintaining macroeconomic stability and fiscal resilience remains important to cushion the economy against external shocks.

2. Economic performance in 2025 strengthened notably, with real GDP estimated at 5.1 per cent. This acceleration was largely driven by a strong tourism performance, with visitor arrivals growth of 13.1 per cent, supporting activity across the broader economy. Several sectors recorded growth above the national average, particularly 'Manufacturing – other', which rebounded following a contraction in 2024, and 'Construction', which remained robust amid ongoing investment activity. Other sectors, including 'Fishing' and 'Wholesale and retail trade', expanded at more moderate but positive rates, contributing to overall economic growth.

3. Budgetary outturn for 2025, exceeded the program target, with a primary surplus of 2.6percent of GDP recorded. The Seychelles economy performed strongly in 2025, exceeding growth expectations across key sectors. This robust performance, combined with disciplined fiscal management, enabled the Government to achieve a primary surplus of 2.6 per cent of GDP, surpassing the budgeted target of 1.9 per cent. Both revenues and expenditures rose relative to 2024, reflecting the expanding economy and strategic investments in national priorities. The strong fiscal outturn for the year is estimated to have contributed to a decline in the debt stock to about 54 per cent of GDP. Total revenue, including grants, for 2025 was estimated at SCR 11.3 billion, equivalent to about 33% of GDP. This is 4.6% lower compared to the original budget. Tax revenue was estimated at SCR 9.81 billion in 2025, or 28.7% of GDP, which, represents an increase compared to 2024, and 1.58% higher compared to the original 2025 budget. Collections under non-tax revenue amounted to SCR 1.2 billion, which is 29% lower than the budgeted level for 2025. The level of grants was also SCR 146.4 million, which is 68% lower than the original budget for 2025. It is expected that in the medium term, Non-Tax revenue will gradually increase particularly with regards to Dividend collection as well as natural growth in 'fees and charges'. It is expected that there will be one off large collections with regards to 'proceeds from sale of assets' in the years 2026 and 2028. Together, these revenue developments underscore the resilience of public finances and establish a solid foundation for financing priority expenditures, reducing debt, and supporting inclusive and sustainable economic growth. The original budget approved for 2025, made provision for expenditure and net lending of SCR 12,681,180,000, but actual expenditure for the year was only SCR 11,195,282,000—SCR 1.49 billion, or 11.72%, below the original budget. This underperformance was primarily the result of under-execution of capital projects and savings across other expenditure categories. Work continues to improve the rate of execution of capital projects over the medium term with further restructuring of the Seychelles Infrastructure Agency and additional resources made available for recruitment of required technical personnel.

4. **The Seychelles rupee depreciated against the major traded currencies in 2025 when compared to 2024.** Relative to the USD, the domestic currency weakened by 1.3 per cent in annual average terms. Developments in the foreign exchange market showed that supply and demand rose by 18 per cent and 15 per cent, respectively. Thus far in 2026, the local currency has appreciated against the USD as well as the EUR, in comparison to December 2025.

5. **The rate of inflation moderated in 2025, mainly driven by lower electricity tariffs, consistent with the decline in international fuel prices.** As at end-2025, the year-on-year inflation rate was negative 0.2 percent, whilst the 12-month average inflation rate stood at 0.3 percent. In February 2026, both the year-on-year inflation rate and 12-month average inflation rate was 0.3 percent. At the end of 2026, the year-on-year change in average prices and the 12-month average inflation rate is projected at 3.1 percent and 2.6 percent, correspondingly. This outlook is on account of the expected increase in international fuel prices, higher freight costs as well as a depreciation of the local currency.

6. **Real GDP growth in 2026 is projected at 1.52 per cent, reflecting a significant slowdown compared to the strong performance recorded in 2025.** This moderation is primarily driven by weaker activity in tourism-related sectors, following disruptions to international air connectivity and reduced visitor inflows. In addition, the manufacture of fishery products and other manufacturing activities are expected to contract, reflecting disruptions to trade and shipping, as well as ongoing operational constraints. Growth in public sector–related activities is expected to remain positive, although at a more moderate pace compared to 2025, providing some support to overall economic activity. The ICT sector is also projected to continue expanding, with growth of around 5 per cent in 2026, supported by ongoing digitalisation efforts.

7. **The Monetary Policy Rate (MPR) was kept unchanged at 1.75 percent throughout 2025 and in the first quarter of 2026.** As such, the interest rates on the Standing Deposit Facility (SDF) and Standing Credit Facility (SCF) were 0.25 percent and 3.25 percent, respectively. As for the yield on the 7-day Deposit Auction Arrangement (DAA), this stood at 1.75 percent at end-January 2026. Notably, effective October 08, 2025, the Minimum Reserve Requirement (MRR) ratio on applicable rupee-denominated deposits was reduced from 13 percent to 10 percent. The aim was to provide the scope for increased credit to support higher economic activity.

8. **In December 2025, the average interest rate on rupee-denominated savings deposits fell by 5.9 basis points in year-on-year terms, whilst the interest rate on local currency loans declined by 8.3 basis points.** Over the same period, the interest rate on foreign currency-denominated loans decreased by 45 basis points. The cost of government borrowing specifically on short-term instruments rose during the fourth quarter of 2025, partly consistent with an increase in

the volume of issuance. As at end-February 2026, the return on T-bills was 2.50 percent, 2.55 percent and 2.59 percent on the 91-day bills, 182-day bills and 365-day bills, respectively.

9. In 2025, the current account deficit narrowed to US$150 million as compared to US$176 million in the previous year. As a percentage of GDP, the current account deficit improved to 6.5 percent in 2025 from 7.9 percent in 2024. This was mainly attributed to a higher net contribution of the services account, consistent with the increase in tourism earnings. As for the value of oil imports, this was higher in line with the expansion in economic activity. In 2026, the current account deficit is expected to widen to US$176 million, equivalent to 7.8 percent of GDP. This is mainly due to a reduction in the services balance resulting from the contraction in tourism earnings.

10. Gross International Reserves (GIR) stood at US$878 million at end-December 2025, which was an increase of US$104 million compared to the end-2024. Notwithstanding the significant decline in budget support loans and grants, which fell from US$103 million in 2024 to US$42 million in 2025, the primary driver of this increase was attributed to the purchases of foreign exchange from the domestic market whereby, CBS accumulated the equivalent of US$122 million via its Foreign Exchange Auctions (FEA). In addition, Net International Reserves (NIR) at end-2025 exceeded the target of US$670.9 million by US$57 million, which further underscored the strength of the external position. As at end-February 2026, the GIR stood at US$885 million, an expansion of US$6.5 million compared to end-2025. This outcome was consistent with continued purchases of foreign exchange from the domestic market through FEAs, which amounted to US$12 million as at end-February 2026. As for the NIR as at end-February 2026, this exceeded the target of US$674.1 million by US$54 million.

11. The banking industry remained sound and resilient throughout 2025, supported by strong capital and liquidity buffers, alongside improved asset quality. All banks maintained prudential ratios comfortably above the minimum regulatory requirements. As at end-December 2025, the Capital Adequacy Ratio (CAR) and Core Capital Ratio stood at 19.1 percent and 14.7 percent respectively, remaining well above the prescribed regulatory thresholds. Both ratios recorded a marginal decline compared to the previous year, mainly driven by an increase in the banks' risk-weighted assets. The slight decline also reflects the outcome of the CAR onsite examination conducted in 2025, which resulted in changes in the classification of certain exposures and, consequently, higher risk-weighted assets. Regarding the industry's profitability, the Return on Assets and Return on Equity stood at 2.5 percent and 25 percent respectively, as at end-December 2025, both of which were lower compared to December 2024. Liquidity conditions in the banking industry remained robust, with all banks maintaining liquidity ratios above the minimum regulatory requirement of 20 percent. The industry's aggregate regulatory liquidity ratio stood at 54 percent as at end-December 2025, representing ample liquidity buffers. In addition, by end-December 2025, all banks were in adherence to the revised requirements under the Financial Institutions (Foreign Currency Exposure) (Amendment) Regulations 2025, which require banks to limit their overall net open position to a maximum of 30 per cent.

II. Program Objectives and Policies Under the EFF and the RSF

A. Real Sector Reforms

12. We recognize the importance of becoming more resilient and prioritizing our objectives, due to external shocks and the current geopolitical situation across the globe. We are continuously working towards the creation of an environment that encourages transformation of our traditional and emerging sectors, which will promote added value in the key sectors, and thus gain more revenue to sustain our development. With the transformative economic agenda, the ultimate goal is to increase tourism yield by building a more sustainable, resilient and integrated tourism model, reducing import reliance where feasible and improving food and nutrition security by establishing supporting structures and mechanisms in the agriculture sector, and foster greater value addition while stimulating increased job creation and revenue generation within the fisheries and blue economy sectors without compromising the sustainability of the marine ecosystem.

13. Despite the challenges associated with being a Small Island Developing State – including geographical location, scarce natural resources, human capacity constraints, reduced access to concessional financing, and structural limitations to diversification - the Government remains strongly committed to advancing economic transformation. Increasingly, the Government recognizes that successful transformation must be anchored in private sector- and MSME- driven development, supported by strategic investment in productive sectors, modern infrastructure development, improvements in productivity through skills development and digitalization, and the adoption of innovative business models. The tourism sector continues to adopt a high-value, low-impact model, which emphasizes sustainability, service excellence, product diversification, and community participation. Ongoing tourism reforms have focused on strengthening data-driven planning, promoting strategic investment in infrastructure, improving service quality through a proposed mandatory application of the hotel grading system, and expanding the sustainability standards beyond accommodation establishments. The Government also seeks to enhance the overall sector competitiveness and capacity by addressing challenges related to skills development, workforce retention and labour shortages in the industry under the implementation of its human resource development strategy.

14. The government, seeking to better understand the dynamics of the tourism sector and its benefit to the economy, has finalized a tourism study conducted with support from its development partners. The findings of the assessment emphasizes that while tourism remains the backbone of the economy, it continues to face increasing structural challenges, including a post-pandemic decline in arrivals growth (-1.7% CAGR between 2019 and 2024), increasing reliance on lower-spending markets, and notable declines in direct flights of 29% in 2024 when compared to 2019. The accommodation supply is dominated by self-catering establishments, which account for a large share of rooms and are associated with lower visitor spending and service quality gaps. While the country maintains a high-value destination image and relatively strong room rates, occupancy levels remain moderate and profitability varies across segments. Moreover, the study notes the importance of strengthening the tourism-related tax frameworks and environmental management mechanisms to ensure the sector contributes effectively to conservation and sustainable development. These trends reinforce the need to enhance service standards, connectivity, and infrastructure while maintaining a high-value, environmentally sustainable tourism model to support long-term competitiveness and resilience. In line with this, an action plan ***(Structural Benchmark 25 end-September 2025)*** was presented to Cabinet and formally endorsed by end-April 2026.

15. The agricultural sector is undergoing significant reforms to modernize production, enhance resilience, and create new economic opportunities. Key initiatives include to promote high-tech vertical farming, agro-forestry, agro-processing, and digital systems for improved information management, supporting modernization and efficiency in the sector. The Government is focusing on efforts to strengthen crop diversification and livestock development while investing in human capital and infrastructure to strengthen food security and sovereignty, and increase the sector's overall contribution to the economy. The Agriculture Development Fund (ADF) is being revised to streamline loan access and expand support for high-tech farming, value-added production, and specialised equipment. Total resources for 2026 are SR 106 million, combining government and Development Bank of Seychelles funding.

16. Fisheries, another vital sector, is undergoing transformation aimed at maximizing value from marine resources through sustainable practices and improved processing capabilities. The government is working to strengthen regulatory frameworks, enhance monitoring and surveillance, and support the development of value chains for fisheries products. The Government remains committed to securing greater economic returns from its marine resources, particularly the industrial tuna sector. One of the key challenges in fisheries exports is the dominance of lower-priced, retail-driven private label products in international markets, which limits the ability of branded products to achieve premium positioning. This creates the need to balance short-term competitiveness with long-term efforts to build strong brand recognition based on quality and sustainability. Reforms include finalizing a new access agreement, promoting value addition and diversification, supporting aquaculture, and strengthening governance, regulations, and capacity-building to position Seychelles as a regional hub for sustainable fisheries and maritime training.

17. Government will further simplify investment procedures, and is advancing the development of the Seychelles Investment portal. This portal will serve as a one-stop digital platform, integrating key agencies involved in investment processes and approvals as well as being a platform for both domestic and international investors, to enable faster approval processes. This portal will also interface with other government portals to create a hub integrating key government services like business registration, licensing, employment, immigration, and Seychelles Investment Board. The portal will be initially rolled out during the course of 2026 and a sum of SR 12 million has been included in the 2026 budget.

18. The new online system for company, business, and association registration is now technically ready and will be brought into operation during the course 2026. This system is a critical enabler of the broader investment digital portal as timely and efficient registration is the first step for entrepreneurs and investors seeking to operate in Seychelles. The Government will therefore work closely with the Office of the Registrar to ensure the swift operationalisation of this platform, so that businesses can register, comply, and commence their operations more quickly. In addition, with the main aim of modernising the Seychelles Licensing Authority (SLA), the Government is also investing in institutional capacity and systems to improve processing times and the quality of services at the SLA. In 2026, SLA will roll out the upgraded digital systems for managing vehicle-related and other licences which will reduce manual processes, improve controls, and enhance transparency. These measures are aimed at shortening processing times without compromising regulatory standards or public safety.

19. Government will beef up investment in the incubator program with specific support to youth and women entrepreneurs. In a key endeavor to better support business development, a Government Business Service Centre (GBSC) will be built with funding from a bilateral partner. The GBSC is designed as a one-stop service hub to provide essential business-related services, support entrepreneurship, and facilitate ease of doing business in Seychelles. The centre will complement the Investment Portal.

20. Government continues to implement its digitalization reform agenda by promoting the use of digital payments platforms for Government transactions, by improving the efficiency of the platforms, and making them more user friendly hence building the public's confidence in using the platforms. Implementation of the action plan continues for improving Government's digital payments systems which included awareness and sensitization on the use of the systems; establishing a standard procedure and coding adopted across government streamlining the process for both the Government and the Public. This will also set the stage in preparing the country for its move to a cash-lite society.

21. A dedicated Commercial Court has been operationalized, with resources provided for and a full time judge assigned. Since its establishment, 104 cases have been registered, of which 42 have been concluded and 62 remain pending. The Court is helping to streamline the adjudication of commercial disputes, with cases on the commercial list being resolved within three to six months from the close of pleadings. This institutional reform is expected to strengthen contract enforcement, improve the business environment, and support investor confidence.

22. As part of the Government's commitment to inclusive growth and labour market reintegration, the Unemployment Relief Scheme (URS) has been reintroduced in 2026. The government is also strengthening its Skills Development Programme to better address youth unemployment. To further support young people transitioning into higher education and the labour market, the 'My First Job' Scheme will be enhanced to include a new Internship component for Professional Centre graduates who have secured Government scholarships and are awaiting university placement.

23. The Government will begin the dredging works this year to reclaim more than 570,000 square metres of land, equivalent to over 142 acres, and to construct three new reclaimed islands. This will expand investment opportunities and support economic development. An amount of SR 273 million has already been set aside to finance the first phase of the reclamation project, demonstrating Government's readiness to move this project forward in earnest. To meet the remaining financing requirements, the Government will enter in structured partnerships with the private sector, allowing costs to be financed and repaid over time in a fiscally responsible manner. Provision for this financing will be made under the Public Sector Investment Programme from 2027 onwards. In addition, the 2026 Budget includes SR 54 million for rock armouring, a critical component of the overall project to ensure coastal protection, structural stability, and long-term resilience. The new dredging will provide more than 500,000 cubic metres of offshore sand for use in construction, reducing dependence on rock aggregate.

B. Fiscal Policies, and Fiscal Structural Reforms

The Budget for 2026 and Beyond

24. The Government remains committed to maintaining a resilient fiscal consolidation that will enable debt to continue its downward trajectory. Total debt stock reduced from 58.3 percent by the end of 2024 to 53.6 percent of GDP by the end of 2025. The sharp decline is partly attributed to delays in Budget support disbursements during the period. Given the transition in Government, funds which had been forecasted from the IMF under the EFF and RSF facilities were deferred. In addition, budget support from the World Bank did not fully materialise in 2025. These amounts are expected to be disbursed in 2026. Budget support programs will help fill the financing gap in 2026. In the medium term, external financing will be mainly for project loans while domestic financing will cover the financing gap. Additionally, guaranteed debt is anticipated to also increase over the medium term as the Government continues to provide guarantees to the Development Bank of Seychelles and to the Seychelles Port Authority as the extension of the Port project materialises. Notwithstanding present external risks, the Government remains committed to maintaining fiscal consolidation consistent with achieving a public debt target of around 50 percent of GDP by 2030.

25. The approved budget for the year 2026 aimed at achieving a primary surplus of 1.5 percent of GDP. However, in light of the Middle East conflicts and associated disruptions to tourism, shipping services and energy prices will have adverse implications on revenue. In this context, the Government is projecting a lower primary surplus of SCR 320 million, equivalent to approximately 0.9% of GDP in 2026. It is expected that revisions shall be made to the budgetary provisions during the year for approval by parliament subject to ongoing assessments of the expected impact on government's fiscal position as a result of the ongoing conflict. Over the medium term, the primary surplus is expected to remain at 1.5% of GDP in 2027 and to increase to 2.0% of GDP in 2028. This fiscal performance will ensure that Seychelles remains firmly on track to achieve its debt-reduction objectives while preserving fiscal sustainability, always putting our people first. in 2026, Government will prioritise targeted social protection, ensuring that assistance reach those who genuinely need it, while safeguarding the long-term sustainability of these programmes. This approach will allow Government to support households facing hardship without compromising fiscal stability. At the same time, Government will pursue its public investment programme and strengthen institutional capacity to ensure effective implementation of projects approved under this Budget and over the medium term. Digital infrastructure is a key sector in which the Government will strengthen investment, with the aim of reducing manual processes and improving efficiency in the public sector. As part of its fiscal consolidation efforts, Government has introduced targeted expenditure reductions in non-priority areas amounting to SCR 108 million in 2026.

26. For the Budget year 2026, a total of SR 12.6bn is expected to be spent as 'expenditure and net lending' representing an increase of SR 956.1m or 8 per cent as compared to the end-of-year 2025 figure. In comparison, primary expenditure has increased by SR 1bn or 9 per cent. The Budget for Wages and Salaries stand at SR 3.9bn for year 2026. This represents an increase of SR 300m, or 8 per cent, compared to the 2025 end-of-year estimate. Compensation of employees remains a significant part of the Government Budget. Wages and Salaries for 2026 represent 10.9 per cent of GDP. The increase is primarily attributed to the re-instatement of policies and implementation of new Government initiatives related to 13th month pay, long service allowance, PSC contract holders' benefit, and gratuity. Over the medium term, the Government is expecting growth in Wages and Salaries to stabilise, reflecting restrictions on recruitment, except for critical positions, while the Government reviews its employment policies. Nonetheless, the Government remains committed to ensure that its wage Budget is sustainable and remains below the 11 per cent threshold of GDP over the medium term. Together with the restricted growth in Wages and Salaries, Government is also expected to increase in several areas of social spending over the medium term, particularly with regards to Retirement Benefits through the Agency for Social Protection. By 2028, the total budget for 'Benefits and approved programs of ASP' is expected to reach up to SR 2 billion. The increasing cost however is expected to be countered with new avenues for revenue collections to be tapped into and controlled expenditures in other areas.

27. Following further discussions with the World Bank, the authorities have initiated preparatory work for an integrated functional review of the public sector, with preliminary outputs expected by mid-August 2026. The exercise will comprise: (i) a stocktaking and analytical review of schemes of service across government and the wage bill; (ii) the preparation of poverty and inequality estimates, including analysis of labor income distribution, public-private wage differentials, and the positioning of the statutory minimum wage relative to observed wages; and (iii) a vertical functional review of selected sectors, building on the earlier horizontal functional review. The work completed to date has helped define the scope, data requirements, and reform focus of the exercise, including the need for wage bill, nominal roll, expenditure, and legal and policy data. Potential findings from the review are expected to help identify inefficiencies and inequities in pay and grading structures, clarify overlapping mandates across ministries, departments, and agencies, and inform options to streamline functions, simplify schemes of service, and strengthen the efficiency and targeting of public employment and social outcomes.

28. A total of SR 4.2bn has been allocated towards Goods and Services in 2026, representing 33.3 per cent of total expenditure and net lending, and 11.8 per cent of GDP. The Goods and Services expenditure has increased by SR 34.7m compared to the 2025 end-of-year estimate. Ministries' and Departments' Goods and Services have increased by SR 423m. An amount of SCR 193 million has also been budgeted under goods and services to support the Government's effort towards adoption of digital solutions in its services throughout 2026. As part of its fiscal consolidation efforts, Government has introduced targeted expenditure reductions in non-priority areas amounting to SCR 108 million in 2026. Government is renting offices amounting to SR 135 million annually. As part of its expenditure review, Government has initiated its plan to construct some government building through a public private arrangement. This is being done for the

Seychelles Revenue Commission, and we expect to complete the construction by the end of 2027. The second building that is being considered is the construction for the Ministry of Finance, Economic Planning, Trade and Investment portfolio. Both buildings are expected to save the Government SR 35 million annually in rental.

29. The Government Investment Programme for the period 2026–2028 is budgeted at SR 4.34 billion. For the fiscal year 2026, SR 1.45bn is allocated for projects, representing 33 per cent of the medium-term investment plan. The total Budget allocated for Government investment projects including development grants in 2026 amounts to SR 1.56 billion equivalent to 4.4 percent of GDP, compare to SR 1.56 billion representing a 3.9 per cent of GDP for the end-of-year Budget for 2025. The 2026 allocation is funded through 75 per cent local sources, 1 per cent loans, and 23 per cent grants.

30. Social Protection remains critical for ensuring a sound human capital base. It provides an insurance for low income and vulnerable households to have a minimum, dignified quality of life. Hence our Government's determination to extend the social programs available to the more vulnerable pockets of our population. For 2026, an allocation of SR 1.66 billion is provided under the benefits and approved programmes of the Agency of Social Protection. This represents an increase of SR 355 million, or 27 per cent, compared to the revised 2025 expenditure. This reflects the Government's decision to reduce the age of eligibility for Social Security retirement benefits from 65 to 63 years, and to increase monthly retirement benefit by SR 800, which both took effect on 1st January 2026. The Government remains committed to its medium-term objective of increasing the Social Security retirement benefit to SR 10,000 per month by 2029.

31. Seychelles currently maintains a national minimum wage to protect workers from exploitation and to ensure a basic income floor. However, minimum wage levels do not always reflect the real cost of living, particularly in a small island economy characterized by a high dependence on imports and exposure to global inflation. The national living wage framework will go further by establishing wage benchmarks based on the cost of a decent standard of living, including food, housing, transport, healthcare, and other essential needs. The technical work is ongoing and will be informed by the household budget survey data and consultations with key stakeholders.

32. Government will enhance its tax reforms over the medium term to ensure domestic mobilization of resources. The 2026 Budget places strong emphasis on improving revenue compliance and administration. Revenue measures to be introduced in 2026 will focus on strengthening tax administration to reduce leakages through stronger emphasis on digitalisation and enhancing enforcement. These reforms are aimed at ensuring fairness and transparency in the tax system, protecting compliant taxpayers, and safeguarding Government revenues without imposing undue burden on citizens and businesses.

33. Government will introduce an Electronic Invoicing System in the third quarter of 2026. As part of the Government's commitment to fairness, integrity, and equal tax treatment we will in the second half of 2026 introduce an Electronic Invoicing System that will significantly strengthen compliance with the Value Added Tax (VAT) law. Electronic invoicing will tackle this in a decisive manner and will significantly reduce opportunities for tax evasion, improve transparency, and ensure that monies that clients pay in VAT at counters, actually end up in Government's coffers and reduce tax evasions. This reform will be implemented through a phased and risk-based approach, beginning with larger VAT-registered businesses before being progressively extended to other VAT-registered taxpayers. The introduction of electronic invoicing will be supported by necessary legislative amendments, capacity building, and extensive engagement with the business community to ensure readiness and compliance. The Government will pursue this reform fairly but decisively, combining modern technology with strong enforcement to strengthen domestic revenue mobilisation, safeguard public resources, and reinforce confidence in the tax system. In implementing this new system strong emphasis will be placed on compliance and empowerment of consumers. While it is already a legal obligation for VAT registered businesses to provide customers with a receipt this is often not complied with. Under this initiative, providing a VAT receipt to customers will be a firm legal obligation; it will be enforced decisively and without compromise, and businesses who fail to comply with the requirement to provide receipt will face stiff fines. To incentivize customers to play their role in this process, the Government is planning to incorporate a lottery component, for which SRC will provide further details. This will encourage customers to request and retain receipts for every transaction which will improve enforcement efforts, thereby strengthening a culture of compliance. An initial sum of SR 38 million is budgeted for this project in 2026, with the balance in 2027 when the system becomes fully operational.

34. To strengthen compliance and enhance revenue collection under the Income and Monetary Benefits Tax, the authorities will introduce a legal requirement for all GOP permit holders in Seychelles to receive their remuneration through an account opened with a local bank. This measure is expected to improve income traceability, support more effective tax administration, and reduce compliance risks.

35. Government will assess the feasibility of taxing non-domestic suppliers of Digital Services in Seychelles. Through digitalization, the world has become more globalized than ever before, and global online providers of goods and services are now able to sell their products across the globe through digital gateways. This has allowed these online goods and service providers to significantly increase their client base, boosting e-commerce significantly. In the process this has also allowed countries to broaden their tax base by taxing online providers of goods and services. During 2026, the authorities will assess the legal framework, feasibility, policy options, and potential implications of introducing a tax on digital and online business activities connected to Seychelles. This assessment will also consider the appropriate design and sequencing of such a measure, including the timing and conditions under which its introduction could be contemplated.

36. A dedicated transfer pricing (TP) function has been established, with a team of five staff identified and trained to handle TP cases, under the leadership of a senior officer supported by a consultant. Since the 2024 filing cycle, the tax administration has compiled a database of Related Party Dealings (RPD), covering 42 taxpayers, alongside the development of a risk engine to support the identification of non-compliant RPD submissions and potential TP risks. Building on this capacity, transfer pricing risk reviews (TPRRs) are expected to be conducted on 20 cases, from which 11 TP cases are anticipated to be raised, while 7 active TP audits are currently underway. Enforcement efforts have already yielded tangible results: 24 TPRR cases and 12 TP cases were completed in 2025, and two disputes relating to TP assessments raised in 2024 and 2025 are being managed. Revenue performance has also been encouraging, including SCR 1.5 million collected through a voluntary disclosure in 2024 and total TP-related collections of SCR 3,321,272.41 in 2025, which includes 25 percent recovery from one disputed case.

37. Following the assessment of the value added tax conducted with the assistance of the IMF's Fiscal Affairs Department, the Cabinet has approved the recommended VAT Reform. The action plan has been developed and is being followed with implementation in phases in consultation with SRC and relevant stakeholders. Amendments of relevant regulations for valuation rules, input tax credit, transitional period and VAT registration have been endorsed by Cabinet and have been in effect since January 2025. This includes the tightening of the voluntary registration provision to avoid abuse, streamlining of the VAT refund process to allow the CG to payout refunds in the absence of a request being initiated by the taxpayer when deemed necessary. Under the second phase of the VAT reform, the authorities undertook a review of key policy and administrative issues, including the VAT treatment of digital payment tokens, the scope of exempt and zero-rated supplies, the place-of-supply rules for services, the criteria for determining whether a supplier or recipient belongs in Seychelles, and the compulsory VAT registration threshold. To support this work, the Trade Department conducted consultations with relevant institutions, including the Seychelles Revenue Commission, the Central Bank of Seychelles, and the Financial Services Authority. These consultations indicated that further work is needed before any change to the VAT treatment of digital payment tokens can be considered, notably to ensure that the relevant services and instruments are subject to an appropriate regulatory framework. They also pointed to the need to consider place-of-supply rules concurrently with the broader review of taxation of the digital economy under the next phase of reform. In addition, the analysis undertaken does not support a revision to the compulsory VAT registration threshold at this stage.

38. The third phase of the reform will continue through 2026 and will focus on consultations on exemptions while also addressing outstanding issues carried forward from phase two. It will further cover the review of the margin scheme, the taxation of the digital economy, tax invoice requirements, the treatment of local agents as principals for VAT purposes, and sector-specific issues in the boating industry. In this context, the authorities have completed a situational analysis of the domestic yachting sector. As a first step, they are advancing a proposal to remove the prescribed re-entry time limit for yachts and to allow yachts to enter Seychelles under temporary admission for personal use without a fixed limit on the period of re-entry, subject to approval by the Commissioner of Customs; this proposal is being submitted to Cabinet this month. In a second phase, the authorities intend to define the period under which vessels would be treated as being for home use and to develop the supporting regulations needed to permit the commercial use of superyachts. Taken together, these measures are intended to modernize the VAT framework, reduce areas of ambiguity, and strengthen the efficiency, neutrality, and revenue effectiveness of the tax system.

39. The Government recognises that revenue losses arise from tax exemptions, special credits, and preferential tax rates. Following the publication of the VAT and Business tax expenditure inventory as part of the 2025 Budget (structural benchmark for December 2024 met), further IMF technical assistance in 2025 supported tax reform efforts, including a review of the existing inventory and exploratory work to expand its coverage to additional taxes, such as Personal Income tax and Excise taxes. The authority will continue to strengthen and expand the tax expenditure framework with a view to rationalizing tax expenditure. In this context, the Government will seek to better assess the potential fiscal implications of any new tax policy measures prior to implementation, with a view to limiting revenue leakages and safeguarding the tax base.

40. The Government is committed to completing the pilot functional reviews for Finance, Health and Education Ministries with the assistance of the World Bank. The horizontal review have been completed in March 2026 and is currently being reviewed by the government. Government expects and is committed to completing vertical reviews for these Ministries to complete the pilot functional reviews by end-December 2026 *(structural benchmark, end-December 2025)*. This is being aligned with the digitalization agenda across government services. For the first phase, all Ministries, Departments, and Agencies (MDAs) will have to prepare workflow processes for all their functions. The MDAs will then work with the Department of ICT for any digital platforms that are needed. In addition, the Government will undertake a comprehensive functional review of the whole of government. The World Bank will assist government with the functional review process for at least 2-3 pilot MDA's. In the short term, Government will enhance managerial efficiency and focus on reviewing the role and functions of all departments and agencies to ensure maximization of current human resources and improve on service delivery. The strengthening of the monitoring and evaluation framework as part of the result-based management will ensure proper oversight of performance across Government. Targeted training will be provided for all public sector employees to ensure they have the necessary tools to deliver as per their mandate.

41. Significant investment in the medium term will go towards the digitalization agenda. The medium-term budget continues to invest in digitalization efforts across the government. With a target of 75% digitalisation of Government services by 2028, an overall budget of SR 325 million has been included for the years 2026 to 2028. Government is also targeting support for local ICT firms to build domestic capacity, ensuring that digitalisation also creates opportunities for Seychellois enterprises and talent. A number of major systems are expected to start coming into service in 2026 budget. For the year 2026, a provision of SR 193 million has been included under goods and services to support the Government's effort towards adoption of digital solutions in its services. These include provision for a new Integrated Financial Management Information System (IFMIS), a new Government-wide Human Resource Management System (HRMS), a new Tax Management System (TMS), and the ongoing implementation of the new Electronic Social Protection System (eSPS) for the Agency of Social Protection.

42. The implementation of the Integrated Financial Management Information System (IFMIS) is progressing well, and the system is currently in the User Acceptance Testing (UAT) phase. The pilot implementation of IFMIS is scheduled to commence in January 2027of the pilot will be undertaken across selected Ministries, Departments and Agencies, Department of Lands and Housing, Department of Police, the Department of Agriculture, the Judiciary, and the Ministry of Finance, Economic Planning, Trade and Investment. Following the pilot phase, the remaining MDAs will be onboarded with training during 2027, with IFMIS expected to be fully deployed and operational across Government by January 2028. Allocations of SR 40 million and SR 3.7 million have been provided in the 2026 and 2027 budgets, respectively to support the continued implementation of this critical public financial management reform. The IFMIS project will include a cash flow module which will improve cash flow forecasting.

43. The authorities have initiated a comprehensive review of the public procurement framework, combining domestic legislative reform work with a World Bank-supported assessment under the Methodology for Assessing Procurement Systems (MAPS). Work undertaken to date includes the launch of stakeholder consultations across the public sector, state-owned enterprises, the private sector, regulatory bodies, and civil society; the preparation of a rationale matrix to consolidate evidence from these consultations; and the establishment of governance arrangements for the MAPS exercise, including an Assessment Steering Committee and supporting technical structures to oversee implementation, quality assurance, validation, and follow-up. Going forward, the MAPS assessment covering the legal and regulatory framework, institutional and management capacity, procurement operations and market practices, and accountability, integrity, and transparency is expected to provide a structured diagnostic of strengths, weaknesses, and priority reform gaps, and to inform a sequenced action plan for legislative and institutional reform. The findings will also help guide the design and sequencing of the authorities' e-procurement agenda, including the institutional, legal, and operational preconditions for digitalizing procurement processes. On this basis, the authorities intend to submit draft amendments to Cabinet during 2026, with a view to strengthening value for money, transparency, efficiency, and integrity in public procurement, while aligning the system more closely with international good practice.

44. The authorities have continued to make progress in the rollout of the Health Information System (HIS), with a substantial number of core patient administration, clinical care, and non-clinical modules now operational. Implemented modules include outpatient, appointment, emergency, and inpatient registration; electronic medical records functions; as well as selected pharmacy, billing, fixed asset, sterilization, and security administration modules. Key interfaces have also been established, including with the National Population Database, laboratory equipment, radiology systems, and SMS appointment notifications, while additional integrations with the Treasury Information System, government human resource systems, immigration records, and civil status services remain in progress. The next phase of implementation is focused on completing inventory, procurement, physical facilities, and human resource management modules, alongside further work to strengthen reporting, certification, and system interoperability. Once fully operational, the HIS is expected to improve the availability, timeliness, and reliability of health sector data, strengthen administrative and expenditure controls, and support more efficient service delivery, resource management, and evidence-based decision-making in the health sector. In line with the existing plan with regards to the Human Resource Management system, the system will connect core HR, payroll, performance management and people analytics to help improve HR management across the whole Government. This system has been acquired and its implementation has started. It is expected to come into operational deployment later in 2026.

45. The authorities have continued to advance the implementation of the Agency of Social Protection's new digital platform, ASPConnect (eSPS), which went live in October 2025 and is currently being refined to align with updated operational requirements, institutional priorities, and recent policy changes. Following an in-country mission in January 2026, the authorities, together with the contractor and relevant stakeholders, agreed on a prioritized package of system enhancements covering access controls, approval workflows, updates to benefit schemes, user-experience improvements, beneficiary notifications, and refresher training for staff. Progress has already been made on selected change requests, and payroll simulation exercises have been completed to validate system performance under different payment scenarios, while further work is underway to finalize eligibility parameters, strengthen interoperability with other government systems, and build staff capacity to ensure effective and consistent use of the system across the agency. Once fully operational and integrated, the system is expected to strengthen the administration of social benefits by improving the accuracy and timeliness of eligibility verification, enhancing internal controls and workflow management, reducing processing times, and supporting more efficient and better-targeted service delivery.

46. Looking ahead, Government will accelerate the secure adoption of artificial intelligence and data-driven solutions across the public sector to improve decision-making, service delivery, and regulatory effectiveness. Priority will be given to the development of clear AI and data governance frameworks, the deployment of a secure Government Cloud, and the responsible use of emerging technologies in areas such as revenue administration, social protection, health, and public safety.

47. Aligned with the third pillar of the digital economy agenda; that of Digital Platforms, the Department of ICT in collaboration with the Department of Immigration & Civil Status has implemented the Seychelles National Digital Identity platform (SeyID) since 2022. Enhancements completed in 2024 include the integration of a digital wallet in SeyID app allowing official documents (e.g. digital birth certificates) to be stored and displayed. This also includes the digital driving license. The application and issuance of Civil Status documents (e.g. birth certificates) can now be done online and in a fully digital manner. Additionally, plans are underway to work on 3 core digital platforms: the Government Online Payment Gateway (in collaboration with the Ministry of Finance), the Government Data Warehouse and the Government Cloud.

Efforts Continue to Strengthen Tax and Customs Administration.

48. The SRC has developed a comprehensive transformation roadmap. The transformation strategy has since the start of the year been embedded into the strategic plan for 2026-2028. This initiative is to maintain alignment to the strategic plan, increase efficiencies and remove operational challenges.

49. The transformation is now more focused on the implementation of the strategic plan with each member of the transformation committee prioritizing a strategic objective. Recognizing the significant transformation of tax and customs processes through technology, much focus for the transformation is on digitalization and building the synergy between tax and customs with key projects taking place such as the ASYCUDA upgrade to version 4.4.1, introduction of a data warehouse to improve data capturing, accuracy and analysis, the case management system, E-invoicing to build an efficient financial ecosystem from automating invoicing to payment enhancing efficiency, compliance, and fraud prevention. A number of internal projects and policies are also being held internally to strengthen domestic resource mobilization such as the voluntary disclosure program, changes in enforcement and audit approaches combining both tax and customs, e-invoicing regulations amongst others. Challenges remain in identifying the tax gap.

50. To ensure these initiatives are achieved training has been planned in areas such as debt management, transfer pricing, audit, customs compliance to strengthen the skills and knowledge of the employees. Building a transformative culture centered around human capital, integral in driving the strategic plan, several policies have been introduced to encourage employee satisfaction and retention including the birthday leave policy, duty travel, health and wellness policy. Further support is required in change management to achieve the desired work culture.

51. In March 2026, the authorities completed the upgrade of the ASYCUDA system from version 4.3.2 to version 4.4.1. The first phase of the upgrade delivered several key enhancements, including: (i) deployment of ASYCUDA version 4.4.1; (ii) introduction of self-assessment functionality for declarants; (iii) implementation of automatic selectivity following payment; and (iv) establishment of a paperless goods clearance process covering the workflow from bill registration to query management. This upgrade forms part of the Customs Division's broader digital transformation program aimed at improving system performance, strengthening security, and aligning operations with updated international standards. The upgrade was completed within the planned timeframe and with minimal disruption to operations. User access was restored promptly following deployment, and the system is now fully operational. The technical and functional teams continue to monitor system performance closely and to make any necessary adjustments to support optimal system functionality and user performance.

52. The second phase of the ASYCUDA project is underway and is focused on preparatory work for the rollout of paperless goods clearance processes. In parallel, the authorities are pursuing the automation of additional functional areas and further simplification of clearance procedures. Technical specifications for the required tablets have been completed, and procurement is underway. The authorities plan to extend the paperless clearance process in May 2026 to key examination units, including Seaport Examination, Airport Cargo, the Post Office, the Government Warehouse, the Export Unit, the Boarding Unit, the Manifest Unit, and SIBA.

53. In parallel, discussions continue with the PVMIS team on automating gate pass processes through PVMIS, including the use of Exit Notes and Release Orders. The authorities are prioritizing the clear definition of information flows and stakeholder responsibilities to avoid overlap and duplication. Weekly coordination meetings between the SRC and the PVMIS team at the New Port, together with ongoing collaboration between the ASYCUDA and PVMIS teams, are supporting alignment of system requirements. Subject to continued progress, deployment is targeted for the second quarter of 2026, with the objective of achieving a fully paperless process up to the point of cargo release at the port.

54. The Online Tax Portal was launched on November 15, 2025, under a phased pilot rollout with a selected group of taxpayers. As of March 2026, 53 taxpayers were registered and submitting monthly returns online, with some also using the integrated card payment facility. In addition, onboarding sessions for registered tax agents held during March 16–20, 2026 resulted in 141 Tax Identification Numbers being linked to the system. Following the resolution of temporary technical issues that interrupted onboarding in late March 2026, onboarding is scheduled to resume in May 2026, including for businesses on Praslin and La Digue. The project remains on track, and the authorities expect the portal to be fully operational by the third quarter of 2026.

55. SRC is planning to automate the Compliance Risk Management Framework through the setting up of a data-warehouse which will serve as a repository of all data in SRC to enable the analysis of data received from multiple sources. This will strengthen risk-based analysis and informed decision and facilitate risk-based selection of audit cases based on pre-defined criteria and parameters. The consultant was successfully onboarded for the Data Warehouse Project, a 14-month initiative that commenced in June 2025. The project aims to consolidate data from multiple internal systems into a centralized data warehouse to support informed decision-making, strengthen risk management, and enhance overall operational efficiency.

56. The initial phase of the data warehouse project focused on establishing secure connectivity between all Seychelles Revenue Commission (SRC) internal data sources and the Data Warehouse, thereby creating an integrated data environment that supports advanced analytics, strengthens compliance monitoring, and underpins revenue assurance. Following delivery of the first prototype in October 2025, the system is now fully operational ***Structural Benchmark end-December 2025*** and integrated with SRC's main internal source systems, including ASYCUDA, TMS, and CMS, with automated daily data extraction processes configured to ensure consistent and reliable data flows. The first data warehouse product, the Risk Engine, has been successfully developed and incorporates 11 refined and validated risk indicators, while development of the second product—analytical reports and dashboards—has commenced, with further progress on cross-database reporting dependent on the ASYCUDA upgrade scheduled for March 2026. In addition, a Risk Engine Configuration Application has been developed and is scheduled for demonstration by end-March, which will allow more structured configuration and management of risk indicators and improve the sustainability of risk analysis. SRC is also using the Case Management and Tracking System ***Structural Benchmark end-August 2025,*** with participation from key units including Audit, Investigations, Enforcement, Risk, and the Examination and Analysis Unit to ensure that the system is adequately tested across functional areas and aligned with operational needs. To support implementation, a consultant has provided in-country technical assistance to resolve post-launch issues that had constrained usage and has also integrated AI functionality into the platform to facilitate more effective use by staff.

57. The authorities have developed and operationalized five modules, including the CRS module. The CRS module is fully operational for the onboarding of financial institutions and for the reporting portal, while integration between the AEOI system and the TMS remains outstanding. In June 2025, the authorities replaced the substance requirements questionnaire with a CRS Obligations survey in response to recommendations from the AEOI-CRS mock peer review conducted in May 2025. This followed Seychelles' 2022 AEOI-CRS peer review rating of non-compliant on effectiveness in practice, which identified fundamental weaknesses in the enforcement framework. The survey was introduced to better identify the population of financial institutions and strengthen compliance oversight. By the July 3, 2025 deadline, 31 of 57 licensed registered agents had submitted the required information, and enforcement actions are underway for the remaining 26 licenses.

Expenditure Management and Efficiency of Public Spending

58. In light of the elevated risks arising from the Middle East crisis, the authorities are closely monitoring developments and stand ready, should conditions deteriorate further, to identify cost-saving and expenditure rationalization measures to ensure that fiscal execution remains consistent with the bottom line of the 2026 budget. More broadly, the authorities have operationalized a contingency response framework aimed at mitigating adverse spillovers to Seychelles' macroeconomic outlook and preserving economic and financial stability. This framework includes continuous monitoring of fuel availability, essential commodity stocks, domestic price developments, shipping movements, tourism flows, and broader economic conditions by an Emergency Cabinet Committee, in order to support timely and targeted policy responses. The authorities are also undertaking measures to maintain adequate precautionary stocks of essential goods, including food, fuel, and medical supplies, while strengthening supply-chain resilience through diversified procurement channels, closer coordination with strategic external partners, and initiatives to secure transport and logistics capacity. To reduce downside risks to the tourism sector and foreign exchange earnings, efforts are also being made to sustain air connectivity with key markets. In parallel, the Central Bank of Seychelles continues to exercise close supervisory oversight to safeguard financial sector stability. Taken together, these measures underscore the authorities' commitment to maintaining fiscal stability while ensuring that the effects of the Middle East crisis do not adversely affect social stability and livelihoods.

59. The authorities are continuing to strengthen the alignment of the Medium-Term Budget Framework (MTBF) and the Program Performance Based Budgeting (PPBB) framework with the strategic objectives of the new National Development Strategy (NDS), consistent with Seychelles' broader Integrated National Financing Framework (INFF) agenda. Ongoing reforms are aimed at improving the strategic focus, coherence, and usability of the PPBB architecture to better support the prioritization and effective allocation of financing for national development objectives. In this context, the authorities are streamlining overlapping elements of the framework, strengthening explicit linkages between budget programs and NDS priorities, revising the implementation guide, and building capacity across MDAs to support more consistent application of the adapted approach, including in climate-sensitive pilot areas. The authorities are also advancing institutional arrangements to strengthen quality assurance and coordination of PPBB implementation. These reforms are intended to reinforce the integration of planning, budgeting, and financing in support of the NDS.

60. Reforms are ongoing in the social protection system in the form of a "Program for Results" (PforR). Significant progress has been made in enhancing the efficiency, transparency, and sustainability of social protection programs and to date USD 16.5 million has been disbursed. To improve the assessment of applicants for social protection benefits, the MoH has adopted the World Health Organization Disability Assessment Schedule (WHODAS) criteria for home care assessments. This move ensures a more standardized and objective evaluation of the needs of individuals seeking support. Additionally, the Agency for Social Protection (ASP) and the Seychelles Pension Fund (SPF) have merged their assessment boards, using WHODAS 2.0 criteria to evaluate eligibility for invalidity and disability benefits. This alignment between the two entities enhances consistency and fairness in the assessment process.

61. The authorities are continuing work on a revised socio-economic needs assessment (SENA) framework. The SENA adopts a multidimensional approach to vulnerability by going beyond income-based measures to include living standards, health, education, employment, disability, and related socio-economic constraints. This reform is expected to strengthen the identification of vulnerable households, improve the targeting of social welfare assistance, and support programme redesign, while taking into account the distinct realities of Praslin and La Digue. The forthcoming results of the latest HBS will further inform this endeavour by strengthening the evidence base for household welfare analysis and policy targeting. In parallel, implementation of the eSPS, which will also serve as a social registry, is ongoing and remains on track for operationalization by Q4 2026.

62. The Government recognizes that Seychelles' future growth and resilience depend importantly on continued investment in human capital. In recognition of the central role of youth in supporting inclusive growth, the Government, with World Bank support, has undertaken an in-depth assessment of youth risk factors to help inform policy design. Following stakeholder consultations, which highlighted the need for a whole-of-society approach involving government, civil society, and the private sector, implementation of the resulting action plan is ongoing. Interventions identified under the plan have been integrated into the programmes of relevant MDAs and provided for under the 2026 budget, supporting a coordinated response to youth-related vulnerabilities.

63. The Government remains committed to strengthening the public financial management framework, drawing on the findings of the 2025 PEFA assessments, including the core, climate, and gender modules. These assessments point to continued progress in transparency, fiscal reporting, debt management, fiscal risk oversight, and public investment management, while highlighting remaining weaknesses in strategic budget allocation, procurement oversight, climate expenditure tracking, and the institutionalization of gender-responsive budgeting. The authorities have accordingly prepared an action plan ***Structural Benchmark end-November 2025],***

to address the deficiencies identified in the assessments and to support implementation of the next phase of PFM reforms. Against this backdrop, the proposed amendments to the PFM Act seek to strengthen the legal basis for fiscal responsibility, transparency, and accountability, including through the publication of key budget and financial documents, the introduction of a pre-budget medium-term fiscal strategy, and stronger accountability provisions for public officers and public entities. The amendments also enhance the framework for budget preparation, execution, monitoring, and reporting, while incorporating provisions on waivers, settlements, grants, asset and liability management, Public-Private Partnerships, and climate-related investments. These reforms are being advanced alongside the rollout of the new IFMIS, which will support stronger expenditure control and reporting, including for climate and gender-related information over time. The revised PFM Act, together with related amendments to the Public Debt Management Act and Public Procurement Act, is expected to be gazetted by end-December 2026.

64. The Government remains committed to strengthening the efficiency of public investment management and funding following the 2023 PIMA and Climate PIMA assessments. In this regard, Cabinet approved an action plan in May 2023 aimed at reducing the under-execution of capital projects and addressing identified institutional gaps in the public investment framework. Since the approval of the new PIM policy, progress has been made in strengthening project appraisal, monitoring, and post-evaluation arrangements. Quarterly information on completed assets is now being compiled and transmitted to the Asset Management section for incorporation into the fixed assets database, while an internal project appraisal committee within the Ministry of Finance has been established to review projects before submission to the Development Committee and to assess their overall merit. Projects identified as underperforming during post-appraisal are referred back to the Seychelles Infrastructure Agency (SIA) for corrective action. In addition, the MoFNPT has established a database of major and critical fixed assets (*structural benchmark end-November 2025*) managed by MDAs, which now forms part of the Fixed Asset Management Software and is expected to be updated regularly upon completion of new major infrastructure projects. The approved PIM policy has also been circulated to all MDAs, and support is being provided by SIA and the Public Investment Management Unit to improve project preparation and ensure that proposals contain sufficient technical information for appraisal and implementation. Notwithstanding this progress, some institutional bottlenecks remain, including delays in operationalizing the Development Committee and persistent challenges in obtaining timely project progress reports from SIA, which continue to affect the efficiency of project monitoring and execution.

65. Strengthening maintenance budgeting and planning remains a priority. To further support the work that has been started by SIA and the Ministry for the stocktaking and setting up of a database of all critical government buildings and structures, the required funds are also being made available for required maintenance of these infrastructures. The Medium-term budget continues to make provision for increased allocations towards maintenance of government infrastructures. The allocations however will undergo reviews based as and when maintenance works are implemented to further ensure that the quantities are in line with the maintenance methodologies and timelines as are determined by the Seychelles Infrastructure Agency.

C. Effective Mandate Delivery by SOEs with Reduced Fiscal Risk Exposure

66. The Government remains committed to enhancing transparency in public enterprises. In line with the Public Enterprises Act, 2023, the Public Enterprises Monitoring Commission (PEMC) published the 2022 Public Enterprises Annual Report in June 2024 and the Annual Performance Report for the year ended 31 December 2023 in May 2025. The 2024 Annual Report is expected to be finalized in May 2026, while the 2025 Annual Report is expected to be completed by December 2026. These reports strengthen transparency by providing information on the financial, governance, and operational performance of public enterprises, including outstanding debt, based on audited financial statements. A reporting lag remains necessary in view of differing financial year-ends and the time required to complete audits for some SOEs.

67. The enactment of the Public Enterprises Act, 2023, which repealed the PEMC Act, 2013, has strengthened the governance and oversight framework for public enterprises by clarifying accountability and governance relationships among Boards of Directors, management, Responsible Ministers, the Minister responsible for Finance, and PEMC. Supporting regulations to operationalize the new framework are expected to be drafted and finalized during 2026 and 2027.

68. The Public Enterprises Monitoring Commission (PEMC) through an independent audit firm has started the process to conduct Institutional, governance and performance assessment (IGPA) of six key public enterprises. The key public enterprises being audited are Public Utilities Corporation (PUC), Seychelles Petroleum Company (SEYPEC), Air Seychelles, Island Development Company Limited (IDC), Seychelles Civil Aviation Authority (SCAA) and Seychelles Trading Company Ltd (STC). IGPA for SEYPEC, SCAA, PUC and Air Seychelles are completed. Findings of the IGPA of PUC and SEYPEC have already been submitted to the shareholders and action plans are being drafted. Implementation of action plans once approved will be monitored by PEMC. Findings of the IGPA of SCAA, SAA and AS are scheduled to be presented and discussed with the Responsible Ministers and Minister for Finance during the 2nd Quarter of 2026. Signing of contract agreement with the Audit Firm for the IGPA of STC is to be done in May 2026 and works are expected to be completed in 3rd Quarter of 2026. The governance and performance audit of IDC has been deferred pending completion of a forensic audit currently being undertaken by PwC, which is expected to be finalized by end-May 2026.

69. The Government approved SEYPEC roadmap for ageing tanker replacement with two advanced tankers by 2027. In July 2024, the Government approved a road map with SEYPEC on the tanker replacement strategy concerning its ageing tanker fleet and replacement with two new technologically advanced tankers in 2027.

70. The Government is also receiving financial support through the Embassy of the United States of America in Mauritius for the implementation of a web-based reporting portal for the public enterprise sector. Development of the portal has been completed, and data entry is currently underway ahead of the planned operational launch in the second quarter of 2026. The portal is expected to strengthen the timeliness, consistency, and transparency of reporting by SOEs, enhance

PEMC's monitoring and analytical capacity, and improve access by line ministries, the National Assembly, and other stakeholders to up-to-date information on SOE performance.

71. In parallel, the authorities have signed Terms of Reference with the U.S. Treasury Office of Technical Assistance (OTA) and agreed on a work plan to support priority reforms in the SOE sector. The work plan includes technical capacity building for PEMC staff; the development of key governance and oversight frameworks, including for executive remuneration, the recognition and valuation of public policy objectives, and the performance monitoring of SOE Boards and Chief Executive Officers; the refinement of performance indicators and targets in line with the Public Enterprises Act, 2023; and the strengthening of reporting instruments, including the Public Enterprises Annual Performance Report, the Medium-Term Financial Strategy for SOEs, and quarterly SOE performance reports. Together, these measures are intended to strengthen oversight, accountability, and performance monitoring across the public enterprise sector.

72. PEMC is advancing the development of a phased remuneration framework for SOE executives following the suspension of technical assistance from the U.S. Department of the Treasury's Office of Technical Assistance for the implementation of a comprehensive job grading scheme for public enterprise executives. In response, the Ministry of Finance authorized PEMC to proceed with a first phase focused on the development and implementation of a remuneration framework for Chief Executive Officers and Deputy Chief Executive Officers of SOEs, with a second phase envisaged to extend the framework to other SOE staff. Preparation of the phase-one framework was outsourced to an internationally recognized job grading firm, and a draft report has already been issued and discussed with the authorities in April 2026. PEMC has since transmitted comments to the consultant and is awaiting the final report, which is expected to be presented to the Minister of Finance in the second quarter of 2026 and subsequently submitted to Cabinet for approval prior to implementation. Phase 2 of the reform is expected to commence in the third quarter of 2026.

73. Restructuring of PEMC is ongoing in order to ensure that it can discharge its functions provided in the PE Act 2023. In order to deliver its mandate, the PEMC with the assistance and support of the Ministry of Finance and PSB has initiated its restructuring process to expand its functionalities and capacity of monitoring and oversight functions of SOEs. The restructuring process will be completed during the 2nd Quarter of 2026 as part of the 2027 budget process.

74. The Government remains committed to ensuring that SOEs pose minimal fiscal risks and, in this regard, PEMC is developing a framework to guide the strategic direction of SOEs through 2035. The framework will establish minimum expectations and core principles to support SOEs in setting medium- to long-term strategies aligned with Seychelles' SDGs and National Development Strategy. It is expected to focus on strategic leadership and governance, digital transformation, client-focused stakeholder engagement, operational excellence, financial sustainability, and resilience and antifragility. Through this reform, the authorities aim to mitigate fiscal risks arising from SOEs, strengthen their performance, increase their contribution to the national budget, and enhance the delivery of social benefits. The draft framework is expected to be submitted to Cabinet for approval in the second quarter of 2026.

75. The Government intends to institutionalize a results-based management culture across the SOE sector. In this regard, PEMC is preparing a framework for implementation across SOEs, incorporating key instruments such as Statements of Shareholder Expectations, Board Performance Agreements between the shareholder and Boards of Directors, CEO Performance Contracts, the National Nomination Committee, and a Governance School or Academy. This framework is intended to strengthen accountability, align SOE performance with national priorities, and support measurable improvements in governance, service delivery, and financial sustainability across the sector.

76. The Authorities remain committed to further strengthen the governance and financial oversight of SOEs through a set of complementary reforms following the implementation of the Public Enterprises Act, 2023. In this context, the authorities plan to establish a National Nomination Committee for the appointment of Boards of Directors of SOEs, with a view to reinforcing the integrity, independence, transparency, professionalism, sector-specific expertise, and continuity of SOE boards. In parallel, the Government intends to review and implement the dividend policy applicable to SOEs by the third quarter of 2026 in order to enhance the sustainability of SOEs, mitigate fiscal risks, and strengthen overall performance and accountability. The framework for the National Nomination Committee is expected to be finalized by December 2026, with implementation envisaged by June 2027.

D Public Debt Management Strategy

77. Seychelles has made significant progress in terms of Debt Management. The publication of quarterly debt bulletins and quarterly borrowing and issuance plans has improved access to information for investors, which is reflected through more stability in domestic market conditions. Additionally, the improvement in reporting promotes accountability and transparency. Government continues to explore alternative sources of financing over the medium term. As per its Medium-Term Debt Management Strategy, over the medium-term borrowings on the external side will be mainly to finance key projects whilst on the domestic market Government securities will remain the main source of financing with T-bonds accounting for the major component of borrowings.

78. As part of modernizing its legal framework on public debt, a revised Public Debt Management Act has been drafted so as to provide more flexibility to debt management and promote debt sustainability. The Act will be presented to the National Assembly during the second half of 2026.

79. The Government continues in its effort to develop the domestic debt market. It has diversified the domestic instruments being used, which was primarily concentrated through T-Bills issuance to meet cash flow requirements. Government is now issuing T-Bonds on a quarterly basis, which has helped to lengthen the weighted average maturity of the domestic debt stock and reduce refinancing risks. With technical assistance from the IMF's Monetary and Capital Markets department (MCM), CBS has developed a draft operational framework for the launch of a 6-month pilot retail investor-oriented purchase window *(Structural Benchmark, end-January 2026)* as a prelude to a full-scale buy back facility for the trading of government securities through banks. The draft operational framework was submitted to the IMF on January 30, 2026. As for the implementation of the pilot, this has been deferred to Q2 2027 once the CSD system becomes operational. This delay reflects the need to ensure that the necessary operational procedures and controls are fully established, particularly as the process will transition from manual to automated workflows under the new infrastructure. In addition, the market valuation methodology for government securities remains under discussion with the CSD system vendor, as this functionality was not included in the original project scope and therefore is not part of the initial go-live deliverables.

E. Monetary and Exchange Rate Policy

80. CBS continued to maintain an accommodative monetary policy stance during 2025 and for the first quarter of 2026, with the MPR set at 1.75 percent. Since January 2025, there has been a moderation in the average prices of goods and services. However, over the medium term, a gradual increase in domestic prices is anticipated in line with the expected depreciation of the Seychelles rupee. Despite the launch of the Financial Indicators Expectations Survey with the banking sector, firms and households, the response rates have been low for the latter two target groups. As such, CBS has been collaborating with the National Bureau of Statistics (NBS) on incorporating the survey for households within the Quarterly Labor Force Survey, with the aim of improving response rates and to ensure results are representative of the target group.

81. CBS continued to implement the recommendations provided by the MCM Department of the IMF following technical assistance to improve the transmission of interest rates. The recommendation on conducting inflation expectations surveys over a period of 1 year and 5 years with the banking sector, firms and households was completed in May 2025 *(Structural Benchmark, end-June 2025)*. With the aim of further supporting money market development and signaling the commitment of the Bank to effectively transmit the MPR to market interest rates, the parameters of the DAA were reviewed in May 2025. The Bank maintained a multiple-price auction format for offer of DAA in open market operations and endorsed the announcement of a cut-off rate equal to the MPR for the shorter tenor DAAs. In December 2025, the recommendation on reviewing the Net Open Position (NOP) limit was completed. Whilst the NOP threshold was maintained at 30 percent, the calculation of the overall NOP was revised whereby, the Capital Base is applied as the denominator in lieu of the Equity Capital. Furthermore, the limit will be applied to the overall NOP, rather than separately to the individual long and short positions.

82. CBS remains committed to a floating exchange rate and will only intervene to facilitate orderly market conduct and reserve accumulation, whilst being cognizant of the revised Multiple Currency Practice (MCP) Policy. This will allow the Bank to reinforce its foreign exchange buffer and ensure an adequate level of international reserves are available to meet the country's external obligations. In that regard, FEA purchases were conducted throughout 2025 and until March 02, 2026. During periods of economic challenges such as that posed by the intensification of geopolitical tensions, international reserves may be used through foreign exchange interventions to ensure the orderly functioning of the market without compromising the floating exchange rate regime.

83. CBS has been engaging with the World Bank's Reserves Advisory & Management Partnership (RAMP) since 2014. The partnership provides technical advisory support and investment management services aimed at strengthening institutional capacity in reserves management. A new agreement was signed in January 2026, ensuring the continuation of both advisory support and the investment management mandate under the RAMP framework. The arrangement will support further strengthening of risk management practices, governance structures, and operational frameworks in line with international standards.

84. CBS continues to engage with the Financial Services Authority (FSA) to improve external sector statistics as well as monetary and financial statistics. In addition to using the results from the annual offshore sector to better comprehend the financial flows of Special Licensed Companies (CSLs), discussions were held to enhance the understanding of Other Financial Corporations (OFCs) notably, the insurance sector. In that regard, FSA is expected to submit annual data for insurance companies to CBS in April 2026, which will help expand the coverage of Monetary and Financial Statistics. Moreover, CBS will continue to work with FSA to gradually include data on other non-bank financial services in its surveys.

F. Efforts to Improve Real Sector Statistics

85. The National Bureau of Statistics (NBS) is facing several constraints which adversely impact on its capacity to produce timely and quality statistics, as well as to extend its production to meet users' needs. The shortage of skilled staff is one significant gap identified, and the bureau is shifting its capacity development strategy by aligning training with actual skill needs, prioritizing a skills gap assessment to guide targeted development efforts. This approach focuses on strengthening internal capacity and empowering staff to take full ownership of statistical processes. It also aims to institutionalize knowledge through the development of standard operating procedures, ensuring long-term sustainability.

86. Simultaneously, the NBS is developing a comprehensive Statistical Business Register (SBR) by integrating existing business lists into a unified database covering businesses of all sizes. This register will underpin the upcoming Census of Economic Activities and enable the collection of high-quality economic data. The data will inform the creation of a new Supply and Use Table for rebasing national accounts and support the development of satellite accounts, such as those for tourism and fisheries, using improved methodologies and robust data sources.

87. The National Bureau of Statistics (NBS) is undertaking two major statistical initiatives to enhance the accuracy and relevance of national economic indicators. A comprehensive GDP rebasing exercise is underway, using data from the 2026–2027 Census of Economic Activities (CEA), with the process spanning from 2025 to early 2028. This includes methodological reviews, data collection, and the development of Supply and Use Tables (SUT) and Input-Output Tables (IOT), culminating in the release of a new GDP series in Q1 2028. Simultaneously, NBS is updating the Consumer Price Index (CPI) to better reflect current household expenditure patterns, based on data from the 2024 Household Budget Survey (HBS). The update, scheduled for mid-2026, will improve index accuracy, outlet sampling, and product coverage, though it will not include backcasting due to resource constraints. Both initiatives are supported by strengthened data systems, enhanced institutional capacity, and the development of a national business register to ensure data quality and representativeness.

G. Modernizing the Financial System and Ensuring Financial Stability

88. A robust supervisory framework that is more risk-sensitive, objective, forward-looking and continuous remains a priority for CBS. The AFS conducted a technical assistance mission in September 2025, focusing on the review of assigned risk ratings and supporting CBS in developing risk-based supervisory (RBS) action plans. In 2026, CBS will continue to enhance its RBS framework, with a particular focus on addressing remaining supervisory information gaps and further strengthening forward-looking assessments. As part of this effort, CBS will place increased emphasis on understanding banks' strategic direction, strategic planning adequacy, and implementation capacity. Following the submission of institutions' 2026 business plans in April, CBS will conduct one-on-one engagements with bank representatives, during which supervised institutions will be expected to present their Board-approved strategic plans. These discussions will support CBS in forming more informed supervisory judgements regarding the adequacy of institutions' strategic planning processes, governance oversight, and execution capability. Building on the RBS ratings developed with AFS support, CBS has also prepared a risk-based supervisory plan for 2026, aligned with the revised rating model and supervisory stance. This supervisory plan has since been approved and will guide the prioritization and intensity of supervisory actions across institutions during the year.

89. CBS continues to strengthen and implement its risk-based supervisory plans. In 2025, CBS conducted two horizontal examinations and follow-up reviews of remedial measures from the 2024 cycle. These exercises included onsite interviews and validation procedures, which confirmed that the majority of recommended actions had been satisfactorily implemented. Institutions with outstanding gaps were provided with supervisory feedback and revised remediation timelines, as appropriate. Key supervisory exercises included a horizontal examination of capital adequacy reporting under Basel II Pillar 1, which assessed the accuracy, reliability and consistency with the newly implemented CAR framework; and a system-wide review of the internal audit function across both deposit-taking and non-deposit taking institutions. The review was done in line with CBS' Risk Management Guidelines, thereby evaluating coverage, risk-based planning, execution and board oversight across credit, market, operational, liquidity, IT, compliance, AML/CFT and other Pillar II risks. CBS also initiated a limited scope credit examination of a D-SIB in Q4 2025, which was completed in Q1 2026. The examination focused on the management of large exposures and credit concentration risk.

90. During Q1 2026, CBS intensified its follow-up supervisory engagements to assess progress on outstanding recommended actions, particularly those exceeding agreed implementation deadlines. These engagements were supported by formal supervisory correspondence and desk-based reviews, which informed targeted onsite validations of implemented remedial measures throughout the quarter. In parallel, CBS completed the horizontal examination of the internal audit function across both deposit-taking and non-deposit-taking institutions, with the inspection report finalized, supervisory letters of findings and associated recommendations issued to supervised institutions. In addition, CBS has initiated preparatory work toward its first dedicated cybersecurity onsite examination, planned for Q3 2026 with the support of the AFS. Initial engagements have been undertaken with the AFS as part of the broader capacity building and supervisory planning process. Moreover, an introductory letter for a further limited-scope onsite examination at a D-SIB is expected to be issued in early March 2026, requesting preliminary documentation ahead of the examination scheduled for Q2 2026. CBS continues to monitor outstanding supervisory actions and remains focused on ensuring timely remediation and strengthening risk management practices across the banking system.

91. CBS continues to closely monitor the performance of loans that were subject to regulatory forbearance during the COVID-19 pandemic, as well as other restructured loans. The last detailed dataset collected, capturing data by economic sector, currency, asset performance classification, was as at end-December 2024. Given the positive trends observed, and with the objective of easing regulatory reporting demands, CBS has since discontinued collection at this level of detail. As of the end of December 2025, the total outstanding balance of loans restructured or subject to regulatory forbearance stood at approximately SCR1,447 million, representing 10.56 per cent of total industry loans and advances. Of this amount, loans that have since turned non-performing stood at SCR258 million, accounting for 40.23 per cent of total industry non-performing loans. The ratio of non-performing restructured and forborne loans to total restructured and forborne loans rose to 17.83 per cent at end-December 2025. CBS has enhanced monitoring of the loan portfolios, particularly in the context of heightened global uncertainty and evolving geopolitical developments, including ongoing conflicts in the Middle East which may pose indirect risks to the domestic economy through channels such as tourism flows and energy prices.

92. Post implementation of the new CAR framework, CBS conducted a horizontal examination in 2025 to assess the accuracy of banks' CAR reporting. The assessment revealed inconsistencies in the interpretation and application of the new CAR reporting requirements across banks. To address these gaps, CBS recommended corrective actions, including the rectification of identified errors, the rollout of sector-wide training, strengthening of internal controls, and improvement of process documentation. In addition, banks are required to conduct internal reviews of their CAR reporting after relevant training has been conducted to ensure accuracy and regulatory compliance. The training initiative will be conducted by CBS and aims to strengthen reporting officers' understanding of the revised CAR requirements, promote consistent interpretation of the framework, and minimize instances of misreporting going forward. The training is expected to be delivered during Q2 2026. In parallel, banks have been required to submit remedial action plans outlining how they intend to address the deficiencies identified during the examination and implement CBS' recommended corrective measures by the end-February 2026 deadline set by CBS for final submission.

93. The Bank Recovery and Resolution Bill *(Structural Benchmark, end-September 2024)* was approved by the Cabinet of Ministers in October 2024, marking a key milestone in strengthening the national financial stability framework. In the period that followed, the CBS continued its engagement with the Attorney General's Office (AGO) on updating the draft Bill so that it can be refined and finalized. The proposed legislation establishes a comprehensive framework for the recovery and orderly resolution of banks, in line with international standards and best practices, thereby reducing systemic risks and safeguarding depositors. Its primary objective is to equip the authorities with a clear set of legal powers and resolution tools to manage failing banks in a timely and controlled manner, thereby safeguarding financial stability, protecting depositors, and maintaining confidence in the banking system. The framework is also designed to minimize disruptions to critical banking services and reduce potential fiscal costs associated with bank failures, while aligning Seychelles' crisis management arrangements with international standards and best practices. In parallel, and in the absence of a deposit insurance scheme, the previous Cabinet of Ministers approved in-principle for an increase in the depositor preference coverage limit from SCR10,000.00 to SCR50,000.00. This revision would expand full coverage from 69.9 percent to 84.6 percent of total depositors. The Bill is scheduled to be presented to the new Cabinet of Ministers for endorsement, prior to being tabled before the National Assembly for approval in 2026, including renewed discussions on the potential setup of a deposit insurance scheme.

94. Seychelles continues to make progress in strengthening its cybersecurity framework. In June 2025, CBS received technical assistance from the AFS, focusing on capacity building for cybersecurity supervision. In July 2025, the National Computer Emergency Response Team – Seychelles (CERT-SC) was established to lead the country's efforts in analyzing and monitoring cyber threats, sharing intelligence, raising public awareness and coordinating national responses to cybersecurity incidents. In parallel, the CBS is in the process of implementing a Financial Sector Cybersecurity Incident Response Team (CSIRT) along with relevant policies, which will provide a dedicated platform to strengthen incident reporting, facilitate information sharing and enable coordinated responses to cyber-related issues across the financial sector. These initiatives form part of CBS' ongoing efforts to strengthen its cybersecurity governance framework and enhance supervisory oversight, ensuring a robust and coordinated response to evolving cyber threats across the financial sector.

95. CBS continues to engage with the Ministry of Finance to operationalize the recapitalization process. The Central Bank of Seychelles (Amendment) Act, 2024, which became effective as of August 16, 2024, allowed for the strengthening of CBS' statutory capital *(re, end-June 2024)*. In addition to increasing the authorized capital to R550 million, the Act specifies the process for the recapitalization of CBS to safeguard its institutional and financial autonomy. In that regard, a draft Memorandum of Understanding (MoU), which operationalizes the recapitalization process has been prepared for discussions with the Ministry of Finance. As part of the medium-term budget framework, the recapitalization will begin in 2028 and will be finalized within six years.

96. CBS remains committed to strengthening the legislative framework underpinning the National Payment System. In collaboration with the AGO, the review and amendments to the National Payment System (Licensing and Authorisation) Regulations 2014 were completed, following stakeholder consultations undertaken in Q4 2025 on the draft Amendment Regulations. The National Payment System (Licensing and Authorisation) (Amendment) Regulations 2025 were issued in

December 2025, marking a significant milestone in enhancing regulatory clarity, efficiency, and supervisory effectiveness.

97. CBS continues to work towards a modernised payment system with less paper-based payment instruments, notwithstanding the reinstatement of cheques. Following consultations with the business community and approval by the Cabinet of Ministers, the previous timelines for discontinuing cheque usage have been reversed, and cheques have been reinstated as an approved payment instrument for both individuals and non-individuals. Nonetheless, CBS is working closely with the banking sector and relevant stakeholders to ensure the smooth and coordinated transition towards digitalization.

98. CBS has actively pursued the implementation of the Real-Time Gross Settlement (RTGS), Global Payments Hub (GPH) and Central Securities Depository (CSD) systems, supported by increased engagement from participating institutions. The decision taken in March 2025 to separate the go-lives dates – one for the RTGS and GPH and one for the CSD – and extend the projects has allowed for better allocation of resources and provided participating institutions with additional time to implement the necessary system modifications for onboarding. The project is currently in the Operational Acceptance Phase for all three systems. At this stage, participants are conducting functional testing to ensure compliance with requirements and to strengthen their operational readiness. The immediate priority remains the RTGS and GPH systems, which are scheduled for launch in Q2 2026, followed by the CSD system in Q3 2026. The implementation of these platforms will significantly strengthen Seychelles' national payments infrastructure by enabling secure real-time fund transfers and settlement, enhancing efficiency, and facilitating the effective management and administration of domestic securities while reducing operational risks.

99. CBS is progressing with the development of a Regulatory Sandbox Framework, aimed at fostering innovation, whilst ensuring consumer protection and financial stability. The framework will provide a controlled environment for testing new products, services and business models under the supervision of CBS. The associated policy paper is expected to be presented to the CBS Board of Directors for endorsement by Q2 2026. Following approval, the Regulations is anticipated to be issued by Q2/Q3 2026, after which the framework will be operationalized, enabling innovative solutions to be piloted in a safe and monitored manner, whilst supporting broader financial inclusion objectives.

100. CBS remains committed to reinforcing the financial consumer protection legal framework and advancing financial literacy across the population. The finalisation of the Financial Consumer Protection (Charges and Fees) Regulations and the Financial Consumer Protection (Debt Recovery and Collection) Regulations is at an advanced stage. Both regulations are anticipated to be issued by the end of 2026 following stakeholder consultations. Additionally, initial work has commenced on the development of a Market Conduct Risk-Based Supervisory Framework, with technical assistance from the United States Department of the Treasury Office of Technical Assistance (US OTA). The aim is to enhance supervisory effectiveness and promote proactive oversight of consumer protection risks. Considering the pursuit of the digital economy agenda and increased cyber security threats, CBS remains committed to enhancing digital financial literacy amongst the population, which would empower consumers when making financial decisions.

101. CBS continues to improve the credit reporting framework to enhance credit worthiness assessment. Following the successful go-live of the Seychelles Credit Information System (SCIS) in 2024, efforts in 2026 are focused on enhancing system effectiveness, data quality and compliance oversight. Preparatory work is ongoing for the implementation of the Customer Credit Portal (CCP) and the onboarding of additional categories of data providers to broaden credit information coverage.

102. We are committed to improving the effectiveness of our regime for anti-money laundering and combatting the financing of terrorism (AML/CFT). Work continues to implement the recommendations of the Eastern and Southern Africa AML Group (ESAAMLG) in the 2018 Mutual Evaluation Report. In addition, based on the significant progress of the legislative reforms, Seychelles submitted a request for re-rating of the five outstanding deficiencies (recommendations 6, 7, 8, 15, 33) for discussion at the August 2025 ESAAMLG meeting, where we received an upgrade of three of these recommendations (recommendation 8 upgraded to Largely Compliant, recommendation 15 to Partially Compliant and 33 to Compliant), resulting in three current deficiencies remaining. A further request for re-rating of Recommendation 15 was discussed during the March 2026 ESAAMLG meeting. This recommendation was upgraded to largely compliant.

103. We have completed the second National Risk Assessment (NRA) on money laundering and terrorism financing and published a sanitized version in February 2025. The Technical AML Committee continues monitoring the implementation of the National Action Plan. Based on the findings of the NRA, the Financial Intelligence Unit (FIU) has been strengthening risk-based supervision of lawyers and accountants. The FIU has completed a round of on / off-site inspections of lawyers and will conduct similar inspections for accountants. We will continue our efforts to enhance the quality of BO information held by companies, and will operationalize the IT system in a timely manner to enable access to the Central BO register by reporting entities as required by law.

104. Tackling regulatory arbitrage of activities involving Virtual Assets (VA) and Virtual Asset Service Providers (VASP) is another priority reform. The Government completed the Overall National Risk Assessment of VA/VASPs (ONRA) in 2022, and undertook a further refresh of this ONRA which concluded in July 2024, which has informed the regulatory framework adopted by Seychelles. The introduction of the Virtual Asset Service Providers Act 2024 (the VASP Act) closes the regulatory arbitrage gap that had enabled unlicensed activity, making is such that any entity incorporated or registered in Seychelles that provides virtual asset services must obtain a VASP license, irrespective of where those services are rendered. This is complemented by a comprehensive suite of ongoing compliance obligations, covering both prudential as well as AML/CFT, with the Financial Services Authority (FSA) designated as the regulatory authority and supervisor for the sector.

105. The FSA has implemented a triage system to streamline application processing and prioritize high-risk entities. Prior to the end of the transitional period, 30 VASP applications and 1 application for ICO registration were received. As of January 2025, 13 new applications were also received. To date, 9 applications have been refused and 8 applications have been rejected, with the rest of the applications being in the triage/assessment stage. At this stage, no license or authorization has been issued by the FSA to any VASP applicant. The FSA have commenced inspections (both prudential and AML/CFT) on certain applicants, fit and proper interviews and supervision and assessment of systems and controls presently in place by operational players in the assessment phase.

106. Prior to and following enactment of the VASP Act, the FSA has been working on removing any bad actors, persons who are misrepresenting their status, or persons who failed to submit the necessary application to continue operating from Seychelles. This has resulted in numerous cease and desists, striking off of companies, website shutdowns, public statements/warnings as well as referrals to law enforcement authorities. FSA has also introduced a disruption methodology for shutting down of platforms which are actively portraying themselves as Seychelles based who were previously incorporated in the jurisdiction but have since been struck off or dissolved but continue to operate. FSA has remained focused on consumer protection for this sector, and any action taken against these platforms have been taken with consideration of the interests of the public, regardless of whether these consumers are based outside of Seychelles.

107. The FIU is actively communicating with VASPs and has received a significant number of suspicious transaction reports (STRs). The FIU is working with major VASPs to enable automated STR submission through the GoAML platform.

108. We are also progressing in ensuring that beneficial ownership (BO) information of legal persons and legal arrangements established in Seychelles is adequate, accurate and up to date. Throughout 2025, the FSA conducted active supervision to verify the availability and completeness of registers of beneficial owners and to ensure that beneficial ownership information maintained by legal persons and legal arrangements is accurate and up to date. In total, 1,150 entities under the administration of 42 resident agents were inspected across two streams: a thematic inspection covering 902 entities to assess compliance with the requirement to include National Identification Numbers (“NINs”) and Tax Identification Numbers (“TINs”) in the register of beneficial owners; and an inspection of 248 entities to assess compliance with the periodic review obligation which came into force on October 1st, 2024.

109. The thematic inspection revealed that 99% of the BO registers were available, though the quality and completeness remained mixed, with relatively strong availability of NINs, however, a lesser level of TIN availability reflecting novelty of the requirement and variability in whether the beneficial owners’ jurisdictions issue TINs. Declarations of beneficial ownership were available for 86% of entities and partially available for a further 13%. In relation to timeliness of periodic review, 74% of entities were compliant, while 20% had not signed within the prescribed timeframe, and only 6% were not available. Customer due diligence documents review indicated an improvement of 8% was identified over 2024 inspections in relation to availability of proof of address, with 94% compliant in this regard.

110. Following the inspections, non-compliant legal persons and legal arrangements were issued official letters of direction requiring remediation within 14 days, with the FSA reserving the right to impose penalties in the absence of satisfactory representations. A total of 446 directions were issued, and penalties of SCR 24,700,000 were imposed in aggregate. Where penalties remained unsettled and were not subject to appeal, the FSA initiated legal proceedings to recover the amounts imposed. To support continued improvement, the FSA published updated Beneficial Ownership Guidelines in February 2025 and issued Circular No. 11 of 2025 in October 2025 emphasizing best practices for the conduct of periodic reviews. The population status of beneficial ownership information in the BO database for the International Business Companies, Trusts and Foundations stood at 97%, 93% and 88% respectively at the end of December 2025.

111. On the domestic front the FIU has adopted a comprehensive approach from one-on-one guidance, group awareness programs, inspection and enforcement actions towards an upward trend in compliance. We aim to increase the domestic sector's compliance rate to above 95 percent within the next two years. The FIU has focused its inspections on corporate resident agents that frequently incorporate companies and provide corporate secretarial services. The scope of inspections increased significantly from 5 resident agents and 50 legal persons in 2024 to 25 resident agents and 121 legal persons in 2025. The results demonstrate gradual improvement in compliance. For 2026, the FIU plans to further strengthen cooperation to enhance awareness and improve the population of beneficial ownership information within the domestic sector.

112. We are committed to strengthening the central BO database and improving accessibility and verification mechanisms. The regulations broadening access to the central BO database held by the FIU to financial institutions (Fis) and corporate service providers (CSPs) were Gazetted in December 2024 with amendments undertaken in January 2025 (Structural Benchmark end-December 2024). However, the FIs and CSPs currently do not have access to the database, as this is not technically feasible under the existing IT platform. The development of a new Beneficial Ownership Register Information Technology System (BORITS)_is currently underway to strengthen and modernize the beneficial ownership framework in Seychelles. The contract for the development of BORITS was signed by Seychelles in October 2025 with NextSense, with funding assistance under the Seychelles-UK Economic Security Partnership and from the European Union, with the project officially commencing in November 2025. The new system will introduce a verification mechanism integrated within the Beneficial Ownership database. It will utilize application programming interface connectivity with relevant competent authorities that serve as sources of verified information, enabling automated validation, verification and cross-checking of data. In addition, the platform will incorporate a discrepancy reporting mechanism and built-in validation controls to enhance the accuracy and reliability of beneficial ownership information. BORITS is expected to be operational by the fourth quarter of 2026.

113. The European Union (EU) Council, has removed Seychelles from Annex II (the so-called EU greylist) of the list of non-cooperative jurisdictions for tax purposes effective February 2026, recognizing the Organization for Economic Co-Operation and Development (OECD) Global Forum on Transparency and Exchange of Information for Tax Purposes (the Global

Forum) rating of Seychelles as Largely Compliant against the exchange of information on request (EOIR) standards. The Seychelles Peer Review Report on the Exchange of Information on Request 2026 (Second Round, In-Depth Review) upgraded Seychelles against three elements of the Standard, resulting in an overall review in the rating to Largely Compliant. In accordance, Seychelles been able to demonstrate that it has fulfilled the EU tax transparency criteria and thus been removed altogether from the EU list. The Government remains steadfast in its commitment to honor the international standards on tax transparency and be an effective partner in exchange of information for tax purposes.

H. Climate Change Reforms

114. The authorities recognize that climate change poses significant macroeconomic and fiscal risks for Seychelles and remain committed to strengthening adaptation and mitigation responses within the broader macroeconomic and development policy framework. In this context, Seychelles continues to advance its climate policy, financing, and institutional architecture, including through the National Development Strategy, the National Climate Change Policy, ongoing climate-responsive PFM reforms, and the preparation of a Climate Finance Resource Mobilization Strategy. The authorities are also scaling up climate finance and related reforms to support implementation of their climate commitments, including climate budget tagging and the integration of climate markers in the new IFMIS. Building on the updated NDC submitted in 2021, which set a target of reducing greenhouse gas emissions by 26.4 percent below business-as-usual by 2030 and achieving net zero emissions by 2050, Seychelles is now preparing its NDC 3.0 for the period 2026–35. Under the updated ICTU framework, the new mitigation target is expressed relative to business-as-usual emissions in 2035 and covers the energy, refrigeration and air-conditioning, transport, and waste sectors, with an envisaged economy-wide emissions reduction of 23.1 percent relative to business-as-usual in 2035, equivalent to about 204 ktCO2e. At the same time, adaptation remains a central priority in light of Seychelles' acute vulnerability as a small island developing state to sea-level rise, coastal erosion, flooding, and other climate-related shocks. In support of this agenda, the authorities have continued to allocate resources for climate-resilient infrastructure, including SR 11 million for climate related projects and SR 30 million for coastal protection infrastructure project in 2026. In parallel, the Government, in collaboration with development partners, is advancing the preparation of the Long-Term Low Emission Development Strategy and the National Adaptation Plan, the latter supported by US$2.7 million from the Green Climate Fund. These efforts are intended to strengthen resilience, support Seychelles' climate transition, and enhance the integration of climate considerations into macroeconomic, fiscal, and public investment policy.

115. Building an environmentally sustainable and climate-resilient economy remains a central pillar of the National Development Strategy 2024–28. In this context, the authorities have scaled up adaptation and resilience efforts through implementation of the Coastal Management Plan, the Marine Spatial Plan, the National Integrated Emergency Management Plan, the National Biodiversity Strategy and Action Plan, the Seychelles National Climate Change Strategy, and the Strategic Land Use Development Plan, while also integrating climate considerations into public investment management and the budget process through the revised Public Investment

Management policy and the introduction of climate budget tagging. The Department of Climate Change and Energy has reviewed the National Climate Change Policy, which is yet to be updated, and has advanced the country's mitigation framework by updating the NDC to NDC 3.0, with enhanced ambition through 2035. The Department has also finalized the Integrated Resource Plan for the power sector and, on that basis, developed a five-year Power Procurement Plan to help meet rising electricity demand while supporting the achievement of Seychelles' renewable energy targets. These efforts are being complemented by the World Bank-financed Renewable Energy Acceleration Program, which is expected to support Seychelles' transition to a more resilient and lower-carbon energy system through climate-resilient upgrades to transmission and distribution infrastructure, including substations across Mahé, Praslin, and La Digue, to enable renewable energy integration, support the deployment of solar PV and battery storage, strengthen institutional and technical capacity, and catalyze private investment in renewable energy generation.

116. In order to enhance transparency and improve monitoring and evaluation of public expenditure towards climate change, the government has introduced climate finance budget tagging (reform measure September 2025) into the Budgeting process which also forms part of the broader National Monitoring Reporting and Verification (MRV) Framework in the context of the Enhanced Transparency Framework. The climate budget statement has been fully rolled out to all Government MDAs as part of the 2026 budget process. The introduction of Climate Finance Budget Tagging (CBT) has had a significant positive impact on the Government's budgeting and public financial management processes. Firstly, it has enhanced transparency by clearly identifying and tracking climate-related expenditures across all Ministries, Departments and Agencies (MDAs). This allows policymakers, stakeholders, and development partners to better understand how much is being allocated to climate mitigation and adaptation efforts. Secondly, CBT has strengthened monitoring and evaluation by enabling the Government to systematically assess the effectiveness and efficiency of climate-related spending. It supports evidence-based decision-making by linking financial inputs to climate outcomes and policy objectives. And thirdly, it has improved strategic resource allocation, ensuring that climate priorities are more effectively integrated into the national budget process. This helps align public expenditure with national climate commitments and development strategies.

117. Mobilizing climate finance to address adaptation and mitigation challenges is among our top priorities. Following the Climate Finance Roundtable convened in February with the support of the IMF and the World Bank, discussions with multilateral development banks, bilateral partners, the domestic private sector, and international NGOs identified several priority areas for scaling up climate finance, including renewable energy development, coastal adaptation, innovative blue and sustainability-linked instruments, and the establishment of a Project Preparation Facility (PPF). In this context, the authorities are advancing work on the PPF as a mechanism to strengthen the preparation of bankable mitigation and adaptation projects, improve project readiness, and facilitate access to external climate finance. This effort is intended to help address upstream capacity constraints in project design and appraisal, support a stronger pipeline of investable climate projects, and enhance Seychelles' ability to mobilize concessional and private financing for priority climate investments.

118. The government is committed to scaling efforts to facilitate the accreditation process for two national institutions (SeyCCAT and DBS) that have been nominated as Direct Access Entities to the Green Climate Fund (GCF). Significant progress has been made in advancing accreditation for both entities. They have recently received access credentials to the GCF-RAF portal. In parallel, the Ministry of Finance is undertaking the GCF Financial Management Capacity Assessment as part of efforts to strengthen institutional readiness and enable access to the Green Climate Fund's multi-year readiness financing window. While the government has been making efforts, the climate financing gap remains large and more needs to be done in this regard. As such, Cabinet adopted a national climate finance mobilization strategy that comprehensively covers the financing instruments to unlock international climate finance from public and private sources and the Ministry of Finance is in the process of developing an implementation framework that clearly sets out institutional mechanisms and financing modalities, and to securing funding for at least one major adaptation or mitigation project (*Reform Measure for end-October 2025*).

119. The Government of Seychelles remains committed to strengthening resilience to natural disasters and climate-related shocks. Following Cabinet approval of the Disaster Risk Financing Strategy (DRFS) in March 2025, work is underway to finalize the related action plan and to advance the costing of disaster risk reduction and climate change adaptation needs at the national level. This complements the broader disaster risk management framework set out in the National Integrated Emergency Management Plan, approved in 2020, which emphasizes preparedness, response, and recovery under a multi-hazard approach and supports alignment with Vision 2033 and the National Development Strategy 2024–28. The DRFS aims to strengthen financial preparedness and response capacity, reduce the economic and fiscal impact of disasters, and support timely assistance to vulnerable sectors and populations. It also seeks to diversify financing sources and develop a mix of ex ante and ex-post instruments to strengthen disaster response and recovery. In this context, the Government has joined the World Bank's Regional Emergency Preparedness and Access Inclusive Recovery (REPAIR) Program, which is expected to provide rapid and reliable financing in the event of emergencies, support timely response and recovery, and reduce the fiscal impact of disasters on the budget. Participation in REPAIR will complement the authorities' broader disaster risk management and climate resilience agenda by strengthening financial preparedness and helping safeguard macroeconomic stability against increasingly frequent and severe shocks.

120. The government remains committed to mainstreaming climate elements into the budget and fiscal risk management. The ongoing improvements to the Program Performance Based Budgeting (PPBB) framework and its alignment with the priorities of the new NDS continues to be an opportunity to strengthen the planning and budget framework, as well as to integrate climate change dimensions into the budget. In addition, the government prepared scenarios of long-term fiscal sustainability analysis under different climate scenarios and published the results in the Fiscal Risk Statement (*Reform Measure for end-September 2025*).

121. CBS continues to advance measures to strengthen the management of climate-related financial risk in the banking sector. Following stakeholder consultations, further updates were made to the draft Guidelines on Effective Risk Management of Climate-related Financial Risks to ensure that it is fit for purpose and adapted to the country context. The Guidelines aim to support banks in identifying, assessing, and managing climate-related financial risks within their governance, risk management, and strategic planning processes. In particular, they encourage banks to integrate physical and transition risks into their existing risk management frameworks, strengthen board and senior management oversight of climate-related financial risks, and enhance the incorporation of these risks into credit risk assessment, stress testing and business strategy. Similarly, the draft Guidelines on Climate-related Financial Risks Disclosures was updated to align with the June 2025 BCBS voluntary framework, accompanied by the development of standardized reporting templates. The Guidelines aim to improve transparency and promote more consistent reporting of climate-related financial risks, thereby supporting better risk assessment by regulators, market participants, and other stakeholders. Both finalized Guidelines and the reporting templates were issued to the banking sector on December 18, 2025 *(Reform Measure, end-December 2025)*. In parallel, CBS developed its Climate-related Financial Risks Supervision Strategy[1], aimed at ensuring a holistic supervisory approach to climate-related financial risks within the banking sector. The Strategy was approved by the CBS Board of Directors on March 20, 2026, and subsequently published on the CBS website in April 2026.

122. Addressing climate-related data gaps remains a key priority for strengthening the monitoring and management of climate-related financial risks within the financial sector. With the support of the World Bank, CBS initiated a data gap analysis to assess the availability of climate-related data. To ensure full alignment and coordination of efforts, a tripartite meeting was held between the IMF, World Bank and CBS on October 30, 2025, to discuss the ongoing data gap analysis reform measure. As agreed, the IMF, through STA and MCM, provided technical assistance to CBS in April 2026 on this reform measure to build and complement the ongoing work undertaken by the World Bank and CBS in Q4 2025. Accordingly, the implementation of the reform measure was delayed. Nonetheless, a draft Strategy was submitted to the IMF for comments in January 2026 and the finalised Strategy[2] was approved by the CBS Board of Directors on April 29 and subsequently published on the CBS website *(Reform Measure, end-December 2025).* The Strategy responds to climate data gaps in Seychelles, particularly in hazard mapping, greenhouse gas (GHG) emissions, and climate risk indicators, which constrain effective prudential supervision, macro-financial risk assessment, and climate-informed policymaking. It aims to strengthen climate-related financial risk data collection, reporting, and inter-agency coordination, while supporting the development of national climate data infrastructure and a sustainable finance taxonomy. Likewise, CBS finalized the development of the climate risk exposure return for the banking sector, which was issued on December 30, 2025, for implementation. Given the data-intensive nature of this exercise, CBS has adopted a phased approach on the data reporting *(Reform Measure, end-December 2025)*. On April

[1] https://www.cbs.sc/Downloads/Financial/Regulation%20and%20Supervision/Frameworks/Climate-related%20Financial%20Risk%20Supervision%20Strategy.pdf

[2] https://www.cbs.sc/Downloads/Financial/Regulation%20and%20Supervision/Frameworks/Climate%20Data%20Gap%20Strategy.pdf

29, 2026, CBS published a summary report on climate-related financial risk exposure[3] covering at least two major commercial banks on its website *(Reform Measure, end-May 2026)*. The assessment identified significant climate-related physical risk concentrations within the loan portfolios of two major commercial banks in Seychelles, with majority of the exposures located in vulnerable coastal areas and over 92% exposed to sea-level rise and tidal flooding. Notably, all high- and critical-risk exposures currently lack insurance coverage against climate-related events. The findings also reveal significant sectoral and geographic risk concentrations, highlighting the potential for localised climate events to generate broader systemic financial impacts and informing CBS' future climate stress testing and supervisory frameworks.

123. CBS continues to strengthen its macroprudential stress testing and climate risk analysis capabilities, which was supported by technical assistance from the IMF in May 2024. In particular, work on the macroprudential stress testing model has progressed, with the collection of more granular data, which has enhanced the modelling of foreign exchange risk exposures within the banking sector. While the main output of the model has been finalised, certain additional enhancements and refinements recommended under the IMF technical assistance remain outstanding. In this regard, a follow-up technical assistance mission is scheduled for September 2026. In parallel, CBS has developed and implemented a Banking Sector Climate Risk Analysis Framework, representing an important milestone in integrating climate-related considerations into financial stability monitoring. A summary of the framework was published on the CBS website at the end of September 2025 (Reform Measure, end-September 2025). Furthermore, CBS successfully finalised and published the Banking Sector Climate Risk Exposure Assessment Report[4] on its website on April 29, 2026 (*Reform Measure, end-March 2026*). The assessment indicates that expected losses to the banking sector remain relatively low under normal conditions; however, the risk profile is highly asymmetric, with potentially significant losses arising from low-probability, high-impact climate events. The findings also highlight the spatial concentration of climate-related financial risks, particularly in the southern districts of Mahé where higher hazard intensity coincides with elevated mortgage and tourism exposures, while the concentration of economic activity in northern and central districts suggests that even moderate hazard events could give rise to broader systemic financial risks.

124. The authorities remain committed to implementing Seychelles' NDC and to accelerating adaptation and mitigation measures to support economic transition and diversification. In this context, renewable energy is expected to play a central role in advancing economic, social, and climate objectives. The recently enacted Electricity Act and Utilities Regulatory Commission Act, together with their implementing regulations, provide the legal basis for scaling up renewable energy investment and mobilizing greater private sector participation through distributed electricity generation and renewable energy independent power producers. The Distributed Energy Generation and Independent Power Producer Regulations have been drafted and officially gazetted,

[3] https://www.cbs.sc/Downloads/publications/research/Climate-related%20Financial%20Risk%20Exposure%20Assessment%20Report.pdf

[4] https://www.cbs.sc/Downloads/publications/research/Banking%20Sector%20Climate%20Risk%20Exposure%20Assessment%20Report.pdf

and the rules for rate determination under the various schemes have been approved by the new Board of Commissioners of the Utilities Regulatory Commission. The authorities remain committed to completing the remaining steps needed to operationalize these reforms, including the formalization and publication of buyback tariffs for renewable energy generated under the distributed generation schemes. In addition, the authorities have advanced work on electricity tariff reform through the approval of the multi-year electricity tariff implementation framework by Cabinet which outlines the actions required to develop a revised tariff framework. While this represents an important step in moving the reform process forward, further work is needed to translate this roadmap into a comprehensive tariff framework, including a clearly specified tariff trajectory *(reform measure end April 2025)* and implementation arrangements. Going forward, the authorities will continue to develop the framework with a view to ensuring the financial viability of the electricity sector, supporting efficient energy consumption and climate-resilient investment, and safeguarding vulnerable households through appropriately targeted mitigation measures. The authorities will also seek, as needed, technical assistance to support the design, consultation, and implementation of the reform. Together, these reforms are intended to strengthen the enabling environment for renewable energy deployment and support the transition of the electricity sector toward a lower-carbon path.

125. At the same time, the authorities recognize that regulatory reforms alone will not be sufficient to overcome Seychelles' energy transition challenges. Achieving the country's renewable energy objectives will also require addressing residual financial, technical, and capacity constraints in order to crowd in the scale of public and private investment needed. In this regard, the recently approved Renewable Energy Acceleration Program, supported by the World Bank and Green Climate Fund financing, is expected to help address these constraints through a phased approach that combines investment support with institutional strengthening. The program will also provide technical assistance to the Utilities Regulatory Commission and the Public Utilities Corporation to build capacity and further strengthen the regulatory framework for the electricity sector, thereby supporting more effective implementation of the renewable energy reform agenda.

126. The authorities remain committed to strengthening green fiscal incentives *(reform measure end March 2026)* to promote climate resilience, renewable energy uptake, and environmental sustainability. Existing measures include VAT exemptions on goods imported for the conservation, generation, or production of renewable energy and other environmentally friendly purposes; the Tourism Environmental Sustainability Levy introduced in August 2023 under the Environment Protection Act; and the removal of duties, including the environment levy, on electric vehicles. In addition, the authorities are reviewing the broader fiscal regime with a view to introducing further incentives to support climate- and environment-related investment, including for electric and hybrid vehicles, waste reduction, and utility-scale renewable energy development under the Independent Power Producer model. To further encourage renewable energy deployment, the authorities have also extended the carry-forward period for losses incurred by businesses producing renewable energy to 10 years and introduced tax incentives for businesses engaged in the manufacture of new products from organic waste, including fertilizers.

127. In parallel, the Government has relaunched the PV Rebate Scheme 2.0 to expand adoption of grid-connected solar PV systems. Following the successful operationalization of the residential window, the authorities are advancing a targeted small business component aimed at improving affordability for eligible businesses with annual turnover below SR 6 million. Under the proposed scheme, qualifying small businesses would receive a rebate of SR 7,200 per kWp for systems up to a maximum capacity of 15 kWp, with the Development Bank of Seychelles serving as financial administrator and the Utilities Regulatory Commission acting as technical verifier. Budgetary provision for the scheme is being phased, with SR 10 million proposed for 2026 and SR 18 million annually for 2027 and 2028, subject to approval. These measures are intended to reduce upfront investment costs, lower electricity expenses, strengthen business resilience, and support Seychelles' broader energy security and climate mitigation objectives.

Program Monitoring

128. The program implementation under the EFF has been monitored through quantitative performance criteria and indicative targets, continuous performance criteria, and structural benchmarks. The completion of this review concludes the fifth and sixth reviews under the arrangement, based respectively on the end-June 2025 and end-December 2025 quantitative targets, and marks the final review under the program. Likewise, this review also constitutes the final review under the RSF arrangement, under which progress in the implementation of reform measures has been monitored as set out in Table 3 of the MEFP. The quantitative targets and structural benchmarks are set out in Tables 1 and 2 of the MEFP, respectively, while detailed definitions and reporting requirements for all performance criteria are contained in the attached Technical Memorandum of Understanding (TMU), which also specifies the scope and frequency of data reported for program monitoring purposes. Throughout the program period, the Government has not introduced or intensified restrictions on payments and transfers for current international transactions, or introduced or modified any multiple currency practice, without prior IMF approval; concluded bilateral payments agreements inconsistent with Article VIII of the IMF's Articles of Agreement; or introduced or intensified import restrictions for balance of payments reasons. We request that an amount of SDR 11.830 million and SDR 17.954 million under the EFF and RSF arrangements, respectively, is made available for the fifth and sixth reviews.

Table 1. Seychelles: Quantitative Performance Criteria Under the EFF, 2025–26[1]

(In millions of Seychellois Rupees, unless otherwise indicated)

	March 31, 2025			June 30, 2025				September 30, 2025				December 31, 2025				March 31, 2026[6]		
	IT			Performance Criteria				IT				Performance Criteria				IT		
	Prog.	Actual	Status	Prog.	Adjusted targets	Actual	Status	Prog.	Adjusted targets	Actual	Status	Prog.	Adjusted Targets	Actual	Status	Prog.	Actual	Status
A. Quantitative performance criteria[2]																		
Net domestic financing of the government (ceiling)[3]	-105.5	-237.4	Met	-249.3	145.9	-528.1	Met	-436.4	360.4	-340.9	Met	-623.4	196.0	-131.8	Met	48.1	TBD	
Primary balance of the consolidated government (floor)	74.7	205.1	Met	151.3		664.0	Met	264.8		982.7	Met	378.3		852.1	Met	122.7	TBD	
Total revenue (floor)[4]	2,333.2	2,438.1	Met	4,543.7	4,543.7	5,184.1	Met	7,951.5	7,951.5	8,073.5	Met	11,359.3	11,359.3	11,004.8	Not Met	2,361.2	TBD	
Net international reserves of the CBS, millions of US dollars (floor)[5]	621.8	652.5	Met	628.8	602.0	717.8	Met	635.8	581.7	711.0	Met	670.9	615.3	727.9	Met	674.1	717.5	Met
B. Continuous quantitative performance criteria (ceilings)																		
Accumulation of new external payments arrears	0.0	0.0	Met	0.0		0.0	Met	0.0		0.0	Met	0.0		0.0	Met	0.0	0.0	Met
Accumulation of new domestic payments arrears	0.0	0.0	Met	0.0		0.0	Met	0.0		0.0	Met	0.0		0.0	Met	0.0	0.0	Met
C. Indicative targets (IT)																		
Net change in public and publicly guaranteed domestic and external debt	204.2	-234.4	Met	516.4		-724.1	Met	903.7		-903.0	Met	1,291.0		-634.8	Met	289.9	-312.4	Met
Priority social expenditure (floor)[2]	394.6	435.9	Met	796.4		892.1	Met	1,194.5		1,361.4	Met	1,791.8		1,840.8	Met	403.9	390.6	Not Met

Sources: Seychelles authorities; IMF staff estimates and projections.

[1] The terms in this table are defined in the Technical Memorandum of Understanding (TMU).

[2] The performance criteria are cumulative from the beginning of the calendar year.

[3] If the amount of disbursed external budgetary assistance net of external debt service obligations falls short of the program forecast, the ceiling on net domestic financing will be adjusted pro-tanto. If the amount of disbursed external budgetary assistance net of external debt service obligations exceeds the program forecast, the ceiling will be adjusted downward by the excess disbursement unless it is used to reduce domestic payment arrears. The NDF refers to the central government.

[4] If nominal GDP is lower than projected, the revenues floor will be adjusted by the amount equivalent to the nominal GDP shortfall in percentage terms.

[5] The floor on the CBS's NIR will be adjusted upward (downward) by the amount by which the external non-project loans and non-project cash grants exceeds (falls short of) the amounts assumed in the program. The floor will also be adjusted upwards (downwards) by the amount that external debt service payments fall short of (exceed) the amounts assumed in the program. The floors will also be adjusted upwards by the amount of the new SDR allocation to Seychelles if the IMF makes a new allocation of SDRs

[6] Preliminary data as of May 4, 2026.

Table 2. Seychelles: Structural Benchmarks Under the EFF, 2023–26

Actions	Timing	Objective	Status
Fiscal and Public Financial Management Policy			
1. The upgrade of the ASYCUDA system with new modules is completed for the E-Manifest, and Express Courier modules.	End-September 2023	Strengthen revenue mobilization.	Met
2. Cabinet approval of legislative amendments to streamline VAT exemptions, in consultation with IMF staff.	End-December 2023	Strengthen revenue mobilization.	Not met. Implemented with delay in February 2024.
3. Publish annual reporting of budgeted tax expenditure as a part of the annual budget exercise, in consultation with IMF staff.	End-October 2023	Increase transparency on tax expenditures.	Not met. Implemented with delay in November 2023.
4. Seychelles Revenue Commission to launch a digital case management platform for audit and investigation cases to track the life cycle of the cases from inception to finalization.	End-August 2025	Identify and address tax leakages, strengthen compliance and audit framework.	Met
5. Seychelles Revenue Commission to launch an automated framework for analyze data from multiple sources, identify risks to revenue, conduct risk analysis, and identify potential audit cases based on predefined criteria and parameters.	End-December 2025	Identify and address tax leakages.	Met
6. The MoFNPT to compile an inventory of existing tax expenditures on VAT and business tax, together with an estimate of annual revenue cost, and to publish as part of the official budget.	End-December 2024	Increase transparency on tax expenditures and fiscal cost.	Met
7. Cabinet adoption of a roadmap and timeline of actions necessary to improve the efficiency of public investment, including for climate-related investment, based on the January 2023 PIMA.	End-September 2023	Improve the efficiency of public investment.	Met
8. Cabinet approval of the Public-Private Partnership (PPP) framework including climate-related risks, to be integrated in the Public Financial Management Act and the Public Procurement Act.	End-March 2025	Improve the efficiency of public investment.	Met

Table 2. Seychelles: Structural Benchmarks Under the EFF, 2023–26 (continued)			
Actions	**Timing**	**Objective**	**Status**
9. (i) MoFNPT to announce in the annual budget circular that projects will not be included in the Medium Term Expenditure Strategy (MTES) if appraisal information is absent or materially incomplete; (ii) MoFNPT to establish and distribute to MDAs a set of minimum criteria to assess projects in the MTES 3-year Public Sector Investment Plan (PSIP), on the basis of which (met or not met) PIMU will recommend to the Inter-Ministerial Committee (IMC) for inclusion/deferral in the current year's budget.	End-June 2024	Improve capital expenditure execution by strengthening the framework and capacity for appraising and selecting capital projects.	Met
10. Cabinet approval of legislative amendments to the Public Debt Management Act, in line with recommendations provided by IMF capacity development.	End-March 2025	Establish debt management objectives, establish the Minister of Finance's authority to borrow, and clarify the roles and avoid redundancy of technical units.	Met
11. MoFNPT to establish a database of major and critical fixed government assets managed by MDAs and upload this information to the Fixed Asset Management System.	End-November 2025	Bolster public financial management through accounting of maintenance practices.	Met
12. Cabinet to approve an action plan to address any deficiencies identified in the Public Expenditure and Financial Accountability (PEFA) assessment.	End-November 2025	Strengthen public expenditure management.	Not met. [Implemented with delay in March 2026.]
Fiscal and Public Financial Management Policy			
13. CBS to develop a draft operational framework and launch a 6-month pilot retail investor-oriented purchase window as a prelude to a full-scale buyback facility for the trading of government securities through commercial banks.	End-January 2026	Support the liquidity of bonds and help develop a secondary market for government securities and increase the potential for domestic financing.	Not Met. Full completion expected by end-2026.
14. Government to conduct a functional review of the public sector over the medium-term and share with Fund staff.	End-December 2025	Enhance managerial efficiency, ensure maximization of current human resources, and improve on service delivery.	Not Met. Full completion expected by end-2026. Not met. Implemented with delay in July 2023.
15. Submit amendments to the CBS Act, in consultation with IMF staff, to Cabinet.	End-June 2023	Finish implementing the 2021 safeguards assessment recommendations. The amendments aim to, inter alia, (i) strengthen governance and oversight; (ii) enhance institutional and personal autonomy; and (iii) safeguard financial autonomy.	Not met. Implemented with delay in July 2023.

Table 2. Seychelles: Structural Benchmarks Under the EFF, 2023–26 (continued)			
Actions	**Timing**	**Objective**	**Status**
16. CBS to conduct inflation surveys (1 and 5 years) of banks, firms, and households and publish the results on the CBS website.	End-June 2025	Enhance the monetary policy framework.	Met
17. Submit to the National Assembly amendments to the CBS Act in line with those approved by Cabinet in July 2023 and IMF staff recommendations.	End-June 2024	Address CBS recapitalization needs, in addition to safeguards assessment recommendations.	Not met. Implemented with delay in July 2024.
18. Implement the use of repo operations by CBS for liquidity management.	End-December 2024	Operationalize recent IMF TA recommendations to strengthen the monetary policy operating framework.	Met
19. Adoption of a reform plan for monetary policy operational reforms and make it public.	End-July 2023	Establish a timeline for the implementation of IMF TA recommendations to strengthen the monetary policy operating framework and instruments, including the adoption of repos and the development of the interbank market.	Met
20. CBS to complete a study on NPLs by including a forward-looking analysis.	End-September 2023	Improve the study conducted by CBS on the impact of unwinding of forbearance measures extended during the pandemic on bank asset quality, through a forward-looking analysis, including stress testing.	Not met. Implemented with delay in November 2023.
21. Cabinet approval for draft Bank Resolution Bill aligned to provide an adequate institutional framework and effective powers for dealing with bank resolution and managing a crisis, thus contributing to financial stability, while limiting the use of public funds and addressing moral hazard concerns.	End-September 2024	Based on IMF TA, address shortcomings from previously approved cabinet policy paper for bank resolution and to align with ongoing revisions to the Financial Institutions Act 2004 as amended and Insolvency Law, as well as cater recent developments stemming from the current crisis. Includes identification of consequential amendments in subsidiary legislations, with the objective of providing the regulators the necessary powers to effectively resolve troubled financial institutions.	Not met. Implemented with delay in November 2024.

Table 2. Seychelles: Structural Benchmarks Under the EFF, 2023–26 (concluded)			
Actions	**Timing**	**Objective**	**Status**
State-Owned Enterprises (SOEs)			
22. Publication of SOE Annual Report.	End-June 2023	The annual report will present the overall financial performance of the Public Enterprises based on their audited financial statement and will publish eight months after the closing of the financial year**.**	Not met. Implemented with delay in July 2023**.**
23. Finalize ringfencing the ground-handling operation in Seychelles Airport by transferring the corresponding assets to Seychelles Aviation Handling Company and signing the lease agreement with Air Seychelles.	End-December 2023	Ensure that the ground-handling operations at the Seychelles International Airport, considered an important strategic asset, remain protected from creditors.	Not met. Implemented with delay in March 2024.
Real Sector Reforms			
24. Finalize the terms-of-reference for a study to better understand the dynamics of the tourism sector on the overall economy and its revenue potential.	End-June 2023	Conduct a tourism study, with the assistance of development partners, to better understand the dynamics of the tourism sector and its benefit to the economy. The study would cover all economic activities related to tourism, including accommodation, food and beverage services, recreation and entertainment, transportation, and travel services.	Met
25. Complete the study on the dynamics of tourism on overall economy and on revenue potential and prepare an action plan to maximize the impact of tourism in Seychelles' economy over the long-term.	End-September 2025		Not met. [Implemented with delay in April 2026.]
Financial Integrity/AML/CFT			
26. Amend the Beneficial Ownership (BO) Act to broaden access to the FIU's central BO database to financial institutions, reporting institutions with AML/CFT obligations.	End-December 2024	Advance accuracy and accessibility of beneficial ownership information of entities created in Seychelles (including international business companies, limited partnerships, trusts and foundations).	Met
Source: IMF staff.			

<table>
<tr><th colspan="7">Table 3. Seychelles: Reform Measures Under the RSF, (May 2023–May 2026)</th></tr>
<tr><th colspan="2">Reform Measures (RMs)</th><th>Tentative Target Date</th><th>Status</th><th>Analytical Underpinning</th><th>Capacity Development Support Needs</th><th>Prospective BOP Risk Reduction</th></tr>
<tr><td colspan="7">Reform Area 1. Enabling Climate-Smart Infrastructure Investment and Fiscal Management</td></tr>
<tr><td>RM1</td><td>The Ministry of Finance, National Planning, and Trade (MoFNPT) integrates priority climate adaptation and mitigation objectives stipulated in the National Determined Contribution (NDC) in the forthcoming National Development Strategy 2023-2027, to ensure that investment decisions are consistent with the outcomes expected in the NDC.</td><td>Sep 2023 (1st Review)</td><td>Implemented</td><td>Critical area identified in C-PIMA</td><td></td><td rowspan="4">Fiscal and external sustainability.
- Reduces fiscal costs and contingent liability risks by strengthening public financial management, contributing to debt sustainability and lowering external financing needs.
- Facilitates budget oversight and improves medium-term fiscal and debt management planning.
- Improves spending efficiency through better alignment with authorities' priorities.

Investment promotion
- Strengthens investor confidence and bolsters opportunities to mobilize multilateral, bilateral, and private financing.</td></tr>
<tr><td>RM3</td><td>The MoFNPT updates the Public Investment Management Policy and includes (i) the requirements for the use of methodologies to identify net GHG emission, emission reduction alternatives, and climate resilience of projects in ex-ante project appraisals and (ii) project selection criteria that is fully aligned with the NDC; and (iii) applies the updated project appraisal to at least two major infrastructure projects by end-September 2025 and to all new major infrastructure projects going forward as part of the PIM guidelines/process.</td><td>Sep 2025 (5th Review)</td><td>Implemented</td><td>High priority reform identified in C-PIMA; a top priority identified by the authorities to facilitate access to climate finance</td><td>FAD support has been provided</td></tr>
<tr><td>RM4</td><td>As part of the FY2026 budget process, the MoFNPT (i) identifies climate-related expenditures, including those for adaptation and mitigation, in Program Performance Based Budget (PPBB) and reports a summary climate statement in PPBB document, and (ii) conducts long-term fiscal sustainability analysis under different climate scenarios, assess the main discrete fiscal risks related to climate change.</td><td>Sep 2025 (5th Review)</td><td>Implemented</td><td>High priority reform identified in C-PIMA; climate finance tracking a top priority identified by the authorities</td><td>FAD support has been provided for item (i) and needed for item (ii).</td></tr>
<tr><td>RM10</td><td>In accordance with the national climate finance mobilization strategy adopted in RM5, (i) the cabinet adopts an implementation framework including institutional mechanisms, financing modalities, and necessary guidelines; and (ii) the MoFNPT, together with relevant sector ministries, secure* funding for at least one major[2/] adaptation or mitigation project that contributes directly to the NDC.
(*funding secured in the budget and/or loan agreement signed)</td><td>Oct 2025 (5th Review)</td><td>Implemented</td><td>A high priority jointly determined with the authorities and development partners</td><td>Climate finance advisor, MCM provided input.</td></tr>
</table>

Table 3. Seychelles: Reform Measures Under the RSF, (May 2023–May 2026) (continued)

	Reform Measures (RMs)	Tentative Target Date	Status	Analytical Underpinning	Capacity Development Support Needs	Prospective BOP Risk Reduction
Reform Area 2. Financial Sector Resilience and Climate Finance Mobilization						
RM5	To scale up climate finance, (i) the cabinet adopts a national climate finance mobilization strategy that comprehensively covers the financing instruments to unlock international climate finance from public and private sources; and (ii) the MoFNPT, together with relevant sector ministries, develop and submit a pipeline of appraised climate-related projects for recommendation by the Inter-Ministerial Committee and approval by the MoFNPT as part of the budget process.	**Sep 2024 (3rd Review)**	Implemented in November 2024	A high priority jointly determined with the authorities and development partners	Climate finance advisor, MCM provided input	*Fiscal and external sustainability.* Bolsters opportunities to mobilize multilateral, bilateral, and private financing. *Financial sector resilience and external sustainability.* Reduces financial sector losses when climate risks materialize, lowering recapitalization needs for banks and lowering import needs for repair and reconstruction. *Investment promotion* Clarification of climate-related exposures facilitates investment by reducing uncertainty.
RM6	The Central Bank of Seychelles (CBS) (i) issues draft guidelines for consultation on management and supervision of climate-related financial risks, consistent with international standards (BCBS 2022); (ii) issues draft guidelines for consultation on disclosure of climate related financial risks in accordance with international standards (BCBS—expected to be published by end-2024); (iii) issues a concept note for consultation with stakeholders/banks, to be circulated at the same time with the guidelines under (ii), and to include summary information on the key components of CBS' climate risk supervision strategy.	**Mar 2025 (4th Review)**	Implemented with a minor deviation	Important reform area based on Climate Change Policy Assessment	WB and MCM provided support.	
RM6.1	The Central Bank of Seychelles (CBS) (i) issues finalized guidelines on management and supervision of climate-related financial risks (based on BCBS 2022); (ii) completes a data gap analysis for supervision and disclosure of banks' exposures to climate-related financial risks in consultation with IMF staff; (iii) publishes a strategy for bridging data gaps.	**Dec 2025 (6th Review)**	Implemented in April	Important reform area based on Climate Change Policy Assessment	WB, STA, and MCM provided support.	
RM6.2	The Central Bank of Seychelles (CBS) (i) issues finalized guidelines on disclosure of banks' exposures to climate-related financial risks in consultation with IMF staff; (ii) establishes regulatory reporting templates for monitoring climate risk exposures.	**Dec 2025 (6th Review)**	Implemented	Important reform area based on Climate Change Policy Assessment	WB and MCM provided support.	

Table 3. Seychelles: Reform Measures Under the RSF, (May 2023–May 2026) (continued)

Reform Area 2. Financial Sector Resilience and Climate Finance Mobilization (continued)

	Reform Measures (RMs)	Tentative Target Date	Status	Analytical Underpinning	Capacity Development Support Needs	Prospective BOP Risk Reduction
RM6.3	The Central Bank of Seychelles (CBS) publishes on the CBS website a summary report on climate-related financial risk exposure which covers at least two major commercial banks.	**May 2026 (6th Review)**	Implemented	Important reform area based on Climate Change Policy Assessment	WB and MCM provided support.	
RM9	The CBS adopts and implements a banking sector climate risk analysis framework and publishes a summary of the framework on the CBS website.	**Sep 2025 (5th Review)**	Implemented	Important reform area based on Climate Change Policy Assessment	WB and MCM provided support.	
RM9.1	The CBS publishes a climate risk exposure assessment of the banking sector based on the climate risk analysis framework.	**Mar 2026 (6th Review)**	Implemented in April	Important reform area based on Climate Change Policy Assessment	WB and MCM provided support.	

<table>
<tr><th colspan="7">Table 3. Seychelles: Reform Measures Under the RSF, (May 2023–May 2026) (concluded)</th></tr>
<tr><th colspan="2">Reform Measures (RMs)</th><th>Tentative Target Date</th><th>Status</th><th>Analytical Underpinning</th><th>Capacity Development Support Needs</th><th>Prospective BOP Risk Reduction</th></tr>
<tr><td colspan="7">Reform Area 3. Climate Mitigation and Adaptation Policy and Disaster Risk Financing</td></tr>
<tr><td>RM2</td><td>The cabinet of ministers approves the new draft building legislation that integrate climate adaptation and mitigation aspects.</td><td>Mar 2024 (2nd Review)</td><td>Implemented</td><td>Critical area identified in C-PIMA</td><td></td><td rowspan="4">External, financial, and fiscal resilience.
Limits potential financial losses and fiscal pressures from exposure to disaster risks.

External and fiscal sustainability.
- Incentivizes a more efficient use of energy and supports the transition to cleaner energy--reducing reliance on fuel imports and mitigating the effects of fuel price volatility.
- Reduces the fiscal burden on government to address negative externalities while also potentially increasing revenues.
- Reduces fiscal and external financing needs.</td></tr>
<tr><td>RM7</td><td>The MoFNPT, together with the Disaster Risk Management Division, develop and adopt a comprehensive national Disaster Risk Financing Strategy (DRSF) considering complementary instruments that meet the financing needs.</td><td>Mar 2025 (4th Review)</td><td>Implemented in May 2025</td><td>Critical Area identified in C-PIMA</td><td>FAD provided support</td></tr>
<tr><td>RM8</td><td>To scale-up renewable energy in the context of the new Electricity Act and the NDC, (i) the Utility Regulatory Commission (URC) adopts and implements a rates determination framework for renewable energy sources under the net billing and gross metering schemes and publishes the cumulative installed capacity of distributed renewable energy in accordance with the Distributed Generation System Regulations, (ii) the Ministry of Agriculture, Climate Change, and Environment (MoACCE) adopts a Power Procurement Plan from independent power producers (IPPs) that is consistent with the Integrated Electricity Plan, and the URC approves a competitive selection process for renewable energy IPPs in accordance with the IPP Regulations, and (iii) the URC approves an implementation framework for a multi-year tariff system for end-use electricity tariffs that are cost-reflective and publishes tariff trajectory in accordance with the Electricity Tariff Setting Regulations.</td><td>April 2025 (4th Review)</td><td>Not Implemented</td><td>Based on discussion with the authorities during PIMA mission; Top priority reform identified by the authority</td><td>WB provided technical input to sub-regulations.</td></tr>
<tr><td>RM11</td><td>The MoFNPT introduces green fiscal and tax incentives to promote positive environmental outcomes and reduce greenhouse gas emissions to support the NDC (for example, congestion fees, feebates, environmental levy, and/or price incentives for waste reduction).</td><td>Mar 2026 (6th Review)</td><td>Implemented in April</td><td>Top priority reform identified by the authority; Important reform area based on Climate Change Policy Assessment</td><td></td></tr>
</table>

Attachment II. Technical Memorandum of Understanding

This Technical Memorandum of Understanding (TMU) defines the performance criteria, quantitative benchmarks, and structural benchmarks of the Republic of Seychelles' economic and financial program supported by the Extended Fund Facility (EFF). It also specifies the frequency and deadlines for data reporting to the staff of the International Monetary Fund (IMF) for program monitoring purposes.

I. Definitions

- Unless otherwise indicated, "government" is understood to mean the central government of the Republic of Seychelles and does not include any political subdivisions (such as local governments), the central bank, or any other public or government-owned entity with autonomous legal personality not included in the government's budget.

- Consolidated government debt is understood to mean central government plus public guarantees.

- "External debt" is defined as debt denominated in any currency other than the Seychellois rupee (SCR). (1) The performance criterion or indicative target will include all forms of debt. The definition of "debt" is set out in paragraph 8 (a) of the Guidelines on Public Debt Limits in Fund-Supported Programs attached to the Executive Board Decision No. 16919-(20/103), adopted October 28, 2020. For the purpose of these guidelines, the term "debt" will be understood to mean a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being as follows:

- loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);

- suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and

- leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purpose of these guidelines, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair, or maintenance of the property.

- (2) awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

II. Quantitative Performance Criteria

A. Ceiling on Net Domestic Financing of the Government

1. **Net domestic financing (NDF) of the government is defined as the sum of:** (i) net bank credit to the government, defined below; and (ii) net nonbank financing of the government, including the proceeds of the sale of government assets, which includes proceeds from the divestiture of shares of public enterprises, that is privatizations, Treasury bills, and other securitized obligations issued by the government and listed in rupees in the domestic financial market, and any Central Bank of Seychelles (CBS) credit to the government, including any drawings on the rupees counterpart of the Special Drawing Rights (SDR) allocation.

2. **The data deemed valid within the framework of the program will be the amounts for net bank credit to the government and for the net amount of Treasury bills and bonds issued in rupees on the domestic financial market, calculated by the CBS, and the amounts for nonbank financing calculated by the Treasury of Seychelles.**

3. **Gross external budgetary assistance is defined as grants, loans, and non-earmarked debt relief operations (excluding project-related loans and grants, use of IMF resources, and debt relief under the Heavily Indebted Poor Countries (HIPC) and Multilateral Debt Relief (MDRI) Initiatives**. Net external budgetary assistance is defined as the difference between gross external budgetary assistance and the sum of total debt service obligations on all public external debt (defined as the sum of interest payments and amortizations on all external loans, including interest payments and other charges to the IMF and on project-related loans, but excluding repayment obligations to the IMF), and all payments of external arrears.

4. **Adjustors:** Net domestic financing of the government will be adjusted downward (upward) if net external budgetary assistance, including the Resilience and Sustainability Facility (RSF), exceeds (falls short of) the program projections.

5. **For the purpose of monitoring, data will be provided to the Fund by the authorities on a monthly basis with a lag of no more than four weeks from the end-of-period.**

B. Floor on the Primary Balance

6. The primary balance is defined as total revenues and grants minus primary expenditure and covers non-interest government activities as specified in the budget. The primary balance will be measured as cumulative over the fiscal year, and it will be monitored from above the line.

- **Revenues are recorded when the funds are transferred to a government revenue account.** Tax revenues are recorded as net of tax refunds. Revenues will also include grants. Capital revenues will not include any revenues from non-financial asset sales proceeding from divestment operations.

- **Central government primary expenditure is recorded on a cash basis and includes recurrent expenditures and capital spending.** Primary expenditure also includes transfers to State-Owned Enterprises (SOEs). All primary expenditures directly settled with bonds, or any other form of non-cash liability will be treated as one-off adjustments and recorded as spending above-the-line, financed with debt issuance, and will therefore affect the primary balance.

7. Adjustors: The primary balance target will be adjusted upward (downward) by the surplus (shortfall) in disbursements of grants relative to the baseline projection.

8. For the purpose of monitoring, data will be provided to the Fund by the authorities monthly with a lag of no more than four weeks from the end-of-period.

C. Floor on Total Revenue

9. Total government revenue includes tax and nontax revenue, as shown in the fiscal table, but excludes external grants, revenue of autonomous agencies, and privatization receipts.

10. The government revenue floor will be adjusted downward by the amount equivalent to the shortfall in nominal gross domestic product, in percentage terms, compared to the program projections.

11. For the purpose of monitoring, data will be provided to the Fund by the authorities on a monthly basis with a lag of no more than four weeks from the end-of-period.

D. Floor on Net International Reserves

12. Net International Reserves (NIR) of the CBS are defined as the difference between reserve assets and reserve liabilities with a maturity of less than one year. Note that, NIR exclude blocked assets. Blocked assets mostly consist of commercial banks foreign deposits and project accounts. Since those assets are controlled and readily available to the CBS to meet BOP needs, they are included in gross international reserves (GIR).

13. Reserve assets are defined as readily available claims on nonresidents denominated in foreign convertible currencies. They include the CBS's holdings of monetary gold, SDRs, foreign currency cash, foreign currency securities, deposits abroad, and the country's reserve position at the Fund. Excluded from reserve assets are any assets that are pledged, collateralized, or otherwise encumbered, claims on residents, claims in foreign exchange arising from derivatives in foreign currencies vis-a-vis domestic currency (such as futures, forwards, swaps, options et cetera), precious metals other than gold, assets in nonconvertible currencies, and illiquid assets.

14. Reserve liabilities are: (1) all foreign exchange liabilities to residents and nonresidents with original maturity of less than one year, including commitments to sell foreign exchange arising from derivatives (such as futures, forwards, swaps, options, et cetera); and (2) all liabilities outstanding to the IMF (only the total outstanding use of Fund Credit and loans is included in reserve liabilities).

15. Adjustors: The floor on the CBS's NIR will be adjusted upward (downward) by the amount by which the external non-project loans, including the RSF, and non-project cash grants exceeds (falls short of) the amounts assumed in the program. The floor will also be adjusted upwards (downwards) by the amount that external debt service payments fall short of (exceed) the amounts assumed in the program. The floors will also be adjusted upwards by the amount of the new SDR allocation to Seychelles if the IMF makes a new allocation of SDRs to its membership.

16. For the purpose of monitoring, semiannually, at each test date for program quantitative targets, the net international reserves data submitted by the CBS to the IMF will be audited by the CBS' internal audit division in accordance with International Standards on Auditing, to ensure conformity with the program definition and calculation methods. Reports will be submitted to the IMF no later than two months after each test date.

E. Non-Accumulation of New Domestic and External Arrears (continuous)

17. Domestic payments arrears are defined as domestic payments due but not paid by the government after a 90-day grace period unless the payment arrangements specify a longer payment period. The Ministry of Finance records and updates the data on the accumulation and reduction of domestic payments arrears.

18. The government undertakes not to accumulate any new domestic payments arrears. The non-accumulation of new domestic payments arrears will be continuously monitored throughout the program. The accumulation of any new domestic payments arrears will be reported immediately by the government to Fund staff.

19. The government undertakes not to accumulate any new external public payments arrears, with the exception of arrears related to debt that is the subject of rescheduling. External public payments arrears are defined as payments due but not paid by the government as of the due date specified in the contract, taking into account any applicable grace periods, including contractual and late interest, on the external debt of the government or external debt guaranteed by the government. The performance criterion on the non-accumulation of new external public payments arrears will be continuously monitored throughout the program. The accumulation of any new external payments arrears will be reported immediately by the government to Fund staff.

20. Standard continuous performance criteria include: 1) prohibition on the imposition or intensification of restrictions on making of payments and transfers for current international transactions; 2) prohibition on the introduction or modification of multiple currency practices; 3) prohibition on the conclusion of bilateral payments agreements that is inconsistent with Article VIII; and 4) prohibition on the imposition or intensification of import restrictions for balance of payments reasons.

III. Indicative Targets

A. Net Change in Public and Publicly Guaranteed Domestic and External Debt

21. The public and publicly guaranteed domestic and external debt is defined as the public debt and includes the central government debt plus domestic and external guarantees provided by the government.

B. Floor on Government Social Spending

22. The indicative floor on social spending will apply to the expenditures incurred by the government on the following plans and programs that are intended to have a positive impact on education, health, social protection, housing and community services and recreational activities:

- Goods and services: day care scheme under IECD; breakfast and lunch under education and dedicated fund; home care giver transferred to family affairs, SPTC Bus refund for students.
- Capital project: vulnerable home repair.
- Social program of government: Housing finance scheme, home improvement/re-roofing scheme for pensioners, youth employment scheme, temporary financial assistance.
- Transfers to public enterprises: SPTC- refund of bus fare for elderly, disability and workers special.
- Benefits and approved programs of agency for social protection: all budget lines under this code.

IV. Program Reporting Requirements

23. Performance under the program will be monitored from data supplied to the IMF by the authorities. The authorities will transmit promptly to IMF staff any data revisions as well as other information necessary to monitor the arrangement under the EFF.

V. Data and Information

24. The Seychelles authorities (government and CBS) will provide Fund staff with the following data and information according to the schedule provided.

The CBS Will Report

Weekly (within one week from the end of the period):

- Daily reserve money data.
- Foreign exchange reserves position.
- A summary table on the foreign exchange market transactions.
- The results of the liquidity deposit auction, primary Treasury bill auctions, and secondary auctions.

Monthly (within four weeks from the end of the month):

- The monetary survey in the standardized report form format.
- The foreign exchange cash flow, actual and updated.
- Financial soundness indicators.
- Stock of government securities in circulation by holder (banks and nonbanks) and by original maturity and the debt service profile report.

The Ministry of Finance Will Report

Monthly (within two weeks from the end of the month):

- Consolidated government operations on a commitment basis and cash basis in the IMF supported program format and in GFSM2001 format.
- The detailed revenues and expenditures of the central government and social security fund.
- Import and export data from the customs department.
- Public debt report reconciled with the cash operations to minimize any statistical discrepancy.
- Consolidated creditors schedule on domestic expenditure arrears of the government.

Quarterly (within one month from the end of the quarter):

- Accounts of the public nonbank financial institutions.

25. The government and CBS will consult with Fund staff on all economic and financial measures that would have an impact on program implementation and will provide any additional relevant information as requested by Fund staff.

INTERNATIONAL MONETARY FUND

SEYCHELLES

May 13, 2026

STAFF REPORT FOR THE 2026 ARTICLE IV CONSULTATION, FIFTH AND SIXTH REVIEWS UNDER THE ARRANGEMENTS UNDER THE EXTENDED FUND FACILITY AND THE ARRANGEMENT UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY, AND REQUEST FOR A WAIVER FOR NONOBSERVANCE OF A PERFORMANCE CRITERION—INFORMATIONAL ANNEX

Prepared By

The African Department
(In consultation with other departments)

CONTENTS

RELATIONS WITH THE FUND

(As of April 30, 2026)

Membership Status: Joined 6/30/1977. Accepted Article VIII obligations since 01/03/1978.

General Resources Account	SDR Million	% Quota
Quota	22.90	100.00
Fund holdings of currency	109.83	479.61
Reserve Position in Fund	3.58	15.64

SDR Department	SDR Million	% Allocations
Net cumulative allocation	30.23	100.00
Holdings	5.36	17.73

Outstanding Purchases and Loans:		
RSF Arrangements	13.27	57.96
Extended Arrangements	90.49	395.15

Latest Financial Arrangements:

			SDR Million	
Type	Arrangement	Expiration	Amount Approved	Amount Drawn
EFF	May 31, 2023	May 30, 2026	42.37	30.54
RSF	May 31, 2023	May 30, 2026	34.35	13.27
EFF	July 29, 2023	May 30, 2023	74.00	61.00

Latest Outright Loans:

			SDR Million	
Type	Commitment	Drawn/Expired	Amount Approved	Amount Drawn
RFI	May 08, 2020	May 12, 2020	22.90	22.90

Projected Obligations to the Fund (SDR Million: based on existing use of resources and present holdings of SDRs):

Forthcoming

	2026	2027	2028	2029	2030
Principal	7.09	11.08	12.17	14.75	15.26
Charge/interest	4.69	4.12	3.49	3.01	2.52
Total	11.78	15.21	15.66	17.75	17.77

Implementation of HIPC Initiative: Not applicable

Implementation of Multilateral Debt Relief Initiative (MDRI): Not applicable
Implementation of Catastrophe Containment and Relief (CCR): Not applicable

An update safeguards assessment of the Central Bank of Seychelles (CBS) was completed in December 2023. It found that the CBS has continued to strengthen its safeguards framework, including through ongoing legal reforms to further align governance and autonomy provisions with leading practices. Amendments to the CBS Act passed by the National Assembly for enactment in August 2024 strengthened CBS governance and institutional, personal and financial autonomy. While financial reporting and external audits continue to adhere to international standards, capacity constraints remain a key challenge for advancing the internal audit and risk management functions. The CBS has implemented all safeguards recommendations.

Exchange Rate Arrangements: The de jure and the de facto exchange rate arrangements in Seychelles is classified as floating. Seychelles maintains a multiple currency practice arising from the use of an official exchange rate in transactions between the CBS and the government through government SCR accounts. The MCP arises from the CBS selling rate for GBP—calculated as the previous day's mid-rate plus a one-percent commission—with the last impermissible spread observed on November 7, 2025.

Article IV Consultations: Seychelles is currently under a 12-month consultation cycle. The last Article IV Consultation was concluded on June 3, 2024.

Technical Assistance (January 2024-January 2026):

MCM
Macroprudential Stress Test and Climate Risk Analysis, July 2024
Central Bank Strategic Planning, August 2024
Monetary Policy Operations and Repo Market Development, August 2024
Risk Based Supervision Framework Enhancement – Risk Rating and Off-site Supervision, December 2024
Risk Based Supervision Framework Enhancement – Supervisory Risk Rating, February 2025

FAD
Desk Review of Public Investment Policy, January 2024
Strengthening the Medium-Term Fiscal Framework and Medium-Term Budget Framework, February 2024
Climate Tagging, Climate-Related Fiscal Risks, and Climate Sensitive Public Investment Management, April 2024
Post Clearance Audit, May 2024
VAT and BIT: Tax Expenditures Assessment, July 2024
Digitalization Strategy, August 2024
Strengthening Fiscal Risk Management-Climate, September 2024
Governance-Board Induction, October 2024

Digitalization Strategy Project Profiles, November 2024
Review of the Public Financial Management Legal Framework, November 2024
Seychelles Disaster Risk Management Strategy, December 2024
Draft of the New PFM Act, January 2025
Seychelles' Peer-to-Peer Engagement, February 2025
Seychelles' Peer-to-Peer Engagement, September 2025
Tax Reform for Simplicity, Equity, and Efficiency, December 2025

STA
Government Finance Statistics and Public Sector Debt Statistics, June 2024
Consumer Price Index, April 2024
National Accounts, July 2024
Consumer Price Index, February 2025
Government Finance Statistics and Public Sector Debt Statistics, June 2025
FSI Reporting with the 2019 FSI Guide and Expanding MFS coverage, October 2025
National Accounts, November 2025
Consumer Price Index, March 2026

LEG
Reforming Public Debt Management Act, January 2026

Resident Representative: Farayi Gwenhamo

RELATIONS WITH OTHER INTERNATIONAL FINANCIAL ORGANIZATIONS

As of May 2026, Seychelles collaborates with the World Bank Group and the African Development Bank. Further information may be obtained from the following sources.

http://www.worldbank.org/en/country/seychelles

https://www.afdb.org/en/countries/east-africa/seychelles/

Statement by the Alternate Executive Director, Ms. Luu and Ms. Maxwell, Senior Advisor, and Ms. Iro, the Advisor of the Executive Director on Seychelles
Executive Board Meeting
May 26, 2026

On behalf of the Seychellois authorities, we convey our sincere appreciation to Mr. Schneider and his team for the constructive and candid dialogue during the in-country mission and the well-written report. Seychelles' strong program performance under the Extended Fund Facility (EFF) and Resilience and Sustainability Facility (RSF) exceeded several initial objectives over the three-year period. The completion of the program coincides with heightened global uncertainty, including spillovers from the Middle East crisis, which amplifies vulnerabilities associated with Seychelles' small size, heavy reliance on tourism and imports, and exposure to external shocks. The program has been instrumental in supporting macroeconomic stability, building resilience, and advancing structural reforms, which allows the Seychelles to face this challenge from a position of strength. The authorities reaffirm their strong commitment to sound macroeconomic and structural policies under both arrangements, and the policy framework outlined in the Letter of Intent.

Program Performance: EFF and RSF

Overall program performance has been strong, supported by the authorities' continued program ownership. All EFF quantitative performance criteria were met except for a minor shortfall in the end-2025 QPC on the revenue floor, due to delayed proceeds from a proposed land sale and lower-than-expected dividends from a state enterprise. Accordingly, the **authorities request a waiver for the non-observance of the revenue-floor target,** noting that these circumstances were temporary in nature and do not undermine the authorities' commitment to the program objectives.

The Government has implemented most structural benchmarks under the EFF; however, the Central Bank of Seychelles (CBS)-related benchmarks are likely to be delayed in view of the complexity and the need for additional support from multilateral partners and expected to be completed after the end of the program.

Commitment to the RSF implementation has also been strong. All reform measures have been completed, except for RM8 which relates to the implementation of a multi-year tariff system for end-use electricity tariffs requiring more time to complete the technical work.

Recent Economic Developments and Outlook

Seychelles' economy has been resilient, with growth outperforming earlier expectations. GDP growth in 2025 is estimated at 5.1 percent compared to 3.2 percent in 2024, driven primarily by robust tourism performance, supported by higher visitor arrivals, and bolstered by growth in construction, manufacturing, telecommunications, fishing, and wholesale and retail trade.

Year-on-year inflation fell to minus 0.2 percent in 2025 compared to 1.71 percent in 2024, driven by lower electricity tariffs and fuel prices, and a favorable exchange rate. Given the low-inflation environment, CBS maintained an accommodative monetary policy stance throughout 2025, keeping the policy rate unchanged at 1.75 percent. However, challenges persist in enhancing monetary policy transmission, reflecting the underdeveloped money market. The recent shocks arising from the Middle East conflict warrant continued vigilance.

External sector conditions strengthened in 2025. The current account deficit narrowed to 6.5 percent of GDP in 2025 from 7.9 percent in 2024, reflecting higher tourism receipts, which outweighed the increase in imports. Gross foreign reserves rose to US$878 million at end-December 2025, equivalent to 4.2 months of import cover, compared with US$774 million (3.8 months) in 2024. Reserve accumulation was primarily driven by the CBS's purchases of foreign exchange from the domestic market through the Foreign Exchange Auction (FEA).

Fiscal performance in 2025 exceeded program expectations, supporting the reduction in public debt. The primary surplus reached 2.5 percent of GDP, well above the program's projection of 1.9 percent. While favorable tax outturns contributed to this outcome, the bulk of the overperformance stemmed from expenditure restraint, including hiring constraints and under-execution of capital projects. Weak capital budget execution continued to reflect longstanding implementation challenges, notably delays in donor-financed grants, weaknesses in procurement and project selection processes, and capacity constraints. As a result, public debt declined to around 54 percent of GDP at end 2025 from 58 percent in 2024.

Outlook and Risks

In 2026, growth is projected to slow markedly to 1.5 percent, reflecting weaker tourism activity following disruptions to international air connectivity and reduced visitor arrivals amid external shocks, as well as softer performance in fisheries, manufacturing, and trade due to shipping disruptions. Continued expansion in public sector–related activities and the ICT sector is expected to partially offset these headwinds. The current account deficit is projected to widen to 7.8 percent of GDP, driven by lower tourism earnings and higher import costs, while the primary surplus is expected to decline amid potential spending pressures and spillovers from the Middle East conflict. A higher inflation path is expected, reflecting higher fuel prices, increased shipping costs, and depreciation of the local currency.

The outlook remains subject to significant downside risks amid heightened external uncertainty. Key risks stem from the intensity and persistence of the Middle East crisis and the resulting disruptions to regional air travel and international shipping, weak tourism demand, commodity price volatility, the increase in freight costs and ongoing geopolitical tensions in other regions. The authorities stand ready to reprioritize and rationalize spending to protect vulnerable households while safeguarding priority investment should conditions deteriorate.

Fiscal Policy, Public Financial Management and Debt

The Government is committed to fiscal consolidation to ensure debt remains on a downward trajectory. The authorities are targeting a lower primary surplus of 0.9 percent of GDP in the 2026 budget than the 1.5 percent originally envisaged, reflecting heightened downside risks and potential revenue and spending impacts from the war in the Middle East.

The authorities acknowledge the importance of adopting a medium-term fiscal strategy to preserve fiscal sustainability and improve oversight. The government remains committed to strengthening the public financial management framework, drawing on the findings of the 2025 Public Expenditure and Financial Accountability (PEFA) assessment. The assessment reflects progress in transparency, fiscal reporting, debt management, fiscal risk oversight, and public investment management. Work continues to introduce further legislative amendments which strengthen the legal basis for the publication of key budget and financial documents, accountability mechanisms, and budget frameworks.

Progress has been made in strengthening debt management. Transparency has been supported by the publication of quarterly debt bulletins and borrowing plans, which have improved investor confidence and domestic market stability. The government is pursuing a balanced financing strategy, relying on external borrowing mainly for key projects while maintaining government securities, particularly T-bonds, as the primary source of domestic financing, and is advancing legal reforms through a revised Public Debt Management Act. Efforts to deepen the domestic debt market have included diversifying instruments and lengthening maturities to reduce refinancing risks, alongside ongoing work (with IMF support) to introduce a retail investor purchase window and modernize infrastructure.

Financial Sector

The financial sector remains resilient although underlying vulnerabilities persist. The banking industry remains well capitalized and profitable with sufficient liquidity buffers, alongside improved asset quality. At the same time, emerging risks related to household credit growth and sectoral concentration underscore the need for continued vigilance and monitoring of credit dynamics. The authorities noted the importance of enhancing its supervisory framework and are committed to enhancing risk-based supervision, addressing data gaps, and strengthening forward-looking assessments.

Monetary and Exchange Rate Policy

The CBS maintained an accommodative monetary policy stance throughout 2025 and into early 2026, keeping the Monetary Policy Rate at 1.75 percent. Inflationary pressures eased in the short term, although a gradual rise in prices is expected over the medium term due to anticipated currency depreciation. Efforts to strengthen monetary policy transmission have progressed, including the implementation of IMF technical assistance recommendations, enhancements to inflation expectations surveys, and adjustments to money market operations. Key reforms included revising the parameters of Deposit Auction Arrangements and updating the Net Open Position framework to improve financial stability and policy effectiveness.

CBS also reaffirmed its commitment to a floating exchange rate regime, intervening only to maintain orderly market conditions and build reserves. Foreign exchange purchases continued through early 2026, supporting reserve adequacy amid external risks. Partnerships with international institutions remain central to capacity building, notably through the renewed agreement with the World Bank's RAMP program to strengthen reserve management practices. In parallel, CBS is deepening collaboration with the Financial Services Authority to enhance data coverage and quality in monetary and financial statistics, including expanding reporting from the insurance sector and other non-bank financial institutions.

Structural Reforms

The Government of Seychelles remains committed to advancing economic transformation centered on private sector and micro, small and medium enterprise-led growth, despite structural constraints associated with being a small island developing state. Key priorities include strengthening tourism through a high-value, sustainable model, modernizing agriculture and fisheries to enhance productivity and value addition, and improving competitiveness through skills development, digitalization, and infrastructure investment.

To support this broader transformation, the Government is advancing structural and institutional reforms to improve the business environment and facilitate investment. These include the rollout of a digital investment portal and business registration systems, modernization of licensing processes, expansion of entrepreneurship support programs, and the establishment of a Government Business Service Centre. Complementary initiatives including digital payments reform, the operationalization of a Commercial Court, and targeted labor market programs are intended to strengthen efficiency, investor confidence, and inclusion. In parallel, major infrastructure projects, including land reclamation and coastal protection, are being implemented to expand economic space and support long-term development, with financing structured to maintain fiscal sustainability.

Climate-related Reforms

The authorities of Seychelles recognize climate change as a major macroeconomic and fiscal risk and are strengthening policy, institutional, and financing frameworks to address it. Climate objectives are being integrated into national strategies, public financial management, and budgeting processes. Seychelles is advancing its mitigation commitments under its updated Nationally Determined Contributions (NDC), with new targets for emissions reductions by 2035, while maintaining a strong focus on adaptation due to its vulnerability as a small island state. Resources continue to be allocated to climate-resilient infrastructure, and key strategies, such as the Long-Term Low Emission Development Strategy and National Adaptation Plan, are under preparation. Efforts are also underway to mobilize climate finance, including through a Project Preparation Facility, accreditation to the Green Climate Fund, and a comprehensive climate finance mobilization strategy, though financing gaps remain significant.

At the same time, the authorities are scaling up implementation of policies and reforms to enhance resilience, support renewable energy development, and strengthen climate-related financial oversight. CBS is advancing supervision of climate-related financial risks, including through stress testing frameworks. Structural reforms in the energy sector aim to expand renewable energy deployment and attract private investment, complemented by fiscal incentives and targeted programs such as the solar PV rebate scheme. Addressing capacity constraints and scaling up investment remain critical to achieving Seychelles' climate objectives and ensuring a resilient, low-carbon transition.