



THE BIODIVERSITY FINANCE INITIATIVE

SEYCHELLES

Finance Plan for Biodiversity Conservation

2019-2023

February 2019

This project is
co-funded by the
European Union



Federal Ministry for the
Environment, Nature Conservation,
Building and Nuclear Safety



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1. Executive Summary

Seychelles was selected as one of 30 countries to pilot the Global Biodiversity Finance (BIOFIN) Initiative which is co-funded by the European Union, Germany, Norway, Flanders and Switzerland, with the United Nation Development Programme (UNDP) as the Executive Agency.

BIOFIN is a global collaborative partnership which aims to develop an evidence-based methodology which improves biodiversity outcomes using finance and economics. It pilots new and innovative approaches and methodologies for resource mobilisation for biodiversity and supports the implementation of National Biodiversity Strategy and Action Plans (NBSAP). The BIOFIN methodology has been appraised by parties to the Convention of Biological Diversity as a good instrument supporting the effort to improve resource mobilisation for biodiversity conservation (CBD Aichi Target 20).

In line with the BIOFIN Workbook, the approach in Seychelles consisted of an initial Policy and Institutional Review, involving the identification of biodiversity drivers of change in the country. This exercise was followed by a Biodiversity Public (and Private) Expenditure Review, pinpointing policies responsible for biodiversity loss and related areas for alignment and efficiency. These steps allowed the BIOFIN project team to develop a Biodiversity Finance Needs Assessment, by costing the NBSAP (SCR320 million).

The next step of BIOFIN has been to develop the Biodiversity Finance Plan which aims to present a coherent and comprehensive national approach to biodiversity finance, including a mix of finance solutions, by engaging the public sector, private sector, and civil society.

The Biodiversity Finance Plan (BFP) incorporates the findings of the BIOFIN Policy and Institutional Review; the BIOFIN Expenditure Review; and the BIOFIN Financial Needs Assessment.

The Seychelles Biodiversity Finance Plan maps out a holistic approach and systemic change for financing biodiversity conservation going forward. In this connection, the BFP incorporates a review of all related initiatives in Seychelles which impact on biodiversity viz. the Marine Spatial Planning (MSP) Project; the Seychelles Conservation and Climate Adaptation Trust (SEYCCAT); the South West Indian Ocean Fish (SWIOFish) Project; the Blue Bonds Project; and the Protected Areas Finance Project. The aim is to synergise all related initiatives, including the newly launched Global Climate Change Alliance (GCCA+) Project, such that there is a coherent vision as well as optimal use of resources allocated to the individual projects and initiatives.

The proposed Biodiversity Finance Unit (BFU), which is one of four recommended Finance Solutions of the Biodiversity Finance Plan, is expected to institutionalise the hitherto informal forum for coordinating the above projects and initiatives.

The BFU, which may initially be located within the Division of Environment (DOE) in the Ministry of Environment, Energy and Climate Change (MEECC), is expected to subsequently be incorporated within the Economic Planning Division of the Ministry of Finance, Trade, Investment and Economic Planning (MFTIEP). This will also facilitate mainstreaming of biodiversity financing into the economic planning and budgetary processes.

The recent adoption of Performance Based Budgeting by MFTIEP as well as Government's launch of the proposed 2017-2032 Visioning exercise and the implementation of the new National Development Strategy 2019-2014 also augur well for mainstreaming biodiversity financing into the economic and budgetary planning processes.

In tandem with such overarching considerations and systemic change in addressing biodiversity financing, the Biodiversity Finance Plan also focuses on identifying and prioritizing innovative biodiversity finance solutions.

Each finance solution must achieve one or more of the following:

- Avoid future expenditures (e.g. via biosecurity)
- Realign certain expenditures (e.g. removal of harmful subsidies)
- Ensure more cost-effective spending or better utilization of existing resources (e.g. group procurement)
- Resource Mobilisation (raising additional funds)

The December 2016 BIOFIN Stakeholder Workshop set the basis for the Finance Plan. This workshop entailed a high-level screening and detailed assessment of 34 Biodiversity Finance Solutions, from which the BIOFIN Project Team prioritised and shortlisted the following four Thematic Groups of Finance Solutions:

- Tourism: To increase direct investment for biodiversity conservation from the tourism private sector and promote sustainable tourism practices by developing the appropriate policy, investment and fiscal framework
- Fisheries & Blue Economy: To improve the fishery and marine biodiversity policy, investment and fiscal framework with a view to ensuring sustainability and optimised use of fishery stock and marine ecosystem services
- Biosecurity: To strengthen the cost-recovery fee and fine system for more effective biosecurity services with greater emphasis on the prevention of the introduction of Invasive Alien Species.
- Establish a Biodiversity Finance Unit (BFU) within Government to ensure and sustain improved coordination and synergising of all biodiversity projects as well as mainstreaming of biodiversity financing into the budgetary and economic planning process.

Tourism was chosen for its economic importance as one of the main pillars of the Seychelles economy, accounting directly and indirectly for a large percentage of the GDP (60%, according to

WTTC, 2015) and being intrinsically linked to the need for a pristine protected environment to ensure a sustainable future of the industry.

Apart from boutique hotels on private island resorts, and some large hotels which have implemented their own environment schemes, private sector operators in the local tourism and travel industry have contributed very little to biodiversity conservation in Seychelles. Yet there is a strong business case for such operators to invest in biodiversity conservation, given that they stand to benefit from the marketing edge they would directly and indirectly benefit from, given that visitors are partly influenced in their choice of accommodation and destination by those adopting best environmental practices.

The set of Tourism Biodiversity Finance Solutions recommended in the Biodiversity Finance Plan includes business tax incentives for hotels and other tourism operators to improve investments in biodiversity conservation.

Fisheries is the second most important economic sector in Seychelles. The artisanal fishery has traditionally been a major contributor towards the local staple diet, while industrial fishery which was developed on a large scale from 1985 onwards, now accounts for landed catches in excess of 300,000 MT per annum.

Almost two thirds of the total industrial catch are transshipped and exported, while the remaining one third is absorbed by the local tuna canning factory, which happens to be the second largest in the world.

There is increasing concern of over-fishing of yellow-fin tuna as well as some on the demersal species such as red snapper and grouper.

In the case of the latter, Government is contemplating the phasing out of the fuel subsidy to artisanal fishing boats which is considered a harmful subsidy in view of the perceived over-fishing of the demersal species mentioned.

With regards to industrial fishery, Government policy is shifting towards adoption of more sustainable practices (decreasing use of Fish Aggregating Devices – FADS; decreasing the uptake and wasteful disposal of tuna by-catch; reduction in the uptake of Yellow-Fin Tuna; and declaration of 30% of Seychelles’ Economic Exclusive Zone as expanded Marine Protected Areas) in tandem with increasing the local value-added component of the industry. For example, there are plans to increase the use and processing of by-catch, while also maximising the local benefits from the tuna value-chain in terms of sorting frozen tuna being transshipped by species, by quality and by size prior to exporting.

The main benefits for Seychelles from tuna fishery are derived from the logistics. In order to increase such benefits while remaining competitive in the region, the local service providers are investing in new tuna quays and related cold storage facilities.

This would allow faster turnaround of tuna vessels while making it possible to preserve the quality of the tuna within the planned cold storage facilities which would also be used as a sorting centre, prior to loading the tuna into reefer containers and subsequently onto cargo vessels.

Notwithstanding the above positive developments, there remains concern that key stakeholders in the local value-chain, e.g. the canning factory and the logistics service providers, should make more significant contributions towards marine biodiversity conservation.

In addition to fisheries, there remains the need to explore the use of other marine ecosystems e.g. seagrass by way of marine carbon sequestration and bioprospecting.

Biosecurity was chosen as the third thematic group given that the introduction of Invasive Alien Species (IAS) into the country is one of the main threats to the biodiversity in Seychelles. The biodiversity impacts of pests, diseases and IAS are especially important for Seychelles which is heavily dependent on tourism and fisheries, sectors based on the management of natural resources. Pests, diseases and IAS also have a substantial impact on agricultural production, food security and public health.

An analysis of the economic valuation of the influence of IAS on the economy of Seychelles indicates that approximately US\$0.25 million per year is spent on IAS control, while the economic damage associated with four key IAS (rat, feral cat, goat, pig) is approximately US\$21 million per year¹. As an example, the annual losses in agricultural production due to the introduction of melon fruit fly were estimated at US\$4.3 million in 2000.

Biosecurity services are currently highly subsidised by the Government of Seychelles and funded through the general tax system of the country. However, biosecurity services are provided almost free of charge to a clearly identifiable group of individuals and organisations that participate in the import supply chain. In this context, an operational cost recovery system seems to be an appropriate funding mechanism to support this service, contributing significantly to improving the financing and the efficiency of biosecurity services in Seychelles.

In summary, Seychelles' Biodiversity Finance Plan consists of concrete recommendations which, subject to approval of Cabinet of Ministers, would be implemented from March 2019 onwards.

The availability of BIOFIN resources are currently due to end on 30th April 2019, and there is an urgent need to mobilise additional funding for implementation of the Biodiversity Finance Plan thereafter.

While Government of Seychelles is fully committed to the implementation of the Biodiversity Finance Plan, its limited resources currently only allow it to fund the setting up of the Biodiversity Finance Unit, particularly for the period 2019 – 2021.

¹ Economic valuation of the influence of Invasive alien species on the economy of Seychelles islands, Ecological economics, P. Mwebaze & al, 2010

In the event that additional external grant funding should be obtained, it would greatly assist Seychelles in further developing and implementing the following Thematic Sets of Finance Solutions for Sustainable Tourism, Sustainable Fishing, Sustainable Financing of Biosecurity Services as well as the Biodiversity Finance Unit :

Sustainable Tourism

While the Finance Solutions which have been proposed include engagement of medium (25-50 rooms) and large hotels (more than 50 rooms) and island resorts as well as Cruise Ships in biodiversity conservation, there remains an urgent need to develop the policy and fiscal framework to directly engage other tourism private sector stakeholders (Destination Management Companies (DMCs); Airlines; Ferry Operators; Yacht Charters; Dive Centres; Car Hire Operators) in biodiversity conservation (cf. Section 4.1)

Sustainable Fisheries

There is an urgent need to further develop the Finance Solutions identified in Section 4.2 into more Detailed Technical Proposals. In particular, sponsors should be identified soonest possible to develop the Policy, Legal and Fiscal / Regulatory Framework for Industrial and Semi-industrial Fishery across the fishery and blue economy value-chain.

Sustainable Financing of Biosecurity Services

The aim is to strengthen biosecurity services through a cost-recovery user fee system, particularly by way of payment for biosecurity services by importers (cf. Section 4.3). There is an urgent need to increase capacity of the recently set up National Biosecurity Agency (NBA) with a view to strengthen its management and effectiveness which may pave the way for the financial autonomy of the NBA.

Implementation of the Biodiversity Finance Unit (BFU)

The proposed BFU will only be able to achieve its overarching coordinating role of all key biodiversity related projects and mainstreaming them into the economic planning and budgetary planning processes, provided it is endowed with sufficient human and financial resources (cf. Section 4.4) over and above current commitment and support by the Government of Seychelles.

In conclusion, all stakeholders including the Government of Seychelles, the private sector, NGOs and the donor community are being invited to support the implementation of the Biodiversity Finance Plan which pioneers a pathway for sustainable development in Seychelles.

2. Vision for biodiversity financing in Seychelles

2.1 Backdrop

The Seychelles archipelago is globally recognised as one of Earth's biodiversity hotspots, both in terms of its terrestrial and marine ecosystems. The Aldabra Group of atolls, with its unique colony of giant land tortoises, and the coco-de-mer sanctuary of Vallee de Mai on Praslin, have long been designated as UNESCO World Heritage Sites.

Seychelles is also known for its exceptional natural beauty and pristine environment as well as the geological diversity of the islands, half of which are granitic and the rest coralline. Its waters are home to some of the most attractive and diverse species of tropical fish. Seychelles also ranks highest globally in terms of the quality of its air. It is unsurprisingly a highly sought-after tourism destination.

Since the original settlements in 1770, only the three main granitic islands of Mahe, Praslin and La Digue have been significantly inhabited and only a few of the remaining 116 islands have had populations in excess of 100. It remains one of the countries with the smallest population which stood at 93,000 in 2018.

Before the advent of tourism in the early 1970s, the Seychelles economy was reliant on agriculture and trade; cash crops such as coconut, cinnamon, vanilla, cloves and patchouli were processed and aimed at the export market while most consumables were imported. Salted fish, shark fins and guano were other notable export products. Subsistence farming and artisanal fishing also represented important economic activities.

Throughout the generations, there was a real cognizance of the need to manage Seychelles' biodiversity. Both watersheds and wetlands were maintained, and the notion of sustainable use permeated across the exploitation of most natural resources, including cash crops such as coconuts and cinnamon which grew in the wild.

From the 1960s onwards, Seychelles went through considerable transformation, initially with the setting up of the US Base in the mid-60s and subsequently with the opening of the Seychelles International Airport in 1971 as well as hotels and other tourism amenities. Other public infrastructure including roads, ports, airstrips and dams were built while social infrastructure including housing, schools, and clinics and sports facilities were also developed.

The Seychelles economy shifted from an agriculture based to a tourism-based economy.

The notion of sustainable use which had previously become innate in Seychellois way of life was suddenly challenged.

Along with development of the tourism sector, began an indiscriminate overfishing of shells and crustaceans as well as certain species of fish.

Agriculture declined steeply as that sector could no longer compete for labour with tourism and the related construction activity.

Some wetlands disappeared, and a number of watersheds had to give way to public infrastructure and housing.

Following Independence in 1976 and the change in government in 1977, there was further massive transformation in the economy and way of life.

While Government embarked on the development of a comprehensive welfare system with the aim of making education, health care, public transport, potable water and energy more accessible to the wider population, there were mixed results.

Seychelles today ranks highest in Africa based on the UN Human Development Index.

However physical hard work has become synonymous with exploitation and a significant segment of low-income Seychellois families have increasingly relied on the welfare state system. Very few Seychellois are employed in the construction, manufacturing, or agricultural sectors.

Subsistence and backyard farming have all but disappeared, and apart from fish, Seychellois have become dependent on imports for over 80 percent of all other food.

As the population became more affluent, and more exposed to western culture, an increasing number of Seychellois have become plagued by a wide range of social ills including unhealthy lifestyle choices, substance abuse, obesity, and related diseases.

As a result, a considerable segment of the Seychellois workforce is unproductive, being either unwilling or unable to work. Consequently, Seychelles has become highly dependent on foreign labour which accounts for more than 2/5th of those in active employment. Such foreign workers place additional burden on the needs for food, water, housing and public infrastructure, thereby indirectly impacting on Seychelles' biodiversity.

2.2 Current Challenges

While the impact of all the above economic, political, social and cultural changes on Seychelles' biodiversity cannot be quantified, it is of no doubt of significant magnitude. It is of course tenuous to differentiate the impact on Seychelles' biodiversity of locally-based human activity from other contributing factors such as global warming and climate change.

The introduction of invasive alien species along with plant and animal diseases during the last 40-50 years can only be attributed to the exponential increase in trade and travel.

Seychelles' forests have been affected by a number of factors including invasive alien species, forest fires, and development of infrastructure. Even during short drought periods, potable water

from the watersheds are insufficient to meet requirements and there is increasing reliance on desalination plants.

Some wetlands have disappeared or are not being adequately maintained, with adverse implications not only in terms of flooding risks, but damage to coastal erosion, coral reefs and related marine ecosystems.

A number of marine species have been subject to over-exploitation. These include seashells and certain species of commercial fish.

In the case of land reclamation projects, it is not clear to what extent these have negatively impacted on the marine ecosystem. In a number of instances, the land reclamation projects were planned to make provision for lagoons, which in turn have resulted in creation of new wetlands and buffers for the marine ecosystem.

The development of additional infrastructure, housing as well as commercial projects including hotels constitute one of the major challenges for Seychelles' biodiversity.

Currently, more than half of Seychelles' tiny terrestrial area is legally designated as protected areas – a world record. Furthermore, the three main inhabited islands of Mahe, Praslin and La Digue which are all granitic and mountainous, have a very narrow flat coastal belt. As such, the developable land for housing, infrastructure, and agriculture is very limited.

The Seychelles' Town and Country Planning Act and the Planning Authority impose a limit on the height of buildings, imposing another restriction on development. This restriction is, however, likely to be reviewed.

As there will be increasing demand for land for public infrastructure and housing, choices will have to be made in terms of land use planning: by carrying out additional land reclamation; allowing for an increase in multi-story buildings; to selectively encroach into least sensitive Protected Areas; or most likely a combination of these options.

In parallel, consideration will also have to be given to develop communities outside of the three main inhabited islands of Mahe, Praslin and La Digue.

Already, there has been development of foreign owned villas on some of the other islands under management of the Island Development Company (IDC). To the extent that further development of such exclusive villas on these IDC islands reduce the need for foreigners to compete for land with Seychellois on Mahe, Praslin and La Digue, it may also mitigate the impact of such activity on the biodiversity of these three islands.

With regards to Seychelles' marine biodiversity, and the need to address sustainable use of fisheries and other marine resources, key stakeholders led by Government have embarked on the Marine Spatial Planning (MSP) Project as part of the Debt for Climate Change Adaptation Swap agreed with Paris Club and selected bilateral donors.

As part of the MSP, 30% of Seychelles' Exclusive Economic Zone (EEZ) would be designated as Protected Areas, half of which (15% of the EEZ) would be "No Take Zones".

Although Seychelles' two economic pillars, tourism and fisheries, both depend directly and critically on well-managed biodiversity, there remains a lack of awareness across all key stakeholders of the business case for investing in biodiversity.

2.3 Sustainable Development and the Business Case for Biodiversity

Biodiversity conservation is central to the UN Sustainable Development Goals (SDGs). In particular SDG 14 (Life under Water) and SDG 15 (Life on Land) are almost exclusively devoted to marine and terrestrial biodiversity management and conservation.

But biodiversity conservation is also relevant to other SDGs, such as SDG 1 (No Poverty); SDG 2 (Zero Hunger); SDG3 (Good Health and Well-Being); SDG 6 (Clean Water and Sanitation); SDG 8 (Decent Work and Economic Growth) and SDG 13 (Climate Action).

At the 2010 Conference of the Parties (COP) of the Convention on Biological Diversity (CBD) held in Aichi Prefecture, Nagoya, Japan, the revised and updated Strategic Plan for Biodiversity, including 20 Aichi Biodiversity Targets for the period 2011-2020, was adopted.

Parties agreed to translate this overarching international framework into revised and updated National Biodiversity Strategies and Action Plans (NBSAPs) within two years. Additionally, the Conference of the Parties decided that the fifth national reports, due by 31 March 2014, should focus on the implementation of the 2011-2020 Strategic Plan and progress achieved towards the Aichi Biodiversity Targets.

The Finance Plan for Biodiversity Conservation stems from the following Aichi Targets 17 and 20:
Target 17 - By 2015 each Party has developed, adopted as a policy instrument, and has commenced implementing an effective, participatory and updated national biodiversity strategy and action plan (NBSAP).

Target 20 - By 2020, at the latest, the mobilisation of financial resources for effectively implementing the Strategic Plan for Biodiversity 2011-2020 from all sources, and in accordance with the consolidated and agreed process in the Strategy for Resource Mobilisation, should increase substantially from the current levels. This target will be subject to changes contingent to resource needs assessments to be developed and reported by Parties.

2.4 Summary of findings and recommendations of past assessments carried out under the Biodiversity Finance Initiative

The Global Biodiversity Finance (BIOFIN) Initiative, launched in 2012, was born out of Aichi Target 20. BIOFIN is implemented by the UNDP with sponsorship by the European Union, German, Swiss, Flemish and Norwegian Governments.

Seychelles was one of 19 countries pilot countries initially selected to participate in the BIOFIN Initiative.

Since its launch in Seychelles in 2014, the Biodiversity Finance Initiative (BIOFIN) had among its objectives to quantify the total cost of Seychelles' second NBSAP 2015-2020 which was estimated at SCR320 million over its five-year implementation period. The average annual cost of implementing the NBSAP is 0.84% of the 2015 national budget. It is also less than half of the percentage of public biodiversity expenditure compared to total public expenditure which stood at 1.9% in 2014.

The NBSAP 2015-2020 consists of 31 biodiversity projects; its total cost of SCR320 million does not however capture the full cost of certain key biodiversity projects such as the Management of the new Marine Protected Areas which stem from the Marine Spatial Planning Project.

It must also be emphasised that the NBSAP projects are incremental to biodiversity conservation “business as usual” activities implemented by national stakeholders.

This Biodiversity Finance Plan not only addresses ways and means of resource mobilisation to fund biodiversity outcomes , but, just as importantly, how to realign or avoid expenditures and how to deliver conservation outcomes better and more cost effectively.

It is the culmination of several assessments which have consisted of the Policy and Institutional Review of key actors and stakeholders; Biodiversity Expenditure and Revenue Review of key actors, with extrapolation of expenditure under the “business as usual” scenario; and finally a Costing of the implementation of the NBSAP.

2.4.1 The Policy and Institutional Review (PIR) indicated that while Seychelles has made considerable strides in biodiversity conservation, the following challenges remain:

a) Lack of capacity and policy coordination within the key institutions

At an institutional level, Government has removed financial autonomy of all Government agencies involved with biodiversity conservation, with the exception of the Seychelles Island Foundation (SIF)². Agencies are not incentivised to collect revenue. They are also not meeting their expected deliverables due to insufficient budgetary allocation, compounded by lack of productivity. So long as such Government agencies are not given back their financial autonomy, they should at least become subject to programme-based performance budgeting.

² Government has in May 2018 reinstated financial autonomy of the Seychelles National Parks Authority (SNPA) while also giving financial autonomy to the Seychelles Fishing Authority (SFA).

In the case of the public sector, the dearth of capacity is exacerbated by lack of coordination among the main Government ministries and agencies involved with conservation.

b) The need to mainstream biodiversity into national planning processes

The Economic Planning Department of the Ministry of Finance, Trade, Investment and Economic Planning is in the process of completing the new National Development Strategy (NDS) which will better mainstream biodiversity into the economic planning process. The new NDS together with Seychelles' Vision 2018-2033 have been the result of extensive consultation which started in 2017.

c) The need to clarify the status of different plans within the national planning process

Now that Government will soon be launching the Vision and new NDS, it should take the opportunity to clarify the status of related plans some of which may have become redundant or replaced by other plans.

The current status of the Seychelles Strategic Plan 2016-2040 remains unclear, particularly in relation to the new Vision and NDS.

The Seychelles Sustainable Development Strategy (SSDS), although approved by Cabinet of Ministers, does not appear to have been implemented. If the SSDS is to be revived, it would need to incorporate both the NBSAP and Seychelles' Blue Economy Initiative.

d) Timely enforcement of the Plant and Animal Biosecurity Act

Although the Animal and Plant Biosecurity Act has been approved since 2014, it is not being enforced, mostly due to lack of capacity. It is paramount for the Seychelles authorities to ensure the timely enforcement of the Animal and Plant Biosecurity Act, since this could be one of the most cost-effective means of limiting damage to biodiversity in Seychelles. The authorities appear to be investing much more resources in trying to eliminate or limit damage of invasive alien species which have already infiltrated, such as the hairy caterpillar, than in staving off new invasive alien species.

e) The need to identify additional and more efficient use of resources for biodiversity conservation

In line with the objectives of BIOFIN, it is being recommended that the emphasis should be as much on making more efficient use of existing resources as on mobilisation of additional resources for biodiversity conservation. At policy level, Government should strive to mobilise more resources for biodiversity conservation from those benefiting the most from Seychelles biodiversity including private sector operators across the tourism, fisheries and agricultural sectors.

f) Adopting the Polluter Pay Principle.

Government should review taxes and subsidies to those actors / institutions within the production sectors such as agriculture, fisheries, construction, and tourism such that on the one hand a "polluter-pay" principle is adopted, while on the other hand harmful subsidies are phased out.

2.4.2 The Biodiversity Expenditures Review (BER) has shown that the total expenditure on biodiversity conservation, estimated at US\$6.7 million in 2014, represents three percent of total public expenditure of US\$239.4 million in that same year³. Public biodiversity expenditure has increased from 1.3% of the total national public expenditure to 1.87% from 2013 to 2015.

Table 1 Overall Biodiversity Expenditures in Seychelles- 2006 Prices (US\$)

YEAR	GOVT.	NGOs	PRIVATE	TOTAL
2011	2,688,501	1,586,512	57,829	4,332,842
2012	2,733,955	1,505,093	59,085	4,298,133
2013	3,449,975	1,627,275	64,304	5,141,553
2014	4,650,771	1,988,186	65,479	6,704,435

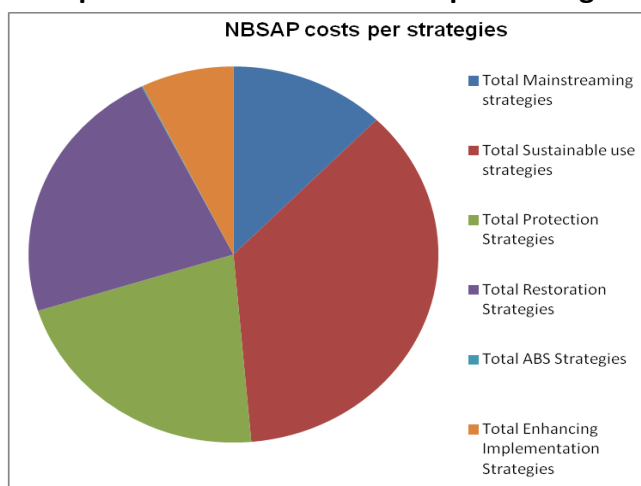
It may be argued that the private sector, which derive the most benefit from Seychelles' biodiversity, contributes the least to its conservation.

Seychelles may be viewed as earning only a small fraction of the commercial value of its marine biodiversity being exploited (mostly tuna). Direct public sector earnings from tourism-related biodiversity activities are also negligible, although it has not been possible to quantify indirect earnings from tourism related activities such as Value Added Tax, Corporate Social Responsibility Tax, Tourism Marketing Tax, and Business Tax. Furthermore, the revenues from biodiversity from the two main economic sectors of tourism and fisheries are not being reinvested sufficiently into biodiversity conservation.

2.4.3 The Financial Needs Assessment indicates that the total cost for the implementation of the NBSAP was estimated at SR320 million for the period 2015-2020. 36% of the total cost of the NBSAP are related to sustainable use strategies, reflecting the fact that the Seychelles is highly dependent on its biodiversity resources; protection and restoration strategies account for 21% and 22% respectively of the total cost of the NBSAP.

³ Both expressed in 2006 constant prices. In order to avoid distortions which may arise from changes in exchange rates and prices (inflation), most time series in this report have been converted to US dollars and 2006 constant prices.

Graph 1: Share of NBSAP costs per strategies



2.5. Other On-going related biodiversity finance initiatives

There are a number of on-going and complementary biodiversity finance initiatives in Seychelles which are summarized and presented below:

2.5.1 The Marine Spatial Planning (MSP) 2014-2020

Seychelles is developing a comprehensive marine spatial plan to ensure the long-term ecosystem health and sustainable use of Seychelles' oceans, improving marine protection and supporting the Blue Economy. Existing marine protected areas cover 0.04% of the EEZ and foreign fishing prohibited areas cover 8.5% of the EEZ. The Seychelles Marine Spatial Plan (MSP) Initiative, which began in 2014 and will be completed by 2020, will expand marine protection to 30% (400,000 sq km), address climate change adaptation, and support the Blue Economy and other national strategies for the 1.37 million sq.km Exclusive Economic Zone and Territorial Sea. The MSP Initiative is divided into two phases. Phase 1 is from 2014-2017, and Phase 2 is 2018-2020. Phase 1 includes new marine zones for 15% of the EEZ, approx. 200,000 sq. km., half of the 30% goal. The new zones are primarily in deep water (>200m depth). Phase 2 will identify the remaining 200,000 sq. km for marine protection and sustainable use zones in both deep and shallow waters, plus multiple-use zones. On completion, the Seychelles MSP zones will be regulatory and include management plans. The MSP will be revised about every 5 years.

The MSP is led by the Ministry of Environment, Energy and Climate Change and uses an integrated approach with more than 10 government agencies and 11 marine sectors, including Blue Economy, finance, fisheries, tourism, biodiversity conservation, renewable energy, ports, maritime safety, non-renewable resources, and recreation.

The Seychelles Conservation and Climate Adaptation Trust (SeyCCAT) was created from the climate change adaption debt swap, and is an independent public-private trust mandated to support the implementation of the MSP and other marine conservation and climate adaptation activities in Seychelles. The Nature Conservancy (TNC) is leading the development of the MSP with the GOS-UNDP-GEF Programme Coordination Unit.

2.5.2 Seychelles Conservation and Climate Adaptation Trust (SEYCCAT)

Seychelles' Conservation and Climate Adaptation Trust (SeyCCAT) was initially capitalised with blended capital proceeds from the Government of Seychelles amounting to US\$21.6M debt restructuring that was completed in 2015. With the support of The Nature Conservancy (TNC), the debt restructuring deal enabled the Government of Seychelles to make a time-bound policy commitment (2020) to safeguard 30% of its exclusive economic zone in marine protected areas (MPA's) via a national Marine Spatial Planning (MSP) process.

SeyCCAT is a public-private trust, independently registered, legally established under its own Act (2015) and represents best practice for environmental, social and governance (ESG) screening, accountability and transparency. SeyCCAT can grant, loan or invest its monies.

As a result of this multilateral and blended capital debt restructuring, SeyCCAT is managing three cash flows: i) to repay the impact investor, ii) to annually distribute assets via a Blue Fund (over twenty years), and iii) to capitalise an endowment fund that will mature on the twenty-first year.

SeyCCAT has since attracted other capital inflows and continues to seek and develop other innovative mechanisms to boost its assets. Proceeds from the Seychelles Blue Bond further capitalise SeyCCAT over a period of six years. These assets will be directed towards the MSP process, as well as to rebuild the demersal fishery of Seychelles' inner islands.

This sustainable, long-term flow of funds are dispersed in alignment with SeyCCAT's strategic objectives, which are to:

1. Support new and existing marine and coastal protected areas and sustainable use zones;
2. Empower the fisheries sector with robust science and knowhow to improve governance, sustainability, value, and market options;
3. Promote the rehabilitation of marine and coastal habitats and ecosystems that have been degraded by local and global impacts;
4. Develop and implement risk reduction and social resilience plans to adapt to the effects of climate change;
5. Trial and nurture business models to secure the sustainable development of Seychelles' blue economy.

SeyCCAT's current assets (excluding endowment investments) are projected to enable the distribution of at least US\$ 677,000 per annum, starting 2018.

2.5.3 Third South West Indian Ocean Fisheries Governance and Shared Growth Project (SWIOFish3) 2018-2023

SWIOFish3 is built on a novel blend of financing, comprising loans from the World Bank and a grant from the Global Environment Facility (GEF), totalling US\$ 10.29 million. It will also be financed by the issuance of a Blue Bond to private investors by the Government of Seychelles, the first of its kind in the world and expected to be valued at US\$15 million. A World Bank guarantee (EURO 5 million) and a GEF concessional loan (US\$ 5 million) have been leveraged in support of the Blue Bond.

Fisheries governance reforms are being addressed through SWIOFish3 support to the design and management of sustainable-use marine protected areas and the implementation of the Mahé Plateau Demersal Fisheries Management Plan. Sustainable-use marine protected areas are being identified across the exclusive economic zone through the Seychelles Marine Spatial Planning (MSP) initiative. SWIOFish3 is assisting in the formulation of fisheries management standards and plans for these protected areas, assessing their biological and socioeconomic impacts and implications for fisheries access agreements, and is supporting the implementation of monitoring, control and surveillance plans. As part of the Mahé Plateau Demersal Fisheries Management Plan, the SWIOFish3 project is designed to support rebuilding of stocks and fishery profitability, while laying the foundation for a transition to rights-based fisheries management. Further SWIOFish3 support for governance reforms include strengthening of the policy and strategic development frameworks, and improved quality of and access to fisheries information. A Blue Grants Fund is being established with proceeds of the Blue Bond to further reinforce public and private sector engagement in the governance of marine resources.

Governance reforms will pave the way for sustainable investment in the fisheries sector, ensuring the resource base remains protected as fisheries value-chains expand. Creating an enabling environment for investment is a core component of SWIOFish3, which aims to identify opportunities for strengthening and diversifying value chains while designing a turn-key financial mechanism to receive and disburse the private investment in the Blue Bond to investments in Seychelles' fisheries sector (through a Blue Investment Fund). Importantly, the eligibility of investments in the value chains is linked to milestones in governance reforms. SWIOFish3 therefore establishes the institutional competencies and frameworks for the sustainable management of fisheries and promotes the development of a blue economy through the creation of incentives for stakeholders to engage in the needed reforms.

2.5.4 Seychelles' Blue Bonds⁴

Seychelles launched in 2018 a sovereign blue bond to attract private capital firms to invest in fisheries management. The Blue Bond is valued at \$15 million with a 10—year maturity period.

⁴ Author Andrew Rylance

The Government of Seychelles will be responsible for the repayment of the debt. The International Bank for Reconstruction and Development (IBRD) has provided a \$5 million guarantee and the GEF has also offered \$5 million, as a non-grant instrument, to help further reduce the risk to investors and subsequently the rate of interest, to between 2-3%. The GEF non-grant instrument offers a 40-year maturity period at a fixed interest rate of 0.25%, with a 10-year grace period. Without these support mechanisms, the cost of the bond could have been 8%, given Seychelles' relative small size and previous history of defaulting on sovereign obligations in 2008. As the value of the bond is relatively low (only \$15 million), it only required a low number of investors which in turn reduces the transaction costs⁵.

The debt incurred by Seychelles is considered sustainable as the current debt portfolio of the country is approximately US\$1 billion (70% of GDP) and its debt trajectory is still expected to be less than 50% of GDP by 2020.

Economic justification for the Blue Bond

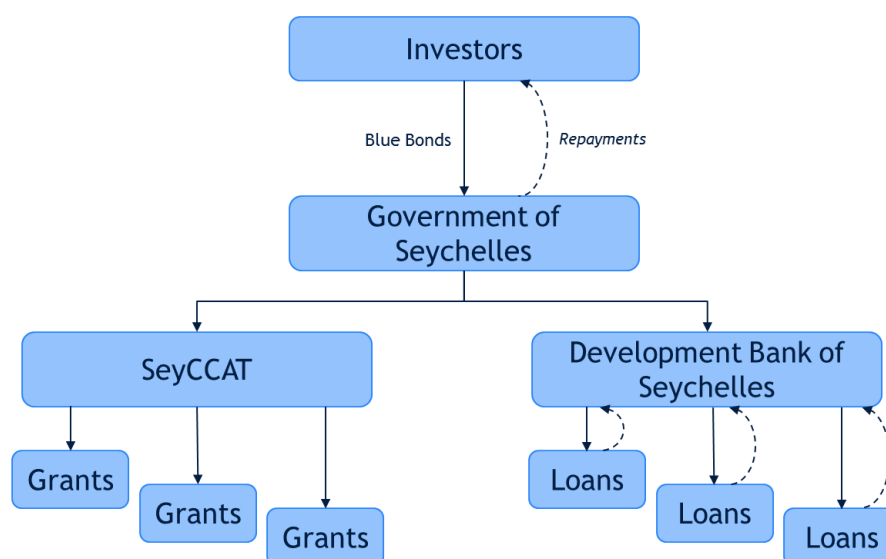
A report on the fisheries recovery on the Mahé plateau, commissioned by The Prince of Wales's International Sustainability Unit, provided the economic justification for the Blue Bond. It demonstrated that under a Business-As-Usual scenario fish stocks will continue to decline, resulting in a reduction in income and collected taxation revenue. However, under a sustainable management strategy, a reduction in catch volume but increase in catch quality would generate greater long-term returns (at a level between 2.5 and 5 times the biomass level of the BAU scenario). Therefore, whilst direct jobs in fish catching will be reduced, this will be offset by the growth in value adding industries, such as fish processing. Therefore, the increase in taxation from business revenue and employee income justifies the initial debt incurred by the Government of Seychelles to issue the bond. The bond is therefore an opportunity to front-end the financing for the implementation of fisheries management plans.

How will it be implemented?

Proceeds of the Blue Bond will be used as grants for fisheries management planning activities and as loans to encourage local public and private investment in activities consistent with sustainable fishing such as post-harvest value adding opportunities and jobs and the protection of ocean resources. The Blue Bond proceeds will be disbursed on a competitive basis through the Seychelles Conservation and Climate Adaptation Trust (SeyCCAT) and the Development Bank of Seychelles, based on the figure below.

⁵ Refer to Annex 6 blue bond Term sheet

Figure 1: Flow of funds of the Blue Bonds



2.5.5 Protected Areas (PA) Finance Project (2015-2019)

Project overview

The Government of Seychelles – United Nations Development Programme – Global Environment Facility (GOS-UNDP-GEF) Protected Area Finance project aims to strengthen the financial sustainability and strategic cohesion of the Seychelles protected area (PA) system. Since its inception, the project has supported a national-level Sustainable Financing Plan for Protected Areas in Seychelles, calculating the current financing available for PA management, the financing gap and the financing mechanisms to address this challenge. At present, the existing PA system requires an additional USD 3.7 million annually to meet their basic management needs or USD 6.8 million annually to enable optimal management. However, as Seychelles aims to expand the PA system to cover up to 30% of its Exclusive Economic Zone (EEZ), financing for effective management becomes an even more important task.

Support to PA management authorities

The Seychelles National Parks Authority (SNPA), responsible for managing eight PAs, currently has the largest financing gap of all PA organisations. To address this, the project has supported the development of the SNPA Strategic Plan (2017-2021), adopted by Cabinet, which enables SNPA to retain its revenue and adjust user fees in line with demand. To implement the plan, SNPA, with support from the project, is developing management plans for all of its PAs, creating a new online payment system to improve the efficiency of fee collection, systematically upgrading tourism facility infrastructure and trail signage, whilst strengthening the linkages with the tourism sector

utilising their PAs. Proposed financing changes in the Strategic Plan should, if all implemented, reduce their financing gap and substantially improve the management effectiveness.

The project also supports other organisations managing existing and prospective PAs to reduce their financing gaps. Financial support is provided for organisations such as Seychelles Island Foundation, Nature Seychelles, Green Island Foundations, Marine Conservation Society Seychelles and the Department of Environment to implement initiatives that either strengthen visitor-based attractions or management effectiveness.

Improving management effectiveness

Ensuring that any additional financial resources generated are effectively used is critical to the success of PAs as well as justifying the contribution of PAs to the blue economy and the livelihoods of Seychellois. The project has collaborated with the Outer Islands project to deliver management plan training for all existing and prospective PAs. Management planning is now underway at a number of sites and business plan training has also been provided to ensure that PAs mobilize sufficient resources so that plans are effectively implemented.

Looking to the future together

In the project's preliminary stages, it has addressed the optimality of existing financing mechanisms. Looking forward, it will support the development of new financing options that also considers the wider blue economy and marine spatial planning processes. With this in mind, the project will continue its collaboration with other conservation and blue economy projects to contribute towards a common vision for conservation in Seychelles

2.6 The Biodiversity Finance Unit (BFU) to improve coordination of biodiversity finance initiatives and projects

One of the recommendations of this BIOFIN Finance Plan is the setting up of the Biodiversity Finance Unit (BFU), which should greatly assist in the mainstreaming of the NBSAP as well as other related initiatives viz. MSP; SEYCCAT; SWIOFish3 / Blue Bonds and PA Finance into the Budgetary and Planning Process.

Importantly, the BFU will improve and institutionalise coordination among the key projects and the NBSAP.

The BFU is also expected to be instrumental in developing capacity and institutional strengthening, especially at the cross-sectoral level.

3 Screening, Assessment and Prioritisation of biodiversity finance solutions

In line with BIOFIN methodology, the BIOFIN Team in consultation with stakeholders and experts identified a list of 28 Thematic Finance Solutions for biodiversity conservation in Seychelles. In some cases (e.g. tourism) each Thematic Finance Solution actually consisted of a group of finance solutions.

The 28 ongoing and potential Thematic Finance Solutions (Refer Annex 1) were presented at the BIOFIN Finance Plan Workshop held on 1st December 2016 during which key stakeholders from the public sector, private sector and the NGO community were invited to provide inputs and

contribute to the screening and prioritisation process as per BIOFIN methodology, using the Ratings as shown in Annex 2 .

From the 28 Thematic Finance Solutions, a total of 34 biodiversity finance solutions including sub-categories of finance solutions, were screened as part of the process of developing the Biodiversity Finance Plan (as per BIOFIN workbook). Based on the results of the screening process, 18 biodiversity finance solutions, those which obtained a score in the first screening process of 11 or higher, were selected for the second level assessment⁶.

The prioritised 18 finance solutions which form the core of the biodiversity finance plan are as follows:

- i) Seychelles Conservation and Climate Adaptation Trust (SEYCCAT) Fund**
- ii) Payment for ecosystem services provided by marine ecosystems**
- iii) Payment for water quality services provided by terrestrial ecosystems (watersheds)**
- iv) Removal of harmful subsidies to the fisheries sector**
- v) Increasing revenue from industrial fishing as well as tuna canning operations**
- vi) Biodiversity offsets for tourism development**
- vii) Review tax incentives framework under the Business Tax Act to increase direct investment for biodiversity conservation from tourism private sector**
- viii) Removal of harmful subsidies to the tourism sector**
- ix) Corporate social responsibility (CSR) funding**
- x) Revised entrance fees to protected areas**
- xi) Multi-entrance fees pass**
- xii) Tax and incentives framework for protected area institutions**
- xiii) Philanthropy funding for biodiversity conservation**
- xiv) Lottery funding for biodiversity conservation**
- xv) ODA funding for biodiversity conservation from international donors**
- xvi) Public funding for biodiversity conservation from national budget**
- xvii) Public private partnership (PPP) funding for biodiversity conservation**
- xviii) Biosecurity services cost recovery fees**

Of the above selected 18 finance solutions, a number of these are already being implemented by complementary UNDP-GEF projects focussing on Protected Areas (PA) Financing; The Nature Conservancy (TNC) Initiative related to the Marine Spatial Planning (MSP) including the establishment of Seychelles Climate Change Adaptation and Conservation Trust (SEYCCAT) Fund based on debt swap; and the World Bank project South West Indian Ocean Fish (SWIOFISH3) which includes the Blue Bond option to support sustainable fisheries. Consequently, these were not

⁶ Score card used for screening level 1 can be found in Annex 2; questions and scoring used for screening level 2 can be found in Annex 3; and detailed results of the screening level 1 and 2 can be found in Annex 4.

allocated a score in the second level assessment but were automatically considered to be a part of the Biodiversity Finance Plan.

However, given the need to better synergise these all-important projects, it was proposed by the BIOFIN Team to set up a Biodiversity Finance Unit (BFU) either within the Department of Environment or the Department of Economic Planning.

Consequently, all solutions relating to these Projects would be captured under the proposed BFU, which therefore became a BIOFIN Finance Solution in its own right.

In line with BIOFIN methodology, the remaining finance solutions were further prioritised (according to their scores in the second level assessment) and grouped under the following Themes:

1. Sustainable Tourism Finance Solutions
2. Sustainable Fisheries Finance Solutions
3. Sustainable Financing of Biosecurity Services

Consequently, the top four Finance Solutions comprised of the above three Thematic Solutions as well as the proposed Biodiversity Finance Unit.

The aim of the BIOFIN Finance Plan is to develop technical proposals for the top four Finance Solutions such that these may be approved by all key stakeholders and implemented soonest possible thereafter.

Although in Section 4 below these four Thematic Solutions are further expounded, it has been decided that Detailed Technical Proposals would not be fully developed at this point for the Sustainable Fisheries & Blue Economy Solutions since it may be more pragmatic and timely to finalise these beyond 2019, once agreement will have been reached on the 2019-2025 Seychelles – EU Fisheries Agreement. By then, the next phase of implementation of the Marine Spatial Planning (MSP) Project and the expanded Marine Protected Areas may also have become clearer.

Consequently, the Seychelles BIOFIN Project will, as part of its Finance Plan, only carry out comprehensive Technical Proposals of the following three Thematic Finance Solutions:

1. Sustainable Tourism Finance Solutions
2. Sustainable Financing of Biosecurity Services
3. Biodiversity Finance Unit (BFU)

Once these three Thematic Finance Solutions are approved for implementation, the BFU with the support of the BIOFIN Team should then seek to mobilise resources in order to further develop all other Finance Solutions which had been identified as well as new ones which may emerge and to include these in the budgetary and economic planning processes. Section 4 covers the four Thematic Finance Solutions prioritised for implementation under the BIOFIN Initiative.

4. Thematic Finance Solutions prioritised for implementation under BIOFIN Initiative

4.1 Thematic Finance Solution 1: Sustainable Tourism Finance Solutions

The following are the various Finance Solutions being proposed under this thematic set of Biodiversity Finance Solutions:

- (i) **To make the Seychelles Sustainable Tourism Label (SSTL) mandatory for island resorts, medium (25-50 rooms) and large hotels (more than 50 rooms) with effect from 1st January 2020**
- (ii) **To increase capacity of the SSTL Unit in the Ministry of Tourism.**
- (iii) **To allow 200% Business Tax deductions in respect of expenditure by hotels to obtain SSTL Certification with effect from 1st January 2020.**
- (iv) **To allow 200% of basic salary of dedicated biodiversity staff employed by large hotels to be tax deductible with effect from 1st January 2020.**
- (v) **To allow 200% Business Tax deductions in respect of expenditure on biodiversity from 1st January 2020.**
- (vi) **Creating greater awareness of use of Corporate Social Responsibility (CSR) Tax for funding biodiversity conservation projects**
- (vii) **Improved enforcement of the Environment Protection Act (EPA) and sanctioning of harmful practices by tourism operators.**
- (viii) To introduce a new Cruise Ship Environment Levy of US\$20 per passenger (including crew) to finance waste management with effect from 1st October 2020.
- (ix) To increase the Airport Passenger Service Fee (PSF) from US\$50 to US\$60 per passenger with effect from 1st January 2020 with proceeds from the additional US\$10 per passenger to be used to fund waste management and biodiversity conservation.

Prior to analysing each of the above Tourism Finance Solutions, this Section first addresses the following:

- Past and recent developments in Seychelles travel and tourism
- Contribution of travel and tourism to public sector revenues
- Impact of travel and tourism on Seychelles Biodiversity
- Contribution of travel and tourism to Seychelles Biodiversity
- Challenges and opportunities which fiscal policy review may offer to promote sustainable tourism and biodiversity conservation
- Existing fiscal framework for travel and tourism businesses

4.1.1 Context

Tourism is by far the single most important pillar of the Seychelles economy taking into account its contribution to GDP, employment, and balance of payments.

Due to its relatively unspoiled environment, its diversity and its natural beauty, Seychelles has always been a highly sought-after destination. The Seychelles authorities have, from the outset of

international air travel in Seychelles in 1971, adopted a prudent approach in opting for limited but high spending visitors as against mass tourism.

Total visitor arrivals continued to surge steadily from 174,500 in 2010 to 232,700 in 2014. Total visitor arrivals reached 276,234 in 2015. Even more significant, has been the rise in visitor expenditure from SCR2, 451 million in 2010 to SCR 4,148 million in 2014.

Table 2: Seychelles Tourism statistics⁷

YEAR	2010	2011	2012	2013	2014
TOTAL VISITOR ARRIVALS	174,500	194,500	208,000	230,300	232,700
VISITOR NIGHTS '000	1,815	1,938	2,060	2,349	2,373
AVERAGE LENGTH OF STAY (days)	10.4	10.0	9.9	10.2	10.2
FOREIGN EXCHANGE EARNINGS⁸ (SCR MILLION)	2,451	2,570	4,260	4,138	4,148

The table below shows tourism's contribution to GDP has varied between 23 -27% during the period 2009 – 2014.

In reality, tourism contributes even more towards the domestic economy than the GDP and foreign earnings indicate since many secondary industries directly or indirectly depend on tourism.

Table 3: Tourism Sector Share of GDP

YEAR	TOURISM VALUE ADDED (SCR MILLION)	SHARE OF GDP %	TOTAL GDP (SCR MILLION)
2009	3052	26.50%	11533
2010	2936	25.10%	11705
2011	3121	24.70%	12609
2012	3811	26.20%	14519
2013	3852	24.30%	15864
2014	4003	23.30%	17199

During the 48 years that tourism has been developed in Seychelles, it has been influenced by exogenous factors such as oil shocks and their impact on air travel; the Gulf War; Somalian pirate activity in the SW Indian Ocean; as well as the banking and economic crises.

⁷ Source: Seychelles National Bureau of Statistics

⁸ Source: Central Bank of Seychelles Estimates

Seychelles tourism has also been influenced by the domestic political and economic landscape. The 1977 Coup d'Etat, the Mercenary Attack in 1981, and the Army Mutiny in 1982 all had some adverse, even if temporary, impact on the tourism industry.

During the single party era of centralised government from 1977-1991, there was little direct foreign investment in the hotel and tourism sector. The private sector actually divested, as Government took over ownership and management of more than half of total hotel bed capacity.

Following the return to multiparty pluralism in 1991, Government accelerated trade and economic liberalisation which had started in the late 1980s.

However, Government's finances and external debt were still untenable, resulting in chronic external payment imbalances and the depletion of Seychelles' external reserves.

At that time, Government put in place various fiscal incentives including the Economic Development Act and the Investment Promotion Act in order to attract foreign direct investment, especially in the tourism and offshore sectors.

For the first time in several decades, a number of new large hotel projects (including Banyan Tree, Constance Lemuria and Beachcomber St Anne) were implemented. In tandem, Government privatised most of the hotels under its ownership or management.

Seychellois entrepreneurs who had previously limited their interest in the tourism sector mostly to guesthouses, car hire, boat charter, and artisanal products, also began to step up their investment across the industry.

While most of tourism development had previously been limited to the main inhabited islands of Mahe, Praslin and La Digue, a number of new exclusive small island resorts were developed in addition to Denis Island and Bird Island. These included Fregate Island, North Island, Anonym Island and Cousine Island. Later, others including Felicite would add to the list of such island resort hotels / villas.

The Government owned Island Development Company (IDC) also developed a number of island resort hotels including Desroches, Silhouette Island Lodge, and Alphonse. In parallel, IDC developed exclusive villas on these islands for sale mostly to foreign owners. The management of most of the IDC hotel resorts was outsourced to private hotel management companies. IDC also engaged an NGO, the Island Conservation Society (ICS) to run the biodiversity conservation programmes on the islands under its management.

➤ **Contribution of Travel and Tourism to Public Sector Revenues**

Total Public Sector Revenue from Travel and Tourism was estimated at SCR608 million in 2014 and SCR597 million in 2015 excluding business tax and income tax revenues from these sectors.

Table 4: Estimated Government Revenue⁹ from Tourism (SCR'000)

	2014	2015
A - TOTAL VAT DOMESTIC	1,010,571	979,137
B - ESTIMATED VAT FROM TOURISM (52%)	525,497	509,151
C - TOURISM MARKETING TAX	40,194	47,139
D - TOTAL CSR	83,983	80,448
E - ESTIMATED CSR FROM TOURISM (50%)	41,991	40,224
F - TOTAL REVENUE FROM TOURISM (B+C+E)	607,682	596,514

The bulk of such revenue stemmed from VAT, with CSR and Tourism Marketing Tax accounting for the balance. This amount excludes business tax and income tax revenue related to the travel and tourism industry, as it was not possible to source or estimate these two revenue sources.

It is believed that a number of large businesses operating in the Seychelles travel and tourism industry are not remitting a significant portion of foreign exchange earnings to Seychelles and, to that extent, Government may not have been earning VAT, CSR, Marketing Tax, and Business Tax payable from these entities.

Government has undertaken to step up efforts to ensure that taxes payable on such foreign exchange earnings are collected.

➤ **Impact of Travel and Tourism on Seychelles Biodiversity**

Starting with the construction of Seychelles International Airport in 1971 and the associated land reclamation, travel and tourism began to impact negatively on Seychelles biodiversity.

The construction of four large hotels (Reef Hotel, Mahe Beach Hotel, Coral Strand Hotel and Beau Vallon Bay Hotel) in the 1970s further manifested the impact of tourism on biodiversity. The effluent from the hotels' sewerage plants which was only partially treated would be discharged directly into the sea nearby to the hotels thereby polluting the marine environment within the reef area.

As the tourism industry expanded over the following decades notably on the main islands of Mahe, Praslin and La Digue, so did its impact on both the terrestrial and marine biodiversity of these islands.

With regards to terrestrial biodiversity, the natural habitat was sacrificed to make way for construction of airstrips, quays, roads, hotels, guesthouses, bars, restaurants, and other tourism infrastructure and amenities.

In the context of marine biodiversity, apart from damage resulting from such terrestrial construction and hotel operational activities (e.g. pollution by effluent from inadequately treated sewerage; siltation resulting from site preparations and storm water drainage during construction phase) there has also been damage done to corals by anchoring of boats doing tourism excursions, sports fishing, snorkeling, sailing, and diving.

⁹ Source: Ministry of Finance, Trade and Blue Economy

Marine ecosystems were also adversely affected by solid waste pollution (e.g. plastic) and other liquid waste (e.g. fuel) associated with both terrestrial and marine tourism activities.

Increase in international and inter-island air travel may have also affected certain bird species, although this has not been sufficiently researched and documented.

Furthermore, tourism since the early 1970s created strong demand for seashells, crustaceans and fish leading to unsustainable exploitation of a number of species of commercial value.

However not all of tourism activities have been negative in terms of their impact on biodiversity.

Globally, there has been increasing awareness since the 1970s of the need to prevent degradation of biodiversity and to mitigate the impact of development on biodiversity. There has also been greater cognisance of the need to restore damage done to biodiversity, whether from human activity or natural phenomena (e.g. El Nino).

Consequently, Seychelles has oriented its travel and tourism vision and policy towards selective eco / sustainable tourism. More recently, Seychelles has developed the Sustainable Tourism Label which is aligned with the UN's Sustainable Development Goals (SDGs).

Seychelles environment NGOs and certain private sector operators have also been active in developing and promoting sustainable tourism that would impact the least on Seychelles biodiversity.

The rejection of the Cap Ternay and Police Bay large hotel resorts was a manifestation of local consciousness to take action to prevent certain trade-offs between tourism development and biodiversity conservation. The Cap Ternay Report would have encroached a Protected Area.

➤ **Contribution of Travel and Tourism to Seychelles Biodiversity**

During the May 2016 BIOFIN Tourism Sustainable Workshop and the more recent December 2016 BIOFIN Finance Plan Workshop, business cases were made for private sector involved in tourism to increase their investment in Seychelles biodiversity.

Apart from the travel and tourism sector's contribution towards VAT, CSR, Marketing Tax and Business Tax, which indirectly represent the sector's contribution towards expenditure on biodiversity (since part of such revenues goes towards overall funding of biodiversity by the public sector), it may be argued that direct expenditure by private travel and tourism operators remains at a relatively low level.

It is evidence based that small island resorts such as North Island, Denis Island, Bird Island, Fregate Island are the ones investing the most in biodiversity programmes. Such operators are aware that the long-term viability of their business depends critically on their islands' biodiversity, but that they cannot rely on Government or any other external party to invest in their biodiversity programmes.

On the other hand, hotels on Mahe, Praslin and La Digue invest relatively much less in biodiversity conservation, even on their own premises. It is possible that such hotels still view biodiversity conservation as the responsibility of Government (Environment Division; SNPA) and NGOs.

Similarly, the Destination Management Companies (DMCs) including Creole Travel, Mason's Travel and 7 Degrees South are among the largest and most profitable stakeholders in the travel and tourism sector but contribute negligibly towards biodiversity conservation.¹⁰

One of their most profitable niche activities are excursions to Vallee de Mai and the marine parks such as those of Ste Anne, Curieuse and Cousin. They may argue that they have to pay park fees on behalf of their clients to visit such Protected Areas, and that as such, the biodiversity conservation of these PAs is the responsibility of the SIF (Vallee de Mai), SNPA (Curieuse) and Nature Seychelles (Cousin).

The Ministry of Tourism and Transport has launched the Seychelles Sustainable Tourism Label (SSTL) for hotels and other tourism establishments in 2014 but as of 2018 only 18 tourism establishments had successfully applied for the Label.

There are strong arguments for private operators to invest in biodiversity: the main tourism markets remain France, Germany, UK, Italy, Austria and Switzerland and tourists from these countries attach much importance to biodiversity conservation. As such, private operators in Seychelles should perceive the business case for them to qualify for the Sustainable Tourism Label and to invest in and brand themselves around biodiversity.

Furthermore, there needs to be greater enforcement of sanctions against those tourism operators which actually carry out practices that are harmful to biodiversity. There have been reported cases of hotels being responsible for discharge of fuel or insufficiently treated sewerage effluent into environmentally sensitive areas.

The damage which such harmful practices does, goes well beyond the immediate vicinity of the operator but actually impacts on the image and branding of Seychelles as a destination.

➤ **Challenges and Opportunities which Fiscal Policy Review may offer to Promote Sustainable Tourism and Biodiversity Conservation**

A) Challenges

Although private travel and tourism operators are among the most profitable businesses in Seychelles, and benefit from a number of tax incentives which (apart from fisheries and agriculture) are not available to other sectors, they are likely to resist any linkage or conditionality for benefiting from Tax Incentives.

The private operators are likely to argue that they are already paying heavily by way of VAT, CSR, and Marketing Tax.

B) Opportunities

¹⁰ Mason's Travel does utilise its CSR to fund the NGO Green Island Foundation (GIF) which in turn implements biodiversity conservation programmes on North Island and Denis Private Island resorts.

Although the CSR Tax of 0.5% of Turnover which was introduced in 2014 was seen as adding to the tax burden of private operators, it also offered an opportunity for travel and tourism operators to invest up to 0.25% or half of the CSR payable in eligible community activities including biodiversity conservation.

Some hotels (e.g. Ephelia Resort, Denis Private Island Resort) have seized this opportunity to invest their CSR via NGOs into their own biodiversity programmes.

The BIOFIN Tourism Sustainable Workshop was used to showcase such hotels such that others may emulate.

➤ **Existing Fiscal framework for travel and tourism businesses**

The existing fiscal framework for travel and tourism business forms part of the Business Tax Act.

The table below shows business tax applicable to a list of operators in the travel and tourism trade:

Table 5: Special rate of business Tax for Travel and Tourism Businesses

Relevant person/businesses	Rate
Hotel, guest house or self-catering establishment	0% of the first SCR250,000 of taxable income; and at 15% on the remainder.
Café or restaurant	
Fixed or rotary wing passenger air transport services in respect of all domestic flights	
Domestic ferry services for the transport of freight or passengers	
Boat or yacht charter (including liveaboard)	
Car hirer operator	
Underwater diver operator or dive centre	
Water sports operator	

As shown above, travel and tourism businesses in Seychelles are subject to a maximum of 15% business tax on taxable income, the first SCR250,000 of which are subject to 0% business tax. This is considered relatively low by international standards.

In addition to the Special Rate for Business Tax, the travel and tourism businesses can avail of a large number of other tax incentives.

The key tax incentives include the following:

(i) Marketing and Promotion

The total amount of deductions allowed from taxable income for a tax year shall be 200% of the actual or qualifying expenditure. The amount qualifying for the deductions shall be 5% of the turnover or the actual expenditure incurred for marketing and promotion whichever is lower, for the following businesses:

Table 6: Categories of tourism operator under the Business Tax Act

Relevant Persons/Businesses

A person carrying on the business of –

- Hotel, guest house or self-catering establishment
- Cafe or restaurant
- Fixed or rotary wing passenger air transport services in respect of all domestic flights
- Domestic ferry services for the transport of freight or passenger
- Boat or yacht charter (including liveaboard)
- Car hirer operator
- Underwater dive operator of dive centre
- Water sports operator
- Travel Agent
- Tour and or Tourist Guide
- Equestrian operator
- Gambling/casino operator

(ii) Accelerated Depreciation

The rate of depreciation allowable on capital investment for tourism operators other than buildings, as specified below.

Table 7: Accelerated Rate of Depreciation for Tourism Operators

Relevant Persons/Businesses	Year	Rate (%)
A person carrying on the business of –	1	45
	2	40
• Hotel, guest house or self-catering establishment	3	30
• Cafe or restaurant	4	20
• Fixed or rotary wing passenger air transport services in respect of all domestic flights	5	10
• Domestic ferry services for the transport of freight or passenger		
• Boat or yacht charter (including liveaboard)		
• Car hirer operator		
• Underwater dive operator of dive centre		
• Water sports operator		
• Travel Agent		
• Tour and or Tourist Guide		
• Equestrian operator		
• Gambling/casino operator		

Government has decided to discontinue the above Marketing & Promotion and Accelerated Depreciation concessions with effect from 1st January 2020.

4.1.2 Recommended Biodiversity Finance Solutions for the Tourism Sector

The overall objective of the recommended biodiversity finance solutions is to increase direct investment for biodiversity conservation from the tourism private sector and promote sustainable tourism practices by developing the appropriate policy, investment and fiscal framework.

Solution 1: To make Seychelles Sustainable Tourism Label (SSTL) Certification Mandatory for Island Resorts, Medium Hotels (25-50 rooms) and Large Hotels (more than 50 rooms) with effect from 1st January 2020

It is being recommended that SSTL Certification should be made mandatory for large and medium hotels as well as island resorts with effect from 1st January 2020. This would constitute a Biodiversity Finance Solution in that large hotels would have to spend additionally on biodiversity conservation and climate change adaptation in order to get SSTL certified.

The reason for targeting hotels of 25 rooms or more, is that such hotels are the ones which impact the most on biodiversity. In particular, such hotels have a greater requirement for water as well as treatment of wastewater and sewerage. They also generate considerable solid waste.

In the case of Island Resorts, the rationale for making the SSTL mandatory is that such resorts are located on small islands within environmentally sensitive areas. Furthermore, such Island Resorts have a high yield and can afford to invest in the facilities which may be required in order to qualify for SSTL Certification.

There were 46 large and medium hotels out of a total of 657 licensed accommodation establishments as of December 2018. Large and medium hotels accounted for 45% of total bed capacity (12,924) in Seychelles.

The criteria for the Seychelles Sustainable Tourism Label (SSTL) include sustainable practices in the spheres of waste management; use of water; energy conservation and use of renewable energy and energy efficiency; biodiversity conservation; community as well as management and staff roles and activities.

The Hotel Classification Programme which was launched in 2017 is actually linked to the SSTL Certification Programme in that the Classification has a 12% sustainability component. If a hotel is SSTL certified it automatically obtains 100% score for the sustainability component.

The Seychelles Sustainable Tourism Foundation (SSTF) which was launched as an NGO in March 2017 has set itself the mission to prepare Seychelles as a destination for Global Sustainable Tourism Council (GSTC) certification at destination level in five years' time. The GSTC destination certification is also strongly linked to the SSTL. The latter achieved GSTC recognition in April 2017.

The Tourism Department of the Ministry of Tourism is not in favour of making the SSTL Certification mandatory for large & medium hotels and island resorts since it believes that SSTL Certification should be a target that all accommodation establishments should strive for and be proud to achieve.

During consultation with other key ministries and tourism stakeholders, it was agreed that Cabinet of Ministers should be left to decide whether SSTL Certification for large & medium hotels and island resorts should be made mandatory.

Solution 2: To Increase Capacity of the SSTL Unit in the Ministry of Tourism.

It is being recommended that the SSTL Unit be allocated additional resources such that it may not only develop its in-house capacity, but that the SSTL Unit may also be able to further outsource experts to carry out SSTL certification. Such increased resources should be allocated in the context of the review of the 2019 Budget as well as in the 2020 Budget.

Solution 3: To Allow 200% Business Tax Deductions in respect of Expenditure by hotels to obtain SSTL Certification with effect from 1st January 2020

It is being recommended that Government allows 200% of all approved expenditure for SSTL Certification to be Business Tax deductible with effect from 1st January 2020. The approving Authority would be the Unit in the Ministry of Tourism responsible for SSTL Certification.

Solution 4: To Allow 200% of Basic Salary of Dedicated Biodiversity Staff employed by Hotels to be Tax Deductible with effect from 1st January 2020

There already exists provision in the Business Tax Act and Regulations for 200% of emoluments paid by an employer to a qualified graduate of Seychelles Institute of Technology, Farmers Training Centers, Maritime Training Centre, and Seychelles Tourism Academy (STA) to be tax deductible.

It is being recommended that this Business Tax concession be extended further to include any dedicated Biodiversity Conservation staff employed by hotels with effect from 1st January 2020.

This would on the one hand incentivise hotels to employ dedicated Biodiversity Conservation staff, while on the other hand ensure career prospects and career path development for STA and UniSey Graduates taking up employment in Biodiversity Conservation in hotels.

It is also being recommended that the certifying authority for hotels to qualify for such tax concessions would be the Ministry responsible for Environment.

Solution 5: To Allow 200% Business Tax Deductions in respect of Expenditure on Biodiversity from 1st January 2020

It is being recommended that ALL hotels and DMCs which actually directly contribute to biodiversity conservation should be further rewarded by way of additional tax incentives. 200% of all expenses which such establishments can prove are invested in biodiversity conservation should be business tax deductible.

In order to qualify for approval, the Hotel or DMC should either use an NGO¹¹ to implement the biodiversity conservation programme or in the case of a hotel implementing its own biodiversity conservation programme the latter should be ring-fenced and should not include conventional landscaping.

¹¹ However hotels which are funding biodiversity activities via an NGO using their own CSR, should not be entitled for business tax concessions in respect of such expenditure.

It is being further recommended that the certifying authority for Hotels and DMCs to qualify for such tax concessions would be the Ministry responsible for Environment.

If this Recommendation was to be implemented on 1st January 2020, it would effectively coincide with and replace the similar Business Tax Concession for Tourism Marketing and Promotion which Government plans to withdraw with effect from 1st January 2020.

Solution 6: Creating Greater Awareness of Use of CSR Tax for Funding BD Conservation Projects.

It is being recommended that there should be greater awareness by hotels of the possibility of using up to 50% of their CSR Tax on Biodiversity Conservation projects, including BD Projects on or near to their premises provided such programmes are eligible for CSR Certificate and that funding is done via an Environment NGO.

Such increase in awareness of use of CSR Tax for Biodiversity Conservation Projects should be carried jointly by the Ministries responsible for Finance, Tourism and Environment with DOE having lead responsibility. The awareness campaign could be done online as well as by way of a small brochure.

Solution 7: Improved Enforcement of the Environment Protection Act (EPA) and Sanctioning of Harmful Practices by Tourism Operators Sanctioning of Harmful Practices.

It is being recommended that any hotel or tourism operator engaging in practices which are harmful to biodiversity should be fully sanctioned in line with the provisions of the Environment Protection Act (EPA).

In addition to the harm done to biodiversity, such operators also do significant damage to Seychelles' reputation as a pristine and eco-friendly destination.

While the legislation for such sanctioning harmful practices already exists in the EPA and the penalties were actually raised from SCR 100,000 to a maximum of SCR 1million in 2016, it is believed that the EPA should be enforced more timely and vigorously going forward insofar as tourism operators are concerned. Furthermore, out of court settlements should be avoided.

Although the EPA should remain the remit of the Ministry responsible for Environment, it is being recommended that more timely and vigorous enforcement could be achieved if Cabinet of Ministers was advised at the outset of each case of harmful practice and kept apprised of action taken against the tourism operator responsible for the harmful practice.

Solution 8: To introduce a new Cruise Ship Environment Levy of US\$20 per Passenger to Finance Waste Management and Biodiversity Conservation with effect from 1st October 2020

It is being recommended that a Cruise Ship Levy of US\$20 be charged in respect of each passenger (including crew) disembarking at Port Victoria with effect from the cruise ship season starting 1st October 2020 with all proceeds to be channeled via the Consolidated Fund towards funding of waste management and biodiversity conservation in Seychelles.

The justification for the proposed cruise ship levy is that cruise ships calling at Port Victoria dispose of considerable solid and liquid waste in line with IMO's Marine Pollution (Marpol) Convention. Although cruise ships pay the respective service providers (via their local shipping agency) for collecting the waste and transporting same to Providence Land Fill / Ponds and PUC Sewerage Plant, it is local taxpayers and PUC consumers which currently have to pay for the management of all such waste.

Cruise ships also require considerable potable water which in turn depend on local watersheds. Hence, some of the funds may be used via the Consolidated Fund to maintain watersheds.

Another impact of cruise ships on Seychelles' biodiversity could potentially be damage to corals from anchoring. As such, some of the levy proceeds may be used to fund mooring facilities on outlying islands or coral reef restoration.

It is being recommended that SPA be mandated to collect the cruise ship levy and transfer all proceeds to Government's Consolidated Fund. SPA currently collect a fee¹² of SCR100 per cruise ship passenger (excluding crew) on Mahe and SCR50 on Praslin & La Digue¹³.

In discussions with the Ministry of Finance, it has been proposed that a Special Committee would be set up – with participation of key stakeholders including DOE – to allocate equivalent of levy proceeds paid into the Consolidated Fund to specific waste management and biodiversity expenditures.

All key stakeholders consulted (Ministry of Environment, Ministry of Finance, Ministry of Tourism, SPA, SMSA, Hunt Deltel Co Ltd and Mahe Shipping Ltd) are supportive of the proposed cruise ship levy. The Department of Tourism would prefer the levy to be of the order of US\$10 per passenger instead of the US\$20 being recommended.

Solution 9: To increase the Airport Passenger Service Fee (PSF) from US\$50 to US\$60 per passenger with the proceeds from the US\$10 increase being used to fund waste management and biodiversity conservation.

It is being recommended that the Airport PSF be increased by US\$10 with proceeds therefrom to be used to fund waste management and BD conservation via Government's Consolidated Fund.

During discussions with SCAA and Department of Tourism, they have conveyed that they are not in favour of such an increase in PSF since it would need to be approved by ICAO and IATA and that, in the process, it may trigger off an audit of how PSF funds in Seychelles are being utilised.

¹² SPA receive the passenger (and crew) manifest of each cruise ship calling at Port Victoria from the local shipping agency (Hunt Deltel or Mahe Shipping) and invoice the latter accordingly. The shipping agency subsequently gets reimbursed by the cruise ship operator.

¹³SPA are proposing to revise their cruise ship passenger fees in the course of 2019 for Praslin and La Digue: the aim is to charge SCR150 per passenger for Praslin and SCR200 per passenger for La Digue, but for SPA to only retain SCR100 in line with their fees for Mahe. The balance of SCR50 in the case of Praslin would be paid to the Praslin Development Fund and SCR100 in the case of La Digue to the La Digue Development Fund in order to assist these respective funds with costs of waste management e.g. plastic containers on these 2 islands.

According to SCAA, the PSF proceeds are normally expected to be used to fund airport infrastructure and services. The current proceeds from the PSF are more than the expenditures on airport services and consequently the SCAA pass on surplus PSF funds to Government by way of dividends.

It may however be argued that Seychelles' travel and tourism and therefore the revenues from PSF are inextricably linked to biodiversity conservation.

If Seychelles' biodiversity and waste management were not properly managed, it could result in a decline in visitor arrivals in the long term, and this would in turn (*ceteris paribus*) translate into a reduction in PSF revenues. This relationship between PSF and biodiversity may be unique to SIDs which are dependent on tourism.

Consequently, by turning the argument on its head, there may be strong justification in the case of Seychelles to use a fraction of PSF revenues to manage biodiversity and waste management in order to preserve the continued flow of visitor arrivals which are the principal source of PSF revenues.

In discussions with the Ministry of Finance, it has been proposed that the same Special Committee set up to allocate proceeds from the cruise ship levy may also be used for purposes of allocating the extra PSF proceeds paid into the Consolidated Fund towards biodiversity and waste management expenditures.

4.2 Thematic Biodiversity Finance Solution 2: Sustainable fisheries & blue economy finance solutions

The overall objective of the recommended biodiversity finance solutions is to improve the fishery and marine biodiversity policy, investment and fiscal framework with a view to ensuring sustainability and optimised use of fishery stock and marine ecosystem services.

4.2.1 Context

Seychelles Exclusive Economic Zone (EEZ) of 1.4 million km² is rich in marine biodiversity including fish, crustaceans and other species of high commercial value.

Since 1984, there has been a considerable increase in industrial fishing activity in Seychelles' EEZ as French and Spanish Tuna Fishing Vessels began to operate under a special agreement with EU, allowing them to also use Port Victoria in Seychelles as their base for transshipment and related facilities.

Previously only South East Asian (Japanese, South Korean and Taiwanese) Long Line Fishing Vessels used to operate in Seychelles EEZ. Catches by Long Line Vessels remain relatively small compared to those of EU Purse Seine Fishing Vessels.

During the period 1992-2015, annual catches by the EU fishing vessels have varied between 250,000 and 400,000 tonnes, reaching a peak in 2006. It should be emphasised that such tuna catch is significant by global standards, amounting to about 10% of global tuna catch.¹⁴

According to the 2013 Seychelles Fishing Authority annual report, the importance of tuna to the Seychelles economy has been enhanced through expansion in tuna canning capacity. Presently, the local cannery owned and operated by Indian Ocean Tuna Ltd (IOT) is the second biggest in the world, with an average daily processing capacity of 350 MT. The IOT canning factory is by far the single largest employer in Seychelles, with a workforce of over 2,500 workers, of which over 60% are foreigners¹⁵.

Most canned tuna exports are destined for Europe, and Seychelles accounts for more than 10% share of the European market.

Fisheries and related activities account for a total of 6.1 % of GDP as shown in the Table below. It should be underscored that the logistics component (stevedoring, storage and local transportation) account for almost half of the total GDP value of the fisheries sector. While such share of fisheries and related activities are significant, the sector as a whole remains relatively untapped since it could unlock local business opportunities across the value chain hand in hand with a strategy of achieving sustainability of fish stocks and marine ecosystem resources.

Table 8: Share of Fisheries and Related Activities in GDP¹⁶

SIC	Industrial Activities	Constant Price (SCR million)
A03	Fishing	57.0
C10	Manufacture of food	179.0
C13-22, C24-33	Manufacturing, other	26.2
G	Wholesale and retail trade; repair of motor vehicles and motorcycles	5.8
H	Water Transportation (mostly stevedoring)	194.8
H	Transportation and storage	50.4
	TOTAL	513.2
	TOTAL GDP at current and constant price respectively	8431.4
	Contribution of Fisheries Related activities to GDP	6.1%

➤ Revenues and Other Benefits derived by Seychelles from Industrial Fishing

¹⁴ Source: Indian Ocean Tuna Commission (IOTC) www.iotc.org

¹⁵Source: Central Bank of Seychelles, CBS, www.cbs.sc

¹⁶ Seychelles National Bureau of Statistics

With regards to overall public revenue, this comprises chiefly of License Fees¹⁷ and Dividends paid to Government by IOT which amounted to US\$4.50 million and US\$0.85 million respectively in 2013, making a total of US\$5.35 million.

**Table 9: Revenue from Industrial Fishing License Fees and IOT Dividends
2006 constant price USD'000**

DESCRIPTION OF REVENUE	2010	2011	2012	2013	2014	2015
LICENSE FEES:						
Annual EU Fishing Licence fees	4,160	2,434	1,980	2,063	1,702	1,464
EU Fishing Licence: Vessel Fee	-	1,457	890	551	766	1,258
Non EU Fishing Licence Fees	-	1,262	2,468	1,885	1,455	2,026
Local Fishing Licence Fees	3	2	3	3	3	22
TOTAL REVENUE FROM LICENSE FEES	4,164	5,156	5,342	4,502	3,925	4,770
DIVIDENDS PAID TO GOVT BY IOT	N/A	N/A	1,130	849	N/A	N/A
TOTAL PUBLIC REVENUE FROM INDUSTRIAL FISHING			6,472	5,351		

With regard to the 2013-2019 EU Fisheries Partnership Agreement¹⁸, the total financial contribution estimated at Euro30.7 million for the 6-year period comprises of an annual amount for access to Seychelles EEZ and a specific annual amount for the support and implementation of Seychelles sectoral fisheries policy and maritime policy.

The access amount is for a reference tonnage of 50,000 MT per year. Should the catch within the Seychelles EEZ exceed 50,000 MT, the EU and fishing vessels shall jointly pay compensation for the excess amount although the total payable for such excess catch by the EU shall not be more than twice the access amount in any one year.

**Table 10: Indian Ocean Tuna Canning Factory imports and exports¹⁹
2006 Constant prices USD '000**

¹⁷ Refer annex 2 Fishing licences fees

¹⁸ Source: www.ec.europa.eu/fisheries/cfp/international/agreements/Seychelles

¹⁹ Source: SFA Annual Report 2013

	2012	2013
EXPORTS OF CANNED TUNA	119,965	163,289
IMPORTS OF TUNA	75,497	85,396
NET EXPORTS OF TUNA (NOT INCLUDING OTHER COSTS)	44,468	77,893

Retained earnings in Seychelles from industrial fishing were only a small fraction of the overall value of 278,000 MT of tuna landed and transshipped in Seychelles in 2013.

Based on the value²⁰ of US\$85.4 million (2006 prices) of the imports of 77,600 MT of frozen tuna by the IOT Canning Factory in 2013, it is estimated that the 278,000 MT of tuna landed and transshipped in Seychelles was valued at US\$305.9 million (2006 prices).

Consequently, retained earnings in 2013 from industrial fishing at US\$5.3 million were estimated at a mere 1.73% of the value of tuna landed at US\$305.9 million.

In 2014, total catches of tuna in the Western Indian Ocean by The EU purse seine fleet was reported by the Indian Ocean Commission at 278,000 MT of which only 55,000 MT is caught in the EEZ of Seychelles. This remains a moot point although it is very difficult for the Seychelles authorities to challenge such claim. Coincidentally, the reference tonnage under the 2013-2019 EU Fisheries Partnership Agreement is 50,000MT per annum.

The long line fleet in the WIO has become less productive than the purse seine fleet, and accounted for 7,400MT of fish in Seychelles EEZ in 2014.

The majority (75%) of the Seychelles flagged fleet of long line vessels, had an estimated catch of 10,000MT in 2014, which is claimed to be fished outside of the Seychelles EEZ. Likewise, the total catch of the Seychelles flagged purse seine vessels for 2014 was estimated at 60,000MT, with only 17% declared as being caught in Seychelles EEZ²¹.

In the case of dividends paid to Government of Seychelles by IOT Canning Factory for their 40% equity in the company, these represented 2.54% and 1.09% of IOT's gross income in 2012 and 2013 respectively.

It has not been possible to ascertain whether IOT pays any taxes to Government since they are in principle exempted from taxes by virtue of being located in the Seychelles International Trade Zone (SITZ).

Apart from License Fees and Dividends from IOT, Seychelles derives other benefits from industrial fishing activity, most notably expenditures by the Industrial Fishing Vessels on bunkering, ship-

²⁰ Source: SFA Annual Report 2013

²¹ Fisheries Transparency Initiative(FITI), Seychelles Feasibility, 2016

chandling, and stevedoring services. These are captured under “Vessel Expenditure” in the Table below:

Table 11: Total Revenue from industrial fishing activity 2010-2013(SR million)²²

REVENUE SOURCE	2010	2011	2012	2013
VESSEL EXPENDITURE	1145.00	1290.00	1054.00	903.23
COMPANY EXPENDITURE	19.55	19.84	18.24	17.59
SEAMEN COMPENSATION	0.51	0.58	0.84	0.67
LICENSE FEES, EXCESS CATCH & EU COMPENSATION	132.15	146.13	191.72	98.91
TOTAL	1297.21	1456.55	1264.80	1020.38

However, the bulk of vessel expenditure is on fuel purchased from the local company SEYPEC. It should be emphasised that since SEYPEC imports all of the fuel it sells, it is only SEYPEC’s margin on the sale of such fuel which is of net benefit to the domestic economy.

➤ **Contribution of Industrial Fishing towards Seychelles Biodiversity**

Industrial fishing activity in Seychelles has so far not directly contributed towards biodiversity conservation in Seychelles since all of revenues generated from such activity are either paid to Government (License Fees, IOT Dividends), SEYPEC, or stevedoring and ship-chandling companies.

However, the Seychelles Fishing Authority (SFA) which is co-funded by the Government Budget, the EU Partnership Agreement and License Fees, is vested with responsibility for sustainable management of all fisheries within Seychelles’ Exclusive Economic Zone (EEZ).

Table 12: Seychelles Fishing Authority recurrent biodiversity expenditures compared to revenue from fishing license fees - 2006 constant prices USD²³

YEAR	RECURRENT BD EXPENDITURE	REVENUE FROM FISHING LICENSE FEES	PERCENTAGE OF BD EXPENDITURE TO REVENUE FROM LICENSE FEES
2011	266000	5156000	5.16%

²² Source: SFA Annual Report 2013

²³ Source: Seychelles BIOFIN Workbook 1c: Review of BD Expenditures

2012	302294	5342000	5.66%
2013	479257	4502000	10.65%
2014	663668	3925000	16.90%
2015	571920	4770000	11.99%

SFA did not incur capital expenditure on biodiversity projects during the period 2011-2015, but rather recurrent expenditure which have been at a peak of US\$663,668 in 2014 (measured in constant 2006 prices).

As shown in the above table, the total expenditure by SFA on marine biodiversity varied between 5% - 17% of total revenue from license fees.

The SFA, together with other government agencies and regional fishery institutions, has the mandate to ensure sustainability of the demersal and pelagic fish stock more specifically within Seychelles' EEZ but also more generally within the southwest Indian Ocean.

Government's recent decision in 2018 to give SFA full financial autonomy may empower SFA to further embrace sustainable management of fisheries.

➤ **Impact of fisheries on marine biodiversity in Seychelles**

There are significant concerns about sustainable use of the overall resource base with excessive and largely uncontrolled targeting of high value commodity species and major bycatch concerns in the industrial fisheries.²⁴

Seychelles has always avoided certain industrial fishing practices such as drift net fishing, bottom trawling, cyanide fishing, dynamite fishing, ghost fishing.

➤ **The Blue Economy Initiative**

The Blue Economy Initiative was launched by Government in 2014. The National Blue Economy Roadmap is being developed and the main results expected are:

- Increase investment in existing ocean-based economic sectors (particularly fisheries and shipping) to realise greater value from the existing resource base²⁵.
- The development of new economic sectors based on existing marine resources (marine based aquaculture, offshore petroleum and marine biotechnology creating products and processes).
- Greater protection for Seychelles ocean space and resources through better coordination across different sectors, application of protective measures and greater use of surveillance and enforcement tools.
- New research, innovation and generation of knowledge about Seychelles ocean space and management needs.

➤ **The Challenges and Opportunities of Seychelles' Marine Biodiversity**

A) The Challenges

²⁴ NBSAP(2) 2015-2020

²⁵ Refer Annex 3 Blue Bonds

The key stakeholders in Seychelles are cognisant of the need to attach greater importance to the sustainable use of the rich marine biodiversity within Seychelles' EEZ and especially within its territorial waters.

As part of the Debt for Climate Change Adaptation Swap signed in December 2015 with the Paris Club, Seychelles has undertaken to proclaim 30% of its EEZ equivalent to 400,000 km² as Marine Protected Areas (MPAs), half of which (15%) would be "No-Take Zones", while the other 15% would be Protected Areas for Sustainable Use. The planned expanded MPAs represent a challenge both in terms of reaching an agreement with the EU Fishing Vessels, as well as to eventually develop the surveillance capacity and to manage such expanded MPAs.

Given the ever-evolving climate change and global warming issues, including the current El Nino phase, Seychelles' marine ecosystems have been particularly affected including with strong coral bleaching. It remains uncertain to what extent demersal fish species have been affected by these factors.

The Seychelles authorities, including the SFA, believe that certain demersal species are also being threatened by overfishing. Fishing of demersal species is carried mostly by artisanal fishermen. In this connection, the Seychelles authorities are exploring ways and means to remove fuel subsidies from which the artisanal fishing currently benefits. Furthermore, it is widely believed that there is abuse of the fuel subsidy since the authorities are unable to control whether those claiming refund are genuinely using such fuel for artisanal fishing purposes.

There is increasing evidence that certain tuna species, particularly Yellow-Fin, are also being overfished and the Indian Ocean Tuna Commission (IOTC) imposed a 15% reduction of uptake of Yellow-Fin tuna on its member states including Seychelles with effect from 2017 compared with the base year of 2015.

There has also been pressure for tuna purse seine fleet to reduce their dependence on Fish Aggregating Devices (FADs). One of the most important technological developments that have been recently introduced by the purse seine fleet fishing with FADs are the satellite linked echosounder buoys. Their generalised use is causing rapid changes in the fishing strategy and fleet behavior²⁶ as they continuously provide fishers with near real-time information about the accurate geolocation of the FADs and the presence and abundance of tuna aggregations underneath. Prior to the advent and use of FADs, tuna fishing vessels were catching tuna which were travelling freely in schools.

Besides the over-fishing of tuna which has been associated with FADs, the latter carry other risks including the potential to wash ashore and become grounded or beached, with the possibility of causing damage to marine habitats. FADs are also responsible for the entanglement of sharks, marine turtles and other species.

In conformity with an IOTC Resolution, member countries have to ensure that their purse seine vessels can only use a maximum of 350 FADs at any one time as of 1st January 2017, less than half the previous limit.

²⁶ Lopez et al., 2015

Tuna bycatch is another source of concern in that the tuna purse seine fleet are alleged to often wastefully dispose of such bycatch either at sea or on land. Given the preference by purse seine fleet for using their limited cold storage facilities on board of vessels to store tuna rather than bycatch, the quality of any bycatch which is landed is often impaired, and such poor quality bycatch has been known to be buried in the landfill. There is now increasing pressure to control fishing of bycatch, its storage on board of vessels and its eventual use value.

In order to address concerns relative to sustainability of fish stocks as well as marine biodiversity conservation, the Government of Seychelles has also developed the Mahe Plateau Fisheries Management Plan. The implementation of this Plan together with the Marine Spatial Planning Project will be supported by the World Bank-funded Third South West Indian Ocean Fisheries Governance and Shared Growth (SWIOFish 3) Project.

B) The Opportunities

There are a number of opportunities to improve the marine biodiversity finance landscape such that the fishery stock and marine ecosystem services are used more optimally and sustainably.

Seychelles should be able to increase its economic and financial benefits from its marine biodiversity, particularly from industrial fishing activity, even if the landed catch has declined to more sustainable levels. The aim is to increase the local value-added component while embracing the reality of a reduction in overall catch landed in Seychelles.²⁷

Furthermore, key private sector stakeholders including the logistics service providers are investing in both quay and onshore facilities including cold storage cum fish sorting centres which would ensure that Seychelles remains competitive as a major fishing port globally and in the region, by offering the possibility of faster turnaround of vessels as well as sorting of fish by species, quality and size for re-export.

While these initiatives are necessary and in the right direction, they may not be sufficient and they should be complemented by an adapted and comprehensive finance sustainable fishery framework and action plan.

Insofar as the artisanal fishery sector is concerned, new opportunities should be explored while recognising that over-fishing of certain species of high commercial value may have to be managed.

In this connection, studies have been carried out to assess the development of mariculture with a view to mitigating the risks of overfishing of certain key demersal species of commercial value, while ensuring that fish can remain affordable and part of the traditional diet.

Another avenue with potential for generating income from marine living resources is bioprospecting. This requires in-depth scientific research hand-in-hand with the development of a legal framework that would allow external research agencies to assess the marine and coastal species with potential medicinal and other values.

²⁷ Under a newly proposed sustainable management strategy for fisheries (Vivid Economics, 2015) a reduction in catch volume but increase in catch quality would generate greater long-term returns (at a level between 2.5 and five times the biomass level of the Business As Usual scenario). Therefore, whilst direct jobs in fish catching will be reduced, this will be offset by the growth in value adding industries, such as fish processing.

Finally, seagrass carbon sequestration²⁸ within Seychelles EEZ has been identified as a potential source of significant revenue in the event of the revival of the carbon market.

4.2.2 Recommended Biodiversity Finance Solutions for Fishery and the Blue Economy

The overall objective of the recommended high-level²⁹ biodiversity finance solutions is to improve the fishery and marine biodiversity policy, investment and fiscal framework with a view to ensuring sustainability and optimised use of fishery stock and marine ecosystem services.

Faced with the new reality of quotas on catches of Yellow-Fin Tuna (which may potentially be extended to other tuna species) all stakeholders have to adopt new win-win solutions which would ensure the sustainability of the tuna fishing industry and its related services in the South West Indian Ocean.

For its part, Seychelles needs to consolidate and further develop its position as the leading tuna fishing port in the region.

The tuna fishing vessels for their part are having to adapt by opting for more cost effective means of fishing, preserving quality and value of their catch throughout the supply and distribution chain, in order to remain viable notwithstanding reduction in catch levels.

There is therefore an urgent need for Seychelles' based stakeholders on the one hand to upgrade and diversify the services offered to the tuna fishing fleet (improved port facilities with faster turnaround of vessels; increased cold storage facilities; sorting centres for re-export of fish) while on the other hand increasing the local value through increased processing of fish products.

Solution 1: Increasing Local Value from the Logistical Services Derived from More Sustainable Tuna Catch

While Seychelles has become one of the most important tuna fishing ports in the world, there had been little investment in infrastructure both in terms of quays and related onshore facilities over the years.

Yet the single largest source of domestic value from industrial and semi-industrial fishing is in the support industries, particularly logistics.

Key stakeholders in the local logistics sector supporting industrial fishery have already invested in a new Tuna Quay which became operational in 2017 while other such service providers are also contemplating investment in a third Tuna Quay. In both cases, there are plans to invest in large cold storage facilities which would additionally act as sorting centres in terms of species, quality and size, prior to loading the tuna in reefer containers for re-export.

Currently the local logistics service providers are also using the Commercial Port for transshipment of tuna due to over-congestion in the Tuna Quays. This is an unsatisfactory state of affairs given

²⁸ Moran, 2014

²⁹ Finance Solutions for Fishery and Marine Biodiversity are high-level only and will be developed into Detailed Technical Proposals subject to availability of resources.

that the Commercial Port is itself congested due to its prime cargo activity as well as cruise ship activity.

The planned upgrading and modernisation of the Commercial Port starting 2019 will further disrupt fish transshipment activities and render the implementation of the proposed additional Tuna Quay even more imminent.

However, Government's policy guiding investment in tuna quays and related cold storage and sorting centre facilities remains completely ad hoc, particularly in the absence of a legal and regulatory framework for Public Private Partnerships (PPPs). After all, the Fishing Ports are of strategic importance and require not only facilitation but proper regulation.

There is therefore an urgent need to develop a new over-arching policy, legal and fiscal / investment framework including PPPs for the development and operations of tuna port facilities.

Benefit 1: The local logistics service providers which already account for approximately half the local GDP value of the fishery sector (see Table 8 further above) are set to further develop and diversify their activities (e.g. cold storage and sorting centres) with the potential to more than offset earnings and employment which may otherwise be lost as a result of catch reductions to more sustainable levels.

Benefit 2: The proposed development in new tuna quays and onshore cold storage and sorting centre facilities will contribute significantly in maintaining Seychelles' competitiveness as the most important tuna fishing port in the South West Indian Ocean. In particular, the purse seine fleet would benefit from faster turnaround of their vessels; preservation of the quality of their catch throughout the transshipment process; and sorting of their catch by species, quality and size prior to re-export.

Solution 2: Increasing Value from Local Processing of Fish Products

- Indian Ocean Tuna (IOT) Company

As shown in Tables 9 and 10 further above, the Dividends paid to Government of Seychelles as 40% shareholder in the IOT company amounted to only US\$849,000 in constant prices in 2013, whereas the value of net export of canned tuna by IOT amounted to US\$77 million for the same year and in same constant prices.

Furthermore, IOT is compelled to employ as much as 50% of its staff from abroad, and contributes negligibly to other Government revenue given its Seychelles International Trade Zone (SITZ) status.

There is a need for Government to carry out a study in order to assess the potential for increasing public sector and local shareholder revenues from IOT in line with market value of such an important tuna processing activity.

Notwithstanding the above, it is also recognised that IOT has been adversely affected by the IOTC Resolution to reduce uptake of Yellow Fin. Furthermore, the EU and non regional fishing vessels are currently not under obligation to land and supply fish to IOT. Seychelles and other regional member states of IOTC have so far not succeeded to pass an IOTC Resolution which would ensure that EU and non regional fishing vessels supply a minimum

amount of their catch to IOT. Alternatively, Seychelles may have to include such provision in the new EU- Seychelles Industrial Fishing Agreement in 2019 (see Solution 3 below).

- **Local Processing of Fish Products by other Operators**

Although there has recently been a marked increase in the local processing of fish products across both pelagic and demersal species, there is the need to develop a comprehensive Investment Framework for all such activities, with a view to optimising local value of all fish landed in Seychelles including tuna bycatch, whether for export or local consumption.

The proposed Investment Framework should address access to fish products by local processors as well as access to finance and appropriate facilities in line with best practices including sustainable fishery.

Solution 3 : Negotiation of Seychelles Industrial Fishery Agreements

During the next EU-Seychelles Industrial Fishing Agreement in 2019, Seychelles should strive to substantially increase its benefits from such industrial fishing while also seeking to reach agreement with the EU vessels on the expanded Marine Protected Areas (MPA) in Seychelles' EEZ. Government would also be expected to pledge additional revenues from licences into marine biodiversity management and conservation via SFA or the Seychelles Conservation and Climate Adaptation Trust (SEYCCAT).

Benefit 1: Increasing Government Revenue From Fishing License Fees in line with true market value of industrial fishing in Seychelles EEZ.

Benefit 2: To ensure that EU purse seine vessels supply a minimum amount of their catch to IOT.

Benefit 3: Although not quantifiable, agreement with the EU on the proposed expanded MPA would be a major milestone in the implementation of the MPA and the Debt for Climate Change Adaptation Swap.

Solution 4: Green Fishing Practices

There is the need to develop a Comprehensive Policy and Regulatory Framework for Seychelles based fishing vessels across industrial, semi-industrial, artisanal and sports / recreational fishery in order to address the following potentially harmful practices:

- Indiscriminate use of Fish Aggregating Devices (FADs)
- Uncontrolled uptake of bycatch and wasteful disposal of such bycatch
- Harmful recreational and sport fishing

The proposed Policy and Regulatory Framework for Fishing Practices may subsequently pave the way for the development of Green Fishery Standards and Certification.

Solution 5 : Removal of Harmful Subsidy to Artisanal Fishermen

Government is currently spending approximately SCR20-25 million per annum on a fuel subsidy to artisanal fishers. It is widely believed that there is abuse of the fuel subsidy since the authorities are unable to control whether those claiming refund are genuinely using such fuel for artisanal fishing purposes. Furthermore, even in the case of genuine use of the subsidised fuel, it is considered harmful insofar that it may be leading to unsustainable use of certain key demersal species.

It is being recommended that the authorities proceed with immediate withdrawal of the fuel subsidy in 2019 and that equivalent funds be used partly (80%) for biodiversity conservation and partly (20%) for absorbing fishers that would otherwise become unemployed into alternative employment, e.g. by providing incentives to semi-industrial fishers who could train and absorb artisanal fishers into their operations.

Benefit 1: Saving Government SCR20-25 million per annum

Benefit 2: Increasing Government expenditure on marine biodiversity projects

Benefit 3: Assisting artisanal fishers genuinely affected by the removal of the fuel subsidy with alternative employment including training.

The Seychelles Fishing Authority (SFA) together with the Ministry of Finance have already carried out a study with regards to the phasing out of the fuel subsidy for artisanal fishermen. The implementation of the removal of the subsidy may not require changing any Act but only the Regulations under which such subsidies have been provided for.

Solution 6: Developing Legal and and Regulatory Framework for Mariculture Development

It is recommended that initially a legal and regulatory framework for the development of mariculture in Seychelles should be developed.

Benefit 1: The legal framework for the commercialisation of mariculture in Seychelles has not as yet been developed. Once the appropriate legal and regulatory framework would be in place, it would pave the way for private operators to invest in mariculture, thereby generating potentially significant economic benefits for Seychelles.

Benefit 2: Mariculture development would complement conventional fishing, especially of demersal species that may be currently subject to over-fishing, thereby mitigating risks associated with unsustainable fishing of such species.

It is however recognised that there is first the need to implement the Pilot Project for Mariculture and that it may take several years thereafter before mariculture may become commercialised in Seychelles.

The Pilot Project for Mariculture is being driven by the Ministry responsible for Blue Economy together with the Ministry of Fisheries and Agriculture, and SFA.

Solution 7: Developing Seagrass Carbon Sequestration Project

It is recommended that a “carbon credit” project using Seagrass Sequestration be developed for submission to the Clean Development Mechanism (CDM) Executive Board. The Project Design Document (PDD) for such a Project should normally be outsourced to a private sector entity with relevant experience and expertise. Firstly, a detailed feasibility study will need to be carried out to assess the financial and economic potential.

Benefit 1: In the event that the CDM Seagrass Carbon Sequestration Project is approved by the CDM Executive Board, Seychelles would benefit from a regular substantial flow of income which could be re-invested in biodiversity conservation.

Solution 8 - Developing Potential Projects in Bioprospecting

It is recommended to develop a legal framework for Bioprospecting hand-in-hand with outsourcing experts to carry out the appropriate scientific research. The aim should be for Seychelles to be able to patent the use of any of its species that could be of scientific value in medicinal and other research / products.

Benefit 1: In the event that such a legal framework and scientific bioprospecting research should lead to identification of species within Seychelles EEZ which could be of medicinal value, potential revenue may be substantial albeit difficult to quantify in advance.

4.3 Thematic Biodiversity Finance Solution 3: Sustainable Financing of Biosecurity Services by strengthening the cost recovery fee and fine system

4.3.1 Context

The Seychelles is part of a recognised Global Conservation Hotspot, Madagascar and the Indian Ocean Islands Region. Pests, Diseases and Invasive Alien Species (IAS) brought into the country through trade and travel comprise the single greatest threat to marine and terrestrial biodiversity and have an important impact on human well-being. Most of the terrestrial ecosystems of Seychelles have been heavily affected by certain invasive alien species. Alien plants can out-compete and smother native flora, while alien invasive animals can similarly out-compete and prey upon fauna. The biodiversity impacts of pests, diseases and IAS are especially important for Seychelles, which is heavily dependent on tourism and fisheries, sectors based on the management of natural resources. Pests, diseases and IAS also have important social impacts on the population by affecting agriculture production, food security and public health.

Recognising the crucial importance of pests, diseases and IAS, Seychelles ratified international conventions such as the Convention on Biological Diversity in 1992, Cartagena protocol for biosafety in 2004, and the International Plant Protection Convention in 1996. These Conventions aims to promote effective measures to prevent, control and manage IAS. Seychelles has also adopted the National Invasive Alien Species Strategy (2011-2015), and has approved an Animal and Plant Biosecurity Act in April 2014.

➤ Economic Impact

The numbers of IAS and pathways for IAS introduction have increased in recent years with the rapid development of tourism, trade and the off-shore fisheries. (In 2016, Seychelles airport will reach 300,000 passenger arrivals; in 2014 the total import of goods was SR 14,554 million and the total export of goods was SR 6,878 million³⁰).

The Seychelles economy is based on tourism and fisheries, which are the major foreign exchanges earners. The sustainability of these two sectors is clearly essential to the economy and the survival of the Seychelles. Biodiversity underpins these economic activities in Seychelles, and loss of

³⁰ Seychelles in figures 2015

biodiversity as a result of invasive alien species (IAS) could result in major negative economic impacts for the country. An analysis of the economic valuation of the influence of IAS on the economy of Seychelles Islands indicates that approximately US\$0.25 million per year is spent on IAS control while the economic damage associated with four key IAS (rat, feral cat, goat, pig) is approximately US\$21 million per year³¹. The introduction of pests, diseases and IAS also have important social impacts of potentially increasing food security and public health issues. For example, the annual losses in agricultural production due to the introduction of melon fruit fly were estimated at 4.3 million USD in 2000. In 2008, 36 persons (32 cases requiring medical treatment, 4 reported deaths) were reported to be affected by Leptospirosis which is transmitted to human by rats, an invasive alien species.

➤ **Institutional and legal framework**

Under the Animal and Plant Biosecurity Act (2014), the Ministry of Agriculture and Fisheries is responsible to administer the Act and the newly formed National Biosecurity Agency (NBA) replacing the Seychelles Agriculture Agency is the focal point agency for biosecurity services.

The functions of the national biosecurity agency are:

- to regulate the entry into Seychelles of regulated pests and diseases affecting animals, plants, human beings and the environment;
- to carry out surveillance of pests and diseases and assess the status of regulated pests and diseases in Seychelles;
- to prevent the establishment and spread of regulated pests and diseases and the release of organisms that might adversely affect animals, plants, human beings and the environment in Seychelles;
- to eradicate, contain or control, the movement of regulated pests and diseases that are already present in Seychelles;
- to prevent the introduction and spread of regulated pests and diseases not already present in Seychelles;
- to facilitate the safe importation of animals, animal products, plants and plant products and other regulated articles;

³¹ Economic valuation of the influence of Invasive alien species on the economy of Seychelles islands, Ecological economics ,P. Mwebaze & al,2010

- to facilitate the export of animals, animal products, plants and plant products, in accordance with the biosecurity requirements of the importing country;
- to facilitate international cooperation for the prevention of the spread of pests and diseases affecting animals, plants, human beings and the environment; and
- to perform any other functions as directed by the Minister.

A National Biosecurity Committee (NBC) was as well established to provide guidance to the Minister on policy and technical matters.

➤ **National budget allocation and sources of revenue for the biosafety agency**

The total national budget allocation to the Biosecurity Agency remains limited, with 10 million SCR representing only 0.5 % of the total annual government budget in 2017. The Biosecurity Agency needs to develop a strategy and action plan with a business plan to be in line with the Ministry of Finance requirement to adopt a programme performance based budget approach.

➤ **Existing fees structure for biosecurity services**

Despite a comprehensive list of biosecurity fees and fines under the Animal and Plant Biosecurity Act, the newly formed National Biosecurity Agency is using only a limited number of biosecurity fees, as indicated in the table below, which does not necessarily equate to the cost of providing the service. Fines are also outdated and in need to be revised in order to be in line with current costs and act as a deterrent.

Fees and fines are not currently retained by the Biosecurity Agency. Fees for import permits for businesses are paid directly to the Seychelles Revenue Commission. All other fees collected by the National Biosecurity Agency go into the consolidated fund of the government. Fees collected currently by the National Biosecurity Agency are marginal, amounting to approximately around SCR 50,000 per year. The National Biosecurity Agency currently has limited provision for emergency outbreaks of pests and diseases.

It is important to note that all fees related to export permits for fish is collected by Seychelles Bureau of Standards which are not retained by SBS but go as well to the consolidated fund of the government. The table below presents the type of fees collected by the National Biosecurity Agency.

Table 13: Fees structure for biosecurity services

Biosecurity fees	Amount
Import permit	
Import permit for all goods from plant origin for all type	Individual and business ³² multiple 60 SR valid 3 months

³² Businesses pay directly to the Seychelles Revenue Commission

Import permit for all goods of animal origin	For business 100 SR multiple ³³ valid 6 months For individual 25 SR single
Landing permit for goods of animal origin	100 SR per permit
Import permit for dogs and cat	500 SR per application
Collection and transport to quarantine	250 SR per consignment

It is important to note that there are a number of biosecurity services which are free of charge such as for example inspection. At the moment, biosecurity services fees collected related to import remain limited and contribute marginally to the implementation of biosecurity services in Seychelles. An important part of the biosecurity services provided by the specialized agencies are free of charge to the end users and costs are subsidised by the government.

The main constraints identified in the mobilisation of internal sources of funding are:

- Biosecurity issues are not mainstreamed into national budget allocation process and national budget allocation remains limited
- Biosecurity fees collected by the National Biosecurity Agency are minimal and does not recover costs incurred.
- Biosecurity fees that are collected for biosecurity services are not retained by the National Biosecurity Agency but contribute to the consolidated revenue of the government
- Biosecurity fines are not in line with other environmental legislation and poorly enforced by the National Biosecurity Agency
- The National Biosecurity Agency has a poor access to contingency government provision for emergency outbreaks of pests and diseases

4.3.2 Recommended biodiversity finance solution for biosecurity services

At the moment, biosecurity services are highly subsidised by the Government of Seychelles and the financial needs for an effective biosecurity systems are not met. The overall objective of the proposed biodiversity finance solutions is to strengthen the cost recovery fee and fine system for more effective biosecurity services with greater emphasis on the prevention of introduction of Invasive Alien Species.

Three financial mechanisms are proposed: 1) change behaviours, by enforcing and aligning fines and penalties with other environmental legislation and 2) increase sustainable income by improving the biosecurity fees system, 3) avoid future costs by improving access to the emergency fund to facilitate a rapid response to biosecurity threats.

³³ Businesses pay directly to the Seychelles Revenue Commission

The key principles for a cost recovery biosecurity fees system is that direct users of a given service should pay for the biosecurity service based on the relativity of use. The biosecurity fee should cover costs incurred to deliver the service. The collection and administration costs of these fees should remain minimal. Fees collected should be reinvested in biosecurity services.

Using this approach, a proposed list of new fees and charges for all biosecurity services provided should be developed and aligned with the current costs. A revised regulation related to the biosecurity fees schedule should be developed and endorsed by the Ministry of Agriculture and Fisheries.

The following activities lead by the National Biosecurity Agency and the Ministry of Agriculture and Fisheries will be required to improve the sustainable financing of efficient biosecurity services within the country:

1. Establish the list of biosecurity services provided
2. Determine which existing biosecurity fees have not been used and why
3. Determine the real cost of each service based on cost elements (staff time, transport, analysis, etc.)
4. Establish a cost recovery fee system which can be easily enforced by the National Biosecurity Agency
5. Review and update biosecurity fines to change behaviour
6. Review biosecurity fees and fines schedule in the regulations for the ministry responsible for the Animal and Plant Biosecurity Act approval
7. Design a cost-effective biosecurity fees and fines collection and administration system
8. Improve access to government contingencies budget by the National Biosecurity Agency for emergency outbreaks of pests and diseases to avoid future costs.

4.4 Thematic Biodiversity Finance solution 4:

Establish a Biodiversity Finance Unit (BFU) within Government to ensure and sustain improved coordination and synergising of all biodiversity projects as well as mainstreaming of biodiversity financing into the budgetary and economic planning process

4.4.1 Context

Seychelles has a diverse and robust portfolio of environment and climate change related strategies and action plans, providing an increasingly enabling environment for biodiversity conservation. It includes the following:

- Seychelles Sustainable Development Strategy

In 2011, the Ministry of Environment and Energy developed the Seychelles Sustainable Development Strategy (SSDS) (2012 - 2020) which replaced the previous Environmental Management Plan of Seychelles (1990 - 2000) and (2000 - 2010). The SSDS has been endorsed by the cabinet of Ministers in February 2012. In mid-2015 that the SSDS steering committee was established to oversee the implementation of the SSDS. The implementation of the SSDS remains

limited, as it was not mainstreamed into the national budget process nor was special funding allocated.

- Sustainable Land Management National Action Plan (SLM NAP) (2012-2020)

The Action Plan's Vision is to prevent and reverse land degradation in the Seychelles, whilst protecting the environment and its biodiversity, and ensuring that land contributes optimally to sustainable economic, social and cultural development.

The SLM NAP has six specific goals. These are:

- Land use planning and management is supportive of sustainable land management
- Forested land and watersheds are sustainably managed
- Agricultural land and water is sustainably managed and contributing to food security in the Seychelles
- Physical infrastructure developments and coastal zone developments are supportive of sustainable land management
- Integrated water management and sustainable land management are mutually supportive
- Climate change adaptation measures are adequate to combat land degradation

The SLM NAP has not been mainstreamed into the national budget planning process and implementation remains limited.

- The National Invasive Alien Species (Biosecurity) Strategy for Seychelles (2011-2015)

The National Invasive Alien Species Strategy for Seychelles (2011-2015) is being implemented by the National Biosecurity Agency (Plant and Animal Health Unit) and has identified five strategic objectives and actions for implementation:

Objective 1: The introduction and establishment of Invasive Alien Species (IAS) in Seychelles is prevented and minimized

Objective 2: The spread and impact of IAS in Seychelles is prevented, minimized and effectively managed

Objective 3: A comprehensive, empowered and transparent institutional and legislative framework is established

Objective 4: Biosecurity issues are fully integrated across all sectors and the community

Objective 5: A targeted IAS communication strategy is developed and under implementation

The national invasive alien species strategies strategy is being only partially implemented and has not been mainstreamed into the national development strategy

- Blue Economy Concept and Roadmap

In 2015, the government of Seychelles created the Ministry of Finance, Trade and Blue Economy (MFTBE) to lead and develop the Blue Economy Concept. The National Blue Economy Roadmap is being developed and the main results expected are:

- Increase investment in existing ocean based economic sectors (particularly fisheries and shipping) to realize greater value from the existing resource base.
- The development of new economic sectors based on existing marine resources (marine based aquaculture, offshore petroleum and marine biotechnology creating products and processes).
- Greater protection for Seychelles ocean space and resources through better coordination across different sectors, application of protective measures and greater use of surveillance and enforcement tools.
- New research, innovation and generation of knowledge about Seychelles ocean space and management needs.

- The National Biodiversity Strategy and Action Plan 2015-2020 (NBSAP-2)

The NBSAP has been prepared through an extended process of stakeholder consultation and approval. The NBSAP incorporates peer review comments from BIOFIN team and the NBSAP forum. The NBSAP is aligned to the Aichi targets. The NBSAP was formally endorsed by government in June 2015. Sustainable financing has been identified as a key issue for the implementation of the NBSAP. An indicative list of existing domestic, international and innovative sources funding to support biodiversity conservation is included.

The NBSAP identified 31 priority projects to be implemented within the timeframe.

Several priority projects proposed are expected to directly contribute to improve sustainable financing of biodiversity conservation, such as:

- Seychelles protected areas finance project
- Biodiversity awareness and education project
- Seychelles biodiversity and ecosystems services valuation project
- Payment for ecosystem services project
- NBSAP financing action plan (BIOFIN)
- Establishment and operation of NBSAP implementation unit.

The NBSAP 2015-2020 does not however include the MSP/ SEYCCAT and SWIOFish3 / Blue Bonds.

- National Climate Change Strategy (NCCS) (2009)

The National Climate Change Strategy (NCCS 2009) identifies the priorities for addressing climate change impacts in Seychelles, including the biodiversity and forestry sectors. The NCCS focused on the following key thematic/sectoral areas: agriculture, fisheries, human health, water resources, and coastal zone including coastal tourism and forest fire. The NCCS has a strong focus on increasing capacity in climatology and climate change impact assessment expertise and information. A key theme of the NCCS is that “research and monitoring are fundamental to the understanding of the implications of climate change to the Seychelles”. However, no specific actions relating to biodiversity conservation were included in the strategy.

Challenges

In this context, there is a need to harmonise, align and mainstream environmental-related strategies into the national development process through the national development strategy, the public sector investment plan and the budgetary planning process. At the moment, there is no link

between the medium term expenditure framework and the environmental-related strategies. The absence of inter-policy linkages and integration of the macroeconomic framework in the environmental strategies does pose serious challenges for their implementation and needs to be addressed. It will support as well MEECC to adopt a Performance Programme Based Budgeting Approach which is now compulsory for all ministries in the Seychelles with a transition period 2017-2020.

Furthermore, there is a lack of institutionalised coordination among key ongoing biodiversity related projects and initiatives, including MSP / SEYCCAT; SWIOFish3 / Blue Bonds; PA Finance, NBSAP and BIOFIN.

4.4.2 Recommended biodiversity finance solution

It is being recommended that a Biodiversity Finance Unit (BFU) be set up in order to institutionalise the coordination of all biodiversity related projects and their mainstreaming into the economic planning and annual budgetary planning processes.

The Biodiversity Finance Unit will be required to:

1. Coordinate the overall implementation of the NBSAP
2. Coordinate and synergise NBSAP ; BIOFIN; MSP ;SEYCCAT; SWIOFish3 ;Blue Bonds and PA Finance Projects.
3. Coordinate the implementation of the Biodiversity Finance Plan
4. Carry out on a regular basis a biodiversity expenditures review
5. Quantify financial needs and gaps for biodiversity conservation
6. Monitoring and evaluation of the implementation of the NBSAP and Biodiversity Finance Plan
7. Support MEECC in adopting a Performance Programme Based Budgeting approach by aligning, harmonising and mainstreaming environmental related policies into the macro economic framework

It is being proposed that initially the BFU would be within the MEECC but that it may later be located within the Ministry responsible for Economic Planning. The BFU shall be composed ideally of two staff.

The detailed Terms of Reference for the BFU are appended at Annex 6.

The BFU will have an over-arching role in terms of both coordination of all biodiversity related projects and mainstreaming all such projects into the economic planning and annual budgetary processes.

The BFU will also ensure that all activities initiated under BIOFIN would be sustained and that the Biodiversity Finance Plan would be continually reviewed, evaluated, and updated.

5 Next Steps

The BIOFIN Biodiversity Finance Plan together with Technical Proposals for the Thematic Sets of Finance Solutions for Sustainable Tourism and Biosecurity are expected to be presented to Cabinet of Ministers for approval and implementation by March 2019.

Those Finance Solutions which are approved by Cabinet of Ministers would then be implemented subject to availability of resources and subject to the legal framework.

There may be the need to engage a legal expert in the case of those Finance Solutions which require an amendment of existing legislation.

Subject to Cabinet approval, it is envisaged that certain Finance Solutions would start to be implemented in the second quarter, and ahead of the end of BIOFIN Phase I on 30th June 2019.

There remains the possibility for Seychelles to obtain additional funding to implement finance solutions through the global UNDP BIOFIN project Phase II if appropriate donors are found.

Seychelles has not been allocated any of the funding mobilised so far under BIOFIN II. Notwithstanding its current middle / high income status, it is believed that a strong case may be made for Seychelles as a SIDS to be allocated additional resources under BIOFIN II.

6 Implementing Seychelles Biodiversity Finance Plan

The Seychelles archipelago is globally recognised as one of Earth's biodiversity hotspots, both in terms of its terrestrial and marine ecosystems. The Aldabra Group of atolls, with its unique colony of giant land tortoises, and the coco-de-mer sanctuary of Vallee de Mai on Praslin, have long been designated as UNESCO World Heritage Sites

The Seychelles Biodiversity Finance Plan (BFP) is unique in many ways: it is the first such Plan which has been developed using BIOFIN Methodology for a Small Island Developing State (SIDS)³⁴; it maps out the challenges and opportunities for a society that is highly dependent on biodiversity for its livelihood (tourism and fishing); and it comprises highly innovative and cutting-edge Finance Solutions which could help to pioneer advances in thinking on biodiversity finance.

The BFP adopts a pragmatic approach of retaining Biodiversity Finance Solutions in three thematic areas viz. tourism, fishing and biosecurity, all of which impact directly or indirectly on the lives of every resident of Seychelles.

In the event that additional funding should be obtained, it would greatly assist Seychelles in further developing and implementing the Thematic Set of Finance Solutions for Sustainable Tourism, Sustainable Fishing, Sustainable Financing of Biosecurity Services as well as the Biodiversity Finance Unit (BFU).

Sustainable Tourism

The aim would be to implement finance solutions (cf Section 4.1) which would support the sustainability of the tourism industry by ensuring that tourism activities have as little adverse impact on the biodiversity on which the industry critically depends. While the Finance Solutions which have been proposed include engagement of large hotels in biodiversity conservation, there remains an urgent need to develop the policy and fiscal framework to directly engage other

³⁴ Of the current 30 pilot countries participating in BIOFIN, Seychelles is the only SIDS.

tourism private sector stakeholders (Destination Management Companies (DMCs); Airlines; Ferry Operators; Yacht Charters; Dive Centres; Car Hire Operators) in biodiversity conservation.

Sustainable Fisheries

The aim will be to further commit to best practices for sustainable fishing (including all international and regional agreements on sustainable fishing practices) and avoid over-fishing of threatened species, while maximising local value added from the fish supply chain.

There is an urgent need to further develop the Finance Solutions identified in Section 4.2 into more Detailed Technical Proposals. In particular, sponsors should be identified soonest possible to develop the Policy, Legal and Fiscal / Regulatory Framework for Industrial and Semi-industrial Fishery across the fishery and blue economy value chain.

Sustainable Financing of Biosecurity Services

Invasive Alien Species (IAS) are increasingly posing a threat to Seychelles' biodiversity and in the process negatively impacting on agricultural production, tourism and public health.

A lot more is being spent on trying to eliminate IAS once in Seychelles, than to prevent entry of new species.

The aim is to strengthen biosecurity services through a cost-recovery user fee system, particularly by way of payment for biosecurity services by importers (cf. Section 4.3). Although such additional revenues may be necessary to increase capacity of the recently set up National Biosecurity Agency (NBA) to meet its operational and investment cost requirements, it would however remain insufficient to also strengthen the management and effectiveness of the NBA.

Implementation of the Biodiversity Finance Unit (BFU)

The BFU should be developed as a high-profile entity which can play an instrumental role in the mobilisation of resources for biodiversity conservation.

The BFU would also reduce both gaps and overlaps through increased synergising of all biodiversity projects.

The BFU and its overarching institutional framework would ensure that the BIOFIN Initiative in Seychelles is sustained well beyond the involvement of the sponsoring countries and organisations.

The proposed BFU will only be able to achieve its overarching coordinating role of all key biodiversity related projects and mainstreaming them into the economic planning and budgetary planning processes, provided it is provided with sufficient human and financial resources (cf. Section 4.4).

In conclusion, all stakeholders including the Government of Seychelles, the private sector, NGOs and the donor community are being invited to support the implementation of the Biodiversity Finance Plan which pioneers a pathway for sustainable development in Seychelles.

Annexes

Annex 1

Existing and Potential Thematic Biodiversity Finance Solutions

Thematic Finance Solutions	Description	Lead organisation	Remarks
Seychelles Conservation and Adaptation Trust (SEYCCAT)	<p>Seychelles has restructured part of its debt with the assistance of the Nature Conservancy which raised a loan of 15.2 million USD and a 5 million USD grant to pay back 21.6 million of Seychelles debt through the SEYCCAT established in 2016. Three main streams of cash flow will be generated by SEYCCAT: One to repay the loan, one to capitalize an endowment fund, one to finance projects on the ground.</p> <p>It is forecast that USD 280,000 will be available annually for climate change and conservation projects over 20 years using grant funding mechanism. All entities Government, CBO and NGOs that have legally existing for more than 2 years are eligible. Activities eligible for funding include:</p> <ul style="list-style-type: none"> • Management of new and existing Marine and Terrestrial PAs, • Coral and mangrove restoration • Marine, fisheries, coastal zone management policy updates • Economic diversification (focused on sustainable fisheries and sustainable tourism) • Social resiliency to climate change • Development and support of a country-wide Disaster Risk Reduction Plan <p>The SEYCCAT will be used as well to mobilize other international sources of funding such as bilateral, multilateral donors as well philanthropists.</p>	MFTE/MEECC	<p>SEYCCAT could benefit from having a resource mobilisation strategy and a plan of action. SEYCCAT is supported by the PA Finance Project.</p> <p>BIOFIN will be represented on SEYCCAT's Investment Committee.</p>
Environment Trust Fund (ETF)	<p>Funding Mechanism under MEECC with funds (SCR 5million per annum) generated from PUC Environment Levy SCR15 which was recently reduced on every monthly water bill representing 90% of ETF income, a levy of SCR0.25 on sale of birds eggs, sales of coco de mer and tortoise and some environmental fines. Government and NGOs can apply for grant funding. Activities eligible include:</p> <ul style="list-style-type: none"> • Prevent or reduce pollution; • Promote environmental education and research; • Clean and beautify Seychelles; and, 	MEECC	<p>Private sector are encouraged to support the ETF with donations which are 200 % deductible from taxable income. However, due to lack of transparency in the management of fund</p>

	<ul style="list-style-type: none"> Protection, preservation and improvement of the environment <p>Between 2010 and 2014, the EFT awarded over SCR 15.2 million in total to all projects.</p>		no private sector donation was received in 2015. Opportunities to strengthen the operation and management of ETF seems currently limited.
Corporate Social Responsibility Tax	<p>Corporate Social Responsibility Tax (CSR) was established in 2013. Equivalent to 0.5% of turnover for companies with a turnover above SCR 1 million per year. Approximately, SCR 80 million was collected in 2015. Government allows businesses to use up to 0.25% of CSR for funding environment and other community projects implemented by NGOs and CBOs and by SNPA. The remaining is payable to Government. The monitoring of the use of CSR by government is weak. Environmental NGOS working in Protected Areas have received an estimated SCR2.1 million³⁵ which represents only 2.5 % of the total.</p> <p>There is potential for increased CSR contribution from tourism operators to fund BD conservation programmes by supporting development of innovative partnerships between Environmental NGOS and the private sector.</p>	MEECC / Ministry of Tourism	Stakeholders in the tourism sector should be made more aware of the possibility of using their CSR via NGOs to develop and implement their own biodiversity conservation projects.
Entrances Fees to Protected Areas including mooring fees	<p>An entrance fee is the main funding mechanism for institutions managing Protected Areas. Entrance fees differ from site to site and currently vary from 10 USD to 30 USD. The collection system of entrance for protected areas managed by SNPA should be improved. Entrance Fees could be reviewed based on the results of a willingness-to-pay study that was carried out by the PA Finance project. The possibility to introduce an entrance fee for terrestrial Protected Areas and a Multi-Entrance Pass could be explored.</p>	PA institutions	The PA Finance project will support SNPA to revise its entrance fees rate and progressively increase its level of retention of revenue generated at site level.
Official Development Assistance (ODA)	<p>ODA is an important funding mechanism for BD conservation and has increased in recent years with the establishment of the Programme Coordination Unit within MEECC. However, coordination among stakeholders for resources is non-existent and national capacity to develop bankable BD project proposals remains limited. The establishment of a Biodiversity Finance Unit (BFU) could improve the coordination among beneficiary stakeholders accessing international donor funding, reducing transaction costs while increasing national capacity to develop</p>	MEECC	BIOFIN could support and build capacity of the BFU which will among other things, identify ODA funding opportunities and develop project proposals.

³⁵ Protected Area Sustainable Financing Plan

	project proposals. The BFU could also support the implementation of the NBSAP and the SSDS as initially proposed.		
National Budget Allocation	<p>Government institutions (DOE, SFA, SNPA, BSA) received annual national budget allocations. However, budget allocation for BD conservation remains limited (2%) compared to the total national budget and compared to the contribution to the BD to the GDP (60%). National budget allocation for BD is important since it is predictable and reliable.</p> <p>There is a need to further mainstream the NBSAP into the National Development Strategy and the national budget planning process in order to not only increase Government funding for BD but to also make such funding more cost effective and accountable. Government is in the process of adopting a Performance Programme Based Budgeting Approach during a transition period 2017-2020. This is an opportunity to mainstream the NBSAP into this process by supporting the MEECC to adopt the PPBB approach using results of BIOFIN. The proposed BFU should be instrumental in assisting with such mainstreaming and budgetary planning.</p>	MEECC	BIOFIN could support the BFU by building capacity and institutionalise the BER, FNA as well as to review the BFP
Environmental fines and fees	Environmental fines and fees are defined under the Environment Protection Act which was revised in 2016. The level of Fines and Fees have been recently revised and are in line with prevailing economic situation in the country. Fines and fees have as well been revised in the Nature Reserves and Conservancy Bill which shall be presented to the National Assembly for endorsement in 2017. Some Environmental fines and fees are paid into the ETF, while others are paid into the Consolidated Fund of the Government. Enforcement of the legislation should be strengthened and a mechanism should ensure that all revenues from existing fees and fines are ploughed back into BD conservation.	MEECC	

Public Guarantees and Refinance Schemes	<p>Guarantees can mobilise and leverage commercial financing by mitigating and/or protecting risks (such as political, regulatory, and foreign-exchange risk), notably commercial default or political risks. This note focuses on public guarantees, where a government or an international donor agrees to bear some downside risk, typically by assuming a borrower’s debt obligation in the event of a default. Similarly refinance schemes are designed such as to become more accessible to borrowers which would normally not have access to conventional bank credit. Examples of refinance schemes in Seychelles include Seychelles Energy Efficiency and Renewable Energy Programme (SEEREP) and Green Loan Scheme from the Mauritius Commercial Bank supported by the Agence Française de Développement (AFD) which contribute indirectly to BD conservation. These schemes are currently facing difficulties to generate interest from the private investors because of lack of marketing, general awareness and viable investment opportunities.</p>	MFTE	
Blue Bonds	<p>Blue Bonds can mobilise resources from domestic and international capital markets for climate change adaptation, and other coastal and marine environment-friendly projects. They are no different from conventional bonds, their only unique characteristic being the specification that the proceeds be invested in projects that generate environmental benefits. In its simplest form, a bond issuer will raise a fixed amount of capital, repaying the capital (principal) and accrued interest (coupon) over a set period of time. The issuer will need to generate sufficient cash flows to repay interest and capital.</p> <p>The Government of Seychelles is considering a capital raising transaction (the “Blue Bond”) that will accelerate the implementation of fishery management plans specifically for the Mahe Plateau for a total amount ranging from USD10-15 million partially or fully guaranteed by the African Development Bank and the World Bank. The maturity date of the Bond will be 10 years. The interest of the bond will be 3% per year. The date of issuance will be in 2017</p>	MFTE and Blue Economy Division under VP’s Office and SFA.	Negotiations are on-going led by the Blue Economy Division
Removal of Harmful Subsidies to the artisanal fisheries sector	<p>There is general concern of the sustainable use of marine resources which targets high value species and has led to over-exploitation especially on the Mahé Plateau.</p> <p>The fisheries sector is as well highly subsidised by the Government with fuel subsidies, ice subsidies and preferential business tax rates which contribute to exacerbate the situation.</p>	SFA, MFTE	SFA has initiated the process by reviewing the fuel and ice subsidies in place.

	The current system is abused by operators and There is an urgent need to review the subsidies framework to the fisheries sector. However, these issues are highly sensitive as the sector provide employment and food to a large number of households.		
Public Private Partnership	The Public Private Partnership (PPP) policy framework was approved in 2015; the PPP legal framework has still to be finalised and the process is led by the Ministry of Finance with the support of the African Development Bank. Eco-Tourism in Protected Areas managed by the Seychelles National Park Authority has been identified as a potential sector PPP agreement thereby mobilising private funding for BD conservation.	MFTE	The process is on-going .The PA finance project will support the development of regulation of the PPP legal framework related to Protected Areas.

Potential Finance solutions

Finance solutions	Description	Lead organisation	Remarks
Blue Carbon Voluntary Market	Carbon markets aim to reduce greenhouse gas (GHG, or “carbon”) emissions cost-effectively by setting limits on emissions and enabling the trading of emission units, which are instruments representing emission reductions. Trading enables entities that can reduce emissions at lower cost to be paid to do so by higher-cost emitters, thus lowering the economic cost of reducing emissions. Potential for carbon sequestration by terrestrial ecosystem is limited due to small landmass of the Seychelles. However, carbon sequestration by marine ecosystem could represent of potential for financing BD for Seychelles with 1.4 million Km ² of EEZ especially for the carbon sequestration by the large sea grass beds existing in the Seychelles ‘ EEZ. According to Moran 2014 Study there is the potential to generate US\$1.1million per annum.	MEECC	Globally, the methodology to calculate the level of carbon sequestration by marine ecosystem is not fully developed and is not adopted by all partners .However , the potential of blue carbon in the Seychelles will be assessed through the on-going SWIOFish 3 Project.
Payment for Ecosystem Services provided by Marine Ecosystem	Marine ecosystem services are often grouped into four types provisioning, regulating, supporting, and cultural. Provisioning marine services produce tangible goods such as seafood, mangrove lumber, or pharmaceuticals.	MEECC	It will require a long-term approach and could be difficult to put in place. However, the system of entrance and users of Marine protected areas will be

	<p>Regulating services help maintain a stable environment by controlling Earth’s climate, protecting shorelines from storms and erosion, or filtering excess nutrients like nitrogen and phosphorus.</p> <p>Supporting marine services sustain the goods and services used by humans such as photosynthesis to support fisheries, soil and sand formation to aid terrestrial development, or a conduit for marine shipping.</p> <p>Cultural services are the intangible benefits humans gain from marine environments, including recreation, tourism, education, and aesthetics. Marine ecosystem services are a significant resource for coastal communities, as well as national economies, and international trade.</p> <p>In the Seychelles, only payment for services such as entrance and mooring fees in marine protected areas exist. Potential for Payment for marine services exist but it will require a long-term approach to clearly identifying the users and the owner, assess the value of the market for the services, develop the appropriate institutional and legal framework.</p>		<p>strengthened with the support of the Protected Areas Finance project.</p>
<p>Payment for storm water flow and sedimentation mitigation provided by terrestrial ecosystem (wetlands and watershed)</p>	<p>In Seychelles, runoff water during heavy rainfall is very important because of the steep topography and the non-permeability of granite of island creating floods in coastal areas and sedimentation of the lagoon. This situation will be exacerbated by climate change. There are costs associated with flood and sedimentation damage caused to coastal infrastructure and marine ecosystems in Seychelles. For example, damage caused by floods in 2013 cost SCR 3.8 million, whereas landslides cost SCR 2.8 million. The Coastal communities and businesses are clearly benefitting from the management of the watershed and wetlands which could form the base for a PES mechanism.</p>	<p>MEECC,PUC</p>	<p>This funding mechanism will be investigated through pilot project implemented by the regional project ISLAND exploring innovative funding mechanism for sustainable development implemented by the Indian Ocean Commission and funded by the European Union and the Ecosystem Based Adaptation Project funded by the Climate Change Adaptation Fund.</p>
<p>Payment for water quality services by terrestrial ecosystem(watershed)</p>	<p>Farmers and water-bottling plants are currently paying a nominal fee for water extraction which does not reflect the usage and the level of the quality of the water extracted .Water tariffs should be revised for these 2 sectors and an appropriate finance mechanism should be designed to insure that part of the revenue is reinvested in water catchment area management .</p>		<p>This potential financial mechanism is politically sensitive because the Government is willing to support the agriculture sector to insure national food security .Potential from the water bottling sector exist,</p>

			however it will require a study to evaluate the value of this market by the PA finance project
Biodiversity Offsets	<p>Biodiversity Offsets are measurable conservation outcomes resulting from actions designed to compensate for significant residual adverse biodiversity impacts arising from project development after appropriate prevention and mitigation measures have been taken. The goal of biodiversity offsets is to achieve no net loss and preferably a net gain of biodiversity on the ground with respect to species composition, habitat structure, ecosystem function and people’s use and cultural values associated with biodiversity. E.g. new hotels; marinas; airstrips. Currently there is no biodiversity offsets mechanism in the Seychelles. The recently approved Environment Protection Act 2016 makes provision for biodiversity off- settings but regulations need to be developed. Seychelles could follow guidelines developed by Business and Biodiversity Offsets Progamme (BBOP) but this is a long-term strategy that will require political support .Potential sectors for biodiversity offsetting could include: Public Infrastructure development , tourism development and in the future the mariculture and petroleum sectors if these should successfully attract investments.</p>	MEECC	Potential Biodiversity Offsets will be further explored under the PA Finance Project.
Review of Tax Incentives framework to increase direct investment from tourism private sector for BD conservation	<p>Currently tourism sector operators are eligible under the Business Tax Act to a number of tax incentives such as reduced business tax rate ,accelerated depreciation rate on capital investment, reduced rate for working permit for expatriates, increased deduction from taxable income, etc. .These incentives were established by the Government to increase investment in this sector. However, these incentives are not linked to sustainable practices of the stakeholders of the sector. A limited number of private sector operators have already as well invested in the BD conservation but their efforts have not been acknowledged and disseminated among the industry. However, potential to increase direct investment for BD conservation from the tourism sector remains important. A pristine environment is the main marketing tool of the industry.</p> <p>The government is as well encouraging the tourism industry to adopt the sustainable tourism label which currently has not received the required level of interest from the private sector.</p>	MEECC,MT	BIOFIN has initiated a platform of dialogue between the tourism industry and BD conservation organisation to explore ways to further collaborate. BIOFIN should take the lead in this process

	In this context, there is a need to review the existing tax and incentives framework for the tourism sector to link it to sustainable tourism practices and encourage direct investment into BD conservation on which the economy is based.		
Lottery	Governments and civil society groups use lotteries as a means of raising funds for benevolent purposes such as education, health, preservation of historic sites and nature conservation. Currently lotteries are restricted in Seychelles to only a couple of operators. Current, license fee is high with SCR1million. Potential in Seychelles for this funding mechanism seems limited.	MFTE	This financial solution appears limited given the level of license fee required.
Bio Prospecting	Biodiversity prospecting or Bioprospecting is the systematic search for biochemical and genetic information in nature in order to develop commercially-valuable products for pharmaceutical, agricultural, cosmetic and other applications. Currently not being used in Seychelles but legal framework should be developed in 2017.		The GEF project: Strengthening human resources, legal frameworks and institutional capacities to implement the Nagoya Protocol on Access to Genetic Resources and Benefit Sharing (ABS) will be implemented during the period 2016-2018 focusing on policy and legislation.
Biosecurity Services Cost Recovery Fees	Plant and Animal Protection Unit now to be absorbed by National Biosecurity Agency which is responsible for implementing and enforcing Biosecurity Act as well as improving policy, legislation and regulations related to financing biosecurity services e.g. clearing of perishables via ports and airports (both international and inter-island), controlling other points of entry for Invasive Alien Species (e.g. outer islands and Eden Island) and ballast control re cargo vessels. Biosecurity services are currently highly subsidized by the government. Efficiency of the biosecurity control has been limited to due limited financial resources which resulted with the recent introduction of IAS(hairy caterpillars and others) which had important on human heath, agriculture production ,tourism operations .There is an urgent need to insure sustainable financing of this national priority.	MEECC, MAF,BSA	BIOFIN has the opportunity to take the lead in this process.

Tax and Incentives Framework for PA Institutions	Institutions managing protected areas are not at the moment considered by the Ministry of finance as a category of entity that could benefit from Tax and incentives. Currently, there are 3 types of institutions managing protected area: Parastatal, Public Trust and NGOs. Even though these organizations are almost exempt of paying business tax, they are paying normal rate for Value Added Tax, Fuel Tax, and import tax. There is a potential to make the case to the Ministry of Finance for such organization to be recognized as a special category to benefit from tax reduction and incentives because they are managing areas of public interest. Tax and incentives framework already exist for the tourism, fisheries and agriculture sector. Such funding mechanism could contribute to reduce cost of operations of such entities.	MEECC	Based on a consultative process, the PA finance project will prepare a policy recommendation.
Enterprise Challenge Fund for environmental project	Funding instrument that distributes grants (or concessional finance) to profit-seeking projects on a competitive basis. A challenge fund subsidizes private investment in developing countries where there is an expectation of commercial viability accompanied by measurable environmental outcomes. Challenge funds can mitigate market risks, while spurring innovation to fight environmental degradation. Such funding not currently being used in Seychelles	MFTE, Banking sector ,private investors	Given the size of the economy, the potential of such finance solution appears limited.
Philanthropy-Private Foundation	Seychelles has recently been declared a high-income country and is therefore often ineligible for a number of international private foundation. Due to the small size of the country, there is almost no national private foundation operating in the Seychelles. However, Seychelles is a well-known destination for wealthy individuals. A strategy could be developed aiming at increasing donation from these individuals to directly fund BD programme or through the SEYCCAT as it was the case with Di Caprio who donated US\$1 million.	MEECC, MFTE	Seychelles could learn from SIDS from the Caribbean region which have been successful in mobilising philanthropists.
Carbon Tax	A carbon tax is a sale tax on fuel (i.e. on coal, gas, oil). Any individual or firm who purchases fuel for his/her automobile, home heating, or any other purpose, is charged. Fuel taxes can reduce the consumption of fossil fuels and greenhouse gas emissions (i.e. a carbon tax) and price other negative externalities (e.g. air pollution and congestion) while generating public revenues. Currently there is no Carbon Tax	MFTE	Current opportunities to introduce carbon tax or use existing Excise tax to fund BD in the Seychelles appear limited due to the political and economic context.

	in Seychelles although an Excise Tax on fuel already exists. However, the revenue from such Excise Tax on Fuel (SCR187 million in 2015) is not used for funding conservation		
Impact Investment(private equity guided by philanthropy)	Investments made into companies, organizations, and funds with the intention to generate a measurable social and environmental impact alongside a financial return. Currently not being used in Seychelles even though investment fund exists.	MFTE, Banking sector ,private investors	Given the size of the economy, the potential of such finance solution appears limited.
Social and Development Impact Bonds	A financial instrument that allows private (impact) investors to upfront capital for public projects that deliver social and environmental outcomes. If the project succeeds, the investors are repaid by the Government (Social Impact Bonds) or an aid agency or other philanthropic funder (Development Impact Bonds) with capital plus interest. If the project fails, the interest and part of the capital is lost. The solution can align incentives between impact investors and society: investors support social projects and benefit when results are achieved. Potential in the Seychelles appears limited given the size of the economy.	MFTE, Banking sector ,private investors	The potential of this financial solution in the Seychelles appears limited given the size of the economy.
Review Public Revenue from Industrial and Semi-Industrial Fishing and Tuna Canning Operations	Revenue from Fishing License Fees and IOT dividends together amounted to US\$5million in 2015 (constant prices 2006). Although these accounted for over 40% of total public revenue from BD, it may be argued that these remain a small fraction of the total value of the supply chain. Moreover, it is not clear that such revenues are being reinvested in marine BD conservation.	SFA,MFTE	The potential of this funding mechanism is important and will require to carry out socio-economic valuation of the fisheries at national, regional and global level. This will be undertaken by the UNDP regional project funded by the GEF viz. Western Indian Ocean large marine ecosystems strategic action programme policy harmonisation.

Annex 2

FIRST LEVEL OF SCREENING OF BIODIVERSITY FINANCE SOLUTIONS

SCREENING SCORING CARD USED FOR 34 FINANCE SOLUTIONS*

Rating for BI, FO and LS: 4-Very high, 3-High, 2-Moderate, 1-Low, 0 – None

Rating for Timeline: 3 – Rapid (0-1 year), 2- Medium (1-3 years), 1 - Long Term (+3 years)

*Results of Total Score are indicated in Annex 3

No.	Finance Solutions	Biodiversity Impact (BI) Score:0; 1; 2; 3; or 4	Financial Opportunity(FO) Score 0; 1; 2; 3; or 4	Likelihood of Success(LS) Score:0; 1; 2; 3; or 4	Timeline Score: 0; 1; 2; or 3	Total Score Maximum Score = 15
1.	Blue Bonds					
2.	SEYCATT					
3.	Environment Trust Fund (ETF)					
4.	Blue Carbon Voluntary					
5.	Payment for Ecosystem services provided by Marine ecosystem					
6.	Payment for storm water flow and sedimentation mitigation provided by terrestrial ecosystem (wetlands and watershed)					
7.	Payment for water quality services by terrestrial ecosystem (watershed)					
8.	Agro Tourism Projects					
9.	Biodiversity Offsets for tourism development					
10.	Biodiversity Offsets for petroleum exploitation					
11.	Biodiversity Offsets for mariculture projects					

12.	Biodiversity Offsets for land reclamation and public infrastructure projects					
13.	Review of Tax and Incentives framework for biodiversity conservation for production sector					
14.	Removal of Harmful Subsidies to the tourism sector					
15.	Removal of Harmful Subsidies to the fisheries sector					
16.	Lottery					
17.	Public Private Partnership (PPP)					
18.	Corporate Social Responsibility (CSR)					
19.	Bio Prospecting					
20.	Revised entrance fees to Protected Areas (PAs)					
21.	Introduce Multi Entrance Fees Pass					
22.	Biosecurity Services cost recovery Fees					
23.	Tax and Incentives framework for PA institutions					
24.	International Donors					
25.	National Budget					
26.	Environmental Fines and Fees					
27.	Enterprise Challenge Fund for environmental projects					
28.	Philanthropy					
29.	Carbon Tax					
30.	Environmental levy for water					

31.	Impact Investment Private Equity guided by philanthropy					
32.	Public Guarantees and Refinance Schemes.					
33.	Social and Development Impacts Bonds					
34.	Revenue from Industrial and Semi- Industrial Fishing and Canning Operations					

Annex 3

Questions for second level screening of 19 biodiversity finance solution

Questions	Indicative marks for scoring (1-5)
Is there a positive record of implementation?	1= no, or limited records of success 3= successful pilots 5= yes, high potential of scalability
Will it generate, leverage, save, or realign a large volume of financial resources?	1= minimal scale 2= <5 percent of current expenditures/needs 3= 5-15 percent of current expenditures/needs 4= >20 percent of current expenditures/needs 5= deal breaker
Will financing sources be mobilized with acceptable speed?	1 = no, the mobilization may be slow 3 = likelihood of being mobilized with acceptable speed 5 = yes, can be mobilized in good time
Will financing sources be stable over time and predictable?	1 = no, the source of revenue may be highly unstable and vulnerable to external factors 3 = likelihood of being reasonably stable and predictable source 5 = yes, very stable and predictable
Do the persons or entities paying have a willingness and ability to pay or invest?	1 = no 3 = possibly 5 = yes
Are the financial risks adequately managed (e.g. exchange rate, lack of investors, etc.)?	1 = no, high risks remain 3 = moderate risks 5 = yes, low residual risks
Are start-up costs proportionate to the expected financial returns?	1 = disproportionately costly 3 = moderate 5 = very low / minimal
Does the solution improve incentives to manage biodiversity and ecosystems sustainably? (see Box 1.4 in Chapter 1).	1 = not clear 3 = likely 5 = most certainly
Will the financial resources remain targeted to biodiversity over time?	1 = not clear, high risk of misallocation 3 = likely, administrative provisions 5 = yes, strong legal provisions
Are risks to biodiversity (e.g. disrespect of mitigation hierarchy) low or easily mitigated? How challenging would it be to develop safeguards?	1 = high risks, no easy mitigation 3 = reasonable risks, mitigation possible 5 = low risks, easy safeguards

Will there be a positive social and economic impact (e.g. jobs, poverty reduction and cultural and gender equality)?	1 = no 3 = moderate 5 = strong positive impact
Have risks of significant unintended negative social consequences been anticipated and managed?	1 = no, high risks remain 3 = moderate and manageable 5 = yes, minimal residual risks
Will it be viewed as equitable and will there be fair access to the financial and biodiversity/ ecosystem resources?	1 = no, risk of inequitable outcome 3 = maybe 5 = yes
Is it backed by political will?	1 = no, resistance from key stakeholders 3 = maybe 5 = yes, with public statements in support
Have political risks been anticipated and managed?	1 = no, high risks remain 3 = moderate and manageable 5 = yes, minimal residual risks
Is there strong buy-in from stakeholders?	1 = no 3 = partial buy-in 5 = yes, strong buy-in
Do the managing actor(s) have sufficient capacity? Can they rapidly acquire it?	1 = no, severe capacity gap 3 = moderate capacity gap 5 = yes, strong capacity
Is it legally feasible? - How challenging will any legal requirements be?	1 = no, new law is required 3 = new regulations required 5 = yes, new regulations are not needed
Is it coherent with the institutional architecture, can synergies be achieved?	1 = no, limited or no synergies / coherence 3 = potential synergies 5 = yes, fully coherent / large synergies
Total Score	19-95

Annex 4

Results of the screening and assessments of Biodiversity Finance solutions

In total, 34 biodiversity finance solutions were screened as part of the process of developing the Biodiversity Finance Plan (as per BIOFIN workbook). Based on the results of the screening process, 19 biodiversity finance solutions, those which obtained a score in the first screening process of 11 or higher were selected for the second level assessment, shown below in green.

Of these selected 19 finance solutions, 10 are already being implemented by other complementary initiatives. Due to this, these were not allocated a score in the second level assessment, but were automatically considered to be a part of the Biodiversity Finance Plan. Detailed assessments were undertaken on the remaining nine finance solutions. This resulted in seven further prioritised finance solutions (highlighted in red in the table below).

The prioritised solutions were grouped thematically.

No.	Finance solutions	Description	Results Screening	Results Assessment
1.	Blue Bonds	Blue Bonds can mobilize resources from domestic and international capital markets for climate change	9	

		adaptation, and other coastal and marine environment-friendly projects. They are no different from conventional bonds, their only unique characteristic being the specification that the proceeds be invested in projects that generate environmental benefits. In its simplest form, a bond issuer will raise a fixed amount of capital, repaying the capital (principal) and accrued interest (coupon) over a set period of time. The issuer will need to generate sufficient cash flows to repay interest and capital.		
2.	SEYCATT	New Platform to mobilize funding for Conservation and Climate Change Adaptation using Grant Funding Mechanism. Main source of funding Debt Swap (US\$150,000 per annum) and Philanthropy (Di Caprio?). Beneficiaries public sector, private sector and NGOs.	11	Already Implemented by other initiatives
3.	Environment Trust Fund (ETF)	Funding Mechanism under MEECC with funds generated from PUC Environment Levy and sale of birds eggs (SCR5m per annum). Beneficiaries - so far Govt and NGOs - can apply for grant funding.	8	
4.	Blue Carbon Voluntary	Carbon markets aim to reduce greenhouse gas (GHG, or “carbon”) emissions cost-effectively by setting limits on emissions and enabling the trading of emission units, which are instruments representing emission reductions. Trading enables entities that can reduce emissions at lower cost to be paid to do so by higher-cost emitters, thus lowering the economic cost of reducing emissions. Payment for Carbon Sequestration by Marine Ecosystem (sea grass bed in EEZ) using Voluntary Carbon market. According to Moran 2014 Study potential to generate US\$1.1million per annum.	7	
5.	Payment for Ecosystem services provided by	Nobody for the moment paying for such services but clearly beneficiaries include coastal fishermen and marine tourism	11	Already implemented by other initiatives

	Marine ecosystem	(snorkeling, diving, glass bottom, excursions). DMCs to contribute? At least via CSR and NGOs / SIF / SNPA.		
6.	Payment for storm water flow and sedimentation mitigation provided by terrestrial ecosystem(wetlands and watershed)	Beneficiaries (tourism and coastal / marine operators) to pay for maintenance and upkeep of wetlands and watersheds.	6	
7.	Payment for water quality services by terrestrial ecosystem(watershed)	Beneficiaries PUC customers; bottling plants and farmers. Who should be paying and to which fund?	11	Already implemented by other initiatives
8.	Agro Tourism Projects	Projects or initiatives which may draw synergies between sustainable tourism and sustainable agriculture including mariculture which may impact positively on Biodiversity. However these should not include harmful agriculture or mariculture practices which would impact negatively on BD.	8	
9.	Biodiversity offsets for tourism development	Biodiversity offsets are measurable conservation outcomes resulting from actions designed to compensate for significant residual adverse biodiversity impacts arising from project development after appropriate prevention and mitigation measures have been taken. The goal of biodiversity offsets is to achieve no net loss and preferably a net gain of biodiversity on the ground with respect to species composition, habitat structure, ecosystem function and people's use and cultural values associated with biodiversity. E.g. new hotels; marinas; airstrips.	11	Already implemented by other initiatives
10.	Biodiversity offsets for petroleum exploitation	See above.	10	
11.	Biodiversity offsets for	See above.	10	

	mariculture projects			
12.	Biodiversity offsets for land reclamation and public infrastructure projects	Land Reclamation; Roads; Dam; Housing Estates; Ports.	9	
13.	Review of Tax and Incentives framework for biodiversity conservation for production sector	<ul style="list-style-type: none"> - Special business tax rates of 15% for fishing and agriculture, and tourism sector. - In the case of Tourism Sector: - Accelerated Depreciation rate - 200% Deduction from Tax Income for Marketing Expenses - Special conditions for Gainful occupation permit for expatriates 	14	61
14.	Removal of harmful subsidies to the tourism sector		11	51
15.	Removal of harmful subsidies to the fisheries sector	Fuel and Ice Subsidies	11	43
16.	Lottery	Governments and civil society groups use lotteries as a means of raising funds for benevolent purposes such as education, health, preservation of historic sites and nature conservation. Currently lotteries are restricted in Seychelles to only a couple of operators (apart from raffles) and license fee of SCR1million (?).	12	
17.	Public Private Partnership (PPP)	PPP being developed and policy approved; legal framework still to be finalized. Eco-Tourism in PAs has been identified as potential PPP thereby mobilizing funding for BD conservation. Other possibilities include road link between Danzilles and Port Launay with potential for toll system which could also partly contribute towards BD.	12	Already implemented by other initiative

18.	Corporate Social Responsibility (CSR)	CSR was established in 2013. Equivalent to 0.5% of turnover. Approx SCR80 million collected in 2015. Government allows businesses to use up to 0.25% of CSR for funding environment and other community projects. Potential for tourism operators in particular to fund BD conservation programs via NGOs.	13	Already established by government
19.	Bio Prospecting	Biodiversity prospecting or bioprospecting is the systematic search for biochemical and genetic information in nature in order to develop commercially-valuable products for pharmaceutical, agricultural, cosmetic and other applications. Currently not being used in Seychelles but legal framework should be developed in 2017.	9	
20.	Revised Entrance Fees to Protected Areas	SNPA in the process of reviewing entrance fees upwards. Also SNPA addressing improved administration of collecting such fees by outsourcing rather than relying on park rangers. The challenge for terrestrial PAs is to improve the product such that it may generate revenue.	14	Done by PA finance project
21.	Introduce Multi Entrance Fees Pass	Reviving Gold Card? Would allow funding of conservation areas which do not currently generate revenue.	13	Done by PA finance project
22.	Biosecurity Services cost recovery Fees	Plant and Animal Protection Unit now to be absorbed by Biosecurity Agency which will be responsible for implementing and enforcing Biosecurity Act as well as developing regulations that would lead to payment for biosecurity services e.g. clearing of perishables via ports and airports (both international and inter-island). Also controlling other points of entry for Invasive Alien Species (e.g. outer islands and Eden Island). Also ballast control re cargo vessels.	11	37
23.	Tax and incentives framework for PA institutions	Should Government not consider such incentives for institutions managing PAs.	12	Done by PA finance project

24.	International donors	Better coordination among beneficiary stakeholders accessing intl donor funding with aim of increasing net contribution of such funding towards BD.	13	47
25.	National Budget	Mainstreaming NBSAP into NDS and national budget process (including PPBB) in order to not only increase Government funding for BD but to also make such funding more cost effective and accountable. Such funding all important since predictable and reliable.	13	39
26.	Environmental fines and fees	It is not clear if all revenue from existing fees and fines are ploughed back into BD conservation. E.g. revenues from EIAs.	10	
27.	Enterprise challenge fund for environmental project	Funding instrument that distributes grants (or concessional finance) to profit-seeking projects on a competitive basis. A challenge fund subsidizes private investment in developing countries where there is an expectation of commercial viability accompanied by measurable environmental outcomes. Challenge funds can mitigate market risks, while spurring innovation to fight environmental degradation. Such funding not currently being used in Seychelles.	8	
28.	Philanthropy	Seychelles has recently benefited from such funding for BD conservation, but it is not clear whether a strategy to maximize such funding has been developed. Yet Seychelles may have significant potential given	12	Done by PA finance project
29.	Carbon Tax	A carbon tax is a sale tax on fuel (i.e. on coal, gas, oil). Any individual or firm who purchases fuel for his/her automobile, home heating, or any other purpose, is charged. Fuel taxes can reduce the consumption of fossil fuels and greenhouse gas emissions (i.e. a carbon tax) and price other negative externalities (e.g. air pollution and congestion) while generating public revenues. Currently there is no Carbon Tax in Seychelles although an Excise Tax on	7	

		fuel already exists. However the revenue from such Excise Tax on Fuel (SCR187 million in 2015) is not used for funding conservation.		
30.	Environmental levy for water	See above re ETF. Currently SCR15 per monthly bill per customer- total SCR4.5 million per annum.	10	
31.	Impact investment(private equity guided by philanthropy	Investments made into companies, organizations, and funds with the intention to generate a measurable social and environmental impact alongside a financial return. Currently not being used in Seychelles.	10	
32.	Public Guarantees and Refinance Schemes.	Guarantees can mobilize and leverage commercial financing by mitigating and/or protecting risks (such as political, regulatory, and foreign-exchange risk), notably commercial default or political risks. This note focuses on public guarantees, where a government or an international donor agrees to bear some downside risk, typically by assuming a borrower's debt obligation in the event of a default. Similarly refinance schemes are designed such as to become more accessible to borrowers which would normally not have access to conventional bank credit. Examples of refinance schemes in Seychelles include SEEREP (more for RE & EE) and Green Loan (AFD / MCB) as well as loans for SMEs.	10	
33.	Social and Development Impact Bonds	A financial instrument that allows private (impact) investors to upfront capital for public projects that deliver social and environmental outcomes. If the project succeeds, the investors are repaid by the Government (Social Impact Bonds) or an aid agency or other philanthropic funder (Development Impact Bonds) with capital plus interest. If the project fails, the interest and part of the capital is lost. The solution can align incentives between impact investors and society: investors	6	

		support social projects and benefit when results are achieved.		
34.	Revenue from Industrial and Semi-Industrial Fishing and Canning Operations	Revenue from Fishing License Fees and IOT dividends together amounted to US\$5million in 2015 (constant prices 2006). Although these accounted for over 40% of total public revenue from BD, it may be argued that these remain a small fraction of the total value of the supply chain. Moreover, it is not clear that such revenues are being reinvested in marine BD conservation.	12	45
		Total finance solutions selected	18	

Annex 5

Fishing License Fees

1. EU PURSE SEINERS 45,500 EUROS PER ANNUM PER VESSEL 2016
2017 – 49,000 EUROS (700 MT ABOVE WHICH SAME FEE FOR EXCESS CATCH PAYABLE ON PRO RATA BASIS)
2. SEYCHELLES FLAGGED PURSE SEINERS – USD90,000 PER ANNUM PER VESSEL
3. KOREAN AND MAYOTTE – USD120,000 PER ANNUM PER PURSE SEINE VESSEL UNDER PRIVATE (GENERIC) AGREEMENT
4. SUPPLY VESSEL – USD5,000 PER VESSEL PER ANNUM (FLAT RATE FOR ALL VESSELS IRRESPECTIVE OF FLAG)
5. LONGLINERS – USD24,000 PER ANNUM PER VESSEL; USD17,500 HALF-YEAR
6. KOREAN LONGLINERS – USD27,500 PER ANNUM; USD20,123 FOR HALF-YEAR

Annex 6

BIODIVERSITY FINANCE UNIT

Terms of Reference

A. Introduction

Small Island Developing States (SIDS) forms a distinctive group which shares many characteristics and whose vulnerability and special situation has been recognized by the international community. Seychelles, being a Small Island Developing State, has played a leadership and active role in this process. It was one of the initial signatories to the three Rio global environmental conventions and has been instrumental in driving sustainable development at the national and international level.

Seychelles embarked on its first environment management plan in 1989, with the support of UNDP, UNEP and the World Bank. The Environment Management Plan of Seychelles (EMPS) 1990-2000, raised pledges of over 40 million USD, and after a decade of implementation was a successful programme. Key highlights were the expansion of the Department of Environment; training of environment professionals; enactment of a modern Environment Protection Act; introduction of Environmental Impact Assessment; implementation of national effluent quality standards; the elimination of the turtle shell industry and construction of the Greater Victoria sewerage system.

The success of the EMPS 1990-2000, prompted Government to embark on the preparation of a second-generation action plan; the EMPS 2000-2010. With the support of the World Bank, the EMPS 2000-2010 was prepared through a national multi-stakeholder consultation process and national expert input. The EMPS 2000-2010 was also further closely aligned to environment and sustainability principles emerging following the UNCED Rio Summit held in 1992. EMPS 2000-2010 therefore also incorporated major global environmental issues such as climate change and biodiversity loss. Although the EMPS 2000-2010 was successfully implemented, efforts at improved monitoring and evaluation of the benefits were limited. In 2009, a review of the EMPS 2000-2010 revealed that 85% of the EMPS 2000-2010 action plan was effectively implemented despite serious economic difficulties experienced during this period. Some objectives were not attained in relation to capacity and the report made suggestions to improve the institutional mechanism for effective steering of the EMPS.

The overall objective of the EMPS 1990-2000 and EMPS 2000-2010, was to promote, coordinate and integrate sustainable development in Seychelles. A need existed to transform the EMPS into a strategy for national sustainable development. Extensive multi-stakeholder consultations that occurred with the review of the EMPS 2000-2010 gave way to the conclusion of moving from an environment plan to a sustainable development strategy. Thus, the creation of the Seychelles Sustainable Development Strategy (SSDS) 2012-2020 came about. The document is an approved

national instrument which incorporates national priorities for sustainable development and lays out a roadmap for the implementation of those priorities (SSDS, Volume 1)

Part of the overall SSDS is to essentially define an appropriate resource mobilization strategy which takes into consideration the specific conditions of Seychelles and the global economic and financial environment. Seychelles, with a growing economy, despite challenges and vulnerability, has the potential to mobilize in-country resources for sustainable development. It is important to note that resource mobilization needs to be coupled with effective systems of financial management as well as an adequate human capacity for efficient delivery.

Table 1 Resource Mobilization Strategy as described from SSDS Volume 1

	Vision
Resource mobilization is a strategic issue.	Innovative-driven resource mobilisation strategy that supports the implementation of the SSDS.
Effective resource mobilization underpins implementation of the SSDS.	A fully resourced SSDS that meets the overall vision of the SSDS.
Resource mobilization requires a appropriate institutional support.	Establish a Resource Mobilisation Service (RMS) in the SSDS Secretariat with responsibility for fund raising, brand building, information and training.
Need for a detailed resource mobilization strategy and plan.	Develop and implement a resource mobilization framework after stakeholder and donor consultations.

Unfortunately, the SSDS 2012 -2020, although approved, has experienced setbacks in terms of its implementation.

In the meantime, Government has been preparing a Vision 2019 – 2033 and a National Development Strategy (NDS) 2019 – 2023 which should be approved before end-December 2018. Both the Vision and NDS have involved extensive consultation with key stakeholders across the public sector, the private sector, the NGO community and Civic Society.

A High-Level Technical Working Group (TWG) was set up by the Minister of Finance, Trade, Investment and Economic Planning with the mandate of coordinating both the Vision 2019-2033 and the NDS 2019-2023.

Both the Vision and NDS are expected to underscore the need for balance between development and biodiversity conservation.

B. Background

The Biodiversity Finance (BIOFIN) Initiative which was launched in Seychelles in 2012 sought to develop a methodology for quantifying the biodiversity finance gap at national level, for improving cost-effectiveness through mainstreaming of biodiversity into national development and sectoral planning, and for developing comprehensive national resource mobilising strategies. BIOFIN would thus provide a framework for undertaking “bottom-up” analyses and resource mobilisation strategies, embedded in a transformative process led by national stakeholders, aimed at allowing countries to implement their NBSAPs and achieve national biodiversity targets. BIOFIN would assist in the implementation of the NBSAPs, while in turn the NBSAP projects would provide a platform for integration into decision-making processes.

Seychelles is one of the pilot countries which started the Initiative in January 2014 and has completed the following milestones:

- The Policy and Institutional Review - Analysis of the current policies, institutions and expenditures that affect biodiversity and ecosystem services both positively and negatively, in order to evaluate their impact and effectiveness, and to understand key opportunities for mainstreaming.
- Biodiversity Expenditure Review – A Complete review of expenditure in Biodiversity Management across all sectors of government that impact or depend upon biodiversity and ecosystems, as well as the private sector has been carried out.
- Costing of NBSAP – A costing of Seychelles’ Second NBSAP 2015 -2019 was carried out as part of Seychelles’ BIOFIN and it estimated a funding requirement of SCR320 million.
- Finance Solutions/Options for Resource Mobilisation: The Project has also developed Workbook 3 which looked at the various options and Finance Solutions across 2 key sectors (viz. Sustainable Biosecurity and Sustainable Tourism) having a major impact on biodiversity..

The GLOBAL BIOFIN team has extended the project until the end of 2018 to ensure that remaining outputs are completed. Expanding on the Finance Solutions in the Tourism and Biosecurity Sectors- the project will focus on the establishment of a Biodiversity Finance Unit, either within the Economic Planning Department of the Ministry of Finance, Trade, Investment and Economic Planning or in the Department of Environment in the Ministry of Environment, Energy and Climate Change.

C. Objectives of the BFU:

- ❖ Facilitate, coordinate and synergize ongoing national biodiversity initiatives/projects including those within the NBSAP.
- ❖ Monitor and Evaluate NBSAP implementation.
- ❖ Mainstream biodiversity into the economic planning and budgetary processes.
- ❖ Increase national capacity to develop biodiversity centric project proposals
- ❖ Facilitate resource mobilization for biodiversity projects particularly NBSAP projects.
- ❖ Assist with reporting to CBD.

Detailed Activity Plan:

Activity	Description
1. Contribute towards the alignment; harmonization and mainstreaming of biodiversity related policies and plans in to the national macroeconomic processes (PPBB, national budgeting, economic planning).	<ul style="list-style-type: none"> • Such mainstreaming of biodiversity into the economic planning and budgetary processes to be carried out by an in-house economist and policy analyst.
2. Assist the relevant Government agency with the formulation of a Resource Mobilization Strategy document with the	<ul style="list-style-type: none"> • Writing/developing projects and initiatives to continually to submit to potential donors.

<p>principal aim of identifying new sources of finance to implement the NBSAP. Scan opportunities and identify where strengths overlap on partner-specific intelligence and develop a detailed partnership and resource mobilization strategy.</p>	<ul style="list-style-type: none"> • Website set-up and maintenance for stakeholders • Attend international conferences with prepared documents for the continuous funds • From the RM’s strategy use the findings of its diagnosis report, to indicate clear objectives, targets, implementation and monitoring arrangements. • Donor Mapping Exercise – to identify key donors and their areas of focus. • Intervention Mapping Exercise – to identify ongoing donor interventions and in which sectors.
<p>3. Support the monitoring and evaluation of the NBSAP implementation and CBD financial reporting framework.</p>	<ul style="list-style-type: none"> • Preparation for COP • CBD reporting • BIOFIN Website updating • Data collection where needed

D. BFU Staff Requirements

1. National Project Coordinator – Job Description

- Oversee the implementation of the Seychelles BIOFIN project work plan and ensure its timely completion.
- Ensure succession of Seychelles’ BIOFIN Project and implementation of the Biodiversity Finance Plan and the Biodiversity Finance Solutions.
- Ensure that the BIOFIN Steering Committee (SC) continues to meet beyond BIOFIN and provide support to the SC.
- Plan, organize and attend meetings of the SC at least twice a year and provide them with necessary documentation on time.
- Ensure the institutionalisation of the monthly Meeting to coordinate and share information about all key biodiversity projects. Chair such monthly meetings and provide secretarial support with the help of the Programme Assistant.
- Engage with potential donors for funding of NBSAP and biodiversity projects more generally. With the support of the Economist, to continually carry out Donor Mapping and Intervention Mapping Exercises.
- Prepare the Annual Work plan and prepare simplified Quarterly Activity Plan for the BFU’s Outputs.
- Prepare and compile the Quarterly Progress Reports.
- Guide the work of the required staff and oversee compliance with agreed Work Plans, timelines for deliverables in consultation with the parent Ministry.
- Organize and coordinate the procurement of services.
- Prepare the Terms of Reference for consultants and experts and ensure their timely hiring as and when required;
- Participate in the selection/shortlisting and recruitment of consultant(s) to conduct the activities in consultation with the SC and the parent Ministry.

- Organize all relevant project workshops in a consultative manner, involving a wide variety of biodiversity stakeholders, including the private sector, NGOs and academia, as appropriate;

2. Economist – Job Description

- Ensure the BFU builds on BIOFIN and other national projects and activities, including the NBSAP process.
- Ensure that the Biodiversity Finance Plan (BFP) remains relevant and is regularly updated.
- Ensure that Tourism and Biosecurity Finance Solutions are implemented once approved by Cabinet of Ministers.
- Develop new Finance Solutions for submission to SC and Stakeholder Workshops with a view to obtaining stakeholder validation and Cabinet approval.
- Prepare biodiversity project proposals for submission to potential donors.
- Engage with donors with a view to mobilizing resources for specific biodiversity projects or for funding projects within Seychelles’ NBSAP.
- Work closely with the Policy Analyst and NBSAP team to ensure that the NBSAP captures biodiversity projects as pragmatically and comprehensively as possible.
- Collaborate closely with the Policy Analyst to ensure mainstreaming of biodiversity into the economic planning and budgetary processes.
- The Economist should assist with prioritization of biodiversity projects within the National Development Strategy (NDS) and the Government Budget.
- Provide inputs into the Monitoring and Evaluation of the implementation of the NBSAP, and biodiversity projects in the NDS and the Budget.
- Assist the NPC with Donor Mapping and Intervention Mapping Exercises.
- Assist the NPC in preparation of workshops, meetings, networking and presentations as required, be able to lead said activities and engage stakeholders.
- Report writing and document preparation, and assist any BFU team members, such as policy and information notes to communicate objectives and results to key stakeholders.
- Prepare reports and case studies, as required, for submission to global meetings (e.g. COP12).
- The Economist will report to the NPC.

3. Policy Analyst - Job Description

- To ensure mainstreaming of biodiversity in the economic planning and budgetary processes using a programme-based approach.
- To work closely with the Economic Planning Department and Finance Department of the Ministry of Finance, Trade, Investment and Economic Planning (MFTIEP) with a view to providing inputs into the economic planning and budgetary processes respectively.
- Work closely with the Economist in sustaining and regularly updating the BFP.
- Formulate/propose new policies/strategies and plans related to biodiversity financing.
- Work closely with the Economist and NBSAP team to ensure that the NBSAP captures biodiversity projects as pragmatically and comprehensively as possible.
- Collaborate with the Economist to ensure the prioritization of biodiversity projects within the National Development Strategy (NDS) and the Government Budget.
- Provide inputs into the Monitoring and Evaluation of the implementation of the NBSAP, and biodiversity projects in the NDS and the Budget.
- Continuously update existing biodiversity financing policy documents so that they reflect the realities of the day, this includes the Tourism and Biosecurity Solutions Cabinet paper.

- Be the liaison officer between the BFU, Ministry of Environment Energy and Climate Change and Ministry of Finance, Trade, Investment and Economic Planning
- Participate in meetings, committees and other forums relating to biodiversity financing and conservation both locally and internationally;
- The Policy Analyst will report to the NPC.

4. Programme Assistant – Job Description

- The PA provides administrative support in the management of the BFU processes/transactions in implementing procurement and contracting of commodities, materials, equipment and services.
- The PA will provide support to the BFU in the organisation of workshops, conferences and training sessions.
- The PA will provide general support to all staff of the BFU in organising meetings with stakeholders and will also assist with records and follow-up of such meetings.
- The Programme Assistant (PA) will report to the NPC.

E. Budget

BFU Budget - SCR		
	Budget per month (including taxes, employer pension fund contributions)	Budget per year
Unit Coordinator	28,000	364,000
Economist	24,000	312,000
Policy Analyst	24,000	312,000
Programme Assistant	17,000	221,000
Capital investment (computer, furniture, printer)		100,000
Operation cost (rent, internet, stationery, transport or transport allowances)	30,000	360,000
TOTAL		1,669,000

