Seychelles' Experience with Macroeconomic Reforms

A Successful Case of Reforms in a Small Island Economy

Presented by:

Pierre Laporte
Minister for Finance, Trade and Investment
Republic of Seychelles
Some Facts about Seychelles

- Archipelago of 115 Islands in Western Indian Ocean
- Population of 91,000
- An independent nation since 1976
- Key Economic Sectors: tourism, financial, fisheries, manufacturing
- Highest GDP per Capita in Africa (Approximately US$ 13,000)
- No. 1 in Africa on UNDP's HDI (Already attained most of the MDGs)
- No. 1 in Africa on Tourism Competitive Index
- No. 1 in Africa in E-Government
- No. 4 in Africa on Mo Ibrahim Governance Index
Build-up to Seychelles' Economic Crisis

- Centrally Planned Economic Regime (1977-1993)
  - One-party Political System
  - Nationalization of key Sectors (Heavy Government Role)
  - Highly subsidized Welfare System
  - Economy supported by Significant Grants in Cash, Capital and Human Resources from friendly Socialist nations

- Move to a more Mixed Economy Regime (1993-2008)
  - Return of Multi-party Political System
  - Government Reduced role in Economy but remained Dominant
  - Beginning of Privatization Program
  - Economy Opened Up; More Private Sector Participation
  - Historical Events Shock Seychelles Economy
    - Grants dry up after collapse of Soviet Union
    - US Pulls Out Satellite Tracking Station, a Key Forex Earner
    - First Multi-party Election (a Major Budget Burden)
    - Seychelles Hosts IO Games (another major Financial Drain)
Seychelles' Economic Performance Since 2008

Chart 1: Real GDP Growth and Nominal GDP

Year

- 2006
- 2007
- 2008
- 2009
- 2010
- 2011
- 2012
- 2013

USD Million

0 200 400 600 800 1000 1200 1400

Percentage

-4 -2 0 2 4 6 8 10 12

GDP (USD million) Real GDP growth (%)
Chart 3: Inflation Rate

Percentage


12-Month Average Year-on-Year Month-on-Month
Chart 4: Fiscal Balances as Percentage of GDP
Chart 5: Debt to GDP Ratio

- **Percent of GDP**
- **Colors:**
  - Purple: Domestic Debt
  - Red: External Debt
  - Yellow: Total Public Debt
Challenges Going Forward

• Need to Sustain Gains made since 2008 and Maintain Macroeconomic Stability

• Need to Continue to Pursue Structural Reforms and to avoid "Reform Fatigue"  

• How to balance Ever Growing Social Needs and Maintain Welfare Expectations whilst striving for Fiscal & Debt Sustainability Target

• How to Increase Wealth and Raise Country from an Upper Middle Income one to the Next Level in an environment of Limited Natural and Human Resources with Limited Scope for Diversification
Thank You!