

PDBBR-855

NOTICE OF RECORD

DATE: 7/3/89

CORRECT PROJECT NUMBER IS: 6620010

CORRECT PROJECT TITLE IS: C.I.P. VIII

VERIFIED BY: *[Signature]*
AFR/PD/IPS

DATE: 7/3/89

CLEARED BY: *[Signature]* for *[Signature]*
CHIEF, AFR/PD/IPS

DATE: 9/29/89

6620012

1815
2990

CLASSIFICATION:

AID 1120-1 PAAD	AGENCY FOR INTERNATIONAL DEVELOPMENT PROGRAM ASSISTANCE APPROVAL DOCUMENT	1. PAAD NO. 662-K-608
		2. COUNTRY SEYCHELLES
		3. CATEGORY COMMODITY FINANCING STANDARD PROCEDURE
		4. DATE APRIL
5. TO:	Satish P. Shah Director, REDSO/ESA	6. OVS CHANGE NO. N/A
7. FROM:	John Wall Project Officer, REDSO/ESA	8. OVS INCREASE NONE TO BE TAKEN FROM: N/A
9. APPROVAL REQUESTED FOR COMMITMENT OF: \$3,000,000		10. APPROPRIATION - 72-119/01037 GES9-89-31662-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 4/30/89 - 1/1/91
14. TRANSACTION ELIGIBILITY DATE		GRANT SIGNATURE DATE

15. COMMODITIES FINANCED
Medium Fuel Oil (MFO) and Diesel Fuel Oil.

16. PERMITTED SOURCE	17. ESTIMATED SOURCE
U.S. only:	U.S.:
Limited F.W.: \$1,800,000	Industrialized Countries: \$1,200,000
Free World: \$1,200,000	Local:
Cash:	Other: Kenya or Madagascar \$1,800,000

18. SUMMARY DESCRIPTION

The FY 89 Seychelles Commodity Import Program provides a \$ 3 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 16.5 million Seychelles Rupees) will be used to finance a set of economic development activities mutually agreeable to the Government of the Seychelles and AID.

RSCTLNO: 4590001

72-119/01037
BPC GES9-89-31662-KG32
Allowance 970-61-662-00-59-91

19. CLEARANCES	20. ACTION
REDSO/PRJ: EMORRIS <i>[Signature]</i> 5/2/89	<input checked="" type="checkbox"/> APPROVED <input type="checkbox"/> DISAPPROVED
REDSO/RLA: JBORNS <i>[Signature]</i> 4/2/89	<i>[Signature]</i> 5/4/89
REDSO/APD: RBURKE <i>[Signature]</i> 3/24/89	AUTHORIZED SIGNATURE
REDSO/CMO: RB. TADER <i>[Signature]</i> 3/24/89	DATE
REMC: TCULLY <i>[Signature]</i> 2/3/89	TITLE for DIRECTOR, REDSO/ESA

CLASSIFICATION:

FUNDS AVAILABLE
RWY
REMO-NAIROBI/KENYA
DATE..... 5/3/89

I. SUMMARY AND RECOMMENDATIONS

- A. Title : Seychelles FY 1989 Commodity Import Program
- B. Amount : \$3,000,000
- C. Type of Funding : Economic Support Fund (ESF) Grant
- D. Term of Program : Twenty months
- E. Executing Agency : Government of Seychelles (GOS),
Department of Planning and
External Relations

F. Program Justification:

The justification for the FY 1989 Seychelles program, the seventh year of U.S. development assistance there, continues to be the need to maintain U.S. political and strategic interests due to its important location in the Indian Ocean. The FY 1989 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 \$3,000,000 (ESF Grant) for FY 1989 to finance medium fuel oil and diesel fuel 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, for intra and inter-island transportation. Current estimates of demand and oil prices indicate that the fuel oil provided under the CIP will supply 100 percent of the electrical power generation needs of Seychelles.

2. Local Currency Generations:

The local currency generated by the sale of the fuel oils 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 16.5 million be allocated to finance the following projects:

a. Road rehabilitation (SR 4.5 million) at seven sites scattered over the main island of Mahe.

b. The Providence Industrial Estate (SR 2.5 million), which will provide plant locations for light industry.

c. Construction of the National Library (SR 1 million) to improve access by the general public to printed educational material.

d. Construction of rooms and infrastructure for the Radio and Television Service (RTS) (SR 6 million) to permit an expansion of educational TV programming.

e. Rehabilitation of an existing colonial house for the St. Joseph Creole Institute (SR 1 million) whose mission is to preserve creole culture.

f. Off-shore and in-country training (SR 1.5 million) of Seychellois to improve technical skills.

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

H. Program Implementation:

1. Institutions: The institutional responsibilities for the FY 1989 CIP are:

a. The Ministry of Planning and External Relations, 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; and,

d. The Public Utility Corporation, Electricity Division (PUC/ED) is the primary end user of the program financed petroleum products.

e. The United States Agency for International Development (USAID) is the financing institution;

2. Procurement Arrangements: The medium fuel oil and diesel fuel 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 medium fuel oil and diesel fuel 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 four partial payments will be required for the entire 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 2.1 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 is probably 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 13.5 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 the 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 the 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

What complicates economic management in the case of the Seychelles is the very large size of the fiscal deficit. 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. 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 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 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 expended 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. National Development Planning

The GOS has prepared and published a series of national development plans designed as rolling five year plans. The first medium-term plan (1978-1983), 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. The actual implementation of this directive can be seen in the growth of recurrent expenditures.

Table III.1
Actual Recurrent Expenditures
(SR Millions)

	<u>1978</u>	<u>1983</u>	
	SR	SR	\$
Public Works	27.6	52.0 ^{1/}	88
Education	26.7	79.5	198
Health	17.0	39.7	134
Total Social Services	49.1	163.2	232
Total GOS Expenditures	201.5	434.6	116

^{1/} Expenditures thru 1979 only; in subsequent years this function was allocated to parastatals.

SOURCES: GOS documents

However, in addition to the planned increases in resources for public administration (to manage a more active government participation in economic and social affairs) and public defense, further allocations, originally destined for social and economic development priorities, were diverted to these two areas, thus effectively circumscribing the GOS effort to improve infrastructure and social services.

The Fifth National Development Plan (1985-1989) has given 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 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) has been allocated to the productive sector, as follows:

Table III.2
1985-89 Development Plan Investment Budget

<u>Productive Sector</u>	<u>(SR Millions)</u>
Seychelles Marketing Board (SMB) ^{1/}	110.47
Agriculture and Forestry	199.10
Fishing	217.56
Tourism	343.05
Industries	129.56
Outer Island Development	81.80
Sub Total	1,084.92
Social and Other Development	1,741.33
1985-89 Plan Total	2,826.25

^{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 26 percent for productive purposes in the 1982-86 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 additional foreign exchange. The additional farm labor required to meet these production target 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 major 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.

2. Progress on Plan Implementation

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 1978, 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, 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 two Boeing 707 aircraft in operation. Two new aircraft are being added to the fleet; a Boeing 767-200 ER and negotiations are underway for an airbus; the two 707's are expected to be sold or leased.

b. Fishing: In June 1987 a tuna canning factory was 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 earner.

c. Agriculture: Progress has been made in reaching the goal of overall 60 percent self-sufficiency, with full self-sufficiency targeted for vegetable, animal feed, and short cycle fruit production. Seychelles now meets a significant portion of the local demand for chickens (70-80 percent), pork (50 percent) and fruits and vegetables (40-50 percent) 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.

Individual sectoral plans have been put forward for the 1990-1994 planning period, but the consolidated planning document has not yet been completed.

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 Investment Expenditures
(SR Millions)

	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
1985-1989 Plan	692.1	703.1	546.2	577.5	307.3
Annual GOS Budget	124.7	228.4	255.5
Actual Expenditures <u>1/</u>	93.1	166.2	N/A

1/ For 1988 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 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>1983</u>	<u>Actual</u> <u>1984</u>	<u>1985</u>	<u>1986</u>	<u>Provisional</u> <u>1987</u>
Receipts	83.0	101.4	156.0	207.5	61.1
Repayments	(12.7)	(17.7)	(46.8)	(48.5)	(40.2)
Net Loans	70.3	83.7	109.2	159.0	20.9
Official Transfer Payments	96.6	106.7	102.1	101.6	131.2
Net Total Inflow	166.9	190.4	211.3	260.6	152.6

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.

Within the last year, the GOS has signed long-term technical agreements with India, Nigeria, and Malaysia which involve exchange between Seychelles and the signatory in broad areas of education, culture communication and sciences. Seychelles also has received loans and gifts from bilateral donors ranging from the North Koreans, for building materials to be used in constructing a sports complex, to the French, for agricultural machinery to be used on a large state-owned farm which produces approximately 10 percent of Seychelles fruit and vegetable crop. The World Bank, in addition to being the lead donor for the East Coast Projects, is also the major source of financing (together with AID local currency generations) for a continuing effort to rehabilitate the Seychelles road network.

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>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	2,369,153	2,369,153	5,847
FY 88	K-607	2,800,000	2,800,000	2,800,000	0
Total		15,089,000	15,083,000	15,083,153	5,847

SOURCE: RFMC reports

In all cases the commodity procured has been a combination of medium fuel oil (MFO) and diesel fuel oil. The MFO and diesel fuel 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 PP.

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 1989, 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 1989)

<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 82	K-601	13,440,358	13,440,358	0	13,345,152	95,206
FY 83	K-602	13,868,048	13,868,048	0	13,183,155	684,893
FY 84	K-603	14,622,441	14,622,441	0	15,155,870	(533,429)
FY 85	K-604	13,262,659	13,262,659	0	12,135,582	1,127,077
FY 86	K-605	11,757,681	11,757,681	0	9,994,749	1,762,932
FY 87	K-606	13,455,259	13,455,259	0	11,625,639	1,829,620
FY 88	K-607	14,000,000	8,509,434	5,490,566	2,632,563	11,367,437
Total		94,406,446	88,915,880 94%	5,490,566 6%	78,072,710 83%	16,333,736 17%

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 69 percent of the expenditure pipeline (amount due - expenditures) is accounted for by the local currency generated from the last year's FY 88 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. In many cases, the funds have been used as counterpart for other multilateral or bilateral projects. For example, each year since 1982 a significant proportion of the total local currency allocations have gone for road rehabilitation (SR 18,890,000 or 20%) or the East Coast Project (SR 26,687,500 or 28%), from a total 1982-1988 allocation of SR 94,406,476. In addition to the physical infrastructure development carried out under these projects, the funds have been used for productive activities 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. The CIP generated local currency represents an important source of financing for small development projects

and, in combination with other donor foreign assistance, for larger infrastructure construction and rehabilitation activities.

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 on furtherance of U.S. foreign policy interests.

IV. PROGRAM DESCRIPTION

A. Proposed Assistance

This Program Assistance Authorization Document (PAAD) proposes that AID provide \$ 3.0 million (ESF Grant) in FY 1989 to finance a Commodity Import Program for Seychelles. The CIP will procure medium fuel oil (MFO) and diesel fuel oil, the sale of which will generate local currency for use by the GOS to finance the local costs of a set of 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 during the period 1984-1987.

Table IV.2
Seychelles Oil Imports
(SR Millions)

	1984	1985	1986	1987 (P)
Total imports (cif)	618.7	704.7	652.0	636.6
Petroleum products	186.4	184.4	110.8	95.0
Aviation fuel	2.0	4.0	2.0	1.3
Motor fuel	17.1	10.3	5.7	4.4
Jet fuel & kerosene	30.1	25.7	14.1	22.8
Diesel fuel	110.3	117.5	73.8	50.6
Medium fuel oil (MFO)	20.6	23.8	7.9	10.3
Other	4.3	5.1	8.1	5.6
Re-exports	145.3	166.2	87.8	77.7
Petroleum for domestic use	41.1	18.2	23.0	17.3
Percentage, Petroleum/ Total Imports	30	26	17	15

SOURCE: GOS Statistical Abstract 1987, 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, which accounts for 62 percent of the overall decline in petroleum imports.

The procurement marketing and distribution of petroleum products is carried out by two parastatal enterprises: the Seychelles Petroleum Company (SEPEC) and the Mahe Bunkering Company (MABCO). 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. MABCO was established to service the freighter and fishing fleets using Seychelles port of Victoria. A process of consolidation is now underway which will incorporate the bunkering function under SEPEC, eventually dissolving the Mahe Bunkering Co. SEPEC has 15 storage tanks available with a total capacity as shown below:

Table IV.3
SEPEC Oil Storage Capacity

motor gas	2,000 cubic meters
aviation gas	500 cubic meters
nominal jet fuel	4,400 cubic meters (2 tanks can convert to diesel fuel)
MFO	6,000 cubic meters
diesel fuel	6,000 cubic meters

SOURCE: SEPEC figures.

Two additional 5,000 cubic meter tanks for jet/gas, as well as a 3,000 cubic meter and a 600 cubic meter 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 4,858 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 78,000 kWh in 1988 using a series of diesel generators. Production grew by 12.2 percent over 1987 and demand continues to grow. New generating capacity is scheduled to be installed by mid-1990. All of the institutions involved in the Seychelles petroleum industry have demonstrated strong management and operational capability.

2. Selection of Commodities

The FY 1989 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.

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 MFO and diesel 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

SOURCE: SEPEC figures

Because MFO 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 MFO will be limited to Geographic Code 941 source/origin. Two important factors, however, limit access to diesel fuel 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: MFO from an authorized Geographic Code 941 country and diesel fuel oil from an authorized Geographic Code 935 country.

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 MFO has been sold to MABCO for use by fishing boats, and SEPEC diesel 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>Diesel</u>	<u>MFO</u>	<u>Total</u>
Oct 82-Sept 83	2,991	9,909	12,900
Oct 83-Sept 84	4,944	7,833	12,777
Oct 84-Sept 85	6,576	7,113	13,687
Oct 85-Sept 86	9,589	4,841	14,430
Oct 86-Sept 87	4,609	11,139	15,748
Oct 87-Sept 88	10,670	7,953	18,623
Oct 88-Dec. 89	2,941	2,598	5,539

SOURCE: SEPEC figures

In 1989 the PUC/ED anticipates using approximately 8,000 MT of medium fuel oil and 10,000 MT of diesel fuel. As of this writing (early April) it is anticipated that the program will finance the two commodities in about that proportion. At present market prices, the foreign exchange available should be able to finance about 10,000 - 12,000 Mt of Diesel fuel and about 8,000 MT of MFO. However, the question of the exact proportion of MFO to diesel fuel may be modified prior to the issuance of the IFB.

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 16.5 million in local currency generations from the FY 1989 CIP for the following projects.

a. Road Rehabilitation, Phase V: SR 4.5 Million

The GOS has used local currency generations as its counterpart contribution to the World Bank Transport Project. In the fifth year the GOS proposes to upgrade seven roads, all located on Mahe, as follows:

<u>Road</u>	<u>Location</u>	<u>Distance(KM)</u>	<u>Cost (SR.M.)</u>
(1) Anse Police Bay	Southern Mahe	1.4	2.40
(2) La Gogue	Northern Mahe	5.0	1.00
(3) La Battie	Northern Mahe	1.5	0.30
(4) Upper Capucin	Southern Mahe	0.4	0.01
(5) Majoie	Northern Mahe	0.8	0.15
(6) Beau Vallon	Northern Mahe	0.2	0.19
(7) Caiman Estate	Central Mahe	<u>1.0</u>	<u>0.36</u>
	TOTALS	10.3	4.50

The Land Transport Division has demonstrated in the past that it has the capacity to undertake the projects listed above. While all the FY 89 road rehabilitation work financed with local currency generations will be carried out on the Island of

Mahe, GOS representatives stated that, in fact, more than half of the total GOS budget expenditures for road improvement would be made for work on Praslin.

b. The Providence Industrial Estate: SR 2.5 Million

The Providence Industrial Estate is now under construction on 18 hectares of East Coast Project reclaimed land. The local currency generation allocation will partially finance stage 1 of Phase I, which includes utility connections and access road construction, scheduled for completion in July 1989. At this time, seventy percent of the plot owners have been identified, including the three largest Seychelles fishing firms. Plot purchase terms have been calculated to permit the GOS to recover the investment costs within 30 years.

c. Seychelles National Library: SR 1 Million

FY 89 local currency generation funding will supplement FY 88 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 1990. 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.

d. Radio and Television Service (RTS) Studies, Phase I: SR 6.0 Million

The GOS radio and television broadcasting service is in the process of carrying out an expansion of facilities. The French government has agreed to donate equipment and programming materials. The FY 89 local currency generations will finance the construction of a new studio; generator room, driveway and parking lot, TV production rooms, and related infrastructure. The additional facilities will permit the TV station to broadcast educational programming 7 days a week, rather than the two days it now operates. The completion for Phase I has been projected for 6 to 8 months following commencement of construction work, which should begin soon after the signature of the Grant Agreement.

e. St. Joseph Creole Institute: SR 1 Million

The FY 89 local currency generation funding will supplement FY 88 funding for the St. Joseph Creole Institute. The

construction of the institute is in its second phase. The first phase has been completed. The second phase will rehabilitate a colonial style plantation house to provide the headquarters for the Institute, whose mission is to preserve Creole culture in the Seychelles. The rehabilitation work is underway and is expected to be completed in November 1989.

f. Academic and Technical Training: SR 1.5 Million

The training program previously provided to participants from the Seychelles was administered through existing dollar funded programs and projects: AMDP, AFGRAD, and HRDA. For FY 89 training will be financed with 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. Preliminary discussions with the GOS on the details of the training have led to a decision to split it into two parts:

- (1) GOS-managed academic degree and advanced technical training; SR 1 Million; and,
- (2) Seychelles Institute of Management (SIM) gneralized in-country, short-term technical training for 1989-90, using the University of Pittsburgh resources to support approximately 10 courses (auditing, computers, strategy planning, and project management) for approximately 150 participants: SR 500,000.

The GOS has agreed to respect AID source origin regulations for the training program and for the SIM, in-country courses and the academic degree training, to use U.S. universities or training institutions, wherever possible.

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 medium fuel oil and diesel fuel 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 medium fuel oil and diesel fuel will be provided by SEPEC and reviewed by PUC/ED, the end user of the commodities. The IFB will be distributed by the RCMO to all of the operating oil companies in Kenya and by SEPEC to other potential suppliers. Sealed bids will be received at the REDSO/RCMO office in Nairobi. A 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 will call for bids on 8,000 MT of medium fuel oil and 12,000 MT of diesel fuel, 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.

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 the FY 1989 CIP Program will be set, dating from the signing of the Grant Agreement Amendment, 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 Program will be received by the SEPEC as agents for the Government of the Seychelles. Plans call for the fuel to be received in two shipments: one half of the diesel fuel and one half of the medium fuel oil in June or July 1989 and the remainder in November or December 1989. Two shipments are indicated since SEPEC has storage capacity for only 6,000 cubic meters of medium fuel oil and 6,000 cubic meters (10,400 cm maximum) of diesel fuel. A charter party has been used by the winning bidder on past CIP's to effect shipment of MFO 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 medium fuel oil and diesel fuel will be sold to the Seychelles Electricity Corporation a government-owned parastatal. As has been noted above, should the amount of diesel fuel imported under the program be in excess to the needs of PUC/ED, the excess fuel 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 MFO will be sold by SEPEC to the Seychelles Bunkering Company and used to fuel 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:

The following schedule is also referenced to the date of the the signing of the Grant Agreement Amendment:

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

VI. SPECIAL CONSIDERATIONS

A. Procurement Waivers

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

1. A waiver from AID Geographic Code 000 to AID Geographic Code 941 to permit purchase of medium fuel oil from a Code 941 country.
2. a waiver to permit the purchase of the diesel fuel from AID Geographic Code 935.
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 935 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 six 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.

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 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. RTS Studio. Construction plans have been reviewed and the site inspected by a REDSO/ESA engineer. No potential for environmental damage was identified.

2. Providence Industrial Estate. The installation of small industry without adequate industrial waste disposal facilities could impact negatively on the environment. The GOS responded to this concern by pointing out that all wastes would be disposed of either through septic tanks, storm drains, or solid waste collection services as appropriate. The potential threat was not considered great since no plants using chemical processing would be approved for installation in the Estate.

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 all of its fuel oil needs for FY 89 for Commodity Import Program funds. In the past, the proportion of MFO and diesel fuels 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. Contingency plans for use of excess fuel oil to support inland and inter-island transportation needs. Overall, the CIP will procure an estimated 20,000 MT of fuel oil, in 1988 the PUC/ED used a combined 19,779 MT of fuel oil. An analysis of previous years CIP fuel oil procurements that the 20,000 MT at \$3 million should represent 13-17 percent of total domestic petroleum needs.

With respect to the financial impact of the FY 89 CIP, the \$3.0 million represents 11 percent of the projected current account deficit for the year. The approximately SR 16.5 million of local currency which will be generated by this CIP will be equivalent to about 8 percent of the total projected GOS capital expenditures for 1989 (per GOS 1989 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.

DEPARTMENT OF PLANNING AND EXTERNAL RELATIONS

P.O. Box 656, National House, Victoria, Republic of Seychelles
 Telex: 2260 MINAE SZ Telephone 24041



Please address all correspondence to the Principal Secretary:

Your Ref:
 Our Ref: **ERC/110/8/6**
 Enquiries To:
 Telephone Ext:
 Date: **7th April 1989**

His Excellency
 Mr James Moran
 Ambassador
 Embassy of the United States
 of America
 Victoria House

Attn: REDSO/USAID, Nairobi

Your Excellency,

ECONOMIC SUPPORT FUND FOR 1989

The Seychelles Government is recognizant of the important contribution by the United States of America through the Economic Support Fund (ESF) programme towards the economic development of the Seychelles.

It is therefore in this context that the Seychelles Government would be grateful if the Government of America will consider favourably allocating further fuel commodity aid up to a value of 3 (three) million US dollars under the 1989 ESF programme to Seychelles.

We look forward to an early and favourable reply as soon as convenient.

Please accept, Your Excellency, the assurances of my highest consideration.

B. Rassool
 Director General
 (PLANNING AND ECONOMIC COOPERATION)

DEPARTMENT OF PLANNING AND EXTERNAL RELATIONS

P.O. Box 656, National House, Victoria, Republic of Seychelles
 Telex: 2260 MINAE SZ Telephone 24041



Please address all correspondence to the Principal Secretary:

Your Ref:
 Our Ref: **ERC/110/8/6**
 Enquiries To:
 Telephone Ext:
 Date: **10th March, 1989**

Mr Satish Shah
 Director US AID/REDSO-ESF
 P.O.Box 30261
 Nairobi
 KENYA

Dear Mr Shah,

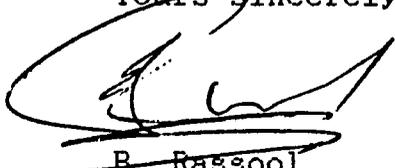
I thank you for the fruitful discussions held this week regarding the Economic Support Fund programmes for Seychelles. I take this opportunity to confirm that the following project allocations are acceptable to the Seychelles Government:

1)	Road Rehabilitation Programme SR including the Anse Police Bay Road	4.5m
2)	Industrial Estate (Providence) Stage 1	2.5m
3)	Scholarships	1.0m
4)	National Library	1.0m
5)	RTS Studios Phase 1	6.0m
6)	St Joseph Creole Institute	1.0m
7)	Seychelles Institute of Management	0.5m
	Total project allocation to be programmed for 1989 ESF	16.5m

The project documents for the Road Rehabilitation Project are attached herewith.
The Seychelles Institute of Management's specific proposals will be forwarded by next week.

The Department looks forward to closer cooperation between our two sides and to the successful implementation of the on-going programmes and the proposed 1989 ESF projects.

Yours sincerely,



B. Rassool
DIRECTOR GENERAL (PEC)

cc: US Embassy - Victoria

REDSO FILE

VZCZCNAI *
PP RUEHC RUFHVI
DE RUEHNR #1216/01 192 **
ZNR UUUUU ZZH
P 120752Z APR 89
FM AMEMBASSY NAIROBI
TO RUEHC / SECSTATE WASHDC PRIORITY 4124
INFO RUFHVI / AMEMBASSY VICTORIA 0461
BT
UNCLAS SECTION 01 OF 02 NAIROBI 11216

CLASS: UNCLASSIFIED
CHRG: AID 04/11/89
APPRV: REDSO:DIR:SPSHAH
DRFTD: PRJ:JWALL:SKM
CLEAR: 1.PPJ
DISTR: REDSO RF ECON
ORGIN: OCR

AIDAC

DEPARTMENT FOR AFR/TR/PRO, ENVIROMENTAL OFFICER (B. BOYD)

E.O. 12356: N/A
SUBJECT: SEYCHELLES - FY 1989 COMMODITY IMPORT PROGRAM, INITIAL ENVIRONMENTAL EXAMINATION

1. REDSO/ESA REQUESTS AFR ENVIRONMENTAL OFFICER CONCURRENCE IN THE IEE FOR THE SEYCHELLES, FY 1989 COMMODITY IMPORT PROGRAM. REDSO/ESA IS PREPARING PAAD, WHICH IS EXPECTED TO BE APPROVED APRIL 17, 1989.

2. INITIAL ENVIRONMENTAL EXAMINATION SUMMARY:

- (A) COUNTRY : SEYCHELLES
- (B) TITLE : COMMODITY IMPORT PROGRAM
- (C) NUMBER : 662-0010
- (D) PROJECT FUNDING : FY 89 DOLS 3.0 MILLION
- (E) IEE PREPARED BY : JOHN WALL
PROJECT DEVELOPER
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 3.0 MILLION IS PLANNED FOR FY 1989 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 20,000 METRIC TONS 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 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.

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 16.5 MILLION COUNTERPART FUNDS WILL BE USED BY THE GOVERNMENT OF THE SEYCHELLES FOR:

- A) ROAD REHABILITATION (SR 4.5 MILLION)
- B) INDUSTRIAL PARK INFRASTRUCTURE CONSTRUCTION (SR 2.5 MILLION)
- C) ST. JOSEPH CREOLE INSTITUTE CONSTRUCTION (SR 1 MILLION)
- D) NATIONAL PUBLIC LIBRARY CONSTRUCTION (SR 1 MILLION)
- E) RADIO/TELEVISION STUDIO RENOVATION (SR 6 MILLION)
- F) TRAINING AND SCHOLARSHIPS FUNDING (SR 1.5 MILLION)

WHILE A.I.D. 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 FINANCED FROM SUCH FUNDS NOR WILL A.I.D. CONTROL HOW THESE SPECIFIC ACTIVITIES 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 A.I.D.

- PREVIOUS LOCAL CURRENCY-FINANCED ACTIVITIES UNDER THE PROGRAM HAVE NOT APPEARED TO HAVE ANY SIGNIFICANT ADVERSE EFFECT ON THE ENVIRONMENT BASED ON THE RECENT 1988 LC PROGRAM EVALUATION. THE EVALUATION TEAM MEMBERS DID NOT DETECT ANY SIGNIFICANT ENVIRONMENTAL IMPACTS DURING THEIR FIELD WORK IN MARCH 1988. 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

A) BASED ON THE ABOVE, IT IS RECOMMENDED THAT YOU (1) APPROVE A NEGATIVE DETERMINATION WITH 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 (2) 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) A.I.D. WILL NOT BE INVOLVED IN, APPROVE, OR CONTROL THE DETAILS OF THE SPECIFIC ACTIVITIES CONDUCTED BY THE GOS UNDER THIS PORTION OF THE PROGRAM, AND (2) THE ENVIRONMENTAL EFFECT OF THESE ACTIVITIES AND THE GOS'S CAPACITY AND SYSTEM FOR ENVIRONMENTAL ASSESSMENT AND MONITORING WILL BE FURTHER EXAMINED AS PART OF THE REGULAR REDSO/ESA MONITORING AND EVALUATION OF THESE ACTIVITIES.

END TEXT IEE.

5. REQUEST BEO PRIORITY CONCURRENCE OR, ALTERNATIVELY, THAT CONCURRENCE AUTHORITY BE DELEGATED TO REO WITH RLA CLEARANCE. CONSTABLE

BT
#1216

NNNN

ACTION: AID-3 INFO: ECON POL/RLO

Annex C

VZCZCNA0698
PP RUEHNR
DE RUEFC #2958 1190148
ZNR UUUUU ZZH
P R 280149Z APR 89
FM SECSTATE WASHDC
TO RUEHNR/AMEMBASSY NAIROBI PRIORITY 4931
INFO RUEHVI/AMEMBASSY VICTORIA 3396

28-APR-89 TOR: 01:48
CN: 14438
CHRG: AID
DIST: AID
ADD:

BT
UNCLAS STATE 132958

APR 28 1989

AIDAC FOR REDSO/ESA

E.O. 12356: N/A

TAGS:

SUBJECT: SEYCHELLES - FY 1989 COMMODITY IMPORT PROGRAM
(CIP)

1. BUREAU ENVIRONMENTAL OFFICER APPROVES A NEGATIVE DETERMINATION AS REQUESTED IN REPTEL. RE PARA 5 - (2) CONCUR IN MISSIONS ASSESSMENT AND SUGGEST REGIONAL LEGAL ADVISOR ADD A COVENANT TO E GRANT AGREEMENT FOR MONITORING AS A PART OF E REGULAR REDSO/ESA MONITORING AND EVALUATION OF ACTIVITIES. BAKER

BT
#2958

NNNN

REDSO	Action	Info
DIR		
D DIR		
AGR		
ANA		
RCMO		
RCO		
ENGR		
FFPO		
PRJ		
RLA		
LIBRARY		
KAGAI		
RFMC		
EXO/PER		
ADMIN		
GEIRON		
REPLY DUE		
ACTION TAKEN		
DATE		
INITIALS		

SC(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 1989 Appropriations Act Sec. 578(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?

2. FAA Sec. 481(h); FY 1989 Appropriations Act Sec. 578; 1988 Drug Act Secs. 4405-07. (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 are transported, or through which significant sums of drug-related profits are

No

N/A

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; 1988 Drug Act Sec. 4404. (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 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

N/A

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 1989 Appropriations Act Secs. 512, 550, 592. Is recipient country a Communist country? If so, has the President 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? Will assistance be provided No

- 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? No
 (b) If so, has any deduction required by the Fishermen's Protective Act been made?
10. FAA Sec. 620(q); FY 1989 Appropriations Act Sec. 518. (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? (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 1989 Appropriations Act appropriates funds? No
 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 Yes. Taken into account at the time of approval of OYB.

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.)

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 1989 Appropriations Act Sec. 568. Has the country been placed on the list provided for in Section 6(j) of the Export Administration Act of 1979 (currently Libya, Iran, South Yemen, Syria, Cuba, or North Korea)? No
16. ISDCA of 1985 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 1989 Appropriations Act Sec. 527. Has the recipient country been determined by the President to have engaged in a consistent pattern of opposition to the foreign policy of the United States? No

22. FY 1989 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
23. FY 1989 Appropriations Act Sec. 540. 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

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

FY 1989 Appropriations Act Sec. 536. 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

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?

No

FY 1989 Appropriations Act Sec. 578(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 1989 Appropriations Act Sec. 523; 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 89 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? None 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 affect; (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 Secs. 612(b), 636(h); FY 1989 Appropriations Act Secs. 507, 509. Describe steps taken to assure that, to the maximum extent possible, foreign currencies owned by the U.S. are utilized in lieu of dollars to meet the cost of contractual and other services.
None owned
7. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?
No
8. FAA Sec. 601(e). Will the assistance utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?
Yes
9. 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?
N/A
10. FY 1989 Appropriations Act. Will assistance be designed so that the percentage of women participants will be demonstrably increased?
N/A

B. FUNDING CRITERIA FOR NONPROJECT ASSISTANCE

1. Nonproject Criteria for Economic Support Fund Yes

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

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 1989 Appropriations Act. 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 to 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 N/A

would themselves be available)? (c) 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?

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

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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 the Seychelles under the terms of this agreement, not to exceed Three Million United States dollars (\$3,000,000) ("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 of constituter 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 201.22 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. dollar 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) The Grantee will provide A.I.D. with a detailed accounting of the use of such local currency; the timing and format for such reports will be specified in an Implementation Letter.

(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/ESA, 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/ESA
c/o Charge' d' Affaires
American Embassy
Mahe, Seychelles

Alternate address for cables:

Amembassy
REDSO/ESA
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

Annex F

Economic Analysis Tables

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Table II.1

Total Receipts from Tourism

(US\$ Millions)

	1985	1986	1987	1988	1989	1990	1991	1992
Tourism Receipts								
No. of Visitors	72542.0	66782.0	71626.0	75073.3	75935.7	79254.3	81970.8	84406
Expenditure/Day (Dollars)	59.0	71.9	82.9	95.2	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

Table II.2

Seychelles: Merchandise and Service Exports

(US\$ Million)

	1985	1986	1987	1988	1989	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	132.0	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	22.0	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, 1989, Table XX11, and REDSO Projections

Table II.3

Merchandise Imports

(US\$ Millions)

	1985	1986	1987	1988	1989	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
Mach. & 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, 1989, Table XXVI,

Table II.4

Balance of Payments

(US\$ Millions)

	1985	1986	1987	1988	1989	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 NIR)								
Change in official Reserves	-0.1	0.2	-6.8	5.1	7.5	-10.2	-5.4	-4.0
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, 1989, Table XXVI, and REDSO Projections

Table II.5

Seychelles: Public Finances

(SR Millions)

	1985	1986	1987	1988	1989	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	101.8	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, 1989, Tables XIV and XV, Government of Seychelles, 1989 Bbudget, and REDSO Projections

TABLE II.6

Banking System Developments

	1985	1986	1987	1988	1989	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								
Other Accounts	-6.30%	-5.70%	-5.42%	-4.65%	-4.00%	-3.46%	-2.83%	-2.50%
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. 1989, and REDSO Projections

Table II.7

Spending on Gross Domestic Product

(1976 SR Millions)

	1985	1986	1987	1988	1989	1990	1991	1992
Consumption	467.2	496.3	494.5	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,GNFS	351.6	313.5	323.3	364.0	383.7	408.9	432.5	456.8
Imports,GNFS	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, 1989, Table III, and REDSO Projections

UNITED STATES GOVERNMENT

memorandum

DATE: March 14, 1989

REPLY TO
ATTN OF: Carlos Crowe, REDSO/ESA/ENGR *(C. Crowe)*

SUBJECT: Technical Evaluation of the 1988/1989 ESF/CIP in the Seychelles

TO: Ambassador James Moran, Amembassy Victoria

Through: Mr. Fred Guymont, Chief Engineer, REDSO/ESA *W*
Mr. Satish P. Shah, Director, REDSO/ESA *Shah*I. General Purpose:

As part of a REDSO/ESA team which carried out a review of the 1988 ESF program, and a program planning of the 1989 ESF activities, this report will describe the technical analysis those 1988/1989 ESF funded subprojects.

II. Persons Contacted:U.S. Embassy:

A. Anderson
J. Melville
F. Coulter

U.S. Peace Corps:

L. Milde
D. Pell

GRS:

M. Roberts
D. de St. Jorre
J. Bonnelame
C. Pereira
A. Crothers
S. Radegonde
P. Chong-Seng
E. Jumeau
C. Banks
C. Confait
P. Nanty
J. Rene
D. Denicourt

- A. Edmond
- C. Elizabeth
- E. Vidut
- B. Rassool
- C. Chetty
- S. Gendron
- S. Lang

Private Sector:

M. Lord, Symbion Archs

III. Projects Evaluated:

A) 1988 ESF/CIP Program:

In order to ascertain completion status of the subprojects funded under the 1988 ESF/CIP program, site visits were made to the following locations:

1. Creole Craft Village at Anse Aux Pins:

Phase III, the last of this subproject, was funded in 1988 and at the time of this visit the craft village was fully operational.

The implementing agency of the GRS, the Department of Tourism and Civil Aviation, with a local cost contribution of (ESF) SR 5.0M,* completed the works in January, of 1989 when a practical completion certificate was issued to the contractor. A final completion certificate will be issued in June 1989, retention fees will be reimbursed to the contractor and the defect and maintenance period will expire at that time.

The only outstanding problem for the GRS is the recruitment of an entrepreneur to run the restaurant. Reportedly one individual from Mauritius has been contracted and he soon will take over the restaurant operations.

*Rate of exchange on 3/6/89 = 5.45 SR to 1 U.S. \$

The quality of construction materials and workmanship was excellent at each of the installations . At least 10 of the 12 workshops had artisans working at various crafts and outside visitors were touring the village.

A plaque describing the USG's ESF contribution was displayed at the main building.

2. Road Rehabilitation - Phase IV:

Sections of this phase IV of road rehabilitation were visited at both Mahe and Praslin islands. The Ministry and Department of Transport-Land Transport Division is the implementing agency of the GRS. At a total cost of SR 7.5 million (3.0 ESF, 4.5 World Bank), some 3.0 kms of concrete surfaced road were rehabilitated on Praslin and 42.0 kms of asphalt mix roads were rehabilitated on Mahe. The works were contracted with private contractors and with a parastatal firm for the hot asphalt mix resurfacing.

The completed works include lateral and transversal drainage, some earthwork, edgewalls, and concrete or asphalt mix surfacing. The Land Transport Division tenders for the works, and provides construction supervision and certification of payments through their engineers. At an average cost of SR 1.2 M per kilometer of concrete surfacing, and SR 0.8M for asphalt mix surfacing, these costs are above average but justifiable in the case of Seychelles where all materials, except for sand and gravel, and equipment need to be imported.

At most locations the roads were engineered properly considering the topographical characteristics of the islands. At various locations where the terrain is fairly flat, I made the recommendation to resurface these roads with at least a 2 percent crown from the centerline in order to provide a positive drainage of the road bed and thus extend the useful life of the rehabilitated work.

Except for a sign at Mahe describing only the World Bank participation in the road rehabilitation effort, no signs were found anywhere else depicting the USG contribution to this activity.

3. Saint Joseph Creole Institute:

This subproject with a total funding of SR 2.0M (1988 and 1989 at 1.0M each), is in its second phase, i.e., the structural rehabilitation of the colonial style house at the old plantation of Saint Joseph in Anse Aux Pins.

This institute will provide the facilities to further the research and investigation for the preservation of the Creole culture in the Seychelles.

The Consultants, Symbion L.B., Architects, for a fee of 7.5 percent of the total cost, under the first phase prepared plans, cost estimate, bill of quantities tender documents and will provide the reconstruction supervision on behalf of the Ministry of Education Information and Youth (MEIY) which is the implementing agency of the GRS.

At a cost of SR 1.7M, the contractor has initiated the rehabilitation work and he is expected to complete his contract by November 1989. The average cost per square meter at this site is also high considering that most materials will be imported. Reportedly this contractor will pay duties on all imported materials thus bringing the unit cost above average. At least 10 to 15 percent savings could be gained at this site if the contractor were allowed to import the materials duty free. I made this recommendation to the supervisory architect Mr. Lord, Michael. I also suggested a temporary sign depicting the USG contribution to this subproject.

4. Chicken Hatchery at Montagne Posee:

The last ESF/CIP phase of this subproject was completed in 1988 with the importation of the last sets of setters and hatchers to produce one day old chicks.

At a total ESF/CIP cost of SR 1.8 M (1.2/'87, 0.6/'88) the building is completely operational and producing approximately 16,000 chicks per week. This production will enhance the import substitution of a vital food supply in the Seychelles as envisioned in the 1987 ESF program when this subproject was first approved.

Again no "markings" depicting the USG contribution were found at the site.

The Ministry of National Development - Department of Agriculture is the implementing agency of the GRS.

5. East Cost Project:

The 1988 ESF/CIP program included the construction of service facilities at the port including the improvement of the security around the port. The amount allocated for this work was SR 1.0M.

The construction activities began in November of 1988 and completion is estimated for July 1989.

Due to a very limited time allocated for this inspection, no specific problems were detected for this element of the east coast project.

The other components at the port, a) the Demersal Fishing Quay and b) The Installation of Fenders for the Quay, at a combined ESF funding of SR 4.2M were started in January of 1988 and February 1989 respectively.

While some construction was in progress and some similar quay fenders had been installed, no major issues were discussed during our brief inspection. This may, in part, be due to the fact that some activities just began in February 1989.

On Tuesday, March 7, 1989, the Seychelles Fishing Authority Building funded in part (S.R. 1.5 M) by the 1987 ESF/CIP program was officially turned-over to the SFA.

6. La Digue Water Supply:

This water supply project initially funded under the 1987 ESF/CIP program and also under the 1988 ESF/CIP for a total local cost contribution of SR 1.9 M is still under construction. The project with a projected total cost of SR 8.3M of which approximately 6.0M will be foreign exchange for the purchase of equipment and accessories is also financed through French Aid.

The project attempts to combine water from springs and wells to serve a population of about 5,000 people in the island of La Digue. At the time of this visit, work was going on in building sedimentation tanks, storage reservoirs, force mains, distribution lines. New slow sand filters will be built in the next few months in order to provide bacteriological treatment to the water from the springs and wells. This type of treatment will eliminate the need for chemicals in the treatment of the raw water, thus reducing the recurrent operational cost of the system.

From the short visit which was conducted in the company of a US Peace Corps volunteer, Mr. Derek Pell, it is evident that the implementing agency of the government, the Public Utility Corporation (PUC), needs to monitor and coordinate the remainder of the works in order to accelerate the long over due delivery of the French donated equipment and accessories.

It is conceivable that some civil works partly funded by the ESF/CIP could remain unoperational for lack of pumping and other equipment donated by the French Aid which has not yet been delivered to the PUC in La Digue. At this site, as in many others, no signs were found showing the USG contribution to this subproject.

7. Seychelles National Library:

This subproject received SR 2.0M from the 1988 CIP/ESF program.

At the time of this visit, the Consulting architectural firm of Hughes and Polkinghorne has prepared for the Ministry of Education, Information and Youth, a complete project description together with technical, financial analysis, architectural drawings and implementation schedule for the estimated 5,940 square meters of construction. According to the Senior Planner of the MEIY the cost of the Library, including the building to house the National Archives, is now estimated between SR 25.0 to 30.0M.

At the time of this visit, no construction activities had begun although the GRS maintains a high priority for this National Library. International and local contributions for the funding of this complex have been earmarked as follows:

	SR 1.0M from local contributions
	SR 8.0M from the BEC
	SR 5.0M from the Swedish Government
	SR 5.0M from the GRS
	SR 2.0M from the CIP/ESF 1988
	SR 2.0M from CIP/ESF 1989
Total	<u>23.0M</u>

Preparation of construction drawings, tender period, and construction, are estimated to take another two years from this date.

B) 1989 ESF/CIP Program:

For 1989, the Department of Planning and External Relations of the GRS, has proposed the following subprojects. A brief technical review of each subproject is presented herein.

1) Road REhabilitation, Phase V:

This phase V of the road rehabilitation proposes to upgrade seven roads, all located in Mahe. The roads are listed in order of priority as follows:

<u>Road</u>	<u>Location</u>	<u>Distance(KM)</u>	<u>Cost (SR M.)</u>
I. Anse Police Bay	Southern Mahe	1.4	2.40
II. La Gogue	Northern Mahe	5.0	1.00
III. La Battie	Northern Mahe	1.5	0.30
IV. Upper Capucin	Southern Mahe	0.4	0.01
V. Majoie	Northern Mahe (?)	0.8	0.15
VI. Beau Vallon	Northern Mahe	0.2	0.19
VII. Caiman Estate	Central Mahe	1.0	0.36
	Totals	10.3	4.50

The Land Transport Division has the institutionalized capacity to undertake the above work. Proper procedures and technical expertise developed over the past years will insure satisfactory completion of this work.

However, the following observations are offered regarding the above roads:

a) The first priority road, Anse Police Bay is a 2.5 Km. road that provides access to primarily an army installation, sea shore, and few residences. The first 1.1 km has been fully concrete surfaced and the remaining 1.4 km has a few sections of concrete work, however, along this distance just a few residences are visible from the road and even pedestrian traffic was not noticeable as the road approaches the gate to the army installation. Due to the concrete resurfacing, this 1.4 km will absorb as much as 50% of the total ESF budget for phase V of the road rehabilitation program for 1989.

In my opinion, this road is not technically feasible for rehabilitation due to a high cost-benefit ratio.

b) Contrary to indications from the various representatives of the GRS interviewed during this review, all roads listed above are located in Mahe although we were told that at least 50 percent of the road program for 1989 included roads in the other islands. During my brief visit to Praslin and La Digue I was able to ascertain that roads at each of these islands are in need of repair and reconstruction and perhaps with a higher priority than those listed above.

2) The Providence Industrial Estate:

This subproject under the Ministry of National Development is already under construction and it is located south of Victoria along the Mont Fleur Road in a portion of the east coast reclaimed land. An allocation of SR 2.5M of ESF/CIP funding is being requested for 1989 to finance the cost of stage 1 of Phase I which includes utility connections (telephone, water, electricity, street lightning) and access roads. The total cost of stage 1 of Phase I is estimated at SR 4.90 M.

The above work is presently underway by Vijay Construction Company. Plans, specifications were developed by the Land Transportation Division and the contractor's operations are being supervised by the Seychelles Industrial Corporation, a parastatal firm. The works are estimated to be finished by July 1989. The total cost to develop the 18 hectares of the industrial estate is estimated at 26.1 M, and a period of 5 years has been calculated to complete the development of the site. A typical industrial site will consist of approximately 600 square meters of developed land where light industry like: fishing, housing, food manufacturing, marine and services related companies will lease the parcels. At a leasing cost of SR 20.00 per square meter, the Ministry of National Development anticipates to recover the entire SR 26.1M investment in 30 years.

Industrial and sanitary wastes will be disposed through septic tanks at each site. Storm drains will be built to carry run-off waters to the sea. Solid wastes will be collected by the city-wide collection service. Outside of the need to closely monitor the disposal of sanitary and industrial wastes, which the Ministry of National Development is prepared to do, no major issues were identified for this project. The project is therefore, technically sound for ESF/CIP funding.

3. Seychelles National Library:

The SR 1.0M allocation of ESF/CIP funding for 1989, is a continuation of the 1988 ESF/CIP program. For a technical description of the project status as of this date, please refer to section A - 7 above.

4. St. Joseph Creole Institute:

The SR 1.0M request in the 1989 ESF/CIP budget is a continuation of the 1988 program. For a technical description of the project's status as of this date, please refer to section A-3 above.

5) RTS Studios - Phase I:

This first phase for the renovation of the RTS studios located at Hermitage, Victoria, is estimated at SR 6.952M.

The program for 1989, using ESF/CIP funds, has allocated SR 6.0M for this work or about 36% of the total 1989 budget. The works will consist of a) building new studio rooms, b) generator's room, c) resurfacing of access driveway and parking lot, d) building storm drains, e) reconnection of electrical main cables to stand-by generators, re-wiring of switchgear and supply of electricity for entire complex, f) development of architectural-engineering plans, g) construction of TV production, control, editing and workshop rooms and h) installation of airconditioning and acoustical systems. The above work is estimated to take between 6 to 8 months to be completed.

At the time of this visit, plans, specifications, bill of quantities and cost estimates had been developed.

Due to limited time allocated for this visit, a very preliminary review of the plans indicated some deficiencies in the provisions made for public safety in the event of emergencies like fire. Similarly, the ratio of sanitary facilities to the number of people occupying the buildings is not adequate.

The Senior Planner for the implementing agency of the GRS, the Ministry for Education, Information and Youth (MEEIY), promised to look into these deficiencies and correct the plans. The plans reportedly have been accepted and approved by the City Council and fire department.

This project, except for the above issues, is technically sound for ESF/CIP funding.

IV. General Recommendations:

In anticipation of a general review of on-going and future ESF/CIP funded activities in a year's time, I would like to recommend the following :

- 1) Projects that involved architectural-engineering consultants are best, and take less time, if discussed in the company of those consultants during the in-country review.
- 2) Particular attention should be paid during the next year's review, of the potential environmental effects at the Providence Industrial Estate regarding the disposal of sanitary and industrial wastes in an environmentally sensitive area like the reclamation land along the east coast.

3) If you feel that it is desirable although not an A.I.D. requirement, temporary and permanent signs acknowledging USG participation may be placed at each location to the extent that it is practical to do so.

4) A more in-depth review should be made of the La Digue water system to identify its operational status since the project has fallen behind schedule.

Distribution:

REDSO/Director
James Melville, Consular Officer/Victoria
Gary Anderson, Econ/Pol Officer/Victoria
REDSO/ENG.

ACTION: AID-3 INFO: ECON PGL/RLO

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OO RUEHNR
DE RUEHC #1122 1162322
ZNR UUUUU ZZH
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FM SECSTAT WASHDC
TO RUEFHVI/AMEMBASSY VICTORIA IMMEDIATE 3392
INFO RUEHNR/AMEMBASSY NAIROBI IMMEDIATE 4763
BT
UNCLAS STATE 131122

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662-0010
TOR: 23:27
CN: 13915
CERG: AID
DIST: AID
ADD:

Wall

APR 27 1989

AIDAC NAIROBI

E.C. 12356: N/A

SUBJECT:ESF ALLOWANCE

1. APPROPRIATION 72-119/01037, BUDGET CODE GES9-89-31662-
7332 (ALLOWANCE 070-51-662-20-59-91) ESTABLISHED FOR
DOLS. 3,000,000 FOR PROJECT 662-2010, COMMODITY IMPORT
PROGRAM VIII, NON-PROJECT GRANT AGREEMENT NO. 662-K-508.

2. FUNDS CAN BE OBLIGATED WHEN PAAD IS AUTHORIZED BY
REDSO/PA AND AID/W, M/FM/PAFD NOTIFIED. BAYER
BT
#1122

NNNV

UNCLASSIFIED STATE 131122

REDSO	Action	Info
DIR		
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ADMIN		
CHRON		
REPLY DUE		4/27
ACTION TAKEN		<i>MAN</i>
DATE		4/27
INITIALS		<i>JW</i>