

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

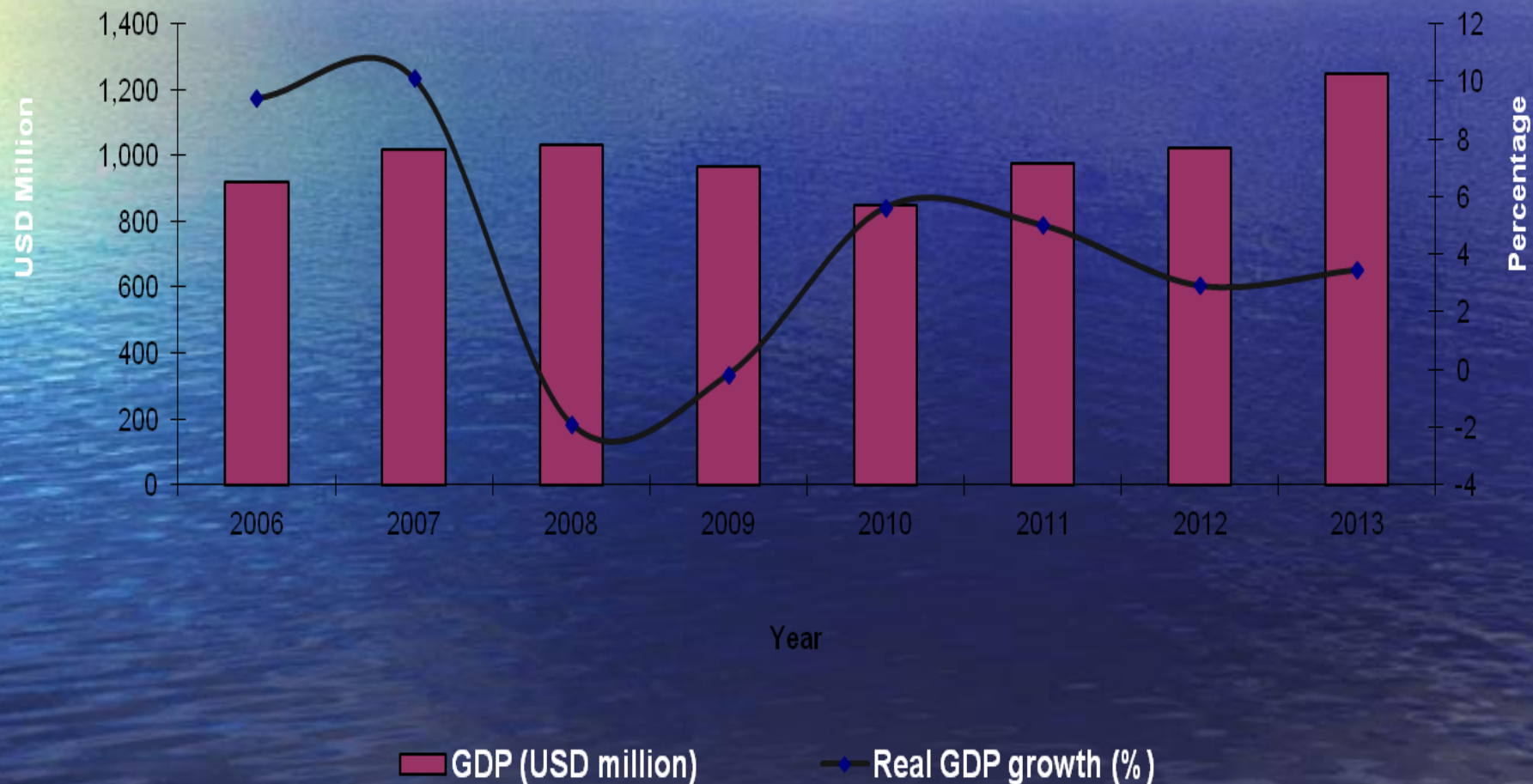


Chart 2: Exchange Rate

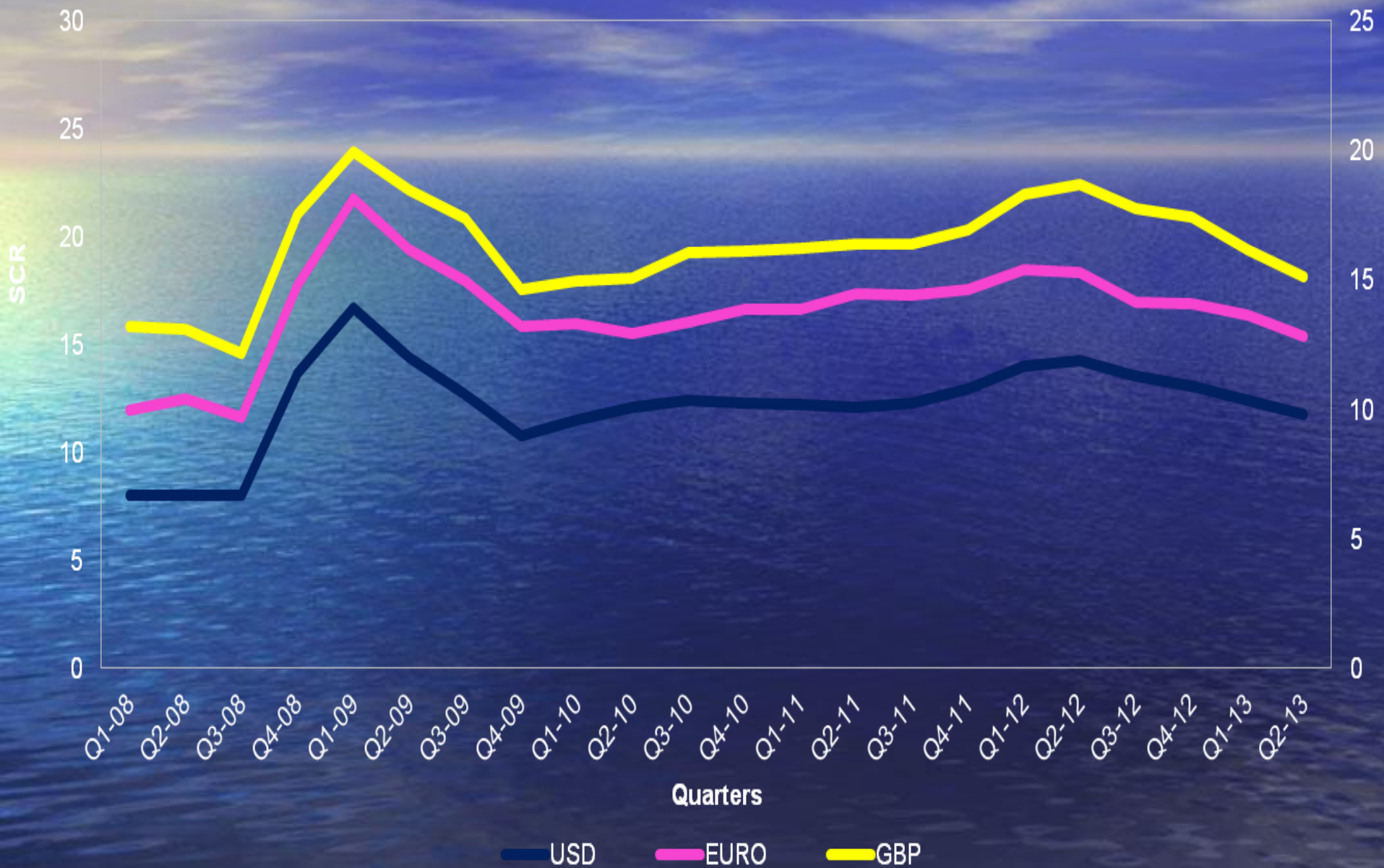


Chart 3: Inflation Rate

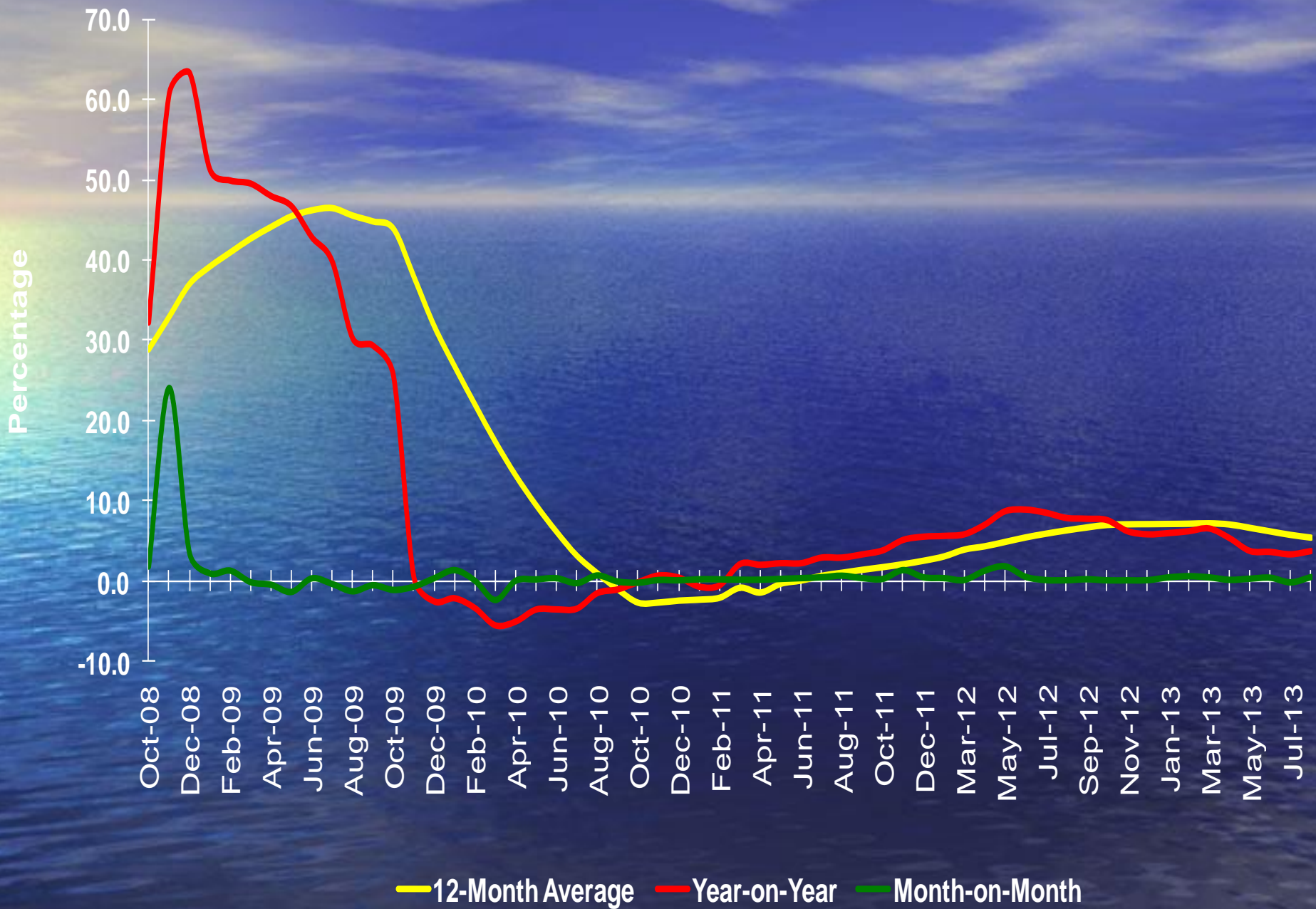


Chart 4: Fiscal Balances as Percentage of GDP

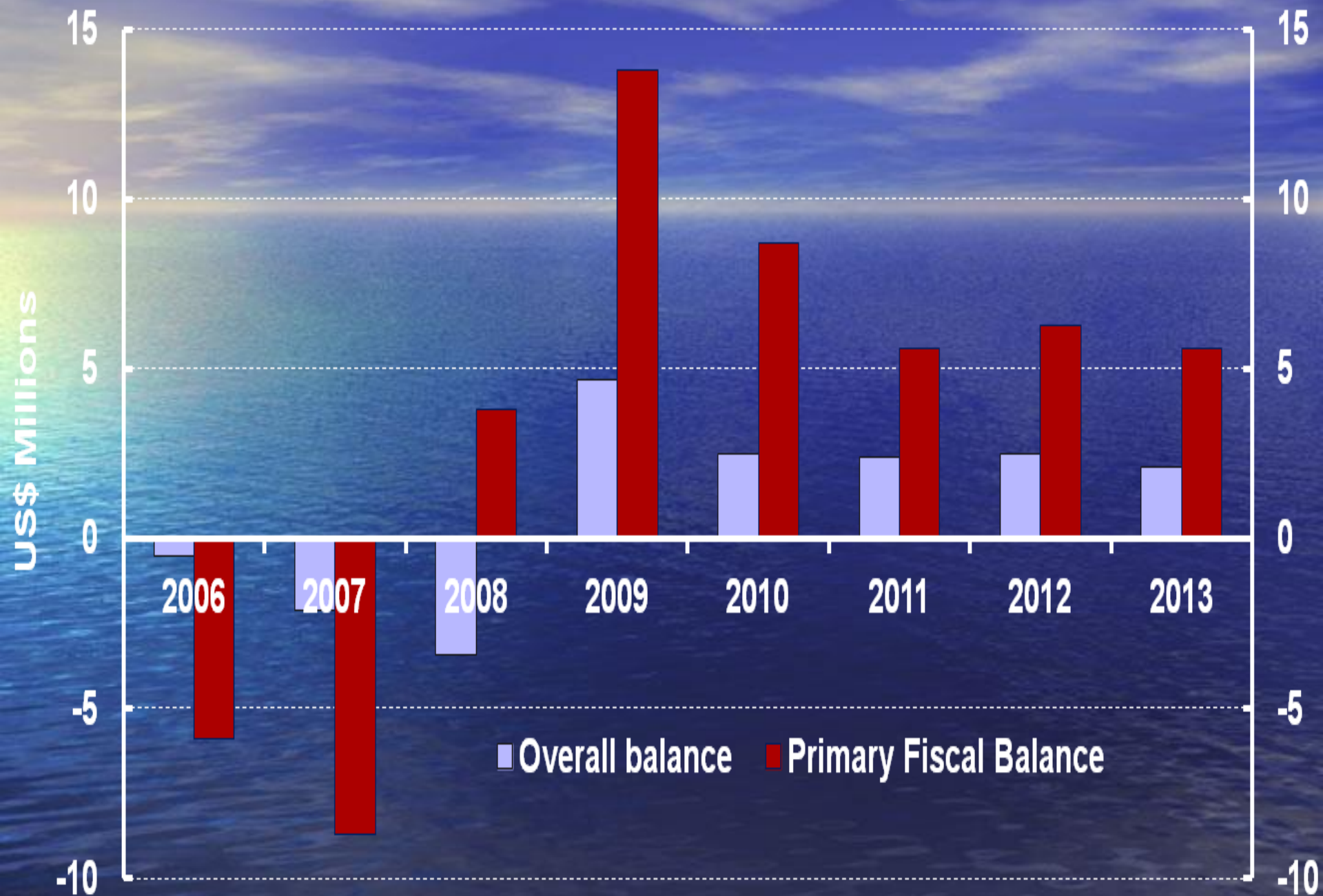


Chart 5: Debt to GDP Ratio

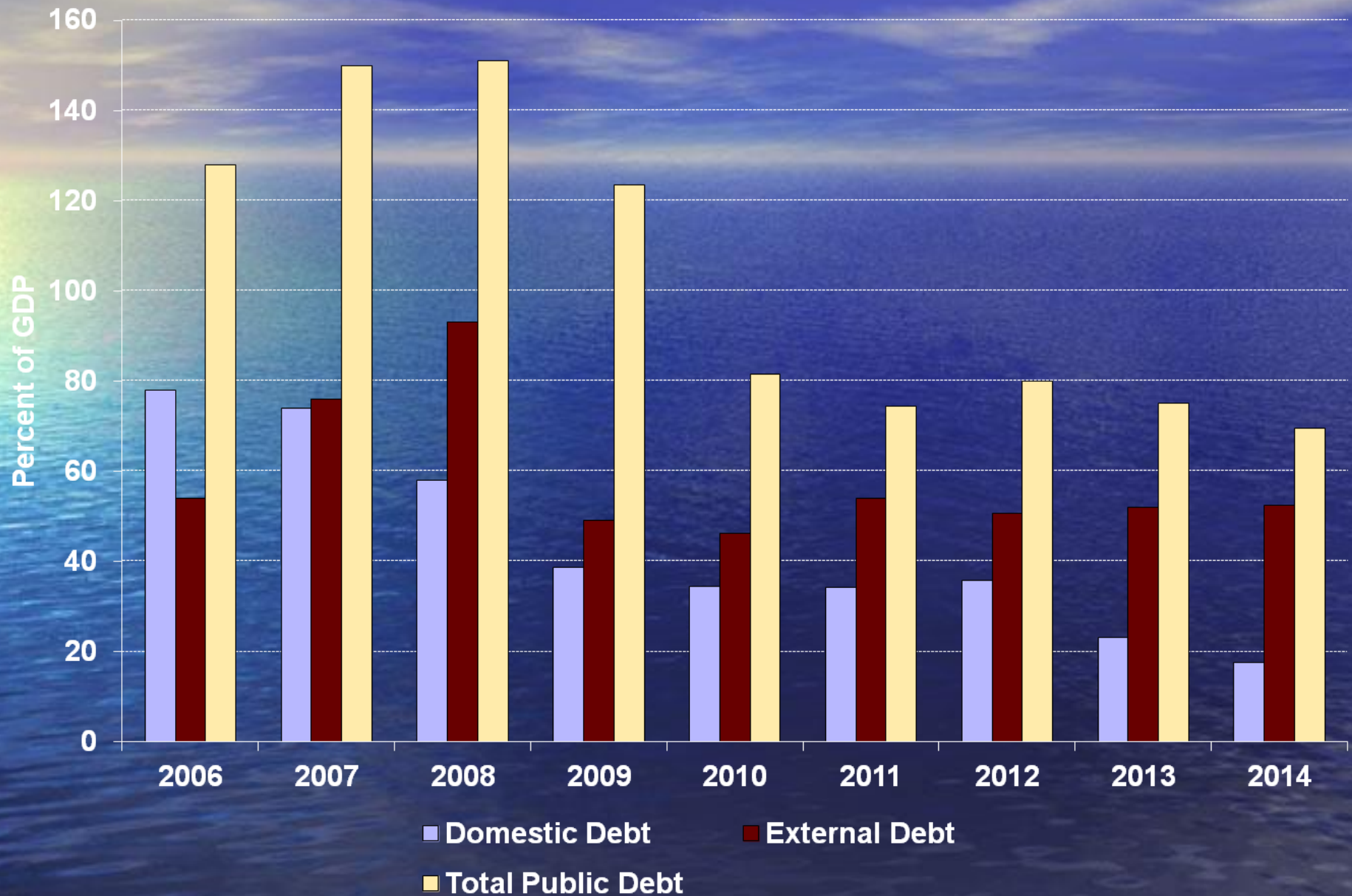
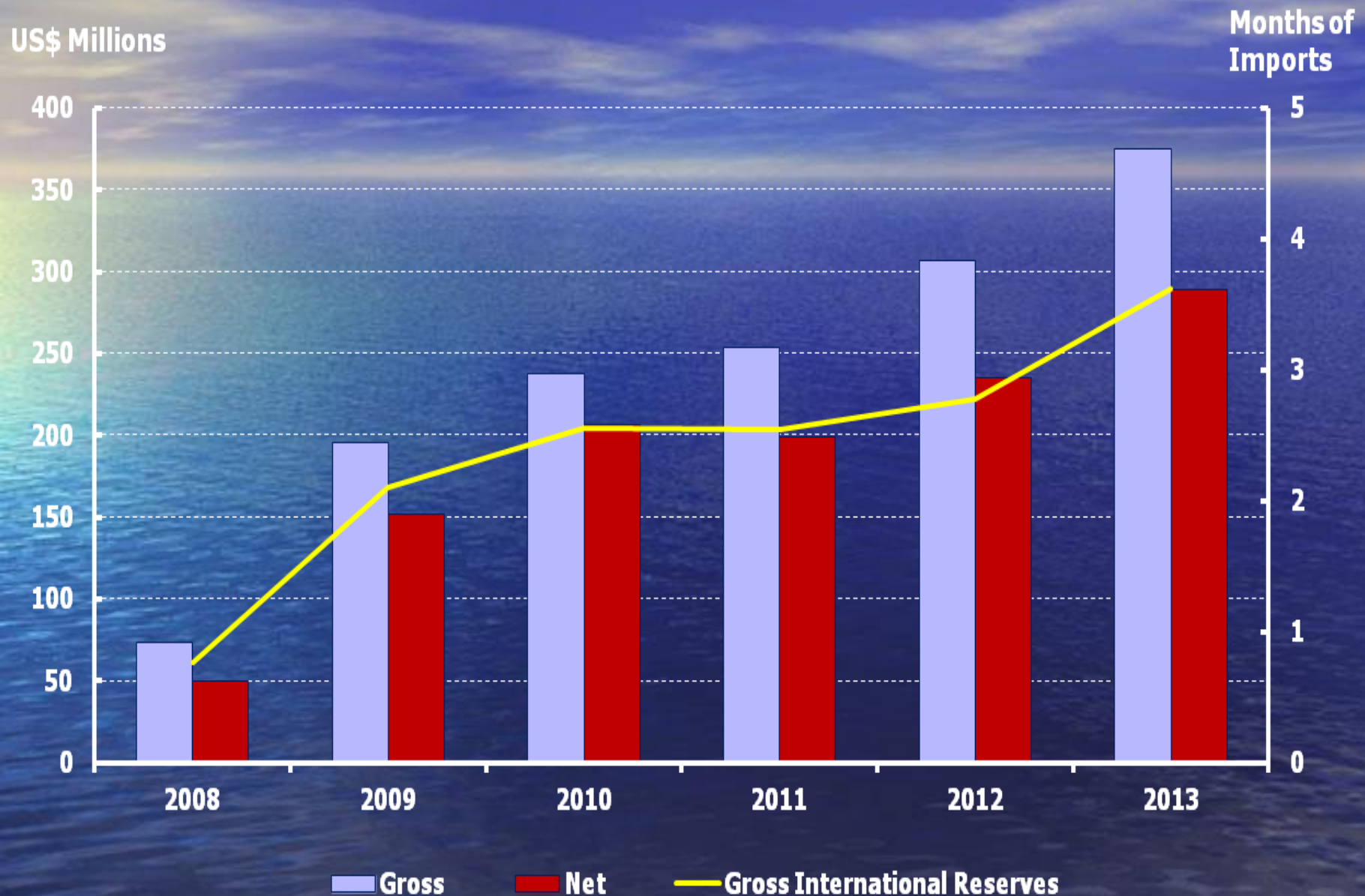


Chart 6: CBS External Reserve Position US\$



Challenges Going Forward

- Need to Sustain Gains made since 2008 and Maintain Macro-Economic 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!