

Social Policies in Seychelles

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COMMONWEALTH SECRETARIAT



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Foreword

During the 1960s and 1970s, increased interest was shown by some international organisations, such as the United Nations and the Commonwealth Secretariat, in small states, notably small islands, and the development challenges they faced during the decolonisation period. The Secretariat, with over a third of Commonwealth members classified as small economies, is committed to the study of small states. The issue of their vulnerability, for example, was first given formal expression in the Commonwealth at the 1977 Commonwealth Finance Ministers Meeting in Barbados. Having noted the special characteristics of small states, in particular their reliance on trade, high dependence on capital inflows and, in some cases, lack of natural resources, ministers urged the international community to adopt a more flexible approach to their requirements, as well as special measures to assist them. In response, the Secretariat designed a programme to assist in overcoming 'the disadvantages of small size, isolation and scarce resources which severely limit the capacity of such countries to achieve their development objectives or to pursue their national interests in a wider international context'.

In 1983, with the political repercussions of the US invasion of Grenada still resonating, Commonwealth leaders at their meeting in New Delhi expressed their belief that the problems of small states 'deserved consideration on a wider basis, including that of national security'. A Commonwealth Consultative Group was therefore commissioned to carry out such an examination. Its report, *Vulnerability: Small States in the Global Society*, published in 1985, was the first to highlight the inherent vulnerability of small states to external interference. In reasserting the vulnerability of and threats to small states, and in outlining economic and foreign policy measures to mitigate these, the report was important in raising the political profile of small states in international forums.

Following this publication, the Ministerial Group on Small States was formed to continue the discussion of issues of importance to small states. At their second meeting in 1995, ministers recognised that the international context faced by small states had changed dramatically since the end of the cold war. This led to the creation of a Commonwealth advisory group of eminent persons, whose report, *A Future for Small States: Overcoming Vulnerability*, was published in 1997.

In 1998 the Commonwealth Secretariat/World Bank Joint Task Force on Small States was formed. In 2000 the Task Force published its seminal report, *Small States: Meeting Challenges in the Global Economy*. The report concluded that addressing the challenges facing small states requires correct domestic policy, regional co-operation, assistance from multilateral and bilateral development institutions, and improvements in the external environment. It highlighted four areas of special relevance to

successful development in small states: tackling volatility, vulnerability and natural disasters; transitioning to the changing global trade regime; strengthening capacity; and benefiting from the opportunities and coping with the challenges of globalisation. It recommended that an annual small states forum, where international donors could report on their activities in small states, be held in the wings of the IMF–World Bank meeting. Small states have garnered additional support and attention from international donors as a result, but more remains to be done. A 2005/06 review of the task force report established that small states are still vulnerable and continue to face a number of development challenges associated with their size.

In adopting Agenda 21, one of the key outcomes of the United Nations Conference on Environment and Development (more commonly known as the Rio Earth Summit) held in 1992, the wider international community also recognised the special challenges that small island developing states (SIDS) face in planning for sustainable development. As a result, the Global Conference on the Sustainable Development of Small Island Developing States took place in Barbados in 1994. The plan that emerged, the *Barbados Programme of Action* (BPOA), is the principal international framework for addressing the special challenges and constraints faced by SIDS in their pursuit of sustainable development. The BPOA addresses 14 major themes, ranging from climate change through coastal and marine resources to tourism and human resources development.

The ten-year comprehensive review of the BPOA led to the adoption in January 2005 of the *Mauritius Strategy for the Further Implementation of the Barbados Programme of Action for the Sustainable Development of SIDS*, which includes 18 thematic areas, including climate change and sea level rise, natural and environmental disasters, and energy resources. The *Mauritius Strategy* notes that for its successful implementation, SIDS require effective human, institutional and technical capacity development; effective monitoring and co-ordination, including through SIDS regional organisations; and support from the international community, particularly through financial and technical backing.

Finally, Millennium Development Goal 8 (on developing a global partnership for development) specifically mentions the special needs of landlocked countries and small island developing states. Yet despite this attention to small states, there are still major gaps in our understanding of their unique development process and experience. Insufficient study has been devoted to the social and economic issues facing small states. In particular, there is virtually no comparative research on social policy issues or on how social policies affect economic development. This paper, together with others in this series, attempts to fill this gap by taking a distinctive approach to social policy, which it sees as encompassing concerns about redistribution, production, reproduction and protection. The papers show how some small states have succeeded in improving their social indicators through appropriate social policies, how others are moving in the right direction and how some are falling behind or failing. We see that, despite their inherent vulnerability, some small states have been

successful precisely because of the complementary social and economic policies and strategies they have implemented. By looking at these countries in comparative perspective, we can draw interesting lessons on policy.

The papers in this series are outputs of the research project, Social Policies in Small States, led by the United Nations Research Institute for Social Development (UNRISD) in collaboration with the Commonwealth Secretariat from 2007 to 2009. Fourteen country studies were commissioned and their findings discussed at regional workshops in the Caribbean and Pacific. Four thematic papers framed and complemented the country level research. We hope that the findings of this research will be useful to scholars and policy-makers concerned with the social and economic development issues facing small states.

The research project was designed and co-ordinated by Naren Prasad with assistance from Nicola Hypher and Megan Gerecke at UNRISD, in collaboration with Constance Vigilance at the Commonwealth Secretariat.

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Abbreviations

ACP	African, Caribbean and Pacific
BIOT	British Indian Ocean Territory
BPOA	Barbados Programme of Action
CBS	Central Bank of Seychelles
CDCU	Communicable Disease Control Unit
CEDAW	Convention for the Elimination of Discrimination Against Women
COI	Indian Ocean Commission (Commission de l'Océan Indien)
COMESA	Common Market for Eastern and Southern Africa
DBS	Development Bank of Seychelles
EC	European Commission
EDF	European Development Fund
EEZ	Exclusive Economic Zone
EIU	Economist Intelligence Unit
EPA	Economic partnership agreement
ESA	Eastern and Southern Africa
EU	European Union
FAO	Food and Agriculture Organization
FATF	Financial Action Task Force
FDI	Foreign direct investment
FES	Full Employment Scheme
FPA	Fisheries Partnership Agreement
FTC	Farmers' Training Centre
GDP	Gross domestic product
GSP	Generalised System of Preferences
GST	Goods and services tax
HDI	Human Development Index
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome
IBC	International business company
ICT	Information and communications technology
IEPA	Interim economic partnership agreement
IMF	International Monetary Fund
IOT	Indian Ocean Tuna Ltd
IOTC	Indian Ocean Tuna Commission
IPA	Investment Promotion Act
ISO	International Organization for Standardization
ITC	Industrial Training Centre
LDC	Least developed country
MDG	Millennium Development Goal

MERP	Macroeconomic reform programme
MFN	Most favoured nation
MISD	Management and Information Systems Division
MNC	Multinational corporation
MPA	Marine Parks Authority
MTC	Maritime Training Centre
NAIL	National Agro Industries Ltd
NCC	National Council for Children
NCD	Non-communicable disease
NDP	National Development Plan
NGO	Non-governmental organisation
NPF	National Provident Fund
NSB	National Statistics Bureau
NVTB	National Vocational Training Board
OAU	Organization of African Unity
ODA	Official development assistance/overseas development assistance
OECD	Organisation for Economic Co-operation and Development
PSIP	Public Sector Investment Programme
PUC	Public utilities corporation
SADC	Southern African Development Community
SADECO	Seychelles Agricultural Development Company
SAWOP	Seychelles Associations of Women Professionals
SBC	Seychelles Broadcasting Corporation
SBS	Seychelles Bureau of Standards
SCAA	Seychelles Civil Aviation Authority
SCCI	Seychelles Chamber of Commerce and Industry
SDP	Seychelles Democratic Party
SDRs	Special Drawing Rights
SEnPA	Small Enterprise Promotion Agency
SEPEC	Seychelles Petroleum Corporation
Seycom	Seychelles Commodity Company
SFA	Seychelles Fishing Authority
SHDC	Seychelles Housing Development Corporation
SHTTC	Seychelles Hospitality and Tourism Training Centre
SIBA	Seychelles International Business Authority
SIDEC	Seychelles Industrial Development Corporation
SIDS	Small island developing state
SIP	School Improvement Programme
SITZ	Seychelles International Trade Zone
SMB	Seychelles Marketing Board
SME	Small and medium-sized enterprise
SNP	Seychelles National Party

SPDF	Seychelles People's Defence Force
SPLA	Seychelles People's Liberation Army
SPPF	Seychelles People's Progressive Front
SPUP	Seychelles People's United Party
SRs	Seychelles Rupees
SSF	Social Security Fund
STC	Seychelles Trading Company
STI	Sexually transmitted infection
STMA	Seychelles Tourism Marketing Authority
SWAC	Seychelles Waste and Cleaning Agency
TB	Tuberculosis
UCS	L'Union Chrétienne Seychelloise
UN	United Nations
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UNRISD	United Nations Research Institute for Social Development
UO	United Opposition
URS	Unemployment Relief Scheme
VMS	Vessel Monitoring System
WHO	World Health Organization
WTO	World Trade Organization
YES	Youth Enterprise Scheme
YTS	Youth Training Scheme

Introduction

This working paper was produced as a country case study as part of the United Nations Research Institute for Social Development's (UNRISD)–Commonwealth Secretariat project on social policy in small states.¹ Seychelles is an important case study of social development in and of itself, but also because it has one of the most extensive social policy programmes in the developing world, as evidenced by its consistently high rankings in the United Nations Development Programme's (UNDP) Human Development Index (HDI) (see Table 1.1), which ranks it highest in sub-Saharan Africa. What was the set of social policy interventions that promoted Seychelles to such a position? And what was the material base and political context for these interventions?

Table 1.1. Seychelles Human Development Index ranking and GDP per capita

	HDI ranking	GDP per capita (PPP US\$)
1991	63	–
1992	58	–
1993	63	–
1994	83	–
1995	62	–
1996	60	–
1997	52	8,171
1998	56	10,600
1999	66	9,974
2000	53	12,508
2001	47	17,030
2002	47	18,232
2003	36	10,232
2004	35	10,481
2005	51	11,202
2006	47	11,994
2007	50	11,959

Note: In 2009 the National Statistics Bureau revised its GDP per capita estimates for 2004 to 2008 downwards; the National Statistics Bureau was renamed the National Bureau of Statistics in July 2010. Source: *UNDP Human Development Reports* (various years); National Bureau of Statistics (personal communication from the Central Bank of Seychelles)

In order to address these questions, this paper investigates social policy in Seychelles through the lens of a historical analysis, with a focus on political economy aspects. To do so, the paper proceeds in four parts.²

Part 2 provides the necessary historical, political, economic and social context to the subsequent sections on social policy. There is a serious dearth of social science work on Seychelles and it was therefore essential to build an empirical and analytical base on which to frame the subsequent discussion of social policy. After an initial section sketching the history of Seychelles since its first settlement in 1770, these sections identify, describe and analyse: (1) the core components of political development in Seychelles (from the colonial era to 2007); (2) the dynamics of development and change in the main pillars of the economy (agriculture, tourism, industrial tuna fisheries, the parastatal sector and the offshore financial sector); and (3) the trajectory of development policy under colonial rule from 1945 to 1976, under the one-party state (1977–1993), and in the contemporary multi-party era (1993–2007). Three key themes emerge from this analysis: the importance of ideology and domestic politics in determining national policy agendas for social development; the centrality of an understanding of the intersection between the material base of the economy and the scope for social policy; and the role and impacts of change in the uneven interstate system and world economy in shaping domestic social development (both in its framing and its realisation).

Part 3 provides available data on the following four elements of social development in Seychelles: education, health, labour and employment, and poverty. These descriptive statistics are supplemented by a description of key policy changes over time.

Part 4 offers an analysis of social policy interventions in Seychelles. These sections follow the UNRISD categorisation of four distinct sets of social policy interventions: (1) policy interventions in production activities (e.g. education and health); (2) policy interventions in social protection (e.g. unemployment and pension schemes, and maternity, sickness and invalidity benefits); (3) redistributive policies (e.g. fiscal policy); and (4) reproductive policies (e.g. policies relating to gender and the family).

Part 5 offers some broad conclusions and, drawing upon the preceding analysis, suggests some broad implications for contemporary social policy interventions in Seychelles.

Political Economy and Development Policy

2.1 Overview

With a population of around 81,000³ and a total landmass of approximately 455 sq km, Seychelles is by any measure a small state. As might be expected, this archipelago of around 115 islands is but a blip on the screen of international trade in goods and services. The top-end tourism sector and the export of canned tuna has dominated Seychelles' export-orientated interactions with the world economy in recent years. The economy is physically isolated, with the closest land mass, east Africa, located more than 1,500 km from the main islands. Seychelles has always been economically vulnerable. Despite being free from the cyclones and malaria that plague the western Indian Ocean, and as well as possessing a unique ecosystem, it still faces many of the same intrinsic problems encountered by most small developing economies. For example, the economy suffers from a high degree of specialisation and is therefore vulnerable to fluctuations in the world economy (e.g. tourist flows); the government has a limited capacity to borrow on international capital markets (not least due to structural indebtedness); diseconomies of scale determine the limits of manufacturing potential; and long distances from its principal markets increase the costs of imports and exports.

The population dynamics of Seychelles are central to understanding the prospects and constraints of economic development and the scope for social policy interventions. (See Table 2.1 for key demographic indicators.) During the colonial period, population growth was a major challenge. One report stated that, in the light of prior and projected population growth: 'The extra people, most of them landless and jobless, will have to be fed, housed, and educated, and the most serious problem in the Colony will be how to provide work, increase production and maintain the standard of living' (Cooke, 1958: 3). This generalisation about population dynamics in Seychelles in the 1950s – demographic pressures on land, government services, the balance of trade and (un)employment – also typified the problems facing the post-colonial government from 1976 onwards. In addition to this, over the last decade an aging population has resulted in a deeper drain on social policy financing.

In addition to population pressures, the two other core policy dilemmas facing Seychelles since 1945 have been the need to diversify the economy and the maintenance and extension of social policy interventions (including the balance between them). Table 2.2 provides aggregated data on GDP growth for five-year periods between 1983 and 2003. Until 1971 and the opening of the country's first international airport, the economy depended almost entirely upon the export of primary commodities to support its imports of goods and services. Tourism and related devel-

opments were described by the colonial governor of the 1970s ‘as a remarkable success story’, which demonstrated how quickly a previously ‘under-developed country’ like Seychelles can be brought to ‘economic “take-off” point’ (as cited by McAteer, 2008: 342). Nonetheless, the development of export-oriented agriculture had not improved in parallel; instead it fell into terminal decline from the 1970s.

Table 2.1. Key demographic indicators

	1971	1977	1987	1994	1997	2002	2009
Population	54,695	61,786	68,499	74,331	78,064	81,177	87,298
Annual growth rate (%)	2.5	2.0	1.0	1.2	1.6	0.5	–
Total fertility rate	6.0	4.0	3.1	2.6	2.2	2.0	2.2
Life expectancy at birth	64.9	67.9	70.1	71.6	71.6	71.0	–
Males	61.8	64.6	66.2	67.2	66	66.6	–
Females	67.9	71.1	73.5	72.9	77.2	75.8	–
Sex ratio (per 100 females)	99.4	101.4	99.4	100.3	99.4	94.0	–
Age distribution (%)							
0–14	43.6	39.7	35.7	31.0	28.6	26.0	–
15–63	50.1	53.8	57.4	61.7	63.6	66.1	–
63 and above	6.3	6.4	6.9	7.3	7.9	8.0	–

Source: Campling and Rosalie (2006); National Statistics Bureau (2010)

With the rapid development of the tourism industry in the 1970s, the economic base of Seychelles shifted to being dominated by services, so that by 1983–87 services constituted over 72 per cent of GDP. The other major economic development in the post-independence era was the rise of Seychelles as the main port for the industrial tuna purse seine fleet based in the western Indian Ocean and the subsequent establishment of one of the world’s largest tuna canneries in 1995. This helps to account for the rapid rise in the share of ‘manufacturing, etc.’ in GDP growth in 1993–97 (Table 2.2). However, government expenditure is very high in Seychelles: estimates by the IMF (2008a) claimed that it was almost 60 per cent of GDP in 2007. Because of the very high level of government debt, almost 9 per cent of GDP (or 15 per cent of total expenditure) went into servicing interest payments.

Within one year of independence, the Seychelles People’s Progressive Front (SPPF) undertook a successful coup d’état. The SPPF was a self-styled ‘socialist avant-garde Party’, which took seriously its peculiar interpretation of Leninist ideas of democratic centralism and vanguardism. It institutionalised a one-party state, removed civil and political freedoms, and ruled virtually unchallenged until the return of liberal democracy in 1993. Development policy during the period of one-party rule in Seychelles was typified by a series of national development plans (NDPs) and policy priorities which reflected long-standing SPPF concerns with improving social development for all. Long-term income inequality and the associated sharp class divisions were a core target for reform, and a major rationale for the 1977 coup. As pointed out by Adams

and Rassool (1990: 104), analyses of the Seychelles economy must take into account two defining features: its very small size and the dominance of tourism, which were, in turn, conditioned by 'the country's vulnerability to outside forces, both economic and military'. The maintenance of social stability was perceived as a central aspect of development policy, not only in relation to social development and income distribution as ends in themselves, but also in terms of sustaining the country's 'reputation as a top tourist destination' (Adams and Rassool, 1990: 105). They argue that government policy in Seychelles can only be assessed in the light of these strategic factors.

Table 2.2. GDP growth by sector

	Agriculture	Manufacturing, electricity, water and construction	Services
	%	%	%
Sectoral growth			
1983–1987	2.5	5.1	3.6
1988–1992	–2.3	8.3	4.9
1993–1997	1.1	15.5	2.7
1998–2003	2.3	4.6	2.0
GDP share			
1983–1987	7.4	20.0	72.6
1988–1992	5.8	21.8	72.4
1993–1997	4.7	25.9	69.4
1998–2003	3.1	30.9	66.0
Contribution to GDP growth			
1983–1987	0.2	1.0	2.6
1988–1992	–0.1	1.8	3.5
1993–1997	0.0	4.0	1.9
1998–2003	0.1	1.4	1.3

Source: MISD and World Bank estimates

In this historical context and during the continuation of SPPF rule under a multi-party system (from 1993 to the time of writing at the end of 2008), social policy interventions received a high policy priority. The outcomes of this are illustrated with basic indicators in Tables 2.3 and 2.4. Seychelles social development indicators compare very favourably with the average for sub-Saharan Africa, and for Latin America and the Caribbean (Table 2.3). Even when placed against indicators for a range of comparable small island developing states (Table 2.4), its record is still fairly strong. So a central question is: How did the government finance this trajectory?

It has been argued that progress in social development was made possible by revenues procured from the tourism sector (Rosalie, 2002), to which must be added revenue from the industrial tuna industry. However, it is also claimed that the relatively large build-up of government debt was a result of government-subsidised

Table 2.3. Social development indicators compared to average for sub-Saharan Africa, and Latin America and the Caribbean^a

	Seychelles	Sub-Saharan African average	Latin America and Caribbean average
Life expectancy at birth (years)	72.2	50.5	73
Infant mortality rates (per 1,000 live births)	11.8	157	26
Literacy rate (%)	92.0	64.9	—
Access to piped water (%)	94.0	24.0	66.0
Access to improved sanitation (%)	95.0	13.0	66.0

^aAll data for 2007 unless otherwise specified.

Source: *World Health Report* (WHO, 2004) in WWDR2, 'Water, A Shared Responsibility' (UNESCO-WWAP, 2006); World Development Indicators database; Seychelles National Statistics Bureau (various years)

welfare priorities (European Commission, 2002: 2). One of the core policy dilemmas facing the Seychelles government in 2008 was how to maintain current levels of social policy interventions in the face of severe indebtedness and the stagnation of economic growth. The rest of this section builds on this overview to provide the necessary context to the subsequent assessment of specific social policy interventions.

2.2 Political economy and development policy during the colonial era and the First Republic

2.2.1 Colonial history to 1945⁴

France had laid claim to the territory of Seychelles on behalf of Louis XV and the Compagnie des Indes in 1756, but it was not until 1770 that the first settlers arrived. They initially consisted of 30 European settlers and numerous African slaves (there was no indigenous population). Along with several other commercial crops, one of the initial plans was to establish spice plantations in Seychelles in order to compete with Britain's 'spice islands' in the Dutch East Indies (Sauer, 1967), but this endeavour proved flawed. Aside from this notable failure, the beginnings of a plantation-based economy and the formation of a slave-based society emerged, partly sustained by the provisioning of French vessels calling in to Mahé. Initial settlement was associated with a high level of exploitation of the natural environment, including the plundering of forestry resources and the virtual annihilation of the giant tortoise population, which was favoured for its flesh (Franda, 1982: 13).

The arrival of a squadron of British warships at the main island of Mahé in 1794 ushered in a temporary period of 'suspended capitulation' to indirect British rule (McAteer, 2004: 2; Franda, 1982: 13), until the islands fell under the formal control of the British Empire with the 1814 Treaty of Paris at the end of the Napoleonic wars. However, Britain's only interest in the islands was to counter their utilisation as a base for the attacks by France (including by French-backed privateers) on British

Table 2.4. Main health and education indicators for Seychelles and comparative SIDS^a

	Income classification ^b	Life expectancy at birth (years)	Infant mortality rate (per 1,000 live births)	Physicians (per 10,000 population)	Nursing and midwives (per 10,000 population)	Hospital beds (per 10,000 population)	Literacy rate (% of people aged 15 and above)	Primary completion rate (% of relevant age group)	Student:teacher ratio, primary education	Student:teacher ratio, secondary education
Bahamas, The	HI	72.9	12.6	11	45	32	96	101	15.4	12.8
Barbados	HI	76.8	10.8	12	37	67	100	93	15.1	14.6
Fiji Islands	LMI	68.6	15.7	5	20	21	94	101	28.2	22.4
Maldives	LMI	67.9	26.3	9	27	29	96	138	16.4	11.4
Mauritius	UMI	73.2	12.6	11	37	33	84	97	21.7	16.1
Seychelles	UMI	72.2	11.8	15	79	57	92	115	13.7	12.8
Trinidad & Tobago	HI	69.6	32.8	8	29	26	98	88	16.5	16.5
St Vincent & the Grenadines	UMI	71.4	17.1	8	38	45	88	92	17.5	17.9
Vanuatu	LMI	69.8	29.5	1	17	41	74	86	20.0	13.9
Average		71.4	18.8	8.9	36.6	39	91.3	101.2	18.3	15.4

^aData for 2007 or nearest year available.

^bHI: high income; UMI: upper-middle income; LMI: lower-middle income, according to World Bank country classification (July 2007). Note that three countries falling under each country classification were selected from those Caribbean, Indian Ocean and Pacific SIDS for which data were available and which had broadly comparable population sizes to Seychelles.

Source: UNDP (2007/2008) and World Bank World Development Indicators database (format of table based upon confidential IMF document)

shipping that had occurred during the Napoleonic wars. When this threat waned, its major concern was to keep the islands from becoming a burden on the imperial ledger. In fact, Seychelles and its parent colony Mauritius were considered so inconsequential by the British Empire that it attempted to trade them during the negotiation of the Treaty of Paris for French possessions in India (Franda, 1982: 14). Imperial Britain administered Seychelles as a dependency of Mauritius and inhabitants of the colony received little attention and few services. It mediated power through the existing social order – with economic power in the hands of the local white landed elite – in order to avoid local ‘unrest’. The deeply entrenched Francophone culture of the local elite did not help the Seychelles elite in their claims on the imperial ledger as it contributed to make the British feel ‘alien in their own colony’ (Houbert, 1992: 468).⁵ As a result of this combination of factors, Seychelles developed into little more than a colonial backwater; as a ‘colony of a colony’ it was almost forgotten by London (Sauer, 1967).

The liberation of slaves in Seychelles in the 1830s resulted in mass emigration as the newly freed population refused to take up their previous work. The population dropped from 8,500 in 1830 to 4,360 in 1840. By 1871 the population had once again reached 8,000, partly fuelled by the return of ex-slaves, ‘but the pattern of class hegemony which had been established even before the slaves departed remained firmly entrenched’ (Appleyard, 1988: 31). This class hegemony had long-lasting effects: Seychelles’ social structure was dominated by the relationship between large (white) landowners and a ‘proletariat’ of the descendants of ex-slaves until the 1970s (Kaplinsky, 1983).⁶ For example, a British journalist who visited Seychelles in 1949 described the landowning class (known locally as *grands blancs*) as ‘a charming and hospitable people, insulated so long and by such vast distances from every liberal trend, every humanistic development, that their political attitude is almost medieval’ (cited by Scarr, 2000: 152).

As neatly summarised by Marcus Franda: ‘The political history of Seychelles in the nineteenth century consists essentially of a series of constitutional steps upgrading the status of the colony’ (Franda, 1982, 14). Part of the political spur for this ‘upgrading’ lay with the white landowning class – descended from the early French settlers – which advocated for greater autonomy and self-administration. Separate nominated administrative and executive councils were established in 1888 for Mauritius and Seychelles. Thus, for the first time, some landed white Seychellois were allowed to serve in official advisory positions. In 1897, the administrator of Seychelles was given the powers of a colonial governor, and in 1903 the islands were formally divorced from Mauritius and Seychelles became a separate crown colony. It was then that a semblance of a development policy was gradually initiated in Seychelles, not least because the colonial administrators had a vested interest in actually ‘developing’ the economy, that is, making it pay. The sole formally organised domestic political force was the Seychelles Taxpayers and Landowners Association (formed in 1939), a small minority of the population that owned around 90 per cent

of property. Its membership's initial aims were to represent their interests to the colonial government (including 'pushing the tax burden back upon the poor') and to achieve formal representation within the legislature, a movement that led one colonial governor to declare the Association as 'the embodiment of every reactionary force in Seychelles' (Scarr, 2000: 131–32; St Ange and Georges, 2005).

2.2.2 Land, colonial development policy and the rise of party politics, 1950s–1960s

The political economy of land

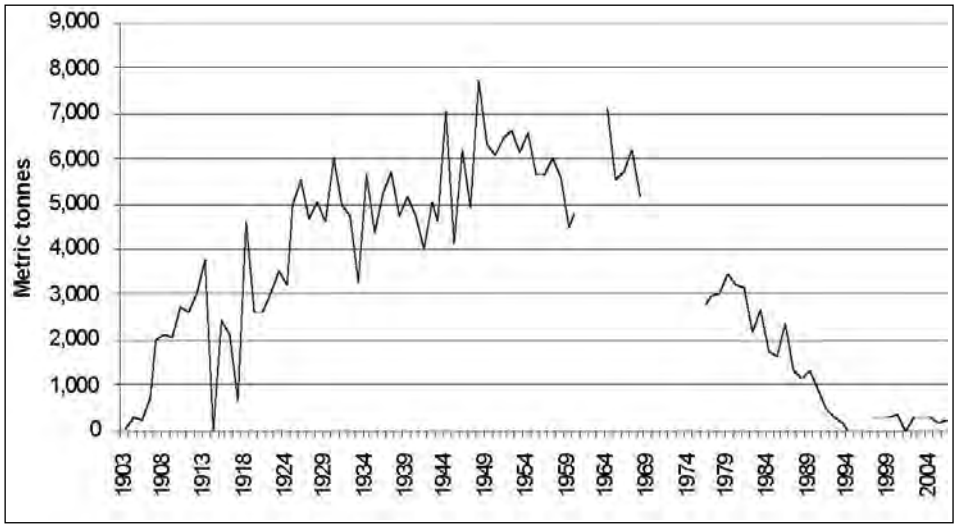
Large-scale cultivation of coconut as a plantation crop began in the 1840s. The emancipation of the slaves and their subsequent refusal to continue with the same work (albeit waged) on sugar and cotton plantations meant that landowners shifted to the less labour-intensive coconut, and by the early 1860s 'coconut oil, shipped to Mauritius, had become almost the sole export' (Sauer, 1967: 25). By the turn of the twentieth century, copra – the dried meat or kernel of coconuts – took over from coconut oil as the main product and it went on to dominate the colonial economy until the 1970s, consistently accounting for over 70 per cent in value of total exports (Rowe, 1959: 1; Sauer, 1967). See Figure 2.1 for data on export trends.

According to the report of an expert on copra who visited Seychelles in the late 1950s, 'nearly all land that is suitable and much that is unsuitable is under this crop'. Of the total estimated land area of 407 sq. km, more than 25 per cent was 'planted with coconuts as the main crop', often interspersed with timber and fruit trees, cinnamon, patchouli and vanilla (Cooke, 1958: 2). The quality of Seychelles copra exports was very high and some was 'of superlative quality', partly as a result of an effective system of government copra inspection initiated in 1947 under Seychelles Ordinance No. 8 of 1942 (Cooke, 1958: 20–21). Exports were channelled through the Seychelles Copra Producers Association (formed in 1953), whose membership included virtually all producers and copra merchants. All Seychelles copra was sold in India after 1951⁷ (previously it was mostly shipped to Europe), where the Seychelles product commanded a price premium because of its high quality (Rowe, 1959: 73; Sauer, 1967).

However, land ownership was highly concentrated. By the mid-1950s there were 2,200 landholdings, of which 1,000 were less than one acre, while at the larger levels of ownership, 49 holdings were of more than 200 acres, which constituted nearly two-thirds of total commercially viable plots of land; of these, 25 holdings accounted for 50 per cent and just six holdings for 25 per cent (Rowe, 1959: 65–6). This concentration of ownership was the economic base for the political power of the Seychelles Taxpayers and Landowners Association. The majority of large properties were owner operated in the 1950s, but many owners did not reside on the land and some were even based overseas, relying on managers to supervise operations (Cooke, 1958: 3). Therefore, in many cases there was often little incentive to invest in land conservation and improvements in productivity, with owners preferring to live off

the steady income, which was high because of the high price of copra on international markets in that period. Despite this generation of wealth, according to Rowe (1959: 1): ‘It seems doubtful ... whether the real income and standard of living of the bulk of the population has increased at all, and it may well have declined’. An expansion in production through the take-up of more coconut acreage was not an option ‘as plantations have long filled all suitable sites and been pushed far beyond’ (Sauer, 1967: 28).

Figure 2.1. Copra exports, 1903–2006



Source: Cooke (1958) for 1903–1957; Colonial Office (1951, 1958, 1961, 1967, 1970) for 1957–1968; *Seychelles in Figures* (various years) for 1976 onwards. Gaps in the time series are due to the unavailability of data.

Although Rowe took an optimistic view of the long-term viability of copra exports, he did recognise ‘the risks of continuing to be a near mono-export economy with too many eggs in one basket’, and noted in the late 1950s that ‘the volume of copra exported has long been stationary, and the present outlook is for a decline rather than any increase’, partly because of the lack of private capital investment in raising productivity (1959: 8, 1; see also Sauer, 1967). Rowe also pointed out that cinnamon leaf oil exports had suffered a significant fall in price and were ‘almost finished’ because of the decline in global demand with shifts in technological processes (Rowe, 1959: 13). There was a similar tale for the more marginal vanilla growing sector. In the late nineteenth century Seychelles had produced more vanilla than all of the other British colonies combined, and while never a major export crop in relation to copra, it was important for hundreds of small farmers and was central to sustaining their livelihoods (Sauer, 1967). According to Sauer (1967: 32), by the 1960s, ‘[a]lone

or together, coconut and cinnamon occupy about half of the islands' surface. The remaining lands are generally very rough areas of scrub or bare rock.'

Colonial development policy

Some colonial governors had important impacts on development policy (although many did not). Most prominent of these, due to his implementation of relatively progressive reforms, was Dr Percy Selwyn Selwyn-Clarke – known as the 'socialist governor'. In reality, he was not a socialist and not even a member of the (then) ruling British Labour party which had appointed him in 1947, but he was renowned for his 'social conscience' and had been placed in Seychelles because this was seen by the British government as an important attribute in response to the reactionary domestic economic elite (McAteer, 2008: 216). This aspect indicates the importance of political shifts in the 'metropole' in influencing development policy in colonies. In the case of Seychelles, this included a far greater emphasis on the collection of taxes from the landowning class. Selwyn-Clarke also promoted basic healthcare for plantation workers, improved housing for labourers on government estates, introduced a minimum wage and reformed old French legislation that made married women 'completely subservient to their husbands' (McAteer, 2008: 222–23). In addition, he was instrumental in setting up a ten-year development plan in the late 1940s, which allocated £250,000 to be spent on roads, healthcare, education and fisheries (Scarr, 2000: 147). Unsurprisingly, he was opposed at every step by the Seychelles Taxpayers and Landowners Association and his successor as governor immediately rolled back several of his progressive reforms in favour of their minority class interests (Scarr, 2000: chapter 5).

One of the most significant aspects driving Britain's development policies in its Indian Ocean colonies was geopolitical strategy. In the 1960s it wanted to maintain a military presence east of Suez on a limited budget while divesting itself of the costs of colonial administration. The strategy that emerged was that 'Seychelles and Mauritius would gain their independence, short of some of their smaller islands' (Houbert, 1992: 466), which were to be incorporated in the British Indian Ocean Territory (BIOT). This played out in the form of creating a basic socio-economic infrastructure to prepare for potential independence, and building strategically vital assets such as an airport and communication facilities. When the USA became entrenched in its new military base in Diego Garcia from 1971 onwards, Britain's interest in playing a vague politics of patronage with Seychelles through the dangling of possible forms of integration with the UK dissipated (Houbert, 1992: 484).⁸ On the domestic political scene, the pro-independence campaign of the Seychelles People's United Party (SPUP) certainly contributed to this decision (see below).

The domestic political push for development – including fears among the administration that without improved social welfare, violent conflict might erupt (Scarr, 2000: 164) – led to the drafting of *A Plan for Seychelles* in 1959 by the colonial

government (Colony of Seychelles, 1959). This outlined the development plan for the colony and was based upon the findings of a series of studies, including Rowe (1959) and Cooke (1958). Rowe had come to the conclusion that, due to the serious lack of private capital investment,⁹ there was a need for strategic intervention and investment into the economy by the colonial government, and recommended that £3 million was required over 1960–65 for his plan to work. He went on to argue that ‘if substantially less than £3 million is provided, then in my view HMG (Her Majesty’s Government) will be spending money with very little hope of achieving any lasting solution to the present problem’ (Rowe, 1959: 43). The colonial government ignored this advice and set up its *Plan for Seychelles* with initial financing of only £1–1.5 million ‘to put into effect the more urgent projects’ (Colony of Seychelles, 1959: 1; Scarr, 2000: 166).¹⁰ Importantly, the plan did not include a proposal to construct an airport, because, first, the Colonial Office was more interested in agricultural development than tourism (Scarr, 2000); and, second, based upon a survey and cost-estimate by the UK Ministry of Transport and Civil Aviation, ‘it seems unlikely that it will be possible to proceed with the project in the immediate future’ (Colony of Seychelles, 1959: 1).

Due to the growing population, rising import costs and a fluctuating but general decline in sources of export income,¹¹ *A Plan for Seychelles* was based upon the premise that:

Government can only maintain its services at a reasonable standard with the assistance of a subsidy (Grant in Aid) from the United Kingdom Government. ... The question was whether to try to make ends meet somehow, which would have led to great hardship, poverty, and serious unemployment, or to embark on a big programme of economic development with United Kingdom Government assistance in an effort to enable the Colony to stand on its own feet again in a few year’s time. (Colony of Seychelles, 1959: 2)

Aside from the fiscal objective of balancing the colony’s budget and thus fulfilling the role of an ‘efficient’ administration, the colonial administration had two other major concerns. The first was the potential *political effects* of unemployment, which, by the end of 1957 ‘had reached a serious level, involving hardship, discontent, and risk of unrest’. The second was the clear *moral and social need* for economic development so as ‘to advance the welfare and prosperity of the people of Seychelles as a whole’ (Colony of Seychelles, 1959: 2, 3).¹²

The colonial government put forward a wide range of policies to achieve these objectives. The basic aims of fiscal policy were: ‘to hasten the ending of the dependence of the Colony on grant in aid’ and to ‘*do nothing to hinder and if possible to assist development in the private sector of the economy*’ (Colony of Seychelles, 1959: 8; emphasis added). In the agricultural sector the policy emphasis was to act ‘in support of private industry’, including lowering import duties on agricultural inputs (machinery and materials), a fertiliser subsidisation scheme and the re-introduction of a

subsidy to landowners to part meet the costs of construction of housing ‘for *their* labour’ (Colony of Seychelles, 1959: 5, 8, 25; emphasis added). It also seemed to take seriously Rowe’s recommendation for an expansion in the number of smallholdings to increase domestic food production, which was it was hoped would help ‘in reducing the body of “have-nots” and building up a real peasantry with a stake in the land’ (Rowe, 1959: 14, 16). In so doing it planned to purchase 1,250 acres of land for distribution into 250 smallholdings and the creation of a co-operative department to ‘encourage and guide those producers interested in co-operative marketing’ (Colony of Seychelles, 1959: 13, 23). In terms of tourism development, it recognised that Seychelles’ natural beauty could compete with rival destinations, but stressed that it must also compete in its provision of quality services (Colony of Seychelles, 1959: 32). In addition, recognising the fact that local industry development was ‘hampered by lack of capital’, it set up a loan facility to provide finance (Colony of Seychelles, 1959: 43). But the administration tempered its hopes for development potential here, noting that the ‘enormous expenditure overseas on equipment and materials is not rushing into the future but catching up on the past’ (Colony of Seychelles, 1959: 50).

The results of this development plan were mixed. By the late 1960s, a UK government official noted that economic inequality between the landowning class the majority of the population was widening. The colonial governor of the time highlighted and extended his concern, arguing that because of an annual population growth of around 8 per cent, there was a ‘terrifying annual increase in mouths to be fed and educated’ (McAteer, 2008: 314, 319), despite the constant inflow of grant-in-aid from 1958 onwards. (Table 2.5 provides available data on the value of UK budget support to Seychelles.)

Table 2.5. Budget support by the British government

Year	Support	Year	Support
	£ sterling		£ sterling
1966	None	1971	1,845,000
1967	325,000	1972	n.a.
1968	540,000	1973	n.a.
1969	285,000	1974	4,338,000 (or c. £80 per capita)
1970	1,208,000		

Source: Ostheimer (1975: 183)

In addition, the UK provided significant amounts of capital aid, which in 1970–72 totalled around £7 million. However, the construction of the international airport in 1971 (which had explicitly not been part of *A Plan for Seychelles*) radically changed the economic outlook. In the period 1969–1972, £13.5 million in private capital had flowed into the economy, primarily as investments in the nascent tourism industry (see below on tourism development). The colonial governor described this stage of

Seychelles' development 'as a remarkable success story, and indeed practically the only example in the world of how well managed aid can in a relatively short time bring an under-developed country to the economic "take-off" point' (cited by McAteer, 2008: 342). However, the agricultural sector did not improve. In a communiqué to London in the early 1970s, the colonial governor pointed out his frustration about this, which he put down to the 'appalling lack of initiative among the landowners' (cited by McAteer, 2008: 341).

The rise of party politics

Two turning points in the political development of Seychelles took place in 1948 and 1949 when, respectively, Britain granted universal suffrage to taxpayers and put an ordinance on trade union rights into force.¹³ The reform allowed elected members to sit in the Legislative Council along with members nominated by the colonial governor. Given that the taxpaying segment of society was very small, the electorate initially consisted predominantly of the landowning class, totalling around 9 per cent of the population (less than 2,000 people) (Ostheimer, 1975: 168). Among these were 'men in influential positions [whose] only solution for the Colony's present and future troubles is to reduce taxation and cut the civil service in half' (Rowe, 1959: 4). In short, the class interests of the Seychelles Taxpayers and Landowners Association dominated the Legislative Council throughout the 1950s (McAteer, 2008: 230). With a constitutional reform in 1960, suffrage expanded to include the growing, but still small, middle and 'professional' class (McAteer, 2008: 282). This social group began to clamour for development and greater political representation in the face of the stranglehold of the Seychelles Taxpayers and Landowners Association, which in turn was calling for self-government under the exclusionary constitution so as to maximise its political power (McAteer, 2008: 291). This local elite strategy had unintended effects because the majority of the population 'became politicised overnight', and responded with the cry that: 'The *grands blancs* want to enslave us all over again' (*Le Seychellois* newspaper, cited by Scarr, 2000: 166). This was quickly followed in 1964 by the formation of the Seychelles Democratic Party (SDP), headed by James RM Manchum, and the Seychelles People's United Party, led by France Albert René: two parties (and individuals) that would dominate the political scene for decades to come.

The SDP 'had business and real estate interests' but it also had strong connections with some trade unions (Ostheimer, 1975: 170). Its main political platform was to promote integration with Britain rather than full independence, a position that reportedly proved popular with a majority of Seychellois, perhaps not least because of SDP scaremongering that independence would result in famine. It also stood for tourism development and, reflecting its class orientation, an end to capital gains tax (Scarr, 2000: 176–77). The SPUP had a more radical bent and called for social development. René had contacts with the French Left and members of the British Labour

Party, and when he was based in London had been exposed to 'the anti-colonialist socialist ideals of the far Left' (McAteer, 2008: 291, 447, note 2). Guy Simon was the SPUP's general secretary and main campaigner overseas, and had strong relations with the Liberation Committee of the Organization of African Unity (OAU), which provided significant financing and political solidarity to the SPUP, including its categorisation as a liberation movement in 1973 (Wilson, 1988: 143). The broad political focus of the SPUP included full independence from Britain, popular democracy based on general elections, the development of a welfare state, agricultural and fisheries development, equal opportunities, the encouragement of private investment and the defence of the majority's right to control the country (René, 1981a: 1; McAteer, 2008: 340, 448, note 9).

Trade unions were important players in this political struggle from 1964 onwards,¹⁴ but they were not all aligned with the left-wing SPUP as might have been expected. In fact, aside from one or two non-aligned unions, the 14 unions active in the late 1960s and early 1970s were roughly 50:50 aligned with the two main parties (McAteer, 2008: 458, note 13). However, the more radical union activities were certainly those allied with the SPUP; labour militancy led to, among other things, a state of emergency and the dispatch of Royal Navy vessels to Mahé (McAteer, 2008: 303–306). However, the political division of the trade unions between the two main parties meant that genuine labour representation and alliances between the various unions became 'impossible' (Ostheimer, 1975: 177).

Until the 1960s, the church (predominantly Catholic) had been a highly conservative element in Seychelles society. With the rise in class-based organisation among workers, the church became divided between reactionary and radical reformist tendencies, with the latter influenced by the liberation theology in vogue among Latin American clergy at the time (Ostheimer, 1975; Scarr, 2000; McAteer, 2008: 352–53). There was also some activism by relatively radical Anglican vicars who were '[a]ppalled at the conditions in which people in the Colony lived' and actively uncovered instances of corruption and nepotism within the civil service (McAteer, 2008: 239).

More socially dynamic political development emerged in 1967 with the introduction of universal adult suffrage under a new constitution, which saw the electorate expand from 2,500 to 17,900 (Ostheimer, 1975: 169; see Table 2.6). The constitution established a governing council, which undertook both legislative and executive functions, thereby replacing the Legislative Council (St Ange and George, 2005). After a constitutional conference held in London in 1970, a ministerial form of government was established which gave Seychellois responsibility for administering everything except external affairs, internal security, the civil service, and the government's broadcasting service and newspaper.¹⁵ After the 1970 election, Mancham, the long-time leader of the SDP, became the islands' chief minister and René became the formal leader of the opposition, but the election results proved to be divisive. Because of the first-past-the-post system (based on the Westminster model), the SPUP

received only one-third of seats in the Council despite winning close to 45 per cent of the votes.¹⁶ This resulted in a bitter response by the SPUP, including accusations of vote rigging, bribery and intimidation on the part of the SDP (Scarr, 2000: 183). This outcome was significantly worsened in the 1974 election, where the SPUP won only 2 seats out of 15, with almost 48 per cent of votes cast. The injustice of the results did not go unnoticed among civil servants and politicians within the British government (including the Prime Minister of the time), but they could not force an amendment of the constitution without the agreement of the majority party, which Mancham and the SDP refused to give (McAteer, 2008; Scarr, 2000). This obvious disparity would set the scene for the SPUP's legitimisation of non-constitutional means to achieve power by force three years later.

Table 2.6. Election results under universal adult suffrage during the First Republic, 1967–74

	1967	1970	1974
Percentage of electorate voting	72–77 ^a	82	84
SDP (% of vote)	51.5 (4 seats)	52.8 (10 seats)	52.4 (13 seats)
SPUP (% of vote)	45.5 (3 seats)	44.1 (5 seats)	47.6 (2 seats)
Other	3 (1 seat aligned with SDP)	3.1 (0 seats)	0

^aOstheimer cites 72 per cent, whereas St Ange and George cite 77.2 per cent.
Source: Ostheimer (1975: 174); St Ange and Georges (2005: 43, 61, 82)

2.2.3 Tourism development, the road to independence and the First Republic: Seychelles in the 1970s

By the late 1950s there were two hotels and one or two guest houses on Mahé, and one hotel on Praslin (Rowe, 1959: 19). Tourism had been identified by the colonial government and its advisors as an area of vast economic potential, comparable (then) to ‘an increased production of 500 tons of copra’, and, if numbers reached 1,000 tourists per year, ‘indeed might exceed that’. But the structural constraints of smallness and isolation meant that there was ‘a vicious circle – tourists will not come because they know that they cannot get passages, and shipping companies will not provide passages, because there is little actual demand’ (Rowe, 1959: 17). A communication from the (then) Seychelles Hotel and Tourist Association argued that a solution to the infrastructural problem of insufficient shipping to allow tourist flows ‘would do more to improve the finances and status of this Colony than has been achieved with

all the generous grants (for development) given us since the war' (cited in Rowe, 1959: 20).

The opening of an international airport in 1971 had a profound effect on economy and society in Seychelles. Originally meant to double-up as a military facility (Houbert, 1992: 476),¹⁷ the construction of the airport was initiated in 1969 and financed by the British government to the tune of over £5 million (McAteer, 2008: 342).¹⁸ In 1960, only 490 'bona fide tourists' visited Seychelles; by 1975 the number was 37,321. However, the tourism industry was almost entirely developed by foreign capital: 'By 1975 more than 30 per cent of the land area of Seychelles was owned by non-Seychellois'. Moreover, a 1976 survey of the four main hotels (which together accounted for around 75 per cent of all hotel-bed nights sold in that year) found that 56 per cent of the total income from these hotels 'left the country in the forms of direct return on investment, payment for imported goods and services, and compensation for expatriate staff' (Benedict, 1982: 151).¹⁹ René argued that the SPUP wanted to ensure that tourism benefited the population as a whole, so that Seychellois would not become 'a race of chambermaids and page boys' (cited by McAteer, 2008: 340), and criticised Mancham for seeing 'tourism as an end in itself, not as a means to an end' (Scarr, 2000: 190; Franda, 1982).

Nonetheless, the contribution of tourism to Seychelles economy rapidly expanded from 8 per cent of GDP in 1972 to 18 per cent in 1976 (Ministry of Social Affairs and Employment, 2002: 9). In addition, significant developments in infrastructure were being financed by the colonial government and the UK, such as land reclamation, port development, and improvements to and the extension of the water supply, road networks and electricity generation and supply. Despite the radical growth in tourism-related revenue, the colony had not been able to balance its budget since 1958 (partly because 1957 was a year of some economic depression); instead, it was dependent upon grant-in-aid from Britain (McAteer, 2008: 293, see also Table 2.5 above).

With independence on 29 June 1976, the two political parties came to a compromise and formed a government of national unity under a republican constitution, which combined elements of French- and Westminster-type systems of liberal government. Mancham was against power sharing, which had, in effect, been forced on the SDP by the British under the terms of independence – not least because the SPUP clearly represented almost 50 per cent of the electorate (McAteer, 2008: 369–370). Mancham became president, while his long time rival, René, became prime minister.²⁰ Presidential powers were far-reaching. They included the portfolios of foreign affairs, defence and internal security, the appointment of the Cabinet, and the ability to summon and dissolve the House of the Assembly (which consisted of 8 directly elected members and 17 elected under proportional representation). These presidential powers led commentators at the time to speculate that the position could easily be abused along dictatorial lines (McAteer, 2008: 373).

The two parties continued to differ in their approach to the management of the

nascent tourism industry and the allocation of its benefits. The SPUP favoured controlling the growth of tourism and at the same time developing the entire economy, whereas the SDP wanted to stimulate the rapid growth of tourism and to establish the islands as a tax haven and financial centre. The vision of development of Mancham's pro-western government was based on attracting petro-dollars from the Middle East as investment and was focused on narrow business interests (Ellis, 1996: 167; Franda, 1982: 52–3; Gabbay and Ghosh, 1992: 20). This included the elitist and culturally alien trappings of 'colossal undercover commissions and underhand deals, of millionaire middlemen, middle-aged playboys, film-stars, jet-set popsies and package tourists' (Scarr, 2000: 185). The independence agreement with Britain provided Seychelles with a capital grant of £10 million, budgetary support of £1.7 million, spread out over the first four to five years of independence, a soft loan for capital projects of Britain's choosing (both parties objected to this tied aid) and annual technical assistance to the value of £750,000 (McAteer, 2008: 462–63, note 9; Scarr, 2000: 191–92).

Within a year of independence, Mancham was overthrown in a coup on 5 June 1977 by a small group of armed SPUP militants.²¹ René was installed as the country's new president and quickly turned Seychelles into a one-party state with a left-populist political and economic programme. The motivations for the coup were mixed. One stated rationale was the perceived mismanagement of the economy, fawning on foreign capitalists, and the lack of progress in socio-economic development, including the reported failure to implement promised reforms. These failings were blamed solely upon the SDP government, rather than the difficulty of the tasks involved or wider problems with the economy and society.²² Another stated reason was that Mancham was planning to make himself president for life, effectively turning Seychelles into a dictatorship, 'whereby he would remain President forever' (René, 1981a: 94). Perhaps more importantly, the ideological differences between the two parties were profound, and their political and economic programmes were contradictory; in this light, and with hindsight, it was perhaps inevitable that relations between them would deteriorate into violent contestation. Whatever the rationale, the coup was to be a major source of instability – including future, albeit failed, counter-coups – putting into question the 'government's legitimacy in years to come' (Ellis, 1996: 169).

2.3 Political economy and development policy during the Second Republic, 1977–1993

2.3.1 The one-party state, centralisation of power and the early years of the Second Republic

In June 1978, the SPUP was reconstituted as the Seychelles People's Progressive Front (SPPF). Its stated objectives were to 'create a socialist state wherein all citizens, regardless of colour, race, sex, or creed, shall have equal opportunities and be afforded

the basic needs of life in a modern society' (as cited by EIU, 1983: 30). The SPPF was self-styled as a 'socialist avant-garde Party', which took seriously its peculiar interpretation of Leninist ideas of democratic centralism and vanguardism. The constitution of the Second Republic institutionalised the one-party state and removed the liberal Bill of Rights of the First Republic (which enshrined civil and political freedoms). The SPPF was consistently 're-elected', not least because no real choice was offered to voters.²³ The sole official justification for the move to a one-party state at the 1979 constitutional commission was to 'end factional strife' (Report of the Constitutional Commission as cited by Franda, 1982: 56).

René's government founded Seychelles' first army in 1977, the Seychelles People's Liberation Army (SPLA), which was trained by officers from Tanzania, and a 'people's militia'. In 1981, the militia and the SPLA were joined to form the Seychelles People's Defence Force (SPDF). An attempted coup by foreign mercenaries in 1981 served as political justification for the existence of the SPDF on the grounds of defence from external threats (Government of Seychelles, 1983), but there was little doubt that its principal rationale was internal in motivation. The spectre of military repression, combined with press censorship, the curtailment of judicial freedoms and forced exile, meant that 'an element of fear [had] been introduced into Seychelles politics'. In addition, increases in military expenditure placed a huge and permanent burden on the budget: 'defence' costs rose from US\$13.4 million in 1975 to over US\$50 million in 1981 (Franda, 1982: 68, 115).

After 1977 René and his supporters accelerated the concentration of personal power in his hands, as well of the economy and society by the government as a whole. René was head of state (which included the power to appoint the judiciary), secretary general of the SPPF, commander-in-chief of the armed forces and, with gradual additions to his ministerial portfolio, by 1985 he was also Prime Minister and Minister of Finance, Planning and Foreign Relations and led a Cabinet of only five members (EIU, 1986: 31). In addition, changes to the SPPF party constitution in May 1984 gave its secretary general, René, increased control over the composition of the central executive committee (which set policy between the party's annual congresses) and, thus, government policy-making (EIU, 1987a: 32). This centralisation and concentration of political and economic power was not without moments of resistance. Protests by around 3,000 youth erupted in 1979 against the compulsory national youth service scheme, based on the Cuban model (see section 3.1), temporarily succeeded in making the scheme non-compulsory (Franda, 1982: 94). An anti-government demonstration in Victoria in 1984 resulted in the trial of around 40 people in early 1985. In addition, the Roman Catholic Church registered differences with the René government over education, and the business community was firmly opposed to the Seychelles Marketing Board (see section 2.3.3) (EIU, 1986: 33; EIU, 1986: 33). Nonetheless, the (then) 'consensus – among both friends and enemies of the new government' was that 'René and his ministers are not so blatantly corrupt as Mancham's government ... and are genuinely committed to socialism'

(Franda, 1982: 55). The extent to which this consensus is perceived to have lasted is open to debate.

Initial national development plans (which were rolling and shifted annually) and policy priorities squarely reflected long-standing SPPF concerns with improving social development for all. (One of the government's first planning priorities to achieve this objective was to promote full employment.) Long-term income inequality and the associated sharp class divisions in Seychelles society were a core target for reform and a major rationale for the 1977 coup. Table 2.7 provides a snapshot of these inequalities as unveiled by a 1978 expenditure survey of 4 per cent of total households. The minimum household expenditure for a family of four to exist without nutrition was estimated by the Ministry of Health at SRs1,166 in 1978²⁴ (Franda, 1982: 37), and over 70 per cent of households were threatened with the spectre of malnutrition during the First Republic (Table 2.7). The first national development plans (1978–1982 and 1982–86) had emphasised social development (including significant capital expenditure through school and hospital construction), the redistribution of income through wages policy and radical reforms to the social welfare system (see Chapters 3 and 4 for details). As a result, the government claimed that in 1982 around 35 per cent of total recurrent government spending could be 'classified as of a broadly social nature' (René, 1982: 8). The main institutional agents of the planning process throughout the 1980s were the Ministry of Planning and External Relations, the Ministry of Finance and the Council of Ministers, while the principal instruments of this process were the national development plans, quarterly progress reports, project documents, the annual budget, and the policy and strategy papers of individual departments and ministries (Adams and Rassool, 1990: 102–103).

Table 2.7. Income distribution by household, 1978

	Average gross income (SRs)	Number of households	Percentage of total households
Upper-class households	6,670	14	2.9
Middle-class households	2,801	124	25.6
Lower-class households	858	345	71.5
Total		483	100.0

Source: *Report on the 1978 Household Expenditure Survey*, as cited by Franda (1982: 38)

The recurrent budget rose sharply after independence because of inflation, the ending of UK grant support in 1979 and rapid and substantial increases in social services and defence spending. But at the same time revenue also increased because of improved collection of taxes and of duties on significantly increased imports.²⁵ A small surplus on the recurrent budget was achieved in 1980 and 1981; however, budget deficits and increased social spending were the trend from these years onwards.

Despite this turn to permanent deficit, the budget remained high, reflecting 'the government's determination not to cut state spending on welfare despite the country's difficulties' (EIU, 1984: 40).

Tourism revenues were a central source of finance for the state's extensive physical and social development programmes (Rosalie, 2002).²⁶ The government's first and second annual rolling NDPs – for 1977–1981 and 1981–85 respectively – placed significant emphasis upon tourism to fill the economic vacuum caused by the world-wide decline of agricultural commodity prices in the 1970s (including for copra). A centrally planned economy encouraged the selective development of the tourism industry to maximise economic benefits through the encouragement of top-end tourism. This attempted to minimise environmental deterioration and cultural impacts, partly through the creation of a ceiling on tourist intake. In other words, Seychelles was promoting the key tenets of 'sustainable tourism' development policy even before it was a major international policy discourse.

The decline in the relative and absolute importance of export-orientated agriculture was mirrored in wider developments in the agrarian political economy, which were far from dynamic. This was especially problematic because food imports had doubled between 1970 and 1975, and doubled again between 1975 and 1979 (Franda, 1982: 80). The agrarian structure at independence was highly fragmented, but highly commercialised and relatively differentiated. In the 1977 census, 2 per cent of the working population (399 people) described themselves as farmers and 12 per cent as farm workers (2,801 people) (Government of Seychelles, 1980: 3). A 1978 agricultural survey found that large farmers continued to produce most of the export crops (copra and cinnamon), as well as chickens, eggs and milk for domestic consumption, 500–600 small farmers (usually with less than five acres of land) on the three main islands produced 73 per cent of fruit and vegetables for domestic consumption, and there were 'several thousand small livestock holders, mostly keeping only one or two pigs' (Government of Seychelles, 1980: 19, 3).²⁷

By the late 1970s many large farmers were diversifying out of agriculture into other activities such as tourism. This was a response to the reduced availability of more skilled agricultural workers in a labour intensive industry;²⁸ a result of competition in the labour market from the tourism and construction sectors (see section 3.3). Plantation and estate managers thus found it difficult to maintain productivity and profitability. Overall, in 1978 large farmers' expenditure was greater than their income, which was probably a reflection of the fact that '[l]arge scale farming in Seychelles is a loss making activity experiencing a minimum level of investment necessary to sustain output at current levels' (Government of Seychelles, 1980: 61; Franda, 1982).²⁹ Many large farmers complained that they lacked capital for investment in the improvement of their farms. Most farmers faced wider problems caused by the domestic shortage of water during dry seasons and problems with flooding and drainage during the wet season (Government of Seychelles, 1980: 72–73).

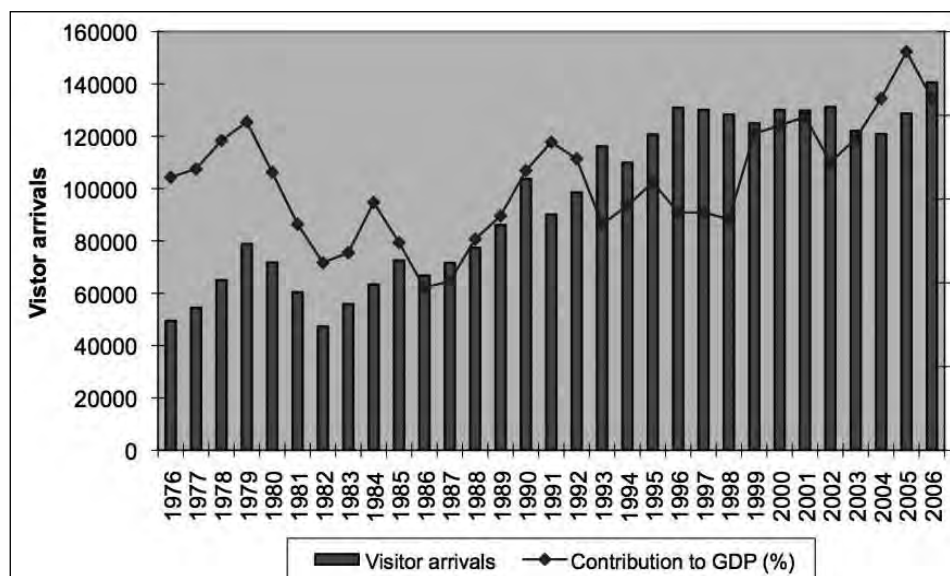
2.3.2 Security and economic crises and development policy responses in the early 1980s

'Mad' Mike Hoare – the infamous anti-communist mercenary – led a coup attempt against the SPPF government in 1981, with covert support from South Africa's national intelligence agency and domestic support from the underground Mouvement pour la Résistance (Scarr, 2000: 198; Government of Seychelles, 1983). The coup failed miserably, as the SPDF and a small contingent of Tanzanian troops established an effective defence and the 'spontaneous uprising' predicted by the Mouvement failed to materialise. Afterwards the SPPF government became 'obsessed by real and/or imaginary threats of counter-coups' (Houbert, 1992: 476). The SPPF government claimed that the attack induced a downturn in tourist arrivals of around 18 per cent in 1982, which cost the economy an estimated US\$17.6 million (Government of Seychelles, 1983: 224). In addition, copra exports hit a record low in 1982 signalling the terminal decline of this sector (see Figure 2.1) (René, 1983: 3).³⁰

Despite SPPF claims on the impact of the attempted coup, tourism had already suffered a decline in 1980 and 1981 (Figure 2.2). This was due in part to adverse conditions in the world economy (Government of Seychelles, 1983), including the increased cost of air travel induced by the OPEC-led oil price rises of the 1970s and the impact of the wider global economic slump of the early 1980s on disposable incomes in western Europe. But domestic aspects figured too, not least the negative publicity associated with the 1977 coup and forced exile of vocal politicians, the presence of the army throughout the country, and what would prove to be the most important factor, that the industry 'has been offering the tourist decreasing value for money spent' (Franda, 1982: 78; Gabbay and Ghosh, 1998: 2). The blaming of external versus internal causes for problems with the domestic tourism industry has typified the debate on the sector ever since, with the SPPF government unsurprisingly generally indicating external constraints and the opposition internal ones.

After the tourism slump of the early 1980s, government played an increasingly interventionist role in the sector. In 1981 the Seychelles Tourism Board was set up to co-ordinate the efforts of government and the private sector to promote Seychelles in the world tourism market. To provide additional emphasis on the importance of the sector (and presumably to enhance his control), René made himself Minister of Tourism in 1981 (EIU, 1983: 36). Direct interventions included government regulation of hotel standards (including the nationalisation of two hotels in 1984 for not meeting government standards and to reduce transfer pricing), an expansion of direct air connections (through the leasing of aircraft by the Air Seychelles parastatal),³¹ and establishing management contracts for government-owned hotels with major international chains such as Méridien, Sheraton and Inter-Continental so as to boost the country's placement in the luxury end of the market. These latter deals were sweetened with a reduction in turnover tax on the tourist industry from 10 to 5 per cent (EIU, 1986: 46, 48; EIU, 1984: 36; Gabbay and Ghosh, 1998: 3, 16).³²

Figure 2.2. Contribution of tourism to GDP and visitor arrivals



Source: Central Bank of Seychelles, *Annual Report* (various years); MISD/National Bureau of Statistics, *Seychelles in Figures* (various years)

According to one commentator '[t]he recovery of tourism' in Seychelles in the mid-1980s 'was the result of supply side measures adopted by government in the face of adversities in tourism development during the early 1980s' (Gabbay, 1988: 220). It certainly also combined with external commercial interests such as the introduction of additional routes from Europe by Air France and the restarting by British Airways of its previously abandoned route from London (EIU, 1986: 37).³³

Although one of the SPPF government's first planning priorities was already full employment,³⁴ the downturn of the early 1980s led to a significant increase in emphasis on the productive sectors rather than primarily on social development. This included proposed investment in agriculture, fisheries and manufacturing (whether privately or publicly owned) (EIU, 1984: 32), as well as, among other measures, a 1984 freeze on salary increments in the public and parastatal sectors (René, 1983: 3).³⁵ A major reason for this shift in emphasis was the decline in real GDP growth with the recession in tourism and construction in the early 1980s: at constant market prices, GDP fell by 2.5 per cent in 1980, 7.1 per cent in 1981 and 1.6 per cent in 1982 (EIU, 1984: 33). As a result, the rolling NDP for 1982–86 (the prior NDP had been revised four times since its launch in 1978) provided for a 100 per cent increase in investment in the economic sector compared to the 1981–85 NDP. Of the SRs600 million allocated to the productive sectors, SRs250 million (42%) was to go to fisheries and SRs197 million (33%) to agriculture. Social services received only

17.8 per cent of the total budget compared to 22 per cent under the 1981–85 NDP, while 35 per cent was earmarked for parastatals (EIU, 1983: 41).

Clearly, the 1980–83 domestic recession had forced government to reconsider its development strategy. The 1985–89 NDP (which was a full five-year plan and not ‘rolling’ in design) saw an even deeper shift in the government’s emphasis on investment in the productive sectors of the economy in order to: (1) create employment; (2) improve the national balance of payments; (3) re-establish economic growth; and (4) increase exports. For example, the 1982–86 NDP allocated SRs601 million (25.9 per cent of total spending under the plan) to the ‘productive and economic sector’, and the 1985–89 NDP upped the ante by allocating SRs1,085 million (38.4 per cent of total planned spending) (Nicholl, 1988: 62–63).

However, a former governor of the Central Bank of Seychelles (CBS) presciently emphasised that ‘there seem[ed] to be less awareness that increased debt during the rapid development in the late 1970s and early 1980s, when coupled with the impact of the recession on the country’s overseas reserves, has implications for both the rate with which Seychelles can develop in future and the type of development’ (Nicholl, 1988: 63). In particular, the 1985–89 NDP was dependent upon a 21.5 per cent increase in investment over the prior NDP, but given the limited scope for domestic financing, it would require borrowing from external sources, therefore ignoring the existing build-up of external debt and the rapid increase in debt amortisation since 1982. While, by 1985, neither the ratio of debt to GDP (at around 40%) nor the debt-servicing ratio (approximately 11% of GDP) were particularly high (Nicholl, 1988: 64), the trend was set for the eventual creation of the structural debt which would contribute to the economic crisis of the 1990s and 2000s (see below).

The revival of agriculture was one of the core priorities of the rolling 1982–86 NDP, with the primary objectives of import substitution and employment generation. Complementing this was a 1983 amendment to the Land Acquisition Act which allowed underutilised land to be nationalised to improve cultivation either via resale to farmers or by establishing state-owned farms. Credit for farmers and marketing services for agricultural output were expanded through the creation of the Seychelles Commodity Company (Seycom) and its subsidiary, National Agro Industries Ltd (NAIL),³⁶ which had set up a canning plant for fruit and vegetables (EIU, 1983: 34).

Seychellois have depended upon fisheries for the majority of their protein intake since settlement in 1770. The domestic fishing industry was largely artisanal and in the mid-1980s constituted about 3 per cent of GDP and employed around 1,300 people (EIU, 1987a: 44). Moreover, it continued to supply the most important source of animal protein. But prior to the policies of the SPPF, ‘little had been done to give Seychelles a broader more diversified economic base. As a result, agricultural output stagnated and no serious attempt was made to exploit the archipelago’s extensive fish resources’ (EIU, 1983: 32). The SPPF government recognised that the tourist sector would remain the most important industry, but it substantially increased state investment in both agriculture and fisheries, with the latter ‘identified as the main poten-

tial area for growth of an export trade which can make the economy less reliant upon tourism' (EIU, 1983: 33). Government interventions in this sector included extensive investment in infrastructure development at the fishing port and the setting up of a parastatal to provide stevedoring and vessel supplies (René, 1984; 1985).

Improvements in the tourism sector in the mid-1980s were bolstered by the expansion of activities of foreign industrial tuna vessels in Seychelles waters from the early 1980s onwards. Situated in the south-western Indian Ocean with an exclusive economic zone (EEZ) of over 1.3 million square nautical miles, Seychelles was strategically placed to benefit from resource rents on the exploitation and transshipment of a huge fishery. The successful expansion of the industrial tuna fishery in the Indian Ocean since the early 1980s by fleets from the EU and east Asia provided important direct and indirect benefits to the Seychelles economy (Sibert, 1998). From 1983 agreements were signed with the EC and Spain to access the tuna fishery. A later EC agreement enabled fishing in Seychelles' EEZ for up to 22 French and 18 Spanish purse seiners and provided government with US\$6.7 million in revenue in addition to licence fees (EIU, 1987a: 43). Around 350 jobs were generated through the rise of activities supporting the foreign tuna fisheries; purse seine fleets alone spent SRs109 million on local goods and services in the first six months of 1985. The government's explicit objective was 'to create the conditions and the facilities so that Victoria becomes the primary tuna port in the Indian Ocean' (René, 1984: 29), an objective that it had indisputably achieved by the 1990s.

The small manufacturing sector was historically focused almost exclusively on the domestic market and observers found it 'difficult to imagine penetration of external markets in the foreseeable future', not least because of the large increase in the minimum wage in 1979 and revaluation of the rupee (by 15%) in 1981, which gave 'industry a cost structure well above that of its rivals' (Driesen, 1988b: 167). René recognised the failure of SPPF plans to enable industrial development in his announcement of the 1986 budget: 'Unfortunately Government measures to encourage industrial development have not had far reaching results' (René, 1985: 12). Employment in the sector totalled only around 1,300 jobs. This changed in June 1987 when the *Conserveries de l'Océan Indien* tuna cannery was opened. The factory cost SRs45 million – 50 per cent funded by France – and had an annual capacity to process 8,000–10,000 tons of tuna. On top of Seychelles' strategic location close to a rich tuna fishery, it also benefited from an EU trade preference of 24 per cent along with all other African, Caribbean and Pacific (ACP) countries under the Lomé Conventions; this non-reciprocal market access was to last until the end of 2007. The EU trade preference was a primary factor in the development of industrial tuna processing in Seychelles, despite its diseconomies of scale and geographical isolation (Campling, 2008). While, like tourism, the tuna industry is not insulated from multiple external factors,³⁷ the cannery proved to be a core pillar of the economy, especially from the mid-1990s onwards (see section 2.4.1).

2.3.3 Cold war patronage and the economic dominance of the state

In terms of its international relations the SPPF government followed a clear path of non-alignment and René's astute manoeuvres saw him use this status to play East and West off against each other in order to maximise gains for Seychelles. The SPPF government was cultivated 'assiduously' by the French state and the US satellite tracking station on Mahé (established in the 1960s) constituted a firm strategic link with this most powerful of superpowers, including over 130 US personnel based at the station and an annual rent of US\$2.5 million (Houbert, 1992: 476; McAteer, 2008: 273–74; Franda, 1982: 117). At the same time, the government was receiving arms and other assistance from the USSR (Franda, 1982: 55). But while there were rumours that Moscow had been offered a military base in Seychelles, this never materialised and was denied by the government (although there is the possibility that the government used these rumours to stoke bipolar tensions in relation to the islands). Nonetheless, by the mid-1980s, relations with the USSR had deepened further. For example, during 1987 Seychelles hosted visits by members of the Central Committee of the Communist Party of the Soviet Union, a tuna fishing access agreement was signed with a Soviet enterprise and the Soviet-Seychelles Friendship Society was formed (EIU, 1987b: 39). But this did not represent a shift from Seychelles' stated position of non-alignment as, for example, the USA maintained its tracking station on Mahé³⁸ and the government preferred fisheries relations with the larger industrial fleets of France and Spain than with the USSR. Instead, it reflected the government's tactic of 'the maximisation of the benefits on offer from each superpower' (EIU, 1987b: 39).

The high proportion of overseas development assistance (ODA) given in grant form was one of the key factors in keeping the country's debt burden to a relatively manageable level in the 1980s (EIU, 1986: 53). As well as the 'traditional' donors of Britain and France and international agencies like the World Bank and the European Development Fund (EDF) (Table 2.8), the SPPF government strengthened linkages with 'the more radical Third World states and ... had considerable success in diversifying its sources of foreign aid, with countries like India, Iraq, Libya, Algeria and North Korea ... providing substantial aid' (EIU, 1983: 29). These inflows allowed the SPPF to maintain a high level of ambition in its national development plans, including a significant expansion of the parastatal sector.

The rise of the parastatal sector

In 1983 government decided to separate productive activities from ministries and set-up parastatals in an attempt to improve efficiency and to run them on a more sound financial basis (EIU, 1983: 33).³⁹ Through this planning process government placed consistent political emphasis on socio-economic gains (Adams and Rassool, 1990). It attempted to assure private investors that it had no sweeping programme of nationalisation. The NDP for 1980–84 stated that 'foreign private investment will ... continue to be welcomed, with the basic criteria for acceptability being whether

Table 2.8. Gross overseas development assistance, 1980–1985

	1980	1981	1982	1983	1984	1985
	US\$ million					
Bilateral	18.4	19.3	15.1	13.8	13.7	14.0
Multilateral	3.4	2	3.2	1.9	1.5	8.6
Total	21.8	21.3	18.4	15.7	15.2	22.6
of which grants	13.6	12.1	12.6	14.1	13.4	18.2

Note: Figures for ODA from the Eastern Bloc were not published, but the amounts were thought to be well below the total for bilateral and multilateral agencies from the West and OPEC countries (EIU, 1986: 52).

Source: EIU (1987a: 54)

the proposed development is judged to be of benefit to the future of Seychelles' (cited by EIU, 1983: 33).⁴⁰ Nonetheless, the SPPF went on to nationalise many assets and the parastatal sector was allocated 45.3 per cent of the investment funds provided for under the 1982–86 NDP, rising to 46.6 per cent in the 1985–89 NDP (Gabbay and Ghosh, 1992: 67).

The core economic rationales behind these policies of parastatal development were to build economic self-reliance through import substitution and to inject capital into the economy, which was a recognition of the fact that, historically, domestic capital had failed to substantially invest locally, presumably due to actual or assumed improved rates of return overseas (see section 2.2). The need for improved self-sufficiency and import substitution was driven by the fact that at no point between 1978 and 1983 were imports of goods and services equivalent to less than 70 per cent of GDP (EIU, 1986: 38). However, unlike the false duality in much of the development studies literature that typifies the 1960s and 1970s as the era of import substitution and the 1980s onwards as one of export-orientated development, the SPPF government explicitly pursued a combination of the two.⁴¹

The 1985–89 NDP was unveiled at the end of 1984. Unlike previous NDPs it was not annually 'rolling', but was designed for a distinct five-year period and was 'neither indicative nor imperative ... and is best described as strategic planning' (Adams and Rassool, 1990: 100). In other words, this represented a qualitative shift in the government's approach to the planning process, with greater emphasis on broad direction as opposed to detailed pre-planning and budgeting. The 1985–89 NDP placed an even greater emphasis on investment in the productive sectors, particularly tourism, agriculture and fisheries, than previous NDPs (EIU, 1986: 36). It listed a number of import substitution industrial projects, including the setting up of garment, footwear and paper factories (Driesen, 1988b: 168). However, these items were probably far too ambitious given the huge firm- and economy-level scale economies needed to produce these items competitively. As the Economist Intelligence Unit pointed out at the time: 'Geographical isolation and the small size

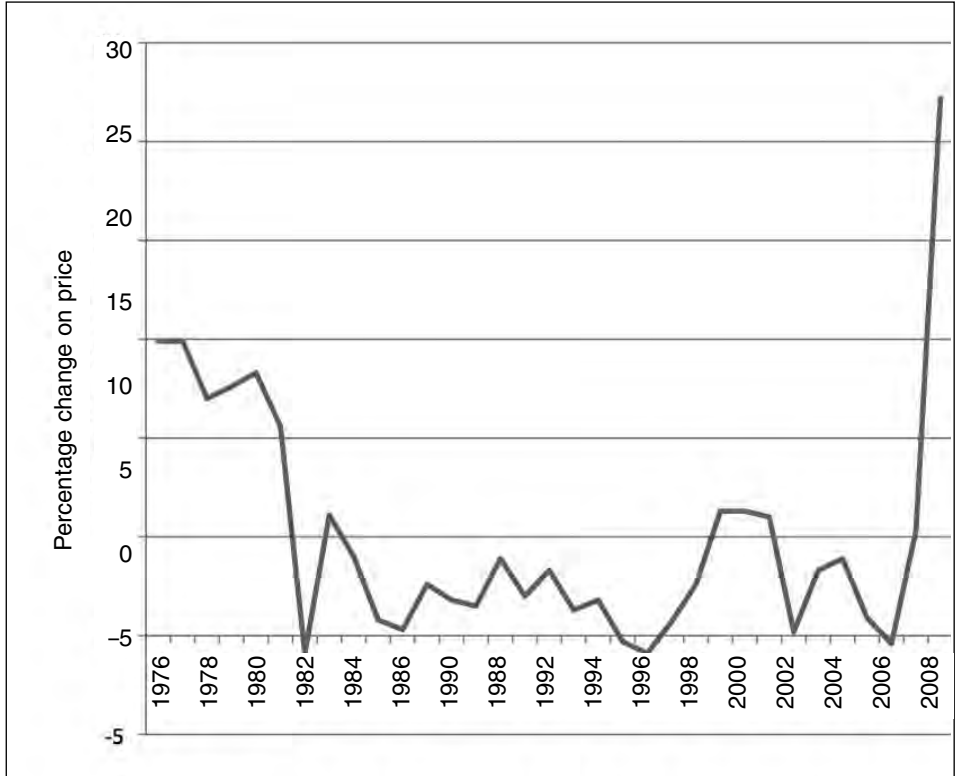
of the local market do not encourage investment in manufacturing' (EIU, 1986: 45). Other import substitution measures included the creation of a pharmaceutical unit within the Ministry of Health so as to manufacture a range of drugs locally (René, 1983: 19), the manufacturing of paint, and the creation of a TV assembly line and of a foam factory (René, 1985: 13). More important parastatals were Air Seychelles, the Public Utilities Corporation (PUC), which dealt with water and electricity supply and distribution, and the collection, disposal and treatment of sewage; the Seychelles Petroleum Company (SEPEC),⁴² which dealt with the supply and re-export of petrol, and the Seychelles Public Transport Corporation, all of which remained fully operational in 2008.

Probably the most important, and certainly the most prominent, economic intervention by the state was the creation of the Seychelles Marketing Board (SMB) in 1984.⁴³ It had an initial monopoly to produce locally or import a fairly limited range of 'designated products', which included basic necessities such as rice, sugar, milk, meat products and cooking oil, with the objective of ensuring stability of supply at a stabilised price. The SMB was controlled by a council headed by President René, who, in turn, appointed all council members and held a casting vote. It absorbed most other parastatals involved in agri-business, including Seycom and its subsidiary, NAIL. The SMB was established with a significantly widened remit over the parastatals that it absorbed. Even before the creation of the SMB and its eventual expansion through the late-1980s, state and parastatal enterprises accounted for around 50 per cent of the country's GDP and over two-thirds of formal employment (EIU, 1986: 35). By the end of the 1980s the SMB included divisions involved in trading, retail, the production of dairy and animal feed, the production, slaughter and processing of poultry, beef and pork, import and trade of building materials, the production of soap, detergents and edible oils, the repacking and reprocessing of various goods (including coffee, sauces, fruit juices, and jams), fish processing, ship chandling, the cultivation and processing of tea, and export-orientated cut-flower production and prawn farming (Gabbay and Ghosh, 1992; SCCI, 2000). Several of these investments were made possible with government guarantees and the SMB had priority access to (increasingly scarce) foreign exchange, which had the general effect of dampening private sector investment and production because the SMB was competing 'on unequal and highly advantaged terms' (SCCI, 2000: 7).

Controversially, in 1986 the SMB also took over the role of monitoring and enforcing price controls and was eventually allocated the task of issuing all import and export permits (René, 1985: 5). This allowed this powerful parastatal to gather market intelligence on competing processors, wholesalers and retailers and to 'effectively control the importation and exportation of all goods in the country' (SCCI, 2000: 4). In addition, the list of SMB 'designated products' for which it held a formal monopoly grew from basic 'poverty products' (where price controls could be easily justified) to cover almost all vegetables, fruit, jams, flour, salt, tinned meat, health

drinks, tea and coffee, toilet paper, motor vehicles and televisions (Gabbay and Ghosh, 1992: 104). Most importantly, contrary to the stated rationale for SMB monopolies on poverty products as a mechanism to benefit lower income groups through low prices, the retail prices on key items were ‘relatively high. ... [which] is an indirect way of levying taxes in the form of a consumption tax’ (Gabbay and Ghosh, 1992: 397). This was corroborated by an SCCI survey of SMB prices for core items compared to those from alternative sources. It found that there were huge discrepancies, including over 190 per cent on onions, almost 70 per cent on sugar, 20–63 per cent on different grades of rice, and 120–250 per cent on potatoes (SCCI, 2000: 10). Nonetheless, it can be argued that the SMB did ensure price stabilisation throughout the 1980s and 1990s (Gabbay and Ghosh, 1992), which contributed to providing a dampening effect on inflation (see Figure 2.3).⁴⁴ However, at the same time, high mark-ups on SMB imported food probably contributed to the high cost of living (SCCI, 2000: 13).

Figure 2.3. Average rate of inflation, 1976–2008



Source: Central Bank of Seychelles, *Annual Report and Quarterly Report* (various years)

The SMB's expansion was not without its failures, even in the short term. For example, the SMB monopoly on the distribution and marketing of fruit and vegetables was scrapped after only 17 months of operation and farmers were again free to sell their produce where they wished (EIU, 1987b: 37).⁴⁵ This was a key political setback to the SPPF's objective of enhancing its control over the economy. The reasons behind the roll-back of this particular monopoly seemed to stem from the fact that the SMB was already contributing to the mounting budget deficit and farmers often bypassed its controls and sold to hotels and other establishments through the back-door or went direct to market.

Agricultural policy in the 1980s not only sought to increase output and diversify production, but also 'to change some of the fundamental features of the existing socio-economic structure. The major instruments of production [were] to be State farms and co-operatives', managed by the Seychelles Agricultural Development Company (SADECO). By 1985 state farms and co-operatives already accounted for 40 per cent of agricultural production, with another ten state farms and 20 co-operatives planned under the 1985–89 NDP (Driesen, 1988a: 146; EIU, 1986: 42). This strategic shift in agricultural policy was intended to ensure that government could direct production priorities and targets, which it was hoped would allow for the achievement of improved economies of scale, a projected decline in production costs, and the sector 'primarily as a foreign exchange saver [to feed the population and tourists] and a not a foreign exchange earner' (Driesen, 1988a: 144, 149). The overall objective was to achieve 60 per cent food self-sufficiency by 1989 (EIU, 1986: 36). Total imports of food and animals were reduced by 5 per cent between 1985 and 1986 (EIU, 1987a: 42), and the country was almost self-sufficient in pork and poultry by 1986 (René, 1986: 2).

The volume of copra exports dropped from 3,106mt in 1974 to 1,632mt in 1985 (see Figure 2.1), which, combined with the rise in tourism development and revenue from tuna fisheries, contributed to a corresponding decline in copra's contribution to total foreign exchange earnings from 16 to 2.1 per cent over the same period (Driesen, 1988a: 142). Seychelles copra continued to be of very high quality into the 1980s, although the principal market had shifted from India to Pakistan by the late 1970s. Despite this quality-based price premium, Seychelles production became less competitive in the 1980s, and this was reflected in declining output. This was because wage increases (125 per cent between 1979 and 1982) and the 15 per cent revaluation of the Seychelles rupee in 1981 were not matched by growth in international copra prices or increases in domestic labour productivity. The lure of more lucrative employment in tourism and construction contributed to a decline in productivity as landowners employed less labour power to maintain the crop and the more efficient workers simply left the plantations (Driesen, 1988a: 142). In order to revitalise this agricultural sub-sector a key component of the 1985–89 NDP was the establishment of a desiccated coconut factory as part of a new wave of value-added production in the export-orientated development of coconut plantations (René,

1985 and 1986). The factory was to have the capacity to process 120mt of coconuts per month (Driesen, 1988a: 144), but it failed to become a commercially viable venture. It appeared that the SPPF government had not read the clear advice of Cooke (1958: 21) to the colonial government that the world market for desiccated coconut was typified by harsh competition on price and economies of scale in production.

Cinnamon production suffered a similar fate to copra. By 1985 the private sector had ceased cropping cinnamon and all supply for export came from SADECO state farms, but prices paid on the export market were below the costs of production (René, 1985: 44). Compounding these difficulties was the ongoing lack of adequate sea freight connections (Driesen, 1988a: 143), identified by Rowe (1959) and others during the colonial era as a structural constraint to the prospects for economic development in Seychelles, a problem that only eased with the boom in the production of canned tuna from 1995 onwards (see below). Nonetheless, increases in the production of fruit and vegetables were registered, sparked by demand from the tourism industry and domestic consumers due to increases in standards of living (Driesen, 1988a: 143).

Rapid advances in social development and greater involvement of the state in the economy in the 1980s had a disastrous effect on government finances. As early as the end of 1986, the government deficit had reached unsustainable levels, which were around 36 per cent over the budgeted deficit. This was partly because foreign borrowing to finance capital expenditure was well over target and revenue from fishing licence fees and dividends from parastatals were more than 50 per cent below the amount budgeted for (EIU, 1987a: 50). In addition, government reserves were equivalent to less than four weeks of imports and the debt repayments on the Mahé East Coast development project had resulted in 'severe liquidity problems' (EIU, 1987a: 51, 54). The pegging of the rupee to the Special Drawing Right (SDR) helped to reduce the average inflation rate to 4 per cent in 1984 and 0.8 per cent in 1985 (EIU, 1986: 40) (Figure 2.3).

While the 1985–89 NDP stated that government was 'not yet in a position to borrow on commercial markets' (cited by EIU, 1986: 37), the financial situation of the mid-1980s – not least the financial drain of the burgeoning but often inefficient parastatal sector – meant that government had serious liquidity problems and was forced to do so. René blamed this on two factors: first, the world recession of the early 1980s and subsequent Third World debt crisis meant that 'concessionary finance became less forthcoming ... [and] we were forced to borrow for periods slightly shorter than the time it would take for investments to bear fruit' – although many of these investments were never to do so; and second, 'the fact that Government has been increasingly putting more into the economy than it has been recouping by way of taxes and other revenues'. He went on to note that 'Government is fully cognisant' that the build-up of domestic and external debt 'is unsustainable' and announced new measures to control foreign exchange such as a 60 per cent local asset ratio for the local banking sector (René, 1986: 5, 7–8). Thus, signals of the future crisis of the Seychelles economy were already apparent as early as 1986 (see section 2.4.2).

2.4 Political economy and development policy during the Third Republic, 1993–2007

2.4.1 Political-economic developments: the multi-party system, end of the cold war and economic diversification

In the global context of the end of the cold war, the December 1991 announcement that the SPPF would introduce a multi-party political system perhaps came as no surprise. According to some, there was an ‘increased though very belated pressure for a return to democracy from London, Paris, Washington and Bonn’ (Scarr, 2000: 199, 201; Hatchard, 1993), which was no doubt spurred by the associated momentum of the so-called ‘third wave’ of democratisation in the global South. After 16 years of one-party rule which ‘had led to an almost complete fusion of party and state’ (Hatchard, 1993: 610), a new constitution was negotiated with the Democratic Party and approved by 73 per cent of the electorate in a referendum in 1993 (St Ange and Georges, 2005: 163). The Constitution of the Third Republic provided for an elected presidential executive and a nominated Cabinet, which was checked by the legislative body of the National Assembly (two-thirds directly and one-third proportionally elected). It also contained the Seychelles Charter of Fundamental Rights and Freedoms, which included a far-ranging set of civil and political as well as socio-economic rights, including the right to education, shelter and healthcare (Hatchard, 1993), and a new Industrial Relations Act which provided for freedom of association of trade unions, replacing the SPPF-controlled National Workers Union of the Second Republic (Driesen, 1995). Regular multi-party elections have been held since, most recently in 2007, each of which saw the SPPF maintain its majority (Table 2.9).⁴⁶ France Albert René remained President for 27 years,⁴⁷ and handed over power to his long-running Vice President, James Alix Michel, in April 2004.

By the late 1990s the Seychelles National Party (SNP, previously Parti Seselwa) had taken over from Mancham’s reconstituted Democratic Party as the leading opposition party. The SNP underwent ‘several makeovers of name and image’, including as part of the United Opposition with two other minor parties, but its ideological orientation was consistently centre-left liberal (for example, it has formal links to the British Liberal Democratic Party). It stood for an independent public service free from party political influence,⁴⁸ transparency and accountability of government, an independent state media, independent central bank management of the exchange rate, the localisation of posts, public–private partnerships in health, education, housing, social security and transport where appropriate, the privatisation of parastatals except for those engaged in utilities and essential services, an end to foreign exchange controls, and consultation with the IMF and World Bank to address the debt burden (SNP, 2001). Despite this liberal agenda, ‘some contradictions exist in the SNP economic programme, which seeks to promote local industry [through import substitution] at the same time as advocating a free market macroeconomic stance’ (Erwood, 2004; SNP, 2001).⁴⁹

Table 2.9. Presidential and general elections during the Third Republic, 1993–2008

Election	SPPF	SNP (UO^a)	DP	Others
1993 Presidential (July)	René 59.51% 25,627 votes	Philippe Boulle (UO) 3.79% 1,631 votes	Mancham 36.73% 15,815 votes	–
1993 National Assembly (July)	21 constituencies 6 proportional seats	1 proportional seat (UO)	1 constituency 4 proportional seats	–
1998 Presidential (March)	René 66.69% 31,048 votes	Ramkalawan (UO) 19.5% 9,078 votes	Mancham 13.8% 6,427 votes	–
1998 National Assembly (March)	24 constituencies 6 proportional seats	1 constituency 2 proportional seats	1 proportional seat	–
2001 Presidential (September)	René 54.1% 27,223 votes	Ramkalawan 44.95% 22,581 votes	No DP candidate	Independent: Boule 0.86% 434 votes
2002 National Assembly (December)	18 constituencies 5 proportional seats	7 constituencies 4 proportional seats	0	–
2006 Presidential (July)	Michel 53.7% 30,119 votes	Ramkalawan 45.7% 25,626 votes	[Stood in an alliance with SNP]	Independent: Boule 0.56% 314 votes
2007 National Assembly (May)	18 constituencies 5 proportional seats 56.16%	7 constituencies 4 proportional seats 43.84%	[Stood in an alliance with SNP]	–

^aUnited Opposition

Source: Data for 1993–2002 based on St Ange and Georges (2005: 165, 177, 186, 191–92); data for 2006, Sparks (2007: 1035); data for 2007, *African Research Bulletin*, 1–31 May 2007

Nonetheless, the SNP represented the dominant source of opposition to the SPPF in a bitterly politically polarised society. SNP support stemmed from a variety of (seemingly contradictory) social bases, including disenfranchised young men and the ‘professional’ middle classes. One of the more important sources of political support for the SNP was their opposition to a deep-rooted nepotism associated with the SPPF, which, according to Scarr, was there ‘from the beginning’ (Scarr, 2000: 199; see also Kaplinsky, 1983). Another was poor management of the economy by the political and business elites associated with the SPPF government. This social class was seen as a primary determinant in the inefficient use of resources and associated increases in the extent and structure of national debt, either through direct borrowing (and non-productive expenditure) or through wasteful use of scarce foreign exchange earnings. As

is clear from section 2.3.3, a number of strategies of state-led capital accumulation were driven by misguided understandings of world market demand, ‘white elephants’, alleged misappropriation of resources and unrealistic policies of import substitution (Rosalie and Campling, 2004). The SNP argued that the SPPF only achieved electoral victory in the 2006 presidential election because of the large amounts of finance that it was able to allocate to its campaign (Murison, 2007).

Development policy and the economic pillars under the Third Republic

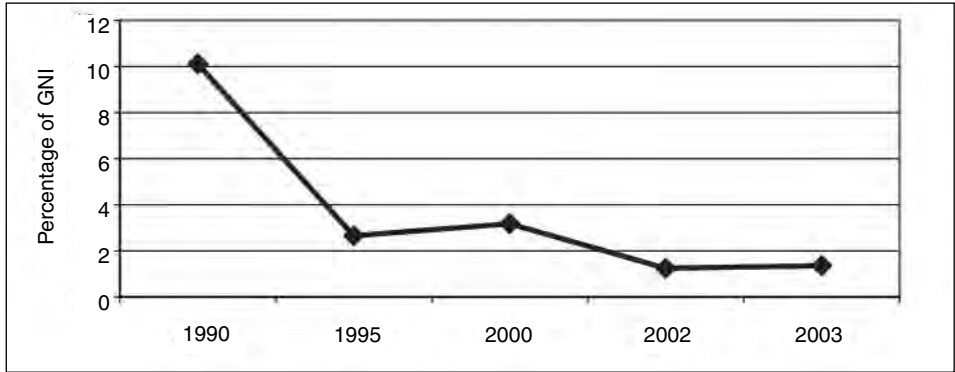
During the Second Republic, the government used a series of national development plans, combined with budget announcements and other mechanisms (see above), as a core tool to direct and actively intervene in the economy. Despite the SPPF’s perception of the benefits of a centrally planned economy in this highly open small state, the emergent crisis of insufficient inflows of foreign exchange (reserves were down as early as 1991) meant that by the early 1990s government switched to a reliance on ‘a more orthodox budget mechanism in determining spending priorities’ (Erwood and Latrach, 2004: 45; Scarr, 2000: 200). It combined this with a new public sector investment programme. Like the SPPF’s initial NDPs, it was a flexible ‘rolling’ framework allowing for annual revisions, which recognised the private sector as a ‘partner’ in development and was market orientated in scope (Driesen, 1995).

A consistent failing of the NDPs was the government’s over-optimistic estimates of its ability to mobilise funds, either through aid, commercial loans or foreign direct investment (FDI),⁵⁰ which arguably provided a convenient fall-back of blame for the wider failure of the NDPs. However, with the end of the cold war and its associated forms of economic patronage, including ODA, significant sources of non-concessional financing effectively dried up (Figure 2.4).⁵¹ This meant that earlier expansionary developmental ambitions would have to be curtailed unless government facilitated improvements in the economy or adopted a neoliberal programme of structural adjustment with IMF and World Bank support, which – given the generally poor social and economic record of neoliberal adjustment in sub-Saharan Africa – the SPPF government was committed to avoid. Despite this, the SPPF government began to partially loosen state control and ‘committed Seychelles to a liberal mixed economy’ (Driesen, 1995: 4), including a limited programme of privatisation by the mid-1990s, including selling off state-owned port facilities, hotels and some agricultural interests (Sparks, 2007; Gabbay and Ghosh, 1998). Relative stability in the tourism sector, combined with the creation of a tuna canning plant of global significance and the emergence of a nascent offshore services sector, went some way to abating the problem.⁵² But, as detailed in section 2.4.2, it was not enough to avoid economic crisis.

Between 1992 and 2001 the contribution to GDP from the tourism sector was a stable annual average of 16.1 per cent. However, this was in the context of an increase in visitor arrivals from 98,500 in 1992 to 129,800 in 2001. The relative

reduction in contribution to GDP can be explained by a parallel boom in the contribution of the fisheries sector, particularly that of canned tuna exports. On a global scale the tourism sector is renowned for its economic fluctuations and volatility in relation to wider developments in the world economy. In the Seychelles context, the slump of the early 1980s provided sufficient evidence of the vagaries of the sector (see section 2.3.2), which the drastic reduction in tourism revenue as a result of the 1991 Gulf war only served to accentuate (see Figure 2.2 above). Data presented by Gabbay and Ghosh (1998: 3) demonstrate that without an unexpected 75 per cent increase in visitors from Africa, the 44 per cent decline in arrivals from the main markets of Britain, France and Italy would have produced a serious, perhaps unmanageable, budget deficit. However, while there are no official statistics to quantify the issue, Seychelles also benefited from periods of instability in the Middle East through the ‘resting’ of Western military vessels at Port Victoria and the related influx of foreign exchange from docking licences and onshore spending by crews.⁵³ Similarly, the tension created by the build-up to and eventual outbreak of the US-led war on Iraq in 2003 seems to have played a similar – although less economically devastating – role in reducing tourism arrivals in Seychelles in 2002–2003 (Figure 2.2).

Figure 2.4. ODA as a percentage of gross national income



Source: Ministry of Finance data, 2007

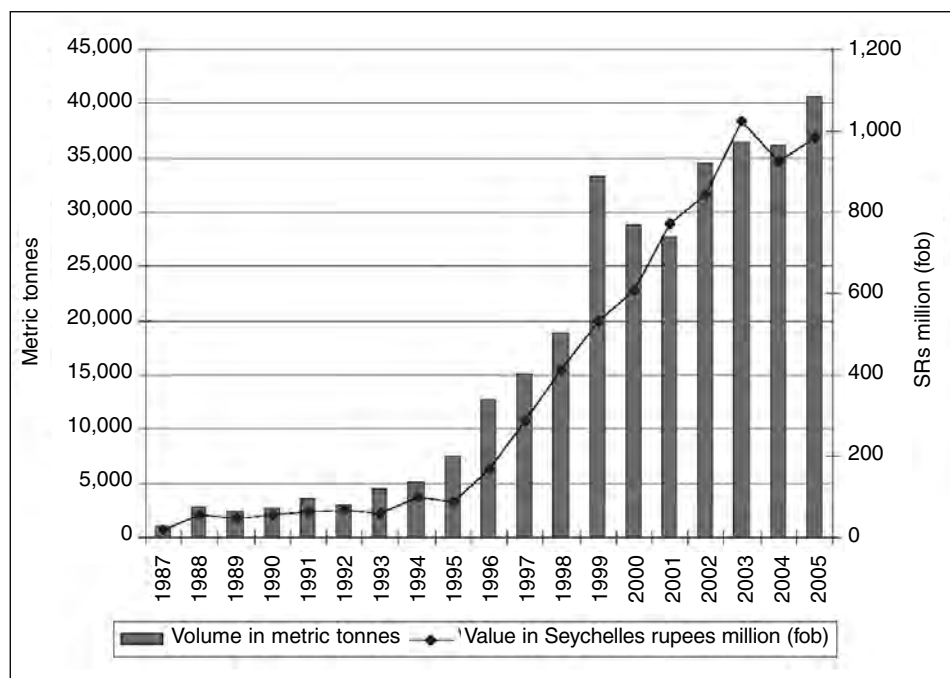
While external shocks such as these demonstrate the serious vulnerability of Seychelles’ tourism economy, other trends – to do with the ‘product’ itself – must be taken into account. A survey of tourists in 1993 found that there was ‘dissatisfaction with food, service, accommodation and personnel’ (Driesen, 1995: 13; see also Gabbay and Ghosh, 1998: 20). Visitor arrivals have shown a constant influx of over 100,000 persons since 1993, but this stagnated at an annual average of 128,000 per year in the period 1996–2006, albeit including an all-time record peak in 2006 with 140,600 arrivals, probably because of the increase of – previously banned – charter flights (MISD, various years; NSB, various years). The SNP and Democratic Party argued

that the US-led war on Iraq was only part of the story behind the decline in arrivals in 2003, as regionally comparable destinations such as Maldives and Mauritius had reported annual average rises in tourist arrivals despite the lead-up to the war (*Seychelles Weekly*, 2 August 2002: 2; *Regar*, 11 April 2003: 5).

In 2001, the total gross inflow from fisheries and related activities amounted to SRs1.2 billion (Seychelles Fishing Authority, 2002: 8), or US\$232 million, accounting for 40 per cent of all Seychelles' foreign exchange earnings in 2001 (*Seychelles International Business News*, 2003). Of this, canned tuna produced and exported by Indian Ocean Tuna Ltd (IOT) contributed 87 per cent.⁵⁴ In 2007, canned tuna totalled 91.41 per cent of national export value (Central Bank of Seychelles, 2008: 49). Taking over from the Conserveries de l'Océan Indien, IOT was a 1995 joint venture between the 60 per cent majority shareholder HJ Heinz European Seafood and the Seychelles government (40%). In terms of its effect on production volume and export value, this revised joint venture was a huge success (see Figure 2.5) and served to justify René's long-term belief (held since the 1960s) in the potential for industrial development in the tuna sector. IOT became one of the largest tuna canneries in the world; in 2005 it supplied over 14 per cent of the EU market for canned tuna imports (Valsecchi, 2006). In 2006, HJ Heinz European Seafood was bought by the US merchant banking firm, Lehman Brothers, as a component of a five-year investment tranche by this firm.

By 2007, the cannery employed around 2,600 workers, of whom only about 1,500 were Seychellois. The reasons for this reliance on foreign labour were twofold. First, labour power from such countries as Madagascar, Kenya and Thailand was far cheaper than the local equivalent, which officially enjoys the highest GDP per capita in Africa at US\$8,000 per annum. Second, there was an apparent lack of 'industrial heritage' among the population that, reportedly, reduced both the productivity and reliability of the local workforce.⁵⁵ Other tangible benefits that accrued from the presence of IOT were its purchase of local utilities and services, and the increased licence and transshipment fees paid by industrial tuna fleets that converge on Seychelles partly to supply the cannery. Intangible benefits were the leverage provided by Heinz (subsequently Lehman Brothers) in negotiating forums, and the prestige and perceived stability of having an internationally recognised multinational corporation based in Seychelles (including, most importantly, the ability to use future export earnings to secure commercial loans by government).⁵⁶ However, under the terms of the ACP-EU Cotonou Agreement (the successor to the Lomé Conventions noted above), as a non-least developed country (LDC), Seychelles had to sign a WTO-compatible economic partnership agreement (EPA) with the EU by 2008 or be faced with an end to its essential competitive advantage in the form of the 24 per cent trade preference, which would have made the cannery non-competitive (see section 2.4.2 for an ACP-wide overview of this issue; Ponte *et al.*, 2007; Campling, 2008).

Figure 2.5. Production volume and export value of canned tuna, 1987–2005



Notes: (1) Production in 1987 began mid-year; (2) Only a tiny percentage of production was consumed locally; (3) Export value for 2005 is provisional.

Source: Seychelles Fishing Authority, *Annual Reports* (various years); Seychelles Central Bank, *Annual Reports* (various years); MISD, *Statistical Abstract*, 1989 (1990)

In an attempt to further diversify the economy, the government established the commercial-legal framework of the 1994 Investment Promotion Act and began promoting Seychelles as the ‘Indian Ocean international financial and trading hub’. The Seychelles International Business Authority (SIBA) parastatal was set up in order to facilitate and regulate the sector.⁵⁷ It generated modest foreign exchange revenue with the registration of over 43,000 international business companies (IBCs) by end-2007 (Central Bank of Seychelles, 2008: 60). The nascent offshore sector, in part, benefited from its youth. SIBA was able to quickly adapt to and even anticipate some of the rapid changes in this growing global sector by institutionalising the international ‘standards’ set by both the Financial Action Task Force on Money Laundering and the OECD. In 2002 the sector registered 40 per cent growth, whereas the vast majority of global competitors fared less well. Nonetheless, this growth started from a very low baseline. Another government initiative was the purchase and management of double-hulled oil tankers, two in 2005 and one in 2007 (Central Bank of Seychelles, 2008: 50). Although reliable data on the finances of these ventures are unavailable, all informal reports indicate that they have been an economic success.

2.4.2 Development policy under economic crisis, 1998–2007

The economic history of Seychelles after independence has been dominated by attempts to formulate policies to mitigate the impact of economic crises and their impact on development. The history of crises and mitigating policies took place in two distinct time periods: the early 1980s with the drop in tourism; and the deepening economic instability since the introduction of multi-party democracy in the period 1993–2007. However, the persistent problem of foreign exchange shortages that existed since 1984 (Payet, 2008: 15) was aggravated by the end of cold war patronage after 1991 and the government ‘struggled to shrug off the persistent foreign exchange shortage’ throughout the 1990s (Central Bank of Seychelles, 1999: 16). Despite reforms and an improvement in the economic situation, the economy remained ‘hamstrung by foreign exchange shortages’ (Central Bank of Seychelles, 2006: 3) and very high levels of domestic and external debt. Nonetheless, Seychelles has developed a fair telecommunications infrastructure to counter its isolation (Table 2.10), although internet speeds were frustratingly slow.

Table 2.10. Access to information and communications technology

Indicators	1990	1995	2000	2004
Telephone lines and cellular subscribers per 1,000 people	12.0 ^a	17.0	56	63.0
Personal computer and internet users (% of population)	–	–	3.0	24.7
Mobile phones per 100 habitants	–	0.43	–	67.56
Payphones per 1,000 habitants	1.93	–	–	2.05

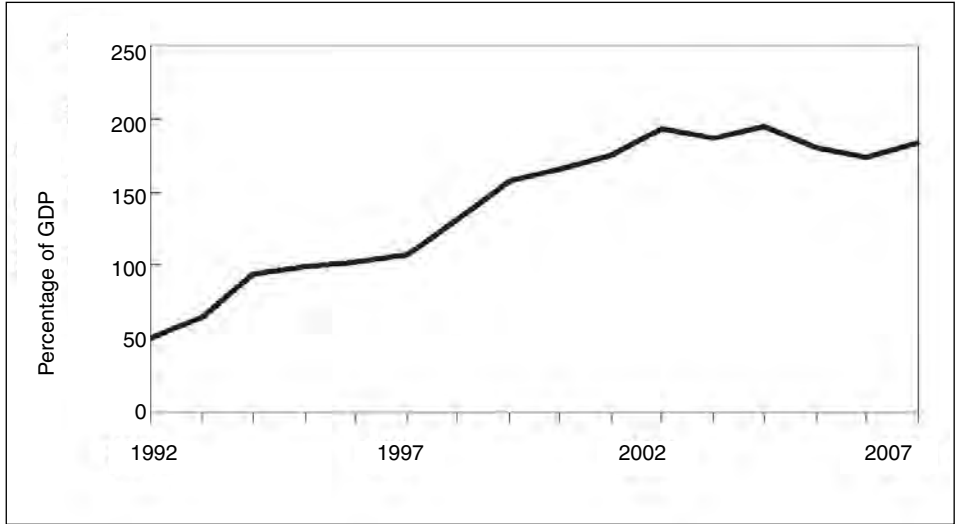
^a1991

Source: *Millennium Development Goals Status Report: Seychelles*, January 2003; Government of Seychelles (2004); National Statistics Bureau (2007: 16). See also Ministry of Foreign Affairs (2010: 119)

It has been argued with some justification that Seychelles’ vast progress in social development was made possible by revenues procured from the tourism sector (Rosalie, 2002), to which must be added the industrial tuna industry (both rent from foreign vessels and employment at IOT). However, other commentators point to the relatively vast level of debt build-up as also having subsidised government welfare priorities, which have ‘proved to be more than the economy could really afford’ (European Commission, 2002: 2). In fact, President Michel admitted in 2004 that despite ‘investment in the social sector, we have created some economic imbalances’ (Michel, 2004). At the end of 2002, IMF statistics show that net claims on central government alone totalled SRs4.2 billion, a significant rise from the SRs1.03 billion in 1993 (IMF, 2003). Government estimated that the domestic and external public

debt burden was 200 per cent of GDP in 2002 (IMF, 2008a), a burden that loomed ominously over the country's future developmental prospects and social cohesion more broadly (Figure 2.6). This negative situation was generated by five interrelated factors.

Figure 2.6. General government debt as a percentage of GDP, 1992–2007

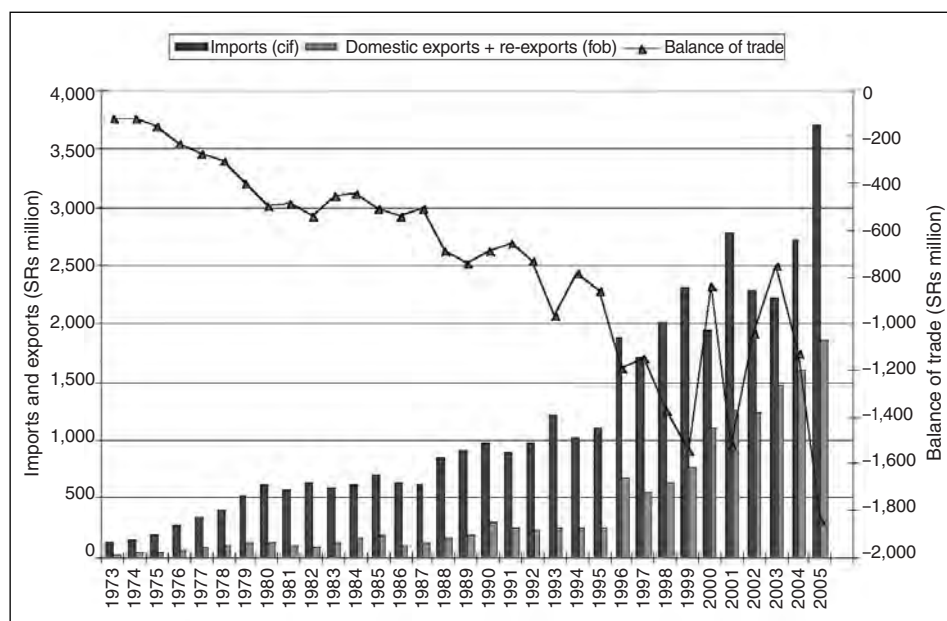


Source: Khemani *et al.* (2008)

The first of these was the end of the cold war (see 2.4.1). This meant that Seychelles no longer benefited from its skilful manipulation of both East and West for maximum economic gains. For example, the collapse of the Eastern bloc meant an end to previously significant patronage in the form of construction and other assistance. At the same time the NASA tracking station, which had provided a direct annual rent of US\$5 million as well as indirect benefits through staff salaries and the supply of goods and services, was closed in 1996. Second, Seychelles' balance of trade had been consistently negative since independence from Britain in 1976 (Figure 2.7). This was primarily because of the very small size of the economy, which severely limited economies of scale in most manufacturing industries; the limited availability of arable land, which meant that imports were essential for food security; and import leakage from the tourism industry. While this trade deficit does not account for inflows from the tourism industry, in the ten-year period 1992–2001 Seychelles experienced an annual average balance of trade deficit of SRs 976 million (MISD, 2002).

Third, as a result of Seychelles' high GDP per capita (see section 3.4), its poor reputation as a loan defaulter and the wider context of the general global decline in ODA through the 1990s, it had suffered a sharp reduction in donor assistance by

Figure 2.7. Summary of external trade, 1973–2005



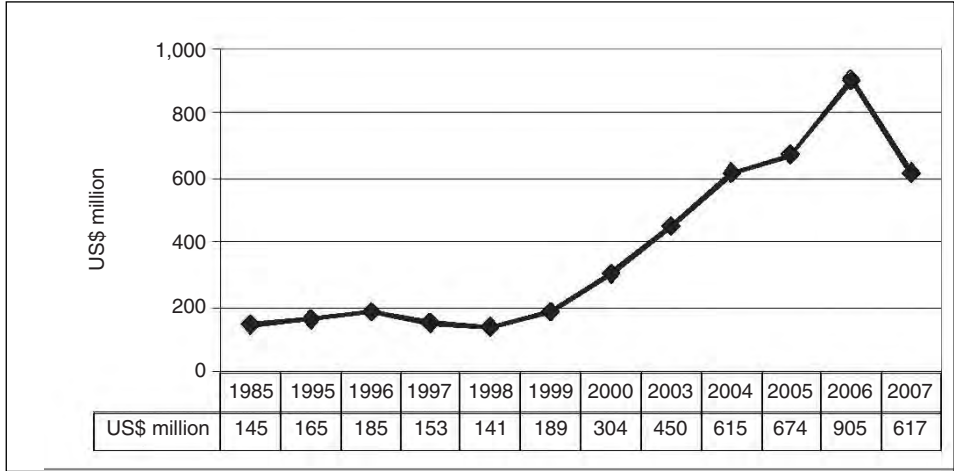
Source: MISD (1990, 2002); Statistical Abstract (1989 and 2001); National Bureau of Statistics (2006, 2007)

2001 (see section 2.4.1), with most aid being channelled to environment-related projects (Ministry of Social Affairs and Employment, 2003). Grants and concessional loans had been one of the key sources of finance with which to plug the holes generated by persistent trade and budget deficits. Fourth, and related to this, total national debt boomed from 90 per cent of GDP in 1993 to 200 per cent in 2002 (Figure 2.8), and the composition of the external debt portfolio shifted to a heavier reliance on loans from commercial lenders (Erwood and Latrach, 2004). In June 2008, total external debt stood at US\$663 million (Afif, 2008), and in a 2008 announcement to the National Assembly the Minister of Finance noted that Seychelles would start negotiations with the IMF, with the assistance of the Paris Club, to restructure debt repayments (Ministry of Finance, 2008).

Finally, trade deficits and the tying of foreign exchange earnings to debt repayments exacerbated the chronic lack of foreign exchange. The first signs of the foreign exchange crisis were registered in the mid-1990s (Central Bank of Seychelles, 1999), for example, when SODEPAK (an import-substitution manufacturer under SMB control) was unable to secure imports to produce such basic goods as toilet rolls and soap. The government had long insisted on an artificially high exchange rate for the Seychelles rupee, partly so as to insulate the population from external fluctuations,⁵⁸ and instituted exchange controls in 1999 to limit the outflow of foreign exchange. The shortage of foreign exchange led to a flourishing informal economy from the late

1990s onwards, wherein rupees were routinely exchanged at around double the official rate.⁵⁹ The exchange controls also placed limitations on the repatriation of earnings by multinational firms based locally, made it difficult for local companies to expand and deterred further investment (both local, where savings were held in rupees, and foreign) (Sparks, 2007: 1032), as well as making it very difficult for the general population to access sufficient foreign exchange to finance overseas trips. However, it must be noted that the government was generally effective in containing inflation, primarily because of price controls on fuel and key food items (Sparks, 2007; see Figure 2.3 above). In short, by the early 2000s, it had become clear that Seychelles was teetering on the edge of financial meltdown.

Figure 2.8. Total government external debt, 1985–2007



Note: While the data for 2000 and 2007 are believed to be fairly accurate, data prior to this period must be treated with a high degree of caution as they are probably significant underestimates, possibly due to deliberate under-reporting by government/ the Central Bank.

Source: Central Bank of Seychelles, *Quarterly Report* (various years); World Bank, World Development Indicators database, September 2008

The response of the SPPF government to this crisis was to embark on a renewed attempt at a degree of structural adjustment of the economy through the home-grown macroeconomic reform programme (MERP) in June 2003. However, under the MERP the rupee would not be allowed to depreciate below SRs5.5 to US\$1. With the introduction of the MERP and the associated goods and services tax (GST) – which, as with any consumption tax, is relatively regressive because it places a heavier burden on the poor, as they consume a larger percentage of their incomes (DiJohn, 2008) – the SPPF government’s ‘leftist principles have subsequently been forced to marry socialist spending priorities with elements of free market revenue

generation' (Erwood, 2004: 26; Erwood and Latrach, 2004). (For more detail on MERP fiscal reforms see section 4.3.) These problems were exacerbated by the tsunami in January 2005 which claimed two lives and according to government estimates cost the economy US\$30 million, or around 4 per cent of GDP (Sparks, 2007: 1029).

The tourism industry, housing needs and industrial development have all out-competed the agricultural sector for available land. According to FAO estimates, by 2006 less than 3,000ha of land was available for agricultural cultivation, a 75 per cent decline from that available in the 1980s (Sparks, 2007: 1029). Despite this, the SPPF government was still trying to achieve self-sufficiency in certain food products, such as vegetables, fruit, meat and milk, and transferred state-owned land to smallholder farmers in the early 2000s to further this objective. However, this aspiration seemed unlikely to make a substantial dent in the deepening deficit in the balance of trade (see Figure 2.7 above). Moreover, conflicts over land and housing were set to deepen with the onward march of actual and estimated trends in 'urbanisation' (Table 2.11). Despite the availability of data, it is not clear how great a trend there is towards urbanisation because the terms 'urban' and 'rural' are used very loosely in Seychelles.⁶⁰

Table 2.11. Trends in urbanisation, 1950–2050

	Urban population as percentage of total population
1950	27.4
1960	27.7
1970	39.1
1980	49.4
1990	49.3
2000	51.0
2005	52.9
2015 ^a	58.2
2030 ^a	66.6
2050 ^a	76.2

^aProjected

Source: UN Department of Economic and Social Affairs, 2009

From its initial function as a guarantor of the price and supply of essential goods, the SMB had 'grown to the status of a local retail leviathan' (Erwood and Latrach, 2004). By the early 2000s, it only held an official import monopoly on ten key poverty products, but through its powerful political position and market power it was able to maintain preferential access to foreign exchange, making it the dominant importer of a far wider range of goods. Upon coming to power in 2004, President Michel was faced with a complex and protracted crisis. In a 2004 interview with Reuters he immediately indicated that a degree of reform was on the agenda. Michel recognised

the hegemony of neoliberal thinking by stating that ‘government should become the regulator and the private sector should be the economic motor of the country’, and while emphasising the objective of wanting to maintain hard-won gains in social development, he added that ‘there is no way we can continue with monopolies’ (cited by Erwood and Latrach, 2004).

Recovery?

The economy reached its lowest point in the years 2001 and 2002, which saw deterioration in the external position of Seychelles as indicated by the balance of payments estimates for the year. Following a significant improvement in the external sector in 2000, the widened gap between domestic demand and supply as indicated by the overall balance moved from a surplus of SRs108 million in 2000 to a deficit of SRs101 million by 2002 (Central Bank of Seychelles, 2003: 21), and the foreign exchange shortage meant that the country could not operate at its full potential when it most needed to (Central Bank of Seychelles, 2002: 15). As a result, the MERP was introduced in 2003 and seemingly as a result of these policies the downward trend finally ended in 2005. Key reforms by the Michel administration to liberalise the economy, such as the reduction of trade tax and policies to encourage FDI inflows, heightened tourism activity. The increase in aggregate demand caused an estimated 1.2 per cent growth in real GDP; though small, this was highly symbolic since it marked the end of almost five years of economic stagnation with a cumulative loss of some 10 percentage points in real output during the period (Central Bank of Seychelles, 2006: 1). However, the large inflow of capital meant that demand outpaced supply in the labour market; as a result, conditions tightened, especially in fisheries, tourism, construction and professional services, leaving critical vacancies unfilled, thus preventing a much more significant recovery (Central Bank of Seychelles, 2006: 3).

Limitations in the development of human capacity remained a serious concern. The absence of higher education opportunities locally and the rising cost of overseas training substantially limited the number of candidates who could benefit from the government-funded scholarship programme overseas. Over the past six years, expenditure on overseas higher education has grown from SRs20 million to SRs41 million per annum, producing on average 100 graduates each year. When combined with those pursuing study through other schemes or private funding, the total number of new graduates per year was about 120. The University of Seychelles was established in 2010, with a limited number of courses.

President Michel’s government persisted with structural economic reforms by introducing wide-ranging reforms. Perhaps one of the most significant was that the Exchange Control Act was amended to decriminalise the possession of foreign exchange (Central Bank of Seychelles, 2008: 89). This brought policies to increase foreign exchange flows through coercion to a close, and showed a shift from ‘well

intentioned but unrealistic policies' (Central Bank of Seychelles, 2004: 6) towards a more nuanced use of economic tools to fine-tune the economy. In addition, the rupee was devalued in mid-2007 to make it more competitive (Central Bank of Seychelles, 2008: 58). Parastatals were also privatised; the biggest of these was the SMB, which was turned into the Seychelles Trading Company (STC). Plans to sell off more parastatals are underway, with projects like the Coetivy Prawn Farm and Foodpro Meat Production earmarked for sale to the private sector. The effect of these reforms (starting in 2003) was largely positive and they have managed to stabilise and improve the economic outlook for Seychelles. By 2007, the government had achieved a surplus averaging 5.1 per cent of GDP, the stabilisation of the debt to GDP ratio, the accumulation of foreign exchange reserves, increased import volumes and increased output in the main economic sectors, which resulted in a rebound in overall GDP growth to 7.3 per cent in 2007 and increased FDI (Chang-Leng, 2008). In terms of the parallel market in foreign exchange, while this is still significant, the premium has declined compared with previous years (Central Bank of Seychelles, 2008: 59). This demonstrates that the reforms have achieved a certain level of success in terms of mitigating the effects of the foreign exchange shortage. According to the Ministry of Finance, the current shortfall in foreign exchange in the balance of payments is over US\$100 million, but is falling every year (Afif, 2008).

Inflation and oil and food price shocks

Nevertheless, the biggest immediate problem facing the general population has been persistent price increases, which are 'well outside prudent and/or sustainable levels' (Central Bank of Seychelles, 2005: 6). Many of the government's reform policies were aimed at reducing inflation, such as reducing the price of goods and decreasing the money supply. With devaluation in 2007, inflation shot up from around 1.5 per cent in January 2007 to 5.3 per cent in September 2007 (Central Bank of Seychelles, 2007). This put considerable strain on the government's plan to scale back spending on social programmes. Instead, it had to increase wages for government sector employees, extend the minimum wage and increase rates of social assistance (see sections 3.3 and 4.3). The situation worsened with the dramatic rise in oil and food prices in 2008. From an average of 5.3 per cent in 2007, the inflation rate for May 2008 stood at 17 per cent (Central Bank of Seychelles, 2008). In 2007, imports of mineral fuel for domestic consumption amounted to about US\$60 million; given a general growth in demand and a further increase in oil prices, the projected requirement for 2008 was US\$84 million. In 2007, the country's domestic energy requirements were estimated at US\$50 million on current consumption and price parameters; this compared with only US\$17.4 million in 2001, which was almost fully covered by profits from oil re-exports. The country's adjustment programme in its current form was therefore effectively derailed and needed to be significantly revised and re-sequenced. Under the constraint of the prevailing exchange rate, additional tighten-

ing in fiscal and monetary policies will thus be necessary to further restrain aggregate demand so that macroeconomic convergence can be achieved, while minimising adverse impacts on economic growth (Central Bank of Seychelles, 2008: 46). The widening of the current account deficit in 2007 implied that the economy had increased its dependence on foreign savings (or other resources) to finance an excess of imports. From SRs738 million (14% of GDP) in 2006, the deficit rose to SRs1,820 million (30% of GDP) in 2007 (Central Bank of Seychelles, 2008: 46).

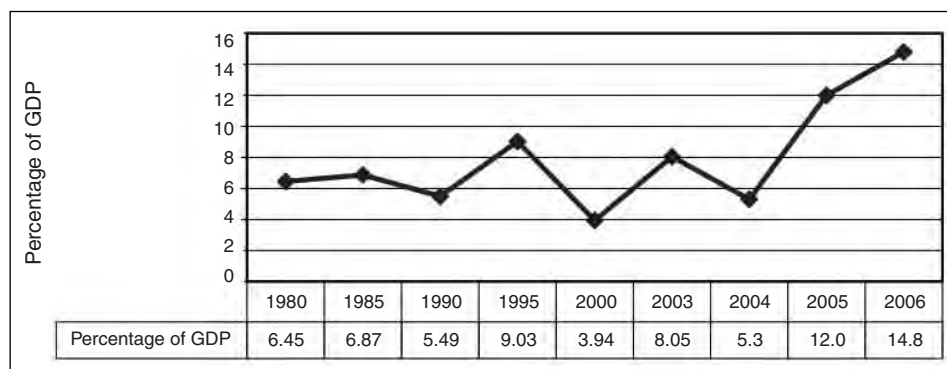
Exports and FDI

The initialling of an interim EPA with the EU in November 2007 meant that Seychelles' preferential market access for tuna was secured. However, the extent to which IOT would be able to compete in the medium term was open to question, given its comparatively high operating costs (Campling and Doherty, 2007). In addition, multilateral tariff liberalisation by the developed country members of the WTO under the Doha Round would erode Seychelles core competitive advantage in tuna processing – the EU trade preference – in one (un)fair swoop. Even if the Doha Round continues to stall, major competing sites of production of canned tuna in south-east Asia (especially Thailand) will continue to pursue aggressive policies of market access for their tuna exports through the negotiation of free trade agreements, including one mooted with the EU (Campling, 2008).

By the mid-2000s Seychelles had registered a boom in investment in the tourism industry by five star multinational hotel chains (Figure 2.9).⁶¹ The Ministry of Finance announced that the government would welcome up to 15 new hotel developments (several of which were being constructed or planned by 2008). In addition, the government was involved in facilitating the construction of a resort island on reclaimed land, involving an investment of US\$450 million over five years. 'Eden Island' was to include a hotel, marina and 450 luxury villas, to be sold at US\$1.2 million or more each. However, the presence of these multinational corporations has attracted domestic political opposition. On the one hand, it is recognised by both government and opposition that international investment is essential to the successful development of Seychelles both through the provision of employment and the transfer of knowledge. On the other hand, the SNP and many Seychellois more generally are aware of the role of multinational hotel chains in transfer pricing and increased import leakage. On this last point it is estimated that over 60 per cent of gross tourism earnings leaves the domestic economy as payment for food and other goods, and as remittances to tour operations (see also Figure 2.7 above for the external trade deficit, which is heavily influenced by tourism-related imports).⁶² Commentators have also argued that the extensive developments underway 'were inconsistent with Seychelles' ethos of sustainable tourism' (Sparks, 2007: 1029). This last point is of particular importance, as Seychelles' major tourism niche was precisely its natural environment; untrammelled development of all of the prime beach loca-

tions may have the effect of making the ‘product’ less differentiated compared to the (far cheaper) competition. Nonetheless, 2007 was the second consecutive year of growth in visitor arrivals, with a 15 per cent increase over 2006, which in turn had registered 9.3 per cent growth over 2005. Moreover, the higher number of tourist arrivals and the effects of the depreciated rupee led to a 52 per cent growth in tourism earnings and an 8.6 per cent increase in tourism-related employment in 2007 compared to the prior year (Central Bank of Seychelles, 2008: 71). The major challenge facing the government and the tourist industry remained the improvement of service quality and other standards,⁶³ a problem that had plagued the sector since the early 1980s (see section 2.3.2). In addition, the large inflows of capital put the economy under increasing strain in terms of the domestic supply of basic building materials, resulting in costly delays to ongoing tourism projects and the postponement of newly approved ones.

Figure 2.9. Foreign direct investment as a percentage of GDP, 1980–2006



Source: UNCTAD 2007

In terms of the quality of FDI, there has been much debate about how much the country has benefited from it. Aside from the tuna cannery, since 1971 the vast majority of investment has been in the tourism sector. The main growth impulses in the 2000s continued to come from tourism-related FDI, reflected in increased revenue generation from record bed-nights sold and from construction activity (Central Bank of Seychelles, 2006: 3). The government claimed that one of the reasons for this boom in FDI in the tourism industry was the introduction of the Tourism Incentives Act (TIA) 2003, which went some way to compensate for ‘the cost disadvantages of operating tourism business in the archipelago’ (Central Bank of Seychelles, 2005: 5). However, supply-side issues prevented Seychelles from benefiting fully from FDI inflows (e.g. through import leakage) and the repatriation of much needed funds by MNC investors led to critics questioning the type and quality of FDI that Seychelles was attracting.

The Social Situation

3.1 Education

Formal and organised primary education in Seychelles started around 1944 (Rowe, 1959), about 175 years after first settlement in the colony. Secondary education was introduced several years later. In both instances education was not compulsory and in large part it remained in the hands of the Catholic and Anglican churches until the abolition of all mission schools and private schools in 1977. Prior to this, families of French descent employed private tutors if they could afford them, while the children of poorer landowners and those of ex-slaves had no formal education.

The origins of the Seychelles education system has its roots in the colonial developments of the nineteenth and early-twentieth centuries, which were characterised by only limited interest in mass education of any kind on the part of the colonial power. For most of the nineteenth century, education was left to the religious institutions – mainly the Roman Catholic and, to a lesser extent, Anglican churches – and other charitable agencies (Domingue, 2001). Consequently, the church played a significant role in the institutionalisation of primary schooling, a process which was enmeshed in long-standing debates over religion and language. In the 2000s Seychelles remains predominantly Roman Catholic in religious orientation, and English is still one of the three official languages (with Creole and French), as well as one of the main mediums of instruction in education.

Advocacy for government schools, which would lessen the hegemony of the Catholic church over education, increased during the 1930s, but the advent of the Second World War curtailed plans to establish ‘an education system giving scope for equal opportunity’ (Scarr, 2000: 128). Although the colonial administration wished to promote economic advancement hand in hand with universal education, it was not until 1948, with the inauguration of a new constitution, that the shift to a more secular mode of schooling was considered. By 1964 six ‘modern schools’, originally modelled on English post-war secondary modern schools, had been established by the colonial authorities. They were ‘post-primary establishments which were neither technical nor grammar, but with a bias towards practical subjects’ (Domingue, 2001: 32). According to Domingue, ‘lack of equipment and inadequate teaching meant that these schools became little more than extensions of primary schools, even falling back on primary school subjects’. The medium of instruction was English, although the Catholic Church insisted on religious education being taught in French. In 1965 junior secondary schools were introduced, with a view to broadening access to post-primary education. To begin with they were of two-year duration; a third year was offered in the late 1960s on the basis of competitive exams. Secondary schooling

then dovetailed with an emerging post-secondary sector which included training in domestic science, pre-nursing, pre-teaching, secretarial studies and carpentry.

The question of compulsory education remained an issue well into the twentieth century. In the late 1950s Rowe (1959: 36) observed: 'Today about 75% of the children between 6 and 11 years old are attending school on a voluntary basis (there is no compulsory education)'. A *Plan for Seychelles* argued that the introduction of universal compulsory primary education could not be undertaken because 'the demand for teachers could not be met'. But even if it were, the *Plan* went on, the high costs (both recurrent and capital, i.e. for constructing new schools) 'make it difficult to contemplate the introduction of compulsory primary education within the next decade' (Colony of Seychelles, 1959: 29).⁶⁴

As noted by Scarr (2000: 164), the 1960s were 'the days of reckoning' for Seychelles: 'Unemployment was becoming a social scourge' (Domingue, 2001: 32) and the education system was expected to address issues of employability more directly and urgently. By 1976 free primary education was well established and had become compulsory, and three years of secondary schooling, as well as some technical and vocational courses, were also available. A report of the period elaborated on the status of the education system at independence:

A teacher training college offers a three-year course. University entrance and higher professional training are available through Britain's technical co-operation programme, Commonwealth scholarships and French government scholarships. There is a modest programme of adult education. English is the medium of instruction. (Ministry of Overseas Development, 1977: 8)

The reality of the situation on the ground, however, seemed less promising. While an average of 95 per cent of children attended primary school during the late 1960s and most of the 1970s, only about 60 per cent attended junior secondary school and just over half of those went on to senior secondary. There were only four fully fledged secondary schools – two secondary modern schools and two grammar schools – by the late 1950s (Colony of Seychelles, 1959). On average during the 1970s, out of a total population of 1,300 children in each year group in primary schools, only 25 made it to 'A' levels and around 15 to 20 actually got to university. Considering that about one third of those did not return to the islands after completing university studies, developments in education were indeed limited (Purvis, 2004). A *Plan for Seychelles* noted that 'apart from the social failure of the system to give adequate opportunities to children', the limit of some 30 qualified students per year 'involves a serious wastage of ability, which is a failure from the economic viewpoint' (Colony of Seychelles, 1959: 31). Similar observations were made by Rowe (1959: 36), who stated that 'the main and general cause of the present wastage of human capital is ... lack of education'.

The colonial government of the 1960s perceived the need for Seychelles to move

from being 'a happy backwater' to a country that embraced the challenges of joining the mainstream of economic development. Good technical education was considered to be 'one of the requirements of success' (Colony of Seychelles, 1959: 34). To this end a sixth form was created at Seychelles College for Boys (initially enrolling about 10 students per year), but it was believed that there was 'unlikely to be sufficient demand in the near future for higher education for girls to justify the early creation of a sixth form in the Convent' (Colony of Seychelles, 1959: 35). In fact a sixth form for girls was never established; the few girls from the Convent who opted for a university education, through the overseas training scheme, had to join the boys sixth form, until the closure of the grammar schools by the SPPF government in 1980. A number of technical education and training institutions such as the School of Nursing, the Secretarial College and the Technical School were also established in the later part of the 1960s.

The problems associated with the legacy of the lack of development in general education and the consequent lack of development of human capital are taken up by Ferrari (1974)⁶⁵ and Domingue (2001), who also pointed to the elitist nature of the system. Ferrari (1974: 3–4) outlined the extent of the perceived problems of public education thus:

A large proportion of primary and junior secondary school leavers after six or more years of schooling are ... reported to be hardly literate. They are incapable of expressing themselves. A few possess but a smattering of English. ... Still worse, most of the primary and junior secondary pupils find themselves at the end of their schooling thrown into a world where they feel themselves completely lost. There is hardly any connection between their schooling and the type of job the society can offer them and they are even less prepared for life.

The L'Union Chrétienne Seychelloise (UCS) report proposed changes in the curriculum that included physical and health education, agriculture and animal husbandry, arts and crafts, domestic science and child welfare. The report also argued that instruction should be done through the medium of Creole, the language of 95 per cent of the population, as well as in English and French. The educational agenda proposed by the UCS was largely adopted by the SPUP, then the main opposition party.

The one-party state set up by the SPUP (which metamorphosed into the SPPF after the coup d'état of 1977) instituted a set of education policies aimed at providing 'education for all, education for life, education for personal and national development' (Ministry of Education, 1984). Upon taking power, the new government allocated a budget of SRs 29.6 million to the Ministry of Education and Culture to finance the first stages of a five-year education development plan which aimed primarily at establishing equality of opportunities for all citizens. The plan focused on the provision of universal education from age 6 to 15+, including the expansion of secondary, technical and vocational training 'in accordance with the manpower

requirements of the country' (René, 1977: 9). The government's guiding principles were summarised by René thus: 'People are a country's greatest potential asset. People are the animate factor in growth, but for people to be effective they need training' (René, 1977: 19). The ensuing reforms, implemented over the period 1978 to 1983, involved the following:

- The introduction of a zoning policy requiring all students to attend nine years of primary schooling in their own districts;
- The adoption of a new language policy which emphasised multilingualism in schools (Creole, English and French became the national languages) and the introduction of Creole as medium of instruction in the first four years of primary school;
- The setting up of the National Youth Service, a two-year residential schooling programme at the end of the ninth year of school, aiming to develop 'the whole person' through community living and sharing;
- The setting up of a centralised curriculum development unit to produce syllabuses and instructional materials relevant to the local context;
- The building of new schools or upgrading of existing ones to ensure the provision, initially, of nine years free compulsory education for all children;
- The start of a review of the national assessment system for school education, which led to the development of a new system of home grown national examinations;
- The establishment of the Seychelles Polytechnic in 1983, a post-secondary institution which centralised all the existing technical and vocational training courses.

These reforms established the foundations for a comprehensive education system, free at point of use, for all children from three and a half years old to 16+. Private schools were abolished until the political reforms that brought in multi-party democracy in 1993. Relatively large investments in infrastructural expansion, teacher training and the development of locally based instructional resources underpinned the main thrusts of the reforms (Purvis, 2004). Table 3.1 provides a basic indicator of the success of these reforms in terms of literacy rates. It is clear that the most significant improvements in literacy took place after the reforms of 1978–1983. It should be noted that prior to 1977 literacy was considered in terms of English and French only. Creole was then not considered as a language that could be used as medium of instruction.

Further reforms in the 1990s, especially 1998/99, brought about a shift to more traditional styles of schooling, with the closure of the controversial National Youth Service, the establishment of regional secondary schools which offered five years of education, the broadening of the secondary school curriculum and attempts at more

learner-centred approaches to teaching. Teacher training was given a higher profile through the setting up of the National Institute of Education, which catered for a wider range of training programmes, both pre- and in-service. Other post-secondary education and training provision was decentralised (i.e. transferred out of the polytechnic to related ministries), with a view to encouraging greater participation of industry and expanding capacity.

Table 3.1. Literacy rates for 15–24 years olds, 1971–2009

Year	1971	1987	1990	1995	2000	2005	2009
	per cent						
Female	–	–	87.0	88.0	99.0	96.0	96.0
Male	–	–	86.0	89.0	98.0	96.0	96.0
Female and male	57.3	84.2	86.5	88.5	98.0	96.0	96.0

Note: Prior to 1995 literacy rates were not estimated for single years by the MISD, but only for census years, and only overall rates were given.

Source: MISD (1989, 1991, 1996); Government of Seychelles (2003), National Statistics Bureau (2010)

By the early 2000s, further and higher education was provided in nine different post-secondary institutions, free at point of use. Courses on offer ranged from one-year certificates to four-year diplomas. Entry into full-time post-secondary education was competitive and generally about 70 per cent of the full year group population (an annual average of 1,320) gained access to full-time courses. The remaining 30 per cent joined part-time training programmes or sought employment.

While Seychelles still had no university in 2008, a number of link programmes with universities overseas enabled students to study at degree or post-graduate level through split site or distance learning programmes. Currently these include partnerships with the Universities of Edith Cowan (Australia), Manchester and Lincoln (UK) and Rouen (France), and Indira Ghandi National Open University (India). Study at overseas higher education institutions is generally funded through the government scholarship programme, which amounts to an average SRs 40 million per year.

Tables 3.2 to 3.5 provide an indication of basic trends in the changes and improvements in the quality of education over the past decade. Table 3.2 demonstrates that public expenditure on education has remained around 4 per cent of GDP at market prices.

While around 95 per cent of children were enrolled in primary school before independence, many of them did not attain secondary schooling. This improved significantly over the period of SPPF reforms; for example, a 1982 survey estimated that 62 per cent of workers had attended secondary school compared to only 36 per cent in 1977 (Appleyard, 1988). This demonstrates the initial progressive impacts of the SPPF government's emphasis on education. Table 3.3 shows the net enrolment rate for schools over the past 12 years, indicating a gradual move to full enrolment.

Table 3.2. Public expenditure on education as a percentage of total public expenditure and of GDP, 1998–2009

Year	Public expenditure on education as a percentage of:	
	Total public expenditure	GDP at market prices
1998	23.7	5.3
1999	20.4	4.6
2000	19.6	4.1
2001	19.1	4.0
2002	25.5	4.0
2003	20.9	4.1
2004	18.8	4.1
2005	19.2	4.2
2006	18.2	4.5
2007	18.3	4.4
2008	18.0	4.2
2009	18.2	4.1

Source: MISD/National Bureau of Statistics, *Seychelles in Figures* (various years)

Table 3.3. Net school enrolment rate, 1994–2009

Year	Primary	Secondary	Post-secondary ^a
1994	98.4	82.1	—
1996	98.2	82.3	—
1998	98.8	82.1	—
2000	97.9	83.5	—
2001	98.5	82.5	37.0
2002	98.3	83.4	45.2
2003	99.6	95.1	45.6
2004	97.9	94.0	48.1
2005	98.9	96.5	55.2
2006	99.3	97.0	68.0
2007	99	92.3	67.9
2008	99	93.9	65.2
2009	99.2	90.5	68.4

^aUntil 1998 part of secondary schooling took place through the National Youth Service, a system not fully subscribed to by some members of the population. A small proportion of parents sent their children for schooling overseas instead.

Source: Ministry of Education database and MISD/National Statistics Bureau, *Seychelles in Figures* (various years).

While the ratio of girls to boys in education since 1990 demonstrated an equitable distribution (Table 3.4), disparities occurred at post-secondary level, where students favoured certain traditionally gender-oriented training programmes (Table 3.5). A higher proportion of girls tended to enrol on nursing and teacher training courses, while boys chose technical and industrial training programmes. Greater gender awareness nationally since the late 1990s (Ministry of Education and Youth, 2002a), however, brought about a shift in some areas such as agriculture and maritime studies. Despite this, fewer boys moved into the traditionally female fields such as teaching and nursing. The underperformance of boys and their limited interest (in comparison to girls) in pursuing further studies at post-secondary level remained a concern in Seychelles in the 2000s.

Table 3.4. Ratio of girls to boys in education institutions, 1990–2008

Year	Primary ^a			Secondary		
	Male	Female	M:F	Male	Female	M:F
1990	7,272	7,090	1.03:1	1,459	1,328	1.1:1
1991	5,110	4,894	1.04:1	3,755	3,642	1.03:1
1992	5,000	4,735	1.06:1	3,744	3,662	1.02:1
1993	4,981	4,698	1.06:1	3,669	3,668	1:1
1994	4,928	4,758	1.04:1	3,728	3,768	0.99:1
1995	4,876	4,737	1.03:1	3,715	3,605	1.03:1
1996	4,794	4,916	0.98:1	3,816	3,610	1.06:1
1997	4,774	4,630	1.03:1	3,855	3,663	1.05:1
1998	4,753	4,623	1.03:1	3,992	3,809	1.05:1
1999	4,798	4,666	1.03:1	3,761	3,766	1:1
2000	5,086	4,940	1.03:1	3,828	3,914	0.98:1
2001	4,988	4,794	1.04:1	3,701	3,813	0.97:1
2002	4,924	4,699	1.05:1	3,767	3,758	1:1
2003	4,867	4,610	1.06:1	3,757	3,794	0.99:1
2004	4,561	4,345	1.05:1	3,651	3,755	0.97:1
2005	4,754	4,450	1.07:1	3,954	3,941	1:1
2006	4,588	4,354	1.05:1	3,893	3,901	1:1
2007	4,313	4,497	0.96:1	3,898	3,918	0.99:1
2008	4,416	4,328	1.02:1	3,731	3,811	0.98:1

^aThe primary cycle excludes crèche level.

Source: Ministry of Education database

Table 3.5. Distribution of males and females in post-secondary education institutions, 1994–2009

	Women						Men						Total						Women (%)			
	1994	1997	2002	2009	1994	1997	2002	2009	1994	1997	2002	2009	1994	1997	2002	2009	1994	1997	2002	2009	2002	2009
Maritime Training Centre	1	1	9	46	21	26	46	110	22	27	55	156	5	4	16	29						
National arts/visual arts	14	0	84	77	11	0	28	23	35	0	112	100	40	0	75	77						
NIHSS (health studies)	10	32	157	155	1	8	43	21	11	40	200	176	90	80	79	88						
SHTTC (hotel and tourism)	29	0	177	n/a	21	0	36	n/a	50	0	213	n/a	58	0	83	n/a						
ITC ^a	–	–	26	–	–	–	253	–	–	–	279	–	–	–	9	–						
Business studies	61	45	159	128	8	5	38	30	69	50	197	158	88	90	81	81						
'A' level studies	40	60	189	177	42	48	113	128	82	108	302	305	49	56	63	58						
Technical studies/SIT	0	3	12	46	63	98	131	412	63	101	143	458	0	3	8	10						
FTC (agriculture)	3	10	24	28	13	8	16	38	16	18	40	66	19	56	60	42						

^aThe Industrial Training Centre was created in 1999.

Source: Government of Seychelles (2004) and Ministry of Education database

3.2 Health

A public health service already existed well before independence in 1976. The key development plan of the colonial government, *A Plan for Seychelles* (see section 2.2), claimed that, in light of Seychelles' size, the medical department provided a 'reasonably adequate and fully efficient curative medical service, especially in respect of hospital treatment'. The *Plan* focused on preventive medicine, 'with particular reference to the serious level of intestinal infection and to the incidence of tuberculosis' (Colony of Seychelles, 1959: 24). However, according to Cooke's study of the copra plantations, 'in the more remote areas ... it [was] not possible for Government to provide a creche or school, a hospital or even a dispensary, which services appear either to be left to the estate or not provided at all' (Cooke, 1958: 44).

Poor environmental sanitation was identified as 'the larger health risk and the more difficult to improve'. It was considered to be 'particularly serious and difficult in the areas in and around Victoria where large numbers of people [were] living, many in very overcrowded conditions in houses of a very low standard' (Colony of Seychelles, 1959: 25). The long-term solution was a complete rehousing programme, but with a population growth of around 1,000 per year, the colonial government estimated that 500 new houses would need to be constructed each year for seven years and 250 each year indefinitely thereafter (Colony of Seychelles, 1959: 25). Nonetheless, over the next two decades (the 1960s and 1970s) it appears that improvements in health occurred. As an indication of this, a report by the World Bank remarked that the general health of the population at independence was considered to be 'remarkably good' and approached the standards of the industrialised world at that time (Maubouche and Hadjitatkhani, 1980: 6).

At independence there was a general hospital in Victoria, with four main wards (combined medical and surgical male and female wards, a maternity and a children's ward); a sanatorium for the treatment of tuberculosis; a small hospital at Anse Royale in the south of Mahé; and smaller hospitals on Praslin and La Digue islands. Outpatient medical services were offered mainly at the Victoria Hospital and by eight district clinics staffed permanently by nurses only (Maubouche and Hadjitatkhani, 1980; Shamlaye *et al.*, 2004). According to Shamlaye *et al.*, the predominant causes of ill health in the 1970s were communicable diseases, but this is contradicted by Maubouche and Hadjitatkhani (1980), who maintain that in 1978 heart disease was the single main cause of death.

Radical changes in the healthcare system took place in 1978, a year after the SPPF coup. The principal objective, as stated by René, was to make 'health facilities available to all of the people' (René, 1979: 14). The ensuing reforms also coincided with and were influenced by major developments in health provision trends and plans worldwide. The main ones were the launching of the World Health Organization's (WHO) *Health for All* vision, and the adoption of *Primary Health Care* at Alma Ata in 1978 by WHO, UNICEF and health leaders from both developed

and developing countries. The major changes that took place in Seychelles' health system during the period 1978 to the early 1990s are contained in a series of national health plans. They included:

- The decentralisation of health services and equitable access to healthcare for all citizens through community health centres and the abolition of all fees;
- The abolition of private healthcare;
- Large investments in infrastructural developments, with the renovation and expansion of the main hospital in Victoria and other existing health centres, as well as the building of new ones;
- The expansion of the range of services offered, modelled on the eight components of WHO's primary healthcare approach through a network of health centres, schools, places of work, community centres and other organisations;
- Special emphasis on preventive care, family planning and child health;
- Specialised services offered at the main hospital, as well as secondary level care, were improved and expanded;
- Considerable investment in the training of existing and additional health personnel;
- Emphasis on health education, health promotion, and prevention and control of diseases, in partnership with other stakeholders.

Ten years after the *Primary Health Care* convention at Alma Ata, the provision of primary healthcare for all had been achieved:

The network of 17 health centres serving their local communities were providing a range of comprehensive promotive, preventive and curative services, including medical consultations, family planning, child health, school health, environmental health and, in the larger centres, dental health and physiotherapy (Shamlaye *et al.*, 2004: 14)

Specialised in-patient and out-patient services were provided by the main hospital, and more specialised care that could not be provided locally was offered overseas through institutional agreements, funded jointly by the government and by patients and their families. Among the most significant improvements in healthcare was the drop in maternal and child deaths, from 50 per 1000 live births in the 1960s to an average of 10 in the 2000s (Database of Health Information Section, Ministry of Health, accessed 2008). Maternal deaths have become a rare occurrence (Table 3.6).

Table 3.6. Infant, child and maternal mortality rates, 1980–2009

Indicators	1980	1985	1990	1995	2000	2005	2009
Infant mortality rate (per 1,000 live births)	17.5	17.9	13.0	18.3	9.9	9.8	12.76
Under five mortality rate (per 1,000 live births)	24.6	23.1	14.2	20.2	13.2	9.1	12.3
Maternal mortality ratio (per 100,000) ^a	58.6	57.8	61.8	63.2	0.0	65.1	0.0

^aThe annual number of maternal deaths between 1978 and 2005 was either one or zero. The exception was in 1998 when two maternal deaths were recorded.

Source: Database of Health Information Section, Ministry of Health

Tables 3.7 to 3.12 provide further indications of the types of changes, adjustments and improvements that the health system underwent. In 1980 SRs 29.3 million (then over 20 per cent of public expenditure) was allocated to developments in healthcare and this has remained consistently at a similar level over the past two decades (Shamlaye *et al.*, 2004). Table 3.7 provides an indication of this trend from the late 1990s (longer range data are unavailable).

Table 3.7. Public expenditure on health as a percentage of total public expenditure and of GDP, 1997–2008

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Public expenditure on health as % of:												
Total public expenditure	20.7	19.7	20.1	18.7	17.8	18.4	19.2	19.5	22.6	20.4	21.0	9.1
GDP at market prices	4.7	4.5	4.2	3.9	4.1	3.6	4.2	4.1	4.6	4.6	3.5	2.8

Source: Central Bank of Seychelles, *Annual Report* (various years)

There have been significant improvements in life expectancy at birth since the 1960s, although these have been noticeably better for women than for men (Table 3.8). To date no in-depth research has been carried out to identify the causes of this wide gap in male and female expectations of life at birth.⁶⁶ In the view of Bovet *et al.* (1996), it may have been related to differences in attitudes towards healthcare: women tend to seek medical assistance at an earlier stage than men.

Table 3.8. Life expectancy at birth by gender, 1960–2008

	Total	Male	Female	Difference between males and females
	(years)			
1960	63.4	61	65.9	5.1
1971	64.9	61.8	67.9	6.1
1980	70	66	73.5	7.3
1987	70.1	67.2	72.9	5.7
1994	72	66	77.1	11.1
1997	71.6	66	77.2	11.2
2000	73	68	77.9	10
2002	70.1	66.6	75.8	9.2
2005	71.9	67.4	77.1	9.7
2008	72.9	67.7	78.9	11.2

Source: Government of Seychelles (2004); Database of Health Information Section, Ministry of Health

There has been continued and increasing investment in the health system throughout the past two decades, largely in response to soaring healthcare costs and changing patterns of disease. One clear indicator is the significant improvement in the ratios of doctors and dentists per population (Table 3.9). Shamlaye *et al.* (2004: 15) argue that there has also been a shift ‘from a pattern characterised by communicable diseases to one where lifestyle related ill health, mostly non-communicable conditions (with the notable exception of HIV/AIDS) predominates’ (Table 3.10).

The prevalence of HIV/AIDS has shown a steady increase over the past 15 years, but the data include only those cases known to the Ministry of Health. Testing remains voluntary in the majority of instances and current numbers may be double the figures given in Table 3.11.

Over the period 1987–2003, the modes of transmission of HIV were mainly through heterosexual contacts (about 70%). Homosexual/bisexual transmission was estimated at about 25 per cent, while mother-to-child transmission was 5 per cent. There are slightly more male than female sufferers so far (Table 3.12).

Another area of concern is substance abuse, which is becoming prevalent among young people.⁶⁷ Until around 2004, the main substances involved were various forms of marijuana and alcohol. However, over the past three years the introduction of heroin and related substances has caused considerable increases in the number of cases of substance abuse, putting a strain on available counselling and treatment services. (Reliable figures related to heroin consumption are not yet available.)

Table 3.9. Ratio of doctors and dentists to population, 1986–2009

Year	No. of people per doctor	No. of people per dentist
1986	2,052	8,207
1987	2,370	7,375
1988	2,019	6,663
1989	1,368	5,587
1990	1,404	6,738
1991	992	10,063
1992	1,160	6,433
1993	1,032	7,225
1994	1,026	6,714
1995	978	7,530
1996	910	8,491
1997	1,017	7,029
1998	848	5,256
1999	773	5,361
2000	854	5,071
2001	837	3,867
2002	743	3,028
2003	720	3,763
2004	825	3,749
2005	733	4,874
2006	1,019	4,230
2007	859	4,049
2008	1101	5,115
2009	1135	5,755

Source: MISD/National Bureau of Statistics, *Seychelles in Figures* (various years)

Table 3.10. Number of reported cases of major diseases, 1985–2008

Indicator	1985	1990	1995	2000	2005	2008
Strongyloidiasis	369	429	282	90	15	n/a
Malaria – imported	3	7	18	8	3	11
Cardiovascular diseases	–	879	1,062	1,028	1,151	n/a
Cancer	–	188	131	114	121	72
Leptospirosis	38	61	57	24	26	40
HIV/AIDS	7	3	13	21	66	54

Source: Statistics Unit, Ministry of Health (2005); Government of Seychelles (2003); Database of Health Information Section, Ministry of Health

Table 3.11. Recorded cases of HIV, 1990–2009

Indicator	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
HIV prevalence per 10,000 population	2.01	5.98	9.0	9.98	10.89	12.64	13.94	17.74	21.1	25.0	29.7	32.8

Source: Ministry of Health database

Table 3.12. Prevalence of HIV infection by gender, 1990–2009

Year	Male (new HIV cases)	Total Male (HIV)	Female (new HIV cases)	Total Female (HIV)	Total (new HIV cases)	Total
1990	1	9	2	5	3	14
1995	7	31	6	26	13	57
2000	9	63	9	52	18	115
2001	17	80	11	63	28	143
2002	8	88	8	72	16	160
2003	13	101	7	79	20	180
2004	16	117	7	86	23	203
2005	19	136	26	112	45	248
2007	26	162	18	130	44	292
2009	33	195	19	149	52	344

Source: CDCU, Ministry of Health

Table 3.13. HIV patients by year of diagnosis and occupation

Year	Professional ^a	Skilled ^b	Unskilled ^c	Unemployed	Others ^d
2000	3	4	6	0	3
2001	4	7	10	2	5
2002	1	1	4	3	4
2004	4	3	10	2	1
2005	2	2	9	2	0

^aFor example, doctors, nurses, teachers, engineers and managers.

^bFor example, technicians, electricians, mechanics, businessmen and shopkeepers.

^cInformally trained personnel: for example, sailors, home-carers, labourers, construction workers and handymen.

^dFor example, housewives, children and students.

Source: Ministry of Health database

3.3 Labour and employment

Of a population of 49,981 in 1968, it was estimated that around 10,500 men and 6,500 women were ‘economically active’ in the 15–59 working age group. Government was the largest single employer, employing 33 per cent of the workforce,⁶⁸ and

would continue to be so even 40 years later. The private sector outside plantations and estates employed over 12.4 per cent of the total workforce.⁶⁹ Plantations and estates employed around 27 per cent of the total workforce, but this figure was in constant flux due to the seasonality of demand for agricultural labour (Colony of Seychelles, 1970: 2–3). The rest of the workforce was involved in the informal sector such as crafts and fishing. This can be compared to 2007, where it is estimated that more than 44,000 citizens were engaged in some form of employment. These data include part-time, full-time and casual workers, but do not include expatriates and fishers. If the latter were included, then the estimated number of people in employment would have been over 55,000. In other words, an estimated 65 per cent of the resident population is engaged in some form of employment (Social Security Fund, 2008).

One of the major problems in relation to the employment of labour during the colonial period was that the supply of unskilled labour exceeded the demand. The reverse was the case for skilled artisans, tradesmen and supervisors (Colony of Seychelles, 1970: 4). A consequence was that even if funds were available for public works, some projects had to be shelved through lack of suitably skilled employees. The major problem was ‘the present inadequacies existing for training’ (Colony of Seychelles, 1970: 4). This was a major cause of unemployment until independence, where – despite the very limited availability of reliable data – it was clear that ‘there was a great deal of underemployment and hidden unemployment. In a more urbanised community where food and shelter were less easily obtained and the climate was on a par with that of, say Britain, it is possible that a very high level of unemployment would be revealed’ (Colony of Seychelles, 1970: 3–4).

The major feature of the history of employment in Seychelles from the 1970s reflects the structural shift from a principally agrarian economy before the opening of the international airport to a service-based one on the eve of independence. This accelerated with the political changes of independence and socialist policies (see Table 3.14 and Figure 3.1). The opening of the international airport in 1971 was a central feature of this change. The shift is reflected in the gradual reduction of employment in agriculture and increase in tourism-based work: but even in 1976, after six years of tourism development, 20 per cent of the workforce was still involved exclusively in farming, forestry and fishing, and 14 per cent in tourism. By 2006 agriculture accounted for only 3 per cent of the workforce and those working in hotels and restaurants totalled more than 20 per cent (National Statistics Bureau, various years). The shift in employment patterns becomes fully apparent when we compare the figures for 2006, when the service sector accounted for 74 per cent of formal employment, with those for 1977, when it was only 53 per cent (National Statistics Bureau, various years).

Table 3.14. Employment by economic activity, 1976–2006

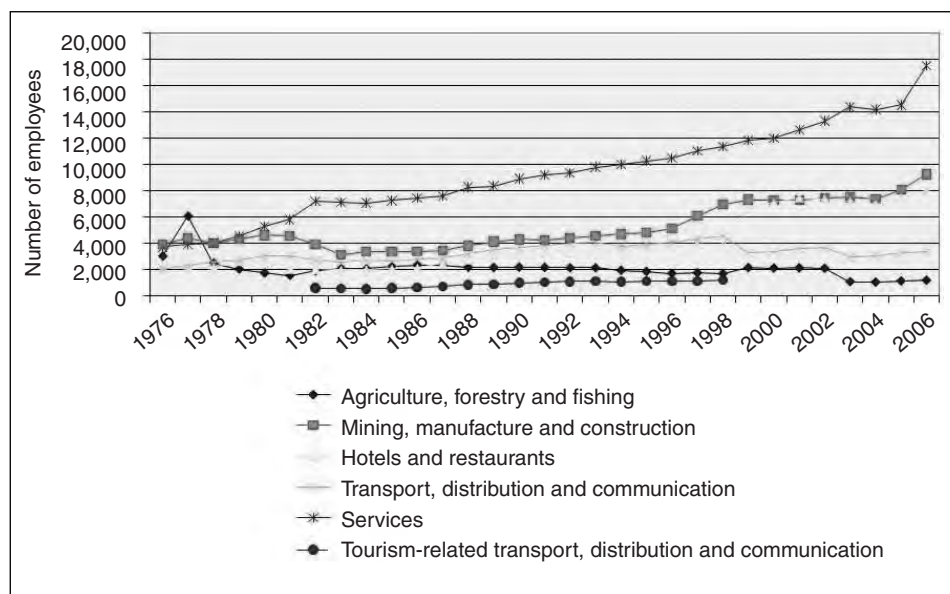
	Agriculture, forestry and fishing	Mining, manufacture and construction	Hotels and restaurants	Transport, distribution and communication	Other services	Tourism-related transport, distribution and communication ^a						
	%	%	%	%	%	%						
1976	3,050	20	3,925	26	2,125	14	2,075	14	3,750	25	—	—
1981	1,575	9	4,575	27	2,100	12	3,075	18	5,825	34	—	—
1986	2,341	12	3,372	18	2,152	11	2,812	15	7,464	39	673	4
1991	2,181	15	4,279	29	3,362	23	3,842	26	9,238	63	1,056	7
1996	1,717	7	5,153	20	3,699	14	4,076	16	10,484	40	1,147	4
2001	2,143	7	7,312	22	7,452	22	3,625	11	12,681	38	—	—
2006	1,189	3	9,271	24	7,978	20	3,366	9	17,558	45	—	—

Note: Data excludes informal and self-employed workers.

^aStatistically included in transport, distribution and communication as of 1996.

Source: Ministry of Employment database, accessed in 2007

Figure 3.1. Employment by economic activity, 1976–2006



Source: Ministry of Employment database, accessed 2007

One of the major shifts was the move of women away from the agricultural sector towards the service sector, especially tourism. Benedict (1982) notes that one of the most striking features of the rise of the tourism economy was ‘the change in the pattern of female employment’. The number of women employed declined overall between 1960 and 1977, but this loss was mainly in unskilled work (agriculture, manufacture and domestic service). The number of women working in the public sector increased thirteen-fold, but the number of males only doubled; in the wholesale and retail sectors female employment expanded eight times, while that of males doubled; and in the hotel and catering sector female employment expanded by 58 times and male employment by 27 times. Overall unemployment remained constant between 1960 and 1977, but the number of women seeking work fell from 61 to 51 per cent (Benedict, 1982: 154). For men, the big shift in employment was away from agriculture into construction. Workers now had a far wider range of employers to choose from, and the planters and the church became less important (Benedict, 1982: 158). A clearer picture of the reasons behind this can be seen in Table 3.15, which shows changes in wages in the agricultural sector and the service sector between 1974 and 1977.

The move towards a centrally planned economy during the early years of the SPPF government directly contributed to the shift towards employment in the public and parastatal sectors (Table 3.16 and Figure 3.2). In 1976, a year before the coup led by President René, only 35 per cent of the workforce was employed by the state or in

the semi-independent parastatals. After 1978, the relative importance of private sector employment shrank until it reached its lowest point in 1987, when it only accounted for 31.5 per cent of the total formal workforce (National Statistics Bureau, various years). With the gradual relaxation in the centralised, state-led economy from the early 1990s onwards, the importance of public sector employment (including parastatals) was reduced and by 2006 it accounted for 47 per cent of the workforce, albeit still a high figure on a comparative scale internationally and an increase from the colonial government's employment of 32.9 per cent of the workforce in 1968. The public sector is expected to shrink further as the government continues to sell off state assets and privatise large parastatals in line with President Michel's planned reforms announced in the state of the nation address in February 2008 (Michel, 2008).

Table 3.15. Average monthly earnings by main economic activity, 1974 and 1977

	1974	1977
	SRs	SRs
Overall average	546	980
Public sector	724	1,326
Private sector	441	780
Agriculture	217	446
Manufacturing	529	929
Construction	558	837
Transport	532	1,108
Commerce	390	697
Hotels and restaurants	456	669
Other services	575	842

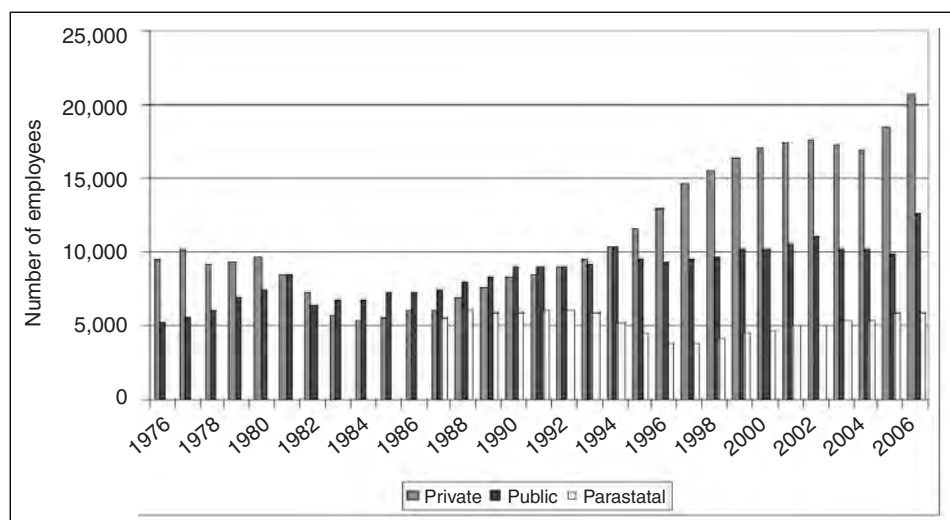
Source: MISD (1978), *Statistical Abstract*, 1977

Table 3.16. Employment by sector, 1976–2006

Year	Private	Public	Parastatal	Total labour force
1976	9,650	5,275	0	14,925
1981	8,625	8,525	0	17,150
1986	6,164	7,332	0	13,496
1991	8,579	9,061	6,138	23,778
1996	12,996	9,357	3,923	26,276
2001	17,472	10,695	5,046	33,213
2006	20,773	12,773	6,010	39,556

Source: MISD/National Bureau of Statistics, *Seychelles in Figures* (various years); MISD, *Statistical Abstracts* (various years)

Figure 3.2. Employment by private, public and parastatal sectors



Source: MISD/National Bureau of Statistics *Seychelles in Figures*, (various years); MISD, *Statistical Abstracts* (various years)

The government has always been the dominant employer, and in light of the post-independence policies of both the SDF and the SPPF it was also the key instigator in salary movements. Government salaries went up in June 1976 (5–10%), January 1977 (10–33%) and January 1979 (by an average of 10%). The government also fixed the minimum wage in the private sector, although in 1977 (fourth quarter) this was 42 per cent lower than salaries in the public sector (Maubouche and Hadjitatkhani, 1980: 26). Following on from this tradition, the government's 2007 home-grown adjustment programme also included the introduction of a minimum wage and an increase in public and parastatal sector salaries. The minimum wage was set at SRs14.50 per hour for full-time employees and SRs18 for casual workers. The government also announced a salary increment of up to SRs400 per month for public sector workers. The rationale behind this was that it would mitigate the impact of inflation as well as making the workforce more productive (Ministry of Finance, 2007). It is too early to assess whether or not these changes have had the desired impact, but the average wage had risen from SRs4,400 in 2007 to SRs5,100 by May 2008. However, because of a 12.3 per cent rate of inflation, the average wage grew in real terms by only SRs100 over the same period. As an indicator of the lack of an immediate impact of these reforms on the economy as a whole, employment grew by only 0.5 per cent over the same six-month period, mainly in the tourism sector (Social Security Fund database, accessed 2008).

Organised labour in Seychelles before independence reflected the nature of Seychelles society, going back to the earliest settlement of the islands by the French and a history of imperialism, slavery and plantation capitalism. According to an

analysis during the colonial period, working class consciousness and the strong community spirit associated with organised labour failed to develop 'because of the "master and slave" society of the past' and 'the lack of self-help and self-reliance must largely be attributed to a monopoly land-owning and a prolonged too easy life on the part of the master class. ... [W]hile the lack of modern social ideas is largely the result of the extreme physical and intellectual isolation of the colony' (Rowe, 1959: 2–3). Trade unionism was therefore weak, and improvements in labour conditions were slow to emerge and were even seen to be deteriorating as the economy developed (Rowe, 1959: 2). The beginning of universal suffrage in 1963 led to a radical change in the composition and activity of organised labour. New trade unions like the Government Workers Union actively campaigned for wage increases, especially for their more poorly paid and vulnerable members, such as unestablished employees (Colony of Seychelles, 1970: 5). Sister unions undertook parallel lobbying on behalf of members employed in the private sector, such as the Seychelles Transport and General Workers Union and the Seychelles Building, Construction and Civil Engineering Workers Union. Action was also undertaken in 1968 by the Seychelles Stevedores, Winchmen and Dockworkers' Union and the Seychelles Cable & Wireless Ltd Staff Union. While the former had some successes, the latter's claims were rejected by the Cable & Wireless head office in London (Colony of Seychelles, 1970: 6–7). Much of this activity also had a distinct political flavour, linked to preparations for the colony's general election under a new constitution held in December 1967 as unions sided with either the SDP or SPUP. Mancham (SDP) and René (SPUP) were both legal advisors to their particular group of politically-affiliated trade unions.

In terms of unemployment, it was estimated that there were between 2,000–3,000 unemployed workers in 1958 (Colony of Seychelles, 1959: 57) and despite far-ranging socio-economic changes since 1971 unemployment remained constant at around 10 per cent in the 1980s and 1990s, only dropping to 7.1 per cent in 2002 (MISD, various years). However, after 2002 unemployment dropped to an all-time low of 2 per cent of the total formal workforce (Table 3.17) (Central Bank of Seychelles, various years). This corresponds to a 30 per cent increase in spending on unemployment relief and youth training schemes by the Social Security Fund (SSF) from 2002 (Social Security Fund, various years). (For more on this, see section 4.3.) These schemes involved wage subsidies from the Social Security Fund as an incentive to hire unemployed workers. Therefore, the radical drop in formal unemployment post-2002 is explained by the fact that individuals on unemployment reduction schemes were no longer recorded as unemployed.

Table 3.17. Unemployment as a percentage of the total formal workforce, 1971–2007

Year	Percentage unemployed
1971	8.7
1977	10.0
1987	15.5
1994	10.2
1997	10.2
2000	7.1
2001	4.1
2002	3.9
2003	3.7
2004	3.5
2005	3.6
2006	2.6
2007	2.3

Source: *Census Reports* (1971, 1977, 1987, 1994, 1997); Central Bank of Seychelles, *Annual Report* (2002, 2003, 2004, 2005, 2006, 2007)

3.4 Poverty

Social conditions in Seychelles before independence have been described as being typified by poverty and very limited material security. The vast majority of the population were dependent on very few employers. Benedict (1982: 107–108) observed: ‘Individuals were constrained by poverty, a small social universe, and the general lack of alternatives’, which was a reflection of the highly socially uneven structure of the domestic political economy. Poverty in Seychelles has always been a controversial issue. Even in the early twenty-first century it is an almost taboo subject in society, as well as in the political scene. The level of poverty before independence is hard to determine. In his landmark report on the colonial economy, Rowe (1959: 1) argued that despite the profitability of copra at the time, the benefits only seemed to flow to the plantation owners. This created a society ‘with very strongly marked rich and poor classes, the former quite small and the latter very large, with a relatively small middle class, again with sharply distinguished upper and lower strata’ (Rowe, 1959: 54). Determining whether the real income and standard of living of the bulk of the population had increased with the boom in copra exports was difficult. Rowe states that it may well have declined, but that exact measurement was impossible. What was certain was that ‘the standard of living is little above what may be reckoned as a reasonable subsistence level’ (Rowe, 1959: 1). He went on to describe how a large number of people lived ‘in conditions which can only be labelled with such adjectives as disgraceful, abominable, horrible etc’ (Rowe, 1959: 23).

The seizure of power by the SPPF in 1977 marked a turning point for poverty reduction in Seychelles. Poverty mitigation mechanisms were introduced, such as the

Social Security Fund and an expansive housing policy. The level of poverty was still very hard to determine, but the 1977 population census (Seychelles Statistical Division, 1977) provides an indication of levels of poverty in Seychelles at independence. Out of 12,000 households, only 42 per cent had access to treated water and 43 per cent had access to electricity and flush toilets. Infant mortality was 43 per thousand live births and life expectancy was relatively low at 67.4 years, compared to 72.2 years in 2006 (National Statistics Bureau, various years). Table 3.8 (see section 3.2 above) provides additional data on trends in life expectancy disaggregated by gender. This can be contrasted with similar indicators for sub-Saharan Africa, where in 2007 the average life expectancy was 50.5 years and 24 per cent had access to treated water (see Table 2.3 above).

Increasing economic development and social protection after 1977 meant that significant progress was made in poverty reduction. The UNDP noted that 58 per cent of aid was spent on human development, including health, social infrastructure and housing projects (UNDP, 1980: 4). The government set up programmes such as the home ownership scheme, which targeted low-income families and provided up to 100 per cent of construction costs (René, 1978: 32), as well as large increases in the minimum wage, in line with its policy that all citizens should be assured of subsistence (Driesen, 1988b: 167). After over ten years of an SPPF government, the effects of its poverty reduction programme were evident in the fact that access to treated water had increased from 42 to 76 per cent between 1977 and 1987, access to electricity more than doubled and life expectancy reached 70.1 years (Seychelles Statistical Division, 1987). This reinforced the government's general development strategy on structural and human development as one of the key tools of poverty reduction (Rosalie and Campling, 2004: 7–12).

Poverty reduction in the period 1977–1994 continued to progress with the combined effect of the general development of the country and specific social protection schemes. In 1992, an estimated 19 per cent of the total population lived below the relative poverty line of SRs900 per month for the consumption of basic needs; when compared to the rate of 31 per cent in 1984, this was a remarkable improvement (MISD, 1984; 1994). In accordance with the global norm, poorer households tended to spend a relatively large portion of their income on food and clothing compared to the better off. Poverty in Seychelles was noted by the World Bank to be more pronounced amongst young women. However, the 'generous, broad-based transfer program' in Seychelles 'helped eliminate some of the worst external manifestations of poverty' (World Bank, 1994: 6). In terms of structural development, more than 80 per cent of households had access to treated water and electricity in 1994. The number of households living in poor quality housing fell from 19 per cent in 1977 to 8 per cent in 1994 (MISD, 1994; Seychelles Statistical Division, 1977; see Table 3.18 for more details).

Table 3.18. Proportion of households with piped water, electricity and sanitation

	Piped water supply	Electricity supply	Flushed toilets
	%	%	%
1971	60	—	19
1977	71	43	33
1987	77	76	62
1994	84	90	78
1997	86	92	86
2002	89	96	—
2007	96	98	—

Source: Campling and Rosalie (2006); PUC and Ministry of Health databases (2007)

With economic stagnation starting in 1998, caused by economic mismanagement and a high level of debt, there was a real danger that the achievements of the last 20 years would be lost. However, poverty in 2000 was found to be only 19.1 per cent measured on a minimum subsistence level of SRs 841 per household per month. This showed that the poverty level did not increase, but also that it had not decreased from 1992 levels (Government of Seychelles, 2004; MISD, 1992). Increases in welfare spending did not translate into real poverty reduction. The gini coefficient was 0.427 per cent in 2000, down from 0.47 in 1992, indicating that despite a reduction in inequality the increased expenditure was still unequally distributed. However, seen in a historical context, this was a significant improvement from 1979, when the annual per capita income of the lowest quartile was estimated to be less than US\$200, whereas the household income of the top 12 per cent was US\$6,000 (Maubouche and Hadjitatkhani, 1980: 4). Despite this progress, the economic impact of the debt crisis was clearly being felt by the poor (Table 3.19).

Table 3.19. Absolute poverty in Seychelles

	Percentage of population living in poverty	Percentage of population living in absolute poverty
1984	30.7	11.6
1985	27.3	10.1
1986	23.5	8.5
1987	23.7	8.4
1988	22.5	7.8
1989	21.1	7.1
1990	18.9	6.1
1991	20.1	6.7
1992	19.7	6.5
1993	18.5	6
2000	19.7	2.5

Note: The gini coefficient was 0.47 in 1986 and 0.42 in 2000.

Source: World Bank, 1994; Ivaschenko, 2007: 29

The prediction that a devaluation of the Seychelles rupee by 45 per cent would cause poverty to increase by 10 per cent (Ivaschenko, 2007: 467) was confirmed when the poverty level was found to be 30.4 per cent in 2007 after an almost 50 per cent devaluation. However, the gini coefficient however fell to 39.9 per cent, indicating a more even distribution of income compared to 2000 (National Statistics Bureau, 2007). The impact of devaluation has been very deep. With the heavy dependence of Seychelles on imported food, inflation rose from 3.5 per cent in December 2007 to 12.3 per cent by March 2008 (Central Bank of Seychelles, 2008: 71). An attempt to increase wages for government sector employees in 2008 resulted in increased average wages, but inflation reduced these gains to pre-increase levels, thereby annulling the benefits (Social Security Fund, 2008). Despite the fact that GNP per capita increased by around 66 per cent between 1990 and 2005 (Table 3.20), additional expected increases in inflation are expected to contribute to a deepening of poverty in this import-dependent society.

Table 3.20. GNP per capita, 1990–2005

Year	GNP per capita	Growth rate
	SRs	%
1990	27,292	12.7
1991	27,305	0.0
1992	30,719	12.5
1993	33,179	8.0
1994	32,825	-1.1
1995	30,913	-5.8
1996	31,756	2.7
1997	35,452	11.6
1998	39,203	10.6
1999	39,811	1.6
2000	41,422	4.0
2001 ^a	43,840	7.6
2002	41,205	4.2
2003	43,222	n/a
2004	44,421	n/a
2005	45,081	n/a

^aProvisional figure

Source: National Statistics Bureau, *Seychelles in Figures* (various years)

Social Policy

4.1 Policy interventions in production activities

Since 1977 the government has maintained a strong commitment to social development policies with particular emphasis on education and health. The budget allocations to education and health have remained between 11 and 13 per cent of national expenditure annually over the period 1977 to 2005 (MISD and NSB, *Seychelles in Figures*, various years). These were the highest allocations to government ministries during that period, representing about 5.2 per cent of GDP.

In both education and health policy, the emphasis over the past two decades has been on improving the quantity and quality of services and outcomes. However, relatively rapid economic and social development during the same period (evidenced by a tenfold increase in GDP in the past 25 years) has brought about changes in life expectancy, patterns of consumption, lifestyles, and people's expectations and aspirations more generally. Demands on the education and health systems have therefore changed substantially and the extent to which the government can provide the resources and impetus to respond to these changing needs remains an open question.

4.1.1 Education policies

Since the 1980s education in Seychelles has been characterised by:

- A comprehensive co-educational primary and secondary school system, available free at point of use for all children aged between 5 and 16+ years;
- Almost 100 per cent school attendance by children in this age group;
- A system of further and higher education available to all students who meet the entry criteria of the courses of study for which they apply (the costs of training are heavily subsidised by the government and students receive subsistence allowances on a means-tested basis);
- The provision of an average of 100 scholarships annually for further and higher education overseas.

A revision of educational goals during the reforms of 1998/1999 placed greater emphasis on principles of 'education for empowerment, education for productivity, education for social cohesion and education for global participation' (Ministry of Education, 2000: 2). In working towards these goals, the Ministry is guided by principles based on 'equity, quality and accountability' (Ministry of Education, 2000: 1). Its mission is:

[T]o build a coherent and comprehensive system of quality education and training, reflecting shared universal and national values, which will promote the integrated development of the person and empower him/ her to participate fully in social and economic development. (Ministry of Education, 2000: 1)

Equity in terms of equality of access to schooling and to post-secondary/tertiary education and training programmes has already been achieved. Government emphasised that the concept of equity must now extend to the provision of learning programmes ‘which will enhance the conditions for optimum achievement by every group, including the gifted, the slow learner and the learning-disabled’ (Ministry of Education, 2000: 1). Gender imbalances in student performance within general education (where there is marked underperformance by boys) and inequitable gender distribution at post-secondary level (along traditional lines of employment) must also be redressed (see section 3.1).

By 2009 relatively limited progress had been made in achieving these aspirations. Issues of quality improvement remained the biggest challenge for the education system. Attempts to address this challenge have formed the basis of the reforms of the late 1990s and 2000s, which placed emphasis on improving the management of schools through the institutionalisation of strategic planning at school level, on the establishment of a quality assurance process, and revisions of the national curriculum and national assessment strategies (Purvis, 2004). Other recent reforms, also aiming to achieve substantial improvements in education quality, include:

- The training of the majority of school leaders to master’s degree level in education leadership;
- The introduction of a single examination system at the end of secondary schooling;
- The introduction of a student profiling system in secondary schools;
- The establishment of a national qualifications authority;
- The standardisation of training programmes at post-secondary level and increased access to post-secondary education and training through open and distance learning.

These initiatives are all underpinned by policies promoting the use of information and communications technology (ICT) across the system, both at organisational and capacity-building levels (Ministry of Education and Youth, 2002b).

The capacity of a small education system to maintain and support so many initiatives at once was an important concern, although it could be argued that they are indications of the national commitment to improvements in quality throughout the system. Nonetheless, the availability of resources – both human and material – remained major stumbling blocks in the system’s quest for improved quality. The system was still unable to provide the required number of trained teachers, in spite of

the existence of a continuous teacher training programme for the past 50 years, and the quality of the training was not always considered adequate. Teaching was not considered an attractive career option by young people who had a range of choices.

Another complicating factor was the borrowing of policies and models from larger systems, and the enduring influence of colonial legacies (Baldacchino, 2007; Purvis, 2007). The Seychelles models and processes for school improvement and the quality assurance service, for instance, were adopted from the British education system, a larger and decentralised system. Importing such models into a highly centralised education system with few adaptations of practice significantly limited the effects of these initiatives (Purvis, 2007). A national assessment system still linked to UK examination boards (the main one being the University of Cambridge Examination Syndicate) further compounds the problem of whether the system has the capacity to respond to local needs effectively.

Closely linked to issues of quality is the question of accountability. The Ministry of Education aimed to promote a culture of accountability throughout the system by:⁷⁰

- Ensuring cost-effectiveness through efficient use of available resources;
- Establishing systems and processes for self-evaluation and target-setting at personal and institutional levels;
- Advocating for transparency in providing feed-back on performance;
- Partnerships with parents and the wider community.

While these aspirations complemented the policies on quality improvement, a number of factors mitigated against them. The administration of the education system continued to be run along British civil service traditions dating from the early twentieth century, limiting possibilities for efficiency and cost effectiveness (Sultana, 2001). Self-evaluation and target setting, as well as external performance appraisal, were woven into the school improvement models adopted by the system; the models also made provision for greater parental and community involvement in education. However, the ‘short power distances’ (Bray, 1991: 27) between policy-makers, schools and the community, personalised work relationships between people throughout the system and an enduring culture of patronage all contributed to a strong tendency towards consensus-seeking; together, these factors served to curtail the impact of strategies to improve accountability.

4.1.2 Health policies

Health policies hinge on the attainment of the goal of ‘health for all and health by all’, which in this context is taken to mean ‘a level of health that will permit us to lead socially and economically productive lives’ (Ministry of Health and Social Services, 2005: 2). The underlying principles maintain that good health enhances

the quality of life and ensures the sustained economic and social development of the country; that people have ‘the inalienable right and duty to participate individually and collectively in the planning and implementation of their healthcare’; and that primary healthcare is key to the attainment of the above goal (Ministry of Health and Social Services, 2005: 2). The healthcare system was thus organised on the basis of three tiers: primary or community, secondary and tertiary care.

Primary healthcare was provided free at point of use, through a network of 15 district community health centres and four small district or island hospitals. They offered the following main services: prevention and treatment of common ailments; family planning and screening tests (for men and women); immunisation and developmental assessment for all children, adolescents and adults; occupational health; and environmental health and safety programmes. The Ministry intended to provide one district medical officer for every 3,000 patients and one district nurse for every 2,000 patients for each of the major health programmes (Ministry of Health and Social Services, 2005).

Referrals from primary healthcare level to secondary and tertiary care programmes were made by the district medical officers as appropriate. The hospital in Victoria is the main referral centre and the Ministry endeavoured to ensure that the hospital is ‘appropriately resourced to deliver the intended level of care’ (Ministry of Health and Social Services, 2005: 5). As far as possible, tertiary care was provided locally through the specialist services at Victoria Hospital. However, where that was judged impossible, co-operation agreements with overseas centres enabled patients to receive treatment overseas. Costs were normally shared, depending on the capacity of patients and their families to contribute.

This system brought about considerable progress in healthcare, especially in terms of access to and utilisation of healthcare services by all Seychellois. However, a number of challenges remained: the Ministry of Health’s *Strategic Framework 2005–2009* acknowledged the need to further improve primary and secondary preventive and curative services, especially with regard to non-communicable diseases (such as diabetes, hypertension and other cardiovascular diseases), which were on the increase (see section 3.2). It also highlighted the importance of institutionalising the continued professional development of staff involved in primary healthcare, the regular upgrading and maintenance of essential equipment, better co-ordination of services within and between the three tiers of the system, improved management practices and greater accountability throughout the system.

The government and the Ministry of Health fully acknowledged that the challenges to the health system had changed considerably by the 2000s. According to Shamlaye et al. (2004: 17), ‘the present challenges arise from population changes, changing lifestyles, the expanding demands for healthcare and the rising costs of providing care’. Decline in fertility, decline in infant mortality and increasing life expectancy have brought about a shift in population structure, with an increase in the numbers of middle-aged and elderly people. Changing lifestyles were leading to

increased incidence of non-communicable diseases and HIV/AIDS (Bovet *et al.*, 1996). The changing and expanding demand for – and increasing costs of – health-care provision has led the Ministry of Health to consider fresh policy approaches, which would involve the outsourcing of certain services to the private sector, as well as placing greater emphasis on people’s individual responsibility for their own health, as stated in the government’s *Strategy 2017* (Government of Seychelles, 2007).

4.2 Social protection

Social protection and poverty reduction in Seychelles has had a relatively short, but successful, history. Before independence in 1976, formal and institutionalised social protection was patchy and was often limited to public servants and others in formal employment. Most other forms of social protection were left to the ‘matriarchal extended family and intra family transfers’ (World Bank, 1994: iii). This meant that should an employee suffer from a work-related injury or have a child, more often than not they would have to depend on their parents or extended family for support. Employment was not secure in the private sector or in casual forms of public employment, and job insecurity contributed to the incidence of poverty. There were no pensions or social security for the elderly, except for public servants and employees of certain firms.

Accompanying the gradual shift in colonial policy to the institutionalisation of universal suffrage from 1948 (for property owners) to 1967 (for all citizens) was increased domestic political pressure for the creation of forms of social protection by the colonial state. From the recommendations of the colonial administration’s *A Plan for Seychelles* (Colony of Seychelles, 1959: 2) to the demands of the SPUP, it became increasingly clear that social protection was both socially and politically necessary. This resulted in the first specific Welfare and Social Services Department being set up in July 1967, when the former Labour and Welfare Department was split into two (Colony of Seychelles, 1969: 1). Its main functions and responsibilities were divided among the public assistance division and social welfare division. In addition, a TB allowance division administered payments to tuberculosis patients, either as inmates of the (then) Maradan Sanatorium or to pay for domiciliary treatment.⁷¹ Other benefits ranged from a *bacca* (fermented sugar cane juice) allowance to the provision of low-cost housing for the poor. (For a summary of benefits, see Table 4.1.)

In terms of social welfare, there were ten social centres during the late colonial period – in Mahé (6), Praslin (3) and La Digue (1) – which were run by their own committees and were self-supporting. They raised funds through film shows and dances. They held sewing classes, with teachers paid by the education department, and were used as crèches for pre-school children. In 1969, they were also used to distribute ‘Supro’ (a high protein food powder) and secondhand clothes to children and some (poor) adults, donated by the UK-based NGO Oxfam (Colony of Seychelles, 1969: 4). In 1969, ‘housing still remains as one of the greatest problems

in Seychelles'. A rough estimate in 1968 was that 1,900 houses were 'up to standard' and 9,000 were 'below standard'. The colonial government recognised that unless new housing stock was more rapidly rolled out, 'the present situation will continue to deteriorate' (Colony of Seychelles, 1969: 7).

Table 4.1. Types of benefits in the Colony of Seychelles, 1969

Benefit scheme	Type of benefit	Rate	Number of beneficiaries	Administrative section
TB Allowance	Allowance paid to TB patients	SRs5.60 per month	n/a	TB Allowance Division
Old people's home	Lodging and meals for the elderly, poor, disabled and homeless	n/a	11 homeless 130 meals per day	Welfare Department
<i>Bacca</i> clubs	Monitoring and control of home-made alcohol	n/a	n/a	Welfare Department
Disturbance Allowance	Allowance to residents living in the airport construction area	SRs15 per month	n/a	Welfare Department
Outdoor relief and homeless	Relief to paupers	SRs5.75 per month	n/a	Welfare Department
Social welfare	Raising funds and distributing food and clothes through social centres	n/a	n/a	Welfare Department
Low-cost housing	Providing and maintaining low-cost houses	n/a	417 houses	Welfare Department

Source: Colony of Seychelles (1970)

Despite these efforts, the lack of an institutionalised social protection programme meant the large majority of Seychellois did not possess any form of social insurance. The National Provident Fund (NPF) was established in this context in 1971. The NPF was a compulsory social security savings plan aimed at working Seychellois. Five per cent was deducted from an employee's wage and employers paid a contribution that amounted to 10 per cent of their wage bill. The scheme only benefited those in formal employment and those employees who contributed. Contributing employees were paid the full amount of the benefit they had contributed as a lump sum payment, irrespective of whether the benefit was calculated on a defined benefit or a defined contribution basis. This meant that even if their contributions were paid and their benefits calculated over time, they still received a single gross payment (NPF, 1971,

No. 4). In addition to the retirement pension, various schemes were introduced over the years of the NPF's existence, such as financial hardship payments, housing loan repayments and support for young married couples (for example, upon marriage, the gross contribution was paid if requested). If the contributor died, their contribution was paid to their heirs (NPF, 1971, No. 4). The retirement age was set at 65 years old, but contributors could claim the benefit before this.

Given the relatively limited scope of the beneficiaries of the NPF (i.e. contributors only) and the low level of wages and associated contributions, payments from the fund were relatively small. These basic aspects accounted for some of the core deficiencies of the scheme. Its fixed nature meant that because of inflation it often paid out a low average of benefits compared to a standard pension scheme, which can adjust more easily to price levels. This relates directly to how much money is contributed; for example, if a participant contributed only 5 per cent of their wages (which might be low), the value of their contribution would fall over time. In a standard pension scheme, the amount received would be set by the establishment itself. This meant it was readily adjustable based on changes. Benefits were limited to the credit that the individual had contributed plus interest, the growth of which was often too small to keep up with wider macroeconomic trends. For example, under the Social Security Fund system (see below) benefit rates were continuously reviewed and adjusted every year to take into account inflation and changing expenditure patterns. The NPF made partial provision for this by including statutory provisions which permitted the conversion of lump sum payments into periodic payments (International Social Security Association, 1975: 282).

Other problems with the NPF related to its coverage and qualifying conditions. Around half of the workforce were not covered by the scheme (personal communication from the Ministry of Employment, 2007), as they were either employed in the informal sector or earned so little that their contributions were too small to provide even a semblance of security upon retirement. In short, the revenue generated under the NPF was insufficient to meet social needs. Early reports of its successor scheme, the Social Security Fund, suggest that an increase in government revenue is a determining feature of its relative success and progress (Social Security Fund, 1982: 2).

The biggest boost to social protection came with the opening of the international airport in 1971. As noted throughout this study, this proved to be one of the major turning points in the socio-economic development of Seychelles. This is reflected in the gradual shift in employment patterns, where (often informal) employment in agricultural production halved and employment in the service sector doubled between 1976 and 1980 (National Statistics Bureau, various years; see also section 3.3), which meant more contributions to the NPF by employees and employers. Nonetheless, the seismic shift associated with the development of tourism served to heighten the problems with existing social protection schemes in the face of the emergence of new social problems and changed conditions of work.

The pro-West Mancham government was seen as failing to deliver on social

protection to the citizens of Seychelles. Mancham's plans for development involved turning Seychelles into a financial hub by 'attracting Middle Eastern Petro-Dollars' (Lee, 1976: 2) with limited state intervention in social protection. While the stated justifications for the subsequent coup in 1977 were mixed, one of the accusations against the previous government was the lack of progress in social development. The new government initially kept the NPF as the main social protection programme until the Social Security Fund was created by decree in 1979.

The core rationale behind the SSF was the one party state's ambition to ensure that everybody in Seychelles benefited from development, rather than just the few. This universal insurance mechanism thus clearly fitted the stated socialist ideals of the new government. The SSF would collect contributions from workers and employees and use the revenue to assist those who were not in employment. In this way, the problems associated with the limited coverage and qualifying conditions of the NPF would be solved, as the new fund would include the whole population. The NPF was replaced with a set of completely new initiatives.⁷² Eligibility for retirement pension was lowered from 65 to 64 years old, and sickness and maternity leave were introduced, as well as invalidity, survivors, orphan and funeral benefits. A new scheme aimed at reducing the worst manifestations of poverty, the Allowance for the Needy, was also introduced. This meant that despite the fact that they did not contribute, the more vulnerable sections of society would benefit from some form of financial aid (Social Security Decree 1979, No. 7).

Initially, the rate of contributions to the SSF remained unchanged. Employees paid 5 per cent, while employers paid 10 per cent of their gross wage bill. Those over 64 years old and those earning less than SRs800 were exempted from contributions. Improved effectiveness in the collection of contributions helped to improve levels of revenue, despite the economic recession of the early 1980s (Social Security Fund, 1983: 2). The associated increase in revenue meant that benefit rates under the SSF were increased by 17 per cent in 1981 (Social Security Fund, 1982: 2).

The SSF also financed the government-run National Workers Union, the only recognised trade union under one party rule. In 1981, one-thirtieth of all contributions collected were paid to the National Workers Union and all contributors were made members. The government claimed that this served as an indirect way of protecting all the country's workers (Social Security Fund, 1982: 2), although the extent to which this was true in the context of a one party state system is open to question. Another major break from the NPF was that the SSF, rather than solely acting as a social protection institution, became a financial institution in its own right. It invested in housing, construction projects and parastatals. In 1981, investments undertaken by the SSF totalled SRs130 million (one-third of government revenue). In terms of the payment of benefits, it accounted for around 7 per cent of government expenditure in 1982 (Social Security Fund, 1983: 6).

In terms of *indirect* social protection benefits, the SSF became one of the major contributors. The Full Employment Scheme (FES) was introduced in 1981 with the

aim of encouraging the temporarily unemployed to undertake employment, usually in government-approved projects such as community work, where they would be paid by the SSF until they gained permanent employment (René, 1980: 20). Other schemes included funding for a rehabilitation centre (for those suffering from alcohol and drug abuse, and debilitating illnesses), specialised healthcare, maintenance of cemeteries and aid for the disabled (Social Security Fund, 1982: 3).

In 1987, the Social Security Act was adopted, which formalised the role of the SSF. Its administration was transferred to the Ministry of Finance. It was to provide a variety of benefits for citizens who had reached retirement age, had long-term illnesses, suffered from disabilities, were unemployed or were in need of assistance (Social Security Act, 1987, Part III). The coverage was increased and qualification for the scheme was made easier. As of 1987, all employed, self-employed and non-employed persons with unearned income benefited, together with all public employees. Qualification for old age pensions required the applicant to be 63 years old (thereby reducing the official retirement age by a year) and to have five years residence in the country. Other benefits were much the same as before the Social Security Act with some improvements and increments. Permanent disability benefits were set at SRs1,050 per month; where an individual had lost 75 per cent of their earning capacity the full rate was paid, and where incapacity resulted in a 50–74 per cent decline in earnings a reduced benefit was available. Payments were set at SRs400 for each adult dependent and SRs350 for each child. Sickness and maternity benefit rates were improved: employers paid full salary for up to the first two months of an employee's sick leave (80 per cent of which was reimbursed by the state) and full salary was paid for maternity leave for up to eight weeks after confinement; after this period the SSF paid SRs825 for up to six months (Social Security Act 1987, Part III).

In terms of contributions, the collecting mechanism was refined further. Employee contributions remained at 5 per cent, but a tiered system was adopted for employer contributions. The idea was that employers would contribute larger sums for bigger earners, thereby indirectly assisting smaller companies, as their employees would tend to fall into the lower bands.⁷³ To complement the SSF, the Seychelles Pension Scheme was created in 1990 and separated from the Social Security Act to provide additional protection for workers who were willing to contribute (Government of Seychelles, 1990, Part I). It covered all full-time, self-employed and part-time workers, as well as occasionally unemployed people who provided voluntary contributions. The mandatory contribution was set at SRs25 and anything more was voluntary. All contributors could benefit, irrespective of nationality (Government of Seychelles, 1991: 11–12).

The return of multi-party democracy to Seychelles in 1993 only served to expand the scale and scope of social protection programmes. (See Table 4.2 for the types of available benefits and their monthly rates and Table 4.3 for different benefit payments.) The right to social protection and the state's responsibility to 'undertake and maintain a system of social security' was enshrined in the 1993 constitution as an

unalienable right, thereby creating path dependency for any future ruling party (Constitution of Seychelles, 1993: Article 37, Part I). In addition, millions of rupees were invested in more and more generous programmes, which because of their timing and targeting (they were often discretionary in nature), have led some commentators to argue that they were geared towards achieving electoral success.

Table 4.2. Types of benefits and monthly rates, 1994, 2001 and 2008

Type of benefit	1994	2001	2008
	SRs	SRs	SRs
Sickness benefit	775	1,130	1,500
Maternity benefit	775	1,130	1,500
Injury benefit	775	1,130	1,750
Level of subsistence (supplementary benefit)	775	400	600
Orphan and abandoned child	475	670	850
Funeral benefit	1500	1,500	1,500
Invalidity benefit (standard rate)	950	1,300	1,750
Survivor's benefit (including widow's, widowed mother's, industrial death)	775	1,130	1,600
Retirement pension	1050	1,400	1,850
Dependents' benefit			
Per adult	350	550	600
Per child	325	500	400
Disabled benefit	775	1,130	750

Source: Social Security Fund, 2001; National Budget Address, December 2008

However, these policies would prove to be politically very difficult to retract and were often subject to abuse. Prominent examples of abuse were the Home Care Programme, launched in 1987 for the elderly and gradually extended to the chronically ill, bedridden and severely mentally and/or physically disabled, which resulted in ineligible claimants benefiting, and the District Beautification Scheme, launched in October 1998 in order to beautify, clean and maintain rural areas and town centres, which resulted in a creeping increase of beneficiaries and was insufficiently monitored. By 2003, over 40 per cent of participants in these schemes were young women aged between 15 and 30 who were deemed to be sufficiently young to be learning employable skills and moved to unemployment relief or youth training schemes (Ministry of Social Affairs and Employment, 2003: 7–21). Indirect and discretionary payments consistently accounted for nearly half the expenditure of the SSF throughout the period 1993–2006 (Social Security Fund, various years), which led to accusations that they were used as a form of political patronage for those who supported the SPPF government. Total social transfer programmes accounted for 5.5 per cent of GDP in 1993 (World Bank, 1994: ii) and 6 per cent in 2006 (Social Security Fund,

Table 4.3. Different benefit payments, 1997–2006 (SRs million)

Year	Retirement			Invalidity			Sickness/Maternity			Orphans			Other ^a		
	Total recipients	Amount paid	Total recipients	Total recipients	Amount paid	Total recipients	Total recipients	Amount paid	Total recipients	Total recipients	Amount paid	Total recipients	Total recipients	Amount paid	Total recipients
1997	6,947	99.4	1,003	1,003	14.8	455	176	9	176	176	1.1	130	130	1.3	130
1998	7,138	105.4	1,094	1,094	16.6	382	171	9.2	171	171	1.2	131	131	1.4	131
1999	7,213	111.4	1,110	1,110	17.8	553	160	8.2	160	160	1.1	134	134	1.4	134
2000	7,386	118.1	1,141	1,141	19.7	373	158	9.1	158	158	1.1	123	123	1.4	123
2001	7,321	124.4	1,179	1,179	20	402	142	9.1	142	142	1.2	136	136	1.6	136
2002	7,644	130.5	1,281	1,281	21.2	423	135	9.8	135	135	1.2	145	145	1.9	145
2003	7,540	135.7	1,186	1,186	20.6	545	141	11.7	141	141	1.2	650	650	4.5	650
2004	7,586	141.1	1,188	1,188	21.4	612	131	15.6	131	131	1.2	510	510	3.1	510
2005	7,760	147.7	1,212	1,212	24.1	532	155	14.4	155	155	1.1	631	631	1.6	631
2006	7,617	155.6	1,781	1,781	25.1	419	121	11.2	121	121	1.2	713	713	1.8	713

^aIncludes Survivors Benefit, Funeral Benefit, Memorial Fund and Foster Parents Benefit.

Source: Social Security Fund (2006)

2006; see also Table 4.4 for data on social security expenditure). Clearly then, spending was relatively consistent, but it became increasingly unsustainable in a climate of economic recession from 1998 onwards (see section 2.4.2).

Table 4.4. Social security expenditure, 1997–2006

Year	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
No. of beneficiaries	11,817	12,797	13,008	12,467	12,106	12,549	12,623	12,047	13,550	13,748
Total paid (SRs million)	160.7	181.2	200.1	206.4	170.8	181.2	217.3	212.8	239.7	256.3
Percentage of government expenditure	13.6	13.8	14.1	15.9	13.4	12.3	11.7	11.3	11.3	11.1
Percentage of GDP	5.8	6.2	6	6.1	5.1	4.7	5.7	5.6	6.0	6.0

Source: Social Security Fund, 2006

By the mid-2000s, the government ran three main social schemes that provided discretionary benefit payments (Table 4.5). The Unemployment Relief Scheme (URS) replaced the FES in 1995. One of the main reason for the latter's replacement was that it failed in its mandate to significantly reduce unemployment (see section 3.3). The reasons for its failure were – as with the Home Carer and Beautification Schemes – that it was almost impossible to monitor and separate it from the everyday politics of patronage. The URS, like the FES, had the primary social objective of providing temporary relief to active jobseekers in desperate need of income to enable them to stay above minimum subsistence level. However, rather than focusing on government-approved schemes, participants were encouraged to work in productive industries such as tourism and manufacturing industry (Ministry of Social Affairs and Employment, 2003: 12–35). The idea was that registered applicants would be employed by a firm and their wages would be subsidised by the Social Security Fund. In 2006 it catered for around 2,800 applicants, or just under 20 per cent of registered job seekers (Social Security Fund, 2006). Another significant programme was the Home Carer Scheme, which provided home care for the elderly. This had the double advantage of providing care for the elderly and the chronically ill and reducing unemployment among (predominantly) young women. The success of these schemes in eliminating poverty may be debated, but as of 2002 they certainly contributed to halving formal unemployment from 7 per cent in 2000 to 2.1 per cent in 2007 (Central Bank, various years).

After the 2007 elections, President Michel announced a series of macroeconomic reforms intended to make the economy more 'competitive' and the government more efficient. Social protection programmes received a great deal of attention as a means of mitigating the potentially negative impacts of this proposed economic restructur-

Table 4.5. Discretionary benefit payments by number of beneficiaries, 1997–2006

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Unemployment Relief Scheme	317	502	815	670	654	924	807	520	457	283 ⁷⁴
Youth Training Scheme	777	679	323	117	110	84	72	68	97	152
Home Carer Scheme	2,012	2,700	2,700	2,499	2,404	2,336	2,227	2,044	2,033	2,184

Source: Social Security Fund, 2006

ing. As of January 2008, most schemes and projects were undergoing or had undergone reform. Rates had increased, but this was not due to a new generosity of the state, but rather to counter the increasing hardship caused by rising inflation. Employees were required to contribute 2.5 per cent of their wages and all employers a fixed rate of 20 per cent to the SSF (Ministry of Finance, 2007). Rates for sickness and maternity leave also increased. (See Tables 4.6 and 4.7 for summaries of available benefits in 2008.) Individual contributions towards the pension fund rose to SRs50 per month from SRs25. The most significant change, however, came in the form of the restructuring of the organisation of social protection. The Seychelles Pension Fund was separated from the SSF and turned into an independent institution.⁷⁵ The SSF became a purely financial institution responsible for investment as well as the distribution of direct social protection funds.

Despite the shortcomings discussed in this subsection, it must be emphasised that Seychelles has come far in terms of social protection and the mitigation of poverty. It started modestly and advanced from having very limited forms of social protection at independence to having one of the most generous and successful programmes in Africa. It is so successful that the regional experts group meeting on social protection held in Kampala in April 2008 identified Seychelles as one of the countries whose model should serve as an example for the rest of the continent. The extent of the programmes was demonstrated by the fact that as of March 2008 it was estimated that as many as 30 per cent of households benefited from some form of social protection. This was paid for by contributions from over 40,000 employees (around 91 per cent of the workforce excluding fishers and expatriates) and their employers. This contribution accounted for around a quarter of government revenue and expenditure (Social Security Fund, 2008). Had there been a very weak welfare system or none at all, the impact of the worsening economic problems since 1998 would have been far more severe. However, levels of expenditure on social protection are probably unsustainable in the long run, given the economic trajectory of the country (Rosalie and Campling, 2004). The future of social protection in Seychelles will depend on how well attempts at reform balance the need to maintain post-independence levels of social progress and the rigours of economic adjustment.

Table 4.6. Types and rates of benefit, January 2008

Benefit types	Qualifying conditions	Calculation	2008 rates	2008 dependent rate	Time period
Old age pension	Universal	63 years+	SRS1,850	n/a	Indefinite
Retirement pension	Contribution to pension fund	Retirement	Dependent on contribution	n/a	Indefinite
Invalidity benefit	Loss of 75% of earning capacity	Fixed	SRS1,750	SRS600 adult SRS400 child	Six months
Partial disability benefit	Loss of 50–74% of earning capacity	Means tested	<SRS1,750	n/a	Six months
Survivor benefit	45+ year old widow(er) 16 years or less for child	Fixed			Indefinite
Orphan benefit	No surviving parents	Fixed	SRS850	n/a	18 years old ceiling
Funeral benefit	Universal	Lump sum	SRS1,500	n/a	n/a
Sickness benefit	Universal	Means-tested	2 months full salary/ SRS 1,500 for 120 working days after	SRS650	Two months 120 days thereafter
Maternity benefit	Universal	Fixed/means-tested	2 months full salary/ SRS1,500 for 120 working days after	SRS625	Two months/ 120 days thereafter
Social assistance	Universal	Means-tested	SRS600	SRS600 adult SRS400 child	Six months

Source: Social Security Fund, 2008

Table 4.7. Indirect benefit schemes, duration, recipients and rates, 2008

Project or scheme	Duration	Approximate number of recipients	Amount of assistance (SRs per month)
Unemployment Relief Scheme	6 months	170	1,900/1,475
Youth Training Scheme	2 years	60	1,300/1,500
Skill Acquisition Programme	1 year	60	1,300
Refund fiscal incentives	1 year	50	1,300
Instructor sponsorship	Contract	20	Variable
Apprenticeship Scheme	1–4 years	100	1,300
Polytechnic allowance	1–3 years	1250	1st year student 600 2nd year student 700 3rd year student 800 4th year student 1,400
Ex 'A' Level Student Allowance	1 year	70	1,325
Youth Hostel Student Allowance	1–3 years	130	400

Source: Social Security Fund, 2008

4.3 Redistributive policies

Taxation has always been a core source of government revenue in Seychelles. From 1977 to 2003, the tax system reflected the left-wing alignment of the SPPF government, which was broadly progressive in design, as it was orientated both towards redistributing wealth from the rich minority to the poor majority and creating a welfare state focused on human development. One of the first taxation programmes implemented by the SPPF government was the introduction of an income tax assessment decree (René, 1978: 2). The rate of tax was set at 35 per cent of total earnings, but extraterritorial income was not taxed. There was no withholding tax on dividends paid out of income arising outside Seychelles. Interest accruing to enterprises which were not financial institutions was tax free, wherever it accrued. Foreigners could acquire land, but only with state permission, which was in part an attempt to stymie speculative land grabs by foreign capital with the onset of tourism development from 1971 onwards. A fee of 1 per cent was charged for the direct acquisition of land, plus 9 per cent stamp duty. For the acquisition of shares in a landowning company there was a standard SRs500 fee, plus stamp duty at 2 per cent (Tax Assessment Decree, 1978, Part II). The 1972 Companies Act was maintained and closely mirrored the 1948 UK Acts (Companies Act, 1972, Part I). Offshore companies and foundations (or trusts) were allowed on condition that these must not operate in Seychelles. These entities were not covered by the Companies Act and were exempt from all taxes. Nonetheless, Seychelles was seen as well suited as a base for business opportunities in Africa or the Middle East (Riegels, 1980).

However, as the first visible indicators of an emerging economic crisis began to emerge in the late 1990s, the government's recognition of economic realities con-

tributed to a shift away from a socially-orientated taxation model towards a more 'market friendly' system. This started in 1997 when taxes on inheritance and housing were eliminated, as well as taxes on the sale of land. The biggest shift was in 2003 with the government's macroeconomic reform programme which, while containing elements of a neoliberal approach, was a domestic initiative and not externally imposed by the international financial institutions through debt leverage. The increasing relaxation of the tax burden resulted in a drop in revenue from taxation from 70 per cent of total government revenue in 2002 to 54 per cent in 2005 (National Statistics Bureau, 2006: 22). While taxation still made up the bulk of government revenue in 2008, it was expected to fall even more as an outcome of the MERP and the structural economic reforms initiated in 2007 by President Michel to make the economy more competitive in the neoliberal era of global capitalism. The main taxes in Seychelles as of January 2008 were those on business and profits, trade taxes and the goods and services tax. (See section 4.2 for details of social security contributions.)

The Business Tax Act was introduced in 1987 to regulate taxation and the collection of revenue from firms. Its design was progressive as it was intended to redistribute wealth from high-income earners. Before 2007, the business tax was a tiered system: 0 per cent was levied on the first SRs24, 000 of taxable income; 25 per cent on the next SRs24, 000; 30 per cent on the next SRs48,000; and 40 per cent on the next SRs96,000 and above (Business Tax Act, 1987, Part III, division 2). The subsequent reform of business tax saw a significant simplification, whereby 40 per cent was payable on earnings over SRs250,000 and earnings below this threshold were exempt (Seychelles Investment Bureau, 2008). The aim of this policy shift was to encourage small enterprises, while at the same time obtaining revenue from large firms. Under the Tourism Incentives Act introduced in June 2003, various tourism establishments benefited from 0 per cent trades tax and capital equipment tax, and a 50 per cent reduction in employer contributions to the Social Security Fund on behalf of their employees (Tourism Incentives Act, 2008 Amendment, Schedule 7). Providers of professional services, such as accountants, architects and engineers, were subject to a monthly trades tax on their turnover at the rates prescribed by regulations under the Business Tax Act.

The GST was introduced in 2003 as a form of indirect taxation with the aim of replacing the complex system of trades taxes in place since the early 1980s. Its basic rate was 12 per cent of all goods and services (Seychelles Investment Bureau, 2008). Apart from the broad objective of simplification, the other aims of the GST were: first, for it to become the main source of government revenue, with the stated aim of turning the 16 per cent budget deficit in 2002 into a 7 per cent surplus in 2003, and into a 15–17 per cent surplus from then on until 2006; and second, to allow Seychelles to meet the trade liberalisation requirements of regional and international bodies such as membership of the Common Market for Eastern and Southern Africa (COMESA) and the Southern African Development Community (SADC), as well

as potential accession to the WTO (*Business Day*, 2003).⁷⁶ The GST proved to be very unpopular with certain sections of the population. In response, the opposition SNP staged one of the few major demonstrations in recent years in Victoria in 2003. One of the main perceived problems with the GST was that for a period it created in effect a double tax on consumers, as the trades tax was not immediately phased out with its implementation. In terms of meeting its original aim, the GST failed to become the main source of government revenue, accounting for only 30 per cent of total revenue in 2006 (National Statistics Bureau, 2008: 22). It also failed to create the surplus predicted and the process of accession to the WTO has not gained pace.

There are several reasons behind this failure. First, the MERP failed to factor in trends in the world economy, such as the increase in oil prices following the US-led invasion of Iraq. Second, it incorporated an overly optimistic scenario of domestic economic development, which when it did not materialise meant that less revenue was generated than expected. Third, the GST had to be adjusted to fit the different needs of the key sectors and realities of the economy and subsequent incentives packages had to be developed to meet these needs (i.e. for tourism and fisheries in 2003 and 2005 respectively and subsequent amendments reducing GST for the tourism sector in 2008) (Tourism Incentive Act, 2008 Amendment, Schedule 3). Finally, a further worsening of the economic climate forced the government to adopt a new programme of structural reform of the economy in 2007.

The trades tax, regulated under the Trades Tax Act 1992, was applied to all items imported into the domestic economy. It was very similar to a customs duty in that it was based on the cost insurance and freight (cif) value of the landed item. The distance of Seychelles from major shipping lanes meant that the cif value was often very high, even before taxation. The rates of trades tax varied from 0 to 200 per cent, but the average was 25 per cent. Goods for transshipment and re-export were exempted in an attempt to bolster export-orientated development (Trades Tax Act, 1994, No. 8). New and existing businesses could benefit from trades tax concessions on the import of capital equipment, raw materials and semi-manufactured goods following the endorsement of their applications by the ministry concerned. With the introduction of the GST in 2003, revenue from trades tax gradually declined in line with its partial phase-out: from 30.2 per cent of government revenue in 2003 to 9.1 per cent in 2006 (National Statistics Bureau, 2007: 23). Critics argue that the GST is just the trades tax under another name, as it is not perceived to be sufficiently pro-business.

In an attempt to diversify the economy and attract foreign direct investment, the government introduced the Seychelles International Trade Zone (SITZ) in 1995, administered by the Seychelles International Business Authority (SIBA). The rationale was to create conditions under which foreign companies could benefit from tax exemptions which were not available to firms in the rest of the economy under the Business Tax Act. Under the International Business Companies (Amendment of Schedule) Regulation, 2007, registration was fixed at US\$100 (International Business Companies Act, 2007, Part 2). The tax rate payable by firms based in the

SITZ was 1.5 per cent of taxable income and 0 per cent on any dividends and interest paid (Companies (Special Licence) Act, 2003, section 21). These regulations further liberalised the International Business Companies Act of 1994 and the Mutual Fund Act of 1997. Under these acts, companies were exempt from the Business Tax Act, but still had to adhere to certain restrictive measures set by the Central Bank, such as limitations on trading in foreign currency. The result was an increase of 16 per cent in the number of registrations by offshore companies in 2005 (SIBA, 2007: 1). This change in taxation governance for international business companies has meant that foreign direct investment doubled between 2002 and 2007 (National Statistics Bureau, 2007: 27), thus helping to alleviate the downward trend in investment. The fact that Seychelles came third in the 'Foreign Direct Investment African Countries of the Future 2007/2008' ranking, behind South Africa and Mauritius (Foreign Direct Investment, 2008), was touted by government as representing a crowning achievement of sorts in the plan to create a tax system that would encourage FDI. However, despite this clear quantitative improvement, the *qualitative* gains are far less obvious, while (beyond the scope of this study) one must ask what the domestic economy actually gains from international business companies being based in its territory beyond minor registration fees, annual payments and technology transfers such as corporate expertise and software. Moreover, the differentiation in levels of taxation between foreign capital based in the SITZ and local firms, which are taxed more, has led critics to argue that domestic capital suffers from an unfair playing field.

4.4 Social reproduction

The Seychelles constitution and related legal frameworks ensure the rights of all citizens – women, men and children – to equality of opportunity and protection. Education and employment laws are strictly non-discriminatory and guarantee equal access and opportunities in education and employment to women, men, girls and boys. Men and women have the same rights to own and inherit property, and to acquire nationality. The rights of children and adolescents are guaranteed through the 1990 United Nations Convention on the Rights of the Child, to which Seychelles is a signatory.

Government policies and national plans of action further confirm the country's commitment to human rights and equitable social development. The current National Plan of Action for Social Development (2005–2010) aims to address many of the outstanding issues related to poverty eradication, improved healthcare, access to safe water and sanitation, and capacity building. As elsewhere, education is considered a key component of social development and much has been achieved in this area (see above). According to the UNDP and UNPF *Draft Country Programme Document for Seychelles, 2007–2010* (2006: 2), the country is classified:

... at high human development, with per capita gross domestic product around \$8,500; a human development indicator of 0.786; a Human Development Index (HDI) ranking of 51 (the highest in Africa); a life expectancy of 66.2 years (male) and 76.1 years (female); a primary school enrolment ratio of 100 per cent for boys and girls; an adult literacy rate of 96 per cent (both men and women); and population growth of 1 per cent. Seychelles has met most of its MDG targets and is on track to meet all MDG goals by 2015. Since putting a generous welfare system (which provides for free education, healthcare and minimum income for unemployed, disabled and the elderly) into place in the late 1970s, Seychelles has achieved impressive socio-economic progress.

However, several constraints in the implementation of national policies and plans of action in the area of social reproduction, in particular, militate against the statements made above.

While universal education was achieved long ago, there are still major challenges in the provision of high quality education that takes into consideration the many dimensions of inclusion, which should enable all learners to participate meaningfully in Seychelles and human society throughout their lives – as stated in the vision of the Ministry of Education (2005). Gender imbalances in education, in the workplace and in the wider community are one aspect of inclusion that needs to be addressed in a more open and concerted manner.

The principle of gender equity is clearly defined in the policy documents of the Ministry of Education (2002, 2005), in terms of equal access to ten years of compulsory education; optimising conditions to enable the highest possible level of achievement; sharing of resources; providing context, content and mediums that are favourable to both boys and girls; and catering for special needs (Pardiwalla, 2008). The current *National Development Plan for Education and Human Resource Development* has as one of its objectives the promotion of gender equity and inclusion (Ministry of Education, 2005). The Ministry of Education also has a *Gender Action Plan* (2002–2015), produced in response to Education for All Goal 5, which aims to achieve gender equity in education by 2015.

However, the differential impacts of education and training on girls and boys are evident throughout the system and this in turn has far reaching repercussions on society. One of the few studies carried out on gender in education (Ministry of Education and Youth, 2002) showed that boys and girls in primary schools experienced schooling in very different ways. Girls seemed to adapt better to school than boys. School management and teachers were of the view that boys experienced more discipline problems than girls, which they seemed to consider as ‘normal’. It should be noted that the large majority of primary school teachers (85%) are women. School management team members at primary school level are almost all women. The study also showed considerable disparities in the performance of girls and boys in English and Maths throughout their primary schooling, with girls scoring consistently better

grades than boys. The study was inconclusive as to the most significant factors that impacted on student performance, but considered gender as an important one.

The pattern of boys' underperformance seems to continue into secondary school, where the issue of subject stereotyping further compounds the difference in the achievements of both boys and girls. According to a recent study of gender in secondary schools (Pardiwalla, 2008), rigid stereotyping in subject choices which orient students towards technical/vocational training and career choices prevail. Thus at post-secondary level a majority of boys opt for construction, engineering and maritime training programmes, whereas girls choose 'traditional' health, teaching, hotel services and secretarial courses. The study found that the schools' careers guidance services were not always aware of such stereotyping; few role models existed among teachers which could counter such associations of work and gender. Women made up 83 per cent of secondary school teachers teaching languages and personal and social education, while 67 per cent of male teachers taught maths, science, IT and physical education.

The reference to Seychelles society as 'matrifocal' (Benedict and Benedict, 1982; Ministry of Social Affairs and Manpower Development, 1999) and the existence of explicit gender-balanced legal frameworks may partly account for the widely held assumption that women share power at various levels equally with men. Compared to many other small island states and other countries in the region, women's participation in decision-making at national level is quite significant. In 2006, women made up 30 per cent of Cabinet ministers, 30 per cent of members of parliament and 41 per cent of all principal secretaries (the highest post in the professional civil service). There was even better representation of women at local government level, with women holding 56 per cent of district administrator posts. According to the 2002 census, however, women continue to take up lower status and lower-paid jobs, mainly in secretarial work, teaching, nursing, tourism and domestic services. They represent over 60 per cent of job seekers, but only 30 per cent of employers. Men retain political and economic power within 'a strong patriarchal ideology which continues to portray men as the stronger sex' (Pardiwalla, 2008).

A number of challenges remain in the empowerment of women in Seychelles. This is confirmed by the *Millennium Development Goals Status Report* (Government of Seychelles, 2003), which highlights the first four points listed below:

- Gender stereotypes still strongly prevail and it remains difficult for girls/women and boys/men to broaden and diversify their skills and move into traditional male/female areas of employment.
- There is a need for more public debate and wider sensitisation on gender so that policy-makers, planners and the general public can develop a clear and common understanding of gender and its importance to future development.
- There is a need to strengthen the capacities of national bodies and public sector

units that have responsibility for the gender portfolio so that it can be promoted more effectively. The need for research on gender is also imperative.

- The veil of silence surrounding the incidence of domestic violence keeps many women living in fear. Very few research studies have been done so far and the related problems are not clearly understood or debated.
- Casual and subservient attitudes in the area of sex and sexual relationships, teenage pregnancies and the spread of HIV/AIDS often combine to lock young women into subsistence lifestyles, and they become dependent on the state welfare system or a series of male partners or both.

This last point is closely related to the prevalence of women-headed households – 47 per cent according to the 2002 census – where male partners are transient. Women may be the mothers or grandmothers of children with different fathers who may or may not be members of the household for various periods of time. In many instances these are the households most likely to slip into poverty (Sinon, 1996). At the same time, ongoing socio-economic developments and demographic changes imply shifts in family life and structures. However, as pointed out by Pardiwalla (2008), very limited sociological research has been undertaken in this area and few reliable data are available. This makes it difficult to develop a clear understanding of the issues involved or even to open up debate on perceived stereotyped attitudes and perceptions related to gender and the family.

Conclusion and Policy Implications

This paper has traced the trajectory of social policy in Seychelles from the late colonial period to mid-2008. It has done so through the prism of the political and economic history of the country, including the context of and relationships with external forces. The export-oriented dimensions of Seychelles' economic history can be characterised by a shift from plantation agriculture to tourism and various interactions with the tuna industry (economic rent from fisheries access and the provision of goods and services to foreign industrial tuna vessels, and the economic activity generated by Indian Ocean Tuna Ltd). State involvement in the economy also shifted from a period of state-led import substitution industrialisation in the 1980s to the 2000s, when, according to the government, the state acted as a 'facilitator' for the private sector. However, quality concerns in tourism remained and the onset of global recession by November 2008 did not bode well for the growth of the sector due to declining disposable incomes in Western Europe and elsewhere. In addition, the highly competitive nature of the global tuna industry and Seychelles' dependence upon trade preferences with the EU meant that the future of IOT was also in question. High levels of government borrowing meant that the country was facing the spectre of structural debt, including a high degree of exposure to commercial loans.

These central dynamics in the economy, combined with a poor credit history, non-repayment of loans and over-extension (i.e. the commitment of future sources of government revenue), meant that it was increasingly likely that the government would have to turn to the IMF as the lender of last resort. It also meant that the financing of extensive social policy interventions was increasingly under pressure from weaknesses in the economy. While this is beyond the period of research undertaken by this study, it should be noted that Seychelles' economic adjustment programme with the IMF came into force on 1 November 2008. A major theme of this new period in Seychelles' political economy will be competition between social policy and policies of economic liberalisation in what President Michel calls the 'New Seychelles' (Michel, 2008a: 1).

5.1 Dilemmas of development and policy implications

Most social indicators point to Seychelles' development trajectory having been a resounding success. In 2005 Seychelles boasted the highest GDP per capita in Africa of US\$16,106. This was certainly a substantial overestimate because it uses the official exchange rate when the rate in the parallel economy was around double that. More importantly, in terms of social policy Seychelles was rated 50th in the UNDP Human Development Index (UNDP, 2007) and was widely accepted as being close

to fulfilling most of the Millennium Development Goals (Government of Seychelles, 2003). This has led to the anomaly that Seychelles is now a net-contributing nation to the UNDP; based upon even casual observation and the obvious per capita costs of any infrastructure development in a micro-economy, this is not an accurate reflection of the country's level of development. The domestic economic problems of the late 1990s onwards placed serious strains on socio-economic achievements (see sections 3.3, 4.3 and 4.4). Development strategy shifted in its medium-term focus from wealth distribution to wealth creation and entailed inevitable adjustment costs and unexpected shocks (Central Bank of Seychelles, 2007: 4). The main document outlining government development strategy for the next ten years is *Strategy 2017*, launched in March 2007. The role of government was redefined as one of 'facilitator', with the function of raising efficiency, improving 'governance' and promoting responsiveness in service delivery (Central Bank of Seychelles, 2008: 28).

The achievement of debt sustainability through budgetary consolidation is also one of the key elements of the government's reform agenda. However, in the prevailing context, adjustment efforts are severely constrained by the high level of official (domestic and external) indebtedness, and more specifically by its sensitivity to both interest rate and exchange rate movements (Central Bank of Seychelles, 2008: 29). The following sections draw upon the main body of this study to suggest several key areas of attention by policy-makers in considering future social policy interventions.

5.2 Labour and employment

A key paradox in Seychelles' labour market has been that though there were a large number of Seychellois who were unemployed and on the Unemployment Relief Scheme, there was also a large influx of foreign workers in the tuna processing and five star hotel industries. It was estimated that foreign workers accounted for around 11 per cent of the total workforce in 2007. A particularly successful tool in reducing the dependence on foreign workers was the Youth Training Scheme, which involved placing young students in tourism-related employment so that they could learn industry-specific skills, making their transition to future formal employment easier (Ministry of Finance, 2007).

The IMF economic reform programme undertaken since November 2008 aims at reducing the size of the public sector. The government plans to reduce the public sector by over 12 per cent through the Voluntary Departure Scheme, which offers generous payments to any employee who wants to quit the public sector for the private sector (Ministry of Finance, 2008). It has also set up a special employment bureau to train and advise potential applicants to ease the transition process (*The Nation*, 2008c). However, this is not a particularly radical change of direction, as employment in the public sector was already on a downward trend (see Figure 3.2), although it is clearly a policy that will be pursued more vigorously under the IMF reform programme.

5.3 Poverty reduction

Policy implications with regard to poverty are highly dependent on the IMF programme. Increases in prices, flotation of the rupee and the removal of subsidies are likely to reduce the gap between the relatively poor and the marginally poor. A major cause of this probable trend is that income levels may not grow as quickly as inflation. Nonetheless, some features of poverty in Seychelles will probably remain unchanged. Women and their dependents were as vulnerable to poverty in 2007 as they were in 1993. In 2007, 40 per cent of all recipients of indirect benefit payments were women aged between 15 and 30, and 58 per cent of beneficiaries of social assistance were women (see section 4.4). This last point is closely related to the prevalence of women-headed households in the country (47% according to the 2002 census), where the male partners remain transient. In many instances these are the households most likely to slip into poverty (Sinon, 1996).

At the same time, ongoing socio-economic developments and demographic changes imply changes in family life and structures. However, as pointed out by Pardiwalla (2008), very limited sociological research has been done in this area and few reliable data are available. This makes it difficult to develop a clear understanding of issues. Poverty was also concentrated in the more densely populated areas of Mahé, with the eastern and central districts containing a third of applicants for social assistance. In some densely populated areas, such as Anse Etoile, women accounted for up to 85 per cent of beneficiaries (Social Security Fund, 2007).

The changing structure of Seychelles society in the 2000s has contributed to the aggravation of several social problems that traditional social protection schemes have been unable to deal with. Alcoholism, welfare dependency, HIV/AIDS and community breakdown are all symptoms of the growing litany of problems facing the government's social policy interventions. However, one of the barriers to the prevention of better targeting mechanisms to alleviate and combat poverty has been the attitude of the government itself. Poverty in Seychelles has always been a politically highly charged subject – officially it does not exist as there is no official poverty line. Continued resistance to creating one will continue to deprive the government of a core tool in the better targeting of measures to combat poverty.

5.4 Social protection

The policy implications of maintaining a generous welfare system are complex and highly political. Importantly, they include the fact that, more often than not, economic decisions were being made by the SPPF so as to keep it in power. The combination of financial, food and energy crises in 2007/2008 struck a blow to the already ailing economy to the point where President Michel had to admit that it would be 'immoral' to tell the people that 'it is reasonable to continue to spend in a way that is unsustainable' (Michel, 2008a: 1). The economic crisis will mean a 'further reduction in public spending' (Reed, 2008: 1) and major reform of the welfare system.

The early policy implications of this reform process in terms of social protection came with the creation of the Seychelles Welfare Agency and a review of the Home Carer Scheme. The Welfare Agency, set up in October 2008, aims to make the identification of recipients more efficient and less vulnerable to abuse. According to the Minister for Health and Social Development, Marie-Pierre Lloyd, ‘financial help should reach the applicants within a week ... and eligibility would be determined if the applicant falls below the poverty line’ (*The Nation*, 2008a: 2). Perhaps the most significant change is that applicants will receive assistance for up to 12 months and that Seychellois returning from overseas will only receive aid after being in residence for 11 months (*The Nation*, 2008a). The Home Carer Scheme, which had been so prominent during the past, was abolished on 31 December 2008 and replaced by a new scheme in January 2009. The new service is provided by the new Welfare Agency, and applications have to be made through nurses at the local health centres rather than through social services. In addition, nurses have taken over the role of the home carers and families who can afford carers are now expected to pay for them (*The Nation*, 2008b).

5.5 Education and health

In the 2000s, education continued to be firmly linked to national development strategies. However, a number of challenges to improvement in education quality (i.e. appropriate and meaningful education) remain. The main ones are a shortage of local teachers, the level and quality of training for teachers, limited resources largely due to budgetary constraints and parental perceptions of education which retain as the model of best practice the old grammar school system of colonial times. The system is still unable to effectively cater for all abilities and ensure success for all.

The shift to multi-party democracy in 1993 brought in a new constitution which guaranteed the right of all citizens to healthcare and access to free primary healthcare provided by government health services. The constitution also acknowledged the importance of people taking responsibility for their own health and made provision for private healthcare to be re-introduced. However, the expansion of private healthcare – in 2008 there were 16 private practices and a number of complementary healthcare facilities – did not reduce the utilisation of state-provided care. Expanding and changing demands for healthcare, changing lifestyles, demographic change and the increasing costs of healthcare, are the major factors giving rise to new challenges (Shamlaye *et al.*, 2004; Ministry of Health and Social Services, 2005a, 2005b).

5.6 Redistributive fiscal policies

Redistributive policies underwent a major shift from the initial SPPF model of a progressive tax system, which aimed to redistribute wealth to the poor and collect revenue to fund multiple government interventions in the economy and society. An overcomplicated and high rate of tax was reported to have made Seychelles unattrac-

tive to potential investors. Fiscal reforms from 2003 onwards reflected the SPPF government's stated policy objective of moving away from being a major player in the economy to becoming a regulator.

This new approach to fiscal policy meant that the Seychelles government gradually increased its revenue over the years. As has been the case in the recent past, revenue from taxes was the most important revenue flow in 2007 and 'transfers from the Social Security Fund' accounted for 65 per cent of current revenue (Central Bank of Seychelles, 2008: 31). By the second quarter of 2008, revenue from taxation was already 53 per cent of the total tax revenue received in 2007 (IMF, 2008a: 31). However, expenditure of tax revenue on welfare payments, subsidies and other capital investment became unsustainable with the massive external shocks of mid-2008 due to high commodity prices. The government budget and receipts simply could not match the increases in the price of energy and food.

The IMF reform which started on 1 November 2008 is probably the beginning of the most fundamental change in Seychelles' economy and society since the opening of the international airport in 1971. One of the main aims of the reforms is the complete restructuring of the current redistributive policies (Michel, 2008a: 1). Table 5.1 outlines the immediate fiscal reforms under the IMF programme. There is also a plan for a fundamental review of Seychelles' tax system by the IMF in 2009.

In addition, subsidies for utilities, rice and transportation are expected to be eliminated. This form of indirect welfare payment has been replaced by a more direct targeting policy in the form of a welfare agency (see above). The social impacts of reform of these redistributive policies will be far ranging and will be deeply felt by a population raised on a comparatively generous welfare system. Inflation in October 2008 was already over 28 per cent (Central Bank of Seychelles, 2008) and the increased taxation is likely to increase economic hardship for the majority of the population. It is not yet clear whether revenue will increase significantly, as the contraction of purchasing power may mean a reduction in tax receipts. Should revenue from taxation rise significantly, a major political decision will be whether it is redistributed among the population or focused on the payment of external debt. The reform therefore represents the increased power and importance of capital over labour in the domestic political economy.

The policy implications of this new climate also show some promise. With a streamlined and consistent fiscal system, Seychelles is taking its first steps towards a modern liberal fiscal policy. More generally, IMF reforms and the combination of improved access to international capital, renewed investor confidence, flotation of the rupee and strong FDI activity have arguably provided the country with a rare opportunity to embrace reforms and restore full external viability. As of February 2009, the results of the reform were mixed. On one hand, all structural benchmarks were met. On the other, at a press conference at the Ministry of Finance on 13 February 2009, the head of the IMF delegation to Seychelles warned that 'real GDP growth is estimated at zero on a sharp decline in tourism earnings' and '2009 will be

Table 5.1. Timeline of fiscal policy reform

Action	Timeline
Raise and harmonise taxes on locally-produced and imported cigarettes to SRs500 per 200 cigarettes	1 October 2008
Introduce 10 per cent withholding tax on interest income for residents	1 October 2008
Extend GST to all telecom companies	1 October 2008
Announce introduction of GST of 15 per cent on residential rental income (effective 1 January 2008)	10 October 2008
Announce removal of exemption on interest income by companies (Tax Act) (effective 1 January 2009)	1 November 2008
Reintroduce GST on locally-produced soft drinks	1 November 2008
Raise GST on tourism services from 7 to 10 per cent	1 November 2008
Raise specific taxes/excise tax rates for both locally manufactured and imported alcohol to adjust for inflation	1 November 2008
Raise environmental levy to SRs25 from SRs10 per month per household	1 January 2009
Adjust fees, fines, charges and rents and royalties for inflation	1 January 2009
Reinstate GST on locally-produced goods	1 January 2009
Raise GST on tourism services from 10 to 12 per cent	1 January 2009
Repeal all provisions for discretionary exemptions in the Trades Tax and Business Tax Acts	1 January 2009

Source: Adapted from Government of Seychelles, *IMF Letter of Intent, Memorandum of Economic and Financial Policies and Technical Memorandum of Understanding*, October 2008

a challenging year as Seychelles is being hit by the deterioration in the world economy. Tourism receipts are expected to decline by 25 per cent for 2009 and GDP is projected to contract by 9.5 per cent' (Mathieu, 2009). The biggest threats to social development in Seychelles are likely to continue to emanate from dynamics in the world economy. As elsewhere, those most likely to be hardest hit by a continued downturn are the poorest and the most vulnerable.

Postscript – A New Seychelles?

As noted at the outset, the bulk of the research for this paper was undertaken between late 2007 and mid 2008. Yet as we have indicated at several points, especially in the conclusion, Seychelles' economy and society has been undergoing rapid change since late 2008 and the IMF-led adjustment programme. We were not in a position to substantially revise the work to reflect these changes, as this would have constituted an entirely new study. Nonetheless, we offer some brief reflections on key economic and social changes since 2009 in this postscript.

When this paper was first drafted nearly three and a half years ago, Seychelles was on the verge of economic meltdown. Exchange controls and piecemeal policies to tackle deep-rooted economic problems and the immediate impact of the food and fuel crises of 2008 meant that the economy was in crisis. Government social policy interventions reflected this crisis through increased spending to cushion the population from the worst manifestations of these conditions. The result was that increases in poverty and social problems appeared to remain negligible, while the public debt spiralled out of control. On a per capita basis, the Seychelles economy was probably one of the most highly indebted in the world (Prasso, 2009).

In this context, our study attempted to grasp a seemingly simple subject: what is social policy in Seychelles and how has it developed in the post-colonial era? What was apparent during the research process was how few reliable data were available, especially with regard to economic statistics. Whether the data were deliberately left vague to justify policy or whether this simply reflected a lack of capacity to collect and use them effectively is open to question. But in October 2008 everything changed. The country defaulted on a US\$230 million debt. The IMF stepped in with a two-year, US\$26 million, rescue package. The package came with conditions: the country laid off 1,800 public sector workers, floated its currency, lifted foreign exchange controls and sold off state assets (Prasso, 2009). By the end of 2008, Seychelles' external debt stock was around US\$760 million (83% of GDP), 42 per cent of which was in arrears and 62 per cent of which was owed to commercial creditors (IMF, 2011: 31).

The country was transformed overnight. Most significantly, exchange rate controls, which had epitomised the economic policy of the SPPF government, were done away with. (The SPPF was renamed the People's Party in June 2009.) When the Seychelles rupee became free floating on 3 November 2008, its value quickly fell, decreasing from SRs8 to SRs16 per US\$1. The most immediate effect of this was that the price of imports effectively doubled (Theunissen, 2008), and with it the cost of living. With IMF technical and financial support, the government began to under-

take extensive structural reforms across the public sector, including in data collection and statistical analysis as reflected in the as yet unpublished *Seychelles National Strategy for the Development of Statistics 2011–2015*, produced with the assistance of the African Development Bank. The result has been that more reliable statistics and other data have become more readily available since 2009, and government has promoted greater openness in data availability and policy documents.

6.1 Macroeconomic developments after 2008

As shown in sections 2.3 and 2.4, Seychelles managed to build a relatively successful economy, supported by a growing tourism sector and industrial tuna fisheries. But a combination of overly expansionary fiscal and monetary policies, a pegged exchange rate, and a complex system of exchange controls, state subsidies and financial restrictions contributed to a severe balance of payments and public debt crisis in the second half of 2008. The country's subsequent default on its external debt forced it to adopt a programme of structural economic reform. This was supported by the IMF, first through a US\$26 million stand-by arrangement (IMF, 2008b), and then by a US\$31 million extended fund facility (IMF, 2009a). IMF conditionalities for these loans included the removal of all exchange restrictions, flotation of the currency, liberalisation of interest rates, the introduction of a liberal monetary policy framework and a significant tightening of fiscal policy.

According to government and IMF estimates, the Seychelles economy recovered quickly and strongly from the implementation of these structural economic reforms. For example, the government met its fiscal targets in the first nine months of 2009, with a primary surplus of 13.4 per cent of GDP (IMF, 2009b). Inflation fell from over 30 per cent in 2008 to low single digits in February 2011 – 2.1 per cent based on a year-on-year average (Central Bank of Seychelles, 2011). The exchange rate stabilised and gross reserves were estimated at US\$153 million by the end of 2009 (World Bank, 2010); external debt obligations were successfully restructured (see below). The process also unveiled irregularities in the allocation of government finances, including through an audit of the accounts of the Seychelles People's Defence Force (*Indian Ocean Newsletter*, 2010a). However, prior controversial loan agreements by the Central Bank have not yet been fully opened to public scrutiny (*Indian Ocean Newsletter*, 2008a, 2009a, 2010b).

Despite setbacks in the tourism, tuna and petroleum transporting industries (*Indian Ocean Newsletter*, 2009b, 2009c, 2009d; Havice and Campling, 2009), the economy managed to weather the global economic recession of 2008/2009 relatively well. In 2010 it benefited from a rapid recovery on the back of a rebound in tourism, sizeable foreign direct investment and a widespread pick-up in the domestic economy. Real GDP growth is estimated to have reached over 6 per cent in 2010 and inflation remains low (Table 6.1), which has allowed the Central Bank to bring key policy interest rates to low levels. Despite this, commercial interest rates remain high,

leading the Governor of the Central Bank, Pierre Laporte, to make an unsuccessful appeal to the commercial banks to reduce their interest rates, which are currently between 10 and 12 per cent (*The Nation*, 2010a; *Indian Ocean Newsletter*, 2010c).

Table 6.1. Selected macroeconomic performance indicators

Indicator	2007 Actual	2008 Actual	2009 Prelim. (percentage change)	2010 Projected	2011 Projected	2012 Projected
Real GDP	9.6	-1.3	0.7	6.2	4.3	4.8
Consumer Price Index (annual average)	5.3	37.0	31.9	-2.2	2.5	3.0
(percentage of GDP)						
Overall fiscal balance	-7.9	-3.0	5.9	1.95	1.5	2.1
Current account balance	-20.8	-48.9	-36.3	-47.1	-27.3	-20.0
Public external debt	69.8	82.8	92.6	45.3	46.2	43.9

Source: IMF, 2011

With intensive IMF support, Seychelles debt restructuring was close to completion by the end of 2010. Seychelles negotiated deals ‘with most Paris Club creditors, several non-Paris Club creditors and all commercial banks’ (IMF, 2011: 8). In mid-April 2009, Paris Club creditors granted exceptional debt treatment to Seychelles under the 2003 Evian Approach, reducing the debt stock by 45 per cent in nominal terms in two tranches, with the remainder rescheduled over 18 years with a five-year grace period (Paris Club, 2009). One of the most significant validations of Seychelles’ engagement with its debt portfolio was in January 2010, when Fitch Ratings London assigned Seychelles a ‘B’ creditworthiness ranking, as a result of its ‘impressive reform programme’ (Associate Director in Fitch’s Sovereigns group as cited by Ministry of Finance, 2010). Despite these various advances in the rescheduling of debt, the country ‘will still have to bear the burden of ... debt for decades to come’ (*Indian Ocean Newsletter*, 2009a). In addition, significant concerns remain as to the rising costs of doing business in Seychelles, the perception of unfair competition between domestic firms and foreign entrants (including in the tourism and fisheries sectors), and the extent to which current physical infrastructure is sufficient for the continued expansion of the private sector (Ministry of Foreign Affairs, 2010: 124; *Regar*, 2010a; *Seychelles Weekly*, 2010). There is also domestic political concern about preferential treatment for foreign investors, including the waiving of gainful occupation permits for employees (*Indian Ocean Newsletter*, 2010d), a dynamic that seemed just as preva-

lent before the new era of economic liberalisation. Similarly, old ghosts of a very small elite of politically well-connected families and individuals dominating the economy continue to haunt the potential for reform and the political debate continues (*Indian Ocean Newsletter*, 2008b, 2010e); however, attempts at addressing the role of entrenched economic elites are ongoing.

On top of these rapid shifts in domestic economic policy, the government's economic reform programme has also intensified on the regional and international planes. This appears to be driven by the twin objectives of deepening Seychelles' integration in the world economy and, in the context of a narrow industrial and agricultural base, further moving away from attempts to achieve domestic economic development through import substitution policies. A major step towards trade liberalisation began with negotiations between the European Union and the ESA group of countries as part of the Cotonou Agreement between the ACP countries and the EU. This culminated in an interim economic partnership agreement (IEPA) being signed by Seychelles, Mauritius, Madagascar and Zimbabwe in August 2009. The IEPA committed Seychelles to eliminate tariffs on an unprecedented 97.5 per cent of its total imports from the EU (in value terms) over a ten-year period starting in 2013 (EU-ESA EPA, 2009). Seychelles has also committed to the COMESA free trade area, and it intends to join the SADC free trade area and eventually the larger 'tri-partite free trade area', which links COMESA, SADC and the East African Community, by the end of 2011.

Perhaps more significant is Seychelles' decision to reactivate its WTO accession process. The working party on the accession of Seychelles was established in July 1995 and the Memorandum on the Foreign Trade Regime was circulated in February 1996. However, various factors meant that the accession process remained dormant until May 2009, when a revised memorandum was circulated. In November 2010, the second working party met in Geneva to kick-start the process (WTO, 2011). Vice President and Minister of Finance Danny Faure told the working party that Seychelles remains 'fully engaged in the accession negotiations and committed to accelerate the process' (as cited by WTO, 2010). In this context, a new Seychelles Investment Bill was approved in late 2010 (*The Nation*, 2010b). It enshrines WTO principles of non-discrimination and national treatment across most sectors of the economy, raising fears of foreign competition among Seychellois who are engaged in previously protected economic activities (*Indian Ocean Newsletter*, 2009e, 2010f). The last three decades of economic policy in Seychelles saw a critical stance towards the potential benefits of full-scale economic liberalisation for socio-economic development. Under the conditions of the IMF loan package, the current government and its political leadership are determined to change this course and follow a set of orthodox liberal economic policies. The question remains as to the extent to which the Seychelles government can pursue this course while simultaneously maintaining its relatively high levels of social development, and offer an enabling environment for the competitive development of domestic firms. As pointed out by the Ministry of

Foreign Affairs (2010: 117), the country's industrial policy has not been revisited since 1996; this would appear to be an urgent strategic priority given radically changed domestic conditions and the ever-shifting dynamics of the world economy.

6.2 Social development after 2008

Much is made of Seychelles' laudable performance in meeting most of the Millennium Development Goals (Ministry of Finance, 2010). However, little concrete research appears to have been undertaken on the differentiated social effects of the structural economic reforms outlined above. It was inevitable that these reforms would impact on Seychelles' small society, especially on the most vulnerable, such as female-headed households – 62 per cent of persons receiving social welfare assistance in 2008 were women (Ministry of Finance, 2010: 30). By the end of the first quarter of 2009 there had been an increase in the number of people visiting social services offices seeking help with problems such as running short of money and dealing with substance abuse in their families (*The Nation*, 2009). A UNDP study undertaken in 2010 outlined a number of 'problems linked to socioeconomic difficulties in families' and their effects on the education of Seychellois youth, including a rising incidence of substance abuse (especially alcohol, cannabis and heroin), truancy due to disaffection with school and drop-outs (at least 200 students per year drop out, but comparatively few – about 10–12 – do so because of pregnancy), and poor academic performance (UNDP, 2010: 22; Ministry of Foreign Affairs, 2010: 40, 57). There has also been an increase in the incidence of reported mental health disorders (Faure, 2010). These and other social ills have been recognised by the political leadership as core issues to be addressed by the government and civil society in coming years (Faure, 2010; Michel, 2011).

Employment patterns are gradually shifting towards the private sector; a result of government lay-offs (a total of 2,500 by April 2009), privatisation and expansion of the economy (Ministry of Foreign Affairs, 2010: 116). In 2000, government and parastatals employed over 46 per cent of the total workforce; by 2009 this had been reduced to around 33 per cent (NSB, 2010). Lay-offs of public sector workers have tended to be of the low-skilled, mainly those in 'support services ... office clerks and workers on employment schemes'. Government has outsourced several of these support services to reduce costs, resulting in a potential annual saving of up to SRs28 million (Ministry of Foreign Affairs, 2010: 37). Presumably, an additional objective was to offer a new arena for private sector development. Some of this employment restructuring took place through government offering a 'voluntary departure package', which was mainly offered to more technical staff, for example, in the Ministries of Education and Health. The rest were simply laid off. These were mostly labourers, cleaners and ground staff – low-skilled and coming from the more socio-economically vulnerable groups. A number of services, such as the cleaning of schools, upkeep of grounds, provision of school meals, security and minor maintenance works on build-

ings are now contracted out. Anecdotal accounts from several headteachers suggest that the quality of newly outsourced services can be poor, with little monitoring by the Ministry of Education. The quality of materials used in building maintenance works is allegedly poor with the resulting need for repeat repairs, and while subsidised school meals are offered to 'children from vulnerable and disadvantaged families' (Ministry of Foreign Affairs, 2010: 49), their provision by the private sector has apparently resulted in them becoming smaller, with poorer 'taste' and nutritional value. This raises questions about the purported efficiency gains from outsourcing and indicates a need for public regulation of private providers. Additionally, despite tendering processes, allegations of nepotism and patronage persist in the awarding of contracts to former government employees. Downsizing at the Ministry of Health has meant that a few smaller, more remote clinics do not offer daily doctor consultation services any more. Some people now have to travel some distance to obtain this service.

By the end of 2009, 13,353 people, or nearly 16 per cent of the population, were benefiting from government aid of all types, although around half of these were in the form of retirement benefits (Ministry of Foreign Affairs, 2010: 31). Concerns have been raised about which segment of society is bearing the greatest tax burden, with some arguing that low-income earners pay a disproportionately large amount (*Regar*, 2010b). In recognition of the increased cost of living since the reforms (Michel, 2011), the government reduced income tax for all Seychellois workers in October 2010 from 18.75 to 15 per cent and plans to replace the controversial GST (see section 4.3) with a new value added tax in July 2012 (Faure, 2010). In general, the tax system appears to have become more regressive; however, President Michel announced in February 2011 that income tax would not be payable on gratuities below R10,000 (Michel, 2011), an initiative that is set to proportionately benefit those on lower incomes.

In anticipation of the potential social problems that the economic reform programme might bring, the government introduced a new Welfare Act, which was passed by the National Assembly in October 2008. Subsequently a new Social Welfare Agency responsible for implementing the new legislation began operation in November 2008, replacing the Social Security Fund. The key difference between the Social Welfare Agency and the Social Security Fund is that the former is funded directly from the government budget rather than from social security contributions (Social Welfare Agency Act, 2008). The number of people making requests for assistance from the Agency peaked in June 2009, when 3,194 requests were made (Ministry of Foreign Affairs, 2010: 31). However, statutory benefit schemes continue to be funded as specified in the Social Security Act.

In education, curriculum resource budgets for schools were considerably reduced in 2009 and 2010. Only in early 2011 were new supplies being ordered. Similar problems around the supply of imported curriculum resources were faced by teachers during the severe foreign exchange shortages of the early 2000s. The number of

vulnerable children in schools has probably grown with increased unemployment in 2009 and the higher cost of living. President Michel has allocated SRs25,000 to each school for the provision of essential materials and food (*The Nation*, 2010c; Michel, 2011). This money is administered by the headteacher and comes from the Children's Fund, established years ago by former President Albert René from a levy on the sale of certain alcoholic products. This fund has never been used in this way before and is probably insufficient to deal with the problem.

Despite the strengths and weaknesses of social policy under the economic reform programme, the government appears to remain focused on social development. The current aspiration is to double GDP by 2030, expand the number and size of domestic firms and develop niche export-oriented production for export. Simultaneously, the government hopes to achieve advances in education, women's health, gender equality and environmental health (Ministry of Finance, 2010: 124–133; UNDP, 2010). In his budget address for 2011, the Minister of Finance committed the government to 'give more resources to the social sector with the aim to increase the quality of service to the people' (Faure, 2010). To this end, he committed 52 per cent of total primary current government expenditure to the broad 'social sector'. In explicit recognition of rising living costs, he increased all social security benefits by SRs100 from January 2011, although this may not be sufficient given the very high inflationary increases of 2008–2009. He also announced the continuation of a specific fund to provide a social safety net 'to assist those who are more vulnerable in the society', but unlike in the past this is now means-tested (Faure, 2010).

Whichever party is in government (presidential elections are due in May 2011), Seychelles will continue to face complex and politically difficult decisions in balancing social development aspirations with volatile economic change. As pointed out by the World Bank in 2010, the current programme of structural economic reforms 'may result in social tensions if not managed carefully' (cited by *Indian Ocean Newsletter*, 2009f). These tensions have in part manifested themselves through a rise in economic and political nationalism and xenophobia (*Indian Ocean Newsletter*, 2010g, 2011; Michel, 2011). The work of government agencies engaged in social policy interventions could be more effectively focused through greater investment in research on the specific dynamics and processes of social development and change in Seychelles, including their relationship to the economy and the environment. The limitations on data collection and analysis have already been acknowledged as a priority area (Ministry of Finance, 2010: 134; UNDP, 2010); this should be supplemented by careful qualitative study so that social relationships in Seychelles can be better understood in all their complexity.

6.3 Summary

This short postscript clearly cannot do justice to the complex and dynamic process of socio-economic change in Seychelles since the introduction of the IMF-led structural reforms. What is certain, however, is the need for serious analytical research on social development issues in the 'new' Seychelles. It is hoped that this paper contributes to furthering this important research agenda.

Notes

- 1 The authors would like to extend their particular thanks to two anonymous peer reviewers, and to Nicola Hypher (UNRISD) and Naren Prasad (ILO) for their comments and suggestions on the entire draft of this book. For their comments on sections of the work, the authors would also like to thank individuals from the Central Bank of Seychelles, Ministry of Education, Ministry of Employment and Human Resource Development and Ministry of Health and Social Development. Liam Campling would also like to thank Michel Rosalie for his discussions and wide-ranging insights on questions of social development in Seychelles. The authors alone are responsible for the contents of this book, including any errors.
- 2 An important caveat on the scope of this paper must be made. The bulk of the research for the study was undertaken from late 2007 to mid-2008. However, in November 2008 the Seychelles government initiated substantial structural reforms in the context of a loan programme from the IMF. Despite the importance of these reforms, they were outside the remit of the study. Revisions of the paper in response to peer reviews did not involve additional research on these very important economic and social reforms and their effects on Seychelles society. This must be the subject of future research.
- 3 *The Nation*, 25 February 2003. (Data are taken from the August 2002 census.)
- 4 For general accounts of the history of Seychelles see McAteer (1991, 2000, 2008), which includes meticulous archival research. See also Scarr (2000) and, on the history of slavery, Nwulia (1981).
- 5 A perception that lasted into the mid-twentieth century among some British politicians (Scarr, 2000: 163).
- 6 The history of slavery and the associated plantation-based economy profoundly affected the structure and culture of social relations in Seychelles. The most important anthropological work undertaken on Seychelles was that by Burton Benedict in the 1960s and 1970s (Benedict, 1970, 1982, 1984), which examines these social relations in detail.
- 7 Three big exporters were in regular contact with importers in India, one of which would undertake the actual process of export, either acting as principal or as agent.
- 8 As late as 1972, Britain's policy on the decolonisation of small territories was explained to a UN Decolonisation Committee as being supportive of self-determination and independence if requested, but would not include 'impos[ing] independence on those who do not desire it' (British government official as cited by Ostheimer (1975: 67)).
- 9 He maintained that there as 'an almost complete unwillingness to make private capital investments of almost any form at home, or even in the case of the few really rich men, whether planters or traders, to hold their wealth in the Colony' (Rowe, 1959: 3). Planters held part of their wealth in overseas investments or as deposits in foreign banks, and part as credits with local merchants, but as the latter held their surplus abroad, the result was that most private capital left the colony.
- 10 This constituted £1 million from the UK government under the Colonial Development and Welfare Fund, and the rest from a combination of local loans (including government funds) and the 'hope' that an exchequer loan would be provided by the UK.
- 11 By 1957 Seychelles was importing SRs18 per capita more than it exported (Scarr, 2000: 162).
- 12 For the colonial government, 'economic development and the financial results to be obtained from it are essential *prerequisites* to any permanent increase in social services or any substantial reduction of taxation' (Colony of Seychelles, 1959: 4, emphasis added).
- 13 'To be eligible to vote a person had to be a British subject, aged 21 or over, liable to pay property or income tax, be able to write his/her name legibly (unless physically unable), resident in Seychelles for no fewer than 12 consecutive months, and resident in chosen electoral area for no fewer than three months' (MacAteer, 2008: 429, footnote 9).

- 14 A Trade Unions and Trade Disputes Ordinance was enacted in 1943, but only came into force in 1949.
- 15 In the later years of colonial rule, Seychelles was administered by the Hong Kong and Indian Ocean Department of the UK Foreign and Commonwealth Office.
- 16 As pointed out by Scarr, under proportional representation the SDP would have only received eight seats and the SPUP seven (Scarr, 2000: 183).
- 17 When Diego Garcia (part of the Chagos islands) was selected for militarisation by the UK and US governments, Seychelles and the other Indian Ocean island states 'came to have only negative strategic importance' (Houbert, 1992: 476). On the removal of the original Ilois inhabitants of the Chagos islands, see McAteer (2008: chapter 15).
- 18 The British government had decided that it would construct an airport with Ministry of Defence funds, but in return Seychelles would give up three of its outer islands to the British Indian Ocean Territory. These islands were restored to Seychelles sovereignty at independence (McAteer, 2008: 263, 273).
- 19 Benedict refers to an argument by Nash (1977), who maintained that tourism in the developing world is a form of imperialism 'that may lead to increasing dependence on foreign entrepreneurs and their clients, the tourists. In 1975 this seemed to be happening in Seychelles' (Benedict, 1982: 152).
- 20 The irony of this arrangement in light of the eventual SPUP coup d'état was neatly summarised by Scarr: 'Formally Mancham took René in, but figuratively the reverse was true for it was René who would deceive Mancham' (Scarr, 2000: 191).
- 21 The police were not armed and there was no army at this point, although Britain had promised Mancham assistance with the development of internal security, a promise that was clearly too slow in its realisation for his purposes (McAteer, 2008: 463, footnote 10).
- 22 Osheimer made the following observation about the pre-independence period under SDP leadership, a description that represents a pattern that would hold for the next 30 years and beyond: 'What was striking in Seychelles was the total politicization of virtually all affairs, public and private. Anything was possible, if you knew a minister (and a high proportion did), while for those with oppositionist views, everything was explained by the fact that the SDP must have been involved in some sinister way' (1975: 166–67). Writing in 2008, all that needs to be replaced in this statement is SDP with SPPE.
- 23 In the 1979 presidential elections René received 98 per cent of votes cast, 92 per cent in 1984, and 96 per cent in 1989. In each election he was the only candidate (St Ange and Georges, 2005: 120, 136).
- 24 Around US\$500.
- 25 On the latter, see Figure 2.7.
- 26 Data on the contribution of tourism to GDP are provided in Figure 2.2.
- 27 Of total recorded vegetable production, 83 per cent was sold; 11 per cent own consumption; 3 per cent gifts; and 3 per cent post-harvest loss. For fruit production, 76 per cent was sold; 17 per cent own consumption; 4 per cent gifts; and 3 per cent post-harvest loss. For cattle and (mainly) pigs, 84 per cent of production was sold; 6 per cent own consumption; and 10 per cent gifts (Government of Seychelles, 1980: 28, Table 2.6)
- 28 In 1978, copra plantations and estate farms spent an average of 79.8 per cent of their outgoings on labour, 5.3 per cent on transport and animal feed, and 11.6 per cent on capital items, including maintenance and improvements (Government of Seychelles, 1980: 59, Table 3.1).
- 29 This was in stark contrast to the perceived economic outlook for plantation and estate owners producing copra in the 1950s. Rowe's assessment was that the margin between the selling price and the costs of labour power and inputs 'seems to be very wide indeed: at present prices the business is extremely profitable'; thus even if international prices dropped, there was at the time, 'little fear that production would decline' (Rowe, 1959: 9). Understandably, Rowe did not predict the secular decline in non-oil commodity prices of the 1970s.

- 30 Along with the decline in copra exports, Seychelles' share of the world's 18 principal markets for cinnamon dropped from 5.6 per cent in 1975 to only 1.7 per cent in 1978.
- 31 Air Seychelles operated its first weekly flight (Seychelles-Frankfurt-London) in October 1983 (René, 1983: 2, 21–22).
- 32 All government-owned hotels were merged under Seychelles Hotels Limited in 1985 (René, 1985: 2).
- 33 However, British Airways did axe its flight from Johannesburg to Tokyo, thus depriving Seychelles of an effective connection to East Asia. This was of particular importance for tourist inflows from Japan, which had been registering an increase. René described this event as 'a severe blow' (René, 1986: 3). This is one example of many of how the vagaries of the global tourism industry can disproportionately affect a small state such as Seychelles.
- 34 It never achieved this objective (Driesen, 1995: 9).
- 35 Notably, because of improvements in the economy in 1984, the government provided salary increases to its employees, gradated in favour of lower salary bands (René, 1984: 3).
- 36 NAIL was set up in 1981 and 'aimed at total integration of agricultural production, processing and marketing so that farming is taken up more intensely as an exploitative and remunerative venture rather than as a mere subsistence proposition' (René, 1982: 31).
- 37 For example, in the mid-1980s, declines in world prices temporarily made the Atlantic 'a cheaper and more attractive fishing ground for European based operators and resulted in Seychelles' revenue from licence fees falling short of estimates' (EIU, 1987a: 44)
- 38 The station reportedly played a role in the Reagan administration's Star Wars missile defence programme and René 'drove a hard bargain to get the rental increased from the previous \$2.5 million a year' prior to the renewal of the lease by end-1985 (EIU, 1986: 33).
- 39 Full and reliable financial results for parastatals were generally not made available, although a Central Bank survey reported that parastatal losses after tax had fallen from SRs16 million in 1982 to SRs11 million in 1983 (EIU, 1986: 49).
- 40 This perspective was regularly highlighted by René in his annual budget addresses. For example, in his 1983 address he maintained that: 'State initiative, direction and control are necessary in many areas but the private enterprise contribution to reshaping the economy is also vital' (René, 1982: 42).
- 41 For example, René made this clear in his budget address for 1984: 'Hand in hand with a sustained import substitution programme we need to promote our export capability to the fullest extent so that our exports of agricultural and fishery products will become an important, as well as permanent source of foreign income' (René, 1983: 2).
- 42 Domestic power needs are met entirely with imported petroleum. In 1984, petroleum totalled nearly 10 per cent of net imports (30 per cent before re-exports were factored in) (EIU, 1986: 37).
- 43 It was legally established through the Seychelles Marketing Board Act, 1984 (Act No. 8, 1984). Gabbay and Ghosh (1992) provide a book-length study of the SMB. However, the value of this self-proclaimed 'independent academic assessment' is questionable as it provides a fawning account of the merits of the SPPF government and the SMB, and offers only a very limited degree of critical analysis. At the same time, the highly critical report by the Seychelles Chamber of Commerce and Industry, unsurprisingly, assesses the SMB primarily from the perspective of private sector interests, including flawed neoclassical assumptions of a possible 'level playing field' if the private sector were permitted free rein (SCCI, 2000).
- 44 Note that high inflation in the early 1980s was contained primarily because of a 15 per cent revaluation of the Seychelles rupee in March 1981, a freeze on public sector wages, recessionary trends in the private sector, controls on the mark-up of imported foods, and slight growth in credit and money supply (EIU, 1983: 43).
- 45 All vegetables and fruits were to be sold only to the SMB 'in order to ensure that the planter gets a decent return for his [sic] efforts' (René, 1985: 49).

- 46 While there have been reports of irregularities during the election process, these have not been reported as being of determining significance (Commonwealth Secretariat, 1993, 1998). However, the role of patronage in the lead-up to elections – not least through the allocation of state resources and SPPF influence over the state-run daily newspaper, radio stations and TV station – was consistently an area of concern that was outside of the remit of external election observers.
- 47 Until he stepped down he was second only to Queen Elizabeth II as the longest reigning Head of State in the Commonwealth and was the second longest in sub-Saharan Africa, behind the infamous dictator of Togo, President Gnassingbé Eyadéma (Erwood, 2004).
- 48 The SNP was certainly correct to state that the majority (but not all) of the public service was not ‘an independent body’ under the SPPF (SNP, 2001: 11), although the extent to which Seychelles (or any country) has a truly ‘independent’ civil service is open to question.
- 49 In addition, by the early 2000s there were hints of racially framed political activism by minority elements in society, particularly against the minority ethnic Indian population. Despite this, the government, opposition and society in general had managed to maintain a relative degree of racial harmony in an ethnically highly diverse country (Erwood, 2004).
- 50 For example, in his 1986 budget address, René stated that the failure to meet NDP targets was ‘mainly due to difficulties in mobilising funds’ (René, 1985: 10).
- 51 In 1998 total ODA was US\$24 million, but this declined to US\$14 million in 2001 (Sparks, 2007: 1032).
- 52 Real GDP growth was at an annual average of 4.4 per cent in 1995–2002, but it slowed to only 1 per cent in 2002, and suffered a 7.2 per cent and 2 per cent decline in 2003 and 2004 respectively (Sparks, 2007: 1029).
- 53 Personal communications, Seychelles, August 2003.
- 54 Revenue from access agreements with foreign tuna fleets had continued unabated from the early 1980s. For example, an agreement with the EU assured the government of an annual rent from the fishery of US\$5.13 million during the period 2005–2011 (Sparks, 2007: 1030).
- 55 Interview, Seychelles, October 2002; see also Driesen (1995).
- 56 Interviews, Victoria, Seychelles, September 2002–March 2003.
- 57 In a testament to ‘juridical resourcefulness’ (Baldacchino, 2007) of a dubious bent, the government had also passed an Economic Development Act, which assured investors of a minimum US\$10 million immunity from extradition or seizure of assets. It was repealed in 2000 under significant pressure from the Financial Action Task Force. In addition, by 1997, an economic citizenship programme had provided Seychelles passports to 243 foreign nationals in exchange for US\$25,000 (Murison, 2007).
- 58 The exchange rate for the Seychelles rupee was pegged by the government to an official basket of currencies, a ratio that had moved progressively in favour of the US dollar (IMF, 2000), but by 2007 the exchange rate – Seychelles Trade and Tourism Weighted Basket (STTWB) – had moved to the Euro at the following ratios: Euro (59.1%), UK sterling (30.2%) and the US dollar (10.7%) (Central Bank of Seychelles, 2008: 44).
- 59 The artificial exchange rate and the entrenched parallel market in rupees made it very difficult to accurately estimate the economic realities of domestic indicators that are based on the local currency. For example, according to the Central Bank: ‘a large amount of imported items continue to be financed outside the domestic financial system, implying an under reporting of foreign earnings by the country as measured by banking sector data’ (Central Bank of Seychelles, 2007: 38).
- 60 Thanks to a peer reviewer for emphasising this important point.
- 61 This includes investments by the Banyan Tree Group (based in Singapore), Beachcomber (Mauritius) and the Hilton Group (USA), which added to the existing multinational hotels run by the Shangri-La group, Le Meridien, the Four Seasons and Lemuria (Sparks, 2007: 1029; for details on investments in 2007 and those proposed for 2008, see Central Bank of

- Seychelles, 2008: 62). Note that the growth in FDI in 1995 shown in Figure 2.9 is accounted for by the investment accompanying the creation of the IOT.
- 62 While the development of tourism in most small developing economies relies on an increase in imports, top-end tourists require higher quality products which simply cannot be supplied by the local market, thus eating into valuable foreign exchange earnings and reducing potential knock-on effects for the local productive, retail and service sectors.
 - 63 Seychelles Tourism Board inspections resulted in negative reports on 13 per cent of hotels, leading to the creation of STB national harmonised standards which were put into place in 2008 (Central Bank of Seychelles, 2008: 74).
 - 64 In 1958 Colonial Development Welfare Funds had been used to construct a teacher training college. It was expected that the funds would also meet the recurrent costs of its operation until 1961 (Colony of Seychelles, 1959: 30).
 - 65 His report was published by an active Catholic association of the time, L'Union Chrétienne Seychelloise.
 - 66 Thanks to a peer reviewer for this point.
 - 67 The abuse of alcohol has been a problem in Seychelles for decades. In the late 1970s, per capita alcohol consumption in Seychelles was the third or fourth highest in the world (Franda, 1982: 45).
 - 68 This consisted of 1,700 on the established staff of the civil service (excluding the police and prisons departments), 2,200 employed as unestablished workers (labourers, skilled tradespersons, etc.), 1,200 employed by the Public Works Department and 500 employed by the Department of Agriculture (Colony of Seychelles, 1970: 2)
 - 69 In order to illustrate the lack of employment opportunities outside government and the plantations and estates, it is worth noting that in 1968 only around 1,500 men and 600 women were employed in other areas of the private sector, which included 200 small retailers employing one or two persons each. Almost 50 per cent of the men were employed in the construction of the Rochon Dam (to provide water supply for Victoria). Another 100 were employed in servicing the USAF Satellite Tracking Station and 50 as part of the catering sub-contract to the station. The Seychelles Development Corporation employed 90 in 1967 and 160 in mid-1968. The Seychelles Tac Co. Ltd employed an average of 185 in 1967/68 (50% were women), and the Union Lighterage Co. Ltd (providing vessel services at Port Victoria) had 140 permanent personnel; in addition, 300 temporary workers were on hand as stevedores when ships arrived (Colony of Seychelles, 1970: 2).
 - 70 The following is adapted from *Education for a Learning Society*, the ministry's policy in 2008.
 - 71 Amounts paid depended on the size of the family and the financial circumstances of the patient (Colony of Seychelles, 1969: 4). There was a wide spread of payments (from SRs5 to SRs60 per month), although just over 45 per cent were in the range SRs20–25 per month and 30 per cent were between SRs40 and SRs60 per month (Colony of Seychelles, 1969: 13, Appendix III).
 - 72 The National Provident Fund, which ceased to collect contributions in 1979, nevertheless kept on paying the full range of benefits until 2007, when all the outstanding benefits were transferred to the Seychelles Pension Fund administered by the Ministry of Labour and Social Security. What remained of the National Provident Fund was administered by the Director of the Social Security Fund.
 - 73 Contributions were set at 10 per cent on the first SRs1,000, 20 per cent on the second SRs1,000, 35 per cent on the next SRs8,000 and 40 per cent on wage bills in excess of SRs10,000 (Social Security Administration, 1995: 294–295).
 - 74 The low participation in the URS compared to previous years is because of the abolition of the Beautification Scheme. Young URS participants were moved to the YTS and a large number were moved to the Home Carer Scheme. The URS now only covers those seeking permanent employment.

- 75 In addition, the Compliance Department (which used to be the revenue collecting arm of the SSF) was merged with the Taxation Division to form the independent Seychelles Revenue Authority. The Social Assistance wing was also transferred to the Ministry of Health and Social Development.
- 76 Seychelles left SADC in 2005 (see Campling, 2005), only to rejoin in 2007.

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