Socio-economic and Trade Analysis for
Western Indian Ocean Island States – Seychelles Focus

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Summary
• The four island-nations in the western Indian Ocean (Comoros, Madagascar, Mauritius, and Seychelles) are especially vulnerable to the global crisis caused by the COVID-19 pandemic. Their heavily service-based economies expanded over 4% in 2018 – a rate faster than comparable island economies in other regions. The COVID-19 pandemic has reversed this trajectory. The islands’ dependence on air and freight transport and significant export concentration contribute to a heightened vulnerability to external shocks.

• In the case of Seychelles, the COVID-19 pandemic has exposed several vulnerabilities such as its high dependence on Europe (38% of total trade), high dependence on services (84% of GDP) and the limited capacity of its health system to prevent, detect, and respond to a major health crisis.

• If the crisis prolongs, Seychelles may potentially lose many of its hard-won gains in economic development, fiscal stability, and growth of a thriving service sector. Apart from the very real public health risks, Seychelles faces the possibility of major adverse economic consequences due to the COVID-19 crisis. These include a balance of payments crisis (if the current account balance deteriorates further) and large sustained job losses (if the tourism industry does not rebound quickly). While the announcement in May that the IMF Executive Board has approved a USD 31.2 million in Emergency Assistance to Seychelles is welcome, it may not be sufficient if the crises prolongs.

• The government has already taken important steps to strengthen the health system, to shore up the social safety net and to ease pressures on the private sector. The mix of recent fiscal and monetary policies include rolling out a new government budget with an additional USD 57m for the COVID-19 response and reducing the policy rate from 5% to 4%.

• While the government’s response has been expansive in addressing immediate concerns, more measures are needed to increase longer-term resilience to external shocks. This includes leveraging better the economy’s considerable blue economy resources, reducing the country’s heavy dependence on tourism and increasing trade with the rest of the African continent through the AfCFTA.
1 Western Indian Ocean Socio-Economic Background

The four sovereign states– Comoros, Madagascar, Mauritius, and Seychelles – are geographically and socio-economically distinct from their continental counterparts, and diverse even among themselves (Table 1). However, their similarities, such as the geographical isolation, service-based economies with high dependence on air and freight transport and tourism, and significant export concentration, contribute to their heightened vulnerability to the COVID-19 crisis.

Table 1: Selected Economic and Social Indicators

<table>
<thead>
<tr>
<th>Macroeconomic Indicators</th>
<th>Comoros</th>
<th>Madagascar</th>
<th>Mauritius</th>
<th>Seychelles</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP (current, US$ bn)</td>
<td>1.2</td>
<td>12.9</td>
<td>14.2</td>
<td>1.6</td>
</tr>
<tr>
<td>GDP per capita (US$)</td>
<td>1,415</td>
<td>527</td>
<td>11,694</td>
<td>16,434</td>
</tr>
<tr>
<td>GDP growth in 2019 (%)</td>
<td>1.9</td>
<td>4.8</td>
<td>3.5</td>
<td>3.9</td>
</tr>
<tr>
<td>GDP growth forecast for 2020 (%)</td>
<td>-1.2</td>
<td>0.4</td>
<td>-6.8</td>
<td>-10.8</td>
</tr>
<tr>
<td>Public debt in 2019†</td>
<td>32.4</td>
<td>40.1</td>
<td>63</td>
<td>57.7</td>
</tr>
<tr>
<td>Fiscal balance in 2019</td>
<td>-2.6</td>
<td>-2.4</td>
<td>-3.2</td>
<td>-0.1</td>
</tr>
<tr>
<td>Annual average inflation rate in 2019 (%)</td>
<td>3.3</td>
<td>5.6</td>
<td>0.5</td>
<td>1.8</td>
</tr>
<tr>
<td>Agriculture, value added</td>
<td>31.5</td>
<td>25.2</td>
<td>3.2</td>
<td>2.4</td>
</tr>
<tr>
<td>Industry, value added</td>
<td>12.4</td>
<td>24.2</td>
<td>20.1</td>
<td>13.4</td>
</tr>
<tr>
<td>Services, value added</td>
<td>56.1</td>
<td>50.4</td>
<td>76.8</td>
<td>84.2</td>
</tr>
<tr>
<td>External Sector Indicators</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FDI inflow</td>
<td>0.7</td>
<td>2.5</td>
<td>2.6</td>
<td>7.9</td>
</tr>
<tr>
<td>Exports of goods</td>
<td>4</td>
<td>22</td>
<td>17</td>
<td>36</td>
</tr>
<tr>
<td>Imports of goods</td>
<td>21</td>
<td>25</td>
<td>38</td>
<td>78</td>
</tr>
<tr>
<td>Merchandise trade balance</td>
<td>17</td>
<td>3</td>
<td>21</td>
<td>42</td>
</tr>
<tr>
<td>Intra-Africa trade (% of goods trade)</td>
<td>20</td>
<td>12</td>
<td>15</td>
<td>11</td>
</tr>
<tr>
<td>Demographic and Social Indicators</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Population (people)</td>
<td>832,322</td>
<td>26,262,368</td>
<td>1,265,303</td>
<td>96,762</td>
</tr>
<tr>
<td>Unemployment rate in 2019, total (%)</td>
<td>3.7</td>
<td>1.7</td>
<td>6.9</td>
<td>2.3</td>
</tr>
<tr>
<td>Expected years of schooling (years)</td>
<td>11.2</td>
<td>10.4</td>
<td>15</td>
<td>15.5</td>
</tr>
<tr>
<td>Population using at least basic sanitation services in 2017 (%)</td>
<td>35.9</td>
<td>10.5</td>
<td>95.5</td>
<td>100</td>
</tr>
<tr>
<td>Population in multidimensional poverty⁡ (%)</td>
<td>37.3</td>
<td>77.8</td>
<td>95.5</td>
<td>32</td>
</tr>
<tr>
<td>Human Development Index</td>
<td>0.538</td>
<td>0.521</td>
<td>0.796</td>
<td>0.801</td>
</tr>
<tr>
<td>Gender Development Index</td>
<td>0.888</td>
<td>0.946</td>
<td>0.974</td>
<td></td>
</tr>
</tbody>
</table>

Source: AfDB, IMF, UNCTAD, UNHDR, World Bank, national sources
Note: Measure is % of GDP and year of observation is 2018, unless otherwise indicated

1 Public debt figures are projects from Article IV reports published in mid-2019.
2 Brief Economic and Social Profile

2.1 Macroeconomic Trends and Evolving Situation

The last global economic crisis of 2008-9 hit the island states particularly hard. Their economies experienced a decline in the pace of growth, with the more open economies in Madagascar and Seychelles facing an overall contraction of Gross Domestic Product (GDP). Although over the following decade their economies have subsequently recovered (Figure 1), the region has also had to contend with the increasing severity of extreme climatic events: the 2018–19 South-West Indian Ocean cyclone season has been considered as the costliest and the most active season ever since reliable records began in 1967.

Policies have been undertaken in the region to catalyse the economic recovery, including new government policies and reforms. For example, under successive IMF-supported programmes\(^3\), authorities in the Seychelles have been successfully implementing economic and structural reforms to build greater economic stability and sustainability. In the five years following the 2008-9 crisis, the Seychellois authorities implemented a comprehensive IMF-supported programme of reforms for improved economic and fiscal sustainability. From 2014, they started a 3-year programme to “reduce the high debt levels, improve external buffers and sustainability in the face of emergent balance of payments pressures, and strengthen the economy through sustained and inclusive growth”\(^4\). Under these consecutive programmes, the public debt to GDP ratio was reduced by almost two thirds and the foreign reserves coverage improved to around 4 months of prospective imports from less than one month at end-2008. In 2017, the IMF further supported the government’s structural reform agenda by launching a Policy Coordination Instrument (PCI) to aid macroeconomic stabilization and fostering sustained and inclusive growth. In December 2019, the PCI programme implementation was on track.

The economies of all four islands are largely service-based, from 50% in Madagascar (primarily trade and transport) to 84% in the Seychelles (primarily tourism). While the agricultural sector is also important in Comoros (32%) and Madagascar (25%), its contribution to economic activity is under 5% in Mauritius and Seychelles. The industry sector, including mining, has been expanding in Madagascar in recent years. By 2018, growth in all four countries outpaced the Sub-Saharan average, as well as the averages of comparable small economies in the Caribbean and Pacific regions (Figure 1). Growth rates in 2019 were generally sustained in Madagascar (4.8%), Mauritius (3.5%) and Seychelles (3.9%) but slowed in Comoros (1.9%) as the cyclone Kenneth in April 2019 shuddered productive capacity and caused damage that cost over 12% of GDP (IMF; AfDB, 2019a).

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\(^3\) After 2008, the first IMF-supported programme included floating the exchange rate, eliminating exchange restrictions, turning fiscal deficits into surpluses, and halving the debt burden with the assistance of external debt relief. On June 4, 2014, the IMF Executive Board approved a 3-year SDR 11.445 million arrangement for Seychelles under the Extended Fund Facility to support authorities’ efforts to reduce high debt levels, improve external buffers and sustainability in the face of balance of payments pressures, and to strengthen the economy through sustained and inclusive growth. After this was successfully completed, on December 13, 2017, the Executive Board approved a new three-year PCI for Seychelles. Seychelles is the first IMF member country to request a PCI, which is a non-financing instrument that aids members in developing and monitoring reform agendas.

\(^4\) IMF Press Release, 5 June 2014. IMF Executive Board Approves US$ 17.6 Million Extended Fund Facility Arrangement for Seychelles. Available at: https://www.imf.org/en/News/Articles/2015/09/14/01/49/pr14262
In 2019, the fiscal picture was also mixed across the islands. While Seychellois authorities achieved a small fiscal surplus (as a share of GDP), budget shortfalls were large in Comoros, Madagascar and Mauritius (Figure 2). Mauritius’ recent expansionary fiscal policy and resulting deficits have been financed by increasing domestic and external debt. Conversely, prudent fiscal and debt management in the Seychelles has caused the public debt-to-GDP ratio to fall from 130% in 2008 to 58% in 2019. Seychelles also helped to pioneer financing instruments, blue bonds and the “debt-for-nature” swap. These innovations have helped the country to raise capital to finance ocean-based economic or conservation projects, such as expanding their marine protected areas, while maintaining balance with debt reduction and fiscal sustainability goals.

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Under the current IMF instrument, Seychelles has made progress in strengthening and reducing fiscal risk from the state-owned enterprise sector. Most notable has been the work to contain financial risks in Air Seychelles – which is majority owned (60%) by the government and has been making losses.\(^6\) While the government has been providing some support to the airline, this has been based on the company’s plan to restructure operations to cut costs. Ongoing measures include staff redundancies and the closure of loss-making international routes.

Prior to the COVID-19 crisis, economic projections were favourable for Comoros and Madagascar. In particular, post-cyclone recovery efforts were expected to drive a 4.2% boost in the Comorian economy in 2020. Increased demand and investment in tourism industries were expected to sustain growth in Mauritius and Seychelles, as infrastructure investments would in Madagascar. Notwithstanding, the importance of agriculture, travel and transport in the region exposes it to global price changes and depressed demand.

The pandemic is posing an unprecedented health and economic crisis for small island economies. UNDESA estimates that the GDP of all small island economies will contract by -4.7% this year.\(^7\) This is even more serious than the anticipated contractions globally and in landlocked developing countries, or the slowed rate of expansion in the least developed countries (Figure 3). Seychelles is expected to be one of the worst hit economies among the Small Island Developing States (SIDS).

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The region is now facing a recession in 2020, with three out of the four countries forecast to experience contractions in economic activity (Figure 4). Aside from the health and social implications, COVID-19 impacts the regional economy through diminishing demand for travel and tourism services, reduced remittance inflow from workers abroad, reduced international trade, falling commodity prices, and the impact of COVID-19 containment measures. Additionally, there are disruptions to mining and manufacturing activity in Madagascar. These impacts are reverberating through the economy, affecting employment and investments in direct and indirectly-affected industries.

World Bank analysis suggests that fiscal balances will deteriorate most in countries that are commodity exporting or dependent on tourism revenues - characteristics describing all four western Indian Ocean economies. Already limited fiscal space would be further pressured as governments are financing social protection measures and may also attempt to conduct counter-cyclical policies to spur faster economic recovery. In the case of Seychelles, the government has revised its budget to consider the anticipated decline in revenues and increase in COVID-19 related expenditure. Revenues are now expected to decline by over USD108 million, contributing to a wide budget deficit – the first in several years.8

Currently, the IMF is anticipating a brisk recovery in all economies in 2021. However, these forecasts are tentative and require the main engines of growth and trade to restart in late 2020 or early 2021. In addition to the effectiveness of economic recovery strategies attempted by governments, recovery of key industries is heavily dependent on the severity of the outbreak domestically and in the main trading partners or tourism source markets.

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2.2 Social Development Trends and Evolving Situation

Social development has not been even across the island states. In the 2019 Human Development Report (HDR), Seychelles had a Human Development Index (HDI) of 0.801 and is categorized as a country with a very high level of human development – the highest in Africa. Mauritius is also classified as a high human development country, with an HDI of 0.796. By the latest estimates, less than 1% live below the international poverty line of $1.90 a day, and the majority have access to basic health, electricity, and ICT services (World Bank Open Data, 2020).

The social gains of these islands stand in stark contrast to the situation in Comoros and Madagascar. In the 2019 HDR, both were categorised as low human development countries with HDIs of 0.538 and 0.521 respectively. In Comoros, almost a fifth of the population lives below the international poverty line, and as a result, infant and child mortality and malnutrition are high.¹⁰

Public Health and Sanitation

The public health systems in Comoros and Madagascar are also less able to cope with the challenges of a pandemic. For example, most people do not have access to basic sanitation services in a time when hand hygiene is an essential part of efforts to contain the spread of the coronavirus (Figure 5). The per capita

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health resources available have historically been a fraction of that in Mauritius and Seychelles and the average of Small States globally (Figure 6).

Figure 5: Share of Population Using At Least Basic Sanitation Services, 2017

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seychelles</td>
<td>100%</td>
</tr>
<tr>
<td>Mauritius</td>
<td>96%</td>
</tr>
<tr>
<td>Comoros</td>
<td>36%</td>
</tr>
<tr>
<td>Madagascar</td>
<td>11%</td>
</tr>
</tbody>
</table>

Source: World Bank

Figure 6: Health Workers per 1,000 Population

<table>
<thead>
<tr>
<th>Country</th>
<th>Physicians</th>
<th>Nurses and Midwives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Madagascar</td>
<td>0.2</td>
<td>0.1</td>
</tr>
<tr>
<td>Comoros</td>
<td>0.2</td>
<td>0.9</td>
</tr>
<tr>
<td>Seychelles</td>
<td>0.9</td>
<td>3.3</td>
</tr>
<tr>
<td>Mauritius</td>
<td>2.0</td>
<td>3.4</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>0.2</td>
<td>1.0</td>
</tr>
<tr>
<td>Small States</td>
<td>0.9</td>
<td>3.3</td>
</tr>
</tbody>
</table>

Source: World Bank Development Indicators

However, it is important to note that a country’s state of preparedness for a pandemic has to do with far more than just the availability of health resources. These resources need to be adequately and efficiently deployed and supported. According to a report published in late 2019, none of the Western Indian Ocean island states are sufficiently prepared to prevent, detect and respond to major health emergencies.

Out of 196 countries assessed for the Global Health Security Index, Madagascar was the highest ranked at 86; then Mauritius at 114, Seychelles at 133 and Comoros at 160 (Figure 7). However, the challenges for islands in East Africa are not unique. Countries with populations under 1 million, including SIDS across all regions, scored well below the global average. In many SIDS, public healthcare spending is typically low, healthcare infrastructure is frequently lacking, and healthcare workers are limited. Additionally, SIDS are often quite dependent on their larger neighbours to test samples or procure drugs, supplies, or other resources that would be difficult to share during a pandemic.

Before the first case of COVID-19 was confirmed locally, the Ministry of Health in Seychelles was proactive in introducing several measures to bolster their prevention and response capabilities (see 4.1.3). For example, Seychelles was the first African country to adapt and validate the World Health Organization’s recent technical guidelines for Integrated Diseases Surveillance and Response.\footnote{World Health Organisation, 30 August 2019. “Seychelles takes the lead as the first country in the African Region to adapt and validate the WHO/AFRO’s 3rd Edition Integrated Diseases Surveillance and Response (IDSR) Technical Guidelines”. Available at: https://www.afro.who.int/news/seychelles-takes-lead-first-country-african-region-adapt-and-validate-whoafros-3rd-edition} However, at the time of the health security assessment in 2019, there were certain dimensions where the country performed poorly, compared globally and among the other Western Indian Ocean island states (Figure 8). In the ability to prevent the emergence or release of pathogen \textit{(Prevention)}, Seychelles was not as prepared as its neighbours in antimicrobial resistance or capacity to prevent zoonotic diseases like COVID-19. Seychelles was also assessed as less able to rapidly respond to and mitigate the spread of an epidemic \textit{(Rapid Response)}, due to weak emergency preparedness, response planning, risk communications.
Livelihoods and Food Security

Already, the economic fallout has had devastating impacts on jobs and livelihoods. In 2019, national unemployment levels were in the low single digits for all except Mauritius, where it was 6.9%. While recent labour force statistics are not yet available, it is expected that unemployment rates have increased to double-digits as industries are shut and workplaces closed as part of the COVID-19 response.

Another area of concern is that of food security. Smaller islands often depend heavily on marine resources and imports to supply food. Food share of merchandise imports has generally hovered around 20% in recent years (Figure 9). In 2018, it was highest in Comoros (29%) and Seychelles (25%), which while high, was still moderate when compared to other Eastern African countries.13

In Seychelles and Mauritius, the agriculture sector accounts for less than 5% of economic activity. However, this should not understate the importance of fish production and processing, especially for exports. Comoros and Madagascar are distinct from their neighbours as agriculture’s contribution to the economy is significant. In 2016, the 140,000 people in the Comoros archipelago who depend on fishing for their livelihoods caught 16,000 tons of product that was primarily consumed locally.14 Madagascar is further unusual in the high levels of food insecurity faced, despite the higher importance of the agricultural sector. In 2018, the sector employed as much as 80% of people and contributed over 25% of the GDP, but 48% of households were food insecure15. The country faces severe malnutrition problems in both adult and child populations.

13 Among Eastern African countries, 2018 food share of imports was highest in Somalia (48%) and Eritrea (34%).
The diversity of food insecurity problems among the western Indian Ocean islands means that the COVID-19 crisis will impact them in different ways. Across all islands, the national distancing measures have slowed domestic food production and distribution. Supply may also be affected by global supply and trade disruptions on imports. However, the drop-off in visitors from the main tourist source markets for Mauritius (India) and Seychelles (Europe) would decrease domestic demand for imported food products. In Seychelles, food wholesalers have reported significant business losses as tourism establishments are non-operational. Many have turned to offering perishable goods at discounted prices to the local market.16

Social Protection Systems

In the event of a crisis like COVID-19, it is critical to have effective social protection measures in place to shield the poor and vulnerable from the worst impacts. A government’s ability to build a comprehensive social safety net is influenced by their fiscal space, the efficiency of programmes and their coverage. Mauritius and Seychelles have some of the highest rates of public spending on social protection programmes, as a share of GDP, in Africa (Figure 10). In Seychelles, while this spending has helped to reduce poverty, it has been heavily concentrated on programmes for the elderly (79% in 2015), while under-supporting other vulnerable groups such as the poor, youth, and mothers and children.17 Both the IMF and World Bank have recommended improved targeting of social protection spending to better tackle inequality. This may also lead to public expenditure savings of 0.1% of GDP in 2020.18 At a time of crisis like the present one, however, the priority may be considered to be the extension of coverage of the social protection system, rather than finer targeting.

Figure 10: Public Social Protection Expenditure (% of GDP), latest year available

Source: World Bank, UNECA estimates, Government estimates

The remainder of the brief focuses on the Seychelles, using the other three western Indian Ocean island states as comparators.
3 Recent External Sector Trends

3.1 Trade

In terms of trade and investment, Seychelles has the most open economy among the four countries. As a share of GDP, merchandise exports in 2018 ranged from 4% in Comoros to 35% in Seychelles; and imports ranged from 21% (Comoros) to 78% (Seychelles). While this openness has facilitated Seychelles’ economic growth and prosperity, it also makes the country more vulnerable to external shocks.

All the island economies sustain significant merchandise trade deficits (Figure 11). As a share of GDP, Seychelles has the largest merchandise import bill and overall trade deficit of the four island states. As a net energy importer, it is no surprise that Seychelles trade is weighted down by petroleum imports from the UAE. The recent and dramatic decline in global oil prices will thus help to reduce the import bill.

Figure 11: Total Trade in Goods Exports, Imports and Trade Balance % of GDP, 2010 to 2018

![Bar chart for Comoros, Madagascar, and Mauritius showing total trade in goods exports, imports, and trade balance as a percentage of GDP from 2010 to 2018. The charts display the trade balance deficit for the four countries over the years, with Seychelles consistently having the largest deficit.](image-url)
Seychelles’ export concentration is the highest among the island states. From 2016 to 2018, fish and seafood products accounted for 65% of the country’s merchandise export revenues (Figure 12). Most of its fish exports (68%) went to Europe, particularly France. Comoros exports were almost equivalently concentrated in spices being sent to Europe and Asia. While exports are substantially more diversified in Madagascar and Mauritius, they still depend heavily on demand in Asia and Europe (Figure 13) and their exports may be similarly impacted by the pandemic.

**Figure 12: Composition of Merchandise Exports, 2016 to 2018 Average**

A factor distinguishing island trade is their remoteness from their main trade partners in Europe and Asia. For example, the main merchandise export partners for Seychelles include France, United Kingdom, and United Arab Emirates. China is a less important trading partner in the islands than for their continental neighbours, with trade with China accounting for around 12%\(^{19}\) of total trade, measured as sum of the value of exports in imports. The islands are still very dependent on trade with Europe, one of the current epicentres of the COVID-19 pandemic. In addition to logistical challenges with trading routes, imports will be significantly impacted by supply chain disruptions in Europe and Asia and exports will slow due to depressed demand across Europe and other key regions.

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\(^{19}\) Aggregate trade with China as a share of aggregate trade (value of exports plus imports) for all islands.
In 2018, Seychelles’ share of exports sent to other African nations was just 7%, 8% for Comoros, 12% for Madagascar, and 20% for Mauritius. These are particularly small when juxtaposed against the share in other Eastern African countries like Uganda (50%), Rwanda (43%), and Tanzania (32%)\(^{20}\). The same pattern emerges for merchandise imports. African products were less than 15% of imports into all Western Indian Ocean island economies, except in Comoros where they were 22%. As a result, the overall share of intra-regional trade is low (Figure 13). **Lower trade with Asia and Europe provoked by the crisis creates an opportunity to source and sell more goods with the African continent.** As a recent ECA/TMEA (2020) publication makes clear, the East African market is one of great potential.\(^{21}\) In addition, recent IMF (2020) forecasts suggest that, although badly affected by the COVID-19 crisis, the East African market will be less badly affected than Western Europe or Asia, and will recover some of the lost ground thereafter. Seychelles is well placed to take advantage of some of those new opportunities.

**Figure 13: Total Merchandise Trade, by Partner in 2018 (% of total)**

![Chart showing total merchandise trade by partner in 2018](chart-image)

*Source: UNCTAD*

In sharp contrast to the merchandise trade sector, Madagascar, Mauritius and Seychelles have all registered surpluses in service trade since 2016. In 2018, service trade surplus was over USD 1 billion (or 8% of GDP) in Mauritius and almost USD 500 million (or 34% of GDP) in the Seychelles (Figure 14). In all countries, earnings were primarily driven by travel services (Figure 15). Over 20% of service export revenues in Madagascar and Seychelles were associated with transport Services. In Comoros, 22% of service export revenues were related to Information and Communications Technology (ICT) services. Among these three sub-sectors, **ICT is the only one poised to prosper during the pandemic.**

The global slowdown in trade and travel, and the local impact of COVID-19 containment measures have already had a negative impact on much of the service sector (notable exception being ICT-based services).

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For example, in the case of tourism, France alone accounted for a significant share of visitors to Comoros (45%), Madagascar (25%) and Seychelles (13%) in 2018 (WTTC, 2019). The French government expects their economy to contract by 8% this year\textsuperscript{22}, leading in all probability to a sharp reduction in tourism arrivals from France.

The tourism industry in Seychelles has been expanding for decades. Visitor numbers were steadily increasing – rising 6% to 384,204\textsuperscript{23} in 2019 alone. An extensive tourism campaign was expected to help sustain the industry’s growth trajectory in 2020 and beyond. As Seychelles is a higher cost destination, other African countries only account for around 10% of visitors each year (NBS, 2018). In 2019, a large share of these visitors came from Germany (18%), France (11%), UK (8%), Italy (7%), or UAE (5%). The current disconnection from these major source markets is crippling the local tourism industry. \textbf{Even when restrictive measures are lifted, it is unlikely that global travel would fully rebound before 2021 or later.}

\textit{Figure 14: Total Trade in Services \textbf{Exports, Imports} and \textbf{Trade Balance} \% of GDP, 2010 to 2018}

\begin{figure}
\centering
\includegraphics[width=\textwidth]{total_trade_services.png}
\caption{Total Trade in Services \textbf{Exports, Imports} and \textbf{Trade Balance} \% of GDP, 2010 to 2018}
\end{figure}

\begin{figure}
\centering
\includegraphics[width=\textwidth]{seychelles_trade.png}
\caption{Seychelles Trade}
\end{figure}

Source: UNCTAD


3.2 Offshore Finance

Since the introduction of the International Business Companies (IBC) Act in 1994, over 200,000 IBCs have been registered in the Seychelles.\(^\text{24}\) Other services in the industry include offshore trust, insurance, investment fund management, and banking.

In recent years, the broader financial industry has faced the challenge of declining correspondent banking relationships through the de-risking efforts of US and European banks. The offshore financial sector has faced additional challenges with pressures to comply with global transparency standards and anti-money laundering (AML) regulations. Adopting a more risk-based approach, the government plans to transition to a more transparent model and develop an overall strategy for the industry.\(^\text{25}\) It has taken some time to conduct stakeholder discussions to implement such reforms. Early this year, the European Union took the decision to add Seychelles to a “blacklist” of jurisdictions it perceives to have harmful preferential tax regimes.\(^\text{26}\) France has also blacklisted the territory for insufficient provision of information on offshore entities.

In this context, the COVID-19 crisis may potentially lead to heightened scrutiny on the offshore financial sector in Seychelles. As governments around the world face COVID-19-related budgetary pressures, it is possible that they may target international business centres to curb tax avoidance and evasion and to keep more financial resources domestically. Against the backdrop of the current crisis, a re-examination of the role and strategy of developing the off-shore sector is merited.

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\(^\text{24}\) Fidelity Corporate Services. Available at: https://www.seychellesoffshore.com/seychelles-ibc-company.php


\(^\text{26}\) Seychelles News Agency. 20 Feb 2020. “Seychelles disappointed at EU blacklisting”. Available here: http://www.seychellesnewsagency.com/articles/12462/Seychelles+disappointed+at+EU+blacklisting%2C+trying+to+get+removed+by+April
3.3 Foreign Investment and Remittance Inflows

Challenges in the tourism industry in Seychelles are also likely to affect foreign investment in the country. Among the island states, Seychelles has achieved the highest level of foreign direct investment (FDI) as a share of GDP (Figure 16). Investors are primarily targeting the tourism, telecommunications, manufacturing and fishing industries. A government-issued moratorium on any new, large hotel projects from 2015-2020 contributed to the recent downward trend of FDI. The moratorium was due for re-evaluation later this year, with the rising visitor numbers and accommodation pressures being key inputs into the discussion. However, even if the moratorium is lifted, investors may be wary of funding large hotel projects until the tourism industry has recovered from the pandemic.

It is important to note that the government has been promoting greater diversification in foreign investment – for example into ICTs or the nascent aquaculture industry. In line with national Blue Economy and Fisheries strategies, the government officially opened the domestic aquaculture industry in late 2019, with the opening of a brood stock, acclimation and quarantine facility. Furthermore, the government planned to start issuing licenses to farm five species of fish. Measures such as these to attract investment in new sectors acquire a new urgency in the face of the uncertainty surrounding the tourism sector.

Figure 16: Annual FDI Inflows, 2014 to 2018

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28 In 2015, the Government issued a moratorium on building large scale tourist accommodation facilities with more than 25 rooms. Under the national strategic plan, and in line with the high-value low-volume approach, the Government is seeking to cap tourist arrivals at 400,000 visitors by 2040 to ensure that the industry growth is sustainable. UNECA, 2017. Country Profile: Seychelles. Available here: https://www.uneca.org/sites/default/files/uploaded-documents/CountryProfiles/2018/seychelles_cp_2017_en.pdf


30 UNECA is supporting the Department of the Blue Economy in developing an action plan to implement the Blue Economy Roadmap.
Globally, remittances are expected to decline this year as economic and employment pressures increase in more developed host countries. Remittances are often critical sources of financing for poor households in developing countries, and this decline will lead to heightened domestic financial insecurities.

Fortunately, Seychelles has a relatively low dependence on remittances, compared to the other island states and Sub-Saharan Africa (Figure 17). In 2018, remittance inflows as a share of GDP ranged from as high as 12% in Comoros to under 2% in Seychelles. Data shows that while the low remittance inflow into Seychelles came from a variety of host countries, about 85% of Comoros’ remittances came from France. COVID-induced economic challenges in France may impact incomes of Comorian migrants, reducing their ability to keep up the level of funds repatriated home.

Source: UNCTAD

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31 Nonetheless, there is significant evidence that remittances are one of the more stable international flows. See Hosny (2020) “Remittance Concentration and Volatility: Evidence from 72 Developing Countries”.

On the capital account, similarly, compared to portfolio investments, FDI is often more stable and less prone to volatility. UNDP, 2015. Towards Human Resilience: Sustaining MDG Progress in an Age of Economic Uncertainty. Available here:

32 World Bank Migration and Remittance Data, 2017. Available at:
As foreign inflows from foreign investment, remittances and export earnings are expected to slow in the short-to-medium term, central banks are keeping close guard on the level of foreign exchange reserves. As at the end of 2019, both Comoros and Mauritius had sufficient reserves to finance the import bill comfortably (Figure 18). At that time, Madagascar and Seychelles held a more moderate level of foreign exchange reserves. The Central Bank of Seychelles has already flagged that the significant reduction in foreign exchange inflows, while the demand for forex has continued to rise. These pressures are likely to lead to further devaluations in the rupee in the near term.

### 3.4 Balance of Payments

Like most of its neighbours, Seychelles’ current account is consistently in a deficit. However, the deficit is significantly larger than the other island states, equivalent to 16.7% of GDP in 2019 (Figure 19). This imbalance is mainly financed by FDI. The COVID-19 crisis will lead to a further widening of the current account deficit. There will be increasing difficulties in financing it as FDI declines, income from the tourism sector dries up and the merchandise trade balance deteriorates. In its most recent Staff Report
on Seychelles, the IMF indicated that the country’s external debt was sensitive to currency, growth, and current account shocks. It will also have a negative impact on the government’s debt reduction goals.

*Figure 19: Current Account Balance to GDP*

![Chart showing current account balance to GDP for Comoros, Madagascar, Mauritius, and Seychelles from 2017 to 2019.](chart)

Source: IMF World Economic Outlook (WEO), local sources

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4 Summary of Key Vulnerabilities and Risks

4.1 Vulnerabilities

As discussed in the previous sections, there are many channels of vulnerability to the COVID-19 crisis for the Western Indian Ocean Island States (see also Table 2). In the case of Seychelles, the IMF identifies three areas where their vulnerability is particularly high, that aligns with our analysis in the previous sections.

Table 2: Vulnerability of Countries to COVID-19 Shock

<table>
<thead>
<tr>
<th></th>
<th>Global Financial Links</th>
<th>Trade Linkages with China and Europe</th>
<th>Change in Terms of Trade</th>
<th>Tourism Dependence</th>
<th>Health System Quality</th>
<th>LIC-DSA Debt Rating</th>
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</thead>
<tbody>
<tr>
<td>Comoros</td>
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<td>Madagascar</td>
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<tr>
<td>Mauritius</td>
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<tr>
<td>Seychelles</td>
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Source: Adapted from IMF REO
Note: These ratings are based on a comparison of 195 countries.

According to our own analysis, Seychelles’ vulnerability to the COVID-19 crisis is most acute through its:

(1) Dominant Trade Linkages with Europe

Seychelles’ exposure to Europe, an epicentre of the COVID-19 pandemic, cannot be understated. Over a third of its global trade is with European partners, who account for 68% of its fish and seafood exports. The Euro Area economy is now expected to contract by an unprecedented -7.5% in 2020, which will depress demand for imports from all countries, including from the Seychelles. The United Kingdom is also an important market for Seychelles, and is forecast to suffer its biggest economic contraction in 300 years, with a -14% decline in GDP.34 On the other hand, Seychelles’ dependence on China is quite low – only 4% of total trade in 2018, so this has helped to minimize risks as economic activity in China halted in the first quarter of this year. It is, however, as yet unclear exactly how this may impact on exports and imports. The Seychelles’ main merchandise export is canned tuna fish, and although exports may suffer temporary disruptions due to transport-related delays, demand for such products is likely to remain fairly high. Imports of manufactured goods and machinery & transport equipment may however suffer quite serious disruption, as supply chains break down.

(2) High Dependence on Tourism

The service industry accounted for 84% of Seychelles’ GDP and 64% of export revenues in 2018. The majority of this is from travel, transport, and other ancillary tourism activities. WTTC estimate that Seychelles has the highest dependence on direct and indirect contribution to GDP of any country in Eastern Africa, at 66 percent of GDP. Figures for tourism arrivals in March showed a sharp curtailment in the numbers of visitors, to less than half the total for February, when arrivals reached over 38,000 (Figure 20). The Central Bank’s preliminary estimates show that the annual growth in tourism earnings is to contract by 70 per cent in Euro terms compared to 2019.35

Figure 20: Tourist Arrivals, April 2019 - March 2020

The rising popularity of the tourist destination has enabled the country to consistently earn surpluses in its service trade – a sharp contrast to the large deficits in the merchandise trade sector. Germany, France, UK, and Italy together accounted for 44% of visitors to Seychelles in 2019. Unfortunately, these are also among the hardest hit by the pandemic in Europe. Even when travel restrictions are lifted, the tourism industry may not rebound until the economies in the main source markets recover.

(3) Health Impact

The COVID-19 pandemic is first and foremost a health emergency that requires a strong and coordinated public health response. Although Seychelles has a relatively high number of health doctors and nurses per capita (Figure 6), the wider system is under-prepared to handle a pandemic like COVID-19. According to the Health Security study reference earlier, Seychelles was recently assessed as having a weak ability to prevent, detect and respond to major health emergencies, compared to countries globally, and even some of neighbouring island states.

However, this vulnerability was significantly reduced in recent months. Even prior to the confirmation of the first case in the Seychelles, the Public Health Authority initiated a local outbreak response plan, with clear teams assigned to “Coordination, Surveillance/Laboratory, Case Management and Infection Prevention and control, Risk Communication and Social Mobilization, Control at Points of Entry (PoE) and Logistics and Supplies”. Additional measures included intensified surveillance at PoEs, training of health personnel, and preparation of quarantine and treatment facilities.

A related area of vulnerability for Seychelles is in its ageing population. Seychelles the highest old-age dependency ratios in East Africa. Over 10% of the population is over 65, who appear to be at a significantly increased risk of severe disease following infection from COVID-19.

4.2 Risks

Apart from the very real public health risks, Seychelles faces the possibility of very adverse economic consequences of the COVID-19 crisis. Given data challenges and the unprecedented and evolving nature of the crisis, it is difficult to precisely measure the likely economic impact of COVID-19. Based on our assessment, risk areas for Seychelles include:

(1) Balance of Payments Crisis

Seychelles already sustains very large current account deficits (Figure 19). There is a possibility that Seychelles may face a BOP crisis if the deficit widens further as merchandise and service export revenues decline, the imports of COVID-19 related products increase and the currency depreciates further. Moreover, COVID-19 has increased the uncertainty in global capital flows. Any questions about a recovery of the Seychelles tourism industry will dissuade foreign investors.

While the world is assessing ways to provide concessional financial support to Africa during this time, Seychelles may be disqualified from such programmes due to its relatively high-income status. While the announcement in May that the IMF Executive Board has approved a USD31.2


million in Emergency Assistance to Seychelles is welcome, it may not be sufficient if the crises prolongs.

(2) Slippage in Debt Sustainability Goals

Seychelles’ public debt ratios have been on a steady downward path, but the COVID-19 crisis will place additional pressures on the budget which may negatively affect the public debt dynamics. Furthermore, external private debt is still elevated, so overall external debt is high – 114% of GDP. As main sources of foreign currency are affected, efforts to service the external/foreign currency-denominated debt may place significant pressure on the exchange rate. The most recent DSA indicated that an exchange rate shock would have a moderate impact on debt. A real depreciation by around 16% would have caused the debt-to-GDP ratio to peak at around 61% in 2020 and fall thereafter. However, as Seychelles is also facing a significant GDP growth shock, a depreciation would further undermine the country’s ability to meet servicing obligations as well as the ability to import vital capital goods imports (machinery and transport equipment constitute around 30% of the country’s import bill). This risk is very likely as the Seychellois Rupee has depreciated by 21% in the three months since the start of February. Another threat to debt sustainability comes from Air Seychelles. The IMF notes, much of the “risk related to Air Seychelles has already materialized partially in the form of unexpected provision of guarantees”.

The COVID-19 crisis has heightened the need for and may even accelerate the pace of restructuring efforts. Any delays to the cost-cutting measures previously mentioned may raise the need for unplanned additional support from the government—adding to fiscal pressures and slowing the pace of public debt reduction.

(3) Large Sustained Job Losses

It is estimated that the travel and tourism industries contribute both directly and indirectly approximately 2/3 of total employment in Seychelles. All these jobs are currently at risk. The government has moved boldly as the crisis has unfolded. It has already guaranteed the salaries of all private sector employees for the months of April May and June 2020 and made it clear that no redundancies will be accepted during this period. They have also increased budgetary support to Agency for Social Protection to provide financial assistance to those in the informal sector. These measures are necessary but clearly fiscally expensive.

Moreover, Seychelles’ dependency ratio is high, meaning that the burden of economic support was already on the few. Therefore, the unemployment of breadwinners will have an extended impact on several children or older persons. There is a risk that many of these job losses last through

39 Fitch Ratings recently downgraded Seychelles Long-Term Foreign-Currency Issuer Default Rating (IDR) by two notches to ‘B+’ from ‘BB’. Available at: https://www.fitchratings.com/research/sovereigns/fitch-downgrades-seychelles-to-b-outlook-stable-06-05-2020


the medium-long term if the COVID-19 situation in Seychelles deteriorates or if the recoveries in the main source markets do not materialise quickly.
5 Mitigation Strategies: Ongoing and Proposed

Governments around the world are tackling the health and economic impact of the COVID-19 crisis from different angles. Responses have had to take the national context into consideration – the number and nature of local cases, the exposure to other countries, the socio-economic conditions and protections domestically, etc. The remoteness of the Western Indian islands has provided one advantage in the pandemic. As of May 11, 2020, the number of total confirmed cases has been low in Comoros, Madagascar and Seychelles (Table 3). However, in Mauritius, the total case number is high (332) and community transmission is confirmed.

5.1 On-going Efforts

The COVID-19 measures introduced by governments could generally be categorized into three groups: (i) health measures – for prevention, containment, and recovery; (ii) social protection measures – to create safety nets for the most vulnerable; and (iii) economic and financial measures – to boost national economic resilience and spur a quick recovery.

In direct response to COVID-19, the island economies have taken many of the same health measures as most governments around the world (Table 3). International commercial flights are suspended, quarantines are mandatory for any inbound travellers, and national lockdowns or curfews are in place. In addition to the measures discussed in the previous section, Seychelles has also opened several quarantine facilities with a total of 175 beds to house patients with mild symptoms.

To aid economic, financial, and social protection measures, the government of Seychelles cancelled its 2020 national budget and reorganised it to account for additional spending needed to address the crisis from different angles. The social welfare net is now significantly expanded, and the government has introduced a mix of expansionary fiscal and monetary policies detailed below. Among the major fiscal measures announced is the government’s commitment to support struggling businesses meet payroll obligations for all employees in April, May and June. On the monetary side, the Central Bank of Seychelles is supporting government efforts in easing access to credit and repayment requirements for six months. Additionally, the government has encouraged citizens to reduce their consumption of imported goods, to protect the country’s limited reserves.

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On the issue of declines in the tourism industry, there is not much that the government can do in the short term to recover from the loss of European visitors. However, the Seychelles Tourism Board has indicated the possibility of shifting some marketing efforts to domestic consumers in the “staycation” segment.⁴⁷

Table 3: COVID-19 Cases and Selected Government Responses

<table>
<thead>
<tr>
<th></th>
<th>Comoros</th>
<th>Madagascar</th>
<th>Seychelles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total confirmed cases as of May 11</td>
<td>11</td>
<td>169</td>
<td>11</td>
</tr>
<tr>
<td>Cases per 1,000 population</td>
<td>0.01</td>
<td>0.01</td>
<td>0.1</td>
</tr>
</tbody>
</table>

**Health Measures**

<table>
<thead>
<tr>
<th></th>
<th>Comoros</th>
<th>Madagascar</th>
<th>Seychelles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Testing and Containment</td>
<td>Quarantine for travellers; private (not public) schools and large events suspended</td>
<td>Quarantine for travellers; wearing masks compulsory in capital; national curfew</td>
<td>Quarantine for travelers; Contact tracing training; National lockdown from 8 April 2020</td>
</tr>
<tr>
<td>Travel</td>
<td>Int’l commercial passenger flights suspended</td>
<td>Int’l commercial passenger flights suspended</td>
<td></td>
</tr>
</tbody>
</table>

**Social Protection Measures**

<table>
<thead>
<tr>
<th></th>
<th>Comoros</th>
<th>Madagascar</th>
<th>Seychelles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funding</td>
<td>Fund to support airport employees</td>
<td>100,000 Ariary (USD26) to poor households in Antananarivo and Toamasina (total project budget is USD 10m)</td>
<td>Increased budget allocation for Unemployment Relief Scheme USD 2m allocated to the Agency for Social Protection Special allowances for health workers, elderly home caregivers, and customs and immigration staff</td>
</tr>
</tbody>
</table>

**Economic and Financial Measures**

<table>
<thead>
<tr>
<th></th>
<th>Comoros</th>
<th>Madagascar</th>
<th>Seychelles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal</td>
<td>Tariffs on food, medicines, and hygiene items reduced by 30%</td>
<td></td>
<td>Postponed payments for several taxes for next 3 months New government budget with additional USD 57m Electricity tariffs reduced by 25 cents per unit</td>
</tr>
<tr>
<td>Monetary</td>
<td>Central bank reduced reserve ratio to 10% and froze interest rates of some commercial loans</td>
<td>Central bank introduced several measures to provide liquidity to the private sector</td>
<td>Central bank reduced policy rate by 100 bps to 4% and provided limited credit to government</td>
</tr>
<tr>
<td>Financial Support</td>
<td>Fund to support airport employees</td>
<td>World Bank USD 3.7m grant for PPEs and training and USD 100m DPO for budgetary support</td>
<td>USD 36m credit facility set up to assist commercial banks with emergency relief financing</td>
</tr>
</tbody>
</table>

Private Sector | Implemented private sector mitigation plan; and developed post-COVID economic recovery plan | National credit union and development bank considering 6-months moratorium on loan interest and principal payments for businesses in affected industries
Interest rates for investment loans in agriculture or fisheries reduced to 1%
Govt will guarantee salaries of all private sector employees in April, May and June (USD88m budgeted).
Financial Assistance for Job Retention Committee set up to facilitate this
Three months employer contribution to Seychelles Pension Fund deferred to September 2020
Seychelles Trading Company will buy all produce offered by farmers

Source: National sources

5.2 Proposed Strategies

The government of Seychelles has had a proactive and wide-ranging response to the COVID-19 crisis. However, there is more that can be done to build overall economic resilience to global crises. To reduce its economic and trade concentration, Seychelles could:

1. Review its Tourism Strategy

The Seychelles Tourism Board’s plan to promote domestic tourism could be expanded regionally. Seychelles is already one of the most open countries in Africa, with visa-free entry for all visitors. Despite this and despite being an increasingly popular tourist destination, a small share of visitors come from other African countries. Since intra-regional travel will likely recover faster than extra-regional travel, the Tourism Board and other industry entities could work quickly to increase marketing to key groups/countries on the continent.

A bit further afield is the Chinese tourist market which, in 2017, spent a quarter billion dollars abroad – almost 20% of global tourism spending. Increasingly, Chinese tourists have been pivoting towards higher-end, niche tourist experiences such as those that Seychelles provides. Around the world, many popular destinations may be wary of Chinese tourists in the short term. There is an opportunity for Seychelles to claim a modestly larger share of this segment, while not compromising public health security.

While targeting the African and Chinese markets may be primarily done to quickly increase activity in the industry this year, it would have longer-term benefits of diversifying the industry and protecting it from future shocks in the European segment.

In a far-sighted environmental measure, Seychelles has fixed a limit to the number of visitors it wished to attract annually to 400,000, and prior to this crisis was very close to attaining the maximum number of arrivals. Clearly, a crisis of this nature is not a good way of achieving this goal but the crisis may pave
the way for a significant reorientation of the long-term tourism strategy going forward, including strengthening local linkages with a view to further supporting the local economy in the recovery process. In the short to mid-term, in order to restore confidence, new protocols will have to be adopted by tourism service providers to ensure enhanced safety and security for both tourists and employees.48

(2) Increase Regional Trade

Only 11% of Seychelles trade is conducted with its nearest neighbours on the African continent. The COVID-19 crisis has re-emphasized the need to expand intra-African trade and investment. To address this, Seychelles should ratify the African Continental Free Trade Agreement (AfCFTA) and develop a national strategy to foster greater cooperation with the rest of Africa. The AfCFTA has the potential to allow Seychelles’ 95,000 population to access a massive 1.2 billion large market. Implementing the AfCFTA – reducing tariff and non-tariff barriers and facilitating investment flows – would help Seychelles build economic resilience. For instance, a recent World Bank (2019)49 study shows that there is some scope for reducing import costs by sourcing more agricultural produce from the regional market.

There are multiple ways that Seychelles could benefit from an active role in the development of the unified continental market. The service sector is clearly a priority. Services are not hindered in the same way by physical distance from major markets as manufacturing or industry. Service trade liberalisation negotiations under the AfCFTA will be ongoing in the second semester of 2020. The country has already developed a far-sighted proposal for the establishment a trans-African shipping company. Other opportunities, like in digital trade, banking and ICT, will no doubt be forthcoming.

(3) Accelerate Economic and Investment Diversification

The Government has a well-established plan to promote development and investment in the Blue Economy. The recent development of the aquaculture industry represents great progress in expanding the Blue Economy beyond coastal tourism and traditional fishing. Further efforts to assess the potential for marine-based energy exploitation may lead to increased energy security, energy sustainability and a reduced import bill, if successful.

Another opportunity for trade diversification is in the ICT industry. Although Seychelles is one of Africa’s most digitally penetrated countries, internet connectivity is relatively expensive and unreliable. As a consequence, ICTs account for only 1% of service export revenue. The country’s high per capita income, its bilingualism and better educational attainment than its continental partners potentially put Seychelles in a strong position to develop this industry further.


Although its resource base and population are significantly larger, there are possibly valuable lessons to be learned from the Mauritian example, which has achieved a more diversified economy in spite of similar constraints.  

6 Conclusion

Developing island states already face significant challenges from geographic remoteness, economic concentration, food and energy insecurities, climate change, and other avenues. The COVID-19 pandemic and the response measures are taking heavy toll on island societies and economies. This is especially true in the Western Indian Ocean, where Comoros, Madagascar, Mauritius, and Seychelles lay vulnerable to unfolding crisis.

Although they are at different stages of development, the island states share a growing dependence on the service sector for economic activity and foreign exchange earnings. As such, their economic systems will be challenged this year as the crisis slows the trade, travel and investment that they depend on. Furthermore, none of the islands have a health system ready to prevent, detect, and respond to a major health crisis. For Seychelles, the crisis has the potential to revert many hard-won gains in fiscal controls, debt reduction, strong FDI inflows, and growth of a vibrant tourism industry.

In developing countries, the response to COVID-19 has become a dance between protecting lives and preserving livelihoods. Governments in the four island states have responded with the necessary public health response, despite the impact on the domestic economy. Seychelles' socio-economic response has been widespread – expanding the social security net and implementing a range of fiscal and monetary strategies to protect the private sector.

It is often said that in the midst of every crisis, lies great opportunity. For Seychelles, the hard work of rebuilding the economy is an opportunity to create systems that are more equitable and sustainable. This crisis also validates the government’s ongoing efforts to shore up long-term resilience to global shocks. The government may prioritize the diversification of its main trading partners, tourism source markets, and export industries. Implementing the AfCFTA is also an important step towards recovery and resilience.

50 https://theconversation.com/how-mauritius-outward-focused-economy-survived-previous-shocks-135951