

S E Y C H E L L E S
COMMODITY IMPORT PROGRAM

May 1990

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PD-11BB-264 AFR/PD/EAP
Working File Copy
ACTION MEMORANDUM FOR THE DIRECTOR, REDSO/ESA

FROM: John Wall - REDSO/PRJ
SUBJECT: Seychelles - Seychelles Commodity Import Program
(SeyCIP)
DATE: May 3, 1990

I. PROBLEM: Your approval of a three year \$10.3 million CIP for and your authorization of the first year FY 90 funding of \$1,991,400 for a grant from Section 531 of the FAA, Economic Support Fund (ESF), to the Government of Seychelles (GOS).

II. DISCUSSION:

A. Program Description

1. Commodity Imports

The political and security interests of the United States are best served by encouraging a stable, neutral, and independent Seychelles. The SeyCIP promotes this objective by assisting Seychelles: to improve its balance of payments position; to increase foreign exchange resources; and, to finance the human and capital investment required to promote long-term economic growth.

A total of \$10.3 million is expected to be authorized and obligated during the 3 year LOP in annual increments to finance a Commodity Import Program in Seychelles, the 8th-10th consecutive years of the program. As of this date, \$1,991,400 has been allocated by AID/W for FY 90 and will be obligated in May. If supplementary ESF (\$1,008,600) is allocated during FY 90, an amendment to the SeyCIP Grant Agreement will be signed prior to the end of FY 90, increasing total Program funding to \$3.0 million. Funding for FY 91 and FY 92 is expected to be \$3.3 million and \$4.0 million, respectively. It is not anticipated that the PAAD analysis will require modification, except to update the proposed local currency projects list and the fuel oil procurement estimates. Therefore, for each subsequent increment of funding, a short Action Memorandum will serve as the PAAD Supplement and a revised PAAD facesheet will be prepared to serve as the SeyCIP Authorization Amendment.

As in previous years, the CIP will finance intermediate fuel oil (IFO) and gas oil, which will be used, first, for the generation of electricity and, secondly, if the demand for this purpose is not sufficient, for other local fuel requirements. Approximately 75 percent of all Seychelles households are connected to the public power system. National income depends heavily on earnings from the tourist and fish processing (frozen and canned) industries, both of which require uninterrupted supplies of electrical energy. Therefore, the direct beneficiaries are the overwhelming majority of the population, whose home and/or jobs rely on continuous access to electrical power.

Using historical trends in fuel oil utilization, the CIP will provide 60-110 percent (depending upon availability of Program funds) of the supply required to meet the demand for electrical power, which represents 13-20 percent of the total domestic demand for petroleum products. The foreign exchange provided for procuring fuel oil should finance approximately 11 percent of the estimated current account balance of payments deficit for 1990.

2. Local Currency Generation Development Projects

The local currency generated from the sale of the fuel oils will finance investments agreed upon by AID and the GOS. The GOS has formally submitted a portfolio of development projects for financing from the capital budget, as presented in Table 1 of this memorandum.

During past CIP programs, the local currency generations financed 3-10 percent of the annual capital budget expenditures. For 1990-1992, Seychelles Rupees (SR) 56.65 million estimated total of local currency generations should finance approximately 6-12 percent (depending upon availability of program funds) of these investment expenditures per year.

B. Financial Summary

1. Commodity Imports

The \$1,991,400 million ESF grant for the FY 90 CIP will be obligated in May 1990. An IFB has already been prepared with the GOS-approved oil specifications. The bid openings are scheduled to be held in Victoria following signature of the grant agreement. Payment will be made to the supplier under an A.I.D. Direct Letter of Commitment. It is anticipated that no more than four partial shipments will be required. The terminal shipping date for the CIP is 20 months following signature of the grant agreement and each of its amendments.

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Table 1
CIP Local Currency Generations Projects

FY 1990-FY 1992

Projects	FY 90 <u>1/</u> (SR millions)	FY 91	FY 92
a. Providence Industrial Estate	2.0	2.0	4.0
b. Road Rehabilitation	2.5	2.3	
c. East Coast Project			
(1) Rock Armoring	1.7	6.0	
(2) East Coast Road	2.2		
(3) Infrastructure		1.95	6.0
d. Assomption Airstrip	1.0		
e. National Library		1.5	
f. Training & Scholarships			
(1) Academic & LT. Technical	1.0	1.5	2.5
(2) Sey Institute of Mmgt (SIM)		0.5	0.5
g. Consultancies			
(1) Investment Code	0.125		
(2) Planning Division	0.375		
h. Praslin Craft Village	0.1	0.9	0.5
i. Environment Protection			
(1) Equipment		1.5	
(2) Training & Expertise			2.15
j. Cattle Multiplication Center			2.5
k. Contingency			3.85
TOTAL	11.0 <u>2/</u>	18.15	22.0

1/ If additional ESF is added to the program prior to end of FY 90 (estimated \$1 million), SR 4.2 million will be provided to the Providence Industrial Estate (FY 90 total SR 6.2 million) and SR 1.3 million will be provided to the Praslin Road Rehabilitation (FY 90 total SR 3.8 million).

2/ Exchange Rate: \$1 = SR 5.52

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2. Local Currency

The local currency equivalent of the dollar value of each shipment will be deposited in three consecutive approximately equal monthly instalments following receipt of each shipment of fuel. Quarterly reports on the movement of the account are provided to A.I.D. and AmEmbassy/Victoria by the GOS. The FY 90 CIP will generate an estimated total of SR 11 million for deposit in the special account.

C. Committee Action and Findings:

1. The PAAD was reviewed by the Project Review Committee on May 8, 1990. No additions or changes were made to the document.
2. There are no current human rights issues applicable to Seychelles.
3. The IEE for the CIP was sent to AID/W in Nairobi 10009 requesting AFR/TR Environmental Officer concurrence for a negative threshold determination. AID/W approval was received in State 150673.
4. The financial management description in the PAAD adequately presents the program implementation and financing procedures.
5. The Program Implementation in the PAAD was reviewed by the PRC and was found to be realistic, with a reasonable time frame for carrying out the CIP.
6. The requirements of Section 611(a) have been met satisfactorily.

D. Special Concerns:

1. CPs and Covenants
 - a. The Conditions Precedent section of the CIP Grant Agreement contain the standard CPs: a legal opinion concerning the validity of the agreement and the name and specimen signature of the GOS' legal representatives.
 - b. The covenants section of the CIP Grant Agreement include the standard NPA general covenants: use of local currency, taxation reports and records, completeness of information, other payments, and minimum size of transaction.

2. The major implementation agencies for the GOS are:
 - a. The Department of Planning and External Relations, which is responsible for the overall coordination and management of the program;
 - b. The Department of Finance, which supervises the financial aspects of the fuel oil procurement and collects and warrants local currency deposits; and,
 - c. The Seychelles Petroleum Company (SEPEC), which acts as GOS import agent for the fuel oil procurement.
3. No training will be included in the program.
4. No local cost financing will be required for the program.
5. The Gray Amendment provisions are not applicable to this program.
6. Responsible officers:

REDSO/ESA: John Wall, Projects Division
AmEmbassy/Victoria: Jim Melville, Consular Officer
A. Anderson, Econ/Pol Officer

III. WAIVERS:

The following waivers have been prepared and are included with this memorandum for REDSO/ESA Director approval:

1. A source/origin waiver to permit purchase of the medium fuel oil from Code 941 sources; and,
2. A source/origin waiver to permit purchase of the diesel fuel oil from Code 899 sources.

Additional Waivers - a determination of non-availability of U.S. flag vessels, a nationality waiver to permit shipping on an Geographical Code 899 vessel, a waiver of the requirement for prior AID/W approval for charter shipping - will be requested following the selection of the fuel oil supplier.

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IV. AUTHORITY:

Under Section 4 of DOA 551, you have the authority to authorize non-project assistance programs up to \$20 million.

V. RECOMMENDATION:

That you (1) sign, and thus approve, the two attached source/origin waivers which will permit the procurement of medium fuel oil from Code 941 sources and diesel fuel oil from Code 899 sources; and, (2) sign the PAAD face sheet which will authorize the \$1.991,400 million FY 90 Commodity Import Program for the Seychelles.

ATTACHMENTS:

PAAD

Source/Origin Waiver for Medium Fuel Oil
Source/Origin Waiver for Diesel Fuel Oil

Clearances:

REDSO/APD:RBurke	<u><i>RBurke</i></u>	Date:	<u>5/14/90</u>
REDSO/RCMO:BSTader	<u><i>BStader</i></u>	Date:	<u>5/15/90</u>
REDSO/RLA:JBorns	<u><i>JBorns</i></u>	Date:	<u>5-15-90</u>
RFMC:TCully	<u><i>TCully</i></u>	Date:	<u>5-16-90</u>

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Although automotive gasoil (diesel fuel) is produced in the U.S., the United States is a net importer of petroleum products. Moreover, given the small quantities (by industry standards) of automotive gasoil (diesel fuel) that will be financed under the CIP, it is extremely unlikely that any supplier would be interested in meeting the requirement from U.S. source/origin. The greater shipping distance for the small quantities of products involved makes it even more unlikely that U.S. source/origin products could in any way be cost-competitive with products from Indian Ocean area countries.

Automotive gasoil (diesel fuel) is not available at a reasonable price for export to Seychelles from other countries or areas included in AID Code 941. Under the FY 86 Seychelles CIP, the authorized source/origin for both medium fuel oil and automotive gasoil (diesel fuel) was AID Geographic Code 941. Under that program, a total of six bids were received offering to supply the automotive gasoil (diesel fuel) required. One of these bids had to be rejected because the automotive gasoil (diesel fuel) offered was from an AID Code 935 (non-Code 941) source/origin country. The lowest priced bid from an authorized (Code 941) source/origin country was \$ 187.78 per MT. The bid from an AID Code 899 (non-Code 941) source/origin that had to be rejected was \$ 147.40 per MT. AID financed 10,000 MT of automotive gasoil (diesel fuel) in FY 86 which meant that \$ 400,000 more was spent on diesel than would have been spent had Code 899 been the eligible source/origin for procurement, and that over 2,700 MT of additional fuel could have been purchased by GOS had Code 899 been the authorized procurement Code. Moreover, automotive gasoil (diesel fuel) exported from Code 941 countries in the Indian Ocean area would have to be replaced in those countries by imports from Code 899 sources in order to meet the needs of the Code 941 countries in the Indian Ocean area. The commercial situation today is unchanged from 1986 with regard to supplies of automotive fuel (diesel fuel) in the Indian Ocean area.

Further research, including contact with several industry sources, indicates that automotive gasoil (diesel fuel) at a reasonable CIF price is simply not available for export to Seychelles from any potential Code 941 source. In 1988, in answer to an RCMO inquiry about possible Code 941 sources of automotive gasoil (diesel fuel) for export to Seychelles, Omisa Oil Management SA cabled from Geneva, Switzerland, "of the countries eligible as source which you have indicated to us (Code 941) only Kenya, India, Pakistan, Tanzania, Sri Lanka and Indonesia (have refineries and) are within reasonable shipping distance from Seychelles. All these countries except Indonesia are net importers of crude and therefore will not generate surplus quantities for re-export at a competitive price."

ACTION MEMORANDUM FOR THE DIRECTOR, REDSO/ESA

From: Chrystine E. Lyons, REDSO/ESA/CM

Date: May 7, 1990

Subject: Request for a procurement source/origin waiver from AID Geographic Code 000 (US only) to AID Geographic Code 899 (Free World) to permit the procurement of (diesel fuel) under the FY 90 Seychelles CIP.

- A. Cooperating Country : Seychelles
- B. Authorizing Document : PAAD No. 662-K-609
- C. Program Name : Seychelles FY 1990 CIP (662-0010)
- D. Nature of Funding : ESF Grant
- E. Description of Commodity : 8,000 to 13,500 MT Automotive Gasoil (Diesel Fuel)
- F. Estimated Value : \$ 1,0 Million to 2,1 Million
- G. Probable Source/Origin : AID Geographic Code 899

Discussion and Justification: The FY 1990 Seychelles CIP provides \$ 1,991,000 of ESF grant funds to assist the Government of Seychelles (GOS) meet a shortfall in its balance of payments and to provide budgetary support. The GOS has requested that A.I.D. finance medium fuel oil and automotive gasoil (diesel fuel) in the approximate projected ratio of use of the Seychelles Public Utilities Corporation to generate electric power.

These two fuel oils are critical commodities with regard to productive activities on the islands, and are a major drain on foreign exchange resources of the Government of Seychelles.

Under established AID procurement policies the authorized source/origin for commodities procured for assistance programs to Seychelles (which is not an RLDC) would ordinarily be AID Geographic Code 000 (U.S. only).

Conversations with Mr. Livio Lang, the Managing Director of SEPEC, a man with over 30 years experience in the oil industry, indicated that even Indonesia refines crude in country into finished petroleum products only for domestic consumption. Singapore (a Code 935 country) is the processing and export center for refined Indonesian petroleum products. Recognizing the nonavailability of automotive fuel (diesel fuel) for export to Seychelles at reasonable cost from Code 941 countries, for the past three years the authorized source/origin for the Seychelles CIP was expanded to Code 399 for automotive fuel (diesel fuel).

HB 1B, Chapter 5B4a(7), provides that the authorized source/origin of commodities may be expanded for "such..... circumstances as are determined to be critical to the success of program activities." Given the fact that automotive gasoil (diesel fuel) at a reasonable cost is not available from either the United States or from any Code 941 country which could serve as a source of supply for Seychelles, the test of HB 1B has been met.

Recommendation: I recommend that, by your signature below, you 1) approve a change in the authorized source/origin from AID Geographic Code 000 to Geographic Code 899 for the procurement of approximately 8,000 to 13,500 MT of automotive gasoil (diesel fuel) for the 1990 Seychelles CIP; and, 2) certify that exclusion of procurement from free world countries other than the cooperating country and countries included in Code 941 would seriously impede attainment of U.S. foreign policy objectives and objectives of the foreign assistance program.

Approved : Sekou P. Sahr

Disapproved : _____

Date : May 10, 90

Drafted: REDSO/ESA/CMC CELYONS [Signature] Date: 05/08/90

Clearances: REDSO/LEG:JEFFBORN [Signature] Date: 5-8-90

REDSO/PRJ:JWALL [Signature] Date: 5/9/90

ACTION MEMORANDUM FOR THE DIRECTOR, REDSO/ESA

From: Chrystine E. Lyons, REDSO/ESA/CM

Date: May 7, 1990

Subject: Request for a procurement source/origin waiver from AID Geographic Code 000 (US only) to AID Geographic Code 941 (Selected Free World) in order to to permit the procurement of medium fuel oil under the FY 90 Commodity Import Program for the Seychelles.

- A. Cooperating Country : Seychelles
- B. Authorizing Document : PAAD No. 662-K-609
- C. Program Name : Seychelles FY 1990 CIP (662-0010)
- D. Nature of Funding : ESF Grant
- E. Description of Commodity : 5,500 MT Medium Fuel Oil (MFO)
- F. Estimated Value : \$ 900,000
- G. Probable Source/Origin : Kenya, Tanzania or Madagascar

Discussion and Justification: The FY 1990 Seychelles CIP provides \$ 1,991,000 of ESF grant funds to assist the Government of Seychelles (GOS) meet a shortfall in its balance of payments and to provide budgetary support. The GOS has requested that A.I.D. finance medium fuel oil and automotive gasoil (diesel fuel) in the approximate projected ratio of use of the Seychelles Public Utilities Corporation, Electricity Division to generate electric power. The GOS rationale for choosing these commodities is: 1) the medium fuel oil and automotive gasoil (diesel fuel) are required to generate electricity for use in all sectors of the Seychelles' economy; 2) CIP funds can be utilized and disbursed rapidly; 3) the procurement of these commodities will minimize the administrative burden on all concerned parties: i.e. AID, the GOS and the U.S. Embassy/Victoria; and 4) because of the limited trade between the U.S. and Seychelles, a more broadly based CIP which would finance the importation of U.S. products is not feasible.

These two fuel oils are critical commodities with regard to productive activities on the islands, and are a major drain on foreign exchange resources of the Government of Seychelles.

Under established AID procurement policies the authorized source/origin for commodities procured for assistance programs to Seychelles (which is not an RLDC) would ordinarily be AID Geographic Code 000 (U.S. only). However, while medium fuel oil (MFO) is produced in the U.S., the U.S. is a net importer of petroleum products.

Moreover, given the small quantities of medium fuel oil to be financed and the limited storage available in Seychelles for liquid fuels, which will necessitate at least two small (by industry standards) and logistically difficult shipments, there is no possibility of interest on the part of U.S. suppliers in this procurement. Procurement from the U.S., if it were otherwise feasible, would be unreasonably expensive when compared with procurement from the Seychelles traditional Code 941 sources of supply for medium fuel oil: Kenya, Tanzania, and Madagascar. Procurement from the U.S. would thus decrease the amount of fuel oil which can be procured under the CIP, and run counter to program objectives, which are to maximize the amount of foreign exchange available to the Seychelles and maximize assistance to the productive sector of its economy.

This request for a waiver covers only the MFO to be financed under the FY 90 CIP. A separate source/origin waiver is being requested with regard to automotive gasoil (diesel fuel) to be procured under the program.

HB 1B, Chapter 5B4a(7), provides that a change in the authorized source/origin of commodities may be expanded for, "such..... circumstances as are determined to be critical to the success of program activities." For the reasons cited above, the test of HB 1B has been met.

Under Delegation of Authority 551, you have the authority to approve source/origin waivers for commodities up to a value of \$ 5,000,000 per transaction. All MFO financed under the FY 90 CIP (approximately \$ 900,000) will be purchased under one procurement transaction.

Recommendation: I recommend that, by your signature below, you: approve a source/origin waiver from AID Geographic Code 000 (United States only) to Geographic Code 941 to permit the procurement of approximately \$ 900,000 of medium fuel oil under the FY 90 Seychelles CIP.

Approved : Satish P. Shew

Disapproved : _____

Date : May 10, 90

Drafted: REDSO/ESA/CM: CELYONS [Signature] Date 05/08/90

Clearances: REDSO/LEG: JEFFBOPNS [Signature] Date 5-8-90

REDSO/PRJ: JWALL [Signature] Date 5/9/90

CLASSIFICATION:

AID 1120-1 (8-88)	DEPARTMENT OF STATE AGENCY FOR INTERNATIONAL DEVELOPMENT	1. PAAD NO. 662-K-609
		2. COUNTRY SEYCHELLES
		3. CATEGORY COMMODITY FINANCING STANDARD PROCEDURE
		4. DATE MAY 1990
5. TO:	Satish P. Shah Director, REDSO/ESA	6. OYS CHANGE NO. N/A
7. FROM:	John Wall Project Officer, REDSO/ESA	8. OYS INCREASE NONE TO BE TAKEN FROM: N/A
9. APPROVAL REQUESTED FOR COMMITMENT OF: \$ 1,991,000		10. APPROPRIATION - ALLOTMENT 72-110/11037 GES0-90-31662-KG32
11. TYPE FUNDING <input type="checkbox"/> LOAN <input checked="" type="checkbox"/> GRANT	12. LOCAL CURRENCY ARRANGEMENT <input type="checkbox"/> INFORMAL <input checked="" type="checkbox"/> FORMAL <input type="checkbox"/> NONE	13. ESTIMATED DELIVERY PERIOD 5/30/90 - 2/1/91
14. TRANSACTION ELIGIBILITY DATE GRANT SIGNATURE DATE		
15. COMMODITIES FINANCED		

Intermediate Fuel Oil (IFO) and Gas Oil.

16. PERMITTED SOURCE	17. ESTIMATED SOURCE
U.S. only:	U.S.:
Limited F.W.: \$521,000	Industrialized Countries: \$1,470,000
Free World: \$1,470,000	Local:
Cash:	Other: Kenya or Madagascar \$521,000

18. SUMMARY DESCRIPTION

The FY 90 Seychelles Commodity Import Program provides a \$ 1.991 million ESF Grant which will finance the procurement of a mix of medium fuel oil from a Geographic Code 941 source and diesel fuel oil from a Geographic Code 899 source. The local currency generated from the sale of the oil on the local market (estimated 11 million Seychelles Rupees) will be used to finance a set of economic development activities mutually agreeable to the Government of the Seychelles and AID.

72/110/11037
BPC GES0-90-31662-KG32
Allowance 070-61-662-00-59-01

19. CLEARANCES	DATE	20. ACTION
REDSO/ESA/PROJ: JWALL	5/10/90	<input checked="" type="checkbox"/> APPROVED <input type="checkbox"/> DISAPPROVED
REDSO/ESA/LEG: JBORNS	5/15/90	
REDSO/ESA/ANAL: BSevern	5/14/90	
REDSO/CM: BStader	5/15/90	
RFMC: TCully	5/16/90	
		Satish P. Shah 5/19/90 AUTHORIZED SIGNATURE DATE
		DIRECTOR, REDSO/ESA TITLE

CLASSIFICATION:

FUNDS AVAILABLE
\$1,991,000
RFMC-NAIROBI / KENYA
DATE 5/16/90

Seychelles Commodity Import Program
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- B. GOS Local Currency Generations Project Financing Request
- C. Initial Environmental Examination
- D. Statutory Checklist
- E. Draft Grant Agreement
- F. Economic Analysis Tables
- G. Engineering Report: Evaluation of FY 89 Local Currency Projects and Assessment of GOS FY 90 - FY 92 Project Proposals
- H. Funds Cites and Redelelegation of Signature Cables

- 11/

I. SUMMARY AND RECOMMENDATIONS

- A. Title : Seychelles Commodity Import Program (SeyCIP)
- B. Amount : \$10,300,000
- C. Type of Funding : Economic Support Fund (ESF) Grant
- D. Term of Program : 44 months
- E. Executing Agency : Government of Seychelles (GOS),
Department of Planning and
External Relations

F. Program Justification:

The justification for the SeyCIP Seychelles program, years 8-10 of U.S. development assistance in that country, continues to be the need to maintain U.S. political and strategic interests due to its important location in the Indian Ocean. The SeyCIP program will be a Commodity Import Program (CIP) aimed at assisting the GOS to ameliorate its current account balance of payments problem, increase its foreign exchange reserves, and reduce its budgetary shortfalls.

G. Program Description:

1. Commodity Imports:

The program proposed in the PAAD consists of a Commodity Import Program for Seychelles which provides a total of \$9,291,400 (ESF Grant) for SeyCIP (FY 90, \$1,991,400; FY 91, \$3,300,000; FY 92, \$4,300,000) to finance intermediate fuel oil (IFO) and gas oil for the generation of electrical power, as the first priority use, and, to the extent that the supply of either or both fuels exceeds demand by the power company during any year of the program, for intra and inter-island transportation. If supplementary ESF funds of \$1,000,600 are allocated to the Seychelles CIP in FY 90, the total 3 year LOP funding will increase to \$10.3 million. Comparing estimates of future demand and current oil prices indicates that the total fuel oil provided under the CIP will supply over 60 percent for the first year and from 85 percent to 110 percent for the next two years of the electrical power generation needs of Seychelles. (If additional ESF is allocated to the Seychelles CIP prior to the end of FY 90, it will be authorized also for the procurement of IFO and gas oil described above.)

2. Local Currency Generations:

The local currency generated by the sale of the fuel oil will be deposited in a special account at the Central Bank of Seychelles for disbursement to finance selected development projects. The GOS Project Appraisal Committee (PAC) has proposed that the estimated total of SR 51.15 million over the 3 year LOP be allocated to finance the following projects. (If an additional \$1,008,600 million is allocated for FY 90 to restore total ESF for Seychelles to the original programmed amount, the local currency fund will increase to SR 56.65 million.):

A full description of the proposed three year local currency project portfolio is provided in Section IV.C of this PAAD. The principal areas of focus are, as in the past, road rehabilitation, the East Coast Project (land reclamation and development), and academic and technical training. Additional items have been added, including consultancies aimed at improved public and private investment programs and environmental protection projects.

The GOS has formally requested AID approval for the development program described above. Reports on the status of the deposits into and disbursements from the special account are provided by the GOS on a quarterly basis.

H. Program Implementation:

1. Institutions: The institutional responsibilities for SeyCIP are:
 - a. The Ministry of Planning and External Relations of the GOS is responsible for the overall coordination of the Program and the allocation of counterpart funds;
 - b. The Department of Finance of the GOS is responsible for overseeing the implementation of the commodity procurement and collecting and warranting counterpart funds;
 - c. The Seychelles Petroleum Company (SEPEC) is the import agent of the GOS for all petroleum products;
 - d. The Public Utility Corporation, Electricity Division (PUC/ED) is the primary end user of the program financed petroleum products; and,
 - e. The United States Agency for International Development (USAID) is the financing institution.
2. Procurement Arrangements: The IFO and gas oil will be purchased using an Invitation for Bid (IFB) issued by SEPEC acting as agent for the GOS Department of Finance. The IFB will be prepared with the assistance of the REDSO/ESA CMO. Specifications for the IFO and gas oil will be provided by SEPEC and reviewed by PUC/ED. The IFB will be advertised in the CBD, distributed by the RCMO on behalf of the GOS to all of the operating oil companies in Kenya, and made available by SEPEC to other potential suppliers.

3. Financing Arrangements: Payment will be made to the selected supplier(s) under an AID Direct Letter of Commitment to be issued by the RFMC. An AID Direct Letter of Commitment has been chosen as the desirable financing mechanism in order to eliminate unnecessary banking charges. It is anticipated that no more than two Direct Letters of Commitment and no more than eight partial payments will be required each year during the three year program.
4. Program Management Requirements: The REDSO/ESA monitoring will be based on a review of periodic report submitted by the GOS: the quarterly Commodity Report detailing the arrival and disposition of AID-financed imported commodities; the quarterly Finance Report which provides information on the allocation and expenditure of local currency generated by the Program; and, the semi-annual Progress Report which outlines the progress being made in implementing the local currency-financed projects. In addition, the RCMO will assist the GOS in the selection of the successful bidder(s) and subsequent award(s) of contract.

II. PROGRAM OVERVIEW

A. Country Context

1. Physical Resources and Social Structure

Seychelles is a group of over 100 widely scattered islands, covering an area of 200,000 square miles. The total land mass, however, amounts to under 108 square miles. The total population is only 67,000 inhabitants (1987 estimates), of which 98 percent live on the three main islands: Mahe (88 percent); Praslin; and, La Digue. The island group remained uninhabited until first settled by the French in the late 1700's. In the early 1800's Seychelles was ceded to Britain and remained under British rule, until its independence in 1976. The islands now have a well integrated, multi-racial society with a strong French flavor to their culture in spite of 162 years of British influence.

Prior to independence, Seychelles economic and cultural contacts with the rest of the world were limited. The small population lived on relatively self-sufficient family plots. A few agricultural items, copra and cinnamon, were exported to finance imports of basic staples, such as rice. Since independence, the islands have rapidly

forged strong links with the international community, at the same time achieving a relatively high living standard for a developing country. The land is still sparsely inhabited, with a relatively low population growth rate of 1.6 percent annually. Literacy is virtually universal, although practical manpower skills training is still limited and expensive, given the small population. General health conditions approach developed country standards - with infant mortality at 26.2 per thousand and the death rate at 7.4 per thousand. Housing is generally available and of adequate standards. Unemployment has remained at a relatively stable 10 percent of the economically active population, the increases in jobs to match population growth coming largely from growth in the tourist industry and related activities.

2. Political Evolution

The French asserted formal possession of the Seychelles islands in 1756. The colony suffered sporadic turmoil from the political upheavals in France, until the islands were ceded to the British in 1814. From that date until 1903 the administration of the islands was carried out from Mauritius. In 1903 Seychelles became a separate British crown colony, with a British colonial governor managing the colony's affairs. In 1963, the first popular elections, for the 15 seat Legislative Assembly, were held. Following these elections, the emerging political forces formed two distinct political parties: the Seychelles Democratic Party (SDP) led by James Mancham and the Seychelles People's United Party (SPUP) led by France Albert Rene. In 1970, the first election in which the two parties competed against each other, the SDP won 10 seats and the SPUP 5 seats. In the 1974 election the SDP further increased its dominant position in the legislature, winning 12 of the 15 seats.

In 1975 the SDP and SPUP formed a coalition to lead Seychelles into independence, which had been agreed upon by the British and set for June 1976. Mancham of the SDP was appointed President and Rene of the SPUP was appointed Prime Minister. The deepening political divisions between the two parties set the stage for a June 1977 coup which overthrew Mancham and installed Rene as president. He immediately suspended the constitution and dismissed the legislature. The new constitution promulgated in June 1979 recognizes only one political party, the Seychelles People's Progressive Front (ISPPF), consolidating the SPUP and several smaller political groups, and confers strong powers in the executive branch. The only purpose of the legislature, the People's Assembly, is to ratify executive decisions. The judicial system is dependent on judges appointed by the president. In spite of one party rule, the economic and social environment of Seychelles is relatively free and open.

B. Economic Background

Since independence the Seychelles economy has provided the inhabitants with an improving standard of living, measured in GDP performance. At current exchange rates, the country will likely reach a projected per capita GDP of US\$4,913 in 1989, although this figure may be inflated by the relatively large proportion of high salaried foreign consultants working in the country. The Seychelles economy depends heavily on foreign exchange earnings and employment from tourism. Direct expenditures on tourism account for 15 percent of GDP, while backward linkages of the tourism sector are estimated to raise the sector total to between one-quarter and one-third of GDP. Second in importance to the tourism sector are general government services which, in 1987, accounted for 15.6 percent of GDP. However, this figure does not adequately describe the pervasive influence of the public sector in the Seychelles economy. Public consumption absorbs over one third of GDP and the thirty parastatals account for over two-thirds of formal employment. The Seychelles Marketing Board (a parastatal) has a monopoly control of certain essential imports, regulates imports by other public and private sector entities, and administers a system of markup limits on prices. The Seychelles does not, however, have exchange controls restricting either current or capital transactions.

1. The Tourism Sector

Table II.1 (see Annex F, Economic Analysis Tables, for all tables referred in this section) summarizes recent developments in the tourism sector. Tourism receipts, after stagnating in the early 1980s, have grown at almost 20 percent per year in dollar terms during the period 1985-1988. This strong performance has resulted from two factors, a moderate increase in the number of visitors and a strong increase in the average expenditures per day. The average length of stay, after increasing in the early 1980s has remained almost constant in recent years. The number of visitor arrivals is, at the present time, largely a function of flight availability from source countries. The increase in average expenditures has resulted primarily from changing composition of tourism, with a larger proportion now coming from Europe and a smaller share from Africa and Asia. In the projections shown on Table II.1, the rate of increase in tourism receipts is assumed to decline to a rate more in line with projected world inflation as the number of visitors remains relatively constant and total expenditures remains more or less constant in real terms.

2. Exports and the Balance of Payments

Until 1985, merchandise exports from Seychelles were confined to very small quantities of fresh and frozen fish, copra, and cinnamon bark. In that year, a tuna canning plant began operation and within

one year production from it became the most important merchandise export. Traditional artisanal fishing has always been a relatively small sector in the domestic economy, accounting for about 2 percent of GDP and employing about 4 percent of the labor force. In recent years, however, deep ocean fishing has increasingly played a more important role from several viewpoints: first, as a source of inputs to the tuna canning plant, second, as a customer for a variety of services, and, to an increasing extent, as a source of production and employment from direct participation of Seychelles residents in deep ocean fishing. Thus, indirect and direct revenue from the fresh and frozen fish industry is likely to become an increasingly important source of export earnings in the years to come. Data on historical exports and projections through 1992 are shown in Table II.2. Table II.3 summarizes and projects imports and Table II.4, the overall balance of payments, based on tourism receipts and export receipts shown on Tables 1 and 2.

Projecting import levels presents a special problem in an economy as small and open as that of Seychelles. Import demand in the model, which underlies the projections on Table II.3, are estimated as a linear function of a macroeconomic aggregate, either consumption or GDP. In some models, import demand is adjusted for the effect of changes in the real effective exchange rate. In the case of Seychelles, in which little movement of the real exchange rate is anticipated, exchange rate effects have been ignored. The end result is a fairly sizable balance of payments deficit in 1989, turning into a surplus in 1990 as a result of continuing improvements in tourism and other non-factor service inflows. Projections beyond 1990 are obviously quite speculative. The best estimate, however, is that this surplus will gradually decline as moderately declining merchandise export values, resulting from projected declines in the world price of tuna, offset slowly rising tourism receipts.

3. Fiscal and Monetary Situation

The very large size of the fiscal deficit complicates economic management in the case of the Seychelles. The short-term management of this deficit is the dominant economic policy problem for the GOS. The most recent fiscal performance and projections for the short and medium-term future are shown on Table II.5. In 1988, the GOS produced a very large fiscal deficit, equal to 7.5 percent GDP, primarily as a result of a very large increase in public sector investment. Both current expenditures and current revenues were approximately in line with historical trends. The bulk of this deficit was, in fact, financed domestically. However, the ability of the GOS to continue to finance large deficits domestically, without large accelerations in inflation or serious deteriorations in the balance of payments, is extremely doubtful. Thus, although the deficit is projected to decline substantially in 1989, to 3.6

percent of GDP, the government's deficit financing problem is much more difficult because of the limited ability of the domestic financial system to continue to supply the required amount of credit to the central government and still meet the financing needs of the private sector. The deficit spending problem appears to be growing worse rather than getting better: revised 1989 budget figures show a doubling of the deficit, from SR 61.1 million in 1988 to SR 129.4 million in 1989. As Table II.5 shows, this problem is essentially one of short-term financial management rather than one of basic structural imbalance, as the fiscal situation is projected to improve in 1990 and beyond despite the continuing large levels of central government investment provided for in the GOS's medium-term five year development plans.

The solution to this short-term financing problem lies in increasing the availability of external financing. This is the essential function of the ESF commodity import program. In addition, the development program of capital investments, partially financed by the CIP local currency generations, will have a direct positive impact on the physical and human resource infrastructure of the Seychelles. By providing this local currency funds in an amount equal to approximately one percent of GDP, the program enables the GOS to continue its vital capital investments through the transition period, thereby allowing the banking system to maintain loanable funds for meeting the private sector demand for credit, as shown in Table II.6, which will thus sustain the GDP growth levels, as shown in Table II.7.

C. U.S. Strategic and Foreign Policy Interests

The installation of France Albert Rene as the president of Seychelles and his party, the SPPF, as the sole legitimate political entity moved the domestic political environment leftward. At the same time, the GOS initiated a foreign policy which it describes as "positive" non-alignment, including a call for reduced superpower presence in the Indian Ocean. In practice this has meant support for the Indian Ocean zone of peace concept and for the closing of the U.S. base on Diego Garcia. While these positions conflict with U.S. foreign policy, other more important factors of mutual interest have contributed to a close relationship between the two governments.

Contacts by the U.S. with Seychelles were greatly strengthened in 1963 with the construction of the U.S. Air Force space-tracking station on the principal island, Mahe. This facility provides the U.S. with a strategically located, land-based tracking operation, while providing Seychelles with foreign exchange from rental fees and jobs and incomes which impact positively on the Seychelles economy. Furthermore, the USG has sought to maintain friendly relations with the GOS, given its strategic location in the Indian Ocean. The decision was made in 1982 to raise the level of USG representation to the ambassadorial level, so as to more vigorously promote U.S. interests there. This arrangement has served to broaden the lines of communication between the two governments and has created the environment for more "open" relations, as demonstrated by regular visits of U.S. naval vessels to the port of Victoria. Seychelles also has benefited from a stronger U.S. presence through increased aid flows from bilateral and multilateral donors, as well as from increased commercial contacts.

Since the AID program began in 1982, the United States has maintained the position that its political and security interests in the Seychelles are best served by a growing local economy, developing in response to market forces and private sector initiatives which create higher standards of living for the general population. Over the years the official GOS views towards development through the private sector has become more favorable. During the early 1980's, the GOS economic policy prescriptions had been in conflict with this view, seeking a more centralized, planned economy under direct government management. Currently, in increasing numbers, decision makers both in and out of the GOS recognize the importance of providing incentives for private investment which will result in expanded productive capacity and economic growth. Thus overlapping regional interests and the convergence of views on economic policy form the basis for an expanding dialogue between the GOS and USG.

III. PROGRAM BACKGROUND AND RATIONALE

A. GOS Development Strategy

1. The Initial National Development Plan (1979-1983)

The GOS has prepared and published a series of national development plans designed as rolling five year plans. The first medium-term plan (1979-1983), together with the series of corresponding detailed annual plans, gave priority to strengthening human resource development and public services. In particular, government investment resources were to be dedicated to the infrastructure, education, health, and social services sectors of the economy, as shown below.

Table III.1
Functional Analysis of the Development Plan 1979-1983
 (in SR Millions)

<u>Sector</u>	<u>Amount</u>	<u>Percent</u>
Infrastructure	230	
Utilities	202	
Social Services	185	
Housing	133	
Admin & Public Works	85	
Social Development Subtotal	835	77%
Productive Sector	255	23%
1979-1983 Plan Total	1,090	100%

SOURCE: National Development Plan 1979-1983

However, in addition to amounts budgeted for public administration (to manage a more active government participation in economic and social affairs) and public defense during the period, expenditures for these two budget items were further increased during plan implementation using funds originally allocated for social and economic development, thus lessening the impact of the GOS objective of improving infrastructure and social services.

2. The National Development Plan (1985-1989)

a. Description of the Plan

The National Development Plan of 1985-1989 gave greater emphasis to productive investment, in an effort to diversify the economy, by strengthening fishing, light industry, and agriculture. The framework for this plan grew out of the impact of the world recession of the early 1980's, during which tourist visits fell and foreign exchange earnings dropped. In fact, the number of visitors fell from a peak of 78,802 in 1979 to a low of 47,280 in 1982. In response, the GOS turned to the concept of economic stability and growth through diversification. To accomplish this aim, the following sub-goals were set forth in the Plan: (1) create employment; (2) improve the balance of payments; (3) re-establish economic growth; and, (4) increase exports. As a result, nearly 40 percent of total planned public investment (1984 prices) was allocated to the productive sector, as follows:

Table III.2
Functional Analysis of the Development Plan 1985-1989
(in SR million)

<u>Sector</u>	<u>Amount</u>	<u>Percent</u>
Seychelles Marketing Board <u>1/</u>	110	
Agriculture and Forestry	199	
Fishing	218	
Tourism	343	
Industries	129	
Outer Island Development	81	
Productive Sector Subtotal	1,080	38%
Social Development	1,741	62%
1984-89 Plan Total	2,821	100%

1/ The SMB is a parastatal company which monitors and, in some cases, controls the pricing and distribution of selected consumer goods.

SOURCE: GOS National Development Plan 1985-1989

In contrast, the GOS set aside only 23 percent for productive purposes in the 1979-83 plan.

The Plan document describes the proposed sectoral activities, which together, will lead to the accomplishment of the general development objectives. The plan for the agriculture and forestry sector is closely linked with the SMB plan for staple foods distribution. The overall goal of each plan is to guarantee adequate food supplies. In the case of the agriculture plan, this is to be accomplished by substituting domestically produced food for imports, while, at the same time, increasing the production of export crops to earn foreign exchange. The additional farm labor required to meet these production targets is to be generated by "raising the status" of agricultural work, as well as improving wage rates (to be financed by government mandated increases in producer prices). The plan allocates investment funds to the state farms and cooperatives for infrastructure improvements and the acquisition of livestock and equipment. In the fishing sector, the GOS goal is to raise the level of technology in the sector through the industrialization of both the catching and processing of fish. In spite of the constraints of a small labor force and market, as well as limited factor endowment, the GOS set as its industrial development policy the ambitious goals of increasing the following indicators of economic activity: employment, import substitution, exports, and efficiency of local raw material use. These goals are to be accomplished by promoting modern small-scale industrial projects, including agricultural processing, garment and footwear manufacture, paper and packaging, and local handicrafts. In the tourist industry, the plan calls for the procurement of long-haul passenger aircraft and an extensive program to renovate existing hotel facilities. In support of these sectoral initiatives a major effort was planned to rehabilitate the road networks on Mahe and Praslin. The Plan also states that private investment is encouraged and that the GOS is prepared to enter into joint ventures, whenever appropriate.

b. Accomplishments of the Plan

Sectoral shares of GDP (excluding import duty and other adjustments) have, with few exceptions, changed only marginally in the past few years. The share of the transport, distribution, and communications sector increased from 32 percent of GDP in 1983 to 33 percent in 1987, while the share of hotels and restaurants increased from 7 percent of GDP to 10 percent. The building and construction and electricity and water sectors also showed small increases. For the most part these increases can be attributed to the impact of relatively substantial public and private investments in these sectors. The relative share of GDP in government services (excluding the parastatal sector), however, declined from 19 percent in 1983 to 16 percent in 1987, as recurrent expenditures declined sharply in 1986-87. The share of agriculture, forestry, and fishing, which had declined from a level of 22 percent in 1971, stabilized during the period at 7-8 percent, the increased production of processed tuna and food crops offset a continuing long-term decline in traditional copra and cinnamon and artisanal fishing production.

The rate of disbursement for development project implementation has been considerably below the target levels established in the 1985-1989 Plan. The total expenditures during 1985-1987 were planned to reach SR 1,941 million, but only 31 percent of that amount, or SR 609 million, actually was expended. The GOS stated in the Plan that the proposed project activities far exceeded the availability of local resources to finance them, thus requiring that 60-80 percent of their costs be financed by external grants or loans. However, since the initiation of the first five year plan in 1979, external financing has never reached anticipated levels. In spite of the persistent funding shortfall, significant progress has been made in accomplishing major elements of the Plan; e.g., the largest single project, the Mahe East Coast Project (Phase I), is nearing completion, land reclamation is complete and the port expansion and industrial park construction activities are underway. Specifically, actions taken in each of the major sectors include:

- a. Tourism: Air Seychelles began international operation in October 1983 and currently has one Boeing 767 aircraft in operation. The purchase of another new Boeing 767 is being negotiated; the two 707's were recently sold. A major new route to Japan is being opened up in collaboration with Air Malaysia.
- b. Fishing: In June 1987 a tuna canning factory was opened to process a small part of the Seychelles water tuna catch; exports from the factory began in August 1987, and already the plant's output has become the Seychelles leading export, reaching \$10 million annually.
- c. Agriculture: Progress has been made in reaching the goal of overall 60 percent self-sufficiency in foodstuffs, with full self-sufficiency targeted for vegetable, animal feed, and short cycle fruit production. Seychelles now meets 100 percent of the local demand for chickens, 65 percent of the local demand for pork, and approximately 50 percent of the local demand for fruits and vegetables from domestic production.
- d. Industry: Growth in this sector is significantly constrained by the small size of the country. Nevertheless, the GOS new tax concessions are being offered for foreign investment, a comprehensive training program is underway to improve management skills, and the Seychelles Industrial Development Corporation has been created to promote and manage industrial zones.

3. The Proposed 1990-1994 Plan

The proposed National Development Plan for 1990-1994 continues the trend toward more emphasis on promoting and supporting productive enterprises. The GOS is satisfied that significant progress has been achieved to date in transforming the Seychellois economy for more evenly balanced economic expansion. The development theme for the 1990's is "environmentally, socially, and economically sustainable growth", by which it means development that does not compromise the opportunities of successive generations through any overutilization or destruction of the natural resource base. The Government recognizes that it will face several constraints in maintaining the momentum of economic growth, including limitations on access to domestic and foreign credit and the shortage of trained workers. Three key national development goals have been established as a framework for setting sectoral level goals, these are: (1) improving the standard of living and the quality of life; (2) achieving sustainable development; and, (3) fostering self-sufficiency and self-reliance. The Plan is still in draft form; yet to be promulgated by the GOS. However, the draft Plan emphasizes the need to diversify economic production, and, in so doing, to increase output growth and labor productivity. Although Seychelles will continue to remain dependent on the performance of two sectors - tourism and fisheries - special attention will be given to the development of the manufacturing sector and creating backward linkages from the two primary sectors to other sectors, such as agriculture and industry. In order to accomplish these broad economic goals, the GOS will increase training for a skilled and versatile workforce and create incentives aimed at retaining qualified Seychellois personnel. Seychelles faces a difficult task in balancing a growth and employment objective within a system which provides adequate protection to the environment.

B. Donor Assistance

1. Other Donor Assistance

As discussed earlier, Seychelles depends heavily on foreign assistance to carry out its five year development plans. To finance the project activities which comprise the plans, funds are budgeted each year in accordance with project schedules and assumed external financing and domestic investment resource availabilities. During the implementation of the 1985-1989 Plan, however, actual receipts of foreign assistance funds have consistently run behind the amounts projected in the Plan. In fact, the funding received, and thus the actual investment expenditures, has fallen short even of the amounts budgeted each year in the Capital Projects Account line item, as illustrated in Table III.3 below.

Table III.3
Planned and Actual Capital Outlays
(in SR Millions)

	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
1985-90-FY 92 Plan	703.1	546.2	577.5	307.3	N/A
Annual GOS Budget	..	124.7	228.4	255.5	317.3
Actual Expenditures ^{1/}	..	93.1	104.5	159.6	N/A

^{1/} For 1989 the amount shown as the Actual Expenditure is the revised budget amount, the actual expenditure for the year is not yet available.

SOURCE: Central Bank of the Seychelles

In spite of the seemingly dramatic shortfalls in actual vs planned expenditures, the GOS has been able to effectively manage its capital investment program by prioritizing project start up to match a realistic appraisal of funding availability and, thus, carry many important projects through to timely completion.

The latest accounting for receipts of official loans and transfer payments, mostly grants from bilateral and multilateral donors, shows the following upward trend:

Table III.4
Official Foreign Loans and Transfers
(SR Millions)

	<u>1984</u>	<u>Actual</u> <u>1985</u>	<u>1986</u>	<u>1987</u>	<u>Provisional</u> <u>1990</u>
Receipts	101.4	156.0	207.5	61.1	90.1
Repayments	(17.7)	(46.8)	(48.5)	(40.2)	(72.1)
Net Loans	83.7	109.2	159.0	20.9	18.0
Official Transfer Payments	106.7	102.1	101.6	131.2	155.0
Net Total Inflow	190.4	211.3	260.6	152.1	173.0

SOURCE: Central Bank of Seychelles

The amounts shown above have been used to finance the investment costs of development projects throughout the islands, as well as certain selected recurrent costs. The largest single development project currently underway is the East Coast Project, an integrated land reclamation, fishing development, and commercial port construction project funded by a group of foreign donors, including the World Bank, African Development Bank, the Arab Bank, and the Kuwait Fund. The land reclamation phase and the port improvements have been completed. A new Victoria International Airport roadway and complementary small scale infrastructure construction projects, including an industrial park on the reclaimed land, remain to be completed. A new Phase II of this project is now under development.

The African Development Bank is a major source of concessional financing for GOS capital investment projects: for example, the ADB has provided nearly \$ 50 million for various projects, including fisheries development, urban sewage, commercial port expansion, as well as health and education. Other important multilateral donors include the OPEC Fund which has provided \$1 million for commercial port expansion, the EEC Fund which has provided \$7 million for agricultural development and additional funding for the Victoria Hospital project, and the World Bank which has provided \$6.2 million for dredging and road rehabilitation. The principal bilateral donor is France, which has provided assistance for nearly all sectors of the economy. Other important bilateral donors include Italy, the UK, Australia, and Belgium. The principal resource provided by these countries is technical and managerial experts to make up for the shortage of skilled labor. In addition, many of these countries finance training for Seychellois in their countries. The relatively steady increase in foreign resources being made available to Seychelles may be in some jeopardy as a result of the political changes sweeping eastern Europe: it is likely that there will be a reduction of technical assistance and scholarships previously supplied by the eastern European countries and the GOS is fearful that the aid levels from western Europe will drop as they divert their resources to eastern Europe.

2. Status of Prior CIPs

a. Procurement of Commodities

The initial Seychelles Commodity Import Program (CIP) was authorized in FY 82 for a total of \$2.0 million. The program has been amended each subsequent fiscal year to finance additional commodity procurements, as shown in Table III.5 below.

Table III.5
Seychelles CIP
(US Dollars)

<u>CIP</u>	<u>Grant No.</u>	<u>Authorized Amount</u>	<u>Obligated Amount</u>	<u>Accrued Expenditures</u>	<u>Pipeline</u>
FY 82	K-601	2,000,000	2,000,000	2,000,000	0
FY 83	K-602	2,000,000	2,000,000	2,000,000	0
FY 84	K-603	2,000,000	2,000,000	2,000,000	0
FY 85	K-604	2,000,000	2,000,000	2,000,000	0
FY 86	K-605	1,914,000	1,914,000	1,914,000	0
FY 87	K-606	2,375,000	2,375,000	2,369,153	0
FY 88	K-607	2,800,000	2,800,000	2,800,000	0
FY 89	K-608	<u>3,000,000</u>	<u>3,000,000</u>	<u>3,000,000</u>	<u>0</u>
Total		18,089,000	18,089,000	18,083,153	0 <u>1/</u>

1/ Balance of unexpended funds for 1987, \$5,847, was deobligated.

SOURCE: RFMC reports

In all cases the commodity procured has been a combination of intermediate fuel oil (IFO) and gas oil. The IFO and gas oil are added to stocks of the Seychelles Petroleum Company (SEPEC). AID-financed oil procurements are attributed, first, to supplying the fuel needs of the Public Utility Corporation, Electricity Division (PUC/ED) for electrical power generation, and, secondly, if demand for this purpose fall short of supply, to satisfying, along with non AID-financed stocks, the needs of the domestic transport sector. A more detailed explanation of the oil marketing and distribution system is provided in Section IV.B of this PAAD.

b. Use of Local Currency Generations

During each year of program implementation AID has reached agreement with the GOS on a set of development projects to be financed with the local currency generated from the sale of oil. As of 28 February 1990, the status of deposits into and expenditures from the special account stood as presented below.

Table III.6
Status of Local Currency Generations (CIP)
(as of 28 February 1990)

<u>CIP</u>	<u>Grant No.</u>	<u>Amount Due</u> (SR)	<u>Amount Deposited</u> (SR)	<u>Balance for Deposit</u> (SR)	<u>Expenditures</u> (SR)	<u>Pipeline</u> (SR)
FY 85	K-604	13,262,659	13,262,659	0	12,259,946	1,002,713
FY 86	K-605	11,757,681	11,757,681	0	12,266,952	(509,271)
FY 87	K-606	13,455,259	13,455,259	0	15,873,842	(2,418,583)
FY 88	K-607	16,121,477	16,121,477	0	12,052,611	4,068,866
FY 89	K-608	16,500,000	14,051,772	2,448,228	8,979,675	7,520,325
Total		71,097,076	68,648,848 97%	2,448,228 3%	61,433,026 86%	9,664,050 14%

SOURCE: GOS Department of Finance figures

As the table shows the GOS has moved rapidly to implement the local currency funded development program. In fact, 100 percent of the balance for deposit and 77 percent of the expenditure pipeline (amount due - expenditures) is accounted for by the local currency generated from the FY 89 CIP.

The local currency funds have been allocated and disbursed to finance individual development projects, all of which conform to the objectives of the GOS development plans. For example, each year since 1982 a significant proportion of the total local currency allocations have gone for road rehabilitation (SR 23,390,000 or 21%) or the East Coast Project (SR 29,187,500 or 26%), from a total 1982-1989 allocation of SR 110,906,476, which has complemented other donor assistance. In addition to the physical infrastructure development carried out under these projects, the funds have been used to develop productive enterprises, such as the installation of a chicken hatchery which produces approximately 11,500 chickens per week, 100 percent of total local consumption. The inauguration of the Seychelles Fishing Authority building, partially financed by local currency generations, was held in March 1988. Fishing has become the principal merchandise (bulk and canned tuna) and an important earner of foreign exchange from services (bunkering of foreign fishing vessels). The new SFA headquarters will permit the GOS to manage more efficiently its own fleet and monitor foreign fleets in Seychelles waters. In 1989 a program was inaugurated to finance technical and managerial training, both in-country and offshore, with these funds. The CIP generated local currency represents an important source of financing for important national development projects.

C. U.S. Assistance Objectives

U.S. interests in Seychelles are: (1) the continued operation of the U.S. Satellite and Space Vehicle Tracking Station; (2) access to Seychelles ports for U.S. ships; and, (3) the maintenance of good relations between the Government of Seychelles and the Government of the United States of America. These interests are best advanced by supporting the GOS's efforts to: (1) improve its balance of payments position; (2) increase the country's foreign exchange resources; and, (3) finance those capital investments contained in the National Development Plan which will facilitate sustained economic growth. The CIP proposed herein will efficiently and effectively support the economic development program of the GOS in furtherance of U.S. foreign policy interests.

IV. PROGRAM DESCRIPTION

A. Proposed Assistance

This Program Assistance Authorization Document (PAAD) proposes that AID provide \$9,291,400 (ESF Grant) in SeyCIP to finance a Commodity Import Program for Seychelles (or \$10.3 million if a supplementary FY 90 ESF allocation is made for Seychelles). The CIP will procure intermediate fuel oil (IFO) and gas oil, the sale of which will generate local currency for use by the GOS to finance the local costs of a set of capital investment projects mutually agreed upon by both governments.

B. Commodity Import Program

1. Import Analysis

a. Major Imports. As a group of widely scattered islands with a total land mass of only 108 square miles, Seychelles must import most of its consumer products and all of its intermediate and capital goods. Because export earnings, including foreign exchange obtained from tourism, are limited, the economy must be carefully monitored to ensure a balance between total import payments and foreign exchange earnings and to allocate imports for productive purposes. The following table shows the total amounts in the major import categories since 1983.

Table IV.1
Seychelles Imports
(SR Millions)

	1984	1985	1986	1987	1988 ^{1/}
Retained imports (cif)	482.3	569.5	574.5	535.8	635
Subtotal classified	477.2	566.0	573.1	535.5	635
Consumer goods	195.2	196.7	178.9	186.1	242
Intermediate goods	215.1	270.0	291.2	244.8	262
Capital goods	66.9	99.2	103.0	104.7	131
Goods not classified	5.1	3.6	1.4	0.3	-
Imports for Cannery	-	-	-	20.0	40
Imports for resale	136.4	135.0	77.5	80.0	85
Petroleum for bunker	119.5	121.3	59.4	63.7	69
Other bunker services	16.9	13.7	18.1	16.3	16
Total imports (cif)	618.7	704.7	652.0	635.8	760

^{1/} International Monetary Fund staff estimates from first half SITC data.

SOURCE: IMF, Seychelles, Recent Economic Developments, February 21, 1989, Table 13, page 48.

With the strong appreciation of the Seychelles Rupee (SR) during this period, imports actually increased by 60 percent in real terms from 1984-1988. The trade statistics show a much greater diversity in the source of imports than the direction of exports would indicate. The largest sources, by proportion of total cif value, are (1986) France (16.3 percent), the UK (16.1 percent), and South Africa (12.7 percent), respectively. The U.S. share of Seychelles imports is only approximately 3 percent of the total, or \$3.4 million in 1987.

b. Petroleum Products. Petroleum products represent a significant proportion of the total imports each year. Table IV.2 below illustrates this relationship.

Table IV.2
Seychelles Oil Imports
 (SR Millions)

	1985	1986	1987	1988 (P)
Total imports (cif)	704.7	652.0	636.6	823.0
Petroleum products	184.4	110.8	94.7	89.0
Aviation fuel	4.0	2.0	1.3	1.9
Motor fuel	10.3	5.7	4.4	7.0
Jet fuel & kerosene	25.7	14.1	22.8	20.2
Intermediate Gas Oil	117.5	73.8	50.6	49.3
Intermediate fuel oil (IFO)	23.8	7.9	10.3	0.3
Other	5.1	8.1	5.3	10.4
Re-exports	164.1	81.7	72.5	73.0
Petroleum for domestic use	20.3	27.3	22.2	16.0
Percentage, Petroleum/ Total Imports	26	17	15	

SOURCE: GOS Statistical Abstract 1988, Table 45, pages 47-49.

The declining share of petroleum to total imports is largely due to falling world oil prices, plus a reduction in the demand for bunkering oil, from SR 119.5 million to SR 63.7 million (IMF figures), which accounts for 62 percent of the overall decline in petroleum imports.

The procurement, marketing, and distribution of petroleum products is carried out by the Seychelles Petroleum Company (SEPEC). No oil is produced domestically; all the oil required in Seychelles is imported. SEPEC was created in 1985 when the GOS severed its relationship with Shell Oil and contracted a private consulting firm, specializing in the oil industry, to manage the newly created parastatal under general GOS policy guidelines. SEPEC has become more aggressive in the sale of bunkering fuels, offering a 24 hour service with no stock outs. Also during 1989, the company began a program to expand storage capacity, installation of modern fire fighting equipment, a jet fuel pipeline to the airport, and delivery equipment for the outer islands. SEPEC has 15 storage tanks available with a total capacity as shown below:

Table IV.3
SEPEC Oil Storage Capacity

motor gas	1,500 metric tons
aviation gas	450 metric tons
jet fuel (jet A1)	3,500 metric tons (2 tanks can convert to gas oil)
IFO	5,700 metric tons
gas oil	5,100 metric tons

SOURCE: SEPEC figures.

Two additional 1,000 metric ton tanks for jet/gas, as well as a 3,000 metric ton tank and a 450 metric ton tank for motor gas and aviation gas, respectively, will be constructed and on-line by 1991.

The oil procured by SEPEC is stored in these tanks and then distributed in response to domestic demand for three primary uses: electrical generation, local transport, and local fishing and inter island traffic. The fishing sector in the Seychelles is largely an artisanal operation of low technology which is sufficient to meet the demand from the small local market, thus this sectors's demand for fuel is relatively low. Seychelles has a total of only 5,038 registered motor vehicles using 269 kilometers of roads. Gasoline to power these vehicles is sold from 5 stations in Mahe and 2 in Praslin (with a small amount delivered to La Digue by barrel). The major user of petroleum products in Seychelles then is the Public Utilities Corporation, Electricity Division. The PUC/ED generated over 88,530 kWh in 1989 using a series of diesel generators. Production grew by 11 percent over 1988 and demand continues to grow. New generating capacity is scheduled to be installed by mid-1990, adding 5 megawatts of capacity. All of the institutions involved in the Seychelles petroleum industry have demonstrated strong management and operational capability.

2. Selection of Commodities

The SeyCIP ESF funded CIP in Seychelles will finance, as have the all CIPs since 1982, the procurement of oil. The choice of this product for financing by the program is based on four considerations.

- a. The implementation monitoring responsibilities can be kept simple because of the bulk nature of the commodity, an important consideration since there is no AID mission in Seychelles.

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- b. The procurement of medium fuel and diesel oil will contribute directly to productive economic activity: fishing, transportation, tourism, and light manufacturing.
- c. With the weak trade relationships existing between the U.S. and Seychelles, largely due to distance, there is no opportunity to select a Geographic Code 000 source/origin commodity for financing.
- d. The selection of Geographic Code 941 source for the gas oil will help promote inter-regional trading patterns in furtherance of U.S. foreign policy objectives.

Thus, while other potential commodities exist for financing under the CIP, oil is the most suitable for this program.

Once again, as in previous Seychelles CIPs, the oil procurement will be split between IFO and gas oil. Previous year's CIPs have financed the products in the quantities shown in Table IV.4 below.

Table IV.4
CIP Oil Procurements
(in MTs)

	MFO	Diesel Oil	Total
FY 82	10,000		10,000
FY 83	10,000		10,000
FY 84	10,000		10,000
FY 85	10,000		10,000
FY 86	5,000	10,000	15,000
FY 87	10,605	7,000	17,605
FY 88	10,000	10,900	20,900
FY 89	9,900	10,700	20,600

SOURCE: SEPEC figures

Because IFO derived from the refining of crude petroleum is available as a surplus product in several Geographic Code 941 countries in the Indian Ocean region, procurement of IFO will be limited to Geographic Code 941 source/origin. Two important factors, however, limit access to gas oil from this source. The first factor is premium of 25 to 30 percent paid to Geographic Code 941 countries in the region as against price paid to Geographic Code 899 countries. In addition, the diesel fuel exported from the region must be replaced by re-importations from Geographic Code 899 source(s). Therefore, as in previous years, the two commodities will be procured as follows: IFO from an authorized Geographic Code 941 country and gas oil from an authorized Geographic Code 899 country.

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While the rate of energy utilization can be projected on the basis of past demand, the actual rate and proportions of oil consumed for this purpose cannot be predicted accurately. This has meant that, in previous years' CIPs, provision has been made for the attribution, for use in other productive areas, of product supply which may be in excess of the needs of the PUC/ED. In past years excess SEPEC IFO has been sold for use by fishing boats, and SEPEC gas oil has been sold through gasoline stations to the general public. The following is a chart of the pattern of oil use by the PUC/ED:

Table IV.5
Consumption of Fuels for Generating Electricity
(in MTs)

<u>Year</u>	<u>Gas</u>	<u>IFO</u>	<u>Total</u>
<u>Actual</u>			
1983	2,991	9,909	12,900
1984	4,944	7,833	12,777
1985	6,576	7,113	13,687
1986	9,589	4,841	14,430
1987	4,609	11,139	15,748
1988	10,670	7,953	18,623
1989	10,640	10,300	20,940
<u>Projected</u>			
1990	8,880	12,770	21,550
1991	9,280	13,350	22,630
1992	9,600	13,810	23,410

SOURCE: SEPEC figures

At current market prices, the foreign exchange available should be able to finance approximately 8,000 MT of gas oil in two consignments (June and July) and 5,500 MT of IFO in one consignment (July or August), assuming CIP funding of \$1,991,400 for FY 90. If additional funds are allocated to this program (approximately \$1,009,000) prior to the end of the FY, an additional cargo of 5,500 MT of gas oil for delivery in October will be procured. For FY 91 and FY 92, the quantities would be subject to price per unit applicable at the time, but SEPEC estimates that, assuming \$3,300,000 of ESF funding is made available during FY 91, approximately 12,000 MT each of IFO and gas oil will be procured, and, assuming \$4,000,000 is made available during FY 92, approximately 14,500 MT each of IFO and gas oil will be procured. However, the question of the exact proportion of IFO to gas oil fuel may be modified prior to the issuance of the IFBs.

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C. Local Currency Generations

1. Management of Local Currencies

The generation of local currencies begin when SEPEC off loads the oil shipments from the tanker vessels. At this point the title for the oil passes from the supplier to SEPEC. SEPEC is expected to deposit the local currency equivalent of the dollar value of each shipment with the Department of Finance in three consecutive and equal monthly installments. The amount of the deposit is calculated at the U.S.\$/SR exchange rate prevailing on the day the fuel is received and represents the implicit sales price against which actual counterpart deposits are monitored. The deposits are placed in a special account with the Seychelles Central Bank. This account is part of the Development Fund, which finances GOS capital investments. No interest is paid on the special account because interest earnings for Development Fund deposits is contrary to national law, which requires that all Development Fund interest earnings be returned to the Consolidated Fund for general use. Placement of the funds in a private bank would result in a net loss of government assets, thus increasing the public sector deficit. Allocations from this account are made to finance a set of investment projects agreed upon by the GOS, AID, and the U.S. Embassy. Reports on the physical progress and financial status of each year's CIP local currency generations and the respective projects is provided quarterly to AID and the U.S. Embassy.

2. Programming of Local Currency Generations

The GOS has formally proposed to use the projected SR 47.3 million in local currency generations from SeyCIP for the following projects. The portfolio of projects is consistent with the proposed National Development Plan 1990-1994. Table IV.6 shows the proposed expenditures for each project by year.

a. Road Rehabilitation, Phase VI: SR 4.8 Million

The GOS has used local currency generations as its counterpart contribution to the World Bank Transport Project (1983-1990). In the fifth, and final, year the GOS proposes to use CIP local currency generations to upgrade roads on Praslin:

Anse Kerlan	3 km	SR 2.5 million (FY 90)
Cote D'or	2.7 km	SR 2.3 million (FY 91)

The Anse Kerlan road will run from the airport to a planned hotel and will also serve as a means of transporting agricultural production from several farms situated on the route. The Cote D'or road will divert commercial traffic away from the major hotel area on Praslin. The Land Transport Division has demonstrated in the past that it has the capacity to undertake road rehabilitation on Praslin.

b. The Providence Industrial Estate: SR 8.0 Million

The Providence Industrial Estate is under construction on 18 hectares of East Coast Project reclaimed land. The CIP local currency generation allocation will continue to finance stage 1 of Phase I and begin work on Phase II. The plots available in the estate have been fully subscribed; the participating firms include the three largest Seychelles fishing firms. Construction of physical facilities is underway. Plot purchase terms have been calculated to permit the GOS to recover the investment costs within 30 years. The work proposed herein will complete the infrastructure - power, water, and sewage - connections to permit full utilization of the estate.

c. East Coast Development: SR 17.85 Million

The CIP local currency generations have financed previous work on the East Coast Project, a large multi-donor funded project to reclaim land along the east coast of Mahe. To date the port facilities have been upgraded, land dredged and filled from Victoria toward the Airport and infrastructure work has been initiated. The SeyCIP funds will contribute to the completion of Phase I and Phase II of this project:

- (1) Rock Armoring (FY 90-FY 91) will be constructed along the inland channel of the existing landfill to prevent erosion and silting around the port (estimated cost SR 7.7 million);
- (2) East Coast Road (FY 90) 3.5 km in length will be constructed from Mont Feuri to Providence, connecting with the Providence Industrial Estate (estimated cost SR 2.2 million); and,
- (3) Public Utilities and Infrastructure (FY 91-FY 92) will be constructed for Phase II of the East Coast Project. Phase II (85 percent Belgian funded and 15 percent CIP local currency funded) will provide land for expansion of the industrial estate, sewerage ponds, and airport causeway. The entire project is expected to cost SR 55 million of which SR 7.95 million will be financed from CIP local currency generations.

d. Assomption Airstrip: SR 1.0 Million

The island of Assomption is situated 626 miles southwest of Mahe; it is the closest island to Aldabra, the largest atoll in the world and home to much rare flora and fauna. The construction of an airstrip there will provide additional tourist and research income for Seychelles. The total project cost is SR 2.7 million of which SR 1.0 million will be CIP local currency financed, the remainder will be financed by the GOS.

e. Seychelles National Library: SR 1 Million

FY 91 local currency generation funding will supplement FY 88 and FY 89 funding for the Seychelles National Library. At this time architectural and technical plans and drawings for the building are complete. Construction should be completed by the end of 1992. Construction has been delayed due to a shortage of available funding, but will commence shortly. The new National Library represents an expansion of library space and materials for use by the general public. Other donations for this project have been received by the European Economic Community, Sweden, and the GOS.

f. Academic and Technical Training: SR 6.0 Million

The training program previously provided to participants from the Seychelles was administered through existing dollar funded programs and projects: AMDP, AFGRAD, and HRDA. In FY 89 training was financed with CIP local currency generations, eliminating the regular allocation to HRDA of ESF funding from the Seychelles OYB. Such a modification to the program is possible because Seychelles currency is freely convertible into foreign exchange, thus permitting the purchase of foreign currency to finance off shore training costs with the local currency generated by the CIP. The training will be split into two parts:

- (1) GOS-managed academic degree and advanced technical training (SR 5.0 Million); an annual training plan will be requested from the GOS; and,
- (2) Seychelles Institute of Management (SIM) in-country, short-term technical training for 1991-1993, using the University of Pittsburgh and other sources to provide courses in auditing, computers, strategy planning, and administration and management (SR 1,000,000).

The GOS has agreed to respect AID source/origin regulations, Section 660 of the FAA and other prohibitions and restrictions for the training program and for the SIM (in-country courses) and the academic degree training and to use U.S. universities or training institutions, wherever possible.

g. Consultancies: SR 0.5 Million

The CIP local currency generations will fund two important consultancy projects during FY 90:

- (1) An Investment Code will be developed with the assistance of an ex-patriot consultant. The LC funds will finance local per diem expenses. The purpose of the consultancy is to develop a new code which will promote foreign and domestic investment in the Seychelles; and,

- (2) The Economic Planning and Cooperation Division of the GOS has a serious shortage of qualified staff. The LC funds will finance consultant assistance for the Division to design a project monitoring system, feasibility study preparation, and improved donor coordination so that the staff can work more efficiently.

h. Praslin Craft Village: SR 1.5 Million

The Praslin Craft Village will complement the Creole Craft Village constructed with previous years CIP local currency generations. The concept will be developed on the basis of a marketing study to be carried out in FY 90 (estimate cost SR 0.1 million). If the study conclusions are positive, a site already identified will be renovated during FY 91-FY 92 (estimate cost SR 1.4 million).

i. Environmental Protection: SR 3.65 Million

The draft National Development Plan 1990-1994 places great stress on the need for Seychelles to protect and manage its natural resources to assure "sustainable development". The CIP local currency generations will finance several activities related to environmental protection:

- (1) Oil spill monitoring, containment, recovery and clean-up equipment for use at the port of Victoria (estimated cost SR 1.5 million); and,
- (2) External resources will be obtained to provide training and expertise in the installation and operation of an oil spill model and associated oceanographic data bases and wind analyses systems (estimated cost SR 2.15 million).

j. Cattle Multiplication Center: SR 2.5 Million

The new National Development Plan calls for improved quality of domestic beef, minimization of imports of beef, and increased milk production. The Center will supply improved breeding stock to the farming community. The cattle for breeding stock will be imported, probably from Mauritius or Madagascar. The CIP local currency will finance the construction costs of the center and the procurement of equipment and supplies (estimated cost SR 2.5 million).

Table IV 6
CIP Local Currency Generations Projects

FY 1990-FY 1992

Projects	FY 90 <u>1/</u> (SR millions)	FY 91	FY 92
a. Providence Industrial Estate	2.0	2.0	4.0
b. Road Rehabilitation	2.5	2.3	
c. East Coast Project			
(1) Rock Armoring	1.7	6.0	
(2) East Coast Road	2.2		
(3) Infrastructure		1.95	6.0
d. Assomption Airstrip	1.0		
e. National Library		1.5	
f. Training & Scholarships			
(1) Academic & LT Technical	1.0	1.5	2.5
(2) Sey Institute of Mmgt (SIM)		0.5	0.5
g. Consultancies			
(1) Investment Code	0.125		
(2) Planning Division	0.375		
h. Praslin Craft Village	0.1	0.9	0.5
i. Environment Protection			
(1) Equipment		1.5	
(2) Training & Expertise			2.15
j. Cattle Multiplication Center			2.5
k. Contingency			3.85
TOTAL	11.0 <u>2/</u>	18.15	22.0

1/ If additonal ESF is added to the program prior to end of FY 90 (estimated \$1 million), SR 4.2 million will be provided to the Providence Industrial Estate (FY 90 total would thus increase to SR 6.2 million) and SR 1.3 million will be provided to the Praslin Road Rehabilitation (FY 90 total would thus increase to SR 3.8 million).

2/ Exchange Rate: \$1 = SR 5.52

V. PROGRAM IMPLEMENTATION

A. Institutional Responsibilities

The office of the Principal Secretary of the Ministry of Planning and External Relations will have overall responsibility for program management. The implementation responsibility for procurement actions and for collecting and warranting counterpart funds rests with the Principal Secretary, Department of Finance. As in last year's program, the Seychelles Petroleum Company will act as agent for the Ministry of Finance in effecting the procurement and receiving the medium fuel oil and diesel oil. REDSO/ESA will oversee the implementation of the program to ensure compliance with AID regulations and procedures.

B. CIP Procedures

1. Procurement Arrangements:

The intermediate fuel oil (IFO) and gas oil will be purchased using an Invitation for Bid (IFB) issued by the SEPEC acting as agent for the GOS Department of Finance. The IFB will be prepared with the assistance of the REDSO/ESA RCMO. Specifications for the IFO and gas oil will be provided by SEPEC and reviewed by PUC/ED, the end user of the commodities. The IFB will be distributed by SEPEC to all of the operating oil companies in Kenya and to other potential suppliers. Sealed bids will be received and the bid opening will then be held at the Department of Finance offices in Victoria a few days after the bid deadline. It is anticipated that the IFB for the FY 90 program will call for bids on 5,500 MT of intermediate fuel oil and 8,000 MT of gas oil, plus or minus thirty percent of each individual quantity in order to provide flexibility on the amounts ordered and to fully utilize the funds available. A new IFB will be issued in FY 91 and again in FY 92; the quantities requested will depend upon the price prevailing at that time and the actual ESF funding available for each FY.

2. Financing Arrangements:

Payment will be made to the winning supplier(s) under an AID Direct Letter of Commitment to be issued by the RFMC/Nairobi upon issuance of a DRA by AID/W. An AID Direct Letter of Commitment has been chosen as the financing mechanism in order to eliminate unnecessary banking charges. It is anticipated that no more than two Direct Letters of Commitment and no more than four partial payments will be required for the entire program and, thus, AID direct financing will not cause an undue burden on RFMC.

The terminal dates for SeyCIP will be established, from the date of signature of each of the annual the Grant Agreement Amendments, as follows:

<u>Terminal Date for Requesting Disbursement Authorizations</u>	15 months
<u>Terminal Shipping Date</u>	20 months
<u>Terminal Disbursement Date</u>	23 months

3. Receipt and Utilization:

The fuel financed under the FY 90 Program will be received by the SEPEC as agents for the Government of the Seychelles. Plans call for the fuel to be received in three shipments: the gas oil in two consignments during June and July and the intermediate fuel oil in one consignment in July or August. If additional funds are made available during FY 90, an additional shipment of 5,500 MT of gas oil will be tendered for arrival in October. The schedule for the FY 91 and FY 92 increments will be determined during the negotiations for each year's program. The delivery schedule is set in accordance with SEPEC's storage capacity and projected demand for fuel and optimal tonnage in each shipment to minimize delivery costs. A charter party has been used by the winning bidder on past CIP's to effect shipment of IFO from the source countries (Madagascar or Kenya) and a similar scenario is likely under this year's program. It is also likely the the diesel fuel financed under this years program will originate from the Persian Gulf since this area is usually the lowest cost supplier to Seychelles. Given the relatively small amounts of product that SEPEC can accept and store at any one time, it is also likely that shipments from the Persian Gulf would also be accomplished under a charter party arrangement. After arrival, most of the IFO and gas oil will be sold to the Seychelles Electricity Corporation a government-owned parastatal. As has been noted above, should the amount of gas oil imported under the program be in excess to the needs of PUC/ED, the excess oil will be sold by SEPEC to the Seychelles Public Transportation Company and used for fuelling the Company's busses. Should the amount of MFO financed under the program be in excess to the needs of PUC/ED, the excess IFO will be sold by SEPEC as fuel for fishing boats licensed to fish in Seychelles' waters.

4. Monitoring and Reporting:

Reporting requirements under the previous CIP's will be continued. Three types of reports are required: the Commodity Report detailing the arrival and disposition of AID financed imported commodities; the Finance Report which provides information on the allocation and expenditure of local currency generated by the Program; and, the Progress Report which outlines the progress being made in implementing the local currency-financed projects. These reports have been adequate to effectively monitor past activities. Changes to these reporting procedures are, thus, not necessary.

C. Program Implementation Schedule:

a following schedule is also referenced to the date of the the gning of each year's Grant Agreement Amendment:

1.	<u>IFB Prepared</u>	7 days	am
2.	<u>DRA Obtained from AID/W</u>	30 days	.
3.	<u>IFB Issued</u>	21 days	t
4.	<u>AID approves L/C Budget</u>	75-90 days	th
5.	<u>Bids Received</u>	30 days	
6.	<u>Bid Opening/Contract Award</u>	45 days	
7.	<u>Shipments of Fuel</u>	First 75-120 days Second 150-200 days	
8.	<u>L/C deposited in Special Account</u>	180-260 days	ng or
9.	<u>Final Payment</u>	240-300 days	

SPECIAL CONSIDERATIONS

A. Procurement Waivers

in past CIP's in Seychelles, the following waivers/erminations are necessary:

1. A waiver from AID Geographic Code 000 to AID Geographic Code 941 to permit purchase of intermediate fuel oil from a Code 941 country.
2. a waiver to permit the purchase of the gas oil from AID Geographic Code 899 source/origin
3. A determination of non-availability of U.S. Flag Vessels. U.S. Flag vessels are not available for charter shipment to Seychelles. (This determination as well as the shipping waiver and the prior approval of the charter party, if required, will be requested from AID/W SER/OP/TRANS by the winning supplier prior to shipments of the commodities.)
4. A waiver to permit shipping on Code 899 vessels.
5. Authorization from AID/W SER/OP/TRANS for use of a chartered shipping arrangement.

B. Negotiating Status and Covenants

The PAAD team discussed the contents of this document with both the Ministry of Planning and External Relations and the Department of Finance. During these discussions all substantive issues were resolved. A principal concern of the design team has been to ensure that the procurement of the commodities is done in the most cost effective way and to ensure that CIP local currency resources generated by the program are used effectively. The conclusion from the most recent visit, and as those of the evaluation teams which have evaluated the programs, is that the seven previous CIP's have been by every measure successful, and that the implementation and monitoring procedures are working in a satisfactory manner. The Grant Agreement is being prepared for signature by the U.S. Ambassador to Seychelles as soon as the program is authorized and funds are made available. This PAAD represents a program design period of three years (FY 90 - FY 92); however, as required, the CIP will be reviewed annually and adjustments to the design, if necessary, will be made in an Action Memorandum to the REDSO/ESA Director which, together with the amended PAAD Facesheet, will comprise the PAAD Amendment for that year, and authorization for the amended Grant Agreement.

C. Environmental Considerations

REDSO/ESA requested and has received AID/W approval of a negative threshold determination for the FY 89 CIP, both the commodity procurement and the local currency projects financed with generations from the CIP. While Regulation 16, AID's environmental review procedures, do not apply to host country-owned local currency, all the agreed upon projects have been examined for possible environmental impact. Only two proposed projects are either new to the list of local currency funded projects (i.e., not already examined for impact on previous years) or are, in effect, the same as projects undertaken in previous years for which GOS implementation controls have been shown to be adequate to prevent environmental damage, such as road rehabilitation. Each new project is discussed below:

1. Assumption Airstrip. The project plan has been reviewed and conforms to the standards and regulations prescribed by the International Civil Aviation Organization (ICAO). No potential for environmental damage was identified.
2. Cattle Multiplication Center. The site for future Center has already been chosen: the Anse Royale Farm. Access roads and some buildings already exist and no major alterations to the land or water resources will be required. Cattle manure is the major source of fertilizer in the Seychelles and, thus, the waste produced at the Center can be sold to private farmers.

Taking the foregoing into consideration, the PAAD design team believes that the environmental consequences of the proposed projects have been considered and the potential for environmental damage is minimal.

D. End of Program Status

Using historical trends in fuel utilization, and assuming oil prices remain stable, the PUC/ED will be able to procure approximately 60 percent of its fuel needs from funds provided by the FY 90 Commodity Import Program. In the past, the proportion of IFO and gas oil procured has not always matched the proportions of these fuel oils actually consumed for electrical power generation. If this happens again, one category of fuel oil may be procured in excess of electrical power generation needs, while the other is only partially financed with CIP funds. As explained earlier in the PAAD, if an excess supply (CIP-funded) situation arises, it will be used for inland and inter-island transportation. Overall, the CIP will procure an estimated 13,500 MT of fuel oil, in 1990 the PUC/ED projects a demand for 21,550 MT of fuel oil (if an additional \$1,008,600 of ESF funds are obtained, the total would rise to approximately 19,000 MT). Current projections indicate that 13,500 MT of fuel oil would represent approximately 7 percent of total demand, including re-exports, of approximately 173,000 MT.

With respect to the financial impact of the FY 90 CIP, the \$1,991,400 represents 9 percent of the current account deficit for the year, using 1988 figures as the base (again, if an additional \$1,000,600 of ESF is obtained the contribution will rise to 13 percent). The approximately SR 11 million of local currency generated by this CIP will be equivalent to about 6 percent of the total projected GOS capital expenditures for 1990 (per GOS 1990 Budget). The Program can thus be expected to make a significant contribution to reducing the balance of payments current account shortfall and to fostering economic development in Seychelles through the financing of the local cost component of several important infrastructure projects.

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ANNEXES A AND B: SEYCHELLES FY 90 ECONOMIC SUPPORT FUND

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PP RUEHR
IS REFNO: 00406/01 100117
INFO 0000 211

10-APR-90 20

11:1 P 10113EZ APR 90
FM AMEMBASSY VICTORIA
TO RUEHC/SECSTATE WASHDC PRIORITY 3807
INFO RUEHR/AMEMBASSY NAIROBI 0229
BT
UNCLAS SECTION 01 OF 03 VICTORIA 02486

ADD:

DEPT FOR AF/E - PLEASE PASS TO AMBASSADOR MORAN; NAIROBI
FOR REDSO

E.O. 12356: N/A
TAGS: FAID, PREL, SE
SUBJECT: SEYCHELLES FY-90 ECONOMIC SUPPORT FUND/CIP PACKAGE

REF: NAIROBI 010009

APR 11 RECD

1. THIS IS AN ACTION MESSAGE. SEE PARA 9.
2. SUMMARY: NEGOTIATIONS ON ECONOMIC SUPPORT FUND PROJECTS WERE CONDUCTED BETWEEN GOS MINISTRY OF PLANNING AND EXTERNAL RELATIONS (MPER) OFFICIALS, EMBASSY AND USAID REDSO PDO JOHN WALL AND ENGINEER IQBAL CHAUDRY DURING THEIR ANNUAL VISIT THE WEEK OF MARCH 26 - 30. ESF PROJECTS WERE IDENTIFIED FOR 1990 AND PROPOSALS WERE ALSO DESIGNED FOR 1991 AND 1992. GOS EXPRESSED ITS DISPLEASURE WITH REGARD TO CUT IN 1990 SUPPORT FROM PROJECTED 3 MILLION USDCLS TO 1.991 MILLION. SUBSEQUENT TO NEGOTIATIONS, GOS OFFICIALLY REQUESTED THAT USG RESTORE PROPOSAL TO PROVIDE 3 MILLION IN ESF FOR THE PRESENT YEAR. END SUMMARY.
3. U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT, REGIONAL ECONOMIC DEVELOPMENT AND SUPPORT OFFICE (REDSO) OFFICIALS JOHN WALL AND IQBAL CHAUDRY WERE IN SEYCHELLES THE WEEK OF MARCH 26 TO NEGOTIATE THIS YEAR'S PACKAGE OF ECONOMIC SUPPORT FUND PROJECTS. IN PREPARING FOR THE NEGOTIATIONS, REDSO HAD ASKED THE GOS TO PROPOSE PROJECTS BASED ON 3 MILLION USDCLS IN ESF (THROUGH A COMMODITIES IMPORT PROGRAM) FOR 1990. SUBSEQUENT TO THIS REQUEST, WE WERE ADVISED THAT ESF FOR SEYCHELLES WOULD BE CUT TO 1.991 MILLION AND SO ADVISED THE GOS.
4. GOS PREPARED ITS PROPOSALS BASED ON 1.991 FOR THE CURRENT YEAR, BUT WITH AN ALTERNATE PROPOSAL FOR SPENDING THE FULL 3 MILLION SHOULD WE FUND ESF AS ORIGINALLY PROPOSED. MPER DIRECTOR GENERAL BERTRAND RASSOOL MADE IT VERY CLEAR WHEN NEGOTIATIONS BEGAN ON MARCH 26 THAT THE GOS WAS EXTREMELY DISAPPOINTED WITH THE CUT AND ASKED THAT THE EMBASSY AND REDSO DO EVERYTHING POSSIBLE TO RESCIND THE CUT.
5. EMBCEFS AND MR. WALL EXPLAINED THAT THIS WAS UNLIKELY

REDSO: 01 / Action Info	
OD	<input checked="" type="checkbox"/>
D/DIR	<input type="checkbox"/>
AGR	<input type="checkbox"/>
ANAL	<input type="checkbox"/>
TR	<input type="checkbox"/>
CON	<input type="checkbox"/>
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ESG	<input checked="" type="checkbox"/>
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SEC/RY	<input type="checkbox"/>
ENIC	<input type="checkbox"/>
EXO/PER	<input type="checkbox"/>
ADMIN	<input type="checkbox"/>
CHRON	<input type="checkbox"/>
REPLY DUE	<input checked="" type="checkbox"/>
ACTION TAKEN	<input checked="" type="checkbox"/>
DATE	<input checked="" type="checkbox"/>
INITIALS	<input checked="" type="checkbox"/>

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TO HAPPEN, BUT AGREED TO CONVEY THE REQUEST TO WASHINGTON. - RASSOOL POINTED OUT THAT ALTHOUGH THE TRACKING STATION LEASE WAS A SEPARATE MATTER, AND THAT HE KNEW WE COULD NOT FORMALLY LINK THE TWO TOPICS, ONE NEVERTHELESS IMPACTED UPON THE OTHER.

6. SEPTEL REPORTS ON THE SUCCESSFUL CONCLUSION OF LEASE NEGOTIATIONS ON THE TRACKING STATION, BUT THE UNOFFICIAL CONNECTION BETWEEN THE LEASE AND ESF WAS A THEME OFTEN REPEATED BY GOS OFFICIALS THROUGHOUT THE NEGOTIATIONS. WE WERE VERY CLEAR THAT WE COULD NOT AND WOULD NOT ACKNOWLEDGE ANY SUCH LINK.

7. APRIL 9 POST RECEIVED A LETTER FROM RASSOOL DATED APRIL 5 SETTING FORTH THE PROJECTS AGREED TO DURING THE NEGOTIATIONS. THE LETTER ALSO INCLUDES A REQUEST TO RESTORE ESF TO 3 MILLION DOLLARS AND POINTS TO THE INTERRELATIONSHIP OF ESF AND THE TRACKING STATION LEASE.

8. TEXT FOLLOWS:

5TH APRIL, 1990

HIS EXCELLENCY
MR. JAMES MCRAM
AMBASSADOR
EMBASSY OF THE UNITED
STATES OF AMERICA
VICTORIA HOUSE

YOUR EXCELLENCY,

WE ARE PLEASED TO CONFIRM THAT THE RECENT U.S.A.I.D MISSION LED BY MR. JOHN WALL WAS QUITE FRUITFUL AND CONSTRUCTIVE IN REVIEWING PAST CIPS PROGRAMMES AND PROJECTS IMPLEMENTED UNDER THE ESF COUNTERPART FUNDS.

TO DATE, THE ESF CONTRIBUTION TO THE COUNTRY'S ECONOMIC DEVELOPMENT ESPECIALLY TO KEY INFRASTRUCTURE AND SOCIO-ECONOMIC PROJECTS E.G. EAST COAST, PROVIDENCE INDUSTRIAL ESTATE AND ROAD REHABILITATION PROGRAMME HAS BEEN MOST SIGNIFICANT, ALLOWING THE SEYHELLES GOVERNMENT TO HAVE A FLEXIBLE SOURCE OF LOCAL FINANCE FOR LARGE PRIORITY PROJECTS.

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IT IS TO BE REGRETTED HOWEVER THAT THE BUDGET FOR THE PROGRAMME FOR 1990 IS LIKELY TO BE REDUCED BY MORE THAN ONE THIRD TO USDOLS 1.991M. ALTHOUGH WE UNDERSTAND THAT CONGRESS IS BEING ASKED TO CONSIDER INCREASING THE BUDGET FOR 1991 AND 1992 TO USDOLS 3.3 MILLION, IN EACH CASE.

THE CUTBACK TO 1.991M USDOLS THIS YEAR WOULD LEAD TO NUMEROUS PRIORITY PROJECTS BEING REDUCED AND/OR THEIR IMPLEMENTATION BEING SLOWED DOWN-

THE SEYCHELLES THEREFORE WISHES TO MAKE A FORMAL REQUEST TO THE GOVERNMENT OF THE UNITED STATES TO RESTORE THE CIP:ESF BUDGET FOR SEYCHELLES FOR THE FISCAL YEAR 1990 TO THE 1988 AND 1989 LEVELS I.E USDOLS 3 MILLION.

WE ARE ACCORDINGLY SUBMITTING THE PROPOSED LIST OF PROJECT ALLOCATIONS, IN ORDER OF PRIORITY, FOR FISCAL YEAR 1990 AT THE 3M USDOLS LEVEL FOR YOUR CONSIDERATION AND SUPPORT. ALL PROJECT DOCUMENTS WERE SUBMITTED TO THE US A.I.D MISSION LAST WEEK.

AS THE PROGRAMME DESIGN ENCOMPASS AT A 3 YEAR PLANNING PERIOD, WE WOULD LIKE TO BRING TO YOUR ATTENTION THAT PROJECT ALLOCATIONS FOR FISCAL YEARS 1991 AND 1992 MAY BE SUBJECT TO REVIEW AND CHANGE IN THE FUTURE, DUE TO AMENDMENTS OF THE PROJECT PROGRAMMES UNDER IMPLEMENTATION. (SEE PROPOSED LIST AT ANNEX).

YOU WILL APPRECIATE, YOUR EXCELLENCY, THAT ALTHOUGH WE DID NOT FORMALLY INTRODUCE OR LINK THE ESF AID PROGRAMME TO THE RENEGOTIATIONS FOR THE RENEWAL OF THE USAF TRACKING STATION LEASE AGREEMENT (WHICH HAVE NOW IN PRINCIPLE BEEN CONCLUDED) THE TWO ISSUES ARE NOT ALTOGETHER UNRELATED. WE TRUST THAT YOU WILL NOT ONLY TAKE THIS INTO CONSIDERATION IN CONSIDERING THE ABOVE REQUEST, BUT ALSO THE FACT THAT SEYCHELLES WILL WITH EFFECT FROM 1990 NO LONGER BE BENEFITTING FROM THE CATHOLIC RELIEF SERVICES (CRS) PCOD AID PROGRAMME.

WE LOOK FORWARD, YOUR EXCELLENCY, TO AN EARLY AND FAVOURABLE REPLY AS SOON AS CONVENIENT.

YOURS SINCERELY,

P. RASSCOL
DIRECTOR GENERAL
PLANNING AND ECONOMIC COOPERATION

FINAL LIST OF PROJECTS (IN ORDER OF PRIORITY) TO BE APPROVED FOR ESP

THE STRUCTURE OF CIP WILL BE SIMILAR TO PREVIOUS YEARS BUT PROGRAMME DESIGN ENCOMPASS A 3 YEARS PLANNING PERIOD.

NOTE: FIGURES SHOWN ARE IN SEYCHELLES RUPEES AT RATE OF 5.55 SR TO USDOLS 1.

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2. TOURISM & TRANSPORT	EAST COAST ROAD	2.2M
-	(UP TO PROVIDENCE	
-	SECOND PHASE)	
-	ROAD REHABILITATION	2.5M
-	PRASLIN	
3. MIN. OF FINANCE	CONSULTANCY FOR	0.125M
-	INVESTMENT GUIDELINE	
-	BY EMPLOYERS	
-	FEDERATION	
4. MIN. OF PER	CONSULTANCY	0.375M
-	STUDIES FOR	
-	NATIONAL PLAN	
-	IMPLEMENTATION	
5. MIN. OF EDUCATION	SCHOLARSHIPS	1.0M
6. MIN. OF COMMUNITY	ROCK ARMOURING	1.7M

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- DEVELOPMENT	FOR EXISTING	
-	EAST COAST SHORE	
7. (IDC)	ASSUMPTION	1.0M
- MIN. OF ADMIN &	AIRSTRIIP	
- MANPOWER		
8. MIN. OF INDUSTRY	CONSULTANCY FOR	0.1M
-	MARKET STUDY	
-	TOTAL	11.0M SR

NOTE: THESE PROJECTS ARE DIFFICULT TO PRIORITIZE AS THEY ARE ALL KEY THEIR OWN SSECTORS. ANY CUTBACKS ON PROGRAMME WERE EFFECTED TERUGH REDUCTION ALLOCATION PER PROJECT.

END TEXT.

8. MPER ALSO INCLUDED A PROJECT LIST FOR 1990 SECULD ESF BE RESTORED TO 3 MILLION USDOLS. IT SECWEE THAT THE ADDITIONAL 5.5 MILLION SR WOULD BE DIVIDED BETWEEN THE SIDEC PROVIDENTIAL INDUSTRIAL ESTATE, WHICH WOULD BE INCREASED BY 4.2M SR, AND 1.3M SR FOR ADDITICNAL ROAD REHABILITATION ON PRASLIN. ALSO ATTACHED TO RASSOOL'S LETTER WERE THE PROPOSED PROJECTS FOR 1991 AND 1992, WHICH ARE BASICALLY CONTINUATIONS OF THE PROJECTS WE WOULD BE FUNDING THIS YEAR OR HAVE FUNDED PREVIOUSLY (E.G. THE NATIONAL LIBRARY, ANIMAL PRODUCTION, ETC.).

9. DEPARTMENT IS REQUESTED TO PROVIDE GUIDANCE FOR EMBASSY'S RESPONSE TO THE GOS REQUEST TO RESTORE ESF TO 1989 LEVEL OF 3 MILLION USDOLS. BUSH

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ANNEX C: IEE

OFFICIAL FILE

REDSO FILE

VZCZCHAI *
 PP RUEHC RUFHMVI
 DE RUEHRN #0009/01 095 **
 ZNR UUUUU ZZH
 P 050837Z APR 90
 FM AMEMBASSY NAIROBI
 TO RUEHC / SECSTATE WASHDC PRIORITY 6659
 INFO RUFHMVI / AMEMBASSY VICTORIA 0897
 BT
 UNCLAS SECTION 01 OF 22 NAIROBI 10009

CLASS: UNCLASSIFIED
 CHRG: AID 04/03/90
 APPRV: REDSO:OD:SPSHAH
 DRFTD: PROJ:JWALL:AM
 CLFAR: 1.ENGR:ICHAUDHRY
 2.LEG:JBORNS
 3.ENGR:ADEGEORGE
 DISTR: REDSO RF ECON

AIDAC

E.O. 12356: N/A
 SUBJECT: SEYCHELLES - FY 90-FY 92 COMMODITY
 IMPORT PROGRAM, INITIAL ENVIRONMENTAL EXAMINATION

1. REDSO/ESA REQUESTS AFR ENVIRONMENTAL OFFICER
 CONCURRENCE IN THE IEE FOR THE SEYCHELLES FY 90-FY
 92 COMMODITY IMPORT PROGRAM. REDSO/ESA IS
 PREPARING PAAD, WHICH IS EXPECTED TO BE APPROVED
 NLT APRIL 20, 1990.

2. INITIAL ENVIRONMENTAL EXAMINATION SUMMARY:

-- A. COUNTRY : SEYCHELLES
 -- B. TITLE : COMMODITY IMPORT PROGRAM
 -- C. NUMBER : 662-0011
 -- D. FUNDING : FY 90 DOLS 1,391,000
 -- : FY 91 DOLS 3,000,000
 -- : FY 92 DOLS 3,000,000
 -- E. IEE PREPARED BY: JOHN WALL,
 -- -PROJECT DEVELOPMENT OFFICER
 -- F. ENVIRONMENTAL ACTION RECOMMENDED:
 -- NEGATIVE DETERMINATION
 -- G. ACTION REQUESTED BY: SATISH SHAH,
 -- DIRECTOR, REDSO/ESA

3. DESCRIPTION OF THE PROGRAM AND PROCUREMENT: A
 COMMODITY IMPORT GRANT OF UP TO DOLS 7,991,000 IS
 PLANNED FOR FY 90-FY 92 TO PROVIDE BALANCE OF
 PAYMENT AND BUDGETARY SUPPORT TO THE GOVERNMENT OF
 SEYCHELLES THROUGH A COMMODITY IMPORT PROGRAM
 (CIP).

-- THE CIP PROGRAM WILL FINANCE THE PROCUREMENT
 OF APPROXIMATELY 13,500 MT (FOR FY 90), 20,000 MT
 (FOR FY 91), AND 20,000 MT (FOR FY 92) OF MEDIUM
 AND DIESEL FUEL OIL FOR GENERATING ELECTRICITY,
 FOR GENERAL CONSUMPTION, AND FOR TRANSPORT ON THE
 ISLANDS. THE CONDITION FOR A CATEGORICAL
 EXCLUSION UNDER 22 C.F.R. SECTION 216.2(C)(2)(IX)
 IS NOT MET BECAUSE AID DOES HAVE KNOWLEDGE OF THE
 SPECIFIC COMMODITIES TO BE FINANCED. HOWEVER, AID
 FINANCING OF THE OIL IS NOT CONSIDERED TO HAVE A
 SIGNIFICANT EFFECT ON THE ENVIRONMENT -- BEYOND
 THE EFFECT (IF ANY) WHICH WOULD OCCUR WITH OR

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WITHOUT AID FINANCING. FAILURE TO OBTAIN AID FINANCING FOR THESE COMMODITIES WOULD ONLY EXACERBATE BALANCE OF PAYMENT DIFFICULTIES WHICH COULD LEAD TO REDUCTIONS IN OTHER, LESS CRITICAL, IMPORTED COMMODITIES. IN OUR JUDGEMENT, IT WOULD NOT REDUCE THE AMOUNT OF OIL IMPORTED. THE GOS RECENTLY DEVELOPED A RESPONSE PLAN IN CASE OF OIL SPILLAGE WHICH WILL MINIMIZE ENVIRONMENTAL DAMAGE.

4. THE FUEL PRODUCTS ORDERED UNDER THE CIP AGREEMENT WILL BE SOLD AND THE COUNTERPART FUNDS WILL BE DEPOSITED IN A SPECIAL ACCOUNT IN THE SEYCHELLES CENTRAL BANK. MOST OF THESE FUNDS WILL BE ALLOCATED TO DEVELOPMENT ACTIVITIES WHICH INVOLVE IMPROVING OR EXPANDING INFRASTRUCTURE IN THE SEYCHELLES. WHILE AID REG. 16 DOES NOT APPLY TO THESE LOCAL CURRENCIES, WE BELIEVE THE CRITERIA FOR A CATEGORIAL EXCLUSION WOULD BE SATISFIED IF IT DID APPLY. AN ESTIMATED TOTAL OF SR 47.3 MILLION (YEAR 1, SR 11 MILLION; YEAR 2, SR 19.15 MILLION; YEAR 3, SR 18.15 MILLION) COUNTERPART FUNDS WILL BE USED BY THE GOVERNMENT OF THE SEYCHELLES FOR:

-- -- YEAR 1 (FY 90)

-- A. INDUSTRIAL ESTATE INFRASTRUCTURE CONSTRUCTION (SR 2.8 MILLION);
 -- B. ROAD REHABILITATION (SR 4.7 MILLION)
 -- C. OFFSHORE SCHOLARSHIP FUNDING (SR 1.0 MILLION);
 -- D. ROCK ARMORING OF SHORELINE (SR 1.7 MILLION);
 -- E. ASSOMPTION ISLAND AIRSTRIP CONSTRUCTION (SR) 1.8 MILLION); AND
 -- F. LOCAL CONSULTANCIES, INCLUDING NATIONAL DEVELOPMENT PLANNING, BUSINESS INVESTMENT CODE DESIGN, AND A MARKET STUDY FOR PRASLIN CRAFT VILLAGE (TOTAL SR 3.6 MILLION).

-- -- YEAR 2 (FY 91)

-- A. INDUSTRIAL ESTATE INFRASTRUCTURE

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CONSTRUCTION (SR 2.8 MILLION);

-- B. ROAD REHABILITATION (SR 2.3 MILLION)

-- C. OFFSHORE SCHOLARSHIP AND IN-COUNTRY

TRAINING (SR 2.8 MILLION);

-- D. ROCK ARMORING OF SHORELINE (SR 6.0 MILLION);

-- E. NATIONAL CULTURAL LIBRARY (CONTINUED FROM FY 89) (1.5 MILLION);

-- F. PUBLIC UTILITIES INFRASTRUCTURE CONSTRUCTION (SR 1.95 MILLION)

-- G. POLLUTION CONTROL EQUIPMENT (FOR PORT) (SR 1.5 MILLION); AND,

-- H. PRASLIN CRAFT VILLAGE CONSTRUCTION (SR 0.9 MILLION).

-- -- YEAR 3 (FY 92)

-- A. INDUSTRIAL ESTATE INFRASTRUCTURE CONSTRUCTION (SR 4.0 MILLION);

-- B. OFFSHORE SCHOLARSHIP AND IN-COUNTRY TRAINING (SR 3.0 MILLION);

-- C. CATTLE MULTIPLICATION PROJECT (SR 2.5 MILLION);

-- D. PUBLIC UTILITIES INFRASTRUCTURE CONSTRUCTION (SR 6.0 MILLION)

-- E. ENVIRONMENTAL PROTECTION PLAN DEVELOPMENT (SR 2.15 MILLION); AND,

-- F. PRASLIN CRAFT VILLAGE CONSTRUCTION (SR 0.5 MILLION).

-- WHILE AID HAS REVIEWED AND APPROVED THE GENERAL USES PROPOSED FOR COUNTERPART FUNDS, IT WILL NOT BE INVOLVED IN THE DEVELOPMENT OR APPROVAL OF THE PLANS, SPECIFICATION OR SCOPES OF WORK FOR THE SPECIFIC ACTIVITIES THAT ARE CARRIED OUT. ALL PLANNING, PROCUREMENT, AND IMPLEMENTATION ACTIVITIES ARE CARRIED OUT BY GOS IN ACCORDANCE WITH GOS PROCEDURES AND WILL NOT BE SUBJECT TO REVIEW AND APPROVAL BY AID

-- PREVIOUS LOCAL CURRENCY-FINANCED ACTIVITIES UNDER THE PROGRAM HAVE NOT APPEARED TO HAVE ANY SIGNIFICANT ADVERSE EFFECT ON THE ENVIRONMENT BASED ON THE RECENT 1989 LC PROGRAM EVALUATION. THE EVALUATION TEAM MEMBERS DID NOT DETECT ANY SIGNIFICANT ENVIRONMENTAL IMPACTS DURING THEIR FIELD WORK IN MARCH 1990. NO PESTICIDES OR CHEMICALS WILL BE PURCHASED UNDER THE PROPOSED PROGRAM.

-- UNDER THESE CIRCUMSTANCES, RELYING ON GOS PROCEDURES IS A "REASONABLE SAFEGUARD" AS REQUIRED BY 87 STATE 327494.

5. RECOMMENDED ENVIRONMENTAL ACTION:

-- BASED ON THE ABOVE, IT IS RECOMMENDED THAT YOU (A) APPROVE A NEGATIVE DETERMINATION WITH

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REGARD TO THE COMMODITY IMPORT PORTION OF THE PROGRAM SINCE AID FINANCING OF THESE COMMODITIES WILL NOT HAVE A SIGNIFICANT ADVERSE EFFECT ON THE ENVIRONMENT; AND (B) THAT YOU CONCUR IN OUR ASSESSMENT THAT AID MAY RELY ON GOS PROCEDURES TO EVALUATE THE ENVIRONMENTAL ASPECTS OF ACTIVITIES FINANCED FROM THE HOST COUNTRY-OWNED LOCAL CURRENCIES GENERATED UNDER THE PROGRAM, PROVIDED THAT (1) AID WILL NOT BE INVOLVED IN, APPROVE, OR CONTROL THE DETAILS OF THE SPECIFIC ACTIVITIES CONDUCTED BY THE GOS UNDER THIS PORTION OF THE ACTIVITIES AND THE GOS'S CAPACITY AND SYSTEM FOR ENVIRONMENTAL ASSESSMENT AND (2) MONITORING WILL BE EXAMINED AS PART OF THE REGULAR REDSO/ESA MONITORING AND EVALUATION OF THESE ACTIVITIES.
END TEXT IEE.

6. THE CONTENTS OF THIS IEE HAVE BEEN REVIEWED AND CLEARED BY RFO AND LFG.

7. REQUEST RFO PRIORITY CONCURRENCE OR, ALTERNATIVELY, THAT CONCURRENCE AUTHORITY BE DELEGATED TO RFO WITH LFG CLEARANCE. GRIFFIN

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STATE 150673

ACTION AID-3 INFO ECCN POL/PLO

VZCZCNAC003
 PP RUENR
 DE RUEEC #0673 1322004
 ZNR 00000 222
 F 102202Z MAY 90
 FM SECSTATE WASHDC
 TC RUEFMI/AMEMBASSY VICTORIA PRIORITY 4022
 INFO RUEENR/AMEMBASSY NAIROBI PRIORITY 9182
 BT
 UNCLAS STATE 150673

11-MAY-90 TOR: 03:38
 CN: 43921
 CREG: AID
 DIST: AID
 ADD:

AIDAC NAIROBI FOR REDSO/ESA

MAY 11 RECD

E.O. 12356: N/A
 TAGS: N/A
 SUBJECT: SEYCHELLES FY90-92.COMMODITY IMPORT PROGRAM,
 IEE

REF: NAIROBI 10009

1. JUSTIFICATION FOR NEGATIVE DETERMINATION IN REPTEL IS NOT SUFFICIENT. A.I.D.-FUNDED ACTIVITIES MUST BE FOUND TO HAVE NO SIGNIFICANT ENVIRONMENTAL IMPACT REGARDLESS OF WHETHER OR NOT THEY WOULD OCCUR IN THE ABSENCE OF A.I.D. FUNDING. PRESUME THAT SINCE THIS IS AN ON GOING PROGRAM, JUSTIFICATION EXISTS IN PREVIOUS NEGATIVE DETERMINATIONS. RECENTLY DEVELOPED OIL SPILL RESPONSE PLAN WOULD BE AN IMPORTANT ADDITIONAL COMPONENT OF THE JUSTIFICATION.

2. REFERENCE TO CATEGORICAL EXCLUSION IN REPTEL PARA. 4 IS INAPPROPRIATE. INSTEAD, BUREAU ENVIRONMENTAL OFFICER SUGGESTS THAT LC SUPPORT FOR DEVELOPMENT OF ENVIRONMENTAL ACTION PLAN BE MOVED UP TO FIRST YEAR, RATHER THAN THIRD YEAR. CONCURS IN MISSION RELIANCE ON GOS FOR IN-COUNTRY PROCEDURES TO EVALUATE IMPACTS OF ACTIVITIES FUNDED WITH CIP-GENERATED LOCAL CURRENCY. ALSO SUGGEST CIP INCLUDE SOME SUPPORT FOR ADEQUATELY TRAINING ENVIRONMENTAL STAFF TO CARRY OUT MONITORING OF THESE ACTIVITIES.

3. PRESUME REO WILL HAVE OPPORTUNITY TO ASSESS ENVIRONMENTAL IMPACT CAPABILITY OF GOS AND THIS WILL BE REPORTED ON DURING REDSO EVALUATION OF SUBJECT ACTIVITY. REC SHOULD ALSO REPORT TO BEC ON A PERIODIC BASIS, IN ORDER TO VERIFY IMPLEMENTATION OF ABOVE RECOMMENDATIONS.

4. SUBJECT TO THE ABOVE CONDITIONS, BEC CONCURS IN NEGATIVE DETERMINATION. THIS CABLE HAS BEEN CLEARED BY AER/GC. BAKER

BT
#0673

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REDSO/ES: Action Inf	
OD	
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OJ	
LIBRARY	
PAIC	
EXO/PER	
ADMIN	
CHRON	
REPLY DUE	5/1
ACTION TAKEN	
DATE	
INITIALS	

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STATE 150673

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May 17, 1990

MEMORANDUM

From : Andre DeGroot, USAID/REDSO/REA
Thru : Bob Rose, USAID/REDSO/ENG
To : John Wall, USAID/REDSO/PRG
Subject : State Cable: 150673, Seychelles FY90-92
Commodity Import Program, IEE Issues

As per the above referenced cable (Attached), documentation and our conversation, it would appear to me that USAID's and the GOS's commitment to mitigate any potential adverse environmental impact from oil spills is more than adequate. It appears that the Seychelles' entire National Development Plan for 1990-94 is aimed at environmental management, fishing and tourism being the most important economic sectors and generators of foreign exchange. In fact this appears to be one of the most comprehensive plans for integrated development that I have ever seen.

Referring to Paragraph I of the cable, it does appear that the Seychelles, in collaboration with the International Centre for Ocean Development (ICOD), is developing a "National Oil Spill Contingency Plan." In a February 27, 1990 memorandum from the ICOD contractor to the Seychelles Department of Environment, all relevant issues to producing and implementing this plan are laid out in full, including training and procurement of equipment.

Referring to Paragraph II of the cable, based upon our conversation, it is my impression that USAID is willing to use local currency funds to purchase oil spill cleanup equipment and provide training. This would take the Seychelles well beyond anything that I have seen in the Caribbean. In the Caribbean, most islands had oil spill contingency plans, but no one trained in cleanup, nor cleanup equipment.

I hope to shortly have detailed information on a "hands on course" in oil spill cleanup provided through the Texas A & M Department of Engineering. A person or persons could be sent to this short course where they will experience simulated oil spills and the use of the various cleanup equipment. With this knowledge in hand the trained personnel would have a clearer idea of exactly what equipment would be appropriate for the Seychelles. I will provide you with this information ASAP. These activities should be coordinated with the ICOD project.

Referring to Paragraph III of the cable and based upon concerns raised in their five year plan, I feel it would be in the interest of USAID and the GOS to pay a visit to the Seychelles to:

1. Provide them with information on the Texas A & M course, and discuss how this and the purchase of cleanup equipment may

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fit into their overall oil spill response plan.

2. Assess their current environmental assessment capabilities.
3. Discuss with them and provide them with information on appropriate wastewater treatment and disposal in tropical waters, this being a much more immediate threat to coastal degradation than an oil spill!!!

Given USAID's and the GOS's commitment to sustainable development on the Seychelles, I feel that the negative declaration for the "Seychelles FY90-92 Commodity Import Program" is justified, but needs monitoring over the next 2 years to assure that the above goals are implemented.

Distribution

USAID/REDSO/ESA/DIR, SShah
USAID/REDSO/ESA/ENG, BRose
USAID/REDSO/ESA/ANR, REwards
Admin Records (files)

ANNEX D: STATUTORY CHECKLISTS

5C(1) - COUNTRY CHECKLIST

Listed below are statutory criteria applicable to: (A) FAA funds generally; (B)(1) Development Assistance funds only; or (B)(2) the Economic Support Fund only.

A. GENERAL CRITERIA FOR COUNTRY ELIGIBILITY

1. FY 1990 Appropriations Act Sec. 569(b). Has the President certified to the Congress that the government of the recipient country is failing to take adequate measures to prevent narcotic drugs or other controlled substances which are cultivated, produced or processed illicitly, in whole or in part, in such country or transported through such country, from being sold illegally within the jurisdiction of such country to United States Government personnel or their dependents or from entering the United States unlawfully? NO

2. FAA Sec. 481(h); FY 1990 Appropriations Act Sec. 569(b). (These provisions apply to assistance of any kind provided by grant, sale, loan, lease, credit, guaranty, or insurance, except assistance from the Child Survival Fund or relating to international narcotics control, disaster and refugee relief, narcotics education and awareness, or the provision of food or medicine.) If the recipient is a "major illicit drug producing country" (defined as a country producing during a fiscal year at least five metric tons of opium or 500 metric tons of coca or marijuana) or a "major drug-transit country" (defined as a country that is a significant direct source of illicit drugs significantly affecting the United States, through which such drugs N/A

are transported, or through which significant sums of drug-related profits are laundered with the knowledge or complicity of the government): (a) Does the country have in place a bilateral narcotics agreement with the United States, or a multilateral narcotics agreement? and (b) Has the President in the March 1 International Narcotics Control Strategy Report (INSCR) determined and certified to the Congress (without Congressional enactment, within 45 days of continuous session, of a resolution disapproving such a certification), or has the President determined and certified to the Congress on any other date (with enactment by Congress of a resolution approving such certification), that (1) during the previous year the country has cooperated fully with the United States or taken adequate steps on its own to satisfy the goals agreed to in a bilateral narcotics agreement with the United States or in a multilateral agreement, to prevent illicit drugs produced or processed in or transported through such country from being transported into the United States, to prevent and punish drug profit laundering in the country, and to prevent and punish bribery and other forms of public corruption which facilitate production or shipment of illicit drugs or discourage prosecution of such acts, or that (2) the vital national interests of the United States require the provision of such assistance?

3. 1986 Drug Act Sec. 2013. (This section applies to the same categories of assistance subject to the restrictions in FAA Sec. 481(h), above.) If recipient country is a "major illicit drug producing country" or "major drug-transit country" (as defined for the purpose of FAA Sec 481(h)), has the President submitted a report to

N/A

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Congress listing such country as one:
 (a) which, as a matter of government policy, encourages or facilitates the production or distribution of illicit drugs; (b) in which any senior official of the government engages in, encourages, or facilitates the production or distribution of illegal drugs; (c) in which any member of a U.S. Government agency has suffered or been threatened with violence inflicted by or with the complicity of any government officer; or (d) which fails to provide reasonable cooperation to lawful activities of U.S. drug enforcement agents, unless the President has provided the required certification to Congress pertaining to U.S. national interests and the drug control and criminal prosecution efforts of that country?

4. FAA Sec. 620(c). If assistance is to a government, is the government indebted to any U.S. citizen for goods or services furnished or ordered where:
 (a) such citizen has exhausted available legal remedies, (b) the debt is not denied or contested by such government, or (c) the indebtedness arises under an unconditional guaranty of payment given by such government or controlled entity?

N/A

5. FAA Sec. 620(e)(1). If assistance is to a government, has it (including any government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities?

NO

6. FAA Secs. 620(a), 620(f), 620D; FY 1990 Appropriations Act Secs. 512, 548. Is recipient country a Communist country? If so, has the President: (a) determined that assistance to the country is vital to the security of the United States, that the recipient country is not controlled by the international Communist conspiracy, and that such assistance will further promote the independence of the recipient country from international communism, or (b) removed a country from applicable restrictions on assistance to communist countries upon a determination and report to Congress that such action is important to the national interest of the United States? Will assistance be provided either directly or indirectly to Angola, Cambodia, Cuba, Iraq, Libya, Vietnam, South Yemen, Iran or Syria? Will assistance be provided to Afghanistan without a certification, or will assistance be provided inside Afghanistan through the Soviet-controlled government of Afghanistan? NO
7. FAA Sec. 620(j). Has the country permitted, or failed to take adequate measures to prevent, damage or destruction by mob action of U.S. property? NO
8. FAA Sec. 620(l). Has the country failed to enter into an investment guaranty agreement with OPIC? NO
9. FAA Sec. 620(o); Fishermen's Protective Act of 1967 (as amended) Sec. 5. (a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing vessel because of fishing activities in international waters? (b) If so, has any deduction required by the Fishermen's Protective Act been made? NO

10. FAA Sec. 620(q); FY 1990 Appropriations Act Sec. 518 (Brooke Amendment). (a) Has the government of the recipient country been in default for more than six months on interest or principal of any loan to the country under the FAA? NO
(b) Has the country been in default for more than one year on interest or principal on any U.S. loan under a program for which the FY 1990 Appropriations Act appropriates funds? NO
11. FAA Sec. 620(s). If contemplated assistance is development loan or to come from Economic Support Fund, has the Administrator taken into account the percentage of the country's budget and amount of the country's foreign exchange or other resources spent on military equipment? (Reference may be made to the annual "Taking Into Consideration" memo: "Yes, taken into account by the Administrator at time of approval of Agency OYB." This approval by the Administrator of the Operational Year Budget can be the basis for an affirmative answer during the fiscal year unless significant changes in circumstances occur.) Yes. Taken into account at the time of approval of OYB.
12. FAA Sec. 620(t). Has the country severed diplomatic relations with the United States? If so, have relations been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption? NO
13. FAA Sec. 620(u). What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the A.I.D. Administrator in determining the current A.I.D. Operational Year Budget? (Reference may be made to the "Taking into Consideration" memo.) Up to date

14. FAA Sec. 620A. Has the President determined that the recipient country grants sanctuary from prosecution to any individual or group which has committed an act of international terrorism or otherwise supports international terrorism? NO
15. FY 1990 Appropriations Act Sec. 564. Has the country been determined by the President to: (a) grant sanctuary from prosecution to any individual or group which has committed an act of international terrorism, or (b) otherwise support international terrorism, unless the President has waived this restriction on grounds of national security or for humanitarian reasons? NO
16. ISDCA of 1935 Sec. 552(b). Has the Secretary of State determined that the country is a high terrorist threat country after the Secretary of Transportation has determined, pursuant to section 1115(e)(2) of the Federal Aviation Act of 1958, that an airport in the country does not maintain and administer effective security measures? NO
17. FAA Sec. 666(b). Does the country object, on the basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under the FAA? NO
18. FAA Secs. 669, 670. Has the country, after August 3, 1977, delivered to any other country or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards, and without special certification by the President? Has it transferred a nuclear explosive device to a non-nuclear weapon state, or if such a state, either received or detonated a nuclear explosive device? (FAA Sec. 620E permits a special waiver of Sec. 669 for Pakistan.) NO

19. FAA Sec. 670. If the country is a non-nuclear weapon state, has it, on or after August 8, 1985, exported (or attempted to export) illegally from the United States any material, equipment, or technology which would contribute significantly to the ability of a country to manufacture a nuclear explosive device? NO
20. ISDCA of 1981 Sec. 720. Was the country represented at the Meeting of Ministers of Foreign Affairs and Heads of Delegations of the Non-Aligned Countries to the 36th General Assembly of the U.N. on Sept. 25 and 28, 1981, and did it fail to disassociate itself from the communique issued? If so, has the President taken it into account? (Reference may be made to the "Taking into Consideration" memo.) Yes. Taken into account at the time of approval of OYB.
21. FY 1990 Appropriations Act Sec. 513. Has the duly elected Head of Government of the country been deposed by military coup or decree? If assistance has been terminated, has the President notified Congress that a democratically elected government has taken office prior to the resumption of assistance? NO
22. FY 1990 Appropriations Act Sec. 539. Does the recipient country fully cooperate with the international refugee assistance organizations, the United States, and other governments in facilitating lasting solutions to refugee situations, including resettlement without respect to race, sex, religion, or national origin? Yes

B. FUNDING SOURCE CRITERIA FOR COUNTRY ELIGIBILITY

1. Development Assistance Country Criteria

a. FAA Sec. 116. Has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, can it be demonstrated that contemplated assistance will directly benefit the needy?

NO

b. FY 1990 Appropriations Act Sec. 535. Has the President certified that use of DA funds by this country would violate any of the prohibitions against use of funds to pay for the performance of abortions as a method of family planning, to motivate or coerce any person to practice abortions, to pay for the performance of involuntary sterilization as a method of family planning, to coerce or provide any financial incentive to any person to undergo sterilizations, to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning?

NO

2. Economic Support Fund Country Criteria

NO

a. FAA Sec. 502B. Has it been determined that the country has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, has the President found that the country made such significant improvement in its human rights record that furnishing such assistance is in the U.S. national interest?

b. FY 1990 Appropriations Act Sec. 569(d). Has this country met its drug eradication targets or otherwise taken significant steps to halt illicit drug production or trafficking?

N/A

3(A)2 - NONPROJECT ASSISTANCE CHECKLIST

The criteria listed in Part A are applicable generally to FAA funds, and should be used irrespective of the program's funding source. In Part B a distinction is made between the criteria applicable to Economic Support Fund assistance and the criteria applicable to Development Assistance. Selection of the criteria will depend on the funding source for the program.

CROSS REFERENCES:	IS COUNTRY CHECKLIST UP TO DATE?	HAS STANDARD ITEM CHECKLIST BEEN REVIEWED?	Yes
			Yes

A. GENERAL CRITERIA FOR NONPROJECT ASSISTANCE

1. FY 1990 Appropriations Act Sec. 521; FAA Sec. 634A. Describe how authorization and appropriations committees of Senate and House have been or will be notified concerning the project. Congress has been notified in the FY 90 Congressional Presentation
2. FAA Sec. 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance? Non required
3. FAA Sec. 209. Is assistance more efficiently and effectively provided through regional or multilateral organizations? If so, why is assistance not so provided? Information and conclusions on whether assistance will encourage developing countries to cooperate in regional development programs. No. There is no direct effect on regional development programs.

4. FAA Sec. 601(a). Information and conclusions on whether assistance will encourage efforts of the country to:
 (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture, and commerce; and (f) strengthen free labor unions.
- The CIP: (a) positively influences international trade; (b) provides assistance to the development of private industry; (c) No; (d) No effect; (e) finances technical training; and, (f) No.
5. FAA Sec. 601(b). Information and conclusions on how assistance will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).
- U.S. suppliers may participate in the provision of petroleum products.
6. FAA Sec. 121(d). If assistance is being furnished under the Sahel Development Program, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of A.I.D. funds?
- None owned

B. FUNDING CRITERIA FOR NONPROJECT ASSISTANCE

1. Nonproject Criteria for Economic Support Fund
- a. FAA Sec. 531(a). Will this assistance promote economic and political stability? To the maximum extent feasible, is this assistance consistent with the policy directions, purposes, and programs of Part I of the FAA?
- Yes
Yes
- b. FAA Sec. 531(e). Will assistance under this chapter be used for military or paramilitary activities?
- No

- c. FAA Sec. 531(d). Will ESF funds made available for commodity import programs or other program assistance be used to generate local currencies? If so, will at least 50 percent of such local currencies be available to support activities consistent with the objectives of FAA sections 103 through 106? Yes
- d. FAA Sec. 609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made? Yes
- e. FY 1990 Appropriations Act, Title II, under heading "Economic Support Fund," and Sec. 592. If assistance is in the form of a cash transfer: (a) Are all such cash payments to be maintained by the country in a separate account and not to be commingled with any other funds? (b) Will all local currencies that may be generated with funds provided as a cash transfer to such a country also be deposited in a special account, and has A.I.D. entered into an agreement with that government setting forth the amount of the local currencies to be generated, the terms and conditions under which they are to be used, and the responsibilities of A.I.D. and that government to monitor and account for deposits and disbursements? (c) Will all such local currencies also be used in accordance with FAA Section 609, which requires such local currencies to be made available to the U.S. government as the U.S. determines necessary for the requirements of the U.S. Government, and which requires the remainder to be used for programs agreed to by the U.S. Government to carry out the purposes for which new funds authorized by the FAA would themselves be available? (d) Has Congress received prior notification providing in detail how the funds will be used, including the U.S. interests that will be served by the assistance, and, as appropriate, the economic policy reforms that will be promoted by the cash transfer assistance? N/A

ANNEX E: GRANT AGREEMENT

A.I.D. GRANT NO.

GRANT AGREEMENT
Between
UNITED STATES OF AMERICA
And The
REPUBLIC OF THE SEYCHELLES
For
COMMODITY IMPORTS

DATED:

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COMMODITY IMPORT GRANT AGREEMENT

DATE:

Between

The Republic of the Seychelles ("Grantee")

and

The United States of America, acting through the Agency for International Development ("A.I.D.").

ARTICLE 1

The Grant

To finance the foreign exchange costs of certain commodities and commodity related services ("Eligible Items") necessary to promote economic development and stability, the United States, pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant the Government of the Republic of Seychelles under the terms of this Agreement, not to exceed One Million Nine Hundred and Ninety One Thousand United States dollars (\$1,991,000) ("Grant").

ARTICLE 2

Conditions Precedent to Disbursement

SECTION 2.1. Conditions Precedent. Prior to the first disbursement under this Grant, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D.:

(a) An opinion of counsel acceptable to A.I.D. that this Agreement has been duly authorized and/or ratified by, and executed on behalf of, the Grantee, and that it constitutes a valid and legally binding obligation of the Grantee, in form and substance satisfactory to A.I.D.;

(b) A statement representing and warranting that the named person or persons have the authority to act as the representative or representatives of the Grantee pursuant to Section 7.2., together with a specimen signature of each person certified as to its authenticity.

SECTION 2.2. Notification. When A.I.D. has determined that the conditions precedent specified in Section 2.1 have been met, it will promptly notify the Grantee by implementation letter issued pursuant to Section 7.1 of this Agreement.

SECTION 2.3. Terminal Date for Meeting Conditions Precedent. If all the conditions specified in Section 2.1 have not been met within ninety (90) days from the date of this Agreement, or such later date as A.I.D. may specify in writing, A.I.D., at its option, may terminate this Agreement by written notice to the Grantee.

ARTICLE 3

Procurement, Eligibility, and Utilization of Commodities

SECTION 3.1. A.I.D. Regulation 1. This Grant and the procurement and utilization of commodities and commodity-related services financed under it are subject to the terms and conditions of A.I.D. Regulation 1 as from time to time amended and in effect, except as A.I.D. may otherwise specify in writing. If any provision of A.I.D. Regulation 1 is inconsistent with a provision of this Agreement, the provision of this Agreement shall govern.

SECTION 3.2. Eligible Items.

(a) The commodities eligible for financing under this Grant shall be medium fuel oil and diesel fuel oil, as further described in Commodity Procurement Instructions issued to Grantee. Commodity-related services as defined in A.I.D. Regulation 1 are eligible for financing under this Grant. Other items shall become eligible for financing only with the written agreement of A.I.D. A.I.D. may decline to finance any specific commodity or commodity-related service when in its judgment such financing would be inconsistent with the purpose of the Grant or of the Foreign Assistance Act of 1961, as amended.

(b) A.I.D. reserves the right in exceptional situations to delete specific commodities or commodity categories. Such right will be exercised at a point in time no later than commodity prevalidation by A.I.D. (Form 11 approval) or, if no commodity prevalidation is required, no later than the date on which an irrevocable Letter of Credit is confirmed by a U.S.

bank in favor of the supplier. If no prevalidation is required and payment is not by Letter of Credit, A.I.D. will exercise this right no later than the date on which it expends funds made available to the Grantee under this Agreement for the financing of the commodity. In any event, however, the Grantee will be notified of any decision by A.I.D. to exercise this right pursuant to a determination that financing the commodity would adversely affect A.I.D. or foreign policy objectives of the United States or could jeopardize the safety or health of people in the importing country.

SECTION 3.3. Procurement Source. The medium fuel oil financed under this Agreement shall have its source and origin from A.I.D. Geographic Code 941 and the diesel fuel oil from A.I.D. Geographic Code 899, except as A.I.D. may otherwise specify in writing.

SECTION 3.4. Eligibility Date. No commodities or commodity-related services may be financed under the Grant if they were procured pursuant to orders or contracts firmly placed or entered into prior to the date of this Agreement, except as A.I.D. may otherwise agree in writing.

SECTION 3.5. Procurement for Public Sector. Except as A.I.D. may otherwise agree in writing, procurement under this grant by or for Grantee, its departments and instrumentalities, the provisions of Section 201.11 of A.I.D. Regulation 1 regarding formal competitive bid procedures will apply.

SECTION 3.6. Utilization of Commodities.

(a) Grantee will assure that commodities financed under this Grant will be effectively used for the purposes for which the assistance is made available. To this end, the Grantee will use its best efforts to assure that the following procedures are followed:

(i) accurate arrival and clearance records are maintained by customs authorities; commodity imports are promptly processed through customs at points of entry; such commodities are removed from customs and/or bonded warehouses within ninety (90) calendar days from the date the commodities are unloaded at the point of entry, unless the importer is hindered by force majeure or A.I.D. otherwise agrees in writing; and

(ii) the commodities are consumed or used by the importer not later than one (1) year from the date the commodities are removed from customs, unless a longer period can be justified to the satisfaction of A.I.D. by reason of force majeure or special market conditions or other circumstances.

(b) Grantee will assure that commodities financed under this Grant will not be re-exported in the same or substantially the same form, unless specifically authorized by A.I.D.

SECTION 3.7. Shipping.

(a) Commodities which are to be transported to the territory of the Grantee may not be financed under this Grant if transported either: (1) on an ocean vessel or aircraft under flag registry of a country which is not included in A.I.D. Geographic Code 935 as in effect at the time of shipment, or (2) on an ocean vessel which A.I.D., by written notice to the Grantee has designated as ineligible, or (3) under an ocean or air charter which has not received prior A.I.D. approval.

(b) Unless otherwise authorized, A.I.D. will finance only those transportation costs incurred on aircraft or ocean vessels under flag registry of a country included in the Geographic Code authorized in Section 3.3 of the Agreement, except that when Code 941 is authorized, A.I.D. will finance only those transportation costs incurred on aircraft or ocean vessels under flag registry of the United States and the cooperation country. When Code 941 is authorized and there is a general unavailability of cooperating country flag aircraft or ocean vessels, A.I.D. will specifically authorize in Implementation letters the financing of transportation costs incurred on aircraft or ocean vessels of any country included in Code 941.

(c) Unless A.I.D. determines that privately owned United States-flag commercial ocean vessels are not available at fair and reasonable rates for such vessels, (1) at least fifty percent (50%) of the gross tonnage of all goods (computed separately for dry bulk carriers, dry cargo liners and tankers) financed by A.I.D. which may be transported on ocean vessels will be transported on privately owned United States-flag commercial vessels, and (2) at least fifty percent (50%) of the gross freight revenue generated by all shipments financed by A.I.D. and transported to the Seychelles on dry cargo liners shall be paid to or for the benefit of privately owned United

States-flag commercial vessels. Compliance with the requirements of (1) and (2) of this subsection must be achieved with respect of both cargo transported from U.S ports and cargo transported from non-U.S. ports, computed separately

Section 3.8 Insurance

(a) Marine insurance on commodities financed by A.I.D. under this Grant may also be financed under this Grant provided that such insurance is placed in a country included in the Geographic Code authorized in Section 3.3 of this Agreement, or if Geographic Code 941 is authorized, also in the Grantee country, in accordance with the applicable provisions of A.I.D. Regulation 1, Subparts B and C.

ARTICLE 4

Disbursement

SECTION 4.1. A.I.D. Letters of Commitment to Supplier(s). After satisfaction of the conditions precedent, the Grantee may obtain disbursements of funds under this Grant by submitting Financing Requests to A.I.D. for the issuance of letters of commitment for specified amounts to one or more suppliers designated by Grantee and satisfactory to A.I.D. Such letters will commit A.I.D. to reimburse the suppliers pursuant to such documentaton requirements as A.I.D. may prescribe.

SECTION 4.2. Other Forms of Disbursement Authorizations Disbursements of the Grant may also be made through such other means as the Parties may agree to in writing.

SECTION 4.3. Terminal Date for Requests for Disbursement Authorizations. Except as A.I.D. may otherwise agree in writing, no Letter of Commitment or other disbursement authorization will be issued in response to a request received by A.I.D. after twelve (12) months, from the date of signature of this Agreement.

SECTION 4.4. Terminal Date for Requests for Disbursement. Except as A.I.D. may otherwise agree in writing, no disbursement of Grant funds shall be made against documentation submitted after eighteen (18) months from the date of signature of this Agreement.

ARTICLE 5

Covenants

SECTION 5.1. Taxation. This Agreement and the Grant will be free from any taxation or fees imposed under laws in effect in the Republic of the Seychelles.

SECTION 5.2. Reports and Records. In addition to the requirements in A.I.D. Regulation 1, the Grantee will:

(a) furnish A.I.D. such reports and information relating to the goods and services financed by this Grant and the performance of Grantee's obligations under this Agreement as A.I.D. may reasonably request;

(b) maintain or cause to be maintained, in accordance with generally accepted accounting principles and practices consistently applied, such books and records relating to this Grant as may be prescribed in Implementation Letters. Such books and records may be inspected by A.I.D. or any of its authorized representatives at all times as A.I.D. may reasonably require, and shall be maintained for three years after the date of last disbursement by A.I.D. under this Grant; and

(c) permit A.I.D. or any of its authorized representatives at all reasonable times during the three-year period to inspect the commodities financed under this Grant at any point, including the point of use.

SECTION 5.3. Completeness of Information. The Grantee confirms:

(a) that the facts and circumstances of which it has informed A.I.D., or caused A.I.D. to be informed, in the course of reaching agreement with A.I.D. on the Grant, are accurate and complete, and include all facts and circumstances that might materially affect the Grant and the discharge of responsibilities under this Agreement; and

(b) that it will inform A.I.D. in timely fashion of any subsequent facts and circumstances that might materially affect, or that it is reasonable to believe might so affect, the Grant or the discharge of responsibilities under this Agreement.

SECTION 5.4. Other Payments. Grantee affirms that no payments have been or will be received by any official of the Grantee in connection with the procurement of goods or services financed under the Grant, except fees, taxes, or similar payments legally established in the country of the Grantee.

SECTION 5.5. Minimum Size of Transactions. No foreign exchange allocation or letter of commitment issued pursuant to this Agreement shall be in an amount less than ten-thousand United States dollars (\$10,000), except as A.I.D. may otherwise agree in writing

SECTION 5.6. Generation and Use of Local Currency.

(a) The Grantee will establish a separate, non-commingled Special Account in the Central Bank of the Republic of the Seychelles and will deposit therein currency of the Republic of the Seychelles in amounts equal to each shipment of Eligible Items. The local currency equivalent of the dollar value of each shipment shall be deposited in the Special Account in three consecutive and equal monthly installments. The first such deposit shall be made within ten (10) days after the shipment for which that local currency equivalent is being deposited is off-loaded in the Seychelles, with the second and third deposit thirty (30) and sixty (60) days, respectively, after the first deposit. All deposits will be calculated at the exchange rate prevailing on the date of importation of the Eligible Items which provides the largest number of Seychelles rupees per U.S. dollars that is not unlawful for any purpose in the Republic of the Seychelles. Funds in the Special Account shall be utilized for mutually agreed upon economic development purposes, as shall be specified from time to time in Implementation Letters, provided, however, that such portion of the funds in the Special Account as may be designated by A.I.D. shall be made available to meet the requirements of the United States.

(b) Grantee will provide A.I.D. with a detailed account of the use of such local currency; the timing and format for such reports will be specified in an Implementation Letters.

(c) Any unencumbered balances of funds which remain in the Special Account upon termination of assistance hereunder shall be disbursed for such purposes as may, subject to applicable law, be agreed to between Grantee and A.I.D.

SECTION 5.7. Continuing Consultation. The Grantee and A.I.D. agree to cooperate fully to assure that the purpose of the Grant will be accomplished. To this end, the Grantee and A.I.D. shall from time to time, at the request of either Party, exchange views through their representatives with regard to the Grantee's economic development and its progress in achieving the objectives of its development program, including the level of current expenditures and its foreign exchange position, and the performance by the Grantee of its obligations under this Agreement, the performance of consultants or suppliers under the Grant, and other matters relating to this Agreement.

ARTICLE 6

Termination; Remedies

SECTION 6.1. Termination. This Agreement may be terminated by mutual agreement of the Parties at any time. Either Party may terminate this Agreement by giving the other Party thirty (30) days written notice.

SECTION 6.2. Suspension. If at any time:

(a) Grantee shall fail to comply with any provision of this Agreement; or

(b) Any representation or warranty made by or on behalf of Grantee with respect to obtaining this Grant or made or required to be made under this Agreement is incorrect in any material respect; or

(c) An event occurs that A.I.D. determines to be an extra-ordinary situation that makes it improbable either that the purposes of the Grant will be attained or that the Grantee will be able to perform its obligations under this Agreement; or

(d) Any disbursement by A.I.D. would be in violation of the legislation governing A.I.D.; or

(e) A default shall have occurred under any other agreement between Grantee or any of its agencies and the Government of the United States or any of its agencies;

Then, in addition to remedies provided in A.I.D. Regulation 1, A.I.D. may:

(1) suspend or cancel outstanding commitment documents to the extent that they have not been utilized through irrevocable commitments to third parties or otherwise,

or to the extent that A.I.D. has not made direct reimbursement to the Grantee thereunder, giving prompt notice to Grantee thereafter;

(2) decline to issue additional commitment documents or to make disbursements other than under existing ones; and

(3) at A.I.D.'s expense, direct that title to goods financed under the Grant be vested in A.I.D. if the goods are in a deliverable state and have not been offloaded at points of entry in Seychelles

SECTION 6.3. Cancellation by A.I.D. If, within sixty (60) days from the date of any suspension of disbursements pursuant to Section 6.2, the cause or causes thereof have not been corrected, A.I.D. may cancel any part of the Grant that is not then disbursed or irrevocably committed to third parties.

SECTION 6.4. Refunds.

(a) In addition to any refund otherwise required by A.I.D. pursuant to A.I.D. Regulation 1, if A.I.D. determines that any disbursement is not supported by valid documentation in accordance with this Agreement, or is in violation of United States law, or is not made or used in accordance with the terms of this Agreement, A.I.D. may require the Grantee to refund the amount of such disbursement in U.S. dollars to A.I.D. within sixty (60) days after receipt of request therefore. Refunds paid by the Grantee to A.I.D. resulting from violations of the terms of this Agreement shall be considered as a reduction in the amount of A.I.D.'s obligation under the Agreement and shall be available for reuse under the Agreement if authorized by A.I.D. in writing

(b) The right to require such a refund of a disbursement will continue notwithstanding any other provision of this Agreement, for three (3) years from the date of the last disbursement under this Agreement.

SECTION 6.5. Nonwaiver of Remedies. No delay in exercising or omitting to exercise, any right, power, or remedy accruing to A.I.D. under this Agreement will be construed as a waiver of such rights, powers, or remedies.

ARTICLE 7

Miscellaneous

SECTION 7.1. Implementation Letters. From time to time, for the information and guidance of both parties, A.I.D. will issue Implementation Letters and Commodity Procurement

Instructions describing the procedures applicable to the implementation of the Agreement. Except as permitted by particular provisions of this Agreement, Implementation Letters and Commodity Procurement Instructions will not be used to amend or modify the text of this Agreement.

SECTION 7.2. Representatives. For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the office of Principal Secretary, Ministry of Economic Planning and Development and A.I.D. will be represented by the individual holding or acting in the office of Director, REDSO/EA, each of whom, by written notice, may designate additional representatives. The names of the representatives of the Grantee, with specimen signatures, will be provided to A.I.D., which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

SECTION 7.3. Communications. Any notice, request, document or other communications submitted by either Party to the other under this Agreement will be in writing or by telegram or cable, and will be deemed duly given or sent when delivered to such party at the following address:

To the Grantee:

Mail Address: Principal Secretary
Ministry of Economic Planning and
Development
Mahe, Seychelles

Alternate address for cables:

Ministry of Economic Planning and
Development
Mahe, Seychelles

To A.I.D.:

Mail Address: Director
REDSO/EA
c/o Ambassador
American Embassy
Mahe, Seychelles

Alternate address for cables:

Amembassy
REDSO/EA
Nairobi, Kenya

IN WITNESS WHEREOF, the Grantee and the United States of America, each acting through its duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

REPUBLIC OF THE SEYCHELLES

UNITED STATES OF AMERICA

BY: _____

BY: _____

TITLE: _____

TITLE: Ambassador of the
United States of America

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ANNEX F: ECONOMIC ANALYSIS TABLES

Economic Analysis Tables

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SEY89CIP



Table 11.1

Total Receipts from Tourism

(US\$ Millions)

	1985	1986	1987	1988	90-FY 92	1990	1991	1992
Tourism Receipts								
No. of Visitors	72542.0	66782.0	71626.0	75073.3	75935.7	79254.3	81970.8	84406.0
Expenditure/Day (Dollars)	59.0	71.9	82.9	96.2	100.0	105.0	111.0	116.4
Length of Stay	11.0	11.7	11.4	11.1	11.2	11.2	11.2	11.2
Total Expenditure	47.1	56.2	67.7	80.2	85.0	93.2	101.9	110.0

SOURCE: Republic of Seychelles, Statistical Abstract 1987, Table 38, and REDSO Projections

SEY89CIP

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Table II.2

Seychelles: Merchandise and Service Exports

(US\$ Million)

	1985	1986	1987	1988	90-FY 92	1990	1991	1992
Exports	(US\$ MILLION)							
Canned Tuna	0.0	0.0	3.7	12.7	10.3	9.9	8.2	7.2
Volume (Mt)			1290.0	3968.0	3968.0	3968.0	3968.0	3968.0
Unit Value(\$/Kg)			2.87	3.19	2.60	2.49	2.08	1.80
Fresh/Frozen Fish	1.5	0.9	1.4	2.2	2.1	2.5	2.5	2.6
Volume	753.0	370.0	592.0	518.0	621.6	745.9	895.1	1074.1
Unit Value(\$/Kg)	1.97	2.53	2.41	4.25	3.46	3.32	2.77	2.40
Copra	1.1	0.6	0.6	0.7	0.8	0.7	0.6	0.5
Volume	1632.0	2382.0	2270.0	1540.0	2000.0	2000.0	2000.0	2000.0
Unit Value(\$/Kg)	0.65	0.26	0.25	0.46	0.38	0.36	0.30	0.26
Cinnamon Bark	0.3	0.5	0.3	0.1	0.1	0.1	0.1	0.1
Volume	794.0	1133.0	421.0	138.0	200.0	200.0	200.0	200.0
Unit Value(\$/Kg)	0.43	0.40	0.67	0.84	0.68	0.65	0.54	0.47
Other Exports and Re-exports	1.8	2.4	2.0	1.9	0.6	0.6	0.7	0.7
Total Merchandise Exports	4.7	4.5	8.0	17.6	13.9	13.8	12.1	11.0
Nonfac Serv (Net	68.5	65.5	77.7	94.7	101.0	103.3	105.9	105.7
Travel (net)	38.0	46.6	55.7	69.0	76.0	84.5	94.7	103.8
Receipts	47.1	56.2	67.7	80.2	85.0	93.2	101.9	110.0
Payments	9.1	9.6	11.9	11.1	9.1	8.7	7.3	6.3
Other (net)	30.6	18.9	18.9	25.6	25.0	18.8	11.2	2.0
Receipts	65.7	68.0	78.0	90.1	99.1	104.1	109.3	114.7
Payments	35.2	49.1	56.0	64.5	74.1	85.2	98.0	112.7
Factor Serv (Net	-6.0	-8.3	-13.5	-15.7	-17.0	-18.2	-15.3	-18.2
Receipts	2.2	2.1	2.7	2.8	4.4	6.1	11.8	11.8
Payments	8.1	10.3	16.2	18.5	21.4	24.3	27.1	30.0
Off Int.	2.4	3.3	3.6	3.7	3.6	3.5	3.3	3.2
Priv Int	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Other	4.7	6.0	11.6	13.8	16.8	19.8	22.8	25.8

SOURCE: IMF, Recent Economic Developments, Feb. 21, 90-FY 92, Table XX11, and REDSO Projections

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Table 11.3

Merchandise Imports

(US\$ Millions)

	1985	1986	1987	1988	90-FY 92	1990	1991	1992
Imports								
Food and Beverage	16.6	19.7	24.0	31.3	36.6	29.3	31.2	34.2
Mineral Fuels, E	25.8	17.9	16.9	19.4	23.5	22.0	22.9	23.5
Mech. & Transp.	25.1	29.1	27.9	36.4	24.3	45.6	47.4	36.5
Manufactures	22.9	30.3	35.3	36.0	45.3	42.4	44.1	45.3
Other	8.3	8.6	9.3	12.2	14.2	13.3	13.8	14.2
Total Imports CI	98.8	105.6	113.5	135.3	143.9	152.6	159.5	153.7

SOURCE: IMF, Recent Economic Developments, Feb. 21, 90-FY 92, Table XXVI,

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Table 11.4

Balance of Payments

(US\$ Millions)

	1985	1986	1987	1988	90-FY 92	1990	1991	1992
Export Goods	4.7	4.5	8.0	17.6	13.9	13.8	12.1	11.0
Import Goods	98.8	105.6	113.5	135.3	143.9	152.6	159.5	153.7
Trade Bal	-94.1	-101.1	-105.5	-117.7	-129.9	-138.8	-147.4	-142.7
NonFac Serv (net)	68.5	65.5	77.7	94.7	101.0	103.3	105.9	105.7
Fac Serv.(net)	-6.0	-8.3	-13.5	-15.7	-17.0	-18.2	-15.3	-18.2
Transfers								
private (net)	-0.8	-5.0	-2.3	-3.8	-3.0	-3.0	-3.0	-3.0
official	14.3	16.4	23.5	11.1	21.8	47.5	46.0	45.0
Current Account	-18.1	-32.5	-20.1	-31.4	-27.2	-9.2	-13.8	-13.1
Capital Account:								
Public(net)	11.7	21.9	4.7	1.6	-1.6	-2.2	-3.5	-5.4
MLT gross	24.9	32.7	16.9	15.1	15.0	15.0	15.0	15.0
Rescheduling	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	13.2	10.8	12.3	13.4	16.6	17.2	18.5	20.4
L-T Priv Cap (net)	1.1	8.3	14.1	15.1	15.0	15.0	15.0	15.0
S-T Cap, Err & O	5.4	2.0	8.1	9.6	6.3	6.5	7.6	7.5
Balance of Payments	0.1	-0.2	6.8	-5.1	-7.5	10.2	5.4	4.0
(- = decrease in MIR)								
Change in offici	-0.1	0.2	-6.8	5.1	7.5	-10.2	-5.4	-4.0
Reserves								
Assets	0.4	1.8	-4.3	6.5				
Liabilities	0.3	-0.9	-1.9	-4.7				
Memorandum:								
Total Official								
External Debt	73.8	96.3	109.4	114.8	113.3	111.1	107.7	102.3

SOURCE: IMF, Recent Economic Developments, Feb. 21, 90-FY 92, Table XXVI, and REDSO Projections

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Table II.5

Seychelles: Public Finances

(SR Millions)

	1985	1986	1987	1988	90-FY 92	1990	1991	1992
Curr Revenue	507.8	552.1	639.3	710.2	772.7	821.1	1023.8	1227.7
Tax Revenue	406.0	456.0	517.6	592.4	626.4	665.7	830.0	995.2
Income/Profit	115.2	112.6	137.3	87.4	69.9	74.3	92.6	111.1
Social Securi	56.6	60.7	61.3	100.1	128.8	136.9	170.7	204.6
Goods, serv, tr	223.9	274.1	301.6	384.9	402.0	427.2	532.6	638.7
Other	10.3	8.6	17.4	20.0	25.7	27.3	34.1	40.9
Non Tax Revenue	131.8	96.1	121.7	117.8	146.3	155.5	193.8	232.4
Curr Expend.	563.6	585.8	613.5	683.3	713.8	758.5	945.7	1134.0
Centre.GovSavngs	-55.8	-33.7	25.8	26.9	58.9	62.6	78.1	93.6
Grants	102.1	101.5	42.6	59.8	144.6	327.8	380.5	429.2
CG Cap Revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CG Cap Exp	107.9	173.4	88.4	163.4	250.6	266.3	332.0	398.1
Net Lending	38.4	40.4	33.0	42.5	26.2	50.0	50.0	50.0
Overall Deficit	-100.0	-146.0	-53.0	-119.2	-73.3	74.1	76.6	74.7
% of gdp	-8.30%	-11.14%	-3.70%	-7.50%	-3.58%	3.41%	2.83%	2.30%
Financing:								
External (net)	83.3	135.5	-20.5	-11.8	39.2	-85.1	-73.0	-89.4
Domestic (net)	16.7	10.5	73.5	131.0	34.1	11.0	-3.6	14.7

SOURCE: IMF, Recent Economic Developments, Feb. 21, 90-FY 92, Tables XIV and XV, Government of Seychelles, 90-FY 92 Budget, and REDSO Projections

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TABLE 11.6

Banking System Developments

	1985	1986	1987	1988	90-FY 92	1990	1991	1992
(SR Millions--end of period)								
Net For. Assets	68.3	61.9	78.1	52.4	2.9	73.0	117.4	155.6
Net Dom. Assets	374.4	421.6	444.9	574.7	636.2	655.1	684.5	732.3
Government (NET)	244.9	308.9	333.0	435.4	469.5	480.5	476.9	491.6
Other Pub Sector	24.9	21.9	23.3	41.1	41.1	41.1	41.1	41.1
Private Sector	104.6	90.8	88.6	98.2	125.7	133.5	166.5	199.6
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Accounts	-79.3	-78.2	-81.9	-84.4	-84.4	-84.4	-84.4	-84.4
Liabilities to								
Private Sector	363.4	405.3	441.1	542.7	554.7	643.7	717.4	803.5
Money	155.3	155.0	155.2	185.7				
Quasi-Money	208.1	250.3	285.9	357.0				
(Percent of GDP)								
Net For. Assets	5.43%	4.51%	5.17%	2.88%	0.14%	2.99%	3.94%	4.60%
Net Dom. Assets	29.76%	30.71%	29.43%	31.63%	30.17%	26.84%	22.98%	21.66%
Government (NET)	19.47%	22.50%	22.03%	23.96%	22.26%	19.69%	16.01%	14.54%
Other Pub Sector	8.31%	6.61%	5.86%	5.40%	5.96%	5.47%	5.59%	5.90%
Private Sector	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other	-6.30%	-5.70%	-5.42%	-4.65%	-4.00%	-3.46%	-2.83%	-2.50%
Other Accounts								
Liabilities to								
Private Sector	28.88%	29.53%	29.18%	29.87%	26.31%	26.37%	24.09%	23.77%
Money	12.34%	11.29%	10.27%	10.22%	0.00%	0.00%	0.00%	0.00%
Quasi-Money	16.54%	18.23%	18.91%	19.65%	0.00%	0.00%	0.00%	0.00%

SOURCE: IMF, International Financial Statistics, Feb. 90-FY 92, and REDSO Projections

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Table II.7

Spending on Gross Domestic Product

(1976 SR Millions)

	1985	1986	1987	1988	90-FY 92	1990	1991	1992
Consumption	467.2	496.3	496.5	506.3	582.4	532.3	562.5	612.5
Private	292.1	300.0	302.0	307.5	413.6	360.1	383.4	426.3
Public	175.1	196.4	192.5	198.8	168.8	172.2	179.0	186.2
Investment	114.7	107.9	102.7	110.0	71.8	146.4	152.2	118.8
Private	101.1	139.7	69.5	51.2	-1.5	71.6	74.5	37.9
Public	13.6	138.8	33.2	58.8	73.3	74.8	77.7	80.9
Exports, GMFS	351.6	313.5	323.3	364.0	383.7	408.9	432.5	456.8
Imports, GMFS	428.1	400.3	381.9	408.5	439.9	477.6	512.8	528.3
GDP	505.4	517.5	538.7	571.8	598.0	610.0	634.4	659.7
Gross Dom. Saving	38.2	21.2	44.2	65.5	15.6	77.7	71.9	47.2

SOURCE: IMF, Recent Economic Developments, Feb. 21, 90-FY 92, Table III, and REDSO Projections

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ANNEX G: ENGINEERING REPORT

memorandum

DATE: April 10, 1990

LY TO
ATTN OF: Iqbal M. Chaudhry, Supv. Engr. Officer, REDSO/ESA *I. Chaudhry*

SUBJECT: Seychelles-ESF/CIP Projects-Technical Review and Analysis

TO: Ambassador James Moran, American Embassy Victoria

THRU: Robert G. Rose, Chief Engineer, REDSO/ESA (draft)
" Satish P. Shah, Director, REDSO/ESA (draft)

I. Purpose:

As part of other REDSO/ESA team, charged with responsibility for the preparation of the PAAD for the ESF/CIP funded activities.

1. To review the progress of work on the 1989/90 ESF funded Local Currency Sub Projects.
2. To provide technical analysis of the proposed subprojects to be funded from the ESF/CIP during the next three years, FY/1990-91, FY/1991-92 and FY/1992-93.

II. Persons Contacted:

U.S. Embassy

James Moran	-	Ambassador
James Melville	-	Consular Officer
Gary Anderson	-	Pol/Econ Officer

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James Melville, Consular Office.

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REDSO/Admin Unit (files)

GOS.

Bertrand Kassool	Dir. Gen. MPER	
Mrs Maryse Roberts	Sr. Econ. Coop. Officer	MPER
Gilbert Gonthier	Architect	MPER
Ananda Dassanayake	Proj. Accountant	MPER
Casey C.de F. Pereira	D.G.	MTT
Charles Elizabeth	Chief Engineer	MTT
Alone Edmond	Road Engineer	MTT
Chrystold Chetty	Director Admn	MF
Michael Sanders	A/Dir. Admn.	MF

Private Sector and others:

Philippe Chong Seng	Mg. Dir. SECL
Livio Lang	Mg. Dir. SEPEC
Patrick Berlouis	D.G. Info. RTS
Jude Rene	Sr. Engr. RTS
Mr. Kapila	Str. Engr. Joe Poole Assoc.
B.K. Patel	Contractor Allied Builders Sey.
Derek Pell	Water Engineer Peace Corps
Mrs. Shoppe	Director Creol Institute Seychelles

III Accomplishments:

This TDY to Seychelles was made from March 25 to April 1, 1990. I was a member of the delegation along with Mr. John Wall, Supervising PDO REDSO/ESA who was the team leader for the preparation of the PAAD.

During this visit;

- a. I collected and reviewed a number of documents e.g. project implementation reports, project descriptions, proposed project activities, cost estimates and other technical documents.
- b. I participated in several meetings with the GOS, parastatal organizations and other private sector groups.
- c. I visited the sites of a number of completed, ongoing and the proposed project activities on the islands of Mahe, Praslin and La Digue.

An analysis of my findings and recommendations is given in the following section IV.

IV. Findings and Recommendation

A. 1989-90 ESF/CIP Sub Projects

1. St. Joseph Creol Institute.

The subproject funded at SR 2.0 million (one million each in 1988 and 1989), was designed to renovate a colonial style house at the old plantation of St. Joseph in Anse Aux Pins. The work involved, converting the building for use as the headquarters of an institute which will be engaged in research for the preservation of Creol culture in Seychelles. A consultant architectural firm of L.B. Symbian, provided the design and construction supervision services. The ministry of education, information and youth (MEIY) is the implementing agency.

The construction work was completed in October, 1989 and a Practical Completion Certificate was issued by Symbian along with a snag list, in October 1989. The building is presently occupied by the office of the Director of Creol Institute.

During my inspection of the facility, I noted some structural deficiencies having been left out in the renovation process. This concerns the support system of the balcony floor where the rather slender beams and columns, originally meant to support live loads for a private residence will now be subject to much larger loading for a public building.

In the event of a public gathering on the building, the balcony is very likely to collapse and cause damage to life and property. I expressed my concern on this issue to the director of the institute and to the GOS representatives. Later on, in a meeting with the architect's representative Mr. Miles Humphry, also attended by M/s Wall of REDSO and Melville of embassy, I repeated my concern explaining the technical aspects of the problem.

The architect agreed to have his structural engineer review and redress the problem. It was found that out of the SR 2 million allocated for this job, there was an amount of approximately SR 70,000 left unspent, and that could be used to reinforce the building as necessary. The copy of the snag list was not available for my review and understandably, some of the items therein were still outstanding. The quality of work was otherwise found satisfactory.

2. Radio and Television Service (RTS) Studios Phase I

This subproject funded by 1989 ESF/CIP at SR 6.0 million is designed for upgrading/expansion of the RTS station at Hermitage to cater for the demands of daily television broadcasting and to provide enough studios. The total estimated cost of phase I works is about SR 7.0 million. The work involves the construction of; TV annex (production, control, editing and workshop rooms), studio, generator room, driveway, parking lot, storm drainage systems, installation of air conditioning and acoustical systems, rewiring of switchgear and supply of electricity for the entire complex and reconnection of electrical main cables to stand-by generators. The French government has agreed to fund the procurement of equipment and programming material. This project is a key element within the learning process of many Seychellois, as the weekly health and cultural programs reach more than 80 % of the general public via the television and radio.

The implementing agency is the Ministry of Information, Youth and Culture (MIYC). The consultants for the job are Hughes & Polkinghorne architects and Joe Pool Associates structural engineers. The contractor is M/S Allied Builders Seychelles (Pty) ltd.

The construction work started in July¹ 1989 and was scheduled to be completed in March 1990. Due to difficulties in procurement and import of virtually all the construction material (except sand and gravel), delays have occurred and the estimated completion date is now July 1990. At the time of my inspection, the work was progressing satisfactorily. Almost all of the concrete block masonry work for walls of various structures was complete and preparations were being made for the casting of the roof over the studio.

The major items of work accomplished to date include; site clearance and site drainage, foundations and substructures, external and internal walls, some work on frames, roofs, stairs, electrical installations and internal wall finishes. The quality of work was found to be reasonably good and acceptable. The concrete cubes were regularly taken and tested and I was advised that the crushing strength was generally over 35 N/sq. m versus 25 used in design.

3. Providence Industrial Estate

This subproject funded under 1989 ESF/CIP amount of RS 2.5 million, finances a small portion of the umbrella project launched by the GOS based on a number of financing sources. The USAID funds are to finance part of the stage 1 of phase 1 which includes access roads and utility connections (water, electricity, telephone and street lighting) on an area of 16 hectares recently reclaimed on the east coast of Mahe south of Victoria.

The subproject was engineered by the Land Transport Division of the MTT and the construction contractor is Vijay Construction Company. The implementation of the project is being done by Seychelles Industrial Development corporation (SIDCO), a parastatal agency of the GOS. The USAID funded works started in January 1989 were scheduled for completion in August 1989. During my site visit I found that the roads and drainage had been completed but the utilities (water, electricity and telephone) were yet awaited.

4. East Coast Subproject

This project jointly funded by ADB and USAID has three components; (a) construction of service facilities at SR 558,347 comprising; service workshop, carpentry workshop, new roads and associated services, at the commercial port of Victoria including the improvement of security (construction of new security station and the gate house) around the port, (b) Demersal Fishing Quay at SR 1,355,037 comprising; provision of landing and maintenance facilities for the Demersal (traditional) Fishing Fleet and (c) Fenders for Mahe Quay at SR 2,345,437 comprising; purchase, delivery and installation of Bridgestone Marine fenders on Mahe Quay. The implementing agency for this project is the Port and Marine services Division (PMSD) of the MPER.

The USAID funding allocations for this project were made from the 1987 and 1988 ESF/CIP. The schedule varied for different activities with some of them delayed into the 1989 and 1990. By the time of this visit, all of the work was substantially complete, with the exception of asphaltting of roads in the service facilities area. Some problems were experienced from recurrent damaging of the fenders in place due to improper anchoring of the visiting ships.

5. Road Rehabilitation Phase V.

The 1989 ESF/CIP allocated SR 4.5 million for this subproject which included;

Road	Location	Length (KM)	Cost(SR.M)
1. Anse Police bay	Southern Bay	1.4	2.40
2. Upper Capucin	Southern Mahe	0.4	0.01
3. Caiman Estate	Central Mahe	1.0	0.36
4. La Gogue	Northern Mahe	5.0	1.00
5. La Battie	Northern Mahe	1.5	0.30
6. Majoi	Northern Mahe	0.8	0.15
7. Beau Vallon	Northern Mahe	0.2	0.19

The 1989 ESF/CIP allocations for phase V of the road rehabilitation included roads, all located on the main island of Mahe. The implementing agency for this activity is the Land Transport Division (LTD) of the Ministry of Transport and Tourism (MTT). Led by the road engineer of the LTD, we visited almost all of the Phase V roads and some others funded from previous year's CIPs or jointly funded with other donors.

The rehabilitation work related to the Anse Police Bay road consisted of widening it on its east side on an average 2.0 meters to increase the road width to an average 5.5 meters, preparation of the subgrade and the base course with granular material, surfacing the road with a reinforced concrete slab 150 mm thick and the construction of some stone masonry edge walls and retaining walls. This work was finished in January 1990. The rehabilitation work carried out on the rest of the roads funded under the 1989 CIP, generally included; paving with twin concrete strips each 750 mm wide and 125 mm thick with a median unpaved strip surfaced with grass. Due to the hilly and winding nature of the terrain where most of these roads are located, no significant cross drainage works have been built.

The quality of the work, both for design and construction, is good (smooth vertical and horizontal curves, gradual transitions and optimum grades, drainage ditches, sound concrete pavings without honey combing, chipping, spallings or cracking etc.). However, I noticed some inherent deficiencies in most of the road system, e.g. very little (or complete lack of) provision of road safety barriers and the laybys (turning points) on many long single lane stretches of roads. Another problem noticed was the inadequate maintenance of drainage culverts which were at places clogged with branches of fallen trees/bushes and boulders from adjacent rock slides.

6. La Digue Water Supply Project.

The purpose of this project is to expand and improve the existing La Digue water supply system for use by an additional 33 % (up from present 42 % to 75 %) of the island population of 5000. The project consists of collecting water from springs and small streams, providing secondary treatment followed by pumped storage and gravity distribution. The major components of the project are: Two river water intakes, sedimentation tanks, intake gravity pipelines, aeration tanks, mixing tanks, slow sand filters, chlorination system, pumping system, force mains storage tanks and distribution system.

This project funded from 1987 and 1988 CIP for a total of SR 1.9 million is still in progress. The overall cost of the project is estimated at SR 8.3 million, out of which an amount of SR 6.0 million, estimated for the procurement of the equipment, is to be financed by Fond d' Aid Cooperacion (French AID). The implementing agency is the Public Utility Corporation (PUC) of the GOS. The design and construction management of the project is being done by Peace Corps whose resident engineer on site Mr. Derek Pell (a Geological Engineer by academic background) led us on a visit to the project site. I wish to commend Peace Corps on the high quality of engineering design and construction supervision, so efficiently and ably provided by the resident engineer Derek Pell in the face of numerous logistical problems on the tiny island.

By the time of this visit, the major components of the facility completed included; intake structures, sedimentation tanks, intake gravity lines, ground water well, raw water tank, airator, pump house and storage reservoirs. The work was in progress on; force mains, distribution mains and slow sand filters.

7. National Library

The up-to-date ESF/CIP funding allocation to this project is SR 3.0 million including the latest 1.0 million from the 1989 CIP. The overall estimated cost of this project is SR 35.0 million and it is to be financed by a number of donors including;

USAID/ESF/CIP SR 4.5 million, EEC SR 6.0 million, Japan SR 1.0 million, general contributions from the people of Seychelles SR 3.0 million, and the government of Seychelles the balance.

The work consists of constructing a new national library building covering approximately 6,000 square meters of area, which will include; main lending library, children's library, exhibition hall, reading room research and study facilities and the national archives. The implementing agency is the MEIY. The architectural firm of Hughes and Polkinghorne prepared the design plans and the contract documents last year.

Although the GOS accords top priority to this project, the progress of work has been very slow. The tenders were advertised only in March 1990 and the foundation work was scheduled to start in April 1990. Due to lack of activity on the project and our own time constraint, no visit was made to this site of work.

B. ESF/CIP Program for the next three years- 1990, 1991 and 1992

For the next three years, the ministry of planning and external relations of the GOS has proposed the subprojects listed in attachment A. Some of the subprojects are continuation of the previously funded activities under the ESF/CIP and it is gathered that their technical review was provided earlier. The technical review of each of the new infrastructure subprojects is given in the following paragraphs.

1. East Coast Road Phase II SR 2.2 million

The project proposes to construct the second phase of the East Coast Road on the reclaimed land of the island of Mahe from Mont Fleuri upto Providence, approximately 3.5 KM long. The first phase of the ECR also funded by ESF, was completed in mid 1989 and stretched from Le Chantier round to Plaisance on the reclaimed land. The works will include; construction of embankment, base course, and a surface course with necessary grading, cross falls and camber. The average width of the carriageway will be 7.0 meters with provision for shoulders and a footpath to be surfaced at a later date. The surface course will be composed of a 50 mm thick premix asphalt.

The cost of this project base on MTT's estimate is SR 2.2 million. This estimate appears to be too low and a more realistic cost would probably amount to SR 3.0 million.

The GOS accords a lot of priority to this project as the proposed road actually forms a segment of a so called throughway, being developed in parts, which serves as a bypass for the interior of the Victoria town and provides easy and rapid access to the Seychelles international airport. The Land Transport Division of the MTT which has qualified engineers on its staff and has a lot of experience in road construction, will be the implementing agency. Based on the reasonable engineering schematics, the cost estimate and the available resources, the proposed project is technically sound for ESF funding.

2. Rock Armouring subproject. SR 7.7 million.

The purpose of this subproject is to protect the slopes of embankments of the reclaimed land on the east coast of the island of Mahe against scouring actions of the waves and tides and the sloughing of embankment fill during drawdown. The project also contributes towards the prevention of erosion and the accompanied siltation on the inshore edges of lagoons and the protection of reef and coral ecosystem near shore. The project proposes to cover 550 linear meters of inshore edges of the lagoon served by the existing triple CMP culvert system during 1990, followed by armouring the waterward slopes of the reclaimed land on the East coast.

The work consists of dumping heavy riprap on the slopes of the embankments as a protective layer against scour and backwash. Good quality sound granitic stone is available from local quarry sites within reasonable hauling distances. The implementing agency is the ministry of community development. Rock armouring work has been done before on various locations on the island, particularly in the harbor area. The need for the shore protection of the reclaimed land, the availability of the equipment and the necessary expertise for implementation, makes the project technically sound.

3. Assomption AirStrip

The purpose of the project is to develop Assomption Island as a tourist resort and to facilitate further access to the natural reserves of Aldabra by the scientists, researchers and other tourists. The Assomption Island, situated at 626 nautical miles southwest of Mahe, does not have proper and safe landing facilities for aircraft. The project proposes; to construct a 1200 meter long runway and associated infrastructure and procure and install the equipment necessary to operate the airport.

The work includes;

- . necessary site clearance, grading, backfilling, compaction, of the right of way.
- . constructing a 200 mm thick X 23 meter wide X 1200 meter long runway with 6 meter wide asphalt strips on both sides, all in accordance with standards of International Civil Aviation Organization
- . construction of associated infrastructure including; apron, operations building, housing for operations staff, roads, drainage and other utilities.
- . Procurement and installation of the necessary plant and equipment e.g. fuel storage, telecommunication, navigation, fire fighting and controls. The implementing agency will be the ministry of administration and manpower (MAP)

The GOS has prepared a rough cost estimate of this project amounting to SR 2,750,000 and proposes to finance it with SR 1.0 million from 1990 ESF and the balance from its own national budget. In my view the estimated cost is substantially low and a more reasonable figure would be SR 10 million. We did not have a chance to visit the Assomption Island for inspection of the site to formulate a solid opinion on the feasibility of the project. Although the logistics involved in doing this construction on a tiny remote island will be very complicated, yet technically, there appears to be no inhibition on the feasibility of this project.

4. East Coast Project. Phase II SR 7.97 million

The phase I of the project started earlier was funded in part from the 1988 ESF/CIP program. Under phase I, the GOS expanded the service facilities at the port of Victoria. The phase II of the project involves dredging of the port and reclamation of the land from the south of Providence to the airport, for a total of 117 hectares planned to be reclaimed under the project. The GOS estimates total cost of the phase II at SR 55 million, 85 % of which is planned to be financed by soft loans from the Belgium government and commercial loans from the Bank Generale. In order to cover the remaining 15 %, the GOS proposes to allocate ESF/CIP generated local currency amounts of SR 1.95 million in 1991 and SR 6.0 million in 1992.

The major components of the work consist of;

- . dredging dry dock and pit area,
- . land reclamation- dry dock and ship area,
- . land reclamation south of Providence

The implementing agency is the Public Utilities Corporation of the Ministry of Administration and Manpower.

5. Praslin Road Rehabilitation SR 6.1 Million

Under this project, the GOS proposes to construction 4.2 km of new roads on Praslin and resurface approximately 17 km of existing asphalt roads in 1990. The estimated cost of this project is SR 10.0 Million and based on a cost sharing ratio of 40% by ESF and 60% by World Bank, the GOS proposes to allocate SR 3.8 million from the 1990 ESF/CIP funding. The GOS recognizes that under the present situation where the 1990 CIP has been reduced to approximately SR 11.0 million, it may have to contend with less i.e. in that case proposes to allocate only SR 2.5 million to this component out of the 1990 ESF and make up the difference from other sources. The GOS further proposes to allocate SR 2.3 million from the 1991 ESF/CIP, for the rehabilitation of other roads in Praslin.

The major components of the subproject for 1990 are:

Anse Kerlan Road Phase II	3.0 km, cost 2.5 million
Cote D'or Road	2.7 km, cost 2.5 million
Asphalting of Existing Roads	17.0 km, cost 4.4 million

The work on the Anse Kerlan road which extends from the former Police Training School to the site of the newly planned Anse Kerlan Hotel, consists of; repairing the present deteriorated earth road (part width of which has been washed away by heavy runoff from rainfall) by backfilling with granular fill material, grading and compaction to form a suitable subgrade, constructing side ditches and cross drainage structures, laying pipe ducting for utilities and finally surfacing it with premix asphalt.

The work on the Cote D'or road consists of; diverting the existing road to permit its widening (the present route has a limited right of way and there is no space for expansion), construction of embankment, four culvert bridges for stream crossing, other drainage structures and utility piping and 6 meter wide asphalt surfaced carriageway.

The work of asphalting the existing roads consists of filling the pot holes and resurfacing the road with a new premix asphalt carpet. Almost all of the existing asphalt roads have been built without a structural base course (normally provided from hard crushed rock). This design methodology reduces initial construction cost, but on the other hand it accelerates the need for recurrent resurfacing and also the lack of resurfacing can result in complete destruction of the road.

The implementing agency will be the Land Transport Division of the MTT, who has a lot of experience in road construction and has qualified engineers on its staff. Almost all of the construction material except earth fill, will have to be imported into Praslin, thus escalating the costs. However, in view of the justifications and the design approach proposed by the GOS, the project is technically feasible.

6. Praslin Craft Village, SR 1.4 Million

The purpose of this subproject is to promote tourism and develop commercial opportunities for the local entrepreneurs including artisans. The subproject proposes the establishment of a craft village in Praslin on the site of the former Fish Trap restaurant at Bai St. Ann. A complex of buildings will be constructed in a traditional creol style around a restored plantation house which displays a permanent exhibition of a traditionally furnished interior. The artisans will produce and display articles for the tourist market, ranging from high quality clothing to tortoise shell carvings. The GOS proposes to allocate SR 0.9 million and 0.5 million from the 1991 and 1992 ESF/CIP funds for this job.

The construction work will consist of:

- . demolishing the existing main building
- . building a new creol style restaurant including dining room, bar, kitchen, offices and staff rooms,
- . workshops and public toilets
- . site works (grading, drainage, parking, access road),
- . utilities (electricity, water, telephone)

The implementing agency is the MTT who has retained the services of the consultant architects Hughes & Poringhorne for design of the project. Technically the project is feasible but USAID proposed to the GOS to conduct a market study for the economic feasibility of the project before construction is started.

Attachment A

List of projects proposed by GOS for funding from the ESF/CIP generated local currency for the years; 1990, 1991 and 1992
Budget in Millions SR

No	Title	1990	1991	1992	Imp. Agency
1	Providence Industrial Estate	2.00	2.00	4.00	SIDEC
2	East Coast Road Phase II	2.2			MTT
3.	Rock Armouring	1.7	6.0		MCD
4.	Assomption Air Strip	1.0			MAM
5.	East Coast Project Phase II		1.95	6.0	MAM
6	National Cultural center		1.5		MICS
7	Praslin Road Rehabilitation	2.5	2.3		MTT
8	Praslin Craft Village		0.9	0.5	MTT
9	Pollution Control Equipment		1.5		MTT
10	Environmental Protection			2.15	MI
11	Cattle Multiplication			2.5	MAF
12	Consultancy Market Study	0.1			MI
13	Consultancy Investment Code	0.125			MF
14	Consultancy National Plan	0.375			MPER
15	Scholarships	1.0	1.5	2.5	ME
16	SIM In-Training Services		0.5	0.5	MAM
Total		11.00	18.15	18.15	

Note: If the original ESF/CIP funding level of SR 16.5 million is restored, there will be additional allocations of SR 4.2 million for Providence Industrial estate (project No. 1) in 1990 and SR 1.3 million for Praslin Road Rehabilitation (project no. 7) in 1990.

ANNEX H: FUNDS CITES AND REDELEGATION OF SIGNATURE CABLES

ACTION AID-3 INFO ECON POL/RLO

ANNEX B-1

VZCZCNA0547
 PF RUEENR
 LE RUEEC #2370 1232011
 ZNR UUUUU 22H
 P 032009Z MAY 90
 FM SECSTATE WASEDC
 TO RUEENR/AMEMBASSY NAIROBI PRIORITY 8946
 INFO RUEFMVI/AMEMBASSY VICTORIA PRIORITY 4807
 BT
 UNCLAS STATE 142370

04-MAY-90 TOR: 03:53
 CN: 41506
 CHRG: AID
 DIST: AID
 ADD:

AIDAC NAIROBI FOR REDSO/ESA BLA

MAY 04 RECD

P.C. 12356: N/A

SEYCHELLES FY 1990 COMMODITY IMPORT PROGRAM AD
 HOC DELEGATION OF AUTHORITY (DOA)

REF: NAIROBI 10212

1. THE FOLLOWING AD HOC DELEGATION OF AUTHORITY IS FROM THE ACTING ASSISTANT ADMINISTRATOR FOR AFRICA:
2. I HEREBY DELEGATE AUTHORITY TO THE UNITED STATES AMBASSADOR TO THE SEYCHELLES, OR TO THE PERSON ACTING IN THAT CAPACITY, TO SIGN A GRANT AGREEMENT FOR THE SEYCHELLES FY 1990 COMMODITY IMPORT PROGRAM IN AN AMOUNT NOT TO EXCEED DOLS 1,991,000 (ONE MILLION, NINE HUNDRED NINETY-ONE THOUSAND).
3. THIS AD HOC DOA SHALL BE SUBJECT TO ALL THE TERMS AND CONDITIONS OF AFRICA BUREAU DOA 551. THE EXECUTION OF THE CIP GRANT AGREEMENT SHALL BE SUBJECT TO FORMAL RIA REDSO/ESA CLEARANCE AND APPROVAL. FUNDS MAY NOT/NOT BE OBLIGATED UNTIL POST HAS RECEIVED NOTICE THAT THE SUBJECT PAAD HAS BEEN APPROVED AND THE ALLOWANCE CABLE HAS BEEN RECEIVED. EAGLEBURGER
 BT
 #2370

NNNN

UNCLASSIFIED STATE 142370

REDSO/ES	Action	Info
OD		✓
D/DIR		
AGR		
ANAL		✓
CM		
CON		
ENGR		
REP		
LEG		✓
PH		✓
PROJ		✓
LIBRARY		
RFMC		✓
EXO/PER		
ADMIN		✓
CHRON		✓
REPLY DUE		
ACTION TAKEN		
DATE		
INITIALS		

VZCZCNA0867
PP RUEHNR
DE RUEHC #0175 1220721
ZNR UUUUU ZZH
P 020721Z MAY 90
FM SECSTATE WASHDC
TO RUEHMVI/AMEMBASSY VICTORIA PRIORITY 4799
INFO RUEHNR/AMEMBASSY NAIROBI PRIORITY 9992
BT
UNCLAS STATE 140175

02-MAY-90 TOR: 07:24
CN: 40827
CARG: AID
DIST: AID
ADD:

AIDAC, NAIROBI FOR REDSO/EA

E.O. 12356: N/A

SUBJECT: ESF ALLOWANCE

Rfmc

1. APPROPRIATION 72-110/11037, BUDGET PLAN CODE GES0-90-31662-KG32 (ALLOWANCE 070-61-662-20-59-01) ESTABLISHED FOR DOLLARS 1,991,400 FOR PROJECT 662-0011, COMMODITY IMPORT PROGRAM IX. GRANT AGREEMENT NO. 662-R-509 APPLIES.

2. FUNDS FOR THE ABOVE-MENTIONED PROJECT CAN BE OBLIGATED WHEN PAAD IS AUTHORIZED BY REDSO/EA AND AID/W-PFM/FM/AD/PNP NOTIFIED.

3. MISSION IS REQUESTED TO CABLE AID/W WHEN FUNDS ARE OBLIGATED AND SEND COPIES OF DOCUMENTATION TO PFM/FM/AD/PNP, AFR/PD AND AFR/DP. BAKER

BT
#0175

NNNN

UNCLASSIFIED STATE 140175