



1. Operation Information

Operation ID P174198	Operation Name Seychelles COVID-19 Emergency DPF
Country Seychelles	Practice Area (Lead) Macroeconomics, Trade and Investment

Non-Programmatic DPF

L/C/TF Number(s) IBRD-91490	Closing Date (Original) 30-Jun-2021	Total Financing (USD) 15,000,000.00
Bank Approval Date 25-Jun-2020	Closing Date (Actual) 30-Jun-2021	
	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	15,000,000.00	0.00
Revised Commitment	15,000,000.00	0.00
Actual	15,000,000.00	0.00

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2. Program Objectives and Pillars/Policy Areas

a. Objectives

The Program Development Objective (PDO) is to support the Republic of Seychelles in its response and recovery from the Coronavirus (COVID-19) crisis by (1) enhancing response mechanisms in health, social protection and private sector; and (2) supporting sustainable post-crisis recovery through strengthened



financial systems and climate resilience (Program Document (PD), p. 19). For the purpose of this ICRR, the objectives of the operation (against which outcomes will be assessed) are taken to be the following:

Objective 1: To aid the recovery from COVID-19 through enhanced response mechanisms in health, social protection and private sector.

Objective 2: To support sustainable post-crisis recovery through strengthened financial systems and climate resilience.

b. Pillars/Policy Areas

The program had two policy areas/pillars:

1. Pillar 1: Protecting Lives and Livelihood (consisting of PAs 1-4); and
2. Pillar 2: Protecting the Future (consisting of PAs 5-6).

The policy areas corresponded to the objectives above (PD, p. 19), with the following prior actions under each objective (PD, p. 28):

Objective 1 (to aid the recovery from COVID-19) had the following PAs (under Pillar 1):

- PA1: The Borrower, through its Cabinet of Ministers, has approved the Seychelles Response Plan to Covid-19 as laid out in Cabinet Memorandum C20/MEM/066, which defines the strategy for the immediate response to the first wave of COVID-19 and lays the foundation for subsequent reopening and testing strategies, and took adequate measures to prevent imported cases.
- PA2: The Borrower through its National Assembly and Cabinet of Ministers approved measures to support vulnerable households affected by COVID-19 through: (i) increase in allocation to social protection; and (ii) increase in the one-off assistance paid under the Social Welfare Assistance (SWA) benefit.
- PA3: The Borrower through its National Assembly approved: (i) guarantee salaries to all employees in companies affected by the COVID-19 pandemic for three months and (ii) postponement of taxes until September 2020 (Corporate Social Responsibility, Tourism Marketing Tax, Business Tax and taxes on Non-Monetary Benefits Income).and
- PA4: The Borrower, through its Cabinet of Ministers, approved the Central Bank Act, 2020 (Amendment) and the Financial Institutions Act (Amendment), 2020, to allow the Central Bank to support the economy during the economic crisis created by the COVID-19 pandemic.

Objective 2 (to support sustainable post-crisis recovery) had the following two PAs (under Pillar 2):

- PA5: The Borrower through its National Assembly approved new anti-money laundering and combating the financing of terrorism anti-money laundering/combating the financing of terrorism (AML/CFT) Act 2020 and Beneficial Ownership (BO) Act 2020 to strengthen the domestic financial sector and to establish and maintain an up to date register of beneficial owners.
- PA6: The Borrower through its Cabinet of Ministers approved the first Climate Change Policy and, through it, the establishment of the National Climate Change Council. This was designed to facilitate a coordinated, coherent, proactive and effective response to the local, regional and global challenges



and opportunities presented by climate change, and to reduce Seychelles' vulnerability to climate change impacts.

c. Comments on Program Cost, Financing and Dates

The operation was approved on May 1, 2020. It became effective on June 1, 2020, and closed a year later on June 30, 2021, as planned. The operation was part of the World Bank's COVID-19 support package that took place in tandem with the International Monetary Fund's (IMF) Rapid Financing Instrument. There was no discrepancy between approved and disbursed amounts.

3. Relevance of Design

a. Relevance of Objectives

The objectives were highly relevant for the following reasons: (1) they aimed to support government's efforts to mitigate the immediate social and economic fallout from the COVID-19 pandemic, by supporting actions that provided financial relief to affected households and firms. (2) The operation also sought to put in place measures to facilitate recovery and build buffers to future shocks, including through structural reforms to improve the transparency and accountability in the financial system and implementation of policies to address climate change. The objectives were aligned with the Government's emergency response measures, as well as the Government's broader reform program.

Country Situation and Crisis Response: The operation was developed in response to the Government's urgent request for financing to address the impacts of the COVID-19 pandemic. At project appraisal, Seychelles' economy was severely impacted by the COVID-19 pandemic. Due to Seychelles' strong reliance on international tourism, the COVID-19 pandemic was anticipated to have a significant impact on the economy. Many countries had closed their borders, including Seychelles, resulting in a lockdown that was expected to cause a significant decline in the tourist sector, which was a vital component of Seychelles' domestic economy. This downturn was also expected to disproportionately impact vulnerable households and cause them to fall into poverty. The Government, therefore, requested emergency support from the IMF, the World Bank and other partners in order to temper the economic impact of COVID-19 and prevent the country from slipping into a macroeconomic and social crisis. Through the financing, the Government sought to address the corresponding loss of livelihood and subsequent increase in poverty. In addition, the Government sought to support its broader social and economic vision of a sustainable and inclusive future as outlined in its National Development Strategy 2019-2023, such as focusing on reforms designed to promote transparency in the domestic financial sector, and reforms to tackle the challenges posed by climate change.

Alignment with WBG Africa Strategy and Country Partnership Framework (CPF) for FY18-FY23: The DPF was in alignment with the CPF which acknowledged that Seychelles' geographic isolation increased costs and limited opportunities, thus weakening its capacity to absorb shocks (PID, p.3). The DPF addressed two areas of reform that were identified as high-priorities in the CPF: (1) reforming the institutional framework, legislation, and policies to improve sustainable and inclusive economic growth; and (2) implement reforms in climate change mitigation. Climate change reforms were part of an ongoing dialogue between the Government and the World Bank. Specifically, policy measures included in PA2, PA3, PA4, and PA6 contributed to CPF focus area 1 (Growth for Shared Prosperity) while PA5 contributed to CPF focus area 2 (Fostering Inclusion and Public Sector Performance). In addition, the operation contributed to the implementation of the WBG



Africa Strategy by promoting reforms that reduced the social and economic impact of shocks in the most vulnerable populations from the disruption created by COVID-19 and maintained the viability of the productive and financial sectors (PID, p. 3).

b. Relevance of Prior Actions

Rationale

The operation consisted of two objectives:

- **Objective 1** was designed to support an economic recovery from the COVID-19 pandemic through increasing the capacity of the health care system, provide income to poor and vulnerable households, protect jobs, and provide financial assistance to affected businesses. The objective consisted of 4 prior actions (PAs): PA1, PA2, PA3 and PA4. These PAs aimed to prepare the country for the reactivation of economic activities, while supporting the most vulnerable households, and providing immediate liquidity needs to businesses and the financial sector to reduce employment and output losses.
- **Objective 2** was designed to build longer-term resilience to future shocks by strengthening (i) financial systems, and (ii) climate resilience. Objective 2 comprised two PAs: PA5 and PA6. These sought to address medium to long-term development objectives, notably by improving transparency in the financial sector by creating a beneficial ownership registry (PA5) and approving a climate change policy that establishes a framework to mainstream climate change into sectoral planning (PA6).

Objective 1 (aiding the recovery from COVID-19) was supported by the following PAs:

Prior Action #1 (PA1). PA1 comprised of the Seychelles Response Plan for COVID-19, which defined Seychelles' strategy for the immediate response to the first wave of COVID-19. The Plan included a Covid-19 testing strategy to ensure that all new arrivals in Seychelles were properly screened and tested (requiring a negative test 48 hours or less before entering the territory for all passengers). borders. The Plan was prepared by the Department of Health in collaboration with the World Health Organization and other stakeholders such as the Integrated Disease Surveillance and Response committee. Seychelles had limited capacity to respond to infectious diseases during the initial outbreak of COVID-19, making the adoption of a Response Plan for COVID-19 crucial to respond to the pandemic emergency.

Before the approval of PA1, the World Health Organization in a 2018 evaluation had found weak institutional capabilities in dealing with health crises in Seychelles, with the country receiving a score of 1 or 2 out of 5 on 24 indicators out of 48 sub-technical fields. (PD, p. 20). The report emphasized that Seychelles needed to formalize existing procedures and document existing processes, as well as strengthen its institutional capacities to adequately address public health emergencies. Seychelles was ill-prepared in terms of antimicrobial resistance and its capacity to prevent zoonotic diseases like COVID-19, and the country had weak emergency preparedness response planning, which made it less able to rapidly respond to and control the spread of an epidemic (Rapid Response). PA1 was crucial in articulating a testing strategy for addressing COVID-19.

In this context, PA1 played a critical role in articulating a testing strategy for COVID-19. The plan was critical to the Government's overall approach to contain the COVID-19 and to reopen the economy. **(PA1=MS)**.



Prior Action #2 (PA2) approved a set of measures to support vulnerable COVID-affected households through both an increase in the social protection allocation and a one-time payment of social welfare assistance.

Prior to the COVID-19 pandemic, Seychelles had a well-established social protection policy in place, with the Social Welfare Assistance (SWA) benefit serving as a major component of the policy. The Agency for Social Protection (ASP) had also instituted a mechanism since 2017 to screen and potentially match SWA applicants with available jobs. The Unemployment Relief Scheme was available for those who could not be matched with jobs. The welfare assistance schemes were means-tested, with the imputed expenditures for a household of a particular composition subtracted from total household income (PD, p. 21).

As part of PA2, the Seychelles Government increased the budgets for the SWA and Unemployment Relief Scheme in response to the temporary shutdown of the tourism industry and the potential risk of high unemployment. The SWA budget increased by 62 percent (from an originally budgeted Rs. 47.772 million to Rs. 77.772 million) and the Unemployment Relief Scheme received double its previous allocation (of Rs. 10 million). The budget for both Schemes was increased to provide coverage to informal workers and to cover the increased potential demand from those who were facing needs. The PD notes that approximately 16 percent of the total labor force in Seychelles is employed in the informal sector. (PD, p. 8). Furthermore, informality is particularly high in agriculture and fisheries, as well as in manufacturing and construction.

While there were no changes in the criteria to benefit from the schemes, since household income had fallen, existing beneficiaries would receive an increase in the size of the benefit and the number of households receiving a benefit. **(PA2=S)**

Prior Action #3. The Borrower through its National Assembly approved: (i) guarantee salaries to all employees in companies affected by the COVID-19 pandemic for three months and (ii) postponement of taxes until September 2020 (Corporate Social Responsibility, Tourism Marketing Tax, Business Tax and taxes on Non-Monetary Benefits Income). These measures were approved in the supplemental budget as part of the Government's COVID-19 response package, and in the form of a Financial Assistance for Job Retention (FA4JR) scheme. The FA4JR was intended to last from April to June 2020.

The action aimed to support the Seychelles Government in managing the economic impact of COVID-19 by guaranteeing salaries for formal private sector employees and reducing tax burdens for businesses. The closure of local economic activities and the decrease in international tourism due to the pandemic affected the private sector and the workforce. The measures implemented sought to mitigate these effects and allow productive sectors to maintain their viability. The tourism sector directly accounted for 58 percent, 27 percent, and 12 percent of tourism marketing tax, corporate social responsibility tax, and businesses tax, respectively. (PD, p. 22). The postponement of taxes was expected to provide temporary relief to affected businesses. **(PA3=S)**

Prior Action #4 (PA4) sought to contribute to the ability for the financial sector to provide relief during the COVID-19 crisis. The Borrower through its Cabinet of Ministers approved: (1) the Central Bank Act (CBS Act), 2020 (Amendment), and (2) the Financial Institutions Act (Amendment), 2020). The aim of the legislative amendments was to help establish an enabling legal environment to create and administer relief for MSMEs (Micro, Small and Medium Enterprises), and thus mitigate the liquidity challenges they faced due to the COVID-19 pandemic. In the short-term, many MSMEs faced liquidity constraints even if their business model had been viable over the medium-to-longer term. The PD notes that MSMEs play a critical role in the Seychellois economy and faced challenges in obtaining credit. This challenge was expected to be exacerbated as the crisis



triggered by the pandemic was expected to cause a reduction in income for households and MSMEs and lead to liquidity constraints, as well as a rapid rise of non-performing loans in the financial sector.

As part of PA4, the Government amended the CBS Act 2004 to permit the Central Bank, in the event of a force majeure, to make loans, advances and rediscounts to banks and other financial institutions in Seychelles for periods not exceeding 3 years (increased from 18 months in the original law) and to purchase or acquire treasury bills and other securities guaranteed by the Government. financial system). Because of the amendment to the Act the Central Bank was able to create and monitor the implementation of the Private Sector Relief Scheme of SCR 500 million for MSMEs. (All of the 500 million was designated for MSMEs who had to apply to access the scheme through designated commercial banks, the Development Bank of Seychelles or the Seychelles Credit Union.) Without the amendment, the Central Bank would not have been able to intervene in this way because the CBS Act of 2004 did not have a provision for the Central Bank to intervene in the economy by providing financial assistance in times of crisis. The amendments to the Financial Institutions Act, on the other hand, included changes to the definition of financial institutions (to include the Development Bank of Seychelles and the Seychelles Credit Union), and to enable these institutions along with seven commercial banks to administer the private sector relief scheme to MSME as well as large enterprises. The Government wanted to use the latter two banks as vehicles for the distribution of the funds, in addition to the commercial banks. The relief scheme was intended to assist eligible MSMEs to meet critical expenditures.

The policy actions under PA4 are rated Satisfactory. **(PA4=S)**

Objective 2 (supporting sustainable post-crisis recovery) was supported by the following two PAs:

Prior Action #5 (PA5). The Borrower through its National Assembly approved new AML/CFT Act 2020 and Beneficial Ownership (BO) Act 2020 to promote transparency and better align the country's legal framework with international standards. Prior to policy action in this area, the Seychelles offshore financial sector and broader financial industry fell short in complying with global transparency standards and AML regulations. This also resulted in a curtailment in correspondent banking relationships in response to de-risking by US and European banks. (PD, p. 25). The European Union added Seychelles to the list of non-cooperative jurisdictions for tax purposes in February 2020, and France blacklisted the territory for insufficient provision of information on offshore entities (PD, p. 25).

The new AML legislation - enacted as part of PA5 - included measures to strengthen entity transparency. The BO Act sought to provide for identification and verification of beneficial ownership of legal persons and legal arrangements and to establish and maintain an up-to-date register of beneficial owners. A National AML/CFT Committee was also appointed to improve coordination among relevant agencies and implement the recommendations of the 2018 Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) mutual evaluation report. Results were measured by the percentage of legal entities that had submitted verifiable ownership information to the database maintained by the Financial Intelligence Unit (FIU). The relevance of PA5 is assessed as Satisfactory. **(PA5=S)**

Prior Action #6 (PA6). The Borrower through its Cabinet of Ministers approved the new Climate Change Policy to reduce Seychelles' vulnerability to climate change impacts. Seychelles is vulnerable to climate change. About 90 percent of its total population is clustered in the shoreline of the inner islands of Mahé, Praslin and La Digue. Seychelles faces frequent coastal flooding and erosion, extreme rainfall and drought events. Climate change is expected to make these hazards more frequent and more intense. Specifically, sea-level rise and



climate change induced changes in rainfall patterns may cause increased levels of damage to housing, infrastructure and agriculture

The adoption of the national Climate Change Policy under PA6 is a step towards addressing the local, regional, and global challenges presented by climate change. The policy establishes the National Climate Change Council, to coordinate climate change objectives across government sectors and to mainstream climate change considerations into sectoral plans and policies. Such a framework was previously lacking, and its implementation is expected to improve the coordination and implementation of cross-sectoral goals for climate change adaptation and mitigation. The policy builds upon existing legislation and international commitments, including the UNFCCC and the Paris Agreement. The climate change policy included measures to "adapt, build resilience and minimize vulnerability to the impacts of Climate Change," but it does not clarify what those measures are and how they contribute to mitigating the risks from climate change.

While the policy establishes the National Climate Change Council to coordinate climate change objectives across government sectors and mainstream climate change considerations into sectoral plans and policies, the PA is rated moderately satisfactory, as more concrete actions would be needed to prevent or mitigate the impacts of climate change. **(PA6=MS)**

Rating

Satisfactory

4. Relevance of Results Indicators

Rationale

Objective 1 (to aid recovery from COVID-19) had 5 RIs, with RI1 associated with PA1, RI2 associated with PA2, and RI3 and RI4 associated with PA3 respectively. RI5 was linked to PA4.

Objective 2 (to support sustainable post-crisis recovery through strengthened financial systems and climate resilience.) had two RIs, with RI6 and RI7 associated with PA5 and PA6 respectively.

Table 1: Results Indicators and actual achievements

Results Indicator Name	Associated PA	RI Relevance	Baseline (2019)	Target (2020)	Actual (June 2021)	Actual % of targeted change	RI Achievement
Objective 1: To Aid Recovery from COVID-19 through enhanced response mechanisms in health, social protection and private sector.							
RI1: Percentage of international arrivals having been tested for	PA1	S	0%	95%	100%	Target exceeded (105%)	High



COVID-19 in accordance with the Department of Health protocol.							
RI2: Percentage increase in households receiving social protection or social welfare support to alleviate COVID-19 impacts.	PA2	S	0%	20%	42%	Target Exceeded (110%)	High
RI3: Number of workers in the private sector having benefited from salary guarantee with the objective to reduce job and income losses	PA3	MS	0	25,000	11,416	Partially met (45.6%)	Modest
RI4: Percentage of firms benefiting from postponement of taxes	PA3	S	0%	90%	36.9%	Partially met (41%)	Substantial
RI5: Percentage uptake of the credit line facility under the scheme to help MSMEs impacted by COVID-19	PA4	S	0%	80%	22.40%	Partially met (28%)	Modest
Objective 2: To support sustainable post-crisis recovery through strengthened financial systems and climate resilience.							
RI6: Percentage of legal entities that have	PA5	S	0%	80%	90.00%	Target exceeded (113%)	High



submitted verifiable ownership information on the database held by FIU							
RI7: Number of government sectors guided on the mainstreaming of climate change in sectoral policies through NCCC	PA6	U	0	10	3	Partially met (30%)	Negligible

RI1 was linked with PA1 which consisted of the Seychelles Response Plan for COVID-19 and focused on ensuring that international arrivals were tested for COVID-19. Accordingly, the RI measured the percentage of international arrivals tested for COVID-19 in accordance with the Department of Health Protocol. As stated, the Seychelles Response Plan to COVID-19 included strong testing guidelines to ensure that all new arrivals in Seychelles were properly screened and tested. The guidelines mandated a negative test 48 hours or less prior to entry. Furthermore, all visitors were required to have a valid Health Travel Authorization (HTA) for entry into Seychelles. From June 1, 2020, the Seychelles international airport resumed operations only for private and charter flights carrying tourists with a negative COVID-19 test results taken within 48 hours from the time of boarding. Additionally, travelers were required to provide proof of their accommodation at an approved establishment and were obliged to stay in their hotel/guesthouse for the first 14 days of their stay. R1 used clear data sources and was reasonably measurable. **RI1 is rated Satisfactory. (RI1=S).**

RI2 was linked with PA2 which sought to increase funding for social protection and provide SWA benefits to assist vulnerable households affected by the pandemic. The RI measured the percentage increase in households receiving social protection or social welfare support to mitigate the impact of the pandemic, which was a reasonable measure for capturing the PA's impact. . The indicator was reasonable and measurable. **RI2 is rated Satisfactory. (RI2= S).**

RI3 was linked to PA3, which aimed to provide salary guarantees to employees in companies affected by the COVID-19 pandemic for a period of three months. The RI measured the number of workers in the private sector who benefited from this scheme to mitigate job and income losses. Initially, the scheme (FA4JR) covered both national and foreign workers, with a budget allocation of SCR 1,090,531,200.

However, in July 2020, the eligibility criteria for the salary guarantee scheme were revised. Under the new criteria, only Seychellois and permanent resident employees were covered, and funding was directed only to businesses severely impacted by the pandemic. This adjustment was made to contain the intervention's cost on the budget, given the prolonged duration of the pandemic beyond the initial three months.

Although the eligibility criteria were revised, RI3 was not redesigned to reflect these changes. The baselines and targets for the indicator remained unchanged. As a result, the indicator's design did not fully



align with the revised eligibility criteria and the intended focus on supporting only Seychellois and permanent resident employees in severely affected businesses (rather than also foreign workers). **RI3 is assessed as Moderately Satisfactory. (RI3=MS).**

RI4 was linked with PA3, which supported the postponement of taxes until September 2020. The Results Indicator measured the percentage of firms benefiting from postponement of taxes to mitigate the impact of COVID-19. Businesses that faced financial difficulty to meet the deadline to file their 2019 taxes were able to request deferred payment for certain taxes (which initially was planned to include Business Tax, Corporate Social Responsibility Tax, Tourism Marketing Tax and Non-Monetary Benefits Tax. This measure was implemented from April 2020 to September 2020. RI4 adequately captured the impact of PA4 which granted firms an extension to file. **RI4 is rated Satisfactory. (RI4=S).**

RI5 was linked with PA4, which supported legislative amendments to help establish an enabling legal environment for the provision of relief to MSMEs during the COVID-19 pandemic. (As stated, the CBS introduced the private-sector relief credit line facility to be administered by commercial banks and other financial institutions to provide working capital support to businesses impacted by the COVID-19 pandemic. The CBS launched the facility dedicated to MSMEs in March 2020 for businesses with sales turnover not exceeding SCR 25 million, at an interest rate of 1.5 percent) The result indicator specifically measured the percentage uptake (that is, how much of the SCR 500 million made available for affected individuals and businesses falling in the MSME category was disbursed) of the credit line facility under the Private Sector Relief Scheme to help MSMEs impacted by COVID-19.

While there was a gradual increase in applications for the credit line facility over time, there was a significant increase in applications after the termination of the FA4JR scheme, suggesting that MSMEs were relying more on the FA4JR scheme than the private sector relief scheme. This could be due to the substitutability between the two schemes, meaning that firms utilizing one scheme were less likely to take advantage of the other. Taking this into account, The relevance of **RI5 is rated Satisfactory. (RI5=S).**

RI6 was linked with PA5, which approved the new AML/CFT Act 2020 and Beneficial Ownership (BO) Act 2020 to promote transparency and better align the country's legal framework with international standards. The RI measured the percentage of legal entities that have submitted verifiable ownership information on the database held by Financial Intelligence Unit (FIU). The international standards require jurisdictions to maintain beneficial ownership (BO) information. BO information can be made available upon request to competent authorities for law enforcement purposes. This type of information is crucial for detecting and investigating various crimes such as corruption, as well as tracing and confiscating crime proceeds.

RI6 was an appropriate results indicator for measuring the success of reforms under PA5. This indicator was relevant for measuring both beneficial ownership (BO) and anti-money laundering (AML) efforts because BO transparency plays a crucial role in the effectiveness of Seychelles' AML system. By having transparent beneficial ownership information, authorities can more effectively prevent, detect, prosecute, and sanction financial crimes such as money laundering and terrorist financing. **Therefore, RI6 is assessed as Satisfactory. (RI6=S).**

RI7 was linked to PA6, which aimed to reduce Seychelles' vulnerability to climate change impacts through the approval of a new Climate Change Policy. The indicator measured the extent to which government "sectors" (i.e., Ministries) were "guided" by the National Climate Change Council (NCCC) in integrating climate change considerations into their respective areas of responsibility. The concept of "guided" was later clarified by the Task Team Leader (TTL) to mean receiving support, advice, or instructions from the



NCCC on incorporating climate change considerations. However, the lack of a precise definition for "guided" makes it challenging to accurately assess the actual impact or level of guidance achieved. Without clear criteria or specific actions associated with the guidance, it becomes difficult to evaluate the effectiveness of the NCCC's support provided to the government Ministries.

Furthermore, RI7 failed to align with the primary objective of PA6, which was to mitigate climate change risks. Instead of measuring concrete climate change mitigation or adaptation actions, RI7 focused on measuring the level of guidance received by the government sectors. This approach did not adequately capture the intended impact of PA6.

Considering these factors, RI7 is deemed unsatisfactory due to its ambiguous definition and its misalignment with the objective of mitigating climate change risks. Alternative indicators that directly measure tangible climate change mitigation or adaptation actions would have been more appropriate for assessing the progress of PA6. **(RI7=U)**

Rating

Moderately Satisfactory

5. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

To aid the recovery from COVID-19 through enhanced response mechanisms in health, social protection and private sector

Rationale

Enhanced Response Mechanisms in Health: This objective was supported by PA1 designed to improve the financial allocation of resources to the health sector. As stated, under PA1, the Government devised the Seychelles Response Plan to COVID-19 in order to deal with the first wave of COVID-19 and developed appropriate testing strategies and emergency action. The RI mapped to PA1 measured the percentage of international arrivals tested for COVID-19 in accordance with the Department of Health protocol. This target was exceeded, with 100 percent of international arrivals produced a negative COVID-19 test before entering Seychelles, against 95 percent targeted. Thus, the achievement of RI1 is rated high.

Enhanced response mechanisms in social protection: Two PAs (PA2 and PA3) were designed to increase funding to social programs and a salary guarantee scheme to both private sector and non-governmental organizations' employees. The RIs mapped to PA2 and PA3 measured progress against the percentage increase in households receiving social protection or social welfare support to alleviate COVID-19 impacts (RI2), direct financial support to companies and workers through the guarantee of salaries (RI3). Both targets were only partially met.



From August 2020 to April 2021, the overall increase in beneficiaries of the social safety nets program was 79 percent, which exceeded the original target of 20%. Between May 2020 and April 2021, the number of beneficiaries increased from 2,400 to 3,422. The achievement of RI2 is rated high.

The Government disbursed a total of SCR 1.26 billion (US\$52 million equivalent) in salary guarantees through the FA4JR scheme. As a result of revised eligibility criteria and a restricted list, only businesses that were severely impacted by the pandemic received funding. The changes were implemented to contain the costs of the salary guarantee scheme, given that the scheme would be needed for more than the initially planned period of 3 months. The target for RI3 was therefore only partially met, in part, due to a revision of the eligibility criteria. The achievement of RI3 is rated modest.

In total, 11, 416 persons benefited from the guarantee of salaries with a total of SCR 1.26 billion (US\$52 million equivalent) disbursed, mostly to applicants qualifying under Form 1 (for employees' salaries on a business payroll), for which SCR 88.2 million was disbursed as payroll support to 1,068 businesses, covering 8,610 Seychellois employees. The funds were disbursed for accommodation and food service-related activities, hotels, guest houses and restaurants. Under Form 2 (for self-employed individuals), 2,806 business owners benefited, mostly from the tourism industry. The lower-than-expected uptake in the FA4JR is due to (i) a revision to the eligibility criteria in July 2020 such that only Seychellois and permanent resident employees would be covered, and thus, businesses were required to submit a copy of a payroll excluding expatriate workers (predominately working in tourism related businesses); (ii) some applicants did not submit supporting documents and were thus denied assistance; and (iii) the creation of a restricted list in June 2020 which stipulated that all businesses except those in the tourism industry operating on the main island (Mahe) had to justify their need for assistance. The combined effect of the revised eligibility criteria and the restricted list was such a much smaller set of businesses received funds.

Enhanced Response Mechanisms in the Private Sector: The relevant PAs were PA3 and PA4. The PAs were designed to assist business through deferral of payment of taxes (PA3); and amendments to legislation to implement the private sector relief scheme to maintain liquidity and access to finance for MSMEs (PA4).

Under RI4 (mapped to PA3), 36.9 percent of firms benefited from tax postponement (rather than the 90 percent targeted). Most companies opted to pay their business taxes rather than apply for the deferment due to strong 2019 returns. The deferment scheme for Corporate Social Responsibility and Tourism Marketing taxes was not implemented in part due the success of the FA4JR scheme which helped businesses remain viable; the lifting of travel restrictions in June 2020, and due to positive performance by telecommunication companies and banks. For business tax, requests received were approved on a case-by-case basis, except for tourism-related businesses (12 percent of total business taxpayers) which were automatically deferred up to September 2020. The achievement of RI4 is rated substantial.

Through PA4 (and as part of the private sector relief scheme), SCR 145.7 million was disbursed to MSMEs (representing 29.14 percent of the SCR 500 million facility). Instead of the private sector relief scheme, many MSMEs utilized the FA4JR scheme, which led to fewer applications for the private sector scheme. The facility was only taken up by 29 percent MSMEs (against 80 percent targeted). In total, only 459 applicants applied to the scheme, of which 304 were approved for the amount of SCR 145.7 million. The low recourse to the facility can be attributed to several factors, including: (i) non-availability of collateral from the businesses; (ii) strict credit and business viability assessments by some participating institutions; (iii) applications withdrawn due to improvements in economic activity; and (iv) ineligibility of some businesses to access the scheme. There was a gradual increase in the applications to the scheme.



The overall efficacy is rated Satisfactory.

Rating

Satisfactory

OBJECTIVE 2

Objective

To support sustainable post-crisis recovery through strengthened financial systems and climate resilience.

Rationale

PA5 and PA6 targeted the percentage of legal entities that have submitted verifiable ownership information on the database held by FIU (PA5), and the number of government sectors being guided by the NCCC in their sectoral policies (PA6).

The RIs mapped to these PAs were RI6 and RI7. While the target under RI6 was exceeded (90 percent of legal entities submitted the relevant operation, rather than the 80 percent targeted), RI7 was not achieved, with only 3 out of 10 government sectors, i.e. Ministries, being guided by the NCCC. This low implementation can be attributed mainly to two factors: (i) capacity constraints in the ministries and departments, and (ii) the government's short-term priority focused on stabilizing the economy. Further, RI7 did not adequately capture the intended impact of PA6 on mitigating climate risk. Thus, the achievement of RI7 is rated negligible.

With one RI's achievement rated high and the other RI's rated negligible, the overall efficacy rating is assessed as moderately satisfactory.

Rating

Moderately Satisfactory

Overall Achievement of Objectives (Efficacy)

Rationale

Based on the ratings for achievement of the two objectives, overall efficacy is rated Moderately Satisfactory. The PAs directly contributed to the achievements of the objectives. However, several targets were not met, and several RIs were not adequate for capturing the intended impacts of the PAs.

Overall Efficacy Rating



Moderately Satisfactory

6. Outcome

Rationale

Given the Satisfactory relevance of prior actions and a Moderately Satisfactory efficacy, Outcome is rated Moderately Satisfactory.

The operation was based on a set of relevant development objectives. Most of the PAs (with the exception of PA5 and PA6) were designed to respond to the COVID-19 emergency crisis. On the other hand, PAs 5 and PA6 sought to support mid- to long-term development objectives. The PAs connected to each objective were complimentary, though the relevance of the RIs was mixed, especially RIs connected with objective 1. Several RIs were not achieved, although it is noted that the RIs were developed in response to an urgent emergency request for funding by the Government.

a. Rating

Moderately Satisfactory

7. Risk to Development Outcome

Seychelles has demonstrated strong macroeconomic and fiscal management and implemented measures to support the economy during the pandemic, positioning it well for tourism sector recovery. The economy rebounded with a growth rate of 7.9% in 2021 and is projected to grow by approximately 11% in 2022. The Government has also taken steps to control the fiscal deficit and borrowing.

However, challenges arise from the country's debt situation, which may impact the broader objective of strengthening the financial system. The debt to GDP ratio increased in 2020 due to the economic contraction and exchange rate depreciation. A significant portion of the debt is short-term and set to mature in 2021, leading to higher interest rates, financing needs, and rollover risks. To enhance the stability and resilience of the financial sector, the Seychelles Government, with support from the IMF Liability Management Operation (LMO), has converted a portion of short-term T-Bills into bonds, extending the debt portfolio's maturity and reducing rollover risks. These reforms contribute to enhancing the stability and resilience of the financial sector

However, there are challenges associated with the institutional reforms supported by the program. Specifically, one of the outcomes of the operation has been the establishment of the National Climate Change Council. However, the climate change policy lacks clarity in the necessary measures to adapt, build resilience, and minimize vulnerability to climate change. This lack of clarity may hinder the effective coordination and implementation of cross-sectoral goals for climate change adaptation and mitigation. As a result, without clear and specific measures outlined in the policy, the long-term sustainability of the National Climate Change Council could be compromised.



8. Assessment of Bank Performance

a. Bank Performance – Design

Rationale

Bank Performance (design) is rated as Moderately Satisfactory for the following reasons:

The DPF was designed as a standalone operation within a difficult environment characterized by lockdowns, mobility restrictions, and limited timeframe due to the pandemic. The design was influenced by World Bank guidance on crisis situations that recognized that there may not be sufficient time or country capacity to address all design considerations. However, despite limited time and numerous constraints, the World Bank's country knowledge, analytical body of work and technical expertise, in the context of ongoing policy dialogue, enabled the World Bank to produce an operation which supported critical responses to the pandemic as well as addressed much needed reforms in AML/CFT and to address the impacts of climate change. The framing of the PDO was relevant and appropriate to address the immediate and pressing needs of the country as it grappled with the effects of the COVID-19 pandemic.

The design of the operation was based on rigorous analytical work which drew from international experience in managing economic crisis. This included: The Economic Policy Response to the COVID-19 Crisis; COVID-19 Notes Finance Series; COVID-19 Outbreak: Implications on Corporate and Individual Insolvency; Secured Transactions and Collateral Registry; Seychelles Financial Sector Development Implementation Plan. The design also drew on analytical work that analyzed the impact of COVID-19. This prior work was used to targeted vulnerable group for interventions.

Rating

Moderately Satisfactory

b. Bank Performance – Implementation

Rationale

The Bank collaborated closely with the government throughout the implementation period. It worked closely with government officials from various ministries, such as the Ministry of Finance, National Planning and Trade, the Ministry of Health, and the Seychelles Revenue Commission. The Bank team provided implementation support, including technical assistance in needed reform areas, to ensure timely implementation and adequate data collection and monitoring of indicators and outcomes of the program.

In this context, the Bank took steps to address issues surrounding data quality. While the majority of RIs had clear definitions, calculations and data sources, in situations where data was either missing or unclear (e.g., lack of a clearly defined base for the RI related to postponement of taxes), the Bank employed a strategy of extensive consultation with private sector actors and the government to develop targets. The DPF team reached out to other development partners to assess the availability of data and to government counterparts to



seek their input on the selection of the results indicator. In those specific cases, the team selected the RI (including the base and target) based on the guidance of the government/input received from the government.

Rating

Satisfactory

c. Overall Bank Performance

Rationale

Overall, Bank's Performance is rated as Moderately Satisfactory, due to issues concerning RI selection. However, the results chain overall was well developed given the emergency response focus of the operation.

Overall Bank Performance Rating

Moderately Satisfactory

9. Other Impacts

a. Social and Poverty

In addition to mitigating the impacts of the pandemic on poor households, the ICR notes that the operation, through strengthening Seychelles' Climate Change Policy, helped protect the fishing industry which is critical to food security in Seychelles. However, the ICR does not present concrete evidence to support this claim.

The ICR also notes that the Ministry of Health has prepared a National Health Strategic Plan for 2022-2026 which seeks to improve capacity to provide critical health and emergency services and Seychelles' response to health emergencies.

b. Environmental

The operation led to the establishment of the National Climate Change Council. The Council will be responsible for mainstreaming climate in sectoral plans and policies and defining climate change adaptation and mitigation targets. This is likely to have a positive environmental effect.

c. Gender



The operation did not specifically target women, or included gender focused results indicators, nevertheless, a positive outcome of the operation was that more women (in total, 10,706) were registered as beneficiaries of social safety net programs, compared to men (in total, 8,772) and received financial assistance through social welfare schemes. (ICR, p. 27).

d. Other

The program made a contribution to strengthen institutions for managing risks during the pandemic and to strengthen Seychelles’ resilience to future health-related shocks and climate change. The program also made a contribution to strengthen the AML/CFT regulatory landscape by passing the Beneficial Ownership and Anti-Money Laundering laws (and the subsequent launch and population of the beneficial ownership registry).

No other intended outcomes and impacts.

10. Quality of ICR

Rationale

The ICR provides a good discussion of the country's situation at project appraisal, as well as prior economic conditions. It presents the key objectives of the operation in a logical manner and discusses relevant evidence to measure achievement of the objectives. Both pillars of the operation are discussed, and it is clear from the report what the operation sought to achieve under each pillar. However, there are some information gaps. For example, objective 1 (and the associated PA 1 and RA 1) would have benefited from a more thorough discussion about the health sector in Seychelles. It would have been also helpful to include more information about the bank implementation of the project. Some details about monitoring are included in the lessons of the report, but could have also been mentioned in earlier sections of the report. Overall, the quality of the ICR is rated as Substantial.

a. Rating

Substantial

11. Ratings

Ratings	ICR	IEG	Reason for Disagreement/Comments
Outcome	Moderately Satisfactory	Moderately Satisfactory	
Bank Performance	Moderately Satisfactory	Moderately Satisfactory	



Relevance of Results Indicators	---	Moderately Satisfactory
Quality of ICR	---	Substantial

12. Lessons

This Review draws attention to some of the lessons set out in the ICR:

It is important to set appropriate targets in a context of stretched government capacity (especially with the pandemic ensuing), and capacity of the private sector to take advantage of available programs. For example, PA5 did not take into account the degree of risk aversion of financial institutions or the limited capacity of MSMEs. In some cases, the pool of MSMEs targeted were not eligible to access some of the targeted relief measures. In future operations there could be a differentiation between different types of MSMEs and consideration of how to reach this low-capacity group of MSMEs.

Importance of data for assessing program results and identifying good baseline data. Difficulty in getting data impacted the ability to assess realism of the targets. At the time of the preparation of the operation, the assessment had to rely on expert opinion and on experience from ongoing operations (with the experts comprising World Bank TTLs of the respective area of reform, the PPST of the Ministry of Finance who was the main counterpart for the DPF and representatives from the various ministries and institutions where available). This assessment was undertaken in a context of high infection rates from the pandemic. The tendency was to assess higher adverse effects and therefore higher impact of the program. (According to the macro forecasts done at the time for Seychelles, the economic and social impact was assumed to be much larger than what materialized.)

13. Project Performance Assessment Report (PPAR) Recommended?

No