

Financial sector gathers pace with new legislation

An increasingly flexible, open business climate is attracting huge investments in banking

Thanks to the International Monetary Fund's extended fund facility and the ensuing fiscal reforms, the Seychelles ran a primary budget surplus of 9.4 percent in 2010.

The government subsequently approved extra spending in 2010 of \$6.4 million to boost investment in infrastructure, particularly roads, waste disposal and housing, health and additional debt repayment.

Central Bank Governor Pierre Laporte, who along with the Minister of Finance played a strategic role in implementing macroeconomic stability, noted how the financial landscape is changing.

"In recent weeks, we have been getting interest from companies involved with other activities, such as banking licenses, insurance, leasing and higher purchasing, which is promising. We have just approved a payment system bill and are hoping to bring in more electronic schemes. Some of this will come as the private sector increases its activities and confidence is built.

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PIERRE LAPORTE
CENTRAL BANK GOVERNOR

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With regards to China, the governor says, the Seychelles should

be seen as a gateway to the Middle Eastern and African markets.

"We have an intact electricity and communications infrastructure, trilingual people and a literacy rate of more than 95 percent. We have the right time zones, as when Asia is closing, the US and Europe are opening. We can offer a really decent package to potential investors."

In terms of challenges, Laporte said: "I think we can further reduce the time and costs to conduct business and increase the flexibility in the labor laws, and to this end, we have set up a task force, led by the vice-president and the finance minister. To me, it is important to look ahead and see what needs to be done.

"The Seychelles today is a much better place than it was two years ago. People were in a different frame of mind. What the reforms have done is bring the Central Bank closer to the people, and most businesses will tell you they can now do business here."

Steve Fanny, CEO of the Seychelles International Business Authority (SIBA) agrees. "Two years ago, the Seychelles appeared on the OECD white list as a result of its advanced legislation, which is in adherence with the principles and norms of the OECD's code of practice. We also have secure money laundering standards in place, with the Central Bank regulating business, operators and partners within the industry. This ensures that we carry out diligent checks on the people who invest here."

The challenge, of course, continues to be the bad press that offshore jurisdictions attract due to claims of tax evasion. Fanny maintains, however, that it is a legitimate service with regards to asset protection, raising finance, and wealth maximization.

"It also allows us to lessen our dependence on fisheries and tourism, and has the advantage of not



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The Seychelles, a "clean" jurisdiction, is keen to dispel the negativity associated with off-shore products.

being capital intensive," he said.

"In tourism, you have to inject money, but in the offshore industry, the capital is the person. It is a service industry. It is not capital intensive, and yet the return on your asset is high. Tourism is also a service, but in offshore you can turn over \$100 million from a small office."

The Chinese market is being particularly targeted by SIBA for offshore banking; the website is available in Chinese and the organization has taken three road-shows to China geared toward attracting investors, with particular attention given to the benefits of the highly attractive double-taxation agreement.

"We wanted to tell potential investors that you can structure a company in the Seychelles and go to China and get reductions in taxes on dividends on royalties or interests which would make it attractive from an investor's point of view. And then from China in terms of them going to Africa the Seychelles is well poised to offer you that channel to go to Africa."

Diverse portfolio

SIBA is working hard to diversify its portfolio. "We have a new section that will be dealing with mutual funds, hedge funds and securities.

The legislation is in place and we have fund managers from the UK setting up offices to represent them in the Seychelles," Fanny explained.

"We will also be launching our stock exchange. There is a lot of activity going on and we will keep looking at our Companies Act to keep it modern and attractive to investors."

Under the International Business Companies Act 1994, non-resident companies do not incur tax while the Special Licence Act 2003 allows companies to be based in the Seychelles with lower taxes but are required to conduct business outside the country and can benefit from the network of double taxation avoidance agreements.

They are liable to the Seychelles business tax rate of 1.5 percent, which can be reduced or avoided where tax credits apply.

•Seychelles Foundation Act 2009 allows for the establishment of a foundation, which is not available for public inspection.

•International Trusts Act 1994, provides strong asset protection, protecting dispositions to a trust from challenge from the creditors to the settler and also provides exclusion of foreign inheritance laws.

•Limited Partnerships Act 2003 facilitates tax-planning opportunities in that income received from sources

overseas authorities who are members of a recognized overseas stock exchange and that of Seychelles.

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STEVE FANNY
CEO, SEYCHELLES INTERNATIONAL BUSINESS AUTHORITY (SIBA)

outside of the Seychelles may be distributed to foreign partners without incurring tax charges. Tax exemption is for 20 years, limited partners are not liable for debts of an LP and at least one general partner must be a Seychellois entity.

•Mutual and Hedge Funds Act 2008, tax exempt in the Seychelles, may be administered from abroad.

•Securities Act 2007. The Securities Authority administers the licensing, compliance and promotion of the Seychelles as a location for securities dealing; the interests of the investor are paramount, as shown by the rules on the licensing of investment advisers and of securities dealers, but with exemption possible for licensed dealers under recognized

"The offshore industry depends on what is going on in the global financial community," Fanny concludes.

"But even though we were impacted, we were very resilient during that time. It reduced our output by about 20 percent, but we were cushioned given that all our revenue is derived in dollars.

"The jurisdiction is as good as its people. If you have qualified people it can grow to be a leading financial center. Over the last three years, we have invested heavily in our staff, some of which have been specifically trained in offshore banking. This has been the biggest asset since I have been in SIBA: people have a good understanding of what is going on in the global financial industry."

A new brand of Seychelles

An innovative approach to sustainable tourism is paying dividends, local people are all on board

Celebrating its 40th anniversary this summer — when the first Boeing aircraft landed on the islands — the tourism industry and its related services is the lifeblood of the Seychelles economy, accounts for 75 percent of gross domestic product.

As testament to its importance, President Michel also carries the portfolio of tourism within his remit, privatizing the sector and creating public private partnerships across the board. This visionary move — and subsequent strategies — have paid off, with the country reporting a 12 percent growth in tourism last year.

As Alain St. Ange, CEO of Seychelles Tourism Board told InFocus Reports, "Because of the global crisis, our arrivals numbers were forecast to go down to minus 25 percent in 2009, which would have spelt disaster for the industry.

"But we set ourselves a good strategy and clawed back to minus 1 percent. We did this by implementing cooperation strategies with other African countries. I signed an agreement in South Africa with Cape Town's tourism agency to market ourselves together, offering safaris and shopping in Cape Town, followed by a relaxing stay in the Seychelles. I did the same with Kenya and then with Tanzania. This opened up the Far East and the Americas to the Seychelles. Twin-center holidays also mean you only pay taxes once."

To increase visibility, St. Ange also coined a tourism ambassador program to promote the islands to the rest of

the world.

"We have 120 Seychellois in 23 countries, who use their respective community centers and press to talk about the Seychelles and how it is today."

Having recently launched the idea of the Seychelles brand for the island's tourism industry, the President, and Seychelles Tourism are repositioning the Seychelles as an affordable destination and getting all the islanders involved.

"This vision was the best announcement that could have been made," St. Ange said. "It will get the Seychellois involved in the industry, and when the people are involved, they will defend and protect it."

Community involvement

Foreign investors will of course be hugely important, he says, but "we need to bring the local people on board. We want the little man to feel like he can rent flipflops on the beach, grill a fish or

If we were an island full of factories, no one would come. The air you take in here is clean, pure and fresh.

ALAIN ST. ANGE
CEO, SEYCHELLES TOURISM BOARD

organize hikes in the mountains or bird watching in the woods."

The tourism head is also promoting packages between islands in the Indian Ocean region to strengthen the tourism product, and also attract more cruise ships to the area.

"We cannot cope with the floating cities, the ships that carry four to five thousand

people, because we only have a small population," he says.

"We could however, accommodate the medium ships, of 1,500 cabins. We are ready; Mauritius wants it, Reunion wants it and Madagascar needs it. Together we could offer a cruise holiday destination that is really different. Tourists could enjoy a safari while parked off the East Coast, then do the Indian Ocean."

The recent introduction of an open sky policy will do much to improve arrival numbers and help achieve the target stated by Sherin Renaud of the Seychelles Investment Bureau of increasing the current tourism capacity from its current 150,000 to 300,000, although a huge injection of foreign investment is needed.

Gilbert Faure of the Seychelles Civil Aviation Authority, and Lt. Col. Andre D. Ciseau, CEO, the Seychelles Ports Authority both support the idea of promoting the region as an alternative to the Caribbean cruise routes and island-hopping destina-

tion. Victoria Port has already shown it readiness for increased cruise ship traffic, having won the World Traveler Award for best cruise ship port in 2008.

Expanding the infrastructure to attract Chinese visitors will be vital, however. Mr Yang, a Chinese travel operator based on in the Seychelles has suggested building casinos and high-end luxury shopping outlets to

attract the clientele.

St. Ange said: "We are looking at different things to attract the Chinese market. We received two or three delegations from China last year and I have visited China with the President numerous times.

"China has been a friend of the Seychelles and has invested heavily here. The whole population knows how willingly China supports the Seychelles. We need to bring them here and get them to be part of the new Seychelles. We also have a small local Chinese population that is a powerhouse in itself. We now need to grow this market and diversify our business base."

Eden Island

Being a small country, with limited resources and outstanding natural beauty, the Seychellois government and people take environmental responsibilities very seriously, which, from a tourism perspective, sets the islands apart in terms of air and sea quality. "If we were an island full of factories, no one would come. You don't leave the smoke to come to smoke," St. Ange said.

"The air you take in here is clean, pure and fresh. We have the most pristine environment and we are safeguarding it," he noted.

Sustainability is, however, a key concern. In the late 1990s, the government reclaimed 15 islands at a cost of about \$70 million, and earmarked two of them for five start developments.

Craig Heeger, director and CEO of the exclusive residential marina development, Eden Island, said: "We got involved in 2002 and 2003. A tender was put out to various parts of the world, and when my group was approached in South Africa, it was done on the basis of an up-market residential opportunity."

Located just a few hundred meters from the capital, Mahé, Eden Island spans 56 hectares and hosts exclusive freehold title homes that can be accessed via more than 16 hectares of private waterways.

Properties for sale include one to three-bedroom apartments in blocks no higher than two stories, three to



A luxury marina property development in Seychelles.

WWW.EDENISLAND.SC

four-bedroom duplex homes with private gardens, water or beach frontage, or spacious luxury villas of between two and six bedrooms apartments complete with private swimming pools and superior finishes and fittings. All are designed in the Creole Vernacular.

Exquisitely designed balconies and verandas provide homeowners with spectacular island and sea vistas.

Access is made easy through the Eden Island Marina, which is a deep-water, international marina capable of handling super yachts of up to 100 meters in length.

Eden Island-dwellers automatically qualify for a private mooring, while there is plenty of space in the marina for the craft of friends and guests. In addition, the international airport on Mahé is a convenient 10-minute drive from the island.

Heeger said: "In phase one of the project, we have 320 units, of which 310 have been sold. In phase two, we have around 240 units that have recently been released for sale. The marina is very successful, the only one of note in the Indian Ocean."

Growing appeal

Residents can enjoy three beaches, with another being created, and all modern conveniences within their unit. When complete, the commercial precinct will feature restaurants and bars, boutique shops, a super-market and various service outlets.

They can navigate the island's sandy beaches using their Electrically Powered Vehicles (EPVs).

In addition, the island's proximity to other Seychelles jewels, such as La

Digue, Praslin, Cerf and Ste Anne will make island-hopping a daily possibility. Golf and water sports are also available.

The resort was developed thanks to meticulous market research, with full attention given to working with the environment.

"We succeeded because there was pent-up demand for acquiring property on the Seychelles. In the space of a few weeks, we had a take-up of between 60 and 70 percent. We have added an average of 2.5 percent to the GDP year on year over the last four years and as such, the government takes us seriously," Heeger said.

Homeowners are offered a variety of facilities that include a fully equipped gymnasium, several swimming pools, private beaches, landscaped public areas and gardens, and eateries.

"Eden Island is now more like a village and we are adapting it for the various markets. It is not a speculative entity anymore," Heeger said. "We have an established product that makes living here easy; an artificial environment within a beautiful landscape. We have the type of lifestyle that any nationality would buy into."

This report was produced in partnership with InFocus Reports.

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Eden Island
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