

The Seychelles: A Comprehensive Landscape Finance Analysis

Pre-Feasibility Study for Sustainable Financing
Instruments



Pew

For The Pew Charitable Trusts – July 2026



About us

Posaidon Capital AG ("Posaidon") is an industry-leading, nature-focused capital markets advisory and asset management boutique providing services to institutional and qualified investors. Our mission is to find and build value of impact ventures with scalable business models benefitting Planet Earth and human wellbeing.

Posaidon consists of an international team of specialized professionals with a vision for systems change, a passion for financial innovation, the tenacity for flawless execution and a track record of delivering impactful results. We are bankers for nature who structure and manage investment vehicles across asset classes to connect such ventures – or relevant impact causes – with institutional capital. We serve clients from our offices in Switzerland and the UK and have a presence in Mauritius.

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Introduction

The Pew Charitable Trusts ("Pew") have engaged Posaidon to conduct a comprehensive analysis of potential financing instruments and provide strategic recommendations on the optimal structure for a national financing vehicle to support the Government of Seychelles' climate and sustainable development finance objectives. The objective of this assignment is to develop a rigorous pre-feasibility study that assesses viable financing instruments capable of mobilizing sustainable capital at scale, while ensuring fiscal prudence and institutional coherence.

The study will evaluate Seychelles' fiscal capacity to service new financial instruments, analyze and structure multiple financing options (including at least one non-sovereign pathway), assess the comparative advantages of utilizing an existing national financing vehicle – such as the Seychelles Conservation and Climate Adaptation Trust – versus establishing a new vehicle, and examine the integration potential of domestic revenue streams, including the Tourism Environmental Sustainability Levy, as an anchor for de-risking larger capital deployments. In addition, the assignment includes market validation with multilateral development banks and structured engagement with key national stakeholders to ensure technical robustness, political feasibility, and market alignment.

The work has been conducted in close coordination with Pew and relevant stakeholders in the Seychelles to ensure alignment with national priorities.



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List of acronyms

AfDB	African Development Bank
CCDR	Country Climate and Development Report
DBS	Development Bank of Seychelles
DFI	Development Finance Institution
ESG	Environmental, Social and Governance
ETF	Environmental Trust Fund (<i>proposed</i>)
FX	Foreign Exchange
GCF	Green Climate Fund
GDP	Gross Domestic Product
IBRD	International Bank for Reconstruction and Development (World Bank)
IFC	International Finance Corporation
IFI	International Financial Institution
IMF	International Monetary Fund
KPI	Key Performance Indicator
MDB	Multilateral Development Bank
NBS	National Bureau of Statistics (Seychelles)
NDC	Nationally Determined Contribution
NFV	National Financing Vehicle
NGO	Non-Governmental Organisation
OECD	Organisation for Economic Co-operation and Development
PES	Payments for Ecosystem Services
PPF	Project Preparation Facility
PPP	Public-Private Partnership
SCR	Seychelles Rupee
SCIF	Seychelles Climate Investment Facility
SeyCCAT	Seychelles Conservation and Climate Adaptation Trust
SME	Small and Medium-sized Enterprise
SPV	Special Purpose Vehicle
SSIF	Seychelles Sovereign Investment Fund (<i>proposed</i>)
SSLLF	Seychelles Sustainability-Linked Loan Facility
TA	Technical Assistance
TESL	Tourism Environmental Sustainability Levy
USD	United States Dollar



I. Executive summary

This pre-feasibility study assesses financing mechanisms capable of deploying climate and sustainability investment for Seychelles while remaining consistent with the country's fiscal constraints, debt management objectives and institutional capacity. We have evaluated both sustainable financing instrument options and the institutional architecture required to support long-term climate finance mobilization.

Our analysis finds that Seychelles has restored macroeconomic stability following the COVID-19 shock, with public debt projected to decline gradually toward the Government's medium-term target of approximately 50 percent of GDP by 2030. However, refinancing risk, foreign exchange exposure and limited fiscal space continue to constrain the country's ability to undertake large volumes of additional conventional sovereign borrowing. At the same time, Seychelles faces climate and resilience investment needs estimated at approximately USD 670 million by 2030, substantially exceeding available public resources.

Consequently, Seychelles' climate finance strategy should rely on a layered financing architecture combining domestic revenues, concessional capital, multilateral support and private investment participation.

Particular attention was given to the catalytic role of the Tourism Environmental Sustainability Levy ("TESL"), which currently generates approximately USD 10–12 million annually and could support climate financing structures through reserve enhancement, catalytic capitalization and co-financing mechanisms.

Three illustrative financing concepts are presented as examples of how the proposed institutional architecture could be operationalized. First, the establishment of a Seychelles Climate Investment Facility ("SCIF") as a blended-finance platform designed to generate concessional and commercial capital toward revenue-generating climate and blue economy investments. The SCIF would combine TESL-supported catalytic capital, concessional MDB participation and private co-investment within a phased and professionally governed structure.

Second, a Seychelles Rupee Sustainable Debt Program focused on developing a domestic local-currency sustainable financing market. Following consultations with MDBs and international financial institutions, the structure evolved away from a large offshore hard-currency issuance toward a more pragmatic domestic SCR-denominated financing platform supported by TESL-backed reserve enhancement, MDB anchor participation and phased market development.

Third, a sovereign Sustainability-Linked Loan Facility ("SLLF") under which financing terms would be linked to achievement of agreed climate and sustainability KPIs rather than ring-fenced use of proceeds. This structure may offer greater fiscal flexibility for the Government while reinforcing climate policy implementation and institutional reforms.

We have concluded that Seychelles does not currently possess a single institution capable of independently performing the full range of functions associated with a comprehensive National Financing Vehicle ("NFV"). Stakeholder consultations indicated that creating a completely new standalone institution would likely be impractical given existing capacity constraints. Instead, the analysis supports a coordinated or "light-touch" NFV model under which functions are distributed across existing institutions according to comparative advantage. Under this approach, the Ministry of Finance would retain sovereign financing responsibilities; the Development Bank of Seychelles would manage lending and intermediation functions; SeyCCAT could coordinate catalytic finance, ESG reporting and development partner engagement; and the NFV itself would function primarily as a strategic coordination and capital mobilization platform.



Seychelles possesses a credible foundation for developing a more sophisticated climate finance architecture, provided implementation remains phased, institutionally realistic and aligned with broader fiscal and macroeconomic constraints. Successful implementation will also require close coordination with the Central Bank of Seychelles as the country's sustainable finance regulatory framework continues to evolve, including ongoing work on sustainable finance regulations, taxonomy development and the broader enabling environment for sustainable financial products.

Fiscal capacity assessment

II.I. Public debt profile and trajectory

The Republic of Seychelles has undergone a significant fiscal consolidation following the macroeconomic shock triggered by the COVID-19 pandemic. Economic recovery has been supported by a rebound in tourism activity immediately after COVID, some decrease in tourism numbers since then, and continued fiscal discipline under the reform program supported by the International Monetary Fund.ⁱ

Real GDP growth reached approximately 2.9 percent in 2024, with growth projected to increase to around 3.2 percent in 2025, reflecting a small expansion in tourism demand and related services.ⁱⁱ Despite the recovery, the economy remains highly exposed to external shocks due to its reliance on tourism and fisheries, which together represent key pillars of national income and foreign exchange generation.ⁱⁱⁱ

Fiscal performance has improved markedly since the pandemic. The primary fiscal balance recorded a surplus of approximately 3.2 percent of GDP in 2024, reflecting continued fiscal consolidation and revenue recovery.^{iv} This improvement is broadly consistent with the government's medium-term fiscal objective of maintaining primary surpluses sufficient to place public debt on a declining trajectory. This trajectory is consistent with the Government's 2026 Budget Framework, which explicitly targets a reduction in the debt-to-GDP ratio to 50 percent by 2030.^v This reinforces that debt sustainability remains a central policy anchor and suggests that any new financing instruments will need to be structured in a manner consistent with medium-term debt reduction objectives.

At the same time, recent World Bank analysis estimates that Seychelles would require approximately USD 810 million in incremental investment through 2050 to achieve a resilient and sustainable development pathway – equivalent to almost 45% of the Government's current public debt stock and roughly 8-9 years of the current annual primary fiscal surplus. The magnitude of this financing requirement illustrates that climate investment cannot realistically be funded from annual budget resources alone and will require systematic mobilization of concessional, domestic and private capital.^{vi}

Public debt levels remain elevated but are projected to decline gradually over the medium term. According to IMF projections, public debt is expected to decline toward approximately 49 percent of GDP by 2030, consistent with the government's objective of reducing debt to around 50 percent of GDP over the medium term.^{vii}

The composition of Seychelles' public debt is broadly balanced between external and domestic liabilities, with external debt accounting for approximately 53% of the total debt stock and domestic debt approximately 47%. External debt is largely owed to multilateral creditors and typically benefits from longer maturities and relatively concessional terms, while domestic debt consists primarily of Treasury bills and bonds issued in the domestic market.^{viii}

The Government's current *Debt Management Strategy (2025–2027)* highlights refinancing risk as a key vulnerability within the domestic debt portfolio. The average time to maturity of domestic debt declined from 2.8 years in 2023 to 2.2 years



in 2024, reflecting increased reliance on shorter-tenor domestic instruments.^{ix} As a result, approximately 41.5 percent of domestic debt now matures within one year, creating elevated rollover risk in the event of tightening domestic liquidity conditions.^x

Recent issuance patterns confirm this reliance on domestic short-term financing instruments. The government's Q1 2026 issuance calendar includes multiple auctions of 91-, 182-, and 365-day Treasury bills, alongside a seven-year Treasury bond issuance of approximately SCR 100 million, illustrating efforts to gradually extend the maturity profile of domestic debt.^{xi}

Overall, Seychelles' debt trajectory is considered sustainable under current macroeconomic projections. However, the structure of the debt portfolio suggests that the Government's capacity to assume additional sovereign borrowing is primarily constrained by refinancing risk and foreign-exchange exposure, rather than by the overall level of public debt.

II.II Revenue composition and volatility

Seychelles' fiscal revenues are heavily influenced by the performance of the tourism sector. As a small island economy with a narrow production base, tourism and fisheries represent the primary sources of foreign exchange earnings and government revenue.^{xii} This structural dependence creates inherent fiscal volatility. Tourism demand is sensitive to global economic conditions, exchange rate movements, and external shocks such as pandemics or geopolitical instability such as the recent Iran crisis. Consequently, fiscal revenues and economic growth can fluctuate significantly in response to global travel patterns. This structural dependence on tourism also influences sovereign risk perceptions in international capital markets. The COVID-19 pandemic demonstrated how rapidly a severe tourism shock can reduce fiscal revenues, weaken FX earnings and increase public indebtedness. Although Seychelles has subsequently restored macroeconomic stability through a strong tourism recovery and sustained fiscal consolidation, investors remain attentive to the economy's high concentration risk, meaning that future disruptions to tourism demand could again affect borrowing costs and market appetite for new sovereign debt instruments.^{xiii}

Within the broader fiscal framework, one revenue stream that has received increasing attention in the context of climate finance is the Tourism Environmental Sustainability Levy ("TESL") – *for a detailed TESL revenue analysis see Section III below*. The levy is collected from tourism establishments and contributes to environmental management and sustainability programs.^{xiv} The Government's recent decision to abolish the TESL for small tourism establishments is likely to concentrate levy revenues among medium and large accommodation providers, which generate the majority of tourism receipts and visitor nights; this consolidation may improve the predictability and administrative efficiency of the levy's revenue base, an attribute that could enhance its potential usefulness as a supporting revenue stream within structured climate financing mechanisms.^{xv}

II.III Fiscal deficit outlook

The government's fiscal policy framework aims to maintain a sustainable fiscal path while supporting economic growth and resilience. Under the current fiscal strategy, the government intends to maintain primary surpluses over the medium term in order to stabilize and gradually reduce public debt.

The IMF's latest assessment indicates that fiscal policy remains broadly aligned with this objective. Continued fiscal discipline is expected to maintain the primary surplus while supporting gradual debt reduction.^{xvi} At the same time, the IMF notes that Seychelles' fiscal framework must remain cautious due to several structural risks, including exposure to tourism shocks, exchange rate volatility, and contingent liabilities from government guarantees.^{xvii} These constraints suggest that large increases in conventional sovereign borrowing would need to be carefully calibrated to avoid undermining debt sustainability. As a consequence, mobilizing additional climate finance will likely require financing



structures that leverage external capital while limiting additional pressure on the sovereign balance sheet. Instruments that combine concessional resources, private capital, or revenue-supported mechanisms may therefore offer more fiscally compatible pathways than traditional sovereign borrowing alone.

At the same time, emerging fiscal pressures may arise from government interventions to support state-owned enterprises involved in transport and essential goods supply, particularly in response to higher import and energy costs linked to recent geopolitical tensions. This illustrates the continued vulnerability of fiscal balances to external shocks.

II.IV Debt sustainability parameters

The IMF's *Sovereign Risk Debt Sustainability Framework* assesses Seychelles as facing a moderate risk of debt distress, while concluding that public debt remains sustainable with high probability under the baseline macroeconomic scenario.^{xviii}

Medium-term debt sustainability depends on maintaining fiscal discipline and sustaining economic growth. Stress testing conducted as part of the IMF analysis indicates that external shocks – particularly exchange rate depreciation and interest rate increases – could materially increase debt ratios due to the relatively high share of foreign-currency denominated liabilities.^{xix}

Another important constraint arises from Seychelles' economic classification. As a high-income country, Seychelles has more limited access to highly concessional financing compared with lower-income countries, increasing the importance of blended finance structures and credit enhancement mechanisms when mobilizing climate finance.^{xx} In addition, recent infrastructure projects have increased the level of government guarantees, which contributed to a projected increase in public debt to approximately 61 percent of GDP in 2025 before resuming a declining trajectory.^{xxi} These factors highlight the importance of ensuring that any new financing instruments are designed to minimize refinancing risks, limit foreign-exchange exposure, and avoid excessive reliance on sovereign guarantees.

Indicator	Latest value	Interpretation	Implication for financing instruments
Real GDP growth	2.9% (2024); projected ~3.2% (2025)	Moderate growth recovery driven largely by tourism demand	Financing structures must remain resilient to tourism shocks
Primary fiscal balance	~3.2% surplus of GDP (2024)	Fiscal consolidation underway under IMF-supported program	Provides limited but positive fiscal space for additional borrowing
Public debt-to-GDP-ratio	~61% (2025 projection)	Elevated but declining over the medium term	Moderate sovereign borrowing capacity remains available
Debt trajectory	Declining toward ~49% of GDP by 2030	Consistent with government debt anchor (~50%)	Additional borrowing must remain consistent with this path
Domestic debt maturity	~41.5% of domestic debt maturing within 1 year	High rollover exposure in domestic market	Prefer longer-tenor instruments to reduce refinancing risk
Foreign currency exposure	Significant share of external debt in foreign currency	Exchange rate depreciation increases debt ratios	FX borrowing should be partially hedged or credit-enhanced
Climate financing requirement	~USD670 million (by 2030)	Large relative to fiscal capacity	Requires staggered financing and multiple instruments
Tourism Environmental Sustainability Levy	~USD12.4 million annually	Small but stable environmental revenue stream	Potential catalytic role as reserve or credit enhancement

Table 1: Fiscal Risk Dashboard – Key macroeconomic and debt sustainability indicators for climate financing capacity^{xxii}



II.V Climate financing needs and implications for financing structures

The scale of climate investment required in Seychelles significantly exceeds the fiscal resources currently available within the national budget. According to the country's *Nationally Determined Contribution (2021)*, implementing the mitigation and adaptation commitments under the Paris Agreement will require over USD 600 million in climate investments over the coming decade.^{xxiii} Subsequent analysis within the Government's climate finance resource mobilization framework refines this estimate to approximately USD 670 million near-to-medium term financing requirements by 2030, with the financing requirement divided between mitigation investments in energy, transport, and waste management (USD 331 million) and adaptation investments focused primarily on coastal resilience (USD 339 million).^{xxiv} The magnitude of these financing requirements reflects the country's high vulnerability to climate change as a small island developing state, where infrastructure and population are concentrated in low-lying coastal zones exposed to sea-level rise and extreme weather events.^{xxv}

Given the scale of financing needs, Seychelles is unlikely to meet climate investment requirements through conventional sovereign borrowing alone. A phased financing approach combining concessional, domestic and private capital sources will therefore be required.^{xxvi}

II.I.VI Implications for sustainable financing instruments

The fiscal and debt sustainability analysis provides several important implications for the design of sustainable financing instruments in Seychelles:

1. the current macroeconomic outlook indicates that Seychelles retains **moderate sovereign borrowing capacity**, provided that additional borrowing does not significantly increase refinancing risk or foreign-exchange exposure.
2. the structure of the existing debt portfolio suggests that **financing instruments which extend maturities and reduce refinancing pressure are preferable** to instruments that introduce large bullet repayments or short-term rollover requirements.
3. the scale of climate financing needs relative to fiscal space suggests that **blended finance structures involving multilateral development banks may provide the most effective pathway** for mobilizing large volumes of climate capital while maintaining debt sustainability.
4. while **sovereign sustainable bonds remain a potential financing option**, their feasibility will depend on market conditions and may require credit enhancement or partial guarantees to achieve affordable borrowing costs; and
5. the **Tourism Environmental Sustainability Levy represents a potential catalytic revenue stream** that could be used to enhance the creditworthiness of climate financing structures if appropriate governance mechanisms – such as revenue earmarking or dedicated reserve accounts – are implemented.

Taken together, these findings indicate that Seychelles' climate finance strategy will likely benefit from a combination of sovereign and non-sovereign financing mechanisms, potentially including blended finance facilities and national climate financing vehicles capable of leveraging both public and private capital.

These debt management considerations also inform the design of the proposed institutional architecture. The recommended National Financing Vehicle is not intended to circumvent sovereign debt management constraints or create off-balance-sheet sovereign liabilities. Rather, its purpose is to improve the mobilization, structuring and coordination of concessional, domestic and private capital, thereby reducing reliance on conventional sovereign borrowing where possible.



III. TESL revenue analysis

Within Seychelles' climate financing architecture, domestic revenue streams can play an important role in supporting sustainable financing instruments. One such revenue stream is the *Tourism Environmental Sustainability Levy*. The levy forms part of the government's broader strategy to ensure that the tourism sector contributes to the protection of the natural ecosystems that underpin Seychelles' economic model. Tourism remains the dominant sector of the national economy and represents a major source of foreign exchange earnings and employment. According to recent budget estimates, TESL collections are projected at approximately SCR 187.4 million in 2025 and SCR 153.6 million in 2026. The projected decline reflects policy adjustments, including the removal of the levy for smaller establishments effective 1 January 2026, as well as revised tourism assumptions.^{xxvii} These projections were prepared prior to recent geopolitical tensions in the Middle East, which may affect tourism demand and therefore levy collections.

The fiscal capacity assessment presented in the preceding section indicates that while the Seychelles maintain a prudent fiscal framework and have restored debt sustainability following recent macroeconomic shocks, the Government's ability to assume large volumes of additional conventional sovereign borrowing remains constrained. In this context, identifying complementary domestic revenue streams that can strengthen financing structures becomes particularly important. Tourism-linked revenues such as the TESL are therefore of interest not only as environmental policy instruments but also as potential components of new financing mechanisms capable of mobilizing climate finance at scale.

The TESL is particularly relevant in this context because it represents one of the few revenue streams directly linked to the environmental assets that climate financing efforts seek to protect. This chapter assesses the characteristics of the TESL as a potential component of Seychelles' climate financing architecture, focusing on revenue performance, structural features, and its potential role in supporting sustainable financing mechanisms.

III.I Legal and institutional framework

The TESL is established under Seychelles' environmental protection legislation and is collected from tourism accommodation providers based on visitor overnight stays.^{xxviii} Under the current framework, the levy applies to accommodation establishments above a defined size threshold and is collected on a per-person, per-night basis. The current TESL rate structure^{xxix} is as follows:

Accommodation category	TESL rate
Medium-sized hotels (25–50 rooms)	SCR 75 (≈ USD 5) per person per night
Large hotels, island resorts and yachts (>50 rooms)	SCR 100 (≈ USD 7) per person per night

Table 2: Current TESL rate structure

The levy is collected through accommodation providers and remitted to the government as part of the tourism regulatory framework. In January 2026, the Government announced that small tourism establishments would be exempted from the TESL, a measure intended to reduce administrative burdens on smaller operators and support small-scale tourism enterprises.^{xxx} While this reform may reduce the breadth of the levy's tax base, it simultaneously concentrates the levy on larger and more formal tourism establishments, which typically have stronger compliance capacity and more predictable revenue streams. From a financing perspective, this concentration may enhance the bankability of TESL revenues, as collections from larger hospitality operators tend to exhibit higher compliance rates and lower administrative risk.



III.II Tourism sector baseline

The potential revenue performance of the TESL is closely linked to the scale and dynamics of Seychelles' tourism sector. According to the National Bureau of Statistics, Seychelles recorded 398,841 visitor arrivals in 2025, reflecting strong recovery in international tourism following the COVID-19 pandemic.^{xxxix} Official budget estimates indicate that TESL collections increased from SCR 163.7 million in 2024 to an estimated SCR 187.4 million in 2025, reflecting a 14.5 percent year-on-year increase supported by strong tourism arrivals growth of 13.1 percent over 2024.^{xxxix} This confirms the levy's responsiveness to tourism recovery and strengthens its relevance as a climate-related domestic revenue stream. Visitor stays also exhibit a relatively stable pattern. The average length of stay was approximately 9.3 nights in 2025, consistent with historical trends in Seychelles' tourism sector.^{xxxix} Based on these figures, tourism activity generates an estimated 3.7 million visitor nights annually, which forms the primary base for TESL revenue generation.^{xxxix}

Tourism demand in Seychelles is strongly oriented toward leisure travel. Circa 92 percent of visitors travel for holiday purposes, while business travel represents a comparatively small share of arrivals.^{xxxix} This leisure-oriented visitor profile is relevant in the context of environmental levies, as international evidence suggests that tourists travelling for leisure tend to be less sensitive to small environmental charges, particularly when those charges support conservation outcomes. Finally, international practice in Seychelles already recognises tourism-linked user charges and sustainability levies as legitimate financing tools, including in the cruise segment.^{xxxix}

Tourism activity also exhibits seasonal patterns, with monthly arrivals in 2025 ranging between approximately 27,000 and 41,000 visitors, reflecting typical seasonal fluctuations in travel demand.^{xxxix} This seasonality implies that TESL collections will vary throughout the year, which is relevant for financing structures relying on the levy as a supporting revenue stream, as such structures may require reserve accounts or conservative debt service coverage ratios to manage intra-annual cash flow variability. More fundamentally, Seychelles' high structural dependence on tourism also highlights the potential longer-term relevance of state-contingent financing mechanisms – including tourism-linked, GDP-linked or earmarked-revenue structures – which align debt service capacity more closely with the performance of the underlying economy. While such instruments remain relatively innovative and would require careful legal and market assessment, they may warrant consideration as the country's sustainable finance market matures.

Indicator	Value	Source
Visitor arrivals (2025)	398,841	National Bureau of Statistics
Average length of stay	9.3 nights	National Bureau of Statistics
Estimated visitor nights	ca. 3.7 million	Derived calculation

Table 3: Tourism activity and TESL revenue base

Because the TESL is applied on a per-night basis, the revenue base grows proportionally with visitor arrivals and the duration of tourist stays.

III.III TESL revenue characteristics for financing structures

From a financing perspective, the suitability of a revenue stream to support debt or blended finance mechanisms depends from our point of view on four key characteristics: stability, predictability, enforceability, and scalability.

Stability

TESL revenues are linked to tourism activity, which represents the largest sector of the Seychellois economy. Although tourism demand can be affected by external shocks, the sector has historically demonstrated strong recovery dynamics



and long-term growth trends.^{xxxviii} Medium-term fiscal projections indicate TESL revenues of SCR 153.6 million in 2026, rising gradually to SCR 159.8 million by 2028.^{xxxix} Although lower than the exceptional 2025 outturn, these projections suggest a relatively stable recurring revenue base. Nevertheless, the tourism-based nature of the levy implies exposure to global economic conditions and international travel disruptions. As stated previously, financing structures relying on TESL revenues would therefore typically incorporate safeguards such as conservative debt service coverage ratios and liquidity reserves.

Predictability

The levy is collected on a per-night basis through regulated accommodation providers, creating a transparent and predictable collection mechanism. Because the levy is directly linked to visitor nights, revenue generation can be estimated based on tourism arrival statistics and average length-of-stay data. At the same time, the current fiscal framework does not legally earmark TESL revenues for environmental or climate-related expenditures, as collections are deposited into the government's consolidated revenue pool. While this arrangement preserves fiscal flexibility, it limits the degree to which TESL revenues can currently function as a dedicated repayment source for financing structures without additional governance arrangements.

Enforceability

TESL collection occurs through licensed accommodation establishments operating within the formal tourism sector. Approximately 79 percent of visitors stay in hotels or similar formal accommodation establishments, facilitating efficient levy collection and compliance monitoring.^{xl}

Scalability

The levy structure also offers potential scalability. Because it is applied per visitor night, revenue increases automatically with growth in tourism arrivals or length of stay. In addition, levy rates could be adjusted through policy decisions if future fiscal or environmental priorities require additional resources.

An assessment of TESL revenues against the estimated budgets for the priority environmental sectors identified in the *Seychelles Climate Finance Resource Mobilization Strategy (2025–2030)* suggests that the levy would meet only approximately 50% of the associated financing requirements. This shortfall underscores the importance of securing additional sources of funding alongside the levy to ensure the effective implementation of the country's environmental commitments.^{xli}

III.IV TESL revenue scenarios and potential financing leverage

The scale of TESL revenues ultimately depends on tourism activity, levy design, and the level of policy ambition regarding environmental charges applied to tourism accommodation. Applying the current levy rates to this visitor-night base provides a framework for understanding the order of magnitude of potential TESL revenues. Unlike many environmental levies, TESL benefits from inclusion in the national budget's medium-term fiscal framework. Current official projections^{xlii} are:



Year	TESL (SCRm)	TESL (USDm)
2024 Actual	163.7	~10.9
2025 EOY	~187.4	~12.4
2026 Budget	~153.6	~10.2
2027	~156.7	~10.4
2028	~159.8	~10.6

Table 4: Official projections of TESL revenue base

While tourism arrivals fluctuate from year to year, future growth in TESL revenues should not necessarily be assumed to arise from continued increases in visitor numbers. The Government's Tourism Carrying Capacity Study^{xliii} concluded that annual visitor arrivals should remain broadly around 400,000 in order to avoid excessive pressure on environmental assets and public infrastructure. Accordingly, future increases in TESL revenues are more likely to arise from levy adjustments, higher-value tourism, longer average stays and improved collection efficiency than from sustained growth in visitor volumes. Assuming modest annual growth of between 4-6 percent relative to 2025 levels, the estimated revenue envelopes associated with the illustrative TESL scenarios would increase accordingly. Using the current TESL revenue estimate of approximately USD 12.4 million annually for 2025^{xliiv}, illustrative scenarios can be constructed to examine how changes in levy levels and tourism growth could influence the revenue base, as shown in Table 5 below.

Scenario	Illustrative average levy	Estimated revenue p.a. (2025 baseline tourism)	Estimated revenue p.a. (4% tourism growth)	Estimated revenue p.a. (6% tourism growth)
Current structure	~USD 4-5 per visitor night	~USD 12.4 million	~USD 12.9 million	~USD 13.1 million
Moderate adjustment	~USD 8 per visitor night	~USD 24.8 million	~USD 25.8 million	~USD 26.3 million
Higher adjustment	~USD 12 per visitor night	~USD 37.2 million	~USD 38.7 million	~USD 39.4 million

Table 5: TESL revenue scenarios under tourism growth and levy adjustment assumptions^{xliv}

These scenarios should be interpreted as illustrative revenue envelopes rather than policy recommendations. Actual revenues would depend on accommodation mix, compliance rates, exemptions, and visitor behavior. This observation also reinforces the importance of viewing TESL as a policy-managed revenue stream rather than one dependent upon continued growth in visitor arrivals. Within Seychelles' long-term tourism strategy, revenue optimization through pricing and value creation may be preferable to expansion in visitor numbers.

From a financing perspective, the relevance of these scenarios lies in the fact that a predictable tourism-linked revenue stream can strengthen the financial architecture of climate financing mechanisms. However, the scale of capital that could be mobilized against TESL revenues depends fundamentally on the structure and pricing of the financing instrument. The World Bank estimates that implementing Seychelles' near-term resilient development pathway will require approximately USD 61 million of additional climate-related investment annually during 2026–2030. Based on historical climate finance inflows of around USD 34 million per year, this implies an estimated annual climate finance gap of approximately USD 27 million, underscoring that even relatively modest domestic catalytic financing instruments could materially narrow the near-term funding shortfall.^{xlvi}



For example, financing instruments supported by multilateral development bank participation or credit guarantees may benefit from significantly lower borrowing costs than purely sovereign issuances. Lower financing costs increase the amount of capital that can be mobilized against a given revenue stream while maintaining prudent debt service coverage ratios. As a result, TESL revenues should be understood primarily as a domestic revenue anchor and also a partial hard currency hedge, which can enhance the credit profile of sustainable financing structures, rather than as a stand-alone determinant of borrowing capacity.

At present, TESL revenues constitute a relatively small share of total government revenues and are deposited into the government's consolidated revenue pool rather than being legally ring-fenced for climate financing purposes. This institutional arrangement limits the levy's immediate usefulness as a direct repayment source for debt instruments. However, policy analysis conducted for the government indicates that TESL revenues could nonetheless play a catalytic role in mobilizing larger pools of climate finance if governance arrangements were strengthened to enhance transparency, earmarking, and predictability of the revenue stream.^{xlvii} Under such circumstances, TESL revenues could support financing structures through mechanisms such as liquidity reserves, first-loss capital, or partial credit enhancement.

Consistent with this catalytic role, TESL revenues could contribute to climate financing structures through mechanisms such as:

- providing partial support for debt service obligations;
- capitalizing reserve accounts associated with sustainable bond issuances;
- serving as a domestic co-financing stream alongside multilateral funding;
- contributing to the capitalization of a national climate financing vehicle.

In summary: the levy is fiscally meaningful but not systemically large. This supports the view that TESL should be deployed strategically to crowd in larger pools of capital rather than used as the sole financing base for major issuances.

III.V Implications for sustainable financing instruments

In summary, our analysis suggests that the TESL scores relatively well across the key characteristics: the levy benefits from a transparent and enforceable collection mechanism through regulated accommodation providers, a predictable revenue base linked to visitor nights, and a scalable design that allows revenues to grow with tourism activity. While the tourism-based nature of the levy introduces exposure to external demand shocks and seasonal fluctuations, these risks are common to tourism-dependent economies and can be mitigated through prudent financial structuring. At the same time, the current levy structure suggests that the TESL may still have untapped revenue potential, as modest adjustments to levy levels could increase revenues without materially affecting tourism demand, given the relatively small share that environmental levies represent within the overall cost of a Seychelles holiday.

Given the relatively modest size of TESL revenues relative to the country's overall climate financing requirements, the levy should be viewed as a strategic catalytic resource rather than a financing source capable of simultaneously supporting multiple large-scale financing structures. As different financing instruments mature, the Seychelles Government would determine through the annual budget process the most effective allocation of TESL-supported catalytic resources based on prevailing financing priorities and market opportunities.

Over the medium term, the Government may also wish to consider commissioning a dedicated economic assessment of the revenue elasticity and optimization potential of the TESL. Similar studies undertaken in other environmentally sensitive tourism jurisdictions, including analysis^{xlviii} conducted in support of Australia's Great Barrier Reef environmental financing mechanisms, have sought to evaluate the relationship between environmental levy levels, tourism demand sensitivity and long-term revenue maximization. A comparable Seychelles-focused assessment could help determine whether future



adjustments to TESL rates may increase sustainable financing capacity without materially affecting visitor demand or tourism competitiveness. Such analysis could also support the development of differentiated levy scenarios, pricing strategies and long-term revenue projections aligned with Seychelles' climate and conservation financing objectives.

The most appropriate and realistic ways in which TESL revenues could support sustainable financing structures – including potential roles in credit enhancement, reserve mechanisms, or co-financing arrangements – are examined in greater detail in the following chapter on financing instruments.

IV. National Financing Vehicle and emerging institutional financing architecture

The *Seychelles Climate Finance Resource Mobilisation Strategy 2025–2030* recommends establishing a National Financing Vehicle ("NFV") to coordinate and deploy climate finance toward national mitigation and adaptation projects.^{xlix} The strategy highlights that such a platform could aggregate financing sources, structure projects and blend concessional resources with market capital to support investment flows aligned with national climate priorities.ⁱ

Importantly, the strategy clarifies that the NFV should be understood as an institution rather than a single fund, capable of administering multiple financing instruments and facilities.ⁱⁱ It is not intended to replace the Ministry of Finance as the primary administrator of external funds but rather to strengthen the country's institutional capacity to raise and deploy climate finance.

The rationale for such a platform reflects the increasing complexity of climate finance flows facing Seychelles. Achieving national climate and development objectives will require coordinated raising of concessional finance, domestic resources, private capital and market-based instruments. Dedicated institutional mechanisms can help translate policy priorities into investable projects and ensure that different financing sources are combined effectively.ⁱⁱⁱ

IV.I Potential role of an NFV in the national climate finance architecture

In the Seychelles context, a NFV would be most catalytic if it performed three complementary roles.

First, project pipeline development and transaction structuring. Climate investments identified in national planning instruments often require technical preparation, prefeasibility studies, financial structuring, environmental and social assessments, transaction advisory support and risk mitigation before they become investable. Subject to Government priorities, these functions could be supported through a dedicated Project Preparation Facility ("PPF") operating alongside the NFV and providing technical preparation services to ministries, public entities and eligible private-sector sponsors.

Second, facilitation of blended finance arrangements. Climate investments frequently require a combination of concessional resources and commercial capital. National financing vehicles can structure blended finance arrangements that leverage public resources to crowd in larger volumes of private investment.ⁱⁱⁱⁱ

Third, provision of a credible national interface for climate finance providers. International climate funds, development partners and institutional investors often require a capable domestic institution that can structure projects, manage financing flows and ensure fiduciary compliance. An NFV can provide this interface while maintaining alignment with national policy priorities.

In this role, the NFV would complement existing public financial management systems rather than replacing them.



IV.II Interaction with TESL revenues and sustainable financing instruments

The TESL represents an important domestic financing source linked to environmental sustainability objectives. At present, TESL revenues are collected centrally and flow into the general government budget. If an NFV were established, TESL could strengthen its catalytic capacity in several ways:

- providing initial capitalization for the NFV or specific financing windows;
- serving as co-financing for blended finance structures; and
- acting as a risk-sharing mechanism that improves the investment attractiveness of climate projects.

Such arrangements would not necessarily require full earmarking of TESL revenues but could involve targeted allocations to the NFV that support climate investment mobilization while preserving fiscal flexibility.

An NFV could strengthen the effectiveness of such issuances by:

- developing and aggregating eligible project pipelines;
- supporting project preparation activities through a dedicated PPF where appropriate, thereby increasing the volume and quality of investment-ready projects entering the financing pipeline;
- supporting allocation and reporting frameworks required for sustainable bonds; and
- structuring blended financing arrangements combining bond proceeds with concessional or domestic resources.

Through these functions, the NFV could act as the operational bridge between capital raised through sustainable debt markets and climate investment projects. The Government's own medium-term fiscal estimates show TESL collections remaining above SCR 150 million annually through 2028, providing visibility that could support multi-year capitalization commitments to an NFV or dedicated climate financing window.

Function	Lead institution	Supporting institutions
National climate finance strategy	Ministry of Finance / Cabinet	Environment Ministry, NFV Steering Committee
Project identification & prioritization	NFV Steering Committee	Line ministries, DBS, SeyCCAT
Project preparation / TA facility	NFV Secretariat (or SeyCCAT)	MDBs, development partners
Financial structuring	Ministry of Finance / DBS	MDB transaction advisors
Investment approval	Investment Committee (SCIF / facility-specific)	Independent experts
Lending / investment management	DBS / SCIF manager	Commercial banks
Monitoring & ESG reporting	SeyCCAT / NFV Secretariat	Implementing agencies
Fiscal oversight	Ministry of Finance	Auditor General

Table 6: Indicative allocation of NFV functions

The NFV should not function as the principal investment risk holder or implementing entity. Rather, its primary role would be strategic coordination, project prioritization, pipeline development and oversight of catalytic financing windows. Financial accountability for individual investments would remain with the relevant financing vehicle (such as the SCIF, DBS or Treasury), while implementation accountability would rest with the underlying project sponsors and executing agencies. This separation of strategic governance from investment execution is intended to strengthen accountability, preserve



fiduciary clarity and align responsibilities with institutional mandates.

IV.III Institutional design options

Three institutional models could be considered for establishing an NFV in Seychelles.

Option 1: Establishment of a new standalone NFV institution

This approach would involve creating a dedicated climate finance institution through legislation or a special legal structure. While this could provide a clear institutional mandate, it would require significant start-up costs, institutional design work and capacity development.

Option 2: Expansion of an existing institution

An alternative approach would involve assigning NFV functions to an existing national institution with experience managing environmental financing. This approach could allow Seychelles to build on existing governance structures and institutional credibility while reducing institutional establishment costs.

Option 3: Hybrid platform model

A hybrid approach could involve establishing a coordination platform while hosting specific financing facilities within existing institutions.

The Government is reportedly considering establishment of a Seychelles Sovereign Investment Fund (SSIF) under a dedicated legal framework aligned with international governance standards. If established, the SSIF could become relevant to the national financing architecture either as an institutional host for selected investment functions, as a co-investment platform, or as part of a hybrid NFV model.

The suitability of these options depends largely on the readiness of existing institutions capable of performing NFV functions. Given its existing mandate in conservation and climate-related financing, the *Seychelles Conservation and Climate Adaptation Trust* ("SeyCCAT") represents the most relevant national institution to assess in this context. The following section therefore examines SeyCCAT's institutional readiness to perform potential NFV functions.

Institutional readiness assessment of SeyCCAT

SeyCCAT is the most relevant existing national institution that could potentially perform NFV functions. The organization was established in 2015 following Seychelles' debt-for-nature swap to support marine conservation and climate adaptation financing.^{liv}

However, for the purposes of this assessment, SeyCCAT has been evaluated not solely against the standards of a traditional conservation trust fund, but against the broader functional requirements of a national climate finance intermediary capable of coordinating blended finance, concessional capital and sustainable investment flows. Accordingly, an institutional readiness assessment was conducted across six key dimensions benchmarked against internationally recognized climate finance fiduciary, governance and blended finance principles, including standards reflected in Green Climate Fund accreditation frameworks, OECD blended finance guidance and national climate finance platform practice:^{lv}



Dimension	Score	Analytical observations
Governance structures	Moderate-high	SeyCCAT operates under an independent multi-stakeholder governance structure including government, civil society and technical experts. This supports transparency and credibility but was designed for grant-based conservation financing. An NfV role would require strengthened governance mechanisms such as investment committees and enhanced oversight for financial transactions.
Fiduciary standards	Moderate	SeyCCAT has established financial management and audit systems consistent with international environmental funding standards. However, managing larger climate finance flows and blended finance instruments would require strengthened risk management and compliance systems.
Operational readiness	Low-Moderate	SeyCCAT has strong experience managing conservation and climate adaptation grants. However, an NfV would require additional expertise in project finance, investment structuring and engagement with private investors.
Scalability	Moderate	SeyCCAT has demonstrated stable programme management capacity but operates at a smaller financial scale. Scaling to a national climate finance platform would require expanded staffing and operational systems.
Independence and credibility	Moderate	SeyCCAT has good credibility with international partners and environmental stakeholders. Institutional independence is an important asset for accessing climate finance.
Cost implications	Favourable	Expanding SeyCCAT's mandate would likely be more cost-effective than establishing a completely new institution, although institutional strengthening would still be required.

Table 7: Institutional scoring framework - SeyCCAT

From our point of view, SeyCCAT provides a credible institutional foundation for performing selected NfV functions. However, expanding its mandate to act as a national climate finance platform would require targeted strengthening in financial structuring, investment management and institutional scale. Its stated intention to pursue direct accreditation to the Green Climate Fund would be a significant complementary development. Direct accreditation could improve access to concessional finance and strengthen the case for an NfV capable of blending grant, concessional and market-based capital.

Consultations with SeyCCAT management broadly supported the conclusion that the institution could potentially play a meaningful role within a future National Financing Vehicle architecture, provided that its role remains focused on coordination, catalytic finance and partnership management rather than functioning as a standalone development bank.^{lv} SeyCCAT emphasized that its strategic direction is increasingly focused on facilitating blue economy financing and strengthening partnerships, rather than directly competing with existing implementing entities such as NGOs or financial institutions. In this regard, management viewed a "light-touch" NfV model – under which SeyCCAT could coordinate pipeline development, catalytic financing windows, ESG reporting and development partner engagement, while institutions such as DBS manage lending functions and the Treasury manages sovereign financing flows – as both realistic and strategically aligned with existing institutional objectives.

At the same time, SeyCCAT acknowledged that additional institutional strengthening would be required if it were to assume broader climate finance coordination or blended finance functions. While the organization already possesses some treasury and investment management capacity through management of its endowment structure, larger-scale financing mechanisms would require additional expertise in investment management, fundraising, partnerships, legal structuring, human resources and environmental and social safeguards. SeyCCAT also indicated that implementation of more sophisticated sustainable finance instruments would likely require parallel capacity support within the Ministry of Finance and other partner institutions. Importantly, SeyCCAT confirmed that it is actively pursuing Green Climate Fund accreditation, with documentation expected to be submitted during the 2026 accreditation window, which – if successful – could materially strengthen its future role within Seychelles' climate finance architecture. Importantly, the proposed institutional architecture does not depend upon GCF accreditation. While accreditation would materially strengthen SeyCCAT's ability to mobilize concessional climate finance directly, the proposed "light-touch" NfV remains viable under



existing institutional arrangements and could continue to access GCF resources indirectly through accredited international entities if required.

IV.IV Capitalization pathways

The viability and effectiveness of a National Financing Vehicle will depend fundamentally on the establishment of predictable and diversified funding sources. An NFV designed to mobilize climate investment cannot rely on a single funding stream; rather, it must combine domestic resources with international climate finance and market-based instruments in order to achieve scale.

Recent external analysis supports this approach. The World Bank's *Seychelles Country Climate and Development Report* concludes that mobilizing even a modest voluntary allocation of domestic banking, pension and insurance assets – alongside payments for ecosystem services and appropriate risk-sharing mechanisms – could generate sufficient annual resources to close Seychelles' estimated climate finance gap. Importantly, this conclusion is premised on the development of investable climate-finance vehicles supported by appropriate regulation, project pipelines and de-risking arrangements, rather than mandatory investment requirements.^{lvii} This suggests that institutional fundraising and financial structuring may be more binding constraints than capital availability itself.

Several potential capitalization pathways exist in the Seychelles context:

- Government seed capital would likely be required at the initial stage to establish the NFV and signal national ownership of the institution. Initial public contribution can play an important catalytic role by demonstrating government commitment and providing a financial base that can leverage additional external resources.
- Allocations from the TESL could represent a particularly relevant domestic financing source. While TESL revenues currently flow into the general government budget, a portion of these revenues could be strategically allocated to support NFV seed funding or specific financing windows. Such allocations could enable the NFV to provide concessional co-financing or risk-sharing mechanisms that improve the bankability of climate investment projects.
- Based on current budget forecasts, TESL revenues of approximately SCR 150–160 million annually from 2026 onward could support periodic transfers, reserve accounts, or catalytic capital contributions without requiring full earmarking of the levy.
- Contributions from development partners and international climate funds represent another important capitalization pathway. Seychelles has historically mobilized environmental financing through innovative mechanisms, including debt-for-nature swaps and blue bonds. Development partners may therefore view an NFV as a credible institutional platform through which to channel additional climate finance.
- Concessional financing from multilateral development banks and climate finance facilities could further expand the capital base of the NFV. These institutions often seek credible national partners capable of structuring climate investments and managing financing flows in accordance with fiduciary standards.
- Finally, proceeds from sustainable debt issuances, such as green or blue bonds, could provide an additional source of capital. In this context, the NFV could play a supporting role by developing eligible project pipelines and facilitating the deployment of bond proceeds toward climate investments.

Taken together, these sources suggest that an NFV could operate as a blended capital platform combining domestic revenues, concessional finance and market-based funding. The effectiveness of such a platform will also depend on the continued evolution of Seychelles' sustainable finance regulatory framework. Stakeholder consultations with the Central Bank indicated that several enabling frameworks – including sustainable finance regulations, a national sustainable finance taxonomy and aspects of the non-bank credit framework – remain under development. Accordingly, implementation of



new financing vehicles should proceed in close coordination with the Central Bank and align with both current and forthcoming regulatory requirements.

The Government is also considering establishment of a dedicated Project Preparation Facility to finance early-stage project development activities, including prefeasibility studies, technical design, environmental and social assessments, transaction structuring and financial modelling. While such a facility would not itself deploy investment capital, it could substantially strengthen the effectiveness of the broader NFV architecture by increasing the supply of bankable projects available for financing through instruments such as the SCIF, domestic sustainable debt programmes or sustainability-linked financing.^{lviii}

Not all climate and conservation activities financed through the broader NFV architecture would be expected to generate commercial cash flows. Revenue-generating projects would generally be financed through blended investment vehicles such as the SCIF, while pure public-good conservation activities would continue to rely primarily on grants, concessional resources, dedicated budget allocations or environmental trust fund mechanisms. The NFV would therefore serve as a coordination platform capable of supporting multiple financing windows reflecting the differing financial characteristics of eligible activities.

IV.V NFV institutional options decision matrix

The institutional analysis and stakeholder consultations undertaken for this study suggest that Seychelles does not currently possess a single institution capable of independently performing the full range of functions associated with a comprehensive National Financing Vehicle. While several institutions possess important comparative advantages, no existing entity presently combines sovereign financing capacity, blended finance expertise, investment management capability, project origination functions and implementation coordination within a single operational platform.

At the same time, consultations consistently highlighted that institutional capacity within Seychelles remains constrained by the small scale of the domestic administration and financial sector. Many senior officials and technical experts already perform multiple institutional roles across government, public entities and financing institutions.

Under these conditions, establishing a completely new standalone climate finance institution with substantial dedicated staffing and operational infrastructure may not be realistic in the near term. While such an institution could be designed as a purpose-built entity specifically tailored to climate finance mobilization, it would require significant institutional design work, new legislation and substantial start-up costs. It would also take time to build the credibility and track record necessary to attract international partners and investors.

The SeyCCAT expansion model represents a more immediately feasible option. SeyCCAT already possesses established governance structures, fiduciary systems and institutional credibility with international partners. Expanding its mandate to incorporate selected NFV functions could therefore allow Seychelles to build on an existing institutional platform while reducing the costs and delays associated with creating a new institution. However, this approach would require significant targeted institutional strengthening, particularly in areas such as financial structuring, investment management and scaling of operations.

The hybrid platform model represents a more flexible approach that combines elements of coordination and institutional specialisation. Under this model, a national climate finance platform could oversee project pipeline development and financing strategies while specific financing facilities are hosted within existing institutions. This approach may reduce institutional risks and allow for gradual scaling of climate finance capabilities. However, it also requires strong coordination



mechanisms to ensure alignment between participating institutions.

Our analysis suggests that the most feasible institutional pathway would likely be a coordinated or “light-touch” NFV platform model that builds upon existing institutions and allocates functions according to comparative institutional strengths, rather than attempting to consolidate all functions within a single new entity. Under such an approach: the Ministry of Finance would retain responsibility for sovereign financing policy, fiscal coordination and engagement with multilateral financial institutions; the Development Bank of Seychelles (“DBS”) would perform commercial intermediation and on-lending functions; SeyCCAT could coordinate catalytic financing windows, project pipeline facilitation, ESG reporting and development partner engagement; domestic financial institutions such as Nouvobanq and commercial banks could participate in co-financing and liquidity mobilization; and the NFV itself would operate primarily as a coordination, structuring and strategic allocation platform rather than as a fully independent balance-sheet institution.

This model would allow Seychelles to leverage existing institutional credibility and operational capacity while minimizing duplication, reducing establishment costs and preserving flexibility as the climate finance ecosystem evolves.

Dimension	New NFV Institution	SeyCCAT expansion model	Hybrid platform model
Near-term implementation feasibility	Low	Moderate	High
Institutional readiness and fiduciary capacity	Low-moderate	Moderate	Moderate-high
Ability to leverage existing institutional strengths	Low	Moderate	High
Staffing and operational burden	Very high	High	Moderate-low
Coordination with sovereign and financial sector actors	Moderate	Moderate	Moderate-high
Investor/donor credibility	Moderate	High	Moderate
Overall near-term suitability	Low	Moderate	Moderate

Table 8: NFV institutional options decision matrix

The NFV institutional options assessment suggests that a coordinated platform or hybrid NFV model currently represents the most practical institutional pathway for Seychelles. Stakeholder consultations consistently indicated that no single domestic institution presently possesses the operational capacity, fiduciary systems, investment expertise and staffing scale required to independently perform the full range of NFV functions. At the same time, the establishment of a completely new standalone institution would likely impose significant operational and human resource demands within an already capacity-constrained environment.

The analysis therefore supports a more distributed institutional architecture in which existing entities perform specialized functions according to their comparative advantages. Over time, this coordinated platform model could evolve incrementally into a more formalized national climate finance architecture as institutional capacity, financing volumes and market sophistication deepen. However, in the near to medium term, the analysis suggests that strengthening coordination across existing institutions is likely to be more feasible and effective than establishing a wholly new standalone financing institution.



V. Financing instrument concepts

The analysis in Chapters II–IV suggests that Seychelles' principal climate financing challenge is not the absence of financing opportunities. But the need to raise capital in a manner consistent with the country's fiscal constraints, debt management objectives, and institutional capacity. Public borrowing space remains limited by the Government's medium-term debt targets, while foreign exchange exposure and the cost of capital constrain the attractiveness of conventional sovereign external borrowing. At the same time, domestic revenue streams such as the TESL, growing interest in sustainable finance, and the potential to crowd in private and concessional capital create a credible foundation for new financing solutions.

Based on the analysis undertaken, three illustrative financing concepts emerged as the most promising options for further development. These concepts should not be viewed as mutually exclusive or exhaustive. Rather, they illustrate how the proposed NFV could deploy different financing instruments depending on market conditions, regulatory developments and Government priorities. Other sustainable financing instruments could also be accommodated within the same institutional architecture over time.

Collectively, the proposed financing concepts seek to address different segments of Seychelles' climate financing challenge while remaining aligned with the country's fiscal constraints, institutional capacity and domestic market scale. Used sequentially or in combination, the instruments could help Seychelles diversify funding sources, strengthen domestic climate finance architecture and gradually mobilize larger pools of concessional and private capital over time. Specifically:

- Instrument 1 focuses on combining domestic, concessional and private capital to mobilize domestic and international capital through a blended-finance investment platform targeting investable climate and blue economy assets.
- Instrument 2 focuses on developing a domestic Seychelles Rupee sustainable financing channel capable of mobilizing larger-scale local-currency financing through phased market development, TESL-backed reserve enhancement and MDB-supported structuring.
- Instrument 3 focuses on linking sovereign financing with climate and sustainability performance incentives through a Sustainability-Linked Loan structure that preserves broader fiscal flexibility while reinforcing climate policy implementation and institutional reforms.

Together, the instruments would allow Seychelles to match different financing structures to different financing needs: blended finance for commercially viable climate investments; domestic sustainable financing mechanisms for larger-scale local-currency funding; and sovereign sustainability-linked financing for broader fiscal support and policy-linked climate reform objectives.

Collectively, the proposed concepts seek to address the debt management constraints identified in Chapter II by (i) mobilizing greater volumes of concessional and private capital; (ii) reducing reliance on foreign currency sovereign borrowing where feasible; (iii) supporting longer-tenor financing where appropriate; and (iv) using catalytic capital and risk-sharing mechanisms to improve financing terms rather than increasing sovereign leverage alone.

The following sections present each concept on a pre-feasibility basis, including transaction rationale, indicative structuring options (incl. capital flows), governance considerations, risk assessment and mitigation strategies, and implementation pathways.



V.I Instrument 1: Seychelles Climate Investment Facility (SCIF)

Seychelles' climate financing challenge is not solely a shortage of capital, but the absence of sufficiently scaled institutional mechanisms capable of attracting and intermediating available public, concessional and private resources efficiently. While the country's sovereign borrowing capacity remains constrained by medium-term debt targets, refinancing pressures and foreign exchange exposure, substantial pools of concessional and commercial capital continue to exist internationally for investable climate and sustainability projects.

At the same time, Seychelles possesses a growing pipeline of commercially viable or near-viable climate and blue economy investments, including renewable energy systems, tourism decarbonisation projects, water reuse infrastructure, waste management assets, fisheries logistics and climate-resilient tourism infrastructure. However, many projects remain underfinanced due to small transaction size, limited project preparation capacity, perceived risk and the absence of specialised domestic financing channels.

Against this backdrop, the Seychelles Climate Investment Facility ("SCIF") would function as a blended-finance investment platform designed to attract domestic and international capital toward eligible climate and blue economy investments without relying primarily on new sovereign borrowing. Rather than operating as a traditional public fund, the SCIF would combine catalytic public or concessional capital with commercial investment in order to improve project bankability and crowd in larger pools of private finance.

The proposed structure also aligns with feedback received during consultations with multilateral development banks and international financial institutions. Stakeholders consistently highlighted that, given Seychelles' fiscal constraints and relatively small market size, blended-finance structures focused on catalytic fundraising and project aggregation may offer a more practical near-term pathway than large standalone sovereign issuances. MDB consultations also emphasized the importance of phased implementation, use of existing institutions and careful allocation of functions across domestic actors rather than establishment of a large standalone financing institution.

In this context, the SCIF would serve as the operational financing platform within the broader emerging climate finance architecture described in Chapter IV. While the National Financing Vehicle ("NFV") would coordinate strategic climate finance priorities, pipeline development and catalytic capital allocation, the SCIF would function as the investable platform capable of deploying blended capital into eligible climate projects.

V.I.I Proposed investment structure

The proposed SCIF would be established as a professionally governed blended-finance platform operating under the broader strategic umbrella of the National Financing Vehicle. Rather than functioning as a single pooled investment fund, the SCIF would provide a common governance, fundraising and investment framework capable of hosting multiple thematic financing windows with distinct investment mandates, risk-return profiles and capital structures. This modular architecture would allow the Facility to accommodate different sectors, transaction sizes and financing instruments while maintaining consistent fiduciary, environmental and reporting standards.

The structure would combine multiple layers of capital with differentiated risk-return characteristics. At the catalytic layer, the Government could allocate, through the annual budget process, a defined share of Tourism Environmental Sustainability Levy ("TESL") revenues into a dedicated reserve account maintained by the Ministry of Finance. While TESL represents the most logical and readily identifiable domestic source of catalytic capital, the reserve could also be supplemented over time through other environmentally-related fiscal revenues, allocations from the proposed Environmental Trust Fund ("ETF"), if established, or other budgetary appropriations, thereby diversifying the reserve base and reducing reliance on a single revenue stream.



These resources would not primarily function as direct lending capital, but rather as a sovereign-supported credit enhancement mechanism available, under predefined conditions, to eligible financing windows operating under the SCIF or other approved climate financing structures. The NFV would coordinate the strategic use of such catalytic resources, while the Ministry of Finance would retain ownership, fiscal oversight and accountability for the reserve.

Building on this catalytic layer, development partners, philanthropic sources, the Green Climate Fund and other concessional financiers could provide additional grant or concessional capital support. Multilateral development banks and development finance institutions such as IFC, AfDB or IBRD could then provide larger volumes of senior concessional capital, while domestic banks, pension funds, insurers and commercial investors participate through co-investment structures once appropriate governance and risk mitigation arrangements are established.

Under the proposed structure, the SCIF would deploy blended capital into eligible climate and blue economy investments through a combination of loans, guarantees, co-financing arrangements or other suitable financing structures. Project sponsors could include private companies, SMEs, tourism operators, infrastructure developers, public-private partnerships or approved public entities where investments generate identifiable climate and resilience benefits. Illustratively, the proposed capital stack could comprise:

Capital layer	Potential providers	Indicative function
Catalytic / first-loss capital	TESL allocations, donors, Green Climate Fund, philanthropic sources	Absorb early losses, improve investor confidence
Senior concessional capital	IFC, AfDB, IBRD, other DFIs	Provide lower-cost senior debt capital
Commercial co-investment	Domestic banks, pension funds, insurers	Provide scalable investment capital
Sponsor equity	Project developers, private sponsors	Align incentives and share project risk

Table 9: Indicative capital stack – Instrument 1

Rather than functioning as a standalone development bank or direct lender, the NFV would provide strategic oversight of climate investment priorities, project prioritization and institutional coordination. Operational functions – including project preparation, ESG reporting, donor coordination, investment management and financial intermediation – would be undertaken by existing institutions according to their respective mandates, including SeyCCAT, the SCIF and the Development Bank of Seychelles.

The appropriate size of any catalytic first-loss tranche would ultimately depend on the composition of the project pipeline, expected portfolio risk, participation by concessional investors and the target leverage ratio. Determination of the appropriate first-loss allocation should therefore form part of the subsequent transaction structuring phase.

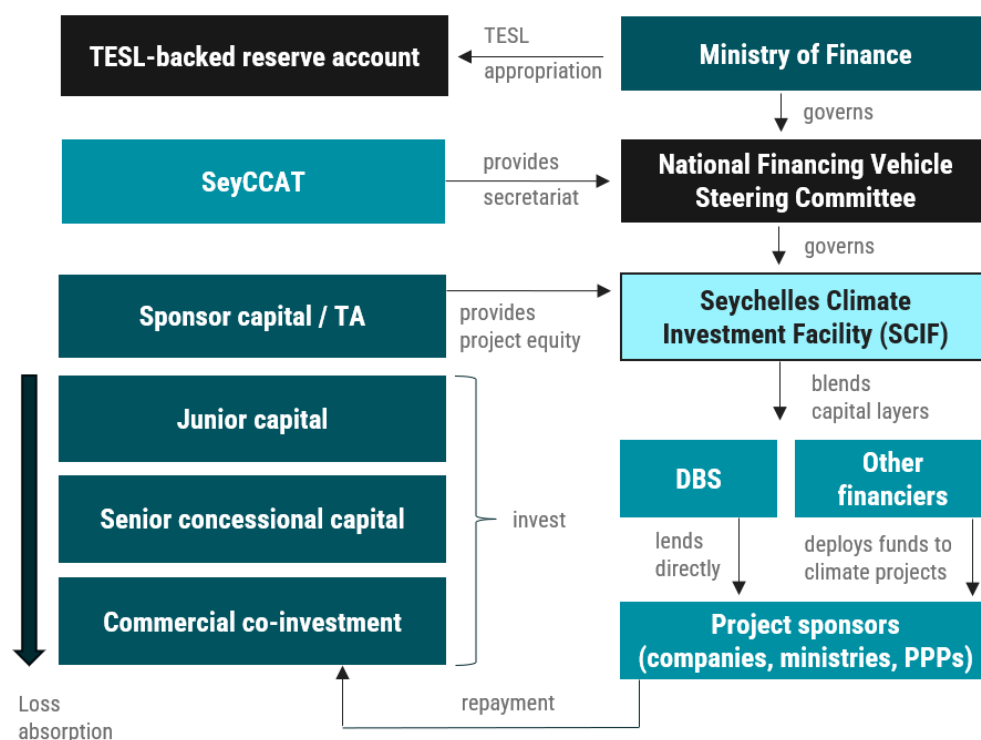


Chart 1: Indicative structuring option – Instrument 1 (incl. capital flows)

The SCIF should focus initially on revenue-generating or cash-flow-supported investments capable of servicing debt or attracting commercial co-investment. Priority sectors would include rooftop solar installations and energy efficiency retrofits for hotels and tourism facilities, water reuse systems and desalination efficiency upgrades, waste management and circular economy infrastructure, electric mobility, fisheries cold-chain infrastructure, blue economy SMEs and other climate-resilient tourism assets.

Given the relatively small scale of the Seychelles economy and domestic financial market, a phased pilot structure would likely be most appropriate. An initial facility size in the range of approximately USD 15-30 million equivalent appears realistic, with potential scaling toward USD 40-75 million over time subject to portfolio performance, investor appetite and institutional capacity.

V.I.II Governance considerations

The governance framework of the SCIF would be central to both investor confidence and domestic legitimacy. Given the blended-finance nature of the proposed structure, robust governance arrangements would be required to ensure transparency, fiduciary integrity and disciplined investment allocation.

The Facility should therefore operate under an independent board structure comprising both public and private representation, allowing national ownership while incorporating commercial and technical expertise. Strategic oversight roles should include participation from the Ministry of Finance and the Ministry responsible for Environment, while operational investment decisions should be delegated to a dedicated investment committee operating under clearly defined mandates, investment parameters and risk limits.

The broader institutional architecture should also preserve clear separation of functions across participating institutions.



Under the proposed model:

- the Ministry of Finance would retain responsibility for sovereign financing policy and fiscal coordination;
- DBS and participating financial institutions would undertake lending and commercial intermediation functions where appropriate;
- SeyCCAT and the NFV coordination platform could support catalytic financing windows, ESG coordination and development partner engagement; and
- the SCIF would operate as the blended-finance deployment platform.

This distributed institutional approach reflects the practical reality that no single domestic institution currently possesses the operational scale, staffing capacity and financial expertise required to independently perform all climate finance functions. Stakeholder consultations consistently indicated that strengthening coordination across existing institutions is likely to be more feasible and effective than establishing a completely new standalone climate finance institution.

In addition, the SCIF should be subject to annual external audits, quarterly portfolio and performance reporting, clearly defined environmental and social safeguard policies, and robust conflict-of-interest safeguards consistent with international blended finance practice. These arrangements would help ensure alignment with the fiduciary and governance expectations typically applied by MDBs, institutional investors and concessional climate finance providers.

The appropriate legal form of the SCIF remains to be determined and should form part of the subsequent legal and institutional structuring phase. Depending on the preferred governance model, the SCIF could be established as a standalone legal entity, a dedicated investment vehicle or special purpose vehicle, or as a ring-fenced financing window hosted within an existing institution. The preferred approach should balance legal robustness, governance requirements, operational efficiency and implementation cost. The forthcoming legal assessment is expected to provide further guidance on the most appropriate institutional and legal structure.

V.I.III Risk assessment and mitigation strategies

As a first-generation blended-finance platform operating within a relatively small and capacity-constrained market, the SCIF would face a number of material but manageable risks. These include pipeline risk, governance risk, credit underperformance, investor participation constraints and foreign exchange mismatches.

Given Seychelles' relatively small project market, one of the principal risks would be insufficient availability of investment-ready projects capable of absorbing capital efficiently. This risk could be mitigated through pre-launch project preparation support, phased deployment schedules and establishment of an NFV-supported pipeline development function prior to major capital mobilization.

The performance of financed assets would also represent an important consideration. Because many projects may involve relatively new climate technologies or SMEs operating in small domestic markets, portfolio underperformance could affect repayment flows and investor confidence. Appropriate mitigants would include portfolio diversification, sponsor co-investment, conservative underwriting standards and catalytic first-loss structures supported by concessional capital.

Governance and execution risks are also particularly important within blended-finance structures. Weak fiduciary systems, political interference or poor reporting could undermine investor confidence and future capital mobilization efforts. These risks reinforce the importance of independent governance arrangements, professional investment management, audited reporting and clear separation of institutional responsibilities.



Finally, Seychelles' small market size may constrain investor participation during the initial stages of the platform. MDB consultations highlighted the importance of phased scaling and anchor participation by concessional partners in order to crowd in private investment gradually rather than attempting immediate large-scale market mobilization.

Risk category	Description	Indicative mitigation measures
Pipeline risk	Insufficient investable projects delay deployment	Pipeline preparation facility; phased deployment; project screening
Credit risk	Borrowers or projects underperform	Portfolio diversification; catalytic first-loss tranche; sponsor equity
Governance risk	Weak controls or political interference	Independent board; professional manager; audited reporting
Geography risk	Climatic and other natural stress events	Insurance mechanisms
Currency risk	FX mismatch between funding and local revenues	Prioritize SCR lending where feasible; selective hedging

Table 10: Risk matrix for financial instrument 1

Overall, the principal risks associated with the SCIF appear manageable provided that the platform is introduced gradually, supported by credible governance and anchored by concessional catalytic capital.

V.I.IV Implementation pathway

A phased implementation pathway would likely provide the most practical and credible route to establishing the Seychelles Climate Investment Facility. Given the innovative nature of the proposed structure and the relatively limited institutional scale within Seychelles, a sequenced approach would allow the platform to build operational credibility progressively while managing execution risk.

The initial phase should focus on confirming the preferred legal and institutional hosting structure, whether as an independent special purpose vehicle, a dedicated financing window under the NFV architecture or a professionally managed facility operating through an existing institution. During this stage, Seychelles should engage anchor donors, MDBs and potential domestic co-investors while defining the investment mandate, priority sectors and catalytic financing strategy.

The second phase would focus on operational structuring, including establishment of governance arrangements, appointment of a professional fund manager or administrator, securing catalytic capital commitments and preparation of an initial investment pipeline.

The third phase would involve formal launch of the Facility through a first close of capital commitments, approval of inaugural transactions and activation of fiduciary, reporting and monitoring systems.

If the pilot phase proves successful, the SCIF could subsequently scale through additional capital rounds, thematic financing windows and broader participation by domestic financial institutions and international co-investors.

Phase	Indicative timeline	Key actions
Phase 1 – Design	0-5 months	Confirm legal host structure; engage anchor donors and MDBs; market sounding with domestic investors; define mandate and sectors
Phase 2 – Structuring	5-9 months	Establish governance framework; secure catalytic capital; appoint manager/administrator; prepare first pipeline



Phase 3 – Execution	9-12 months	Complete first close; approve inaugural investments; launch reporting and monitoring systems
Phase 4 – Scale-up	Year 2 onward	Attract pension and insurance capital; create thematic windows; crowd in larger co-investment pools; recycle repayments

Table 11: Implementation pathway for financial instrument 1

Among the three proposed financing instruments, the Seychelles Climate Investment Facility appears to represent the strongest fully non-sovereign financing option currently available to Seychelles. This structure primarily mitigates sovereign debt constraints by mobilizing non-sovereign and blended capital rather than relying on additional direct sovereign borrowing. It mobilizes underutilized domestic and concessional capital, and uses limited public resources catalytically rather than through large-scale direct sovereign borrowing.

If supported by credible governance arrangements, phased implementation and a well-prepared project pipeline, the SCIF could evolve into the central domestic platform for raising and deploying blended climate finance within Seychelles' emerging sustainable finance architecture.

V.II Instrument 2: Seychelles Rupee Sustainable Debt Program

While blended-finance structures such as the Seychelles Climate Investment Facility ("SCIF") may help mobilize concessional and private investment into climate projects, Seychelles is also likely to require larger-scale domestic financing channels capable of supporting medium-term climate and resilience investment needs. These include public-sector infrastructure requirements in coastal protection, water security, renewable energy, waste systems and climate-resilient infrastructure, as well as financing needs associated with scaling commercially viable climate investments through domestic financial institutions.

At the same time, consultations with the Ministry of Finance, MDBs and the IMF confirmed that Seychelles continues to face important macro-fiscal and market constraints. These include limited sovereign borrowing space, refinancing pressures within the domestic debt market, foreign exchange exposure and relatively shallow local capital markets. MDB consultations also highlighted increasing caution around sovereign guarantees and externally structured hard-currency issuances following recent sovereign restructuring experiences in emerging markets. Additional guarantees are currently constrained by available fiscal space.^{lix}

Under these conditions, a conventional large-scale sovereign green or blue Eurobond-style issuance would likely be difficult and potentially inconsistent with Seychelles' broader debt management objectives. However, consultations also suggested that a more modest domestic Seychelles Rupee ("SCR") sustainable financing structure – supported by targeted reserve enhancement, MDB participation and phased market development – may represent a more realistic pathway for gradually expanding local-currency climate financing capacity.

The proposed Seychelles Rupee Sustainable Financing Program would therefore seek to establish a scalable domestic thematic financing channel capable of mobilizing local-currency financing for climate and sustainability investments over time. Rather than relying primarily on large international market issuances, the proposed structure would focus initially on domestic SCR financing supported by catalytic reserve enhancement mechanisms, MDB structuring support and gradual development of domestic market participation.

The proposed structure also reflects broader stakeholder feedback that climate finance architecture in Seychelles should remain proportionate to the country's institutional scale and absorptive capacity. The objective is therefore not simply to



execute a single thematic issuance, but rather to develop a phased and repeatable domestic sustainable financing platform aligned with Seychelles’ fiscal constraints, refinancing profile and climate investment priorities.

Consistent with the long economic lives of many climate-resilient infrastructure and nature-based investments, the programme should seek over time to develop longer-tenor domestic sustainable financing instruments. This would not only improve the asset-liability matching of climate investments, but could also contribute to the Government’s broader debt management objectives by gradually extending the maturity profile of domestic public debt. While recent issuance has increasingly relied on short-term Treasury bills in response to prevailing market conditions and limited domestic demand for longer-dated securities, a well-structured sustainable financing programme supported by MDB participation and catalytic credit enhancement could help broaden the domestic investor base and establish longer-duration benchmark issuances over time.

V.II.I Proposed investment structure

Under the proposed structure, financing would initially be raised through a domestic Seychelles Rupee-denominated sustainable financing instrument, potentially in the form of a thematic bond, private placement, syndicated facility or other suitable financing arrangement. Depending on the final structure and use of proceeds, the domestic issuer could be either the Government Treasury, the Development Bank of Seychelles (“DBS”) or another approved domestic conduit.

MDBs and development finance institutions could support the structure through a combination of transaction structuring assistance, anchor participation, liquidity support, concessional co-financing or selective partial risk-sharing arrangements where appropriate. However, consultations with MDBs indicated that full guarantee structures or comprehensive external “wrappers” are unlikely to be feasible under current market conditions. Accordingly, the proposed structure relies primarily on domestic reserve enhancement and phased market development rather than large-scale external guarantees.

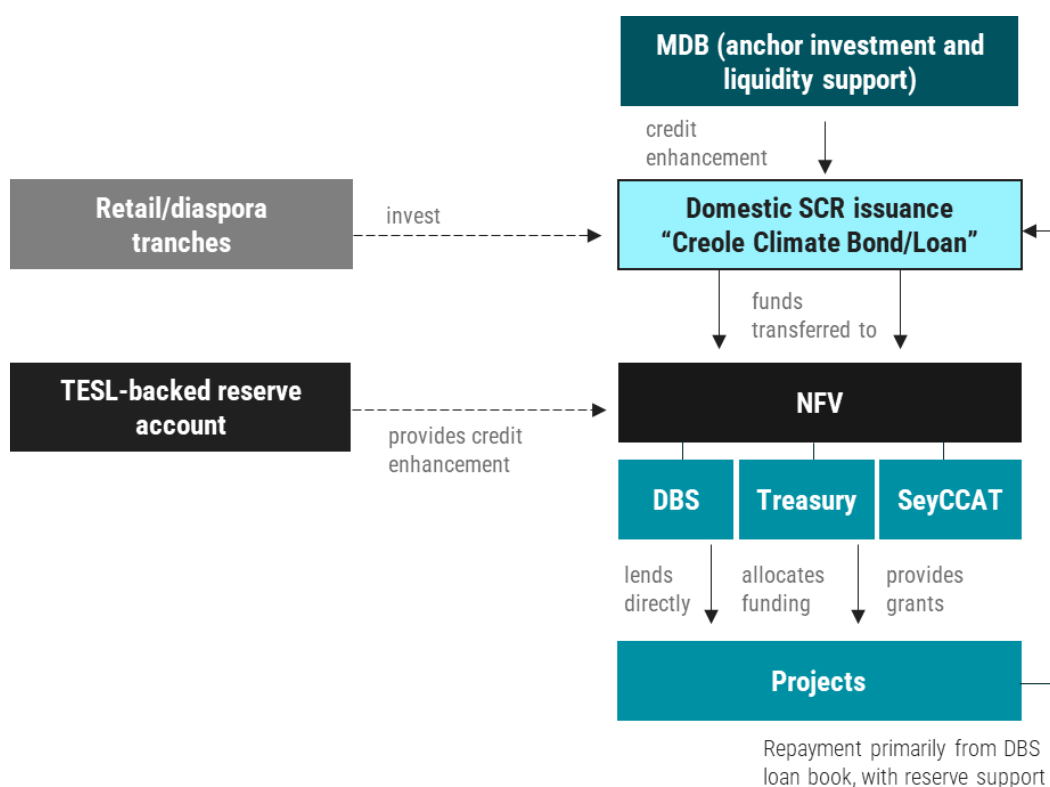


Chart 2: Indicative structuring option – Instrument 2 (incl. capital flows)

A central feature of the proposed structure would therefore be the establishment of a TESL-supported reserve enhancement mechanism. Under this approach, a defined share of Tourism Environmental Sustainability Levy ("TESL") revenues could be allocated periodically into a ring-fenced reserve account supporting the financing program. Rather than functioning as a direct repayment source, the reserve would operate primarily as a liquidity support mechanism, refinancing confidence buffer or limited first-loss enhancement intended to improve investor confidence and reduce financing costs.

Depending on the final conduit structure, proceeds could be deployed through different financing pathways:

- where Treasury acts as issuer, financing could support public-sector climate infrastructure and resilience investments such as coastal protection, water security, renewable energy, waste systems and adaptation infrastructure;
- where DBS acts as intermediary, financing could be deployed into commercially viable climate and sustainability projects through on-lending structures supporting SMEs, tourism retrofits, renewable energy systems and other revenue-generating investments; or
- under a hybrid structure, proceeds could be allocated across both sovereign and non-sovereign investment windows.

Within the broader financing architecture, the National Financing Vehicle would coordinate climate investment prioritization, pipeline aggregation, ESG reporting and allocation monitoring functions, while existing domestic institutions would retain operational financing and implementation responsibilities. Illustratively, the proposed financing structure could involve the following layers:

Financing layer	Indicative participants	Indicative function
TESL reserve enhancement	Government / NFV	Liquidity reserve, refinancing support, confidence enhancement
MDB participation	IFC, AfDB, IBRD, other DFIs	Structuring support, anchor participation, concessional support
Domestic issuance	Treasury, DBS or approved domestic conduit	Raise SCR-denominated financing
Domestic investors	Banks, institutional investors, private placements	Provide local-currency investment capital
Deployment channels	Treasury, DBS, approved climate projects	Finance eligible climate investments

Table 12: Governance considerations for financial instrument 2

Given the relatively limited depth of Seychelles' domestic capital market, a phased pilot structure would likely be most appropriate initially. Consultations with MDBs indicated that moderate pilot transactions are more likely to be absorbable and executable than large benchmark-style issuances. An inaugural issuance or financing facility in the range of approximately SCR 150-300 million equivalent may therefore represent a more realistic near-term scale, with future expansion dependent on demonstrated market appetite, refinancing performance and pipeline maturity.

V.II.II Governance considerations

Robust governance arrangements would be central to both investor confidence and macro-fiscal credibility. Given the multi-layered nature of the proposed financing structure, clear institutional separation of responsibilities would be important in order to preserve accountability, avoid concentration of functions and align each institution with its comparative advantage.



Under the proposed architecture, the Ministry of Finance would retain responsibility for sovereign debt management, fiscal coordination and engagement with MDBs and external financing partners. Where DBS participates as financing intermediary, it would undertake commercial lending, portfolio management and on-lending functions consistent with its mandate and balance-sheet capacity.

The NFV would not function as a standalone lending institution or development bank. Rather, it would coordinate climate financing priorities, support project pipeline aggregation, oversee catalytic reserve allocation mechanisms and coordinate ESG reporting and monitoring requirements across participating institutions.

SeyCCAT and other specialized entities could support catalytic financing windows, conservation-oriented grant deployment and development partner coordination where appropriate. Commercial banks and institutional investors would participate primarily through investment and co-financing functions.

This distributed governance model reflects broader stakeholder feedback that Seychelles currently lacks a single institution capable of independently performing all climate finance functions at scale. Consultations also consistently indicated that establishing an entirely new standalone financing institution may not be realistic or desirable in the near term given existing human resource and institutional capacity constraints.

The financing program should additionally include:

- clearly defined use-of-proceeds eligibility criteria;
- ring-fenced reserve account governance arrangements;
- annual external audit and reporting requirements;
- transparent allocation and impact reporting;
- and independent verification where appropriate.

These arrangements would support alignment with international sustainable finance market standards while preserving flexibility appropriate to Seychelles' market scale.

The proposed programme is intentionally modular and could support sovereign, quasi-sovereign or intermediary-led domestic sustainable financing structures depending on the final allocation of proceeds and risk-sharing arrangements.

Given the evolving domestic sustainable finance framework, development of the programme should also include early engagement with the Central Bank to ensure consistency with emerging regulatory expectations relating to sustainable finance instruments, disclosure practices and market reporting. Initial issuances may therefore adopt internationally recognized sustainable finance principles until domestic guidance becomes fully established.

V.II.III Risk assessment and mitigation strategies

As with any inaugural domestic sustainable financing structure in a relatively small market, the proposed Seychelles Rupee Sustainable Financing Program would face a number of execution, refinancing and market risks. These risks are manageable but should be explicitly recognized during the pre-feasibility stage so that appropriate mitigants can be incorporated into transaction design.

One of the principal risks relates to refinancing and market absorption capacity within the domestic Seychelles Rupee market. Consultations with MDBs highlighted uncertainty regarding the scale of domestic investor appetite for thematic climate financing instruments, particularly at longer tenors. This risk supports a phased pilot approach focused initially on



modest issuance size, private placements or syndicated structures before attempting larger repeat issuances.

Foreign exchange risk also remains relevant where portions of financing or MDB support involve external currency exposure. While the proposed structure prioritizes SCR-denominated financing wherever feasible, selective foreign exchange exposure may still arise depending on investor participation and MDB involvement. Appropriate reserve mechanisms and prudent sizing would therefore remain important.

Another important consideration relates to sovereign debt treatment and fiscal perceptions. Even where financing is intermediated through DBS or another domestic conduit, portions of the structure may still be treated as sovereign or sovereign-contingent exposure depending on final legal arrangements and MDB treatment methodologies. Careful alignment with Seychelles' broader debt management strategy and IMF macro-fiscal framework would therefore be required.

Finally, execution risk remains material given the novelty of thematic domestic financing structures within Seychelles. Establishment of credible governance arrangements, conservative transaction sizing and phased market development would therefore be essential to maintaining investor confidence.

Risk category	Description	Indicative mitigation measures
Refinancing / market absorption risk	Limited domestic investor appetite or shallow secondary market	Moderate pilot issuance size; phased repeat program; private placement approach
Foreign exchange risk	External participation may create FX mismatches	Prioritize SCR financing; reserve support; prudent transaction sizing
Sovereign debt perception risk	Financing may still be viewed as sovereign exposure	Clear conduit structure; alignment with debt strategy and IMF framework
Governance / execution risk	Weak controls or reporting undermine credibility	Independent verification; audited reporting; ring-fenced reserve governance
Pipeline deployment risk	Delayed allocation of proceeds weakens investor confidence	NFV-led pipeline preparation; staged deployment and drawdowns
TESL revenue / tourism risk	TESL revenues may decline due to tourism shocks or changes in government policy	Conservative reserve sizing; maintain high debt service coverage ratios; periodic replenishment of reserve.

Table 13: Risk matrix for financial instrument 2

Overall, the proposed structure appears most viable if introduced gradually through a phased domestic market development approach rather than as a large inaugural benchmark issuance.

V.II.IV Implementation pathway

A phased implementation pathway would likely offer the most credible and operationally realistic route to establishing the Seychelles Rupee Sustainable Financing Program. Given the relatively limited depth of the domestic market and the still relatively untested nature of thematic financing structures within Seychelles, gradual market development would likely be more effective than immediate large-scale issuance. By focusing on domestic SCR financing, the programme seeks principally to reduce foreign exchange exposure while supporting gradual development of longer-tenor domestic sustainable finance markets.

The initial phase should focus on confirming the preferred domestic conduit structure, assessing domestic market absorption capacity and engaging MDBs and potential anchor investors regarding structuring support and participation options. During this phase, Seychelles should also establish the legal and operational framework for the TESL-backed



reserve enhancement mechanism and prepare an initial pipeline of eligible climate investments.

The second phase would involve preparation of transaction documentation, finalization of governance arrangements, investor sounding and establishment of reporting and monitoring systems aligned with sustainable finance standards.

The third phase would involve execution of the inaugural financing transaction, activation of reserve support arrangements and deployment of proceeds through approved domestic channels.

If the pilot phase proves successful, Seychelles could subsequently consider scaling the program gradually through repeat issuances, expanded investor participation and potentially broader thematic financing windows.

Phase	Indicative timeline	Key actions
Phase 1 – Preparation	0-3 months	Confirm conduit structure; engage MDBs and investors; establish TESL reserve framework; prepare pipeline
Phase 2 – Structuring	4-8 months	Prepare sustainable financing framework; finalize governance arrangements; identify and screen eligible project pipeline; design TESL-backed reserve mechanism; undertake preliminary investor sounding and market engagement.
Phase 3 – Execution	8-12 months	Finalise legal documentation; complete pricing process; execute issuance and settlement; deploy proceeds; launch post-issuance reporting systems.
Phase 4 – Scale-up	Year 2 onward	Undertake repeat issuances where justified; explore retail or diaspora participation tranches; expand larger private-sector co-investment windows through the NFV platform.

Table 14: Implementation pathway for financial instrument 2

The Seychelles Rupee Sustainable Financing Program should therefore be understood not simply as a standalone thematic bond transaction, but as a phased domestic sustainable financing platform capable of supporting gradual development of Seychelles' local-currency climate finance market over time. If implemented conservatively and supported by credible governance and reserve enhancement mechanisms, the structure could help mobilize larger-scale domestic climate financing while remaining broadly aligned with Seychelles' fiscal and debt management constraints.

V.III Instrument 3: Seychelles Sustainability-Linked Loan Facility (SSLLF)

While Instruments 1 and 2 focus respectively on blended-finance mobilization and development of domestic sustainable financing channels, Seychelles may also benefit from a sovereign financing instrument capable of supporting broader fiscal flexibility while embedding climate and sustainability policy incentives within the financing structure.

In this context, a sovereign Sustainability-Linked Loan ("SLL") facility appears more feasible for Seychelles in the near term than a standalone Sustainability-Linked Bond ("SLB") issuance. Consultations with multilateral development banks ("MDBs") indicated that sustainability-linked sovereign loan structures have become increasingly common within African sovereign financing markets, particularly where countries seek to integrate climate or sustainability reform incentives into broader sovereign financing arrangements.

Unlike green or blue use-of-proceeds bonds, sustainability-linked financing structures do not require ring-fencing of proceeds toward specific eligible projects. Instead, financing terms are linked to achievement of agreed sustainability or climate-related performance indicators. This flexibility may be particularly attractive within the current Seychelles context, where the Government continues to face multiple fiscal pressures and may prefer to retain broader discretion over budget allocation while still demonstrating commitment to climate resilience and sustainability reforms.



The proposed structure would therefore seek to align sovereign financing with measurable climate, resilience and institutional reform objectives while preserving flexibility within the broader fiscal framework. Rather than functioning primarily as a capital raising mechanism, the proposed SLL facility would operate as a policy-linked sovereign financing instrument capable of reinforcing climate-related reforms, institutional strengthening and implementation discipline.

The proposed approach also reflects feedback received during consultations with MDBs and the IMF. Stakeholders generally viewed sustainability-linked structures as technically feasible and operationally familiar instruments for Seychelles, particularly in loan format. At the same time, consultations suggested that a sovereign loan structure would likely be more practical than a standalone capital markets bond issuance given Seychelles' relatively small market scale, limited capital markets depth and broader debt management considerations.

V.III.I Proposed investment structure

Under the proposed structure, a sovereign or sovereign-supported Sustainability-Linked Loan facility would be provided by one or more MDBs, development finance institutions or bilateral lenders to the Government of Seychelles. Financing would be structured as a general-purpose sovereign facility rather than a dedicated use-of-proceeds instrument.

Instead of linking financing to specific eligible projects, the facility would incorporate a set of agreed climate, sustainability or institutional Key Performance Indicators ("KPIs") against which pricing incentives or concessionality adjustments would be assessed periodically.

Indicative KPIs could include:

- operationalization of climate budget tagging systems;
- publication of annual climate expenditure reporting;
- renewable energy deployment targets;
- establishment of NFV coordination and reporting systems;
- implementation of climate adaptation investment frameworks;
- or achievement of agreed institutional climate finance milestones.

Consultations with MDBs suggested that KPI structures should remain relatively limited, measurable and operationally realistic in order to maintain credibility and reduce execution complexity. Indicators linked to existing policy priorities, administrative systems or measurable fiscal reforms are therefore likely to be more appropriate than highly complex environmental outcome metrics.

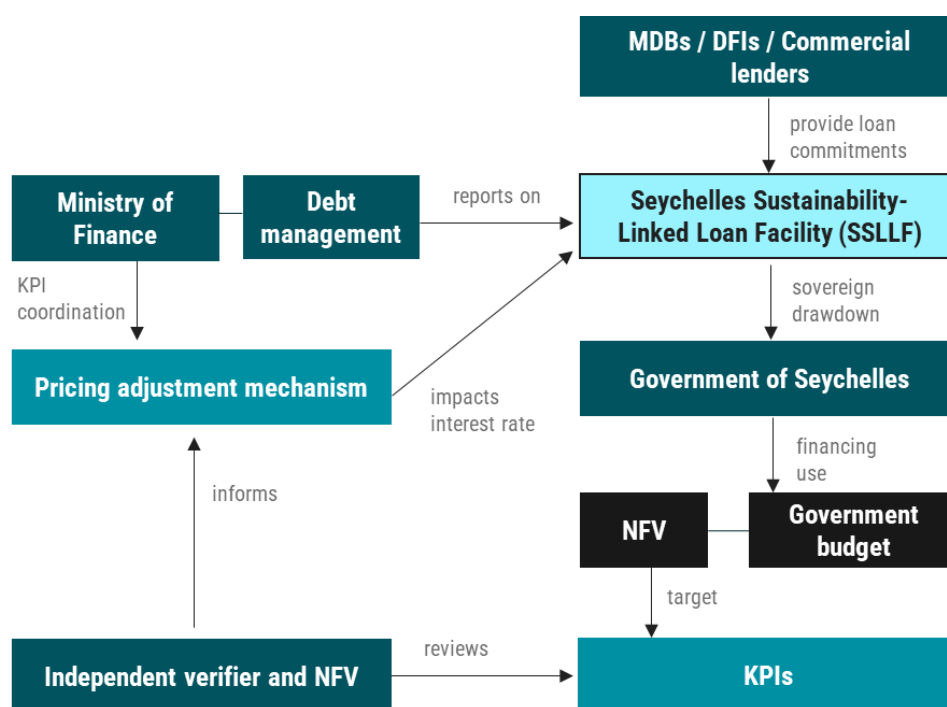


Chart 3: Indicative structuring option – Instrument 3 (incl. capital flows)

Under the proposed structure, financing proceeds would remain available for general fiscal purposes consistent with Seychelles' broader budget framework. However, the sustainability-linked structure would create financial incentives for achievement of agreed climate and sustainability objectives through potential pricing adjustments, concessional features or performance-based incentives.

The Tourism Environmental Sustainability Levy ("TESL") would not function as a direct repayment source or collateral mechanism under the proposed SLL structure. However, TESL revenues could potentially support complementary climate expenditure programs, performance-based financing windows or co-financing arrangements linked to achievement of sustainability objectives.

Consultations with MDBs also suggested that a "step-down" pricing approach may be more appropriate than a traditional penalty-based "step-up" structure. Under such an approach, Seychelles could potentially benefit from modest reductions in financing costs, rebates or concessional incentives if agreed sustainability targets are achieved, rather than facing punitive pricing increases in the event of underperformance.

Further, performance-linked tranche releases may provide stronger implementation incentives than pricing adjustments alone. While this approach has merit and is used in certain MDB policy-based and results-based lending programmes, it also introduces greater funding uncertainty for the borrower, particularly where long-term capital planning and infrastructure delivery depend on predictable access to financing. Given Seychelles' objective of mobilizing stable long-term climate finance, the proposed concept retains financing certainty while using positive pricing incentives to encourage performance. Nevertheless, hybrid structures incorporating phased disbursements against agreed implementation milestones could be explored during subsequent structuring discussions with participating lenders where appropriate.

An initial facility size in the range of approximately USD 20-50 million equivalent may be realistic under current conditions, with future expansion dependent on sovereign borrowing capacity, lender appetite and performance under the initial facility.



V.III.II Governance considerations

The credibility of a sovereign sustainability-linked financing structure depends heavily on the integrity, transparency and realism of the underlying KPI and reporting framework. Governance arrangements would therefore be central both to lender confidence and to the broader legitimacy of the financing mechanism.

The proposed structure should include clearly defined KPI methodologies, transparent baseline data, independent external verification arrangements and regular public reporting on performance progress. Because sustainability-linked instruments rely primarily on credibility of policy implementation rather than ring-fenced project financing, the integrity of reporting and verification systems becomes particularly important.

An inter-ministerial coordination mechanism would likely be required in order to align fiscal policy, climate implementation and reporting functions across participating government institutions. The Ministry of Finance would retain primary responsibility for sovereign financing management and lender engagement, while relevant line ministries would support implementation and monitoring of sector-specific sustainability targets.

The NFV coordination platform could support consolidation of climate finance reporting, KPI monitoring and coordination of sustainability-related reporting frameworks where appropriate. However, the NFV would not act as borrower or financing intermediary under the proposed structure.

Consultations with MDBs also highlighted the importance of maintaining a relatively limited and operationally realistic KPI set. Excessively complex or difficult-to-measure indicators could weaken implementation credibility and increase execution risk.

The structure should additionally incorporate:

- annual external verification of KPI achievement;
- transparent public disclosure of performance outcomes;
- clearly defined methodologies and baseline assumptions;
- and periodic review of KPI relevance and implementation feasibility.

These arrangements would support alignment with internationally recognized sustainability-linked financing principles while remaining proportionate to Seychelles' institutional capacity.

V.III.III Risk assessment and mitigation strategies

As with any sovereign sustainability-linked financing instrument, the principal risks associated with the proposed structure relate less to project execution and more to policy continuity, institutional credibility and sovereign fiscal sustainability.

Because the proposed structure depends heavily on achievement of agreed policy and institutional KPIs, one of the principal risks would be underperformance against sustainability targets due to implementation delays, administrative constraints or changes in political priorities. This risk is particularly relevant given the relatively limited institutional capacity within Seychelles and the evolving policy priorities of successive governments.

Another important consideration relates to sovereign debt sustainability. Although sustainability-linked structures may provide pricing incentives or concessional benefits, they nonetheless remain sovereign financing obligations and therefore contribute to overall public debt exposure. Careful alignment with Seychelles' medium-term debt strategy and broader IMF macro-fiscal framework would therefore remain important.



There is also potential reputational risk associated with sustainability-linked instruments if KPI frameworks are perceived as weak, unrealistic or lacking credibility. Independent verification, transparent methodologies and conservative KPI design would therefore be essential.

Finally, the structure may provide limited additional financing benefits if pricing incentives are insufficient to offset additional reporting and implementation complexity. Consultations with MDBs therefore suggested that the strongest rationale for the instrument lies not solely in potential pricing improvements, but also in strengthening climate policy discipline, reinforcing institutional reforms and aligning sovereign financing with Seychelles' broader climate resilience agenda.

Risk category	Description	Indicative mitigation measures
KPI underperformance risk	Failure to achieve agreed sustainability targets	Conservative KPI design; phased implementation; strong monitoring systems
Sovereign debt risk	Facility increases public debt exposure	Align with debt strategy and IMF framework
Policy continuity risk	Changes in political priorities affect implementation	Cross-government coordination; institutionalized reporting frameworks
Reputational risk	Weak KPI credibility undermines lender confidence	Independent verification; transparent methodologies
Limited pricing benefit risk	Incentives insufficient relative to complexity	Focus on operationally realistic KPIs and concessional structures

Table 15: Risk matrix for financial instrument 3

Overall, the proposed SLL structure appears most appropriate as a complementary sovereign policy and reform instrument rather than as a standalone climate capital mobilization mechanism.

V.III.IV Implementation pathway

A phased implementation pathway would likely offer the most efficient and credible route toward development of a sovereign sustainability-linked financing structure.

The initial phase should focus on engagement with potential lenders, assessment of sovereign borrowing capacity and identification of a limited set of measurable and operationally realistic KPIs aligned with Seychelles' existing climate and fiscal priorities. During this stage, baseline data systems and reporting methodologies should also be established.

The second phase would involve negotiation of financing terms, finalization of the KPI framework, appointment of an independent verifier and completion of legal documentation.

The third phase would involve execution of facility agreements, initial drawdown and activation of KPI monitoring and reporting systems.

Thereafter, periodic performance reviews would determine whether agreed sustainability targets have been achieved and whether any pricing incentives, concessional adjustments or refinancing opportunities should be triggered.



Phase	Indicative timeline	Key actions
Phase 1 – Preparation	0-4 months	Engage potential lenders; assess sovereign debt capacity; identify candidate KPIs; establish baseline data
Phase 2 – Structuring	4-8 months	Negotiate terms; finalize KPI framework; appoint external verifier; complete legal documentation
Phase 3 – Execution	8-12 months	Sign facility agreements; undertake initial drawdown; activate reporting systems
Phase 4 – Performance review	Annual	Assess KPI achievement; apply pricing adjustments; consider refinancing or upsizing if successful

Table 16: Implementation pathway for financial instrument 3

The proposed sovereign Sustainability-Linked Loan structure should therefore be viewed primarily as a flexible sovereign financing instrument capable of reinforcing climate policy implementation and institutional reform incentives while preserving broader fiscal flexibility. Within the broader financing architecture proposed under this study, the structure would complement the blended-finance mobilization role of the SCIF and the domestic market development objectives of the Seychelles Rupee Sustainable Financing Program. Although remaining sovereign financing, the SLLF aims to improve financing terms through sustainability-linked incentives rather than increasing refinancing risk associated with conventional market borrowing. During the next phase, the potential pricing benefit associated with sustainability-linked performance incentives should be quantified relative to the additional reporting, verification and implementation costs to determine whether sufficient economic value exists to justify the structure.

Experience from other sovereign Sustainability-Linked Financing Frameworks demonstrates that implementation requires significant cross-government coordination, robust data systems and sustained political commitment. Accordingly, any future SLLF should proceed only where Government is willing to commit sufficient institutional capacity to framework development, KPI monitoring and external verification.

All proposed financing structures should be developed through a phased and collaborative process involving the Central Bank of Seychelles and other relevant regulators to ensure consistency with both current and forthcoming sustainable finance regulations. The choice of financing instrument should ultimately be determined by prevailing market conditions, Government financing objectives and investor appetite at the time of implementation.

The institutional architecture proposed in this report is intentionally designed to remain sufficiently flexible to accommodate a range of sustainable financing instruments as the Seychelles sustainable finance market evolves. While TESL-supported catalytic resources may support more than one financing mechanism over time, the analysis does not assume simultaneous full capitalization of all three illustrative instruments.

VI. MDB and international financial institution market validation

As part of the assessment process, consultations^{lx} were undertaken with representatives from the African Development Bank (“AfDB”), the World Bank and the International Monetary Fund (“IMF”) to test the feasibility, institutional realism and potential market appetite associated with the proposed financing instruments and NFV concepts. These discussions provided important practical feedback regarding sovereign



debt constraints, institutional capacity limitations, domestic market depth and the operational preferences of multilateral financing partners.

Overall, the consultations broadly confirmed that Seychelles' principal climate finance constraint is unlikely to be the absence of financing concepts themselves, but rather the interaction between limited institutional capacity, sovereign debt constraints, shallow domestic capital markets and the small scale of underlying investment opportunities. Across all consultations, there was strong support for strengthening the underlying "plumbing" of Seychelles' climate finance architecture, including coordination mechanisms, fiduciary systems, project pipelines and catalytic financing structures, while avoiding unnecessary institutional duplication or overly complex financing arrangements.

VI.I Instrument 1 – Seychelles Climate Investment Facility ("SCIF")

Among the three proposed instruments, the blended-finance Seychelles Climate Investment Facility ("SCIF") consistently received positive feedback from MDB stakeholders. Both the World Bank and AfDB viewed the concept as more closely aligned with Seychelles' current institutional and macroeconomic realities, particularly because it does not rely primarily on additional sovereign borrowing or large-scale external market issuance.

Stakeholders generally agreed that a blended-finance platform focused on catalytic capital mobilization, co-investment and de-risking of climate-related investments could provide a more practical mechanism for mobilizing both domestic and international financing over time. In particular, MDB representatives highlighted that Seychelles' climate finance challenge may be less about the availability of global capital and more about the absence of sufficiently scaled and coordinated intermediation structures capable of aggregating smaller projects, managing blended capital and reducing transaction costs.

The World Bank also indicated potential interest in supporting future structuring work for such a facility, particularly around fund architecture, catalytic capital design and governance arrangements. At the same time, stakeholders noted that identifying sustainable sources of sponsor or first-loss capital would remain a central challenge for the Facility's long-term viability. In this context, the proposed use of TESL allocations as catalytic reserve or co-financing capital was viewed positively.

Importantly, consultations reinforced that the SCIF would likely need to operate through a distributed institutional model rather than as a standalone financial institution. This aligns closely with broader stakeholder feedback received throughout the study, including concerns raised by the IMF regarding Seychelles' limited institutional scale and capacity constraints.

VI.II Instrument 2 – Seychelles Rupee Sustainable Debt Program

Feedback from both the World Bank and AfDB suggested that the original concept of an offshore Seychelles Rupee-linked bond issuance supported through MDB enhancement may face material practical and institutional constraints in the near term. In particular, both institutions highlighted increasing caution around guarantee structures following recent sovereign restructuring experiences in emerging markets, including Ghana. As a result, MDB representatives indicated that full credit "wrappers" or comprehensive guarantees are unlikely to be feasible under current market conditions.

Instead, discussions increasingly shifted toward the possibility of a domestically focused Seychelles Rupee sustainable financing structure supported through targeted liquidity enhancement, reserve mechanisms or



partial risk-sharing arrangements rather than full guarantees. The World Bank in particular questioned whether an offshore hard-currency issuance was required at all, suggesting that a domestic local-currency thematic financing structure may ultimately be more appropriate for Seychelles' scale and macroeconomic circumstances.

Both institutions also questioned the likely absorptive capacity of the domestic Seychelles Rupee market, particularly for inaugural thematic issuances or diaspora-targeted structures. While domestic thematic issuances may remain feasible at moderate scale, stakeholders noted that Seychelles' investor base remains relatively concentrated and that refinancing risk, tenor extension and market liquidity would likely represent more significant constraints than pure issuance mechanics.

At the same time, there was relatively strong interest in the proposed TESL-backed reserve enhancement concept. World Bank representatives referenced reserve-supported financing approaches used in other structured development finance transactions, including UNICEF-supported structures, and viewed TESL-supported liquidity or reserve mechanisms as potentially more realistic and valuable than formal sovereign guarantees. Similarly, AfDB indicated that while Seychelles Rupee lending is not currently among its standard operational currencies, the institution could potentially consider partial guarantee or risk-sharing structures in conjunction with domestic financing arrangements, depending on the final sovereign or non-sovereign classification of the transaction.

The consultations also reinforced the importance of distinguishing clearly between sovereign and non-sovereign financing pathways. AfDB noted that sovereign window financing remains the most straightforward route for Seychelles under current conditions, whereas direct access to private-sector financing windows would likely require either project-finance structures with clearly identifiable repayment flows or more established institutional counterparties. MDB stakeholders also broadly supported a phased sequencing approach under which blended finance and institutional coordination structures would be developed first before pursuing larger thematic financing transactions.

VI.III Instrument 3 – Sustainability-Linked Financing Structures

MDB feedback suggested that sustainability-linked financing structures remain both technically feasible and strategically relevant for Seychelles, particularly given the country's continued focus on fiscal flexibility and resilience financing. AfDB noted that sustainability-linked loans ("SLLs") and related KPI-linked sovereign financing structures have become increasingly standard products within African sovereign financing markets and referenced recent transactions undertaken with countries including Rwanda, Côte d'Ivoire and Togo. From AfDB's perspective, such structures represent established and operationally familiar financing instruments that could be adapted to Seychelles' context.

Stakeholders also highlighted that sustainability-linked structures offer an important advantage in that they constitute general-purpose financing instruments rather than strictly ring-fenced use-of-proceeds transactions. In the current macro-fiscal environment, this flexibility may be particularly attractive for Seychelles, as it allows Government to retain broader discretion over budget allocation while still embedding climate or sustainability performance incentives within the financing structure. This could prove especially valuable given ongoing fiscal pressures, competing expenditure priorities and the Government's desire to maintain flexibility within its broader fiscal framework.



At the same time, discussions suggested that sustainability-linked structures may be most effective where they are designed around clearly defined policy incentives, concessionality mechanisms or downstream implementation programs rather than purely as standalone sovereign market instruments. World Bank representatives noted that Seychelles may not necessarily require a complex sovereign sustainability-linked bond structure if conventional sovereign borrowing remains available on acceptable terms. Instead, sustainability-linked mechanisms could potentially be integrated more pragmatically into broader financing programs, including through domestic financial institutions, blended-finance facilities or sector-specific investment programs.

One concept discussed involved the potential use of TESL-supported performance incentives or concessional step-down mechanisms linked to achievement of climate-related KPIs. Under such an approach, TESL resources could be used to fund interest rebates or other concessional incentives where agreed sustainability targets are achieved. This approach rewards successful implementation without increasing borrowing costs in the event of underperformance, thereby avoiding the pro-cyclical nature of traditional step-up structures, under which financing becomes more expensive precisely when fiscal capacity or implementation performance may already be under pressure.

Overall, stakeholder consultations suggested that sustainability-linked financing structures may represent a flexible and politically adaptable instrument for Seychelles, particularly where designed as part of broader climate financing and fiscal support arrangements rather than as purely standalone thematic capital market issuances.

VI.IV Cross-cutting institutional and strategic observations

Several broader themes emerged consistently across consultations. First, stakeholders strongly emphasized that Seychelles' institutional and human resource capacity remains a binding constraint across all financing options. Both MDBs and the IMF expressed caution regarding the creation of entirely new standalone financing institutions, noting that institutional fragmentation and overlapping mandates could weaken rather than strengthen implementation effectiveness in a small-island context.

Second, stakeholders consistently emphasized that climate finance architecture should remain proportionate to Seychelles' market scale and absorptive capacity. Several institutions noted that while international climate finance concepts can be technically sophisticated, Seychelles' financing requirements remain relatively modest in absolute terms, making simplicity, coordination and operational feasibility particularly important.

Third, consultations reinforced the importance of maintaining alignment with Seychelles' broader fiscal and macroeconomic framework. IMF representatives noted that the country remains under enhanced surveillance following completion of the IMF EFF/RSF program and highlighted continued concerns regarding debt sustainability, external exposure and competing fiscal pressures.

Taken together, the consultations broadly support the report's emerging conclusion that Seychelles' most feasible pathway is likely to involve incremental strengthening of existing climate finance coordination and blended-finance capabilities, rather than immediate pursuit of large-scale international capital market transactions or creation of entirely new standalone financing institutions.

A parallel legal and regulatory assessment is being undertaken to evaluate the feasibility of the institutional and financing assumptions outlined in this report and to identify any legislative, regulatory or governance



constraints that may affect implementation. The legal review will examine the extent to which Seychelles' existing public finance, debt management, financial sector and investment frameworks can accommodate the proposed financing instruments and institutional structures, including the proposed National Financing Vehicle ("NFV") and Seychelles Climate Investment Facility ("SCIF"). Particular attention will be given to the legal treatment of sovereign versus non-sovereign exposures, the permissibility of blended finance and investment intermediation functions, the ability of existing institutions such as SeyCCAT and the Development Bank of Seychelles ("DBS") to perform expanded financing roles, and the feasibility of hybrid institutional models involving public, private and development partner participation. The assessment will also evaluate whether TESL revenues may legally support reserve accounts, credit enhancement structures or multi-year financing commitments, as well as the regulatory feasibility of local-currency thematic issuances, MDB-supported structures and offshore Seychelles Rupee-linked instruments. Where necessary, the legal review will identify potential amendments to existing legislation or regulatory frameworks required to operationalize the proposed financing architecture.^{lxi}



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Stakeholder consultations

Date	Name	Role	Organization
March 23 2026	Vania Roberts	Interim CEO	SeyCCAT
April 1, 2026	Dick Labonte	DG Debt Management	Ministry of Finance
May 1, 2026	Ghislain Martial Yanou; Sergio del Campo; Ga Eun Chung	Treasury covering East Africa	The World Bank
May 8, 2026	Todd Schneider, Farayi Gwenhamo	Mission Chief / In-Country IMF Resident	IMF
May 15, 2026	Ghislain Martial Yanou; Sergio del Campo; Ga Eun Chung	Treasury covering East Africa	The World Bank
May 18, 2026	Nana Spio-Garbrah; Mansour Hamza	Client Solutions Department	African Development Bank
May 19, 2026	Helena Sims	CEO	SeyCCAT
June 3, 2026	Maryana Labonte; Dick Labonte	DG Economic Planning, Trade and Investment Department; DG Debt Management	Ministry of Finance
July 6, 2026	Ghislain Martial Yanou	Treasury covering East Africa	The World Bank
July 7, 2026	Cyril Benoiton	Senior financial surveillance analyst	Central Bank of Seychelles
July 10, 2026	Maryana Labonte	DG Economic Planning, Trade and Investment Department	Ministry of Finance



Endnotes

- ⁱ International Monetary Fund, *Fourth Reviews Under the Arrangement Under the Extended Fund Facility and the Arrangement Under the Resilience and Sustainability Facility*, IMF Country Report No. 25/147 (Washington, DC: IMF, June 2025), p.3 (PDF). Note: Seychelles' fiscal position remains structurally exposed to tourism shocks. Immediately before the COVID-19 pandemic, tourism-related activity accounted for approximately 22.3 percent of GDP on a direct national-accounts basis, and close to 40 percent of GDP on broader travel-and-tourism estimates. At the height of the COVID shock in 2020, this fell to approximately 15.5 percent on a direct basis, reflecting the collapse in international arrivals and tourism receipts. The shock translated rapidly into the sovereign balance sheet: public debt, which had declined to around 60 percent of GDP by end-2019, increased to 88.7 percent of GDP in 2020 before declining to 76.2 percent in 2021 and 67.9 percent in 2022 under the recovery and IMF-supported fiscal consolidation path. This experience illustrates that Seychelles' debt sustainability is not only a function of headline debt levels, but also of the volatility of its tourism-linked fiscal and foreign-exchange base.
- ⁱⁱ International Monetary Fund, *Fourth Reviews Under the Arrangement Under the Extended Fund Facility and the Arrangement Under the Resilience and Sustainability Facility*, IMF Country Report No. 25/147, p.2 (PDF).
- ⁱⁱⁱ Republic of Seychelles, *Seychelles National Development Strategy 2024–2028* (Victoria: Ministry of Finance, National Planning and Trade, 2024), pp. 32–34.
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- ^v Government of Seychelles, *2026 Budget: Assumptions and Objectives of the 2026 Budget*.
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- ^{vii} International Monetary Fund, *Fourth Reviews Under the Arrangement Under the Extended Fund Facility and the Arrangement Under the Resilience and Sustainability Facility*, IMF Country Report No. 25/147, p. 50.
- ^{viii} Government of Seychelles, *Debt Management Strategy 2025–2027* (Victoria: Ministry of Finance, October 2024), pp. 12–14.
- ^{ix} Government of Seychelles, *Debt Management Strategy 2025–2027*, p. 14.
- ^x Government of Seychelles, *Debt Management Strategy 2025–2027*, pp. 15.
- ^{xi} Government of Seychelles, *Press Release: Q1 2026 Issuance Plan of Government Securities* (Victoria: Ministry of Finance, 2026), p. 1-2.
- ^{xii} Government of Seychelles, *Seychelles National Development Strategy 2024–2028*, pp. 30–33.
- ^{xiii} International Monetary Fund, *Fourth Reviews Under the Arrangement Under the Extended Fund Facility and the Arrangement Under the Resilience and Sustainability Facility*, IMF Country Report No. 25/147 (Washington, DC: International Monetary Fund, June 2025), pp. 10–12 (PDF).
- ^{xiv} Silvestrum Climate Associates, *Deliverable 1.15. Implementing a Transparent and Scalable Tourism-Based Financing Mechanism in Seychelles* (2025), pp. 6–8.
- ^{xv} Government of Seychelles, Ministry of Finance, *Removal of Tourism Environmental Sustainability Levy for Small Tourism Establishments*, 7 January 2026; amendments under the Environment Protection (Tourism Environmental Sustainability Levy) (Amendment) Regulations, 2025. The reform abolished the SCR 25 per person per night levy for establishments with 1–24 rooms, effective 1 January 2026, while the levy continues to apply to medium and large establishments.
- ^{xvi} International Monetary Fund, *Seychelles: Fourth Reviews Under the Arrangement Under the Extended Fund Facility and the Arrangement Under the Resilience and Sustainability Facility*, IMF Country Report No. 25/147, pp. 5–9.
- ^{xvii} International Monetary Fund, *Fourth Reviews Under the Arrangement Under the Extended Fund Facility and the Arrangement Under the Resilience and Sustainability Facility*, IMF Country Report No. 25/147, pp. 12–14.
- ^{xviii} International Monetary Fund, *Fourth Reviews Under the Arrangement Under the Extended Fund Facility and the Arrangement Under the Resilience and Sustainability Facility*, IMF Country Report No. 25/147, pp. 52 (PDF) (Annex III. Sovereign Risk Debt Sustainability Framework).
- ^{xix} International Monetary Fund, *Fourth Reviews Under the Arrangement Under the Extended Fund Facility and the Arrangement Under the Resilience and Sustainability Facility*, IMF Country Report No. 25/147, pp. 47–51.
- ^{xx} International Monetary Fund, *Fourth Reviews Under the Arrangement Under the Extended Fund Facility and the Arrangement Under the Resilience and Sustainability Facility*, IMF Country Report No. 25/147, p. 38.
- ^{xxi} International Monetary Fund, *Fourth Reviews Under the Arrangement Under the Extended Fund Facility and the Arrangement Under the Resilience and Sustainability Facility*, IMF Country Report No. 25/147, pp. 10–12.
- ^{xxii} International Monetary Fund. *Fourth Reviews Under the Arrangement Under the Extended Fund Facility and the*



Arrangement Under the Resilience and Sustainability Facility. IMF Country Report No. 25/147, June 2025. Table X summarizes key macroeconomic and fiscal indicators relevant to Seychelles' debt sustainability profile. Government of Seychelles. *Debt Management Strategy 2025–2027*. Republic of Seychelles. *Seychelles' Updated Nationally Determined Contribution*. 2021. Government of Seychelles. *Seychelles Climate Finance Resource Mobilisation Strategy*. While the country maintains moderate fiscal headroom under the IMF baseline scenario, refinancing risks and foreign currency exposure constrain the structure and scale of additional sovereign borrowing. These constraints have direct implications for the design of climate financing instruments explored in subsequent sections.

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^{xxiv} Government of Seychelles, *Seychelles Climate Finance Resource Mobilisation Strategy 2025–2030* (Victoria: Ministry of Finance, National Planning and Trade, 2025), p. 25.

^{xxv} Government of Seychelles, *Seychelles' Updated Nationally Determined Contribution*, pp. 26–29.

^{xxvi} World Bank Group. *Seychelles Country Climate and Development Report*. 2026.

^{xxvii} Republic of Seychelles, *2026 Budget: Assumptions and Objectives of the 2026 Budget*, Table 13, "Tourism Environmental Sustainability Levy 2024–2028", p.39.

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^{xxix} ^{xxix} Republic of Seychelles, *2026 Budget: Assumptions and Objectives of the 2026 Budget*, Table 14, "TESL Rates by Accommodation Classification", p.41.

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^{xxxi} National Bureau of Statistics Seychelles, *Visitor Arrivals Bulletin – January 2026*, Table 1a "Visitor Arrivals by Month, 2023–2026," p.7.

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^{xxxiii} National Bureau of Statistics Seychelles, *Visitor Arrivals Bulletin – January 2026*, Table 1b "Average Length of Stay by Month, 2023–2026," p.7.

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^{xxxvii} National Bureau of Statistics Seychelles, *Arrival Statistics 2026 – January 2026*, Table 1a "Visitor Arrivals by Month," p.7.

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^{xxxix} ^{xxxix} Republic of, *2026 Budget: Assumptions and Objectives of the 2026 Budget*, Table 13, "Tourism Environmental Sustainability Levy 2024–2028", p.39.

^{xl} National Bureau of Statistics Seychelles, *Arrival Statistics 2026 – January 2026*, Table 5c "Proportion of Visitors Stay by Accommodation and Month, 2025," p.11.

^{xli} Republic of Seychelles, *2026 Budget: Assumptions and Objectives of the 2026 Budget*, p.41.

^{xlii} Republic of Seychelles, *2026 Budget: Assumptions and Objectives of the 2026 Budget*, Table 13, "Tourism Environmental Sustainability Levy 2024–2028", p.39.

^{xliii} Seychelles Ministry of Tourism, Civil Aviation, Ports and Marine, *Final Report. Tourism Carrying Capacity for the inner islands of Seychelles (Mahe and Praslin)*, p.16.

^{xliv} Republic of Seychelles, *2026 Budget: Assumptions and Objectives of the 2026 Budget*, Table 13, "Tourism Environmental Sustainability Levy 2024–2028", p.39.

^{xlv} Estimates assume proportional scaling of levy yields relative to the 2025 estimated outturn and unchanged compliance, occupancy mix and average length of stay. Actual collections would depend on visitor composition, accommodation category mix and exchange rate movements.

^{xlvi} World Bank Group. *Seychelles Country Climate and Development Report*, Executive Summary p. xxi-xxii. 2026.

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^{lvi} Meeting with SeyCCAT CEO Helena Sims on May 19, 2025.

^{lvii} World Bank Group. *Seychelles Country Climate and Development Report*, Executive Summary p. xxii, Table ES2. 2026.

^{lviii} Information provided by Maryana Labonte on July 10, 2026. The PPF remains a working concept, and no agreement has yet been reached on the final form the PPF will take, as consultations with relevant stakeholders are ongoing.

^{lix} Interview with DG Debt Management, Government of Seychelles, Dick Labonte on April 1, 2026.

^{lx} Consultations were held with The World Bank (Ghislain Martial Yanou; Sergio del Campo; Ga Eun Chung) on May 1 and on May 15, 2026; with the IMF (Todd Schneider, Farayi Gwenhamo) on May 8, 2026; and with the African Development Bank (Nana Spio-Garbrah; Mansour Hamza) on May 18, 2026.

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