



# Seychelles: Changing Fortunes

Unspoiled natural beauty and high-end luxury resorts are only half the story found on these enterprising and well-connected islands.

**A**n archipelago spanning 115 islands situated 932 miles east of mainland Africa, the Republic of Seychelles is gearing up to become a business and tourism hub for the Indian Ocean region as it celebrates a rapidly diversifying economy and better quality of life.

With a strong legal framework and business infrastructure in place, the multicultural and harmonious African country is recognized and praised for its political and economic stability, as well as its pristine environmental conservation record. A forward-thinking, “people-centered” government has worked hard to achieve all eight of the country’s Millennium Development Goals—even as it works to increase investment in tourism, fisheries, industry, energy, and financial services.

**“We have attracted record tourism figures, despite the recession.”**

**James Alix Michel, President**

It’s an optimistic outlook for a nation that has successfully turned its fortunes around in recent years. In 2008, the country of just 85,000 people was struggling to stay afloat as it faced the near-depletion of foreign exchange reserves. Feeling the shock of rising food and fuel prices and then the global recession, the centralized Seychellois economy began to show signs of stress. The government called the International Monetary Fund (IMF), World Bank, and African Development Bank for support, and subsequently implemented a program of reforms. They included the liberalization of exchange regulations, involving the elimination of all foreign exchange controls, and a float of the rupee.

Three years later, Seychelles has surpassed IMF expectations, recording growth of around 6% last year, and predicting 5% in 2011. Blueprints have been rolled out to increase the appeal to

tourists and the country is gaining a promising reputation for offshore banking. A commitment to sustainable fishing in some of the world’s most resource-rich waters is also reaping rewards as stocks in over-fished areas, such as the Pacific, begin to fall.

There is also the possibility of oil, with PetroQuest conducting seismic surveys that are all “coming back positive,” according to President James Alix Michel, who won a five-year term in the presidential elections in July 2006. “We have released blocks to companies for further explanation. We could hold substantial reserves, but of course, we can’t tell at this stage,” he says.

For years, Seychelles has maintained a solid reputation as an exclusive resort destination. “We have a particular brand of ecotourism, which integrates the management of the environment very well,” says President Michel. “We have designated heritage areas where investors actively participate in preservation projects. We have a number of top brands: Sheraton, Hilton, and the Four Seasons, for example, all of which help promote the industry to the right clientele.

“At the same time, we are also encouraging more Seychellois to enter the tourism industry,” he says. “It is important that the local population become owners of the industry because through ownership you have the drive and dynamism to make the industry work.”

The beautiful Constance Ephelia Resort, which overlooks a natural marine park and is 50% Seychellois owned, is testament to the President’s vision of local and international investment working in harmony. Meanwhile, on the remote Desroches Island, the second phase of luxurious five-bedroom beach retreats have gone on sale, offering guests the chance to own their own piece of paradise. Kenneth Collins, CEO, says: “The first phase of 26 villas sold out within six months, and continue to appreciate in value.”

Even through its crisis, Seychelles managed to maintain a high level of tourists visiting the islands. “We expected a drop

of 25%, yet we saw only a 1% drop. Last year, we drew a record 125,000 visitors," Michel says. "This, during a reform program and a global recession, is incredibly encouraging and we are anticipating another year of growth in 2011."

The reforms have allowed the country to move ahead on a sounder economic footing. These days, the President maintains, Seychelles has a much more entrepreneurial culture. "The IMF helped us help ourselves, and we have succeeded in stabilizing the economy. We have built schools and infrastructure, we offer free education and health care, and we have housing available at a price that is affordable to local people. The quality of life has really improved."

### Developing a Knowledge Base

The government is determined to innovate and add value across the board. As Danny Faure, Vice President and Minister of Finance, Public Administration and ICT, says: "Our aim is to encourage the private sector. We now have a university with excellent professors. We want to be a leader in environmental research and in climate change, and perhaps in the future we will talk more about petroleum."

"When I was Minister of Education in 2000, I was looking at the numbers and realized that we were sending students to London at a cost of £525 every month. Manchester was around £80 cheaper, so I convinced the vice chancellor we could



**James Alix Michel**  
President



**Danny Faure, VP and Minister of Finance, Pub. Admin. and ICT**



**Pierre Laporte**  
Governor  
Central Bank

offer an economic and social studies degree here. Students could then do one year here and two years in Manchester. Consequently, our central bank is staffed with graduates from Manchester University. It was thinking outside of the box. For a small country like Seychelles, being innovative is crucial."

Innovation is also apparent through a groundbreaking subterranean fiber-optic link to the African mainland, which, when complete, will bring the country up to 21st century standards. "The whole link will provide an explosion of knowledge, and will especially strengthen the financials of this country," Faure says.

Pierre Laporte of the Central Bank gives another example of the country's visionary ethos. "We are a very strong country, and this is one of the only central banks that is truly independent. No politician can sit on our board. In terms of the supervision of



### Promoting growth within a sound regulatory framework

A modern and efficient institution, the Central Bank of Seychelles champions sustainable economic growth through prudent monetary policy and the maintenance of a stable financial system, while fulfilling its responsibilities with professionalism and transparency.



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the financial system, I am confident we are one of the best," he says. "Offshore holds a lot of potential for us. We are working on setting up a stock exchange that, when it comes to fruition, will attract more investors and bring even more stability.

"There were many times during our financial crisis when people told us we were too small to recover. But we have learned from our mistakes. When the global downturn hit, we had facilities in place. I believe we have one of the better financial intelligence units in the area."

The liberalization process was crucial to the country's survival, Laporte notes. "Tourism marketing was handed over to the private sector, and discount marketing managed to turn the sector around. It drew a lot of people back into the country."

### Offshore Industries

Seychelles first recognized the revenues that could be generated by offshore financial services in the early 1990s. Today, alongside tourism and fisheries, the sector is the fast-growing third pillar of the economy. Acknowledged as a clean jurisdiction by the OECD—the country is on the economic think tank's white list—Seychelles' International Corporate Providers Act ensures that all service providers adhere to strict professional standards and are subject to a high level of due diligence prior to the issuance and renewal of a license.

While the legislation may have slowed the sector's growth initially, it has been a key factor in guaranteeing what the


government and financial experts are sure will be long-term viability and a means to double the country's GDP within a decade.

With banks such as BMI Offshore involved, and double taxation avoidance treaties with China, South Africa, the UAE and other countries already in force, Seychelles is positioning itself as a world-class center for financial services in the region.

Assisted by the Seychelles International Business Authority (SIBA), which manages and regulates the offshore sector, companies operating in Seychelles enjoy a highly competitive range of fiscal advantages.

Set up in 1994, SIBA was primarily responsible for rebranding Seychelles as more than just a high-end tourism destination. It has been highly successful. As Steve Fanny, Managing Director and CEO of SIBA, says: "When we started, we had 800 companies in the first year. We now have 90,000 companies and are registering around 8,000 new companies per annum. Those numbers alone show you the amount of work that has gone into changing people's mindsets."

Fanny, who earned a Masters in Audit Management and Consultancy in the U.K. before working for the Central Bank of Seychelles, joined SIBA in 2007. Investors will, he maintains, find incorporation a swift and efficient process. "Once a firm has undertaken the "know your customer" process that is required by law, they can submit their documentation to us and we will aim to incorporate them within the same day."



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Seychelles International Business Authority

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Since 1995, SIBA has been a one-stop shop for serious investors, offering fast, efficient services with the minimum of red tape and a professional team dedicated to growth through innovation, capacity building and product enhancement.

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The international business chief cites many strategic advantages within Seychelles. "One of the main ones we have found over the years is our geographical location," he says. "Seychelles is well positioned in terms of time zones. Our local corporate service providers also provide a 24-hour service to their clients."

Moreover, companies operating under a special license are eligible to pay a business tax rate of only 1.5% on their worldwide income, and those established in Seychelles are free to undertake operations in any other country.

"You can use a companies special license to invest in companies within countries that we have signed treaties with. There are great fiscal benefits to this, as there are great savings to be made," Fanny says.

Today, the work of commercial and offshore banks is a significant contributor to Seychelles' gross domestic product—

**"The Companies Special License carries great fiscal benefits."**

Steve Fanny, MD & CEO, SIBA

services as a whole contribute 66%. "Offshore banking creates a great service that allows investors to access funds internationally and build up a history which moves with the client. It is also much more tax-efficient than onshore banking as there is no VAT charged."

### Sustainable Sectors

Peter Sinon, Minister of Investment, Natural Resources, and Industry, is keen to encourage foreign investment in a number of key industries, including tourism and fisheries.

With more than a million kilometers of sea surrounding the island, Seychelles lies at the center of the migratory routes of the western Indian Ocean's tuna stocks, which means tuna and other fish are in abundant supply. The country houses the world's second-largest tuna canning factory—Indian Ocean Tuna (IOT), which is partly owned by MW Brand. Tuna accounts for 95% of national exports.

While industrial fisheries provide a steady supply of fish to IOT, a thriving artisanal and semi-industrial sector supplies the local market and sends high-value-added product overseas. Long-line fishing projects, mari-aqua culture, and processing have all been earmarked as potential areas for foreign investment in the sector.

The Fisheries Partnership Agreement (FPA) protocol between the EU and the Republic of Seychelles has just been renewed. Starting in January 2011, it covers a period of three years. The yearly reference tonnage for tuna catches is set at 52,000 tons, compared to the present 63,000 tons, and fishing opportunities for the European tuna fleet will be available for 48 purse seiners and 12 long-liners, which means a total of 60 vessels instead of the current 52.

Finley Racombo of the Seychelles Fishing Authority says:

## WHAT'S HAPPENING IN THE ECO-CAPITAL OF THE WORLD?



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“Industrial fishing companies have to tell us how much they catch. If they go over the limit, they have to pay an extra fee. It is our responsibility to monitor what is going on and it is very rare that we have problems. This plan is very important, and needs to be followed.”

The country's sights are very firmly set on big investors who can help develop processing plants and core storage facilities, and add value, particularly those looking to benefit from a long-standing expert fisheries environment and high quality fish.

As the government veteran says: “We have two fish processing plants producing for both the local market and export, and a large canning factory processing an average of 350 tons of tuna a day, mostly for the export market. Port Victoria handles facilities for the semi-industrial and the local fishermen, and is looking to add a fuel station and ice plant.”

Indeed, the port is undergoing a major expansion that will allow it to realize its potential as a container transshipment port serving the Western Indian Ocean and East African seaboard, as well as maintaining its position as the region's premier fisheries hub and fuel bunkering point.

A new road network, fuel farm, dry dock, and free trade area will be built to support the planned expansion of the fisheries quay, which is slated to grow by more than 300 meters, and cargo quays, which will have an additional 50,000 square meters for container movements.

## Own a private beach retreat in paradise

Romantic and secluded, Desroches Island is an exclusive island getaway in the Indian Ocean, far away from the daily grind, yet where every modern convenience is available and every need is catered to.

Waking up in one of the quiet and spacious private beach retreats to the sound of the sea lapping the pristine sand means you start your day on the right note. Take breakfast in your state-of-the-art villa, or walk to the nearby five-star resort to feast on a gourmet menu. Have a dip in the pool, or enjoy one of the island's activities, go fishing, snorkeling, or scuba diving before lunch, and perhaps an exclusive spa treatment late afternoon. Whether you want romance, adventure or relaxation, Desroches Island provides it all.

On Desroches Island, everything is in place to make your stay as comfortable as possible, with customer service that is of the highest standards. Positioned on 5,000m<sup>2</sup> stands in lush, tropical surroundings, with over 70m of beach frontage, the luxurious 770m<sup>2</sup> five-bedroom retreats are equipped with the best quality fixtures and fittings, entertainment centers with surround sound, and beautifully designed bedrooms, complete with percale cotton linen and towels.

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For further information on this exceptional investment opportunity, contact Tim Hammond: Tel +27 82 320 9320 | [tim@desroches-island.com](mailto:tim@desroches-island.com) [www.desroches-island.com](http://www.desroches-island.com)

Further investment opportunities will be created through the relocation and expansion of the inter-island quay—which provides services to travelers between the capital Mahé

and other islands—while the present quay is converted into a long-line fishing port for both local and foreign-owned vessels. Tourism officials are also looking to place Seychelles as the hub of Indian Ocean cruises for medium-sized cruisers, and implement island-hopping and yachting services.

As to whether the fisheries sector can become the number one pillar before tourism, as it was in 2006, Racombo says: “We are still the number one for fishing in the area, and there is not much competition for us. But to compete with the tourism industry, we will have to put more facilities on land to attract investment. Of course, that means investment is needed to build those facilities in the first place.

“We need to work on putting all these costs together to attract the right investors and create the level of industry we would like to achieve. To move forward with our plans and bring in the profit we would like, we need the right investors. This is a process—a long-term, ongoing plan for us. We have to prepare ourselves in all areas to be ready for growth.”

## Key Reformers

Seychelles also benefits from access to lucrative markets. It is a member of the Common Market for Eastern and Southern Africa (COMESA), the Southern African Development Community (SADC) and the Indian Ocean Commission (IOC), which constitute a combined market of more than 500 million people. During the 2008 reforms, the commercial environment underwent significant changes, with more private importers entering into the trading business, fuelling competition within the sector. Both the supply and demand sides of the Seychelles economy underwent major transformation.

In line with the economic changes, the Seychelles Trading Company Ltd. (STC) adapted by focusing on core activities, streamlining its workforce, and improving its existing services and product portfolios to better match new stakeholder expectations. To meet the consumption demands of a growing population, the country has to import most of its consumer goods, including basics like rice, sugar, and salt, and the STC plays a major role in this.

As Patrick Vel, CEO of STC, explains: “Our core business involves imports that bring in around 60% of our income. Retailing also plays a big role. We own one of the biggest supermarkets in town, for example, and are looking to upgrade it, so there is potential for investment here. We have a chain



**Steve Fanny**  
Managing Director  
and CEO, SIBA



**Patrick Vel**  
CEO  
STC

of franchise stores not purely for profit or commercial reasons, but for food security. There are no price controls, but we expect our franchises to set their prices to the same level we do.

“We distribute everything we import in outlets throughout the country using our fleet of vehicles so it will be the same price. We want to be the best choice for consumers looking for value they can trust.”

Cable & Wireless (Seychelles) Ltd. (C&W), which has had a presence on the island since 1893, also strives to offer services that other larger countries have and is proud that 98% of its employees are Seychellois. “Investors do not just buy into the company but the country itself, and local knowledge is important,” says chief executive Charles Hammond.

C&W, along with Airtel, the local subsidiary of Indian firm Bharti Group, is responsible for the new submarine fiber-optic cable that will connect the islands to a high-speed broadband network.

“The cable will come online by the middle of next year and will transform what we already have in place in the Seychelles,” he says. “One of the largest benefits will be cost—over time, the cost of this service will go down drastically.”

Hammond, who predicts at least a 5% growth for C&W in 2011, believes increased competition should be carefully managed. “In small markets like this, you have to maintain a good balance,” he says. “C&W is in the driving seat, so we are doing well. We have 67% market share of mobiles, over 80% of the fixed line, and we have just

gone up to 66% on Internet. With our multilingual population, opening up call centers is a big possibility.

“The introduction of cable means there will be more opportunities for learning, such as interactive online resources for students.”

The Seychelles Civil Aviation Authority has also done much to improve the

communications links to the islands.

A multi-million dollar overhaul of the international airport at Mahé in 2007, accompanied by the introduction of an open-skies policy, have increased air links to major cities around the world.

This means more people than ever are able to come to the magical Seychelles for work, business, and pleasure. ●



## Winning for Seychelles

### Responsible Fishing For Sustainability

As it strives to develop the nation’s global industry to its fullest potential, the SFA is taking the sensible line on fishing to safeguard stocks and ensure work, revenues and food security for generations to come.



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