

COOPERATION  
European Union - Republic of Seychelles

J O I N T   A N N U A L   R E P O R T

2003

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## **1. Executive Summary**

While Seychelles boasts a per capita income of approximately US\$8,000, its economy is fragile, narrowly based, and vulnerable to market and environmental changes. It is highly dependent on fishing and tourism, the latter generating half of GDP and accounting for 16% of formal employment as well as a much higher percentage of secondary employment.

Seychelles is, at present, experiencing serious economic and, in particular, financial difficulties. The maturation of several long-term loans contracted in the late 1970's and early 80's to finance the generous welfare provisions and social development (for example, free access for every Seychellois to education and health) had begun to impose a heavy and unsustainable burden on government finances leading to persistent large budget deficits and balance of payments problems. The economic difficulties, a serious shortage of foreign exchange currently being experienced and an important debt may force the government to cut back on its social programs.

The Seychelles Government has recognised the need to correct the fundamental imbalances in the country's economy and has launched a Macro Economic Reform Programme (MERP) in July 2003.

The MERP reforms have however led to Seychelles' withdrawal from certain international organisations such the Southern African Development Community (SADC) and the organisation of member states of the Indian Ocean Rim (IOR).

The Country Support strategy was signed on the 14<sup>th</sup> February 2003. Moreover, it is expected that the updating of the solid waste management master plan would be completed in early 2004 and Government's commitments secured in respect of proposals therein before proceeding to discussions on the EDF 9 financing proposal for the focal sector. To widen possibilities for increased participation of non-state actors in development, it is also indicated that reliquats from prior EDFs would be ploughed into the EDF 9 decentralised cooperation programme.

In terms of results achieved in the focal and non-focal sectors, all EDFs inclusive, Seychelles has shown good absorption, albeit implementation difficulties linked to the critical macroeconomic situation, which have impacted negatively on investments necessitating foreign currency transactions.

On the regional scale Seychelles accesses EU funding through programmes appraised through the IOC and now under the enlarged group being COMESA/EAC/IGAD/IOC. Worthwhile noting is the EURO 14 million project for Tuna Tagging and other EU cooperation tools, the more important being the Fisheries Protocol.

Regarding future programming perspectives, there are no changes to the Country Strategy and neither to foreseen projects, pre-empting therefore on the 2004 mid-term review which would confirm the already accepted strategy.

## 2. The policy agenda of the partner country

### *Education and Health*

In its traditional role as the generous *'état providence'*, a high priority has been given to Education and Health; in 2003 almost 10% of budget went to Education representing 7.8% of GDP. However, in line with the MERP reforms, the budget is to be cut by 4% in 2004.

Public expenditure on health accounted for 3.9% of GDP in 2000, evidenced by an excellent immunization programme with 95% coverage of infants and children, for instance.

### *Environment*

Environmental issues have for long been at the forefront of government policy. This is understandably so given the importance that tourism plays in the economic development of the country and the link that exists between tourism and environment. Policy measures taken by government, such as the Environmental Protection Act of 1994, have been of fundamental importance in ensuring that the country is committed to prevent environmental degradation problems that are common in many other countries.

### **Link with the EU Country Strategy**

The environment sector is the focal sector which will absorb 85% of total funds (€ 3.3 million) under the 9<sup>th</sup> EDF. The principal intervention foreseen is a Solid Waste Management Programme as identified as priority in the Environmental Management Plan. The spill-over impact of EU's intervention in the retained focal sector will preserve the logic of activities carried out in the context of other EC policy areas (e.g. development support, through the Fisheries Agreements, to coastal and lagoon fishing).

Under the 8<sup>th</sup> EDF, 80% of funds were also allocated to the environment sector, with projects relating to landfill and water treatment.

## 3. Update on the political, economic and social situation

### *3.1 Progress towards poverty reduction : Millennium Development Goals (MDG)*

The list of MDG's as set out in the JAR 2002 was unfortunately not concrete enough given the lack of data/information. Consequently, the Seychelles Government have enlisted other indicators drawn from the Millennium Development Goals and refers to the period 1999 through to 2002. Projections beyond 2002 are not available (Na)

Indicator	1999	2000	2001	2002
Population below poverty line (%)	7	Na	7	Na
Life Expectancy at birth	73	72	73	72
Adult literacy rate (% age 12 and above)	Na	94	94	94
Pupil/teacher ratio	13.8	13.8	Na	Na
One year olds fully immunized against tuberculosis(%)		99	95	Na
Carbon dioxide emission		2.6	Na	Na

per capita (metric tons)				
Seats in parliament held by women(as % of total)		23.5	Na	Na
Human development index	0.79	0.81	Na	Na
Education index		0.83	Na	Na

Sources Human Development Reports 2000, 2001, 2002 and 2003 of the UNDP  
Economist Intelligence Unit  
Seychelles in figures 2001

On the basis of data available, it can be said that the Seychellois, on average, enjoyed a reasonably good standard of living. In 2002, Seychelles was ranked 36<sup>th</sup> on the UNDP Human Development Index, maintaining its position within the high human development bracket and enjoying a GDP per capita of US\$ 8,000.

### 3.3 Assessment of the education sector

Adult literacy rate was maintained at a high 94% over the period 1999-2002. The education index, stood at 0.87, which is comparable with that of a number of European countries. These positive indicators reflect the impact of the government's policy of ensuring free access to education to all Seychellois.

### 3.4 Assessment of key macro-economic indicators

#### Government Budget (in millions of Seychelles Rupees) [1EUR = 6,57945 SCR Dec. 2003]

	1995	1996	1997	1998	1999	2000	2001	2002 proj.	2003 proj.
<b>Current receipts</b>	1187.8	1082.1	1176.2	1312.1	1399.6	1283.1	1389.0	1488.0	1502.0
<b>Grants</b>	12.8	13.8	9.5	28.8	40.6	49.6	16.0	28.0	10.0
<b>Current Outlays</b>	1062.4	1179.1	1317.4	1379.7	1352.2	1357.7	1468.0	1780.0	1625.0
<b>Capital Outlays</b>	144.2	203.1	225.6	412.4	402.3	462.6	263.0	274.0	68.0
<b>Net Lending</b>	48.4	25.3	95.7	150.2	33.5	-145.4	-80.0	-80.0	-
<b>Overall Balance</b>	-54.5	-311.6	-453.0	-602.4	-347.9	-342.2	-246.0	-458.0	-181.0
<b>GDP (current SR prices)</b>	2419.8	2500.3	2844.6	3060.0	3155.4	3450.4	4271.1	3337.0	3337.0
<b>Deficit as a % of GDP</b>	-2.3	-12.5	-15.9	-19.7	-11.0	-9.9	-5.76	-13.73	-5.4

Source: Quarterly Review of the Central Bank of Seychelles for April/June 2001

The structural financial imbalances, [in particular (a) the loss of foreign reserves (from US\$ 43.7 million in 2000 to US\$ 30.2 million in 2001), (b) high external debt (US\$ 165 million in 2000) and payment arrears and (c) acute foreign exchange shortages,] have become more visible and have begun to affect the domestic economy. This in turn poses a threat to the past socio-economic achievements of the previous welfare state.

### 3.5 Analysis of the macro-economic and sectoral policies selected as focal sectors.

The environmental sector may boast of a clear and stable policy framework and receives high government priority, impacting directly on the wellbeing or otherwise of important economic sectors, tourism and fisheries in particular. The EU's commitment, under the 9<sup>th</sup> EDF, will require that the Government affirms and continues commitment to its 2000-2010 Environmental Management Plan. To be noted that an update of the Seychelles solid waste master plan (funded by 8<sup>th</sup> EDF) has been launched in September 2003, from which 9<sup>th</sup> EDF projects will be identified in 2004.

## **Current Waste Management Situation**

Currently, waste management is not done on the principles of best practices. The uncertainties about wastes amounts, the obsolescence of the only management contractor's contract are evidences that the situation would have to be urgently addressed. See Annex (i) for more info on the current waste management situation.

### ***3.6 Changes in the political situation***

The country is governed by Mr France Albert René (President) since 1978. This is President René's last term in office and he is expected to resign in early 2004.

### ***3.7 Changes in the economic situation***

The most immediate and pressing challenge for Seychelles is to overcome its present serious economic and financial problems. A medium-term challenge is to adapt smoothly and successfully to the increasingly open world-trading environment. Seychelles perceives regional economic integration as a stimulus to trade but has been slow in implementing regional tariff reductions. The Seychelles Government has recognised the need to correct the fundamental imbalances in the economy. In this context, the Government launched a Macro Economic Reform Programme (MERP) in July of 2003 to tighten domestic monetary conditions in line with a new fiscal stance that moves away from trades tax to consumption tax as a source of government revenue. It also provides mechanisms to improve fiscal discipline. The first six months of 2003, prior to the introduction of the MERP, saw a shortfall in government fiscal operations, amounting to SCR 131 million. However, following the introduction of the MERP, Government expects a total revenue of SCR 1.8 billion in 2003 compared to SCR 1.4 billion in 2002. The main economic concern in 2003 remained the lack of foreign exchange. Its "non-availability" is affecting industries and individuals alike. Under the current system, the Seychelles Rupee is pegged using a basket of currencies.

### ***3.8 Achievements in the social sectors and in cross-cutting issues***

#### **Gender**

A look at the gender dimension shows that Seychelles is among the first countries in the world in considering women as equal partner to their male counterparts.

#### **Good Governance, Non-State Actors**

No change from previous year.

### ***3.9 Regional and International Developments***

The MERP reforms have led Seychelles to withdrawal from certain international organisations such the SADC and the IOR. Seychelles still remains a member of the Indian Ocean Commission. The regional policy of the Government was also reinforced by two bilateral agreements signed with Mauritius (Commission on Bilateral Cooperation- CBC) and with Réunion (Accord Cadre de Coopération). Seychelles will also participate in February 2004 in the ESA/EU first negotiating session on EPA.

### ***3.10 Trade aspects***

The country has a structural trade deficit which amounted to 154.4 millions of Euros in 2002. Seychelles is a net importer of goods. Details on imports and trade issues at Annex (ii).

## **4. Overview of past and ongoing cooperation**

### ***4.1 FOCAL SECTORS***

The focal sectors of the 7<sup>th</sup> and 8<sup>th</sup> EDF were industry and environment respectively. See Annex (iii) for the intervention programmes.

### **EDF 9 FOCAL SECTOR : Environment – Solid Waste Sector**

The environment sector has been proposed, and accepted in the EU-Seychelles Country Support Strategy, as the sole focal sector for Seychelles' 9th EDF Indicative Programme (Euro 3.9 million). The foreseen activities relate more specifically to environmental health - solid waste disposal - will have a direct and positive impact on the population as a whole, in the form of improved public health and general living standards. The production of landfill gas, as an energy source, may also be considered.

Consultancy will be launched in early January 2004 for the actualisation of the National Solid Waste Master Plan and will also involve stakeholder consultations and discussions with Government as to the best options for intervention. A Financing Proposal may be expected near end of April 2004.

### ***4.2 NON-FOCAL SECTOR OPERATIONS***

For the 7<sup>th</sup> and 8<sup>th</sup> EDFs, projects ranged from tourism, to environment. More details in annex (iv).

### **4.2.3 EDF 9 NON-FOCAL SECTOR : Capacity Building**

The 9<sup>th</sup> EDF non-focal area will focus on capacity building, in both state and non-state sectors. State capacity building will centre on training for the Ministries of Administration and Manpower Development and Education and Youth. Capacity building for non-state actors will aim at empowering NGOs and delivering quality services through strengthening NGO information and coordination capacity and, inter alia, developing a culture of volunteering popular participation.

Activities in the NGO sector will aim at empowering the NGOs and delivering quality services, mainly through the NGO association, LUNGOS. Such activities would include strengthening co-ordinating capacity and providing backstopping and secretariat facilities for NGOs.

Some 15 % (Euro 0.6 million) of the 9th EDF "A" envelope is allocated to this area, 50% of which for state capacity building, 50% in support of NGO capacity building. A Financing Proposal has been finalised in November 2003 and transmitted to the European Commission.

In addition to the above, Seychelles is also entitled to benefit from resources (Euro 0.8 million) under 9th EDF non-programmable aid (the "B" envelope) and from other instruments, including EC budget lines and the investment facility. Particular mention is made in this respect of All-ACP capacity-building funds destined to support e.g. WTO membership, EPA preparation and sanitary/phytosanitary conditions in the fisheries sector.

### **4.3 Other instruments**

#### **4.3.1 European Investment Bank**

Total EIB financing under successive Lomé Conventions (I – IV) has so far amounted to Euro 11.6 million (Euro 1.5 million from own resources and Euro 10.1 million from risk capital). Given the small size of the Seychelles economy, on-lending via a financial intermediary has proved to be the most effective way for the Bank to support the development of private sector SMEs. EIB interventions have therefore concentrated on global loans to the Development Bank of Seychelles (DBS), for the financing of small and medium-sized private sector enterprises in the industrial, agro-industrial, fisheries, tourism and transport sectors (Euro 11 million in all). A founding shareholder of DBS, the EIB also holds, in the name of the EC, a 16 % equity share in DBS. In the public sector, a Euro 1 million loan from risk capital was made to the Government of Seychelles in 1999 to part-finance the rehabilitation and extension of the Le Niol water supply system, a project co-financed by a Euro 1.35 million EDF grant.

#### **4.3.2 Regional co-operation**

The chosen priority sector, environment, is coherent with a number of ongoing regional co-operation programmes in the South Indian Ocean. Seychelles is a member country of the Indian Ocean Commission, which benefits from EDF regional allocations. The 7th EDF Regional Support Programme for Environmental Initiatives ended in December 2003 and directly benefited Seychelles in many areas. An environmental education programme (ARPEGE) is also being implemented under the 8th EDF. In addition, the World Bank has approved the financing of a major environmental project for the IOC (oil spillage contingency).

Under the 9<sup>th</sup> EDF the regional entitlements from which Seychelles may benefit in conjunction with other countries are managed and attributed under a larger umbrella covering four regional organizations namely the COMESA, the EAC, the IGAD and the IOC. In total this allocation amounts to EURO 223 million.

In 2003 there has already been a financing decision for the Tuna Tagging Programme to the tune of EURO 14 million and for which the Project Management Unit will be based in the Seychelles.

#### **4.3.3 Fisheries**

Fisheries is set to remain a key industry for Seychelles and also remains a key element in its relations with the European Union. The preferential access of Seychelles Fisheries products on the European market is one of the main elements in maintaining the competitiveness of Seychelles fisheries products which face increasing competition from Asian markets. The Seychelles EU Fisheries Agreement is one of the most important agreements that the EU has with a third country and this is reflected in the value of the exports towards the EU and the size of the EU fleet in Seychelles waters.

The fisheries protocol renewed in 2001 for a period of three years (January 2002 – January 2005) gives right to simultaneously fish in Seychelles waters to 67 European vessels (40 tuna seiners and 27 surface long-liners) for a reference catch of 46,000 tons of tuna per year. The financial contribution of this fishing agreement is far more important than the EDF NIP envelopes and fixed at EURO 3,460,000 per year of which, €2.3 million is the financial

compensation paid directly to the Treasury and the remaining balance (€ 1,160,000 per year) utilised for: the development of local fisheries (see below), the setting up and development of a monitoring control and surveillance system, scientific & technical programmes and training courses linked to the fishery sector.

A joint committee meeting provided for in the EC/Seychelles fishing agreement takes place each year to review the implementation of the protocol as well as the difficulties occurring in the fishing sector. The last joint committee meeting took place in Brussels in September 2003 and mainly discussed the following issues: preferential access of ACP (and Seychelles) canned tuna in Europe as well the sanitary problems (regarding EU regulations) in Swordfish: a component of previous fisheries agreements with the EU was the establishment of a Seychellois owned swordfish fleet. This section of the industry was severely hit in 2003 due to an alert issued by SANCO regarding high levels of heavy metals in swordfish exported from Seychelles. This led the Competent Authority in Seychelles to ban exports from one of the companies involved in Seychelles. This is an issue which concerns the whole region, however, as many studies have pointed out that there is only one swordfish stock in the Indian Ocean.

## **5. Programming perspectives for the following years**

Continuity and concentration of the European Union's development assistance since prior EDFs to current 9<sup>th</sup> EDF is being preserved, with the environment sector, particularly the solid waste sector being addressed. It is expected that the updating of the solid waste management master plan would be completed in early 2004 and Government's commitments secured in respect of proposals therein before proceeding to discussions on the EDF 9 financing proposal for the focal sector.

### ***5.1 Integration of new EC/EU policy initiatives and commitments***

The Seychelles' government may indeed not be able to reallocate funds to cater for the new EC/EU policy initiatives since the intervention into the already identified focal sector is being maintained and confirmed. It expresses however a justified interest to avail of some on-going initiatives such as the water initiative and the Education for All initiative.

As regards the social sectors, in line with the commitment towards the European Parliament of allocating 35% of resources to social sectors, the Seychelles Government wants to widen possibilities for increased participation of non-state actors in development; it is thus indicated that reliquats from prior EDFs would be ploughed into the EDF 9 decentralised cooperation programme.

**Trade and development:** in line with the EC Communication (COM 2002/513) and the Council resolution on Trade and development and taking into account the negotiations of Economic Partnership Agreements, the MTR will seek to ensure that trade issues are properly addressed and adequately funded via intra-ACP funds for instance.

**Fisheries:** the existing Fisheries Protocol signed with the European Union for the period 2002 –2005 converges to objectives outlined in the EC Communication (COM 2000/724) and Council Resolution on Fisheries and Poverty Reduction wherein the EU supports that countries where the fisheries sector is important should place greater emphasis on this sector.

### ***5.2 Proposal on a review and adaptation of the CSP***

The MTR foreseen in 2004 will confirm the strategy already outlined in the country's CSP signed in 2003. Resources arising from unused funds in prior EDFs will be merged into the EDF 9 non-focal decentralized cooperation activities.

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## **Overview of year 2003**

Notwithstanding the fact that the Seychelles had one of the highest per capita income of the African region, its economy is extremely fragile and particularly vulnerable to market and environmental changes. Indeed, the financial crisis which hit the economy by the beginning of the century has already had serious impacts on the economic as well as social development of the country during the year 2003. The financial difficulties were exacerbated during the year due essentially to the maturation of several long-term loans contracted in the late 1970's and early 80's to finance the generous welfare provisions and social development. The consequence was the inevitable imposition of a heavy and unsustainable burden on government finances which led to persistent large budget deficit and balance of payments problems.

Recognising the need to correct the fundamental imbalances in the country's economy, the Government has launched a Macro-Economic Reform Programme(MERP) in July 2003 to tighten domestic monetary conditions in line with a new fiscal stance that would move away from trades tax to consumption tax as a source of government revenue. It also aimed at providing a mechanism to improve fiscal discipline. To note that the first six months of 2003, prior to the introduction of the MERP, saw a shortfall in government fiscal operations, amounting to SCR 131 million. It was expected that the introduction of the MERP would reverse that trend and bring about a considerable improvement in economic and financial variables.

As regards cooperation with the EU, the strategy paper for Seychelles was signed on 14<sup>th</sup> February 2003 with the environment, and more specifically the solid waste sector, identified as the only focal sector. This represents a continuity and concentration of the EU's development assistance since prior EDFs. As regards the non-focal sector, it was agreed to allocate resources on capacity building activities for both the state and non-state actors.

### **The Mid-term Review process**

The Mid-term Review(MTR) exercise was carried out in 2004. In this context, meetings with Government and non-state actors were organised.

The MRT concluded that the Government had been successful in reducing and almost eliminating poverty but high public expenditure has led to unsustainable macro-economic instabilities. The Government was implementing a macro economic reform programme in order to stabilise the economy without prejudicing the results achieved in social sectors. It was important that the reform programme also ensured adequate protection of the environment, one of the main capital assets of the Seychelles. Against this background the EC strategy was considered appropriate and no change was envisaged.

Reliquats from previous EDFs were used to increase the financial allocation to the non-focal sector by € 0.26 million, thus bringing the allocation to € 0.86 million. In addition, it was agreed to put in place a Technical Cooperation Facility of € 0.25 million.

The Government's performance in sectoral policies and financial execution was considered satisfactory. For these reasons, no modification was proposed to the initial allocation to the A envelope. (See below)

The balance of funds presently available on the B envelope (€ 0.7 million or 87.5% of the initial allocation) should remain. It was sufficient to cover an on-going request of € 0.53 million leaving a balance of € 0.17 million in view of Seychelles' vulnerability to tropical storm damage and the ECHO reserve of 7%.

### **Programming Perspective for the future**

As regards the integration of the new or existing EC/EU priorities in future programming, the Water Initiative has been identified as being of interest to the Seychelles apart from environment as central theme for EC intervention.

### **Performance appraisal**

#### First criteria: Financial performance of the country (at 31/12/2003)

##### EDF

Number of years to complete commitments	5.21 yrs
Number of years to complete assigned funds	5.93 yrs
Number of years to complete payments	5.81 yrs
Level of utilisation of the 9 <sup>th</sup> EDF A envelope(+transfers)	0%
Level of utilisation of the 9 <sup>th</sup> EDF B envelope	0%

Forecasts for commitments and disbursements for 2004-2007 (million euros)

Year	Commitments	Assigned funds	Payments
2004	4.41	0.286	0.399
2005	0	3.290	1.309
2006	0	1.200	2.230
2007	0	0.390	1.260
Total	4.41	5.166	5.198

Payments over the past 10 years have been good.

Commitments in Seychelles are statistically unsatisfactory but this results from a distortion. For the 8<sup>th</sup> EDF, 67% of the NIP was committed the year after ratification of the convention; for the 7<sup>th</sup> EDF, commitments were made at regular intervals during the life of the convention. The overall financial performance is thus assessed as satisfactory. The pipeline of projects shows that, by end 2004 or early 2005, 100% of the A envelope plus transfers from previous EDFs will be committed.

#### Second criteria: Country's sectoral (and macroeconomic performance)

Government has progressed in refining the set of indicators which will be complemented with baseline data and targets on the basis of the results of the Masterplan, presently under Government's consideration.

The appreciation of indicators, as presently defined, is considered as satisfactory.

On sector policy side, despite the financial difficulties the continued commitment of Government to the ongoing Environmental Management Plan has to be underlined and is set to remain high on the agenda. However, the financial imbalances and, in particular, the shortage of foreign exchange, are constraints to a fully enabling environment. The situation requires a clear commitment from Government to enable sustainable results in the medium to long term.

The appreciation on sector policy commitments is considered to be roughly on schedule.

#### Special conditions

Government has been successful in reducing and almost eliminating poverty; the remaining challenge is to consolidate these achievements by creating macroeconomic stability. Thus the coming years are critical for the Government which has to combine implementation of structural reforms to create a more flexible and competitive environment with macroeconomic stability and a reduced fiscal deficit to avert an unsustainable debt.

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Annex (i) Current waste management situation

Annex (ii) Imports and trade issues

Annex (iii) Details of projects under 7th and 8th EDFs – focal sector

Annex (iv) Details of projects under 7th and 8th EDFs - non focal sector

**9th EDF Activity Pipeline Chronogramme (updated on basis of table in CSP)**

Activity	Amount	Identification	Appraisal	Financing Decision
9th EDF Focal sector project in Solid Waste	€ 3,3m	2004/3	2004/4	2004/9
9th EDF non-focal sector Decentralised cooperation programme	€ 0,6m from EDF 9 A-allocation	2003/12	2003/12	2004/3
9th EDF non-focal sector Training of police force	€0,26m reliquats prior EDFs	2004/3	2004/4	2004/9

# Seychelles

YEAR global commit.	Accounting number (global commit.)	N° indiv Commit	Title Project (Global Commitment)	Amounts in €		2004 extension to be requested Y/N*	Amount to be decommitted (D)	Decomm 2004: Estimation risk factor			Global Commitment	Indiv. Commitment	RAC	1 <sup>st</sup> Semester			2 <sup>nd</sup> Semester			TOTAL	payments 2004 estim, risk factor			3 <sup>rd</sup> Semester			TOTAL	A L A R M	COMMENTS
				date end implementation	Category old RAL			Low	Medium	High				PAYMENTS A	PAYMENTS B	PAYMENTS A+B	payments 2004 estim, risk factor	Medium	High		PAYMENTS A	PAYMENTS B	PAYMENTS A+B						
																								ongoing indiv. Commitments	Payments on ongoing indiv. Commitment	RAP			
<b>Total ongoing global commitment</b>							12 785	12 785	0	0	2 685 236	2 443 978	241 258											OK					
<b>Total ongoing individual commitment</b>							9 834	1 300	0	8 534	3 151 336	2 063 602	1 087 734											OK					
<b>Total</b>							22 619	14 085	0	8 534	RAL: 1 328 991			old RAL: 12 785															
1991	7ACP SEY1	0	CONSOLIDATION DEVEL ARTISANAT			N	12 785	12 785	0	0	1 000 000	987 215	12 785											OK	By delegation note no. 2978 dated 12Nov03, the request for closure of this project had already been sent to AIDCO/C3 & AIDCO/C8				
1998	8ACP SEY2	0	NIOL WATER TREATMENT WORKS	20000630		N	0	0	0	0	1 350 000	1 350 000	0											OK	By delegation note no. 74 dated 14Jan2004, the request for closure of this project had already been sent to AIDCO/C7				
1998	8ACP SEY2	1	VIJAY CONSTRUCTION	20001130	7		49 573	49 573	0	0	1 350 000	1 300 427	49 573	0	0	0	0	0	0	0	0	0	0	0	0	OK	By delegation note no. 3235 dated 18Dec03, the request for closure of this commitment had already been sent to AIDCO/C8.		
<b>Total Individual Commitment</b>												1 350 000	1 300 427	49 573											OK				
2000	8ACP SEY5	0	TOURISM CAPACITY BUILDING PROJECT	20040331		N	8 534			8 534	420 000	411 466	8 534											OK	On going				
2000	8ACP SEY5	2	WP 2 01022002-31122002	20021231			1 300	1 300			156 336	156 336	0	-1 300	0	-1 300	-1 300								OK	A receipt order amounting to 9 315.21 SCR has been forwarded to the Delegation. The closure process of this WP is under way.			
2000	8ACP SEY5	3	WORK PROGRAMME 3 (24.10.03-31.03.04 : 707.346,.90 SCR)	20040331			5 000			5 000	119 000	0	119 000	114 000		114 000	84 500		29 500						OK	On going			
<b>Total Individual Commitment</b>												275 336	156 336	119 000											OK				
2002	8ACP SEY9	0	MELON FRUIT FLY ERADICATION PROGRAMME	20051231		N	0				1 100 000	59 900	1 040 100											OK	On going				
2002	8ACP SEY9	1	IMPERIAL COLLEGE LONDON CONSUL (TA CONTRACT DATED 20.08.03)	20040924							59 900	0	59 900	26 600	33 300	59 900	26 600	13 300	20 000						OK	On going			
<b>Total Individual Commitment</b>												59 900	0	59 900											OK				
2003	8ACP SEY10	0	PREPARATION DE L'ACTUALISATION DU PLAN DIRECTEUR DECHETS	20040531		N	0				125 000	85 900	39 100											OK	On going				
2003	8ACP SEY10	1	SCOTT WILSON KIRKPATRICK (T.A. CONTRACT DATED 24.09.03)	20040229							85 900	14 067	71 833	25 770	46 063	71 833	25 770	46 063							OK	On going			
<b>Total Individual Commitment</b>												85 900	14 067	71 833											OK				

Sechelles			FORECAST 2004						FORECAST 2005								
			Amounts in €						Payments 2004 estimation risk factor								
			1 <sup>st</sup> Semester		2 <sup>nd</sup> Semester		TOTAL					1 <sup>st</sup> Semester		2 <sup>nd</sup> Semester		TOTAL	
YEAR Global commit	Accounting number (global commitment)	Title New Individual Commitment	indiv. commit A	payments B	indiv. commit C	payments D	indiv. commit A+C	payments B+D	Low L	Medium M	High H	indiv. commit A	payments B	indiv. commit C	payments D	indiv. commit A+C	payments B+D
<b>Total ongoing new individual commitment</b>			0	0	156 000	100 000	156 000	100 000	100 000	0	0	200 000	106 000	400 000	200 000	600 000	306 000
2002	8ACP SEY9	MELON FRUIT FLY ERADICATION PROGRAMME															
2002	8ACP SEY9	WP 1			156000												
						100000	156000	100000	100000				56000				56000
2002	8ACP SEY9	WP 2										200000	50000		100000	200000	150000
2002	8ACP SEY9	Supply contract incinerator												400000	100000	400000	100000

Seychelles				FORECAST 2004										FORECAST 2005						Comments				
Amount in €				1 <sup>st</sup> Semester		2 <sup>nd</sup> Semester		TOTAL		estimation risk factor			1 <sup>st</sup> Semester		2 <sup>nd</sup> Semester		TOTAL							
Title	Project (Global Commitment)	Month 2004	Amount	RISK	indiv comm A	payments B	indiv comm C	payments D	indiv comm A+C	payments B+D	Low L	Medium M	High H	indiv comm A	payments B	indiv comm C	payments D	indiv comm A+C	payments B+D					
											B+D= L+M+H													
<b>TOTAL</b>					0	0	130 000	55 000	130 000	55 000	0	55 000	0	2 510 000	610 000	0	393 000	2 510 000	2 510 000					
Capacity building		September	600 000	2																FB: Proposal sent to BxI 11/2003; non focal sector; 3 years programme				
Start-Up WP		November 2004					60 000	30 000	60 000	30 000		30 000			30 000					30 000				
WP Non state Actor 1		May 2005												100 000	50 000		30 000	100 000		80 000				
WP State Actor 1		May 2005												10 000	5 000		3 000	10 000		8 000				
WP Non state Actor 2																								
WP State Actor 2																								
WP Non stated Actor 3																								
WP State Actor 3																								
Solid Waste Disposal (landfill) Programme		2nd Semester	3 300 000	3																FV: Current status: pre-identification; taking into account the problems encountered with Anse Royale (inhabitants don't want to put waste there). The contract between the government and "STAR" is kept confidential => question of good governance (transparency, political dialogue); the SEY have a general financial				
Works contract														2 000 000	400 000		300 000	2 000 000		700 000				
TA Contract														400 000	80 000		60 000	400 000		140 000				
TCF		2nd Semester	250 000	1																				
Study Contract							70 000	25 000	70 000	25 000		25 000			45 000					45 000				

## Seychelles

AIDCO Unit	Task Manager	EDF or LB	Title of Project	2003	2004	2005	2006	2007	Total 2003 - 2007	Comments
C7	Hamann G	9A	Solid Waste Disposal (landfill) Programme	0	3 300 000	0	0	0	3 300 000	
C4	Larose C.	9A	Capacity building	0	600 000	0	0	0	600 000	Ajustements du projet en attente de la réaction de l'ON
C1	Noel M	9A	Technical Cooperation Facility (TCF)	0	250 000	0	0	0	250 000	
<b>TOTAL</b>				0	4 150 000	0	0	0	4 150 000	

**COUNTRY: SEYCHELLES EDF 9**

**SITUATION : 31/12/2003**

Accounting N°	Project title	GFC [ 1 ]	IFC [ 2 ]	% [2] / [1]	Paid [ 3 ]	% [3] / [1]	Action taken/to be taken and when (A-D):RAL Status of projects open beyond end date A: GFC to close, B: IFCs to close,C:IFC with open advances, D: IFC with problems
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-	-	-	-	-	-	-	<b>TOTALS</b>
---	---	---	---	---	---	---	---------------

				-		-	
				-		-	
				-		-	
				-		-	

**COUNTRY: SEYCHELLES EDF 9**

**SITUATION : 31/12/2003**

			% of NIP	% of GFC	AMOUNT in EUROS
[ A ]	TOTAL N I P ENVELOPE including transfers and Top Ups)	[ A ]			3 300 000
	Indicative Programme				3 300 000
	B-envelope				-
[ B ]	GFC : Global Financial Commitments	[ B ]	0,00%		-
[ C ]	IFC : Individual Financial Commitments	[ C ]	0,00%	-	-
[ D ]	PAYMENTS	[ D ]	0,00%	-	-
[ E ]	Uncommitted balance	[ A ] - [ B ]	100,00%		3 300 000

**COUNTRY: SEYCHELLES EDF 8**  
**SITUATION : 31/12/2003**

Accounting N°	Project title	GFC [ 1 ]	IFC [ 2 ]	% [2] / [1]	Paid [ 3 ]	% [3] / [1]	Action taken/to be taken and when (A-D):RAL Status of projects open beyond end date A: GFC to close, B: IFCs to close,C:IFC with open advances, D: IFC with problems
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5 723 729,00	4 635 995,20	81,00%	4 335 688,93	75,75%	<b>TOTALS</b>
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8 ACP SEY 1	Anse Royale Landfill	2 644 734	2 644 734	100%	2 644 734	100%	Closed (18 SEP 2002 )
8 ACP SEY 2	Le Niol Water Treatment Works	1 350 000	1 350 000	100%	1 300 427	96%	C Single commitment re works for which request for closure sentr to BxI, following which project may be closed.
8 ACP SEY 3	Short-Term consultancy : Vessel Monitoring System	24 955	24 955	100%	24 955	100%	Closed (20 DEC 2002 )
8 ACP SEY 5	Tourism capacity building project	420 000	411 466	98%	292 466	70%	The project has been extended to 31.03.2004 and increased by 70,000 euros.
8 ACP SEY 8	Evaluation Anse Royale 8 SEY 1	59 040	59 040	100%	59 040	100%	Closed (Oct 2003)
8 ACP SEY 9	Melon fruit fly eradication	1 100 000	59 900	5%	-	0%	TA recruited
8 ACP SEY 10	Study : Updating of solid waste master plan	125 000	85 900	69%	14 067	11%	On-going

**COUNTRY: SEYCHELLES EDF 8**  
**SITUATION : 31/12/2003**

			% of NIP	% of GFC	AMOUNT in EUROS
[ A ]	TOTAL N I P ENVELOPE including transfers and and Top Ups)	[ A ]			6 000 000
	Indicative Programme				6 000 000
	Top-up				-
[ B ]	GFC : Global Financial Commitments	[ B ]	95,40%		5 723 729
[ C ]	IFC : Individual Financial Commitments	[ C ]	77,27%	81,00%	4 635 995
[ D ]	PAYMENTS	[ D ]	72,26%	75,75%	4 335 689
[ E ]	Uncommitted balance	[ A ] - [ B ]	4,60%		276 271

COUNTRY: SEYCHELLES EDF 7							
SITUATION : 31/12/2003							
Accounting N°	Project title	GFC [ 1 ]	IFC [ 2 ]	% [2] / [1]	Paid [ 3 ]	% [3] / [1]	Action taken/to be taken and when (A-D);RAL Status of projects open beyond end date A: GFC to close, B: IFCs to close,C:IFC with open advances, D: IFC with problems

5 322 240,16	5 309 455,55	99,76%	5 309 455,94	99,76%	TOTALS
--------------	--------------	--------	--------------	--------	--------

7.acp.sey.01	Consolidation of handicraft development	1 000 000	987 215	99%	987 215	99%	A Request for closure of project sent to Bxl.
7.acp.sey.02	Biodiversity conservation	406 075	406 075	100%	406 075	100%	Closed
7.acp.sey.03	Credit Line to small enterprises	250 000	250 000	100%	250 000	100%	Closed
7.acp.sey.04	T.A. to small industry	977 193	977 193	100%	977 193	100%	Closed
7.acp.sey.05	Films for Tourism Promotion	150 198	150 198	100%	150 198	100%	Closed
7.acp.sey.06	Study on Assistance to small industry	2 140	2 140	100%	2 140	100%	Closed
7.acp.sey.07	Study on Economic impact of tourism	29 654	29 654	100%	29 654	100%	Closed
7.acp.sey.08	Prep. ToR re Master Plan Victoria Port Dvp	52 667	52 667	100%	52 667	100%	Closed
7.acp.sey.09	Fruit fly control	67 500	67 500	100%	67 500	100%	Closed
7.acp.sey.10	Integrated biodiversity project	322 283	322 283	100%	322 283	100%	Closed
7.acp.sey.11	Support to AIDS program	140 539	140 539	100%	140 539	100%	Closed
7.acp.sey.12	T.A. for fish legislation	43 834	43 834	100%	43 834	100%	Closed
7.acp.sey.13	T.A to Division of Planning	147 594	147 594	100%	147 594	100%	Closed
7.acp.sey.15	Design review study on Sewage Treat.	42 793	42 793	100%	42 793	100%	Closed
7.acp.sey.16	Design & Tender Docs. for landfill	207 883	207 883	100%	207 883	100%	Closed
7.acp.sey.19	Study on Privatisation of Solid Waste Man.	59 250	59 250	100%	59 250	100%	Closed
7.acp.sey.20	T.A to division of Environment	47 554	47 554	100%	47 554	100%	Closed
7.acp.sey.21	La Digue Environment & Transport project	593 138	593 138	100%	593 138	100%	Closed
7.acp.sey.22	La Digue Env. & Transport Proj.(Supervision)	22 495	22 495	100%	22 495	100%	Closed
7.acp.sey.23	Seminar on EDF procedures	22 375	22 375	100%	22 375	100%	Closed
7.acp.sey.24	Victoria market rehabilitation study	59 829	59 829	100%	59 829	100%	Closed
7.acp.sey.25	Victoria market rehabilitation works	674 769	674 769	100%	674 769	100%	Closed
7.acp.sey.26	Participation in PCM seminar in Mauritius	2 478	2 478	100%	2 478	100%	Closed

COUNTRY: SEYCHELLES EDF 7					
SITUATION : 31/12/2003					
			% of NIP	% of GFC	AMOUNT in EUROS
[ A ]	TOTAL N I P ENVELOPE including transfers and and Top Ups	[ A ]			5 459 682
	Indicative Programme				5 400 000
	Transfers 5th EDF				59 682
[ B ]	GFC : Global Financial Commitments	[ B ]	97,48%		5 322 240
[ C ]	IFC : Individual Financial Commitments	[ C ]	97,25%	99,76%	5 309 456
[ D ]	PAYMENTS	[ D ]	97,25%	99,76%	5 309 456
[ E ]	Uncommitted balance	[ A ] - [ B ]	2,52%		137 442

COUNTRY: SEYCHELLES EDF 6						
SITUATION : 31/12/2003						
Accounting N°	Project title	GFC [ 1 ]	IFC [ 2 ]	% [2] / [1]	Paid [ 3 ]	% [3] / [1]
		6 167 700,60	6 167 700,60	100,00%	6 167 700,60	100,00%
6.acp.sey.01	Study - Prog.elaboration on dev.of agriculture	51 776	51 776	100%	51 776	100%
6.acp.sey.02	T.A to Seychelles Fisheries	407 360	407 360	100%	407 360	100%
6.acp.sey.03	1st Microproject Programme	171 071	171 071	100%	171 071	100%
6.acp.sey.04	Study on drainage	33 601	33 601	100%	33 601	100%
6.acp.sey.05	Handicraft Development Programme	1 166 347	1 166 347	100%	1 166 347	100%
6.acp.sey.06	Study - Agricultura sector dev. Prog	64 727	64 727	100%	64 727	100%
6.acp.sey.07	Rural Development Programme	2 858 329	2 858 329	100%	2 858 329	100%
6.acp.sey.10	Study - coconut Rehabilitation	20 119	20 119	100%	20 119	100%
6.acp.sey.12	Study - Old Tuna Quay Rehabilitation	31 178	31 178	100%	31 178	100%
6.acp.sey.13	Design Old Tuna Quay Rehabilitation	35 694	35 694	100%	35 694	100%
6.acp.sey.14	Old Tuna Quay : Rehab.Works and Supervision	1 191 735	1 191 735	100%	1 191 735	100%
6.acp.sey.15	Solid Waste Management study	56 909	56 909	100%	56 909	100%
6.acp.sey.16	La Digue Landfill Study	27 602	27 602	100%	27 602	100%
6.acp.sey.17	La Digue environment and transport project	-	-	-	-	-
6.acp.sey.18	Le Niol water works study	32 062	32 062	100%	32 062	100%
6.acp.sey.19	Storm damage rehabilitation study	9 843	9 843	100%	9 843	100%
6.acp.sey.20	Feasibility study for fruit fly eradication	9 347	9 347	100%	9 347	100%

COUNTRY: SEYCHELLES EDF 6					
SITUATION : 31/12/2003					
			% of NIP	% of GFC	AMOUNT in EUROS
[ A ]	TOTAL N I P ENVELOPE including transfers and and Top Ups)	[ A ]			6 201 815
	Indicative Programme				6 200 000
	Transfers 4th EDF				1 815
[ B ]	GFC : Global Financial Commitments	[ B ]	99,45%		6 167 701
[ C ]	IFC : Individual Financial Commitments	[ C ]	99,45%	100,00%	6 167 701
[ D ]	PAYMENTS	[ D ]	99,45%	100,00%	6 167 701
[ E ]	Uncommitted balance	[ A ] - [ B ]	0,55%		34 114

## Annex (i) Current waste management situation

At present, the majority of the waste is managed by a private firm, namely STAR, under a number of service contracts, for a duration of 20 years, with the Government authorities. The contract is currently been re-negotiated, given the Government's financial difficulties. It should be noted that the contractual agreement with STAR covers the total management of waste for Mahé only (and not the other two islands of Praslin and La Digue). Indeed, on Praslin, STAR does only part of the waste collection and manages the dumpsite. The Government has now decided to launch the tender for the full waste collection and management on Praslin; STAR will also be able to apply. Nevertheless, STAR should continue to sub-contract some of its waste collection activities to enable job creation amongst the local people and also to enable the latter to acquire experience in waste management.

Owing to the difficult macroeconomic environment, and the acute "forex" issue, the Government has defaulted on the STAR contracts with respect to payments in foreign exchange. Currently the period up to December 2002 has been settled and an interim agreement has been set up for the period to January 2006, where the Government will make some payments in foreign exchange but wants STAR to continue to invest and improve facilities. Over the period from 2003 to 2006 the government hopes to balance its foreign exchange debt by making cutbacks in spending and implementing a micro-economic reform programme.

The failure of a number of previous studies to accurately predict the true volumes of waste being generated in the Seychelles has led to difficulties, both at the Government and at the Contractor (STAR) levels, resulting in the deployment of insufficient facilities and mechanisms to effectively deal with the waste.

Although there are still some shortcomings in this area, recently, more effective data collection and management has enabled a more accurate picture of the volumes and types of waste,. On Mahé, it is estimated that some 45,000 tonnes per year of waste require disposal at Providence dumpsite. For Praslin the quantity is around 1,850 tonnes per year whilst for La Digue it is estimated to be around 670 tonnes per year. Although there will be a number of waste management activities implemented that will reduce the production of waste, the overall trend will be upwards and it is estimated that waste quantities will grow at up to 3% per year in the foreseeable future.

The fundamental difficulty with waste management in the Seychelles is the lack of sustainability in the current system. There is now consensus among stakeholders that 'sustainability' is deemed to be "the adequate provision for the management of waste for a generation (i.e. around 30 years)" and this should be taken as the focus of the strategy to be developed. As a result the 9<sup>th</sup> EDF focal sector intervention may address the refined objectives summarized in the table below :

<b>Core Objective</b>	Waste management shall be sustainable for a period of thirty years by the year 2010.
<b>Area/Activity</b>	<b>Objective</b>
<b>1. Policy &amp; Legislative Framework</b>	1.1 A new national master plan reflects the existing situation on waste management 1.2 Enforcement of legislation relating to WM is effective. 1.3 Legislation adequately supports enforcement. 1.4 Penalties for littering and fly-tipping are sufficiently high to be effective
<b>2. Institutional / Organisational</b>	1.1 Institutional / organisational responsibilities for WM are clearly

<b>Arrangements</b>	2.2	defined between the various ministries and departments Contractual arrangements for service provision achieve the intended results
<b>3. Human Resources / Capacity</b>	3.1	Existing human resources in the public sector are able to fulfil their regulatory duties completely.
	3.2	Health and Safety issues have been addressed
<b>4. Financing / Cost Recovery</b>	4.1	The revenue flows from existing WM charges are sufficient to be able to meet the full costs of providing a sustainable system.
<b>5. Stakeholder Awareness &amp; Communication</b>	5.1	General public have a sufficient awareness of the need to prevent littering
	5.2	A communications campaign has been established to promote waste reduction
<b>6. Data Availability / Reporting</b>	6.1	Available data on certain priority waste streams is available
<b>7. Waste Avoidance &amp; Reduction</b>	7.1	The potential for waste avoidance and reduction is exploited.
	7.2	Attention is given to importing more durable products
<b>8. Waste Recovery &amp; Recycling</b>	8.1	The potential for further waste recovery and recycling is realised.
<b>9. Waste Segregation, Storage, Collection &amp; Transport</b>	9.1.1	Sufficient number of bin sites
	9.1.2	Sufficient cleaning round bin sites
	9.1.3	Sufficient appropriate collection vehicles / systems used in Mahé and Praslin / La Digue
	9.1.4	Frequency of collection is maintained
	9.2	Separation of recyclables and compostables is taking place
<b>10. Waste Treatment / Processing</b>	10.1	Existing facilities / practices for the treatment / processing of wastes comply with appropriate environmental standards.
	10.2	Appropriate treatment facilities for hazardous wastes exist
<b>11. Final Disposal</b>	11.1	Existing facilities / practices for the final disposal of wastes comply with appropriate environmental standards.
	11.2	Existing facilities for the final disposal of wastes have sufficient capacity to represent a sustainable solution.

The above objectives are in line with the set of targets and indicators already identified in the Seychelles' CSP, as follows :

<b>Targets</b>	<b>Performance indicators</b>
<p><b>Long-term National sector targets</b></p> <p>Striking the right balance between economic development and safeguarding the environment, i.e ensuring sustainability in resource exploitation, and paying due attention to human resources</p> <p>Better protection of the environment</p> <p>To treat and dispose of solid waste in ecologically sustainable manner</p>	<p>All solid waste generated is being disposed with sound environmental practices</p> <p>Improvement in health status</p> <p>Clean environment with no visual soreness through littering</p> <p>Reduction in pollution of water courses, ground and surface water and lagoon</p>
<p><b>Intervention objectives</b></p> <p>Integrated solid waste management programme</p>	<p>Efficient and integrated system of disposal of waste by comparing the amount of wastes generated and the amount of waste disposed of.</p> <p>Solid waste is being collected, treated and disposed of sustainably</p> <p>Gradual elimination of smell and flies nuisance</p> <p>Hazardous waste is being collected, pre-treated and exported (scrap metal &amp; waste oil)</p> <p>Solid waste being sorted at source;</p>

**Results**

Landfill facilities operational

Environmental damage caused by solid waste minimised

Increased solid waste treatment/recycling

Health of environment will have improved

Landfill volume utilised yearly

75% Of waste recycled

## **Annex (ii) Imports and trade issues**

Imports include consumer goods (food and durables), industrial throughputs, machinery and equipment, petroleum products, chemicals and medicines. These are imported mainly from South Africa, Europe, Asia and the Middle East. A trade tax is applied to all items imported into the domestic economy; rates of tax vary but the average rate is 25%. The payment of this trade tax is not applicable on imports of capital equipment by new business (excluding passenger vehicles), raw materials and industrial throughputs, agricultural inputs and used personal effects of individuals taking up residence in Seychelles (excluding passenger vehicles). Seychelles benefits from preferential import tariffs, as it is a member of COMESA and of the Indian Ocean Commission.

Its main exports consist in fish products, which account for approximately 95% of its total exports. Seychelles caters for 12% of European Union imports of canned tuna.

The Trade Policy of the Seychelles is under the responsibility of the Ministry of Finance, and more specifically of the Trade and Commerce Division. This Division formulates and monitors the control of trade policy, administers trade taxes exemption and keeps contact with international trade and related organisations on trade policy matters including regional cooperation. The Ministry of Foreign Affairs also deals with trade aspects through its Division of International Economic Affairs. This Division aims notably at contributing towards increased international and regional cooperation and promoting Seychelles as a trade and investment centre.

With the gradual erosion of preferential treatment in certain traditional markets on the one hand, and the emergence of growing, and more direct, competitors from lower-cost countries on the other, competition in both the current export markets and in tourism is likely to become increasingly fierce. Seychelles will need to increase its competitiveness, diversify its markets and improve investor confidence in order to avoid economic decline.

## **Annex (iii) Details of projects under 7<sup>th</sup> and 8<sup>th</sup> EDFs – focal sector**

### **EDF 7 FOCAL SECTOR - INDUSTRY (overview of objectives and results)**

Only an overview of objectives and results is presented here since activities have been completed and most projects already closed.

The principle objectives of the industrial development were rational use of existing raw materials and improvement of the external account by the increased export of industrial products and widening of the range of locally produced export products. Within this framework, the objective of Community support was industrial expansion and increased productivity, especially of small industry and handicraft sector by enhancing:

- efficient service industry
- improvement of the quality of handicraft products
- improvement of the training of small entrepreneurs and handicraft men
- setting up of a system of credit with special conditions
- identification of export markets

Support has thus been given to small entrepreneurs in training and in consulting, for access to equipment, for infrastructure and for the Seychelles Industrial Development Corporation (SIDEK). Concerning handicraft the support was aimed at consolidation of the results of the Lomé III programmes with emphasis on training, specialisation and marketing and support to the Company for the Development of Handicraft (CODEVAR). A credit line for small entrepreneurs and handicraft men was set up and managed by the Seychelles Development Bank (SDB).

Alongside the EDF intervention, the Government, committed to continue and reinforce its policy of industrial and handicraft development, focused on small and medium size entrepreneurs. This implied fiscal advantages for the creation and expansion of small and medium size industries; availability of a sufficient number of agents in the Department of Industry, SIDEK and CODEVAR; creation of advisory committee for industrial development; publication of an investment guide for the promotion of local and foreign investment; reliable statistics and land for creation of industrial zones.

The project “Consolidation of the Handicraft Development” (Euro 1,000,000<sup>1</sup>) aimed to promote and create employment by establishing small enterprises, reinforcing the process of import substitution and encouraging a more intensive use of local prime materials. The project was completed in 1998. Craftsmen are now offered the possibility of buying their raw materials and improving their design capabilities through the setting up of a specialised shop and library in Victoria. The objectives of the project, insofar as the promotion/creation of employment, reinforcement of import substitution process and use of local prime materials are concerned, are met.

The other project regarding the “Rehabilitation of Victoria Market” (Euro 700,000<sup>2</sup>) upgraded and expanded the market, in order to safeguard hygienic norms and to provide additional

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<sup>1</sup> 7 ACP SEY 001

<sup>2</sup> 7 ACP SEY 025

space to marketers. The market was inaugurated in June 1999 during National Day Celebrations.

## **EDF 8 FOCAL SECTOR : Environmental Protection**

The principal objective of the Government is to prevent environmental degradation which otherwise would become a serious impediment to sustainable economic growth. The replacement of the present dumping site for solid wastes with appropriate fully engineered landfill is one of the priorities of the Government. In addition, the improvement of the living standards of the people by, amongst others, providing safe and reliable potable water is high on the government's agenda of interventions in this sector. The Community supports the sectoral policy of the Government through financial and technical cooperation, rehabilitation, technical assistance, administration and supervision, investment projects/programmes.

### **RESULTS**

The Anse Royal landfill was effectively implemented with resources of the 8<sup>th</sup> EDF and was meant to receive processed wastes emanating on Mahé and thence, provide a medium to long term solution to the solid waste situation in the Seychelles. However, it was later realised that the basis on which the project was developed, i.e. the 1995-Solid Waste Master Plan, was inappropriate because of certain key weaknesses of the latter report. For instance, the predictions made in 1995 about the volumes of wastes that would be generated was grossly underestimated. Consequently, although the Anse Royale landfill represents a major site for the disposal of inert wastes, it was not in a position to fully meet its objectives as set out. .

Being fully conscious of the above problem, and realising the urgency to find a sustainable solution to the solid wastes problems, Government of Seychelles approached the EU for financial assistance to undertake an update of the 1995-Solid Waste Master Plan in the first instance and to subsequently utilise resources from the 9<sup>th</sup> EDF to finance projects that would transpire from the Update of that Master Plan. The EU was reassured by the fact that the eventual projects that would be considered for 9<sup>th</sup> EDF financing would effectively be part of an overall integrated strategy, and not merely a stand-alone one -shot project.

### **PROGRESS IN ACTIVITIES**

The Update of the Master Plan is financed from the reliquats of the 8<sup>th</sup> EDF (DAG of € 125,000). It is currently underway and it is expected that the final report will be submitted by the consultants by beginning April 2004. Meanwhile, on the basis of tentative investment figures to which Government has already unofficially concurred, a PIF for the eventual 9<sup>th</sup> EDF project/s is being prepared. It is expected that the Financing Proposal would be finalised by mid April, 04 once the final report (and the recommendations made therein) has been finalised and vetted/adopted by all parties, in particular the Government of Seychelles.

### **DEGREE OF INTEGRATION OF CROSS-CUTTING THEMES**

The TOR's for the consultants currently undertaking the update of the master plan include recommendations that should be made on how future projects could take into considerations the gender dimensions.

It is now increasingly appreciated that a close link exists between environmental protection and the involvement of women. In general, household members in Seychelles need to be sensitised on the proper sorting of kitchen/household wastes, with a special focus given to women. On the other hand, women's involvement in the domestic economy can also be related to the environment. For example, street cleaning, a job associated to women in the Seychelles, could be seen as protection of the environment, but also job creation.

For a country like the Seychelles where 48% of municipal wastes are green/kitchen wastes, such a notion would bring non-negligible results to the overall strategy of sustainable disposal of wastes. Moreover, for a country like Seychelles, protection of the environment impacts on the tourism industry, which directly means employment of many women in hotels, and indirectly, the creation of markets for specific products like crafts, which are usually done by women.

The consultants also ensure that there are sufficient representation by women among stakeholders during all stakeholders meetings that are carried out.

## **Annex (iv) Details of projects under 7<sup>th</sup> and 8<sup>th</sup> EDFs – non focal sector**

### **7th EDF**

The non-focal sector of the 7th EDF (50 % of the total allocation) included environment and tourism (and other possible technical assistance projects).

#### **EDF 7 NON-FOCAL SECTOR OPERATIONS IN ENVIRONMENT SECTOR**

##### **RESULTS**

The 7<sup>th</sup> EDF coincided with a period whereby the notion of environment was gaining increasing interests with the vast majority of countries worldwide and Seychelles was no exception. The latter is understandable given that tourism is the very backbone of the economy and that tourism depends specifically on the pristine environment that exists in the Seychelles. A series of projects were implemented with resources from the EU and these were of major importance in assisting Government in its efforts to protecting the environment. Resources were also used to undertake the necessary preparatory studies that were eventually used for the implementation of the landfill at Anse Royale in Mare Chicose.

##### **PROGRESS IN ACTIVITIES**

All projects were successfully implemented, and for the vast majority of them 100% payments were done.

##### **DEGREE OF INTEGRATION OF CROSS-CUTTING THEMES**

Projects were undertaken by paying a particular attention to the gender issue. In effect, with the implementation of the projects in the environmental sector, an important number of jobs were created in hotels and other areas affected by the projects and where women found jobs.

### **8th EDF**

#### **EDF 8 NON-FOCAL SECTOR OPERATIONS IN THE PRIVATE SECTOR**

The Tourism Capacity Building project (Euro 350,000<sup>3</sup>) aims to promote the growth of the Seychelles economy and tourism sector in particular.

##### **RESULTS**

The project has been implemented with tremendous success. The concern of the EU is usually on the sustainability of projects that are financed. and through this project, it is clear that this concern is also shared by the Seychelles authorities. In order to ensure the sustainability of this Project, various ancillary services have been developed to creating positive external economies of scale. Indeed, worthwhile noting is that certain facilities are already being subcontracted to the industry at large. For instance, hotels send their linen for washing/ironing against a fee, and at the same time this provides the students with the opportunity to operate with real case situations.

##### **PROGRESS IN ACTIVITIES**

Progress has been satisfactory. Given that the funds of the project were judiciously earmarked and that there were some additional activities that needed to be financed, a request was

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<sup>3</sup> 8 ACP SEY 005

submitted by the NAO in October, 2002 for an increase in budget by Euro 70,000, the project's budget now totalling €420,000. At the same time, the Head Quarters were requested to look into the possibility of extending the validity of the FA from 31<sup>st</sup> March 2003 to 31<sup>st</sup> March 2004. Request to Brussels was sent on 31<sup>st</sup> October, 2002.

## **EDF 8 NON-FOCAL SECTOR OPERATIONS IN THE AGRICULTURAL SECTOR**

### **Melon Fruit Fly project (€ 1,100,000)**

#### **RESULTS**

Project under implementation.

#### **PROGRESS IN ACTIVITIES**

Long term consultants are in post to assist the Government of Seychelles in the implementation of the project. They are expected to start with the spraying activities in the month of March 04, that is in the drier seasons. A first work programme is being finalised and should shortly be signed. Purchase of vehicles for the projects is also underway – this has unfortunately witnessed some delays because of the current financial crisis which the Seychelles is undergoing, and thereby preventing the car dealers to meet the conditions as set out in the tender documents. The Delegation is working closely with the Seychelles authorities on how to find solutions.

#### **DEGREE OF INTEGRATION OF CROSS-CUTTING THEMES**

This project is likely to have a direct impact on the environment because cultivation, in particular on slopy regions, prevents soil erosion. In addition, it has a strong gender dimension because a number of women carry out farm activities. In the absence of this project, there will be a loss of interest in agricultural activities and this will definitely impact adversely on the employment that this sector accounts for.

#### **MACROECONOMIC SUPPORT**

An 8<sup>th</sup> EDF funded operation involved a study on a Macroeconomic Strategy for the Seychelles (Euro 200,000<sup>4</sup>). Based on the recommendations made by the consultants, three major sub-sectors were identified, namely export promotion, SME development and macroeconomic modelling. These three studies were completed in 2000. In July 2003 the Seychelles government launched the Macroeconomic Reform Programme (MERP).s

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<sup>4</sup> 7 ACP RPR 476

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**ANNEX 1 INTERVENTION FRAMEWORK – 9th EDF**

Table 1: The Intervention Framework proposed for the Environment Sector

	<b>Performance indicators</b>	<b>Sources of Verification</b>	<b>Assumptions</b>
<p><b>Long-term National sector targets</b></p> <p>Striking the right balance between economic development and safeguarding the environment, i.e. ensuring sustainability in resource exploitation, and paying due attention to human resources</p> <p>Better protection of the environment</p> <p>To treat and dispose of solid waste in ecologically sustainable manner</p>	<p>All solid waste generated is being disposed with sound environmental practices</p> <p>Improvement in health status</p> <p>Clean environment with no visual soreness through littering</p> <p>Reduction in pollution of water courses, ground and surface water and lagoon</p>	<p>PUC, SWAC, SBS and Department of environment data (utilities companies and ministry)</p> <p>Ministry of Health Statistics</p> <p>DoE data and survey reports</p> <p>MoE test data on water quality</p>	<p>Recurrent budget and taxes are sufficient to cover operation and maintenance</p>
<p><b>Intervention objectives</b></p> <p>Integrated solid waste management programme</p>	<p>Efficient and integrated system of disposal of waste by comparing the amount of wastes generated and the amount of wasted disposed of.</p> <p>Solid waste is being collected, treated and disposed of sustainably.</p> <p>Gradual elimination of smell and flies nuisance.</p>	<p>MISD data and data from the on-site management company</p> <p>PUC, SWAC, SBS, &amp; DoE Data (utilities companies and ministry)</p>	<p>Budget</p> <p>Interest</p> <p>Government support</p> <p>External Financial Assistance</p>

<p><b>Results</b></p> <p>Landfill facilities operational</p> <p>Environmental damage caused by solid waste minimised</p> <p>Increased solid waste treatment/recycling</p>	<p>Hazardous waste is being collected, pre-treated and exported (scrap metal &amp; waste oil).</p> <p>Solid waste being sorted at source.</p> <p>Health of environment will have improved</p> <p>Landfill volume utilised yearly</p> <p>75% Of waste recycled of waste recycled</p>	<p>DoE, SWAC &amp; STAR data on the amount of solid waste disposed of everyday</p> <p>MoE Statistical data</p>	<p>Export of waste for recycling remains feasible</p> <p>Waste collection and landfill management remains private</p> <p>Leachates are collected and treated</p>
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