SEYCHELLES TOURISM VALUE CHAIN ANALYSIS

October 31st 2010

Final Report

David McEwen and Oliver Bennett

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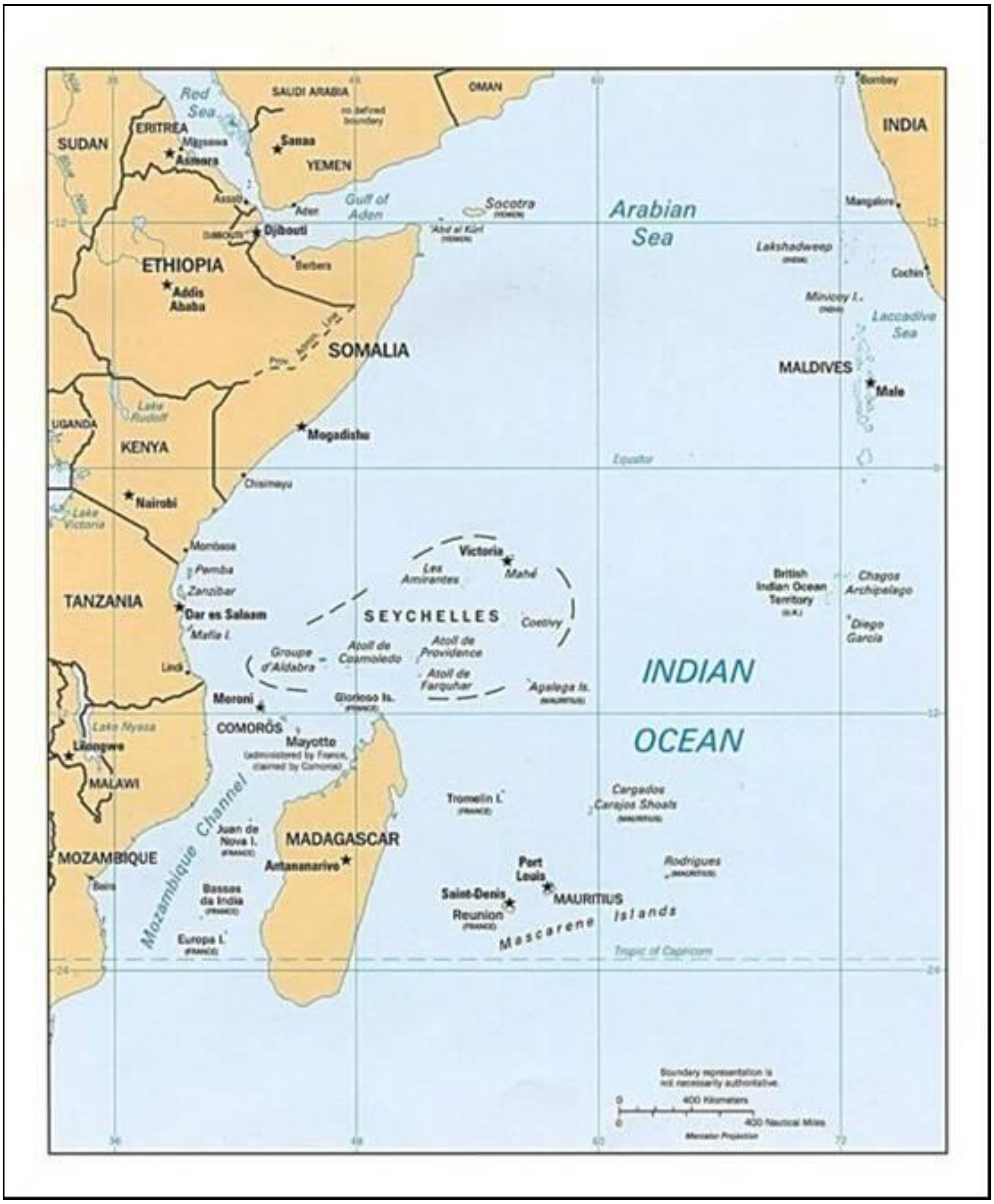
MAP: Location of Seychelles in the Indian Ocean



1. SUMMARY

This Final Report covers work over three phases on the Seychelles Tourism Value Chain Study. The Study is aimed at developing interventions to assist in increasing Seychellois participation in the tourism industry. It follows an Inception Report of April 2010, a Diagnostic Report of June 2010, and a Draft Final Report of August 2010, which was followed up with a Stakeholder Workshop in September 2010.

Tourism is the main pillar of the Seychelles economy, earning foreign exchange that enables the Seychelles to trade in the world economy. The National Statistics Bureau has calculated that the direct contribution to GDP from tourism exceeds 25%, whilst a similar percentage applies to the Seychelles workforce. This is a large percentage and one of the highest in the world. Seychelles is as dependent on tourism as any country in the world.

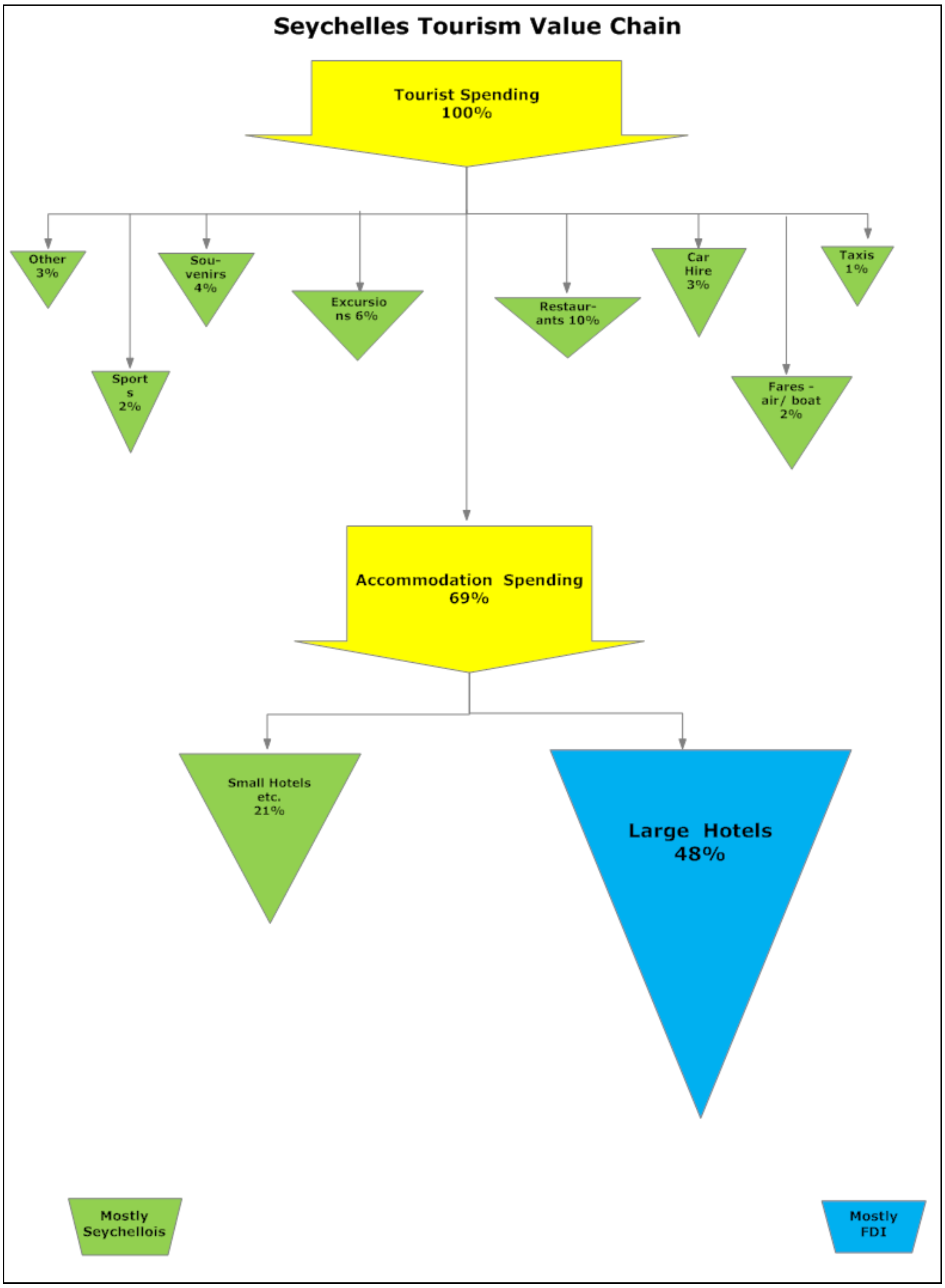
The prosperity of its citizens is completely tied to the success of the tourism industry. Indicative Figures for GDP in 2009 are Seychelles Rupees SR 10.7 billion (approx. US$ 850 million at SR12.6: 1US$) for the population of 87,000, a per capita income of approximately SR 125,000 (around US$ 10,000), making Seychelles a middle-income country. Substantial economic reforms have taken place in the Seychelles in the last couple of years under the auspices of the programme agreed with the International Monetary Fund (IMF).

The Government's Strategy for the tourism industry is set out in the 'Seychelles Strategy 2017'. The aim is to attain self-sustaining economic growth by securing targeted increases in the number of tourist visits to the country and the amount spent by each tourist. This will be achieved by improving the overall quality of the Seychelles tourism product and by refining the positioning of the destination on international tourism markets. In order to achieve these advances ***the degree of direct and indirect local participation in all elements of the sector will be increased***.

The Seychelles is a most unusual economy, indeed even unique. Its small population, its difficult terrain, its geographical remoteness and its dependence on relatively few economic sectors, mean that the way forward for Seychelles often has to follow paths which are unique to itself and where solutions to particular issues have to be highly innovative.

Value Chain Analysis

Value Chain Analysis (VCA) involves analysing the transactions in the value chain to identify where opportunities can lie for greater Seychellois participation and where there are opportunities for reducing leakage and thus retaining the 'hard-earned tourist dollar' in the Seychelles economy.



The policy has been that the majority of fields for tourism are indeed reserved for Seychellois. The notable exception is large hotels (25+ rooms) for which foreign capital and foreign expertise has been required.

Interventions to increase Seychellois participation

A 'long list' of possible interventions was developed (approx. 20 broad concepts) based on interviews with many of the leading figures in both the private sector and the public sector. Essentially the list was aimed at interventions that would drive up returns to Seychellois factors of production – land, capital, labour and management.

Selection criteria were applied to the 'long list', from which a short list of six interventions were put forward as options. Three of these options were selected by the Seychelles Tourism Board in consultation with other parties.

Chosen Interventions – Design and Implementation Plan

Three specific areas were selected for design:

- The increased supply of local agricultural produce to the tourism sector;
- Engineering related training for mature students;
- Additional support to micro and small businesses in tourism.

Seychelles produces eggs, broiler chicken and pork together with horticultural crops and fresh fruit. There is potential for raising production especially for broiler chicken and pork.

The proposed intervention in agriculture focuses on two objectives:

- To encourage visitors to seek out local produce and for hotel/restaurant operators to incorporate local produce on their menus to the highest possible extent;
- To facilitate communication between local agricultural producers and the tourism industry.

The suggested actions are:

Actions
Formation of a standing liaison group between the Farmers' Association and the Hospitality and Tourism Association aimed at more vigorous efforts to link agricultural suppliers and tourism industry buyers
'*Soutien aux Seychelles*' logo for hotels and restaurants that commit to purchasing local produce whenever possible
'*Seychelles Suprême*' culinary programme to encourage the use of locally produced ingredients with annual awards to be linked with the existing Tourism Academy award to chefs now in its second year
An existing farm on Mahé to become a tourism attraction to further visitor interest in local produce, preferably the Agricultural Agency farm at Anse Boileau

The engineering related training will be carried out by the Seychelles Institute of Technology and be modelled on courses for in-service personnel already provided for other employers. The initiative for getting the programme underway should come from leading hotels and resorts who will work with the SIT to establish the course content, select students and meet the relatively modest cost estimated at about US$500 (SR 9,375) per student.

Support to small businesses is aimed to add to the impetus already generated by the Seychelles Enterprise Promotion Agency (SEnPA). The proposed actions are:

Actions
Introduction of handicraft labelling that gives details of the producer to add both interest to the purchaser and to add value
Initiation of research via focus groups of visitors of the kinds of locally made products that they would most like to purchase with the dissemination of the results to local businesses
Continuing review of the licensing regime to ensure that the balance between food hygiene and the promotion of micro and small businesses is appropriate, with consideration of training stall holders in food hygiene
Extension of the existing SEnPA supported retailing of local crafts in major hotels/resorts on Mahé to Praslin
A pamphlet highlighting small businesses to be distributed to visitors at the airport on arrival, linking in with the Seychelles Brand.

All these actions are capable of implementation by existing organisations in 2011/2012.

Monitoring Workshop – Second Quarter 2011

A recommendation is that there should be a Monitoring Workshop on the project, in six months or so, in order to ascertain the progress being made on the various initiatives. The Workshop could be organised by the Seychelles Tourism Board.

The Workshop could cover: -

- Reports on each of the initiatives by the respective lead agencies, and support agencies
- Discussions of what is happening with the initiative
- Lessons learned to date from the initiative
- Discussions on further required actions for the initiative

This would be a suitable follow-up to the Stakeholder Workshop of 30th September 2010.

2. INTRODUCTION AND BACKGROUND

2.1 The Task

The requirement is to analyse the tourism value chain in the Seychelles with the view to increasing linkages and benefits to local people through increased Seychellois participation in tourism. The work aims to provide an empirical basis for the assessment of a variety of possible practical actions for doing so.

This Value Chain Analysis has been prepared over three phases:

Phase 1: Inception

Phase 2: Diagnostic

Phase 3: Design, with proposed interventions to raise value added and to enhance linkages aimed at increasing local participation.

The Terms of Reference are provided in Appendix 1. This Final Report summarises the various analyses, and presents details for three proposed interventions that can meet the objectives of increasing Seychellois participation/ stake holding.

2.2 The Approach to the Work

The Value Chain Analysis (VCA) is perceived as a diagnostic tool that provides a mechanism for drawing the attention of different stakeholders to the opportunities for improvement at different stages in the value chain and, arguably, can be an effective catalyst for change.

It involves analysing the transactions in the main value chain and sub-chains to identify where opportunities can lie for greater Seychellois participation and where there are opportunities for reducing leakage and thus retaining the 'hard-earned tourist dollar' in the Seychelles economy.

The Work Programme has involved a substantial schedule of interviewing of tourism businesses from mid-May to late June 2010, in order to obtain views and to obtain data on a series of topics pertinent to local participation. The Seychelles Tourism Board (STB) and the Seychelles Hospitality and Tourism Association (SHTA) have assisted the Consultants in establishing the programme of interviews. Each interview has been confidential.

The options for interventions were presented in a Diagnostic Report at the end of June 2010. From six options three were selected for elaboration in Phase Three (Design) by the STB. Discussions and analyses took place with the possible actors and stakeholders on the three interventions in July/August 2010. These discussions provided a basis for the proposed design and implementation mechanisms for the three selected interventions, as presented in the Draft Final Report of August 2010. The interventions were discussed at the Stakeholder Workshop of September 30th 2010. The findings from the Workshop have been taken into account in this Final Report.

2.3 Economic Background

Seychelles with a population of 87,000 people, a Gross Domestic Product of SR 10.7 billion (2009) (approx US$ 850 million at SR 12.6: 1US$), has acquired middle income status – more than US$ 28 per capita per day, putting itself way above poor countries where US$1 or 2 per day may be the norm.

This remarkable achievement has occurred against a background of relative geographical isolation, a background of an economically harsh terrain (mountainous, shortage of land), a background of few comparative economic advantages (fish resources, extraordinary visual beauty being the exceptions). Nonetheless Seychelles, despite all the costs of running an independent state, has provided an improving economic livelihood for its people.

Since the worldwide 'credit crunch/ global recession', the Seychelles has had to undertake substantial economic reforms in the last eighteen months/ two years. Following extensive consultations, the government agreed to undertake a wholesale review of the country's prevailing macroeconomic policy framework which had for many years been anchored on a tourism and trade weighted exchange rate regime. This change essentially means transforming the country from a 'significantly administered economy' to one that is predominantly market driven supported by a coherent set of fiscal, monetary and exchange rate policies.

In November 2008, the Seychelles formally embarked on an IMF supported reform programme under a Stand-By Arrangement facility. The objective of the programme was to promote macroeconomic stability, debt sustainability and sustainable economic growth. Inevitably there was considerable volatility in the Exchange Rate with the Euro, which tends to be the price of the exports for tourism, and with the US dollar, which tends to be the price of the import costs (See Appendix 2 for the short-term volatility in the Exchange Rate).

Strategy for Tourism

The Government's Strategy for the tourism industry is set out in the 'Seychelles Strategy 2017'. The aim is to attain self-sustaining economic growth by securing targeted increases in the number of tourist visits to the country and the amount spent by each tourist.

This will be achieved by improving the overall quality of the Seychelles tourism product and by refining the positioning of the destination in international tourism markets. In order to achieve these advances ***the degree of direct and indirect local participation in all elements of the sector will be increased***.

The following are the key themes in the strategy, the first of which is particularly relevant for the value chain analysis:

- ***Increase Seychellois tourism industry "stake holding"*** at all levels of the industry;
- Improve and enhance the Seychelles tourism product;

- Refocus positioning of the Seychelles tourism product.

The Government indicates that the participation of the Seychelles' workforce and the private sector will be encouraged at all levels of the tourism sector.

Existing tourism investment legislation will be rationalised in order to provide a level playing field to all investors, local and international. **Seychellois ownership and managerial responsibility will be guaranteed through training programmes** and consultative mechanisms aimed at achieving a target quota of Seychellois management representation in the industry.

The Seychellois tourism workforce will be dynamic, enthusiastic and committed to the success of the industry. This will be achieved by restructuring the existing hotel school as a centre of tourism excellence (a restructuring that has already been undertaken).

Increased Seychellois holding of equity in the tourism industry, the growth of a Seychellois managerial class and the world-class standards fostered by the centre of excellence will result in improvements in the perception of a career in the tourism industry.

This will create a self-reinforcing, ever improving tourism product, capable of attracting the best employees, operating at the highest level and providing the maximum possible income generation for the individual employees, management, owners and the country. Although the projected expansion of the tourism industry will continue to rely on expatriate labour, increased skills availability in the local pool of tourism workers will minimise dependence upon expatriate labour, which combined with increased Seychellois tourism equity holdings, will significantly enhance foreign currency retention in the economy.

The aims set out in 'Seychelles Strategy 2017' remain as the aspirations for the country, and give a guiding context for this particular study of the Tourism Value Chain.

In July 2010, the President took over the tourism portfolio, and the latest policy statement (reproduced in Appendix 3) reaffirms the general direction of the strategy.

Overall the Seychelles is a most unusual economy, indeed even unique. Its small population, its difficult terrain, its geographical remoteness and its dependence on relatively few economic sectors, mean that the way forward for Seychelles often has to follow paths which are unique to itself and where solutions to particular issues have to be highly innovative. This will apply to the tourism sector as well.

2.4 The Seychelles Tourism Industry

This report has been written in an impersonal manner without reference to individuals or individual companies. But a brief introduction is given to the main actors/stakeholders in the tourism industry in the Seychelles, so that readers (unfamiliar with Seychelles) can put the observations in the report into the context of the industry. However the overall approach to the analyses has been at the economy-wide or sector-wide level.

Despite the important contribution to the economy of the Seychelles, the tourism industry is not a large one (as would be expected in a tourism destination with a population of only 87,000 people), but it is an industry of high quality, catering for relatively affluent tourist customers, mostly from Europe. Seychelles is perceived as a 'dream destination' and this is reflected in the market segments that are inclined to holiday in the Seychelles, namely honeymooners, up-market couples and some celebrities.

The main sectors within the tourism industry in the Seychelles can be categorised as: -

- Tourism accommodation
- Restaurants
- Destination Management Companies (DMCs)
- Domestic Air Services
- Boating, Yachting and Diving Services
- Tourist Attractions
- Souvenir and Tourist Shopping
- International Air Services

Tourism accommodation

There are more than 200 tourism accommodation establishments in the Seychelles. The choice available to tourists is wide, with a mix of hotels, villas, resorts and self-catering establishments across a wide spectrum of prices. Locations vary from the main islands of Mahé, Praslin and La Digue to one-island-one-resort properties, some of them very up-scale.

There are well-known internationally branded hotels and resorts such as Four Seasons, Hilton and Banyan Tree as well as high quality Indian Ocean hotel groups such as Beachcomber and Constance Hotels of Mauritius and the Universal Group from Maldives. Some of these well known names are not necessarily equity investors in the properties.

In total there are more than 3,000 rooms/ units in tourist accommodation. Achieved room rates and thus gross operating profits are seen as good, indeed higher than most destinations. However room occupancy factors are not as high as would be seen elsewhere implying that there is not a shortage of capacity in tourism accommodation.

Foreign ownership of tourist accommodation has long existed in the Seychelles; about 60% of hotel rooms are foreign-owned and they generate the majority of the receipts in terms of accommodation receipts. The shift to the branded/ well-known names in tourist accommodation largely occurred in the 1990s/ 2000s. These new investors and hotel operators perceived that the extraordinary natural beauty of the Seychelles would enable the destination to achieve premium pricing.

Restaurants/Cafeterias

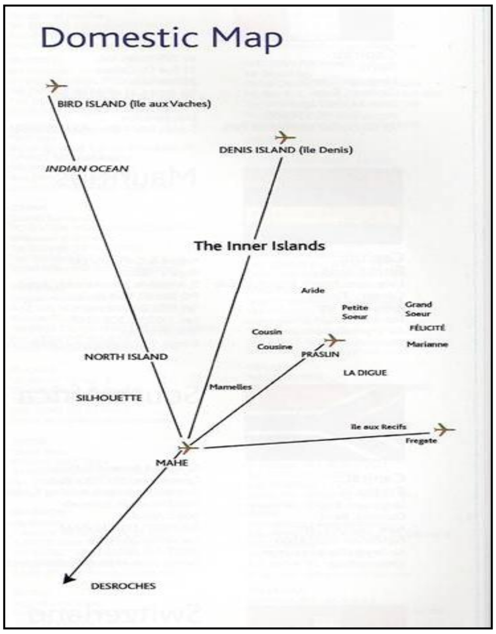
More than 60 establishments are registered as independent tourist restaurants/ cafeterias, typically with 50-60 covers, giving a total capacity of more than 3,000 covers. Some restaurants are of very high quality, often in quite stunning locations overlooking bays/ seashores of great visual beauty. Despite these attributes, utilisation of most of the facilities is modest, implying that there is not a shortage of capacity.

The independent restaurants do have to compete with the dining facilities that exist in the hotels, some of which are themselves also of high quality. Whilst restaurants are open to foreign investment, most are owned and operated by Seychellois.

The anecdotal evidence is that the domestic market for restaurant eating has gone down in the last couple of years, and thus the restaurants are more reliant upon the tourist trade.

Destination Management Companies (DMCs)

There are more than a dozen companies registered as DMCs/ support services, of which the two largest are Creole Travel Services and Mason's Travel. It has been an innovative sector with new companies coming into the sector as tourism has grown in numbers. The current licensing requirement is that the minimum ownership of tour operators must be two-thirds Seychellois. The proposed policy is to change the minimum Seychellois ownership to 51%. The companies in this sector are indeed Seychellois companies and seen as Seychellois companies by the travel trade. Some are seen as long-standing pioneer companies from the earliest days of tourism e.g. 1970s. Overall they are seen as high quality companies.



Domestic Air Services

Domestic air services are provided by Air Seychelles on a scheduled and charter basis to destinations as depicted, and by two helicopter companies (which have now come together under a single name), who are transferring clients to their resorts/ hotels or offering scenic trips.

Boating, Yachting and Diving Services

There is a large range of boating, yachting and diving services. Inter-Island ferries carry tourists from Mahé to Praslin and from Praslin to La Digue. There are around twenty dive centres in the Seychelles. A whole range of boat charters are available. Well-known names such as Moorings and Sunsail operate in the Seychelles. There are nearly 400 vessels licensed in the Seychelles covering a wide spectrum of services including excursions, glass bottom boat trips, deep sea fishing, ferries, shuttles (client), shuttles (staff/ workers), and live aboards.

Tourist Attractions/Services

The development of tourist attractions has been affected by the fact that the actual numbers of tourists at any one time in the country are relatively small – typically 3,000 to 4,000. Also, honeymooners and couples staying at a beach location are segments that are always difficult to entice out to visit a tourist attraction. Consequently the tourist attractions in the Seychelles tend to be relatively small with a low frequency of visitation. The major tourist attraction is in Praslin. It is the Vallée de Mai nature reserve, which is the habitat of the Coco de Mer Palm, and is a UNESCO World Heritage site.

There are many small attractions/ services such as the Ox-Cart Rides, and bicycle hire on La Digue. The tourist attractions are generally provided by Seychellois.

Souvenirs and Tourist Shopping

Seychelles has made good progress in developing handicrafts for sale to tourists. Indeed, very high quality art businesses involving local artists have developed, for examples, some of the outstanding sculptures, some of the paintings etc. Also a number of highly innovative ideas have developed into significant businesses such as local rums, local perfumes and local jewellery. Essentially all the products are niche products. Seychelles is not in a position to supply (on a large scale) shopping items such as textiles or electronics.

International Air Travel

The Seychelles is served by relatively few international airlines, namely:

- Air Seychelles, with direct connections (as of summer 2010) between Seychelles and Johannesburg, London, Mauritius, Milan, Paris, Rome and Singapore.
- Air Austral (via Reunion)
- Condor (ex Frankfurt)
- Emirates (via Dubai)
- Kenya Airways (via Nairobi)
- Qatar Airways (via Doha)

Air Seychelles still has more than a 50% share of the traffic. Through the last three decades, the airline has underpinned the development of tourism in Seychelles especially when larger carriers such as British Airways have pulled out of the market.

The two carriers from the Arabian Gulf may be joined by Etihad Airlines (out of Abu Dhabi). The Gulf carriers offer a service up to their own home hub from whence they fan out to a whole range of markets/destinations in Europe, Middle East and Asia.

2.5 Seychellois Participation

The policy framework for tourism development in all sectors has been pragmatic and basically aimed at helping local businesses. Most sectors are open only to Seychellois with exceptions being the large hotels and specific sectors where foreign expertise and capital is needed e.g. helicopter services.

The situation on regulating local/foreign ownership is as summarised in Table 2.1

'Taxis', which is sometimes perceived as a tourism business sector, is restricted to Seychellois. Indeed it is an owner-driver taxi business in the Seychelles.

Overall the tourism businesses (aside from accommodation) are largely in the hands of Seychellois. However the number of businesses, depending on what is included as tourism businesses, is not large.

Tourism Accommodation

The majority of tourism accommodation businesses are owned by Seychellois, and for the most part these businesses are the smaller self-catering businesses, the guesthouses and the small hotels (less than 25 rooms).

The numbers of businesses are but one measure. When the accommodation is viewed from the viewpoint of room capacity then the large hotels become the most significant sub-sector (See Table 2.2). This is further emphasised when the breakdown allows for the room/unit rates that are charged to customers. The large hotels (25 rooms +) account for around 70% of the revenue potential. It should be stressed that this is a theoretical and an approximate calculation.

Table 2.1: Local Ownership Requirements

ACTIVITY	RESTRICTED TO SEYCHELLOIS	OPEN TO FOREIGNERS	COMMENT
Accommodation	'Small' units (24 rooms or less)	'Large' units (25 rooms or over)	
Boat Charter	100% Seychellois for boats of less than 50 ft	Boats of 50 ft or more in length	
Car Rental	100% Seychellois; maximum of 30 cars per business. Individuals cannot own more than one car rental business.		Car rental limited to Mahé and Praslin only. Under draft Tourism Policy, limit increased to 50 cars.
Destination Management Company (local tour operator/ground handler)	Minimum of two thirds.	Maximum of one third.	
Diving	Dive centre/dive operator (dive centres & land-based dive operators limited to 3 dive boats; sea-based operators to 5 boats)	Yachts, live-aboards, power dive operations (subject to minimum fleet size)	Diving Policy, 2006
Restaurants		All restaurants	
Tour Guide	100% Seychellois		
Yachting	100% Seychellois up to 3 boats	49% shareholding 4-5 boats; 100% for larger fleets	Total fleet limit of 200 boats under draft Tourism Policy

The policies are being reviewed by the Seychelles Tourism Board, and revisions may be introduced as a result of any reappraisals.

Table 2.2: Tourism Accommodation in Seychelles

Type of Accommodation	Proportion of Total Businesses %	Average Size in rooms / units	Proportion of total rooms/ units %	Proportion of Total Revenue Potential %
Self-catering	43	5	14	6
Guesthouses	23	6	10	3
Small Hotels	19	11	15	19
Large Hotels	13	68	60	70
Luxury Villas	2	5	1	2
	100		100	100

Foreign Investment in Tourism Accommodation

A similar calculation in terms of revenue potential indicates that the foreign investment accounts for nearly 70% of the revenue potential in the tourism accommodation sector in the Seychelles. The scale of the foreign businesses inevitably means that their influence on all aspects of the tourism accommodation business in the Seychelles - management, staffing, purchasing supplies, and general business operations - is bound to be significant. More than 40% of the revenue potential is associated with branded hotels.

A challenge for the Seychelles as a destination is how to make the most of the expertise and experience that the foreign investors bring to the country.

2.6 Sector Performance and Benchmarking

Tourism is as competitive as any industry in the World. The Seychelles tourism industry has to continue to perform to the very high standards to which it aspires. The sector performance was analysed in the Diagnostic Report, and key findings are reproduced in Appendix 4.

3. THE ECONOMIC CONTRIBUTION OF TOURISM

3.1 Introduction

This Section pulls together statistics on the economy and the tourism industry in the Seychelles, focusing upon the financial/economic flows. Since 1971, when the international airport opened, the tourism industry in the Seychelles has been a major contributor to the economy and has underpinned a remarkable growth in this country of 115 islands, often described as '*unique by a thousand miles*'.

In order to put together the Tourism Value Chain in the Seychelles, we are using four sources, namely:

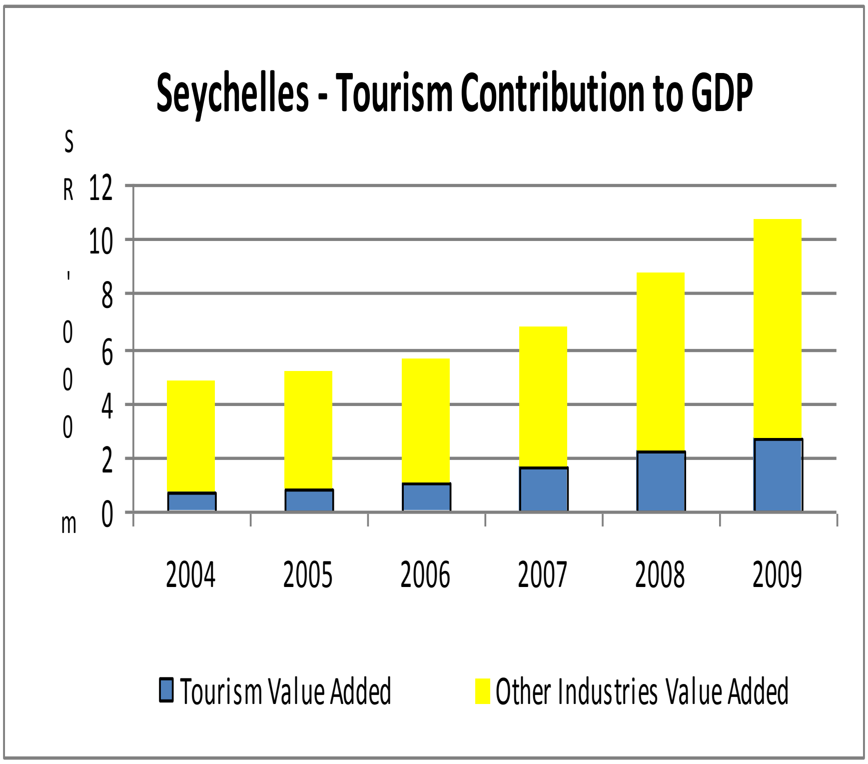
(1) The National Accounts Data which has been prepared by the National Statistics Bureau (NSB), focusing upon the 'Tourism related contribution' to the Gross Domestic Product (GDP);
(2) The Balance of Payments (BOP) Data which has been put together by the Central Bank of Seychelles (CBS), focusing upon the foreign exchange transactions;
(3) The Visitor Statistics collected by the Immigration Authorities and analysed by NSB, focusing upon the number of visitor arrivals; and
(4) The Visitor Survey which has been carried out for many years by the NSB on a quarterly basis, with a sample of approximately 1,000 per quarter.

Each of these is elaborated upon in the following subsections.

3.2 Tourism's contribution to the Seychelles Economy

NSB have put together an estimate of the 'Tourism related contribution' to GDP by taking those industries where expenditure by tourists occurs. These industries include accommodation and food services, transportation and storage Both Figure 3.1 and Appendix 5 illustrate the great significance to the economy of the Seychelles of the tourism industry. **A contribution to GDP of around 25.6% by tourism is large by world standards, possibly as high as anywhere else in the world.** The percentage figure applies to the 'direct' contribution to GDP, and does not include for indirect or induced contributions. It also does not include construction or real estate activities associated with tourism. However, it does include the airline contributions both by Air Seychelles and by other airlines flying to the Seychelles.

Figure 3.1



Source: Derived from NSB

The total output of the tourism related industries in 2009 (indicative figures) was SR 7.48 billion (approx US$ 600 million), of which accommodation and food services accounted for SR 3.56 billion and Transport etc. (mostly Air Seychelles) accounted for SR 2.54 billion. For 2008, the equivalent figure was SR 5.1 billion, and, excluding transport and storage, it was SR 3.5 billion.

These estimates of output are derived from the confidential financial statements of the businesses involved, along with confidential information relating to General Sales Tax (GST) paid by the businesses involved. It is a robust indication of the level of output (financial turnover) of the major businesses involved with tourism. It is not the same measure as 'value added'.

The National Accounts are prepared on the production basis, and information on the alternative approaches of income or expenditure are not available.

3.3 Gross Foreign Exchange Earnings

The Seychelles economy relies heavily on income derived from services. Tourism is the main foreign exchange earner at the macro-economic level. Other foreign exchange earning industries include fishing, the oil tanker transport business and financial services. However tourism is seen as the largest both in terms of gross and net foreign exchange earnings.

For the Balance of Payments estimates, CBS make estimates of the foreign exchange earnings from tourism. If transport is included, the gross foreign exchange earnings in 2008 were SR 3.6 billion, and without transport SR 2.4 billion (approx US$ 300 million). In effect, this indicates that the series for gross foreign exchange earnings is approximately 70% of the series for output or business turnover (See Appendix 6).

Business turnover is a different measure from foreign exchange entering an economy. The latter relies upon information from the banking system and does not include offsetting outward payments that may not enter the local banking system.

Net Foreign Exchange Earnings

Netting the foreign exchange earnings involves deducting the key items that go out of the Seychelles economy in supporting the tourism industry. Such items include: -

- Tourism promotion overseas;
- Remittances by expatriate labour; and
- Repatriation of profits by foreign investors.

Estimates of these amounts from the CBS data indicate that in 2008 the net foreign exchange earnings were some 78% of the gross foreign exchange earnings. This figure does not include other imports to support the tourism operations such as importation of food, beverages, fuel etc. for the ongoing operations of the various tourism businesses. It is likely that these additional support imports will approximate towards another 30%, so net foreign exchange earnings are probably a little less than 50% of the gross figure. Total imports into the Seychelles are shown in Appendix 12.

Estimates of the remittance of expatriate tourism wages/salaries amounted to nearly SR 122 million in 2008, but this does not allow for expatriates on contracts of more than 12 months. Estimates of the repatriation of tourism profits exceeded SR 400 million in 2008 (US$ 50 million).

Foreign Direct Investment

Foreign Direct Investment has accelerated substantially in recent years. In 2008 estimates of tourism investment (foreign exchange introduction) from CBS data amounted to nearly SR 3 billion (US$ 375 million) . But in relation to construction costs, it is estimated that only 5%-15% is actually retained within the Seychelles economy. This is because construction items, apart from quarry material, have all to be imported. Also the vast majority of the labour force in construction is expatriate.

Foreign Direct Investment is useful in that it provides the immediate capital needed to create physical assets in the Seychelles, but in terms of foreign exchange retention the investor expects to get his money back (out) in 2-6 years and to then to continue repatriating the profits through the economic life of the assets.

3.4 Tourism Arrivals and Tourism Expenditure

Visitor arrivals data is collected by the Immigration Authorities. When the principal points of entry into a country are by air, as in Seychelles, such figures are usually very robust. Over the last three years the visitor arrivals count has remained relatively flat reflecting the general economic conditions around the world.

Table 3.1: Visitor Arrivals and Visitor Nights - Seychelles

Year	Visitor Arrivals	Average Length of Stay – nights	Visitor Nights (millions)
2004	120,765	10.0	1.21
2005	128,654	9.7	1.25
2006	140,627	9.8	1.38
2007	161,273	9.9	1.60
2008	158,952	10.1	1.61
2009	157,541	10.2	1.61

Source: NSB

Visitor arrivals are near 160,000, and visitor nights are around 1.6 million.

Tourism Expenditure data derives from, on the one hand the Banking System, and on the other hand from sample surveys of visitors and their daily expenditure (See Appendix 7).

Tourism earnings reported by banks cover only foreign exchange converted into domestic currency by tourism establishments. As such, they exclude foreign exchange earned but retained by authorised establishments to cover their various external commitments.

The series for tourism expenditure for 2001 to 2007 from NSB was beginning to differ from the series for foreign currency exchanged by tourists, derived from the banking sector. The opening up of the foreign exchange markets and the volatility that took place has meant that this series has not yet been updated or revised.

Working with the National Accounts Data, with the CBS data, with the NSB Arrivals data and with the NSB Visitor Surveys, we estimate that the tourism expenditure in Seychelles in 2009 was around SR 3.9 billion (US$ 310 million) and around SR 2.9 billion in 2008 (US$ 360 million). The volatility of the exchange rates through this period leads to a considerable lack of precision in quantification.

This tourism expenditure includes what the tourist spent directly himself/herself in the country and includes what was spent on his/her behalf in the country by other parties such as tour operators and travel agents.

3.5 Employment in Tourism

From a sectoral focus, the tourism industry is the major employer in the Seychelles. The recent retrenchment and re-organisation of Government services has reduced direct employment by the Government, which anyway has always necessarily covered a very wide range of disparate activities. Tourism's role and responsibility within the Seychelles economy have never been clearer.

Total formal employment in the Seychelles was 41,342 in 2008. Tourism related employment was more than 21% of this figure at 8,810.

Expatriate employment has grown substantially in recent years in response to the need for more employees by the Tourism Industry when either skills have been lacking locally or the Seychellois have not sought to take on the jobs.

Table 3.2: Tourism Employment

Sector of Employment	2006	2007	2008
Large Hotels	3,679	3,972	3,882
Small hotels	789	821	954
Airlines Operator	716	729	879
Travel Agents/ Tour	488	585	652
Restaurants	504	527	519
Hire Craft, Yacht Charter and	314	394	445
Self-caterings	197	222	415
Car Hires	217	256	323
Casino	257	280	286
Tourism Administration	90	90	153
Retailers	42	46	110
Diving Centres (4)	83	81	85
Arts & Craft (3)	98	86	43
Craft workers	39	18	29
Discotheques	43	36	27
Clubs	23	26	8
Total	7,579	8,169	8,810

Source: NSB

Expatriate employment is subject to permits and there are quotas on the numbers that can be used under the Tourism Incentives Act (TIA) (See Appendix 8).

An important feature for Seychellois participation is that the job opportunities in the tourism business are larger in number than are the tourism business opportunities. For many Seychellois it is the jobs that will give them the most opportunities.

3.6 Breakdown of Tourist Expenditure

The NSB undertakes a valuable Visitor Survey on a quarterly basis and this gives details of expenditure by tourists. The tourist expenditure applies only to tourism expenditure in Seychelles and excludes international travel expenditure. The Visitor Survey Questionnaire collects information on different items of expenditure.

It is a self-completion questionnaire and definitions are governed by the perception of the respondent. It relates to direct expenditure by the tourist. It does not capture the expenditure made on behalf of the tourist by the tour operator or travel agent, though it does ascertain what items were prepaid.

The breakdown of tourist expenditure outside of the hotel is shown in Table 3.3:

Table 3.3: Breakdown of Tourist Expenditure outside of the hotels

ITEMS	AVERAGE
Restaurants	33%
Car Hire	9%
Taxis	4%
Bus Fares	0%
Organised Excursions	19%
Local Air tickets	3%
Boat fares	4%
Souvenirs	12%
Sports	5%
Other shopping	5%
Other	6%
Total	100%

Source: Derived from NSB Visitor Surveys (See Appendix 9)

The breakdown of the tourist expenditure essentially starts to set out the tourism value chain. Using the above breakdowns, an estimate of the tourist spending is shown in Table 3.4.

Table 3.4: Estimated tourist spending in Seychelles in 2009

Items of Expenditure	SR millions
Accommodation	2706
Restaurants	403
Car Hire	104
Taxis	47
Bus Fares	5
Organised Excursions	226
Local Air tickets	33
Boat fares	54
Souvenirs	146
Sports	63
Other shopping	64
Other	69
Total	3922

Source: Derived from NSB Visitor Surveys, National Accounts and CBS

The above spending includes the direct spending by tourists and the spending on their behalf by other parties, notably tour operators and travel agents.

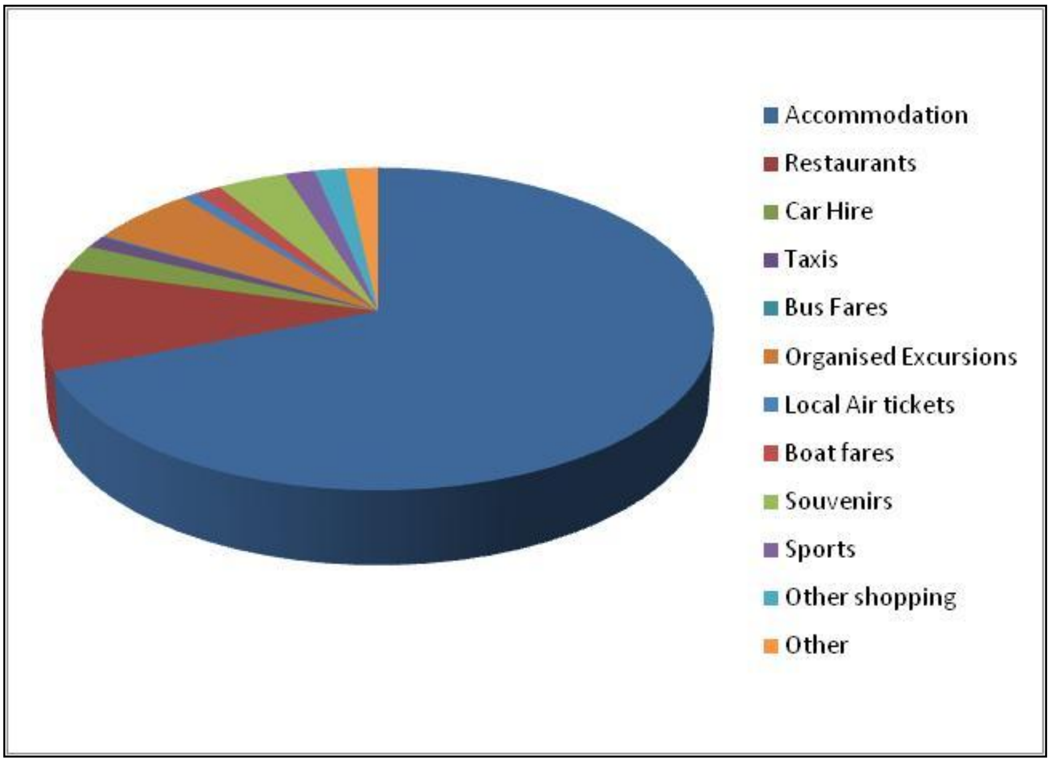
4. THE TOURISM VALUE CHAIN

4.1 Introduction and Background

The purpose of this exercise is to find ways for increasing local participation/ local stake holding in the tourism industry in Seychelles, particularly focusing on retention of the 'hard-earned dollar'. The aim is to look at leakages and opportunities in the value chain with a view to seeing ways of trying to reduce leakages where possible, e.g. how can Seychellois participate, how can they be empowered to do so, are there institutional, regulatory or resource constraints that reduce participation? Also, are there opportunities that could be exploited that would help Seychellois.

Excluding international air travel, tourist spending in the Seychelles is focused upon the hotel/ accommodation sector (Figure 4.1) and within that upon the larger hotels. It is fair to say that the hotels/ accommodation have done an excellent job in giving the customers a special experience. Seychelles tends to be a 'dream destination' and a one-off experience. Repeat levels are relatively low (10%-15%).

Figure 4.1: Tourism Expenditure in Seychelles 2009



As indicated in Section 2, the policy of the Seychelles Government has been that many business activities in the tourism industry are reserved for Seychellois. Large hotel projects, however, have needed large amounts of capital. Nearly half of tourist spending goes to the large hotel projects that are mostly foreign owned because the foreign investor put up the capital. This is in contrast to Mauritius where the initial capital for tourism development came from private sector Mauritian sources.

Maldives followed a different path, which involved leasing islands (all Government owned) to investors, both Maldivian and foreign, but at annual lease rents which reflected the scarcity of the resort sites.

By 2009, the large hotels in Seychelles were absorbing nearly half of the tourist expenditure, excluding spending on international air travel (Figure 4.2).

4.2 The Changing Situation

Several recent investment projects are changing the overall situation for Seychellois involvement in the tourism industry. These investments include:

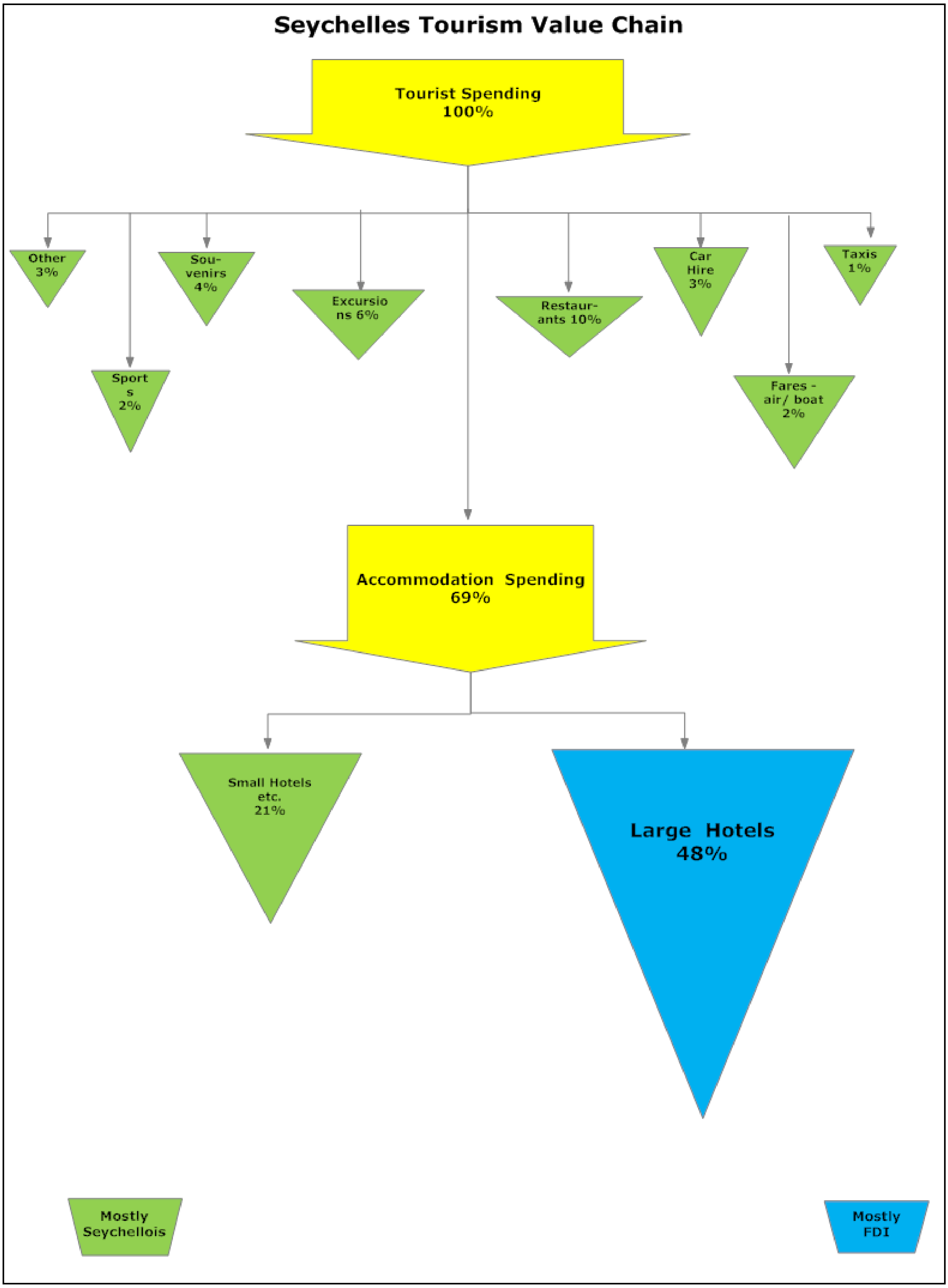
- Eden Island (450 units – originally there was to be a hotel within the development. The private villas were not originally approved for tourism accommodation purposes, nevertheless the owners were renting to tourists, albeit unlicensed. The Government has now licensed them for tourism purposes);
- Ephelia (267 units);
- Raffles (120 units).

There are others. Basically these investments have confirmed a size of operation which can be handled only by professional management. Of course there are many smaller tourism properties managed entirely professionally (e.g. Denis Island, North Island, Maia etc.) but all of these are seeking a relatively small number of high-income customers. There are also other larger hotels such as the Meridien Barbaron, the Berjaya, and the Coral Strand and others, which have been in Seychelles for many years and have a particular standing in the market place.

The new larger properties are going to enjoy economies of scale and economies of scope which will allow them to achieve a variety of efficiencies and cost reductions. More new large projects are anticipated as the Seychelles tourism destination moves from 160,000 arrivals to 300,000 arrivals per year over ten years or so.

Despite their efficiencies the growth in larger hotels does exacerbate the pressure on all resources, including availability of staff and management, the logistic capabilities of bringing in imported supplies, the infrastructure – roads, water, electricity, airport etc. – the Government services for education, regulation etc. As importantly the growth in capacity has to be kept in line with demand. Currently, utilisation/ occupancy levels are rather low and any excess supply impinges on the rates that can be charged to customers and in turn pushes down operating margins and profitability. Profitability has been good in the past but reductions in profitability may force management to look for cost reductions. Overall, the Government needs to seek to keep tourism accommodation supply and demand in reasonable balance, whilst meeting its growth objectives.

Figure 4.2: The Flow of Tourism Expenditure



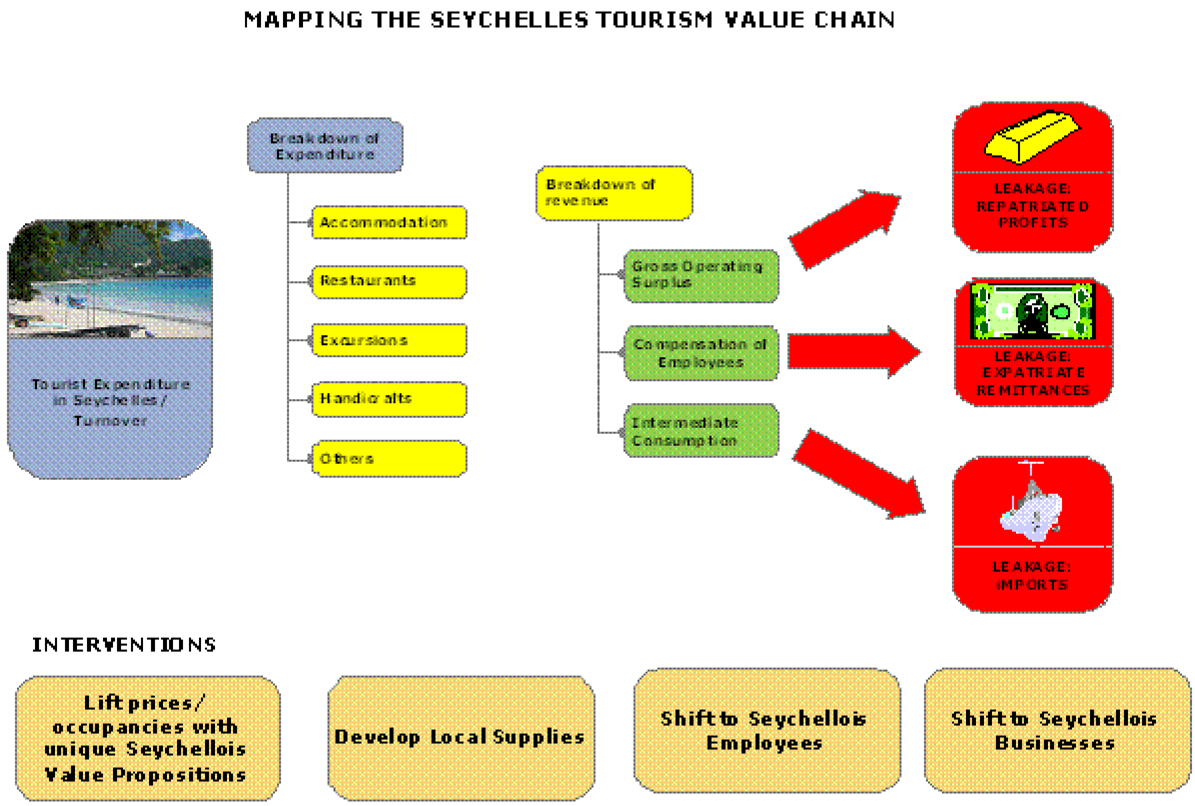
The changing situation means that the opportunities from tourism will lie in:

- More employment in the hotel and other tourism sub-sectors, but employment is going to have to be associated with higher labour productivity;
- More management, supervisory and technical positions, particularly in the hotel sector, but these are going to require considerable levels of skill and expertise; and
- More business opportunities in new tourism accommodation and other tourism sectors, but the numbers who can be business owners will be small in relation to those who can become employees.

4.3 Mapping the Tourism Value Chain

The Tourism Value Chain has been mapped as shown in the Figure 4.3. A number of sources have been used to reach estimates that can be described as illustrative.

Figure 4.3:



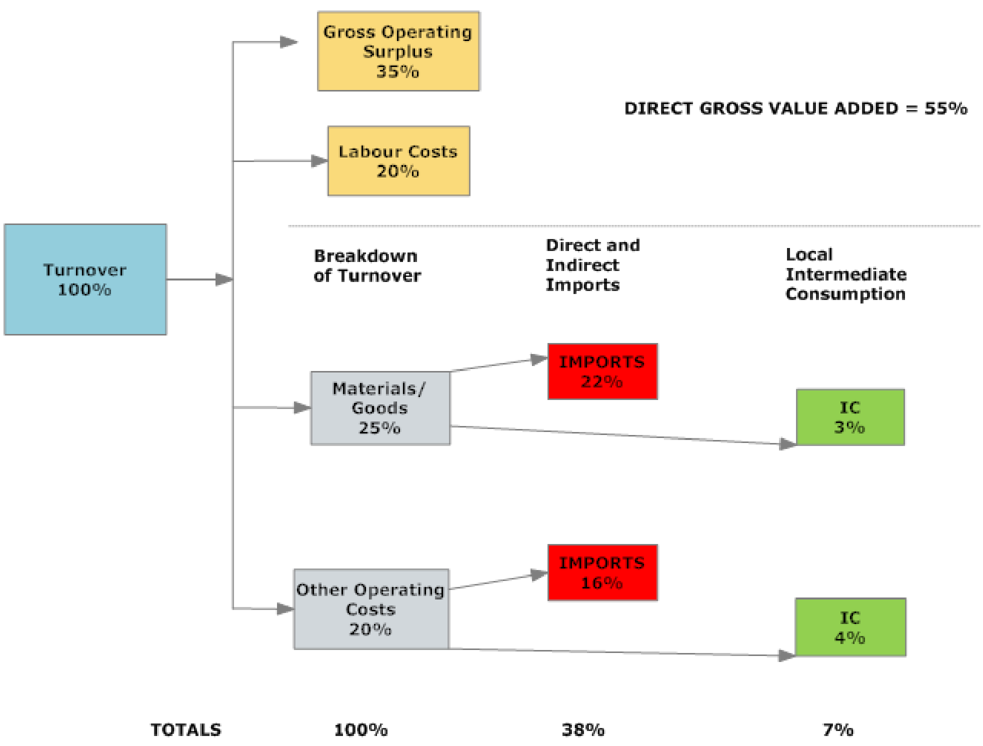
The increasing of prices in order to raise value added within the Seychelles economy looks to be a route which will only be open to relatively few products because the price positioning of Seychelles is already in the premium area. The recent package offers from one of the leading tour operators from UK illustrated the situation. Seychelles is already positioned at a premium to its adjacent rivals, Maldives and Mauritius, who themselves are priced way above destinations such as Sri Lanka. Thus an intervention along the lines of more premium pricing does not appear plausible at this time.

Gross value added from tourism is broadly composed of 'compensation to employees' and 'gross operating surplus'.

Gross operating surplus has generally been high in recent years, and returns to employment have been reasonable. The high level of imports to support the tourism operations reduces the ongoing impact of the Intermediate Consumption by the industry (Figure 4.4).

Figure 4.4:

TRANSACTIONS CHART FOR TOURIST ACCOMMODATION INDUSTRY IN SEYCHELLES
(ALL FIGURES RELATE TO % OF TURNOVER)



SOURCE: DISCUSSIONS WITH INDUSTRY, NSB DATA

4.4 Increasing Seychellois Participation

The prime opportunities for increasing Seychellois participation are through:

- Reducing expatriate employment in tourism;
- Increasing Salaries/wages in tourism for Seychellois employees;
- Developing local supplies (goods and services) for the tourism industry;
- Developing new products, which can raise Seychellois value added; and
- Increasing Seychellois ownership/ investment in tourism facilities.

Technically we have viewed the issues through the 'factors of production'. These can be considered as:

- Land
- Capital
- Management and Labour

Returns to Seychellois Land

Land is a key asset which is mostly in the hands of the Seychellois. One of the interventions suggested in the Diagnostic Report, reproduced in the box below, is aimed at the Seychellois people, via the Government, getting better returns on their land ownership.

Land Intervention – Diagnostic Report

Government makes sites available to Seychellois hotel investors, through auctioning sites on a leasehold basis with an annual charge payable to Government while ensuring that the bidder for the site makes clear what he/she is going to build on the site as part of his/her bid. Transparency would be engendered in the process. Maldives has done this successfully in the past. The current process for Coetivy in the Seychelles is somewhat similar to this proposal.

Whilst the view is expressed that most of the best tourist sites have already gone to developers, this may be true for some of the one-island-one-resort sites and for some of the larger sites on Mahé and Praslin, but there are still many sites and locations which would be considered as prime sites by the standards elsewhere in the world. An imaginative approach can be taken by the Government such as dividing a site into three sites suitable for three 24-room hotels, say. The broad principle is to drive up the returns to Seychellois land.

This intervention was not short-listed in this exercise but the broad principle should nonetheless be followed, especially for Government-owned land.

Land Intervention – Leasehold Auction Schemes
- Investor friendly scheme – the intention is to make this attractive to investors
- Government land made available to Seychellois investments in tourism (so, for Seychellois)
- Small sites – not large sites but sites for small investors
- However, sites will have considerable tourism potential
- Government may support such sites with infrastructure, where appropriate
- Auction of the lease, but the bidder's scheme plus the value of the bid must be transparent
- Selection of winner (not necessarily to highest bidder) also has to be transparent
- Payment for the lease should be an annual payment - again with a view to making this easier for small, local investors without having to purchase the lease with a large capital payment
- Leases should be relatively short-term, say fifteen – twenty years with an option to renew for one more period. Then the land reverts back into the auction schemes

Returns to Seychellois Capital

Returns to capital investment in tourism accommodation have generally been good, as witnessed by the relatively high gross operating profits in hotels, and by the investment in hotels by foreign investors. Such foreign investment may be partly down to investment incentives, partly to inexpensive land costs, but also it is down to good operating margins and 'full' prices for the accommodation services provided.

Seychellois investors have enjoyed good capital returns, usually on smaller hotels, but there are relatively few Seychellois who have been in a position to have a substantial ownership in a hotel (a few hundred at the most).

Returns on capital will be affected adversely by excessive competition driving down prices and driving down occupancies/utilisation. Already utilisation is low. The Government needs to keep a balance between supply and demand to prevent excess supply in the industry. Wherever this has occurred in tourism throughout the World, the suppliers have suffered and indeed the tourists have often gone home enjoying a substantial 'consumer surplus'.

The main opportunities for returns to capital for Seychellois is in the provision of services and supply of goods, which are currently imported (e.g. agricultural products) or goods/services which are not supplied to tourists but there is a latent demand (e.g. tourist attractions to visit). But, overall the numbers of new business owners will not be huge, may be a few hundred.

Several interventions were proposed in the Long List prepared in the Diagnostic Report, as listed in Table 4.1. These were all aimed at trying to drive up returns to Seychellois capital. Two interventions were selected for Phase 3, namely the intervention aimed at increasing local agricultural supplies and the intervention aimed at opening up more small and micro-businesses.

Ensuring that business opportunities can be taken up by Seychellois, so reducing the leakages via the remittance of dividends and the repatriation of foreign capital would increase Seychellois stake holding.

Opportunities for greater Seychellois stake holding in the tourism business are in line with the Government's 'Seychelles Strategy 2017'. However it is worth repeating a quote from one of the interviewees.

> As one interviewee put it:
>
> *"If you are not careful, you can find that it is no longer possible to add value because the cost alone of your necessary imported inputs exceeds the price at which you can sell.*

Returns to Seychellois Management and Labour

Compared with the numbers of Seychellois business owners, the numbers of Seychellois with jobs in the tourism industry is in the thousands and the opportunities will be there on a larger scale through the next ten years. Pulling in more and more foreign labour and foreign management does not look to be an optimal approach because of the great stress that a larger population puts upon resources in a destination such as the Seychelles.

It is recognised that there are issues in more and more Seychellois labour going into the tourism industry at all levels. These issues include: -

- Some Seychellois are simply not interested in working in the tourism industry;
- Some Seychellois, who have worked their way up the management ladder may find that their career prospects are limited by the small scale of the industry in Seychelles – the outcome is that they are tempted abroad;
- Some Seychellois are not interested in acquiring the skills that would allow them to go up the career ladder (and thus earn more money but of course higher productivity and more responsibility go hand in hand with more money); and
- Some Seychellois prefer to switch from working in tourism, having acquired various skills, to working for the local household sector e.g. selling plumbing services. Basically tourism businesses are demanding in the standards and prices that they require from staff and suppliers, whilst the household sector (as anywhere in the world) tends to allow better profit margins to suppliers. So keeping skilled labour in a demanding industry such as tourism is not easy when they can make more money selling to local households.

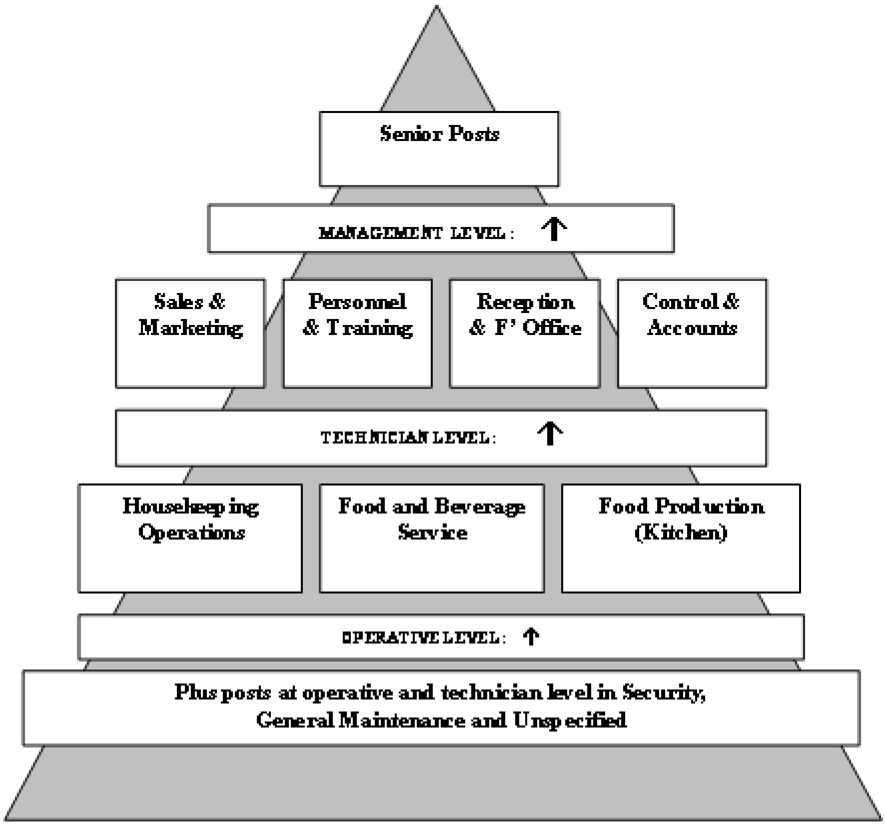
Despite the job prospects in tourism for Seychellois, more and more expatriates are being brought into the country for tourism (See Appendix 10 for the range of jobs).

If expatriates continue to be needed, then it is much better if expatriates are taken on for the lower paid jobs, whilst the higher paid jobs – management, supervisors, technical specialists, professional specialists – should be for Seychellois. To achieve this it is necessary that the Seychellois acquire the necessary skills and experience.

The Seychellois must be the 'management cadre' in the tourism industry.

Figure 4.5

JOB OPPORTUNITIES BY AREA OF EMPLOYMENT.



Of course, it is clear that the career ladder in tourism (See Figure 4.5 for an illustration of hotels) is very much a pyramid, and that the number of highly qualified management and technical staff is limited.

Consequently, allied to a drive for management and technical staff being Seychellois in the tourism industry, there is the need for large productivity gains in the operative levels for Seychellois so that wages can go up. Many tourism operations appear to be over-staffed. Whilst this gives jobs to local people, it also stifles the opportunities for labour productivity gains and thus wage gains.

It is clear that the focus of policy should be (a) to get Seychellois into senior and management positions (with training and with experience schemes for Seychellois) and (b) to get productivity gains (with training) from Seychellois staff so that wages can go up for Seychellois. However, it is also necessary for the Government to continue to be pragmatic and allow tourism enterprises to employ foreign staff in the lower paid positions where this is necessary for the growth of the industry.

A number of interventions for driving up returns to Seychellois labour were put forward in the Long List; two came through to the Short List, of which one was selected for Phase Three, namely the training programmes for mature students in technical skills at the Seychelles Institute of Technology.

The process for selecting options for the Short List is outlined in Appendix 11.

Table 4.1: POSSIBLE INTERVENTIONS AND THEIR IMPACT ON RETURNS

Reference	Intervention
DRIVING UP RETURNS TO SEYCHELLOIS MANAGEMENT AND LABOUR	
1	Managerial Training Programme for Mature Seychellois
2	Technical Training Programme for maintenance skills – electrics, plumbing, electronics, carpentry/ fitting, engineering (Mature Students)
3	Careers Guidance
	Salaries/ Wages in Tourism
4	Pushing up wages in tourism, especially for staff directly involved with tourists – Minimum wages
5	Extending Service Charges
6	Parity of payment – Seychellois/ Expatriate staff
DRIVING UP RETURNS TO SEYCHELLOIS CAPITAL	
	Increasing Local Supplies to tourism
7	Agriculture – selected fields – Pilot Scheme (Food Security Issues)
8	Handicrafts - Widen product portfolio
9	Seychellois Premium Products - Tea, Perfume, Soaps, Spices (gifts)
10	'Seychellois Corners' in hotels
11	Seychellois Music
	New Businesses
12	Business Services – 'After Sales Services'
13	Encourage development of tourist attractions (day-visit)
14	Small cafes with known 'branding to be developed' – traditional style
	New products
15	'Seychellois Gardens'
16	'Seychelles Creole Fisheries Cuisine' – 'Taste of Seychelles'
	Joint Ventures/ Capital - New opportunities for local stake holding
17	Ease capacity restrictions for Seychellois – small, medium businesses
18	Ease permissions for tourism micro-businesses - Cottage industries. Roadside vendors. Beach Services
DRIVING UP RETURNS TO SEYCHELLOIS LAND	
19	Government to make sites available to Seychellois hotel investors – auctioning sites on leasehold basis

5. SELECTED INTERVENTIONS: DESIGN & IMPLEMENTATION

5.1 Selected Interventions

Specific interventions chosen for more detailed consideration cover:

- The increased supply of local agricultural produce to the tourism sector;
- Engineering related training for mature students;
- Additional support to micro and small businesses in tourism.

5.2 Local Agricultural Supplies to Tourism

The Sector

Agricultural production in Seychelles embraces livestock (principally chicken and pork) and horticultural crops, including tropical fruit. The sector is characterised by small farms rarely exceeding 2 hectares, employing various levels of technology and management. There are about 500 registered farms are on Mahé, Praslin and La Digue, of which some 200 are particularly active, employing some 3,800 people.

A number of farms rear just livestock (pigs, broiler chicken or egg laying chicken or a combination of those). Others have both livestock and crops, while yet others focus on horticulture, as indicated in the picture of irrigated eggplants on a farm at Anse Royale. Farms are either on State land or are privately owned; for farms on State land there are constraints in terms of relatively short leases that can discourage long-term investment.

Agricultural development is impacted by a legacy of state intervention. This has involved state owned farms, public sector purchase of agricultural produce via the Seychelles Marketing Board (now Seychelles Trading Company) and Government ownership and operation of a livestock feed factory, abattoir and hatcheries. This history appears to have discouraged the development of expertise in produce marketing, with challenges faced by the sector in being price competitive with imports from larger producers elsewhere who benefit from economies of scale. The sector was further disrupted by the change to a flexible exchange rate regime under IMF supported reforms, with changes in the cost of agricultural inputs.

A further issue for agriculture, especially horticulture, is a shortage of labour. Often there is a dependence on casual labour, owing to constraints of employment law which can make it difficult for small farmers to take on permanent labour in the context of variations in labour needs, especially for harvesting. While a portion of labour can be from abroad under the Agriculture and Fisheries (Incentives) Act, shortage of labour still forms a constraint for some smaller farmers.

While 100% of eggs are produced locally, all other agricultural produce used in hotels, resorts and restaurants is wholly or partially imported. While hoteliers typically indicate that they would like to increase the amount of produce purchased locally, challenges include consistency of supply and quality control as well as price.

Efforts to enhance linkages between agriculture and hotels in other destinations have had mixed success. In Mauritius, a linkages project has now been reduced to one hotel and a small group of farmers (Appendix 4). In The Gambia, the 'Gambia is Good' horticulture to tourism linkages project has been much more successful, albeit in distinctly different circumstances to those applying in Seychelles, with higher levels of poverty and greater labour availability in The Gambia. In Table 5.1 below the difference of the circumstances of horticulture in Seychelles as against The Gambia is evident.

TABLE 5.1: COMPARISON OF ATTRIBUTES OF HORTICULTURAL PRODUCTION

	The Gambia	Seychelles
Market/pricing information to farmers	✓	☒
Training for growers on year round production	✓	☒
Investment support for new techniques	✓	☒
Quality control	✓	☒
Distribution of produce direct to hotels	✓	☒
Implementing company	✓	☒
Demonstration farm/tourism attraction	✓	☒

Weaknesses in Seychelles horticulture appear to relate, at least, in part to history. For example, centralised purchasing by the Marketing Board led to a situation where distribution of produce direct to the buyer didn't develop. Thus a buyer, such as a hotelier, typically has to visit the farm to buy horticultural produce rather than having it delivered. This is plausible for smaller guesthouses but is not practical for larger hotels and resorts. Similarly, there is no mechanism for quality control. These circumstances constrain the supply of produce to hotels.

The Institutional Picture

The 'Gambia is Good' (GiG) project is led by a consortium of a British horticultural firm, Haygrove, together with Concern Universal, an NGO. From the start of the project, it has been run on commercial principles. While GiG works with a farmers cooperative and draws on the expertise of institutions such as the agricultural training college, it is a stand-alone venture, the only one of its type in the country. In contrast, the Mauritius effort at linking agricultural producers to hotels has not had the same benefit of a dedicated organisation, which may be a reason for its lack of success.

In Seychelles, the lead organisation in any venture would need to be the Farmers' Association. In 2009 the Association took over the operation of the abattoir, feed factory and hatchery from the Government, now run as a cooperative. Although the Association was initially comprised of only livestock producers, it now also encompasses horticultural growers.

The Seychelles Agricultural Agency was established in 2009 to provide support to the sector to further its development including via the provision of technical assistance. The Agency operates a research farm at Anse Boileau as a part of its activities, where items such as fruit trees are for sale to the public. However, in other respects the Agency is not a commercial organisation.

There is little doubt that there are opportunities for the enhanced marketing and distribution of local produce, including branding, to encourage its consumption. Some livestock farmers have indeed begun to brand their produce.

Livestock producers are relatively well established and appear to be capable of undertaking direct supply of chicken and pork to hotels and resorts, a process that can be improved by better communication between buyers and suppliers.

The position of horticultural producers is somewhat different. Prima facie, a project along the lines of 'Gambia is Good' – one that combines training support to existing horticultural farmers combined with quality control and a distribution mechanism – might be successful. However, there are substantial differences between farmers, with some considerably ahead of others in terms of their capabilities and the investment that they have made. Another factor is whether such a project could address the labour shortage that is constraining some producers. Most importantly, the organisation to run such a scheme is not in place. The only possibility is the Farmers' Association, which at present is engaged on the success of its cooperative for the support of livestock production. For a scheme along the lines of 'Gambia is Good' to be established it would likely need significant external technical and financial assistance, including a linkage with a foreign horticultural producer. This would appear challenging to bring about.

Proposed Intervention

The proposed intervention focuses on two objectives:

- To encourage visitors to seek out local produce and for operators to incorporate local produce on their menus to the highest possible extent;
- To facilitate communication between local agricultural suppliers and the tourism industry.

The proposed actions are summarised in Table 5.1 overleaf.

Communication

To improve communication between buyers and suppliers, it is proposed that a Standing Liaison Group is established between the Farmers' Association and the Hospitality and Tourism Association. By this mechanism it can be better understood how producers can best supply the tourism industry, what challenges need to be addressed, and ways by which they can be overcome.

A difficult issue is the possible distortion of the market by substantial unofficial commission payments being sought by personnel within hotels in order for supply contracts to be secured. Such arrangements are far from being unknown in hotels internationally and are difficult to address. It is likely to be easier for importers operating on a substantial scale to meet such requests than it is for a smaller local producer. One approach is for producers – especially horticultural producers – to focus on supplying smaller properties where good relations can be established with the owner/operator and where commission payments are not sought.

Encouraging visitors to seek out local produce

Consumer interest in the food that they eat is on the increase in originating markets for Seychelles, especially in higher income groups tending to be attracted to the destination. For example, sales of organic foods in Germany increased from € 1.48 billion in 1997 to approx. € 5.8 billion in 2009. In the UK, sales of organic food in 2010 are three times higher than in 1999 and over 50% higher than five years ago. Programmes such as "Hugh's Chicken Run" on British television have heightened interest in the way that chickens are produced. The proposals aim to build on this kind of interest and to encourage visitors to appreciate fresh Seychelles produce.

The proposed actions are threefold:

- For establishments to demonstrate that they use local produce to the highest possible extent. While this cannot be proved, it does require a moral commitment for establishments to seek out local produce;
- For a culinary programme to encourage use of locally produced ingredients, with an annual award programme. In 2009 the Tourism Academy held the first National Culinary Contest, an award to chefs, repeated in 2010. The proposal is to extend this effort by instituting one or more awards (possibly for hotels/restaurants of different sizes) for menus created from locally produced ingredients, with appropriate publicity including a certificate for the winning establishment(s). Ideally it should encompass a year round programme to encourage the use of local ingredients, with winning establishments voted for by the public (including visitors).
- To extend the use of the Agricultural Agency's research farm in Anse Boileau for it to become a tourism attraction. The farm is already open to the public for plant purchase. The concept is for the farm to offer guided tours, with fresh juice on offer and possibly also a small collection of souvenirs such as labelled bags. As visitor numbers grow it may be possible to extend the offer to light meals. The concept is based on the 'Gambia is Good' demonstration farm (pictured), which also combines a horticultural research farm with a tourism attraction and which was funded by the UK Travel Foundation. In the Seychelles case the objective is to increase awareness among visitors of local Seychelles horticultural produce and, again, to encourage hotels and restaurants to publicise its use.

  That there is interest on the part of visitors in aspects of horticulture is indicated by the success of the two-year old private initiative of the Praslin

Museum. A part of this is a short guided tour of fruit trees and an explanation of their use.

TABLE 5.1: LOCAL AGRICULTURAL SUPPLIES TO TOURISM				
ACTION	LEAD AGENCY	SUPPORT AGENCIES	ESTIMATED COST	TIMING
Standing Liaison Group to maintain liaison between commercial farmers and principal tourism buyers; review potential for contracts between farmers co-operative and hotels	Hospitality and Tourism Association	Farmers' Association	Minimal	Quarterly, from January 2011
'*Soutien aux Seychelles*' logo for hotels and restaurants – establishment commits to purchasing local produce whenever possible	Farmers' Association	Seychelles Tourism Board; Agricultural Agency	US$10,000	To be established in 2012
'*Seychelles Suprême*' culinary programme to encourage use of locally produced ingredients, including agriculture and fisheries, with annual award ceremony for winners (based on year round performance/customer comments) and annual award symbols for the winners	Tourism Academy/ Tourism Board	Hospitality & Tourism Association	US$5,000 (commercial sponsorship)	To be established 2011
Demonstration Farm: demonstration farm and tourism attraction on Mahé – preferred location is Agricultural Agency farm at Anse Boileau	Seychelles Agricultural Agency	Seychelles Tourism Board; Enterprise Promotion Agency; Commercial contractor (if Agricultural Agency farm); Foreign tour operators Local DMC's	US$9,000 for technical set up support; if Anse Boileau farm access road improvement ideally needed plus modest new facilities	Aim to establish a revenue earning tourism attraction in 2011

5.3 Mature Training in Technology

During the research undertaken it has become evident that hotels/resorts are experiencing serious challenges in obtaining maintenance personnel. The requirement tends to be for all round engineering skills in equipment maintenance rather than in in-depth engineering capability in any one discipline.

The concept is to address this issue via the training of more mature personnel who may already be employed in the tourism sector, including in hotels. The training agency will be the Seychelles Institute of Technology (SIT). The Institute is a post-Secondary institution with the mandate to provide to provide skills training in the built environment and engineering fields, with some 500 full-time students. It has the flexibility to mount tailor-made courses for specific industry requirements. An example is a 60-hour programme for Seychelles Breweries to train mature personnel.

Courses, which will be part-time, will need to be carefully designed so as to meet hotel/resort requirements. The potential is training for some 10-12 major resorts. Cost will depend on the length and complexity of the courses provided but may be of the order of US$500 per student, to be met by the employing hotel or resort. The opportunity is summarised in Table 5.2.

TABLE 5.2: TRAINING FOR IN-SERVICE PERSONNEL				
ACTION	LEAD AGENCY	SUPPORT AGENCIES	ESTIMATED COST	TIMING
Courses for hotels/resorts in relevant engineering skills e.g. electricians, air conditioning skills for hotels etc.	Hospitality and Tourism Association Seychelles Institute of Technology	Ministry of Education Principal hotels (owning/ management companies)	Approx $500 per student	Start in 2011

5.4 Support to Small Businesses

One of the advantages of tourism development can be the opportunities that arise for the establishment of micro and small businesses. In destinations such as Bali these extend beyond retailing, restaurants and cafes, bike and car rental and tour operation to licensed beach sites where activities such as massage can be offered without a significant nuisance to visitors.

In Seychelles the focus for small business tends to be on retailing, with well-placed craft and souvenir stalls. Praslin and La Digue also have stalls offering fresh juice from local fruit. On La Digue, in particular, there is extensive bike rental. There is a relatively small number of self-employed tour guides offering their services direct to visitors, although for the most part tour guiding is undertaken under the auspices of the major destination management companies. Food stalls are available at specific times/places, such as in Beau Vallon on one day per week under the control of the STB. Further development is constrained by the licensing regime, although it does appear that some stallholders on La Digue may be ignoring the licensing constraint by offering food items, as pictured.

The Small Enterprise Promotion Agency (SEnPA) seeks to promote and develop small enterprises, crafts and cottage industries. It provides facilities for craft retailing and offers support via business counselling, marketing advice and capacity building. A 'Made in Seychelles' stamp was launched in 2006, at a cost 25 cents per stamp to be attached to products after SEnPA representatives have inspected the items to verify that they are genuinely made in Seychelles. Unfortunately this scheme has not been effective in that it is rarely to be found in craft or souvenir outlets. Conversely, it would appear that in a number of commercial souvenir outlets items labelled as 'Made in Seychelles' are placed next to imported goods, perhaps encouraging the purchaser to believe all items are locally made.

The aim of the proposed interventions is to provide further impetus in the support of local businesses. Five particular actions are suggested:

- The introduction of personal handicraft labelling that enables the buyer not only to see that the product is locally made, but also to identify the producer, possibly to the degree of facilitating visits to the producer;
- Research on the kind of products that visitors would most like to buy. This can be conducted via in-country focus groups of visitors. At present many outlets are selling essentially the same products, often of the purely souvenir type rather than items that can be used by the visitor once he or she returns home. Different kinds of products could be tested in these focus groups and the results disseminated to producers;
- A continuing review of the licensing regime as it applies to small tourism businesses. A new Licensing Act 2010 has been prepared. In its implementation Government should ensure that the development of small tourism businesses is not being unduly constrained. There is perfectly justifiable concern over food hygiene, but this could be addressed by appropriate training rather than by the simple prevention of stall-holders offering food as well as fresh drinks;
- The extension of the successful mobile 'travelling' bazaar already operated by SEnPA on Mahé to Praslin. This existing support to producers already covers larger resorts on Mahé and is appreciated by guests as well as supporting craft producers. With the opening of Raffles resort on Praslin adding to the quality hotel stock, there appears to be ample scope for supporting producers in this way;
- Provision of a pamphlet to visitors on arrival that highlights small businesses and attractions including the Domaine de Val des Pres tourism and cultural village now operated under the STB and the Praslin Museum. It could also, for example, cover the Anse Boileau farm. Ideally the pamphlet should be distributed by Immigration Officers to arriving visitors, but it could alternatively be on racks in the immigration and/or airport luggage claim areas.

These interventions are shown in Table 5.3.

TABLE 5.3: MICRO AND SMALL BUSINESSES PROVIDING FOR TOURISM				
ACTION	LEAD AGENCY	SUPPORT AGENCIES	ESTIMATED COST	TIMING
Introduction of personal handicraft labelling e.g. illustrating the name/location/contact details of the producer	Small Enterprise Promotion Agency	Seychelles Tourism Board	Training within SEnPA budget; producers to pay for own labels	2011 onwards
Research on customer requirements via focus group research of visitors	Small Enterprise Promotion Agency		$15,000	2012
Continuing review of licensing regime to ensure that the balance between food hygiene and other safety issues on the one hand and the support of local enterprise on the other is appropriate	Ministry of Health/ Licensing Authority	Seychelles Tourism Board Small Enterprise Promotion Agency	Minimal	2011
Mobile 'travelling bazaar' on Praslin with 100% Seychelles made products that are supplementary to offerings in hotel shops (including painting/sculpture); typically one evening per week at each location	Small Enterprise Promotion Agency	Hospitality and Tourism Association	Organisation/ transport costs to be borne by participants and/or SEnPA	2011 onwards
Production and distribution of a pamphlet highlighting small businesses aimed at arriving visitors	Seychelles Tourism Board	Seychelles Civil Aviation Authority; Immigration Department; SEnPA	Possible commercial sponsorship	2011 onwards

5.5 Implementation

Implementation will require agreement among the parties concerned together with a determination to pursue the support of smaller Seychelles owned businesses and to further the involvement of Seychellois in tourism. This effort links into taking the '*Seychelles Brand*' forward.

Steps for implementation are summarised in Table 5.4 below.

TABLE 5.4: IMPLEMENTATION MECHANISMS		
Intervention	**Initial Action(s)**	**By Whom**
Agricultural Liaison Group	Liaison between the Hospitality and Tourism Association and the Farmers' Association. Decision on cooperation by both bodies with establishment of modus operandi by both bodies.	Hospitality and Tourism Association to pursue with the Farmers' Association.
'*Soutien aux Seychelles*'	Decision by the STB on whether to implement the programme and, if so, whether it can be embraced within the Seychelles Tourism Assurance Label or form a separate programme. Existing programmes elsewhere can be reviewed e.g. Malaysia Kitchen (e.g. malaysiakitchen.co.uk).	Farmers' Association, together with consultation on implementation with other relevant agencies.
'*Seychelles Suprême*'	Tourism Academy to decide whether to integrate the programme with their existing awards and whether to seek sponsorship e.g. from Seybrew and/or DMC's. If a separate programme, to be pursued by STB. An example of a similar programme elsewhere is Taste of Belize (tasteofbelize.com).	Tourism Academy implementation would need support from STB and Hospitality and Tourism Association , to be agreed before programme is launched.
Tourism Farm	Decision to evaluate how the Farm will work in detail with securing of initial funding to support this. Application can be made to the UK Travel Foundation for follow-on financial support (thetravelfoundation.org.uk).	Agricultural Agency to decide to proceed with detailed studies with STB to provide initial funding for these. Advice can be secured from Adama Bah in The Gambia (bahs_54@yahoo.co.uk) who set up the GiG farm.
Engineering skills training	SIT to devise course content and establish costs in collaboration with the Hospitality and Tourism Association with individual hotels/resorts to decide on student selection.	SIT to work on course content; leading hotels/resorts to commit to sending students.
Personal handicraft label	SEnPA to adopt the scheme and to design sample labels to lead to dissemination and support training among craft producers.	SEnPA; STB to promote the labelling scheme.
Focus group research	Decision on the nature and scope of the research followed by budgetary commitment and then invitation to tender for the research on the part of specialist market research agencies	SEnPA

Intervention	Initial Action(s)	By Whom
Review of licensing regime	Liaison between the STB and the Licensing Authority on the state of pending Government legislation; consideration of training for stallholders in food hygiene to replace current operational prohibitions.	STB to pursue with Ministry of Health, the Licensing Authority and other relevant agencies; subsequently to organise training in conjunction with SEnPA
Mobile craft bazaar on Praslin	Decision to extend present operation to Praslin; liaison with craft producers and leading Praslin hotels/resorts	SEnPA
Small business promotional pamphlet	Decision to proceed, design of pamphlet with draft content, obtaining commercial sponsorship to assist with production costs, consultation with Civil Aviation Authority and Department of Immigration on distribution	STB

These implementation measures are discussed further below.

5.6 Action Plan for Agriculture

Standing Liaison Group

An initial meeting that brought together members of the Farmers' Association and the Hospitality and Tourism Association was held on 11 August as part of the Value Chain Analysis. A second subsequent meeting of the two bodies was held in early September 2010.

The need is for the two organisations to continue to maintain dialogue and to ensure that the opportunities for local agricultural supply tourism businesses are both maximised and taken advantage of to the greatest possible degree. Difficulties that arise in terms of quality and regularity of supply should be resolved as speedily as possible.

It is recommended that dialogue is by way of a standing committee that meets on a regular basis, and it is suggested every quarter. The Hospitality and Tourism Association, as part of demonstrating its care for local enterprises, can lead the effort to ensure that valuable meetings take place. For its part the Farmers' Association will need to determine when it wishes to conduct discussions and make commercial arrangements as a single body and when it is relevant for individual members to deal directly with hotels, restaurants and other tourism industry customers.

In dealing with the tourism industry the Farmers' Association will need to ensure that they are dealing on a consistent basis with the key requirements of:

- Consistent quality;

- Reliable distribution;
- Competitive pricing, taking product quality and freshness into account.

Soutien aux Seychelles

The concept for 'Soutien aux Seychelles' is for hotels and restaurants to be seen to be using local produce and for customers to seek these establishments out. It follows the example of various 'eat local' campaigns around the world, including 'Eat Local' in the USA, 'Buy West, Eat Best' in western Australia and the Malaysia Kitchen programme initiative of the Malaysia government.

Implementation will require:

- Definition of the criteria under which an establishment can qualify for the scheme. It is suggested that this is kept as straightforward as possible, with a simple commitment required on the part of the establishment to serve locally produced produce whenever possible;
- Design of a logo for display in qualifying establishments;
- Promotion of the scheme and invitations to apply;
- Subsequent monitoring visits to discuss the purchase of local produce with the establishment concerned.

The implementation will be led by the Farmers' Association, but with the involvement of other bodies including the STB in the inclusion of the scheme in their promotional material as a component part of the Seychelles brand. Implementation can also be a part of the regular meetings between the Farmers' Association and the Hospitality and Tourism Association.

Individual producers can further support the effort for the local purchasing of agricultural produce by effective branding of their own products. Characteristics they may wish to use include:

'Fresh'	The location of the farm
'Local'	Names/photos of the producers
'Tasty'	Free of antibiotics
'Exceptional'	Value for Money
'Quality'	Environmentally friendly

The branding initiated by West Hill Farm is an example of what can be done, and this can be further developed. An example that could be followed is that of 'Oakham Chicken', a brand used by the UK store Marks & Spencer, but which has no actual locational meaning. 'Grand Anse Chicken' would be an example.

Local brands like this can then be included on hotel and restaurant menus and provide distinctiveness from imported chicken and pork.

Distinguishing the product – an approach that can be taken in Seychelles

"At Marks & Spencer, all our fresh chicken is Oakham chicken. This slower growing breed, exclusive to us, comes from dedicated UK farms that we know and trust so we can guarantee that every bird is reared in a way that meets our own standards for animal welfare."

Seychelles Suprême

The second International Culinary Competition, in November 2010, is organized exclusively for Seychellois chefs. It has the aim of promoting local culinary art to international standards.

It is proposed that this Competition in 2011 and subsequently is extended to cover establishments as well as individual chefs. The awards will be for the most creative use of local produce and should be for items that can – in season – be found on the menu of the establishment concerned.

The Competition should be promoted by the Tourism Academy, as is the existing Competition, working with the STB and the Hospitality and Tourism Association. As for the existing Competition, external sponsorship should be sought.

Demonstration Farm

An initial decision in principle is required for the use of the Anse Boileau farm as a demonstration farm that is open to visitors. It is already open to customers for plant purchase. If this decision in principle is in the affirmative, there are several options:

- For the Agricultural Agency to work with the STB in establishing how the farm can best operate as a visitor attraction. It would be possible to draw on the experience of the STB in the operation of the Domaine de Val des Près Craft Village as well as other local operators. Consideration will need to be given to such adaptations that can be achieved within the constraints of the existing operation to maximise visitor appeal, to the guiding of visitors, any added features and the pricing and opening regime to be adopted;
- To draw on experience outside Seychelles, notably the Demonstration Farm that forms a part of the 'Gambia is Good' horticulture to tourism operation. This Farm successfully attracts tour operator groups. This route will require raising some US$9,000 to bring in short term technical advice on setting up the Anse Boileau farm as a tourism attraction. Contact with The Gambia can be achieved via Concern Universal (concernuniversal.org) and/or Adam Bah, the

lead individual for the establishment of the Gambia Demonstration Farm as a tourism attraction together with linkages with foreign tour operators (bahs54@yahoo.co.uk).

In either case, for subsequent development application can be made to the Travel Foundation in the UK for financial support (thetravelfoundation.org.uk). In addition to The Gambia, the Travel Foundation is funding an agri-links project in St. Lucia.

The responsibility for driving the concept forward has to be with the Agricultural Agency, although the expertise of the STB – and possibly its initial financial assistance – will be necessary in support.

5.7 Action Plan for Training

The process whereby the suggested technical training for in-career hotel staff can be provided is that:

- The Institute of Technology devises an outline course, based on previous experience and, as far as is possible, informal discussions with a small number of hotels, with initial cost and timing proposals;
- The course outline is presented to targeted hotels in consultation with the Hospitality and Tourism Association;
- Negotiations take place between the SIT and those hotels who chose to participate. Each hotel/resort will need to decide for itself on issues pertaining to retention of staff. Given that the course cost will be relatively modest, it would be inappropriate if this became a stumbling block to training provision;
- The course content and timing is finalised and training takes place.

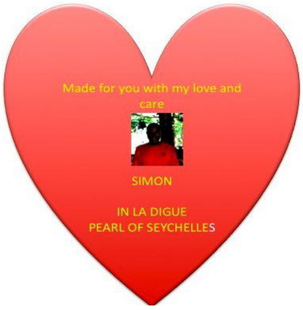
5.8 Action Plan for Small Business Support

Personal Handicraft Labelling

SEnPA has endeavoured to improve both handicraft labelling and the packaging of products. Experience with the 'Made in Seychelles' stamp strongly suggests that a centralised scheme based on royalty payments is ineffective. The suggested alternative is for training in both labelling and packaging. For labelling the key is to make the product appealing and to add value via simple but improved presentation. Ideally this should show the identity of the producer, if possible with a photographic image, his or her physical and/or email address and other contact details and, where appropriate, visiting times for his/her place of production.

Where possible and practicable, improved packaging can also be added, to add value to the product at relatively low cost. SEnPA has run training courses in packaging, but it may not be understood by prospective beneficiaries how this can be of benefit to them in terms of increasing sales and income. Personal visits on the part of SEnPA staff in explaining how small businesses can benefit would likely assist, as would support in this initiative by other organisations who have interface with handicraft producers – including the STB and individual hotels/resorts.

A simple example is shown below. The label on the left, as existing, is hand writing in ink that fades. Neither the identity or source of the item is identified. This can be improved by a simple approach; even a short explanation to the producer of the difference this can make the buyer may be enough.



Even relatively sophisticated outlets such as at the Union estate on La Digue can benefit. For example, plastic bottles of vanilla essence (which now have to be carried by visitors in their hold luggage) leak when subjected to air travel. This kind of problem should be relatively simple to cure.

It is suggested that SEnPA proceeds by reviewing its existing training while seeking to drive forward a new programme of personal handicraft labelling. The organisation should seek to ensure that producers are aware of the benefits of its available training courses by promoting them as vigorously as possible including via personal visits to producers. STB can play its part in supporting SEnPA's efforts including via its operation of the Domaine de Val des Près Craft Village.

<u>Research on Customer Requirements</u>

Producers tend to follow one another in terms of product characteristics. Small businesses cannot afford any research into what it is that customers would really like to buy, and relating that to their ability to produce. A result is relatively limited innovation. The proposed research is to provide information to producers on how visitors react to the existing offer and what kind of improvements and product additions they would most like to see. Willingness to pay and pricing information would be a key part of the research.

Implementation should be via SEnPA deciding whether or not it wishes to proceed with this form of research. If so, an outline research proposal should be devised that can be presented to an internal or external funding source. If funding can be secured, then a tender should be held of interested consumer research organisations and a detailed research brief prepared. The research would best be conducted among focus groups of visitors, covering representative geographic origins and types of visitor. The findings will need to be disseminated across producers, both via written communication and face to face, with guidance as to how products can best be improved.

Licensing Regime

The present licensing regime is restricting opportunities for micro businesses, especially stallholders. This is being done in the interests of food hygiene and in retaining Seychelles reputation as a relatively safe place to visit. There are specific opportunities for small businesses such as the evening market at Beau Vallon each Wednesday. However, despite these opportunities in places such as La Digue a number of stallholders would appear to be obviating the licensing requirements in relation to the serving of hot food.

An ideal approach would be that stallholders are able to benefit from hygiene training either free of charge or at a modest fee, which would enable them to be licensed for hot food and other appropriate sales. Given the introduction of a new Licensing Act, it is opportune for the STB to pursue this issue with the Ministry of Health and other relevant agencies with a view to maximising opportunities for stall holders and other small businesses in line with the Seychelles Brand.

Mobile 'travelling bazaar' on Praslin

To replicate the existing travelling bazaar on Mahe in Praslin, SEnPA will need to:

- Establish the number of handicraft producers able to take part;
- Promote the concept with the principal hotels/resorts;
- Draw up a weekly timetable and modus operandi to be agreed with the producers and the hotels/resorts;
- Implement the bazaar, possibly initially on a pilot basis with one or two resorts.

Airport Pamphlet

It has been past practice in Seychelles for immigration officers to offer visitors an information booklet about the country on arrival. This was a distinguishing feature of the destination. The new pamphlet will need to be appealing and attractively designed. It should feature a combination of content, i.e. it should highlight a mix of attractions and not just be limited to small Seychellois businesses. Equally it should cover both a selection of small businesses of different kinds combined with other selected tourism attractions. It is suggested that it should be published twice or three times a year in English and French with varying content.

The Pamphlet should contain information on markets – such as the Beau Vallon Wednesday evening market – and special events such as Subios and the Creole Festival. This will foster awareness of these events that may otherwise not have a high profile among visitors.

It is suggested that the initiative for the production of the pamphlet is taken by the STB, but that it should be possible to obtain advertising support to finance it both from tourism businesses and from others such as Seybrew.

In this context it should be mentioned that SEnPA has already been working upon a Directory for Small Businesses, in line with the recommendation from the President, since the beginning of the year (2010). A large part of the work has been compiled and the Directory awaits finalization.

Monitoring Workshop – Second Quarter 2011

A recommendation is that there should be a Monitoring Workshop on the project, in six months or so, in order to ascertain the progress being made on the various initiatives. The Workshop could be organised by the Seychelles Tourism Board.

The Workshop could cover: -

- Reports on each of the initiatives by the respective lead agencies, and support agencies
- Discussions of what is happening with the initiative
- Lessons learned to date from the initiative
- Discussions on further required actions for the initiative

This would be a suitable follow-up to the Stakeholder Workshop of 30th September 2010.

APPENDIX 1: TERMS OF REFERENCE

SEYCHELLES TOURISM VALUE CHAIN ANALYSIS

Background

The Commonwealth Secretariat is providing technical assistance to Seychelles for undertaking an analysis of its tourism value chain. This is based on a request made by the Seychelles Tourism Board (STB) which will be the local lead organisation for the project.

Scope of Work

The project will be implemented in three main phases namely Inception; Diagnostic and Design. Activities to be carried out under each phase include the following:

Inception Phase

1. Hold meetings with STB, key organisations and key stakeholders to identify key issues, collect relevant documentation and information.
2. Agree on project work plan and approach with STB and COMSEC.
3. Hold inception workshop to introduce the project to stakeholders.
4. Prepare and submit Inception Report to COMSEC

Diagnostic Phase

1. Analysis of tourism sector performance.
2. Analysis of the different market segments on both the supply and demand side. On the supply side a product assessment will be undertaken.
3. Identification and mapping of the different tourism value chain links and identification of points where most value is added locally.
4. Identification of actors and stakeholders along the value chain.
5. Analysis of the economic impact of tourism on the local communities through employment, micro and small enterprises, and poverty.
6. Analysis of tourism linkages to other sectors and leakages suffered by Seychelles.
7. Identification of locally produced goods and services with potential for supply to the tourism market.
8. Assessment of the enabling environment i.e. policy, regulatory and institutional frameworks, human resources and business support services.
9. Prepare and submit Diagnostic Report to COMSEC

Design Phase

1. Recommend interventions to increase value addition, improve linkages and increase local participation in the value chain.
2. Design an implementation plan and mechanism.
3. Prepare and submit Draft Report and Implementation Plan
4. Conduct second workshop to collect stakeholder feedback on Draft Report and Implementation Plan

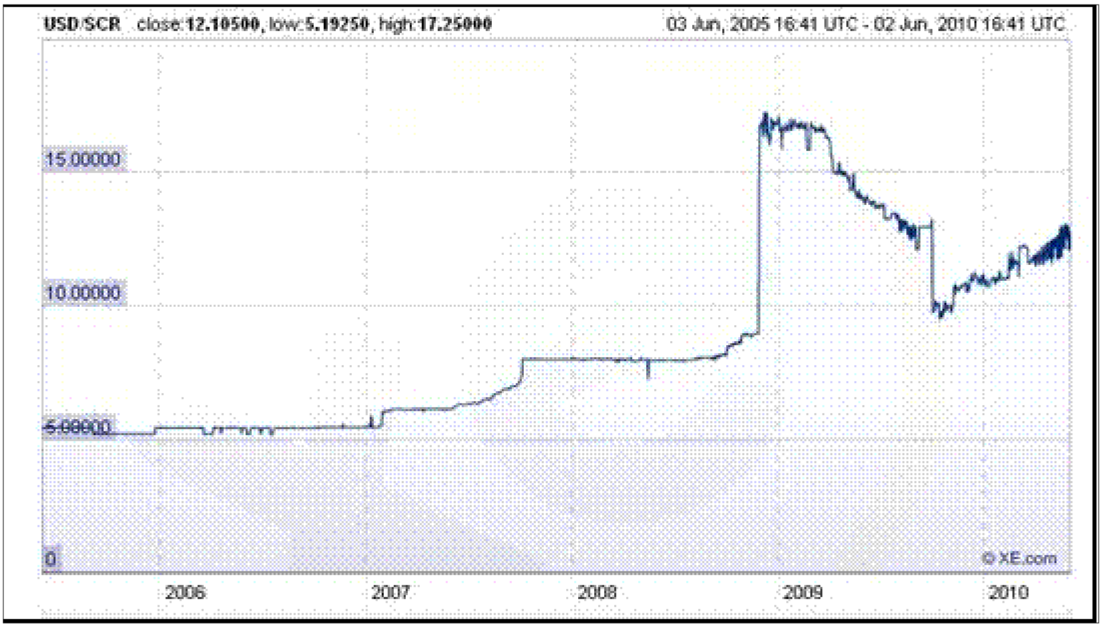
Key Deliverables

The following deliverables will be required:

1. Inception report – submission by 16 April 2010
2. Diagnostic report - submission by 30 June 2010
3. Draft report and Implementation Plan – submission by 31 July 2010 (amended to 31st August 2010)
4. Final report and Implementation plan – submission by 31 August 2010 (amended to 31st October 2010)

APPENDIX 2: EXCHANGE RATE VOLATILITY

US$ to Seychelles Rupee



Euro to Seychelles Rupee

The above charts illustrate the exceptional volatility that took place in the foreign exchange rates between the Seychelles Rupee and the Euro (EUR), and between the Seychelles Rupee and the US dollar (USD), between the last quarter in 2008 and the last quarter in 2009. Through 2010, the exchange rates have been relatively stable when compared to this previous period.

APPENDIX 3: SEYCHELLES TOURISM POLICY STATEMENT

August 26th, 2010

Seychelles President James Michel has called upon the tourism industry to engage with the government to map out a new national tourism development plan and promote his vision of the Seychelles brand in the tourism sector. This took place at a tourism industry gathering, which was held at the Tourism & Cultural Village, the Domaine de Val des Pres this morning.

The President called for greater Seychellois participation in the tourism industry, in the ownership of hotels, and in employment, as well as the supply of local products in the hospitality industry. The President said the Seychelles brand would be a whole new approach to the tourism development of the country.

“We can no longer go out there in the global village with only our sun, sea, and sand tags. The Seychelles brand goes beyond the physical beauty of our islands. It is the long-awaited and much-talked-about bridge that brings Seychellois social cohesion, arts, history, and culture closer to other civilizations,” said President Michel, who has the portfolio responsibility for tourism.

President Michel said that the essence of the Seychelles brand is the Seychellois identity, charm, and hospitality, as well as the serenity and stability that the country enjoys.

“Visitors to Seychelles can identify the distinct nature of Seychellois hospitality, our way of life, and the unique beauty of our nature, and the warmth of our people. Above all, it is a new dynamism. It encapsulates the spirit of Seychellois entrepreneurship in the industry. It will reaffirm and open avenues for Seychellois ownership in tourism-related enterprises. I strongly believe in the ownership of this vital industry by Seychellois. We have to continue to reinforce the structures and enhance the conditions to allow our people to become key stakeholders in the tourism industry.

The President announced that the Seychelles Tourism Board (STB) will collaborate with the Planning Authority and the Licensing Authority to manage the country’s unique selling points in future tourism planning and licensing of establishments. He said that a new quality assurance label will be issued annually to tourism establishments and services that guarantee "Seychelles Tourism Assurance" by the Seychelles Tourism Board.

The President announced that the historical site, the Tourism & Cultural Village known as Domaine de Val des Prés, will come under Tourism Board's management, in order to maximize its potential as a functional cultural village, where students from the Tourism Academy will also receive training and valuable first-hand experience. The Anse Royale Beach Park will also be transferred to the STB for further development.

“We will streamline our policies in the management, conservation, and promotion of our national heritage. Government has decided to set up a body that will provide for better networking amongst all agencies that have a stake in managing our historical, cultural, and environmental sites. This body will ensure that there is harmony in common policies and standards, ensure better coordination, and set best practices,” said the President.

The President noted that Seychelles has seen an increase of 12 percent in visitor arrivals, compared to last year, and an increase of some 6 percent over the arrivals for 2008, which was a record year. Seychelles has had the best May, June, and July, in terms of visitor arrivals ever recorded. The Seychelles will continue to market itself abroad under the slogan: The Seychelles Islands, Another World.

Source: Seychelles Tourism Board

APPENDIX 4: SECTOR PERFORMANCE AND BENCHMARKING

Tourism Product

The Seychelles tourism product, as discussed in Section 2.2, is highly distinctive. Among the attributes that make it special are:

Outstandingly beautiful scenic environment	Unique natural characteristics encompassing two World Heritage Sites
Some of the world's most attractive beaches	Extraordinary biodiversity including birdlife, coral and reptiles
Range of marine activities such as fishing, scuba diving, sailing, snorkelling, water-skiing and windsurfing	Cultural heritage via the built environment, Creole cuisine, music and dance
Variety of accommodation from guest houses and internationally branded hotels to high quality boutique island resorts, with a particular emphasis on 'high-end' resorts	Relatively low tourism volumes and a relatively small resident population enhancing a relaxing environment
Attractive climate	Effective public transport
Relatively low crime levels	Linkages into the local population

There are few, if any, directly comparable destinations. While there are numerous destinations offering a tropical island beach product, including in the Caribbean and in South East Asia, the two that are considered – including in the Seychelles - as most appropriate for benchmarking are Maldives and Mauritius.

Both are Indian Ocean countries, albeit of different characteristics. While the Maldives offers high quality island resorts with over the water accommodation, there isn't the same linkage between visitors and local life as is possible in the Seychelles. Only about a quarter of visitors to the Maldives visit Male, the capital (2004 data). Mauritius has much higher population densities and lacks the variety of islands as offered in the Maldives and Seychelles. What it does have is some very high levels of service quality in its leading resorts.

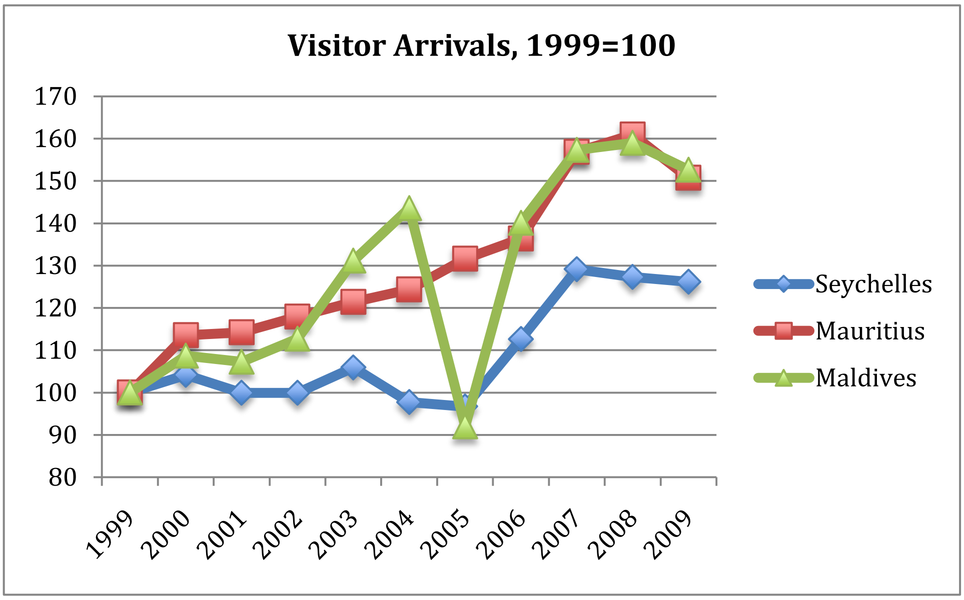
Tourism Performance

Key characteristics of the three destinations are shown in the Table below.

Characteristic	Seychelles	Maldives	Mauritius
Population, 2008	86,300	310,500	1,268,800
GNI per head (PPP), 2008 US$	19,770	5,280	12,480
Travel & Tourism as % of GDP, 2010 est.	46.4%	63.4%	26.5%
Airline carriers, northern summer 2010	6	22	13
Visitor arrivals, 2009	157,500	655,800	871,400
Percentage of arrivals from Europe	77.4%	70.5%	66.5%
Number of beds available, 2009	5,100	21,370*	23,230
Bed occupancy, 2009 (*2008)	56%	78%*	54%

Note: GNI = Gross National Income PPP=Purchasing Power Parity. Sources: World Development Indicators, World Travel and Tourism Council, airport schedules, national tourism statistics

In terms of performance as measured by visitor arrivals, the Seychelles has deliberately not paced itself with either Maldives or Mauritius over the last ten years, both of whom have, arguably, become 'mass tourism' destinations.



Note: Tourism arrivals in the Maldives in 2005 fell as a result of the Tsunami

This places especial emphasis on the gross yield achieved per visitor, both in overall terms and in the proportion of income that is retained in the Seychelles.

Overall yields per visitor, for 2008, are estimated as:

	Seychelles	Maldives	Mauritius
Yield per visitor	US$1,630	US$1,020	US$1,555
Yield per inhabitant	US$3,000	US$1,140	US$2,240

Sources: Central Bank of Seychelles/National Statistics Bureau; Tourism Yearbook, Maldives; Central Statistics Office, Mauritius

While the Seychelles yield per visitor and per inhabitant is the highest of the three, this is counterbalanced by the relatively low volume of visitors. Thus it is doubly important to seek to maximise the revenue that is retained in the Seychelles.

Benchmarking relates to the pattern of spending in each destination. Information on the pattern of spending is dependent on specific surveys. An initial analysis suggests that a higher proportion of visitor spending in Mauritius goes on shopping, for example, about 13% as against 11% for the Seychelles. However, the data is for different periods and is not strictly comparable. Further exploration in relation to spending patterns is planned as far as the data allows.

Benchmarking also relates to progress made in maximising retained income and fostering linkages in Maldives and Mauritius as against the current picture in the Seychelles.

Maldives

There has been concern in the Maldives over a range of issues that relate to maximising local participation in the industry. These include:

- An increasing proportion of expatriate employment in the sector;
- Insufficiently strong linkages between tourism and other sectors of the economy, notably agriculture, fisheries and handicrafts.

The employment picture has been characterised by a relatively small total workforce (with low unemployment), the availability of other opportunities (especially in fisheries), the distance of resorts from population centres enforcing work stays away from home (constraining the employment of women in tourism in particular) and a lack of relevant skills for some tourist occupations. While room boys and waiters are almost invariably Maldivian, cleaners and labourers are often expatriates as these roles are of less appeal to Maldivians. Chefs, accountants and dive instructors also tend to be expatriates. Very few of the Maldivians working in resorts are women and staff accommodation is often unsuitable for women, further emphasising this pattern.

Proposals made in the current Tourism Master Plan for addressing these issues include:

- Establishment of a resort-community partnership unit within the Ministry of Tourism to identify and facilitate resort-community partnership programmes and projects, including to increase usage of local produce by resorts;
- A base-line study to determine the level of linkages between tourism and other economic activities of island communities;
- Annual theme-based workshops aimed at enhancing multi-sectoral linkages with tourism;
- Continuation of school-based awareness programmes on tourism and career opportunities and a comprehensive awareness programme on the benefits of tourism to atoll communities;
- Monitoring and enforcement of the implementation of human resource development commitments made by investors/operators in lease agreements for tourism resorts;
- Review of the quota system to provide for an increase in the number of Maldivians employed in supervisory and management positions in the industry;
- Dissemination of information on opportunities in the tourism industry for employment/self-employment/small business start-ups to island communities;
- Promotion of tourism related vocational skills training at secondary schools (to add to the existing Faculty of Hospitality and Tourism Studies of the Maldives College of Higher Education);
- A workshop with resort operators to determine constraints in the purchase of fish and agricultural products from local producers and ways and means whereby these can be addressed;
- Provision of technical assistance to farmers to increase the quantity of produce for supply to tourism establishments.

This listing implies that as of the time of the preparation of the Plan in 2007, little progress had been made either with regards to maximising direct participation on the part of the labour force in tourism (especially as far as women are concerned) and also with respect to linkage development. Efforts have subsequently been made to address the human resource issue, with views expressed that a key issue is changing the perception of Maldivians towards the tourism industry.

Mauritius

In Mauritius there has been concern over both the availability of trained labour for the tourism sector and in relation to the development of small business in relation to tourism.

The leading hotel and tourism training school, the Ecole Hôtelière Sir Gaëtan Duval, has aimed to substantially increase its output of trainees in an effort to increase the human resource base for the industry. Within the industry, though, there is a view that the school, as a public institution, lacks flexibility with some who wish it to be more like a hotel than a school, i.e. be more practical in its orientation.

Concern has remained that owing to inadequate wage levels in Mauritius (also an issue in the Maldives), employees have been attracted to work abroad, especially in Gulf countries, thus reducing the size of the locally available labour pool. At the same time there are concerns over productivity among the Mauritian labour force, with a progressive restructuring of labour laws to allow higher productivity to be achieved, e.g. via an increase in rooms serviced per employee, which has been stuck at a maximum of 10 rooms per room staff member per day, to more like 11 or 12.

As far as expatriate employment is concerned, the Ministry of Tourism has identified with the Hotel Association (AHRIM) itemised shortages within the hotel industry, with allowed expatriate labour to be brought in at specific levels by job category. This system appears to work effectively without undue delays on the part of hotels in bringing in labour when this is needed.

In order to seek to involve more disadvantaged members of society, Government has established, in 2008, a National Empowerment Foundation. The Foundation is tasked with the implementation of a series of initiatives including a national Empowerment Programme, a Programme for the Eradication of Absolute Poverty, a Trust Fund for the Social Integration of Vulnerable Groups and a National Committee for Corporate Social Responsibility.

An effort to improve linkages between local agricultural producers and the hotel industry has been made with the involvement of The National Empowerment Foundation, via a grouping of farms linked with hotels. However, this has not been effective and it has been scaled down to one hotel (Le Touessrok). This effort apart, local production that does get to hotels is via the traditional route of producers (including fishermen) selling to intermediaries who sell to wholesalers who sell to hotels.

The Foundation has overseen a training/internship programme in hotels for the low-skilled unemployed, with apparently mixed results. An interesting initiative on the part of AHRIM is a training course for butlers organised in 2009. This was run by the International Guild of Butlers of London at the Ecole Hôtelière Sir Gaëtan Duval. The course was significantly funded by the Mauritius Human Resource Development Council. Candidate selection was by a committee of representatives of AHRIM, the HRDC and the hotel school. Candidates were required to have at least 2 years work experience in either housekeeping or F&B, and to hold the post of butler or of a butler's immediate supervisor.

Further proposals that have been made in relation to human resource development in the sector in Mauritius include:

- a broader understanding of tourism as a career opportunity possibility, among younger people in particular, via furthering the tourism curriculum taught in schools along with the in-service training of a cadre of teachers to deliver the curriculum;

- better-qualified managers and supervisors who know how to motivate staff and add-value to the business, to be achieved through the development of work-based, open and specialised learning for managers.

- Development of the technical competencies to engender the availability of local souvenirs by:

  - variety in the design of arts and crafts;
  - improvements in the quality of the product;
  - ready access to raw materials for craft producers and finished products for vendors, by the setting up of local community markets for the sale of such items like beads, shells, drift wood, carvings, etc.;
  - research on those products of most appeal to visitors and,
  - training of vendors in purchasing and sales techniques.

The Governmental programme for the democratisation of the economy has led to a dramatic increase in the number of licensed tourism businesses, from some 2,000 to around 9,500 in two years, and an increase in the number of destination management companies (local tour operators) from about 50 to over 250. There is a question mark over how effective this has been in broadening Mauritian involvement in tourism.

An initiative that is underway is the development of Tourist Villages around the island so as to optimise the opportunities for small operators. The intention is for five such villages in different locations of Mauritius, to offer shopping outlets, restaurants and leisure facilities that will cater to visitors. Most of the spaces are to be reserved for SMEs and the promotion of Mauritian arts and crafts. A specific entity, the Tourism Village Company Ltd., has been established to this end. The Company is working in conjunction with the Small Enterprises and Handicraft Development Authority.

The first Tourist Village was opened in March 2010, in Mahébourg, at an investment cost of approximately €145,000, with 20 permanent exhibitors focusing on crafts. A larger Tourist Village is planned at Belle Mare, to house 35 shops, a food court, recreation centre and exhibition space for local artists. The estimated investment cost for this second Village is €4.2 million.

Mahébourg Tourism Village, Mauritius, May 2010

The Mahébourg Village was visited in May 2010. The Village is located in gardens next to the National History Museum, a well-visited tourist attraction. The design is attractive, with a colonial feel to it. The items on display were genuine local crafts and, for the most part, the sellers were also the craft producers. Nonetheless, the Village was suffering from a number of difficulties. In essence these were:

- *Lack of awareness*: Even local taxi drivers didn't know of the existence of the Village. There was no dedicated website or any other apparent means of finding out about it, and no literature placed in local hotels;

- *Local tour operators*: Tour groups taken to the History Museum are passing the Village without stopping to browse or purchase. The reason for this appears to be that local tour operators (and not the tour guides) receive commissions from specific retail outlets. They thus do not wish their tour groups to visit the Tourist Village;

- *Poor location:* Although the Village is next to a well-visited attraction, it is otherwise hidden away in a gated garden, and lacks any visitor flow apart from those visiting the Museum. In comparison, craft stalls in Victoria, Mahé, are much better sited;

- *Lack of product differentiation:* Although investigation indicated that the crafts on sale were locally made, there were no identification labels to indicate this.

This experience demonstrates the need for craft outlets to be offering quality locally made items, and for them to be well located, well publicised, and able to draw on tour groups as well as individual holidaymakers.

Beyond crafts, AHRIM has published a directory of local suppliers by category, detailing some 1,200 Mauritian suppliers available to hotels in order to seek to maximise the linkages between hotels and other parts of the economy. The printed directory is circulated to all their members and an interactive version is available on the AHRIM website.

APPENDIX 5: GDP BY TOURISM RELATED INDUSTRY

Table: GROSS DOMESTIC PRODUCT BY TOURISM RELATED INDUSTRY AT CURRENT MARKET PRICES - (SR Million)

(PRODUCTION ACCOUNT)

SIC	Industry		2004	2005	2006	2007	2008 (P)	2009(I)
G	Wholesale and retail trade; repair of motor vehicles and motorcycles	Gross Output	37.8	55.3	58.9	83.3	87.8	110.4
		Intermediate Consumption	16.7	26.9	29.4	37.5	49.5	56.5
		Value Added (gross)	21.2	28.3	29.4	45.9	38.2	54.0
H	Transportation and storage	Gross Output	649.1	657.8	731.8	1,106.0	1590.2	2539.0
		Intermediate Consumption	480.3	425.0	438.5	668.7	1043.5	2003.3
		Value Added (gross)	168.8	232.8	293.2	437.3	546.7	535.7
I	Accommodation and food service activities	Gross Output	951.6	949.5	1,128.7	1,771.3	2643.6	3561.4
		Intermediate Consumption	513.7	492.6	574.9	778.1	1152.6	1617.5
		Value Added (gross)	437.9	456.9	553.7	993.2	1491.0	1943.9
N	Administrative and support service activities	Gross Output	168.4	206.9	244.2	551.8	731.1	1244.1
		Intermediate Consumption	115.0	139.3	165.5	441.5	608.0	1047.0
		Value Added (gross)	53.4	67.6	78.7	110.3	123.1	197.1
R	Arts, entertainment and recreation	Gross Output	17.9	21.0	21.8	28.3	32.1	26.1
		Intermediate Consumption	12.2	13.3	13.6	19.4	21.6	13.4
		Value Added (gross)	5.7	7.8	8.2	8.9	10.6	12.7
	Total Tourism Related	Gross Output	1,824.9	1,890.5	2,185.2	3,540.7	5,084.8	7,481.0
		Intermediate Consumption	1,137.9	1,097.2	1,222.0	1,945.2	2875.3	4737.6
		Value Added (gross)	686.9	793.3	963.3	1,595.5	2,209.5	2,743.4
	Total GDP at current market prices		**4,754.3**	**5,104.6**	**5,600.2**	**6,823.8**	**8,709.9**	**10,725.8**
	Tourism related contribution (%)		**14.4%**	**15.5%**	**17.2%**	**23.4%**	**25.4%**	**25.6%**

Source: National Statistics Bureau Notes: P = Provisional I= Indicative

APPENDIX 6: TOURISM FOREIGN EXCHANGE EARNINGS

Table: TOURISM FOREIGN EXCHANGE EARNINGS					
	2004	**2005**	**2006**	**2007**	**2008**
Visitor Statistics					
Visitors arrivals	120,765	128,654	140,627	161,273	158,952
Average length of stay (nights)	10.04	9.69	9.82	10.2	10.15
Implied Visitor Nights – millions	1.21	1.25	1.38	1.64	1.61
Average expenditure per diem – Rupees	774	842.9	906.2	1,155.80	1,510.50
Hotel bed occupancy rate (%)	46	49	57	56	57
Gross Foreign Exchange Earnings (Tourism)					
Tourism Foreign Exchange Earnings - R million	938	1,051	1,251	1,901	2,437
Calculation	**938**	**1051**	**1251**	**1901**	**2437**
Net Foreign Exchange (Tourism)					
Deduct from Gross: -					
(1) Tourism promotion – R million	12.7	11	6	7.6	11.8
(2) Compensation of employees – Debit – R millions	29.2	32.8	41.8	72.6	152.3
Proportion attributable against tourism earnings, say	80%	80%	80%	80%	80%
Deduct remittances	23.4	26.2	33.4	58.1	121.8
(3) Investment Income – Debits – R m (Remitted Profits)	208.0	241.5	257.1	479.0	1008.9
Proportion attributable against tourism earnings, say	40%	40%	40%	40%	40%
Deduct remitted profits	83.2	96.6	102.8	191.6	403.6
Net Foreign Exchange (Tourism) SR million	818.7	917.2	1108.7	1643.7	1899.8
Net as proportion of Gross	87%	87%	89%	86%	78%
Note: The above 'net' does not allow for other imports to support the foreign exchange earnings, e.g. Drinks, food, fuel etc.					
If adding transport					
Ticket sales to non-residents by Air Seychelles R m	463.4	425	524.5	591	1136.8
Plus proportion of:	90%	90%	92%	92%	93%
Airport (ground) handling fees - R million	15.2	16.1	24.5	17.2	40.1
Aircraft landing fees – R million	12.2	15	20.2	21.1	11.8
Transport	487.9	452.9	565.6	626.2	1184.9
Gross Foreign Exchange (Tourism & Transport)	1425.9	1503.9	1816.6	2527.2	3621.9
Basis of allocation					
Foreign travel expenditure by Seychellois - R million	109	120.9	109.7	167.8	192.6
Outbound as % of total inbound and outbound	10%	10%	8%	8%	7%
Inbound Gross Foreign Exchange as Capital (Tourism)					
Direct investment In Seychelles - R million, of which	209.1	472.3	803.6	1578.7	3250.1
- Equity capital	176	410.5	705.1	1451.1	2989.8
- Re-invested earnings	33.1	59.9	93.5	127.6	260.4
Proportion attributable to tourism, say	90%	90%	90%	90%	90%
Inbound Tourism FDI - SR million	188	425	723	1421	2925
Source: Derived from CBS					

APPENDIX 7: TOURISM EXPENDITURE

TABLE: TOURISM EXPENDITURE, 2001 - 2007

Rupees millions	2001	2002	2003	2004	2005	2006	2007
Hotel receipts							
Large hotels	335.5	329.3	362.3	410.2	524.5	542.5	884.4
Small hotels, guesthouses	83.9	82.3	90.6	102.5	131.1	135.6	221.1
Total	419.4	411.6	452.9	512.7	655.6	678.1	1105.5
less income from residents	3%	3%	3%	3%	3%	3%	3%
Hotel receipts from visitors	407.2	399.7	439.7	497.8	636.6	658.4	1073.3
Other local cash expenditure by visitors							
Restaurants	77.7	76.9	81.0	89.0	89.9	98.9	167.5
Car hire	28.7	26.2	26.6	26.0	25.3	29.4	38.4
Taxis & buses	10.5	12.5	10.2	12.7	12.4	14.0	22.2
Excursions (4)	68.4	72.9	75.7	91.4	90.5	96.4	140.0
Handicrafts	28.1	29.9	31.7	41.2	36.1	39.0	67.7
Other shopping	2.0	9.0	14.6	14.0	15.0	14.6	21.9
Unallocated	24.6	15.5	10.6	13.7	18.4	18.9	27.8
Total	240.0	242.9	250.4	288.0	287.6	311.2	485.5
Pre-payments (car hire, tours and trips) (1)							
Total	12.0	12.1	12.5	14.4	14.4	15.6	24.3
Expenditure by cruise ship passengers and short-stay transit passengers (2)							
Total	5.2	3.0	5.2	6.6	7.5	8.8	11.6
Tourism Expenditure Estimate	664	658	708	807	946	994	1595
Commercial banks' purchases of foreign exchange from tourism sector (3)							
Total	651	706	729	818	824	885	1194

Source: National Statistics Bureau

Notes:

(1) Estimated as 5% of expenditure outside hotels.

(2) Estimated as number of persons times average expenditure per day outside hotels

(3) Tourism earnings reported by banks cover only foreign exchange converted into domestic currency by tourism establishments. As such, they exclude foreign exchange earned but retained by authorised establishments to cover their various external commitments.

(4) Air Tickets, Boat Tickets and Sports included in excursions

APPENDIX 8: ALLOWABLE EXPATRIATE QUOTAS UNDER TIA

ALLOWABLE EXPATRIATE NUMBERS UNDER TIA

PROCEDURES FOR RECRUITMENT OF EXPATRIATES UNDER THE TOURISM INCENTIVES ACT (TIA)

All tourism related establishments with a Tourism Incentives Act (TIA) certificate are entitled to certain concessions, including employment of non-Seychellois and reduced GOP fees.

TYPE OF TOURISM BUSINESS	NON-SEYCHELLOIS EMPLOYMENT ALLOWED
Accommodation on Mahé and the inner-islands (not island Resorts)	a) First 1 to 50 workers 35 percent b) Next 51 to 200 workers 50 percent c) Excess of 200 workers 80 percent
Island Resort Hotels (i.e. not Mahé and Inner-islands)	a) First 1 to 50 workers 50 percent b) Next 51 to 200 workers 70 percent c) Excess of 200 workers 90 percent
Restaurants outside licensed accommodation	2 non-Seychelles or 30 percent whichever is higher
Casino Operator	5 non-Seychellois or 30 percent whichever is higher
Main Contractor at construction phase	60 percent of total work force
Electrical, plumbing pest control, air conditioning and blasters	60 percent of total work force
Tour operator	2 non-Seychellois or 5 percent whichever is higher. One designated overseas representative per major overseas tour operator shall be allowed at applicable rate
Dive Centres	2 persons above the qualification of Dive Master
Hire craft Operator	1 technical persons
Yacht/ live aboard operator	35 percent of permanent workforce and 1 temporary on shore worker
Passenger Ferry Service Operator	2 technical persons
Passenger Cruise Ship (permanent)	25 of total work force
Helicopter Services Operator	3 technical persons per helicopter
Equestrian Tour Operator	1 person
Car Hire and Taxi Operator	NIL

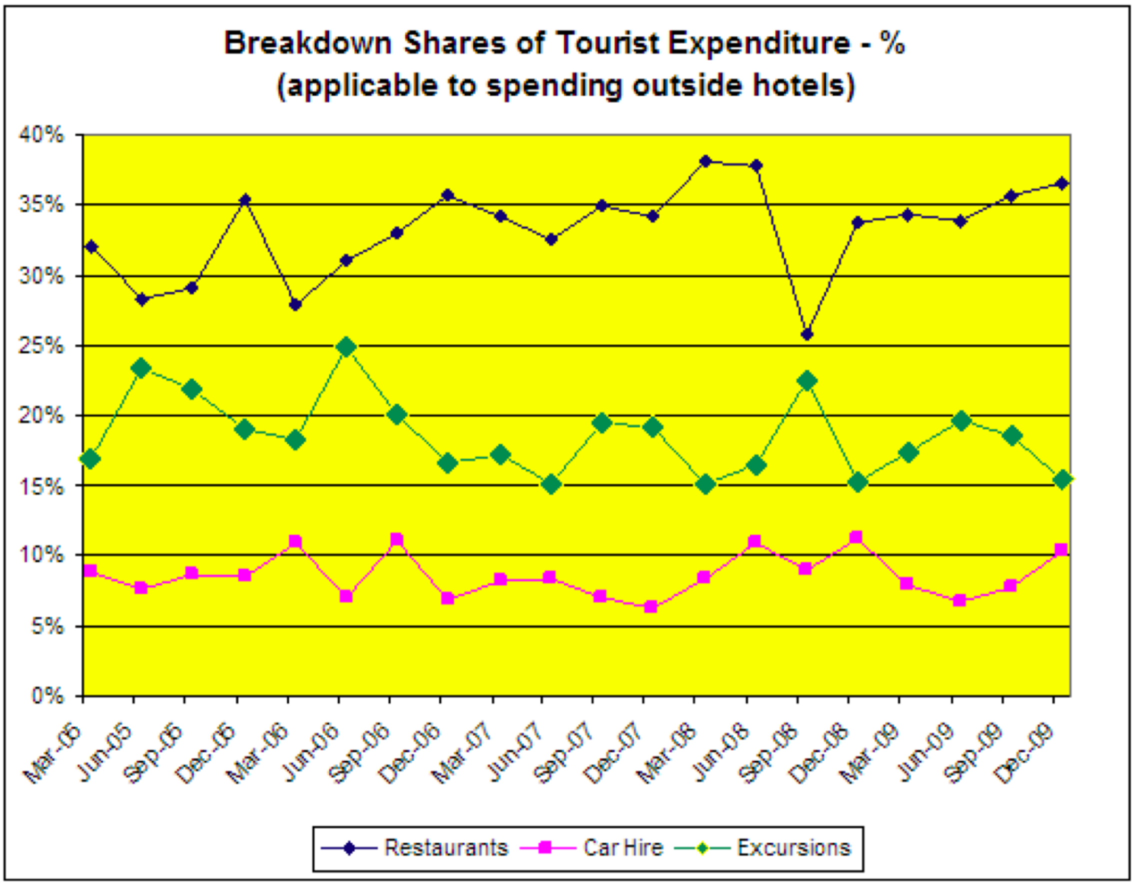
Source: NHRDC and Tourism Incentives Act

APPENDIX 9: TOURISM EXPENDITURE BREAKDOWN

Table: Breakdown of Tourist Expenditure outside of Hotel

	AVERAGE	MEDIAN	STDEV	MINIMUM	MAXIMUM
Restaurants	33%	34%	3%	26%	38%
Car Hire	9%	8%	2%	6%	11%
Taxis	4%	4%	1%	3%	5%
Bus Fares	0%	0%	0%	0%	1%
Organised Excursions	19%	19%	3%	15%	25%
Local Air tickets	3%	3%	1%	0%	7%
Boat fares	4%	4%	2%	2%	12%
Souvenirs	12%	12%	2%	9%	20%
Sports	5%	5%	2%	2%	11%
Other shopping	5%	5%	1%	3%	9%
Other	6%	6%	2%	2%	9%
Total	100%	99%			

Source: Derived from NSB Quarterly Visitor Survey Sample (March 2005 – December 2009)



APPENDIX 10: EXPATRIATE WORKERS IN THE HOTELS

Broad Type of Skills	Number		Detailed Skill	Number
Professional / Technical	205	Of which	Therapists - Spa	56
			Hoticulturalists/ Landscaping Assistants	40
			Acccountants/ Auditors	36
			Technicians	35
			Engineers	16
			Others	22
Managerial Workers	128	Of which	General Manager	19
			Restaurant/Food & Beverage Managers	22
			Spa	9
			IT	10
			Sales/ Marketing	8
			Resident/ Assistant	21
			Other	39
Clerical Workers	16	Of which	Storekeepers	12
			Others	4
Production Workers	178	Of which	Gardeners	61
			Porters	51
			Masons	23
			Boat Crew	14
			Baker	11
			Carpenter	9
			Others	9
Service Workers	1012	Of which	**Kitchen related**	
			Executive Chef/Head Chef	20
			Chefs (Chef, Pastry, De Partie, Sous)	146
			Cooks (Senior, Cook, Commis, Demi)	160
			Food & Bar service associated	
			Maitre d'Hotel	25
			Supervisor F&B	7
			Bar Supervisor	21
			Attendant - Bar, Stewards	73
			Waiters/ Waitresses	110
			Security associated	
			Security Guards	56
			Housekeeping Associated	
			Housekeeper	6
			Attendants (Room, Housekeeping)	98
			Laundry Maid, Chamber Maid	120
			Butler	74
			Specialist - Casino, Spa, Boutique, pool	
			Massageur	15
			Casino	14
			Other	33
			Others - Cleaners	36

Source: Human Resource Development Council, National Statistics Bureau

APPENDIX 11: SELECTING FROM OPTIONS FOR INTERVENTIONS

General

The Diagnostic Report put together a series of possible interventions which were described as the Long List of Interventions, more than twenty interventions. This Long List was then reduced to a Short List of six interventions which were described as 'options for interventions' arising from the Tourism Value Chain Analysis.

The Short List contained interventions that can be undertaken in the relatively short-term, i.e. initiated within months rather than years, on the assumption that there is a need to encourage more Seychellois participation in the tourism industry as soon as possible.

From the Short List of six 'options for interventions', the STB, in consultation with others, selected three interventions for further work in what is Phase Three of this study, described as Design and Implementation Plan for selected interventions.

Criteria for arriving at options for interventions

Essentially this is a judgmental process based upon four broad criteria, as follows: -

(1) Intervention makes a positive contribution to resource inputs for tourism, rather than exacerbates the acute shortages that already exist;

(2) Intervention has a 'promoting agency' to take the intervention forward, rather than it being a desirable aim but without a lead supporter;

(3) Intervention potentially achieves a rapid impact in Seychellois participation, rather than being a long-term initiative; and

(4) Intervention avoids unintended outcomes. Unintended consequences are frequently the outcome of interventions in the economic development process around the world.

Each of these judgmental criteria is elaborated in the following paragraphs:

Intervention makes a positive contribution to resource inputs for tourism

Seychelles' tourism is characterised by challenges in the delivery of the product and the ongoing physical shortages of resources: labour, supplies, transport, management etc.

As one interviewee put it:

"You have to find the resource gaps before the resource gaps find you"

A criteria in selecting options has to be that the option helps in the 'addressing of the shortages', not just shifting the shortages from one player to another player.

> As one interviewee put it:
>
> *"There are many good Seychellois staff, but not enough of them"*

Intervention has a 'promoting agency' to take the intervention forward

Often interventions can be seen as desirable and needed, but there is no institution that can take the intervention forward. For implementation it is essential that there is a suitable institution to promote the intervention.

Intervention achieves a rapid impact in Seychellois participation

There are many interventions including 'training for school leavers', 'career guidance in schools' etc. which are essential, but they are long-term interventions and we have not included them in the options for this reason. We are seeking short-term rapid return interventions.

Intervention avoids creating an unintended outcome

An illustration of what has to be considered in interventions is given by the suggested intervention to 'Train Small Hotel/Guesthouse Chefs by some of the distinguished chefs from leading hotels in special ad hoc programmes'. This would improve the guesthouse chefs in fields such as presentation, customer relations, portion control etc. The guesthouse could probably recover any costs through higher charges to the tourist. But as a Five Star General Manager pointed out, because there are shortages of chefs in Seychelles, a possible outcome, indeed a probable outcome, is that the Five Star hotels would offer jobs to some of the best small hotel/guesthouse chefs. So the impact, though intended to help the Seychellois small hotels/guesthouses, might finish up doing exactly the opposite with the drain of good chefs away from the small hotels/guesthouses. Ensuring that the outcome is in line with the intention is a key criterion.

Short Listing the Options

The above criteria were applied to the Long List of Options for Interventions. If two of the first three criteria were broadly met then the Option was shortlisted. The process is illustrated in the Table. The fourth criteria was one that had to be continually borne in mind as the intervention was being elaborated and refined in this next phase, namely the 'Design and Implementation Programme for selected interventions'.

An Illustration of the thinking with respect to one of the Interventions

'Seychellois Corners in Hotels'

This is an idea that enjoys some support. It does already exist to some extent through the work of SEnPA (Small Enterprise Promotion Agency). It also exists in the form of specific local suppliers such as Kreolor, who have boutiques in several of the larger hotels. SEnPA itself has key retail outlets with 'only Seychellois products' in the international airport and in Camion House in town.

Of course there are several shops currently holding concessions in the larger hotels and selling local products, but they don't sell 'only local products'.

Against the criteria for selection of interventions, what was concluded was:

Intervention Criteria	**Comments**
(1) Intervention makes a positive contribution to resource inputs for tourism, rather than exacerbates the acute shortages that already exist	In this aspect, there is no shortage of retail space for selling handicrafts/ Seychellois products. So the case for adding retail space and drawing resources into providing this additional space is doubtful at the current time.
(2) Intervention has a 'promoting agency' to take the intervention forward, rather than it being a desirable aim but without a lead supporter	SEnPA has done a good job in encouraging retail outlets for the local products (e.g. Camion House, Fiennes Esplanade in Victoria etc.). SEnPA is a possible agency to take forward such an idea. Current concessionaires may oppose or be uncooperative?
(3) Intervention potentially achieves a rapid impact in Seychellois participation, rather than being a long-term initiative	There will be a need for more retail space as tourism grows in Seychelles. Possibly a stronger branding of local products, and a branding through particular retail outlets, could increase tourist spend on local products. However this doesn't appear to be an intervention that could achieve particularly rapid results for Seychellois participation.
(4) Intervention avoids unintended outcomes. Unintended consequences are frequently the outcome of interventions in the economic development process around the world.	There is a possibility of shifting sales from current retail outlets (some of them at the Seychellois artisan level) to concessions in larger non-Seychellois hotels. The unintended result might be to increase concession fees (to an FDI) and take away income from a Seychellois?

Table: SHORT LISTING OF POSSIBLE INTERVENTIONS

Interventions are focused on 'local participation/ stake holding', which is very much in accord with the Seychelles Government's 'Strategy 2017'

	Intervention	Impact	Addressing Resource shortages	Possible Implementing Agency	Possible Rapid Impact	To be Short listed
	Employment in tourism					
1	Managerial Training Programme for Mature Seychellois	Reducing expatriate managerial/ supervisory employment	Yes	STB / STA	Yes	Yes
2	Technical Training Programme for maintenance skills – electrics, plumbing, electronics, carpentry/ fitting, engineering (Mature Students)	Reducing expatriate employment. Improves product	Yes	SIT	Query	Yes
3	Careers Guidance	Increasing pool of Seychellois employees	Yes	Query	Query	No
	Salaries/ Wages in Tourism					
4	Pushing up wages in tourism, especially for staff directly involved with tourists – Minimum wages	Improving Local Incomes	Query	Query	Yes	No
5	Extending Service Charges	Improving Local Incomes	Query	Query	Yes	No
6	Parity of payment – Seychellois/ Expatriate staff	Improving Local Incomes	Query	Query	Yes	No

	Intervention	Impact	Addressing Resource shortages	Possible Implementing Agency	Possible Rapid Impact	To be Short listed
	Increasing Local Supplies to tourism					
7	Agriculture – selected fields – Pilot Scheme (Food Security Issues)	Improve local incomes & employment	Yes	Seychelles Agriculture	Query	Yes
8	Handicrafts - Widen product portfolio	Improve local incomes	Query	SEnPA	Query	No
9	Seychellois Premium Products Tea, Perfume, Soaps, Spices (gifts)	Increase tourist spend	Query	SEnPA	Query	No
10	'Seychellois Corners' in hotels	Increase tourist spend	Query	Query	Query	No
11	Seychellois Music	Query	Query	Query	Query	No
	New Businesses					
12	Business Services – 'After Sales Services'	?	Yes	Query	Query	No
13	Encourage development of tourist attractions (day-visit)	Addresses rainy day issues. Increase tourist spend.	Query	STB/ SEnPA	Yes	Yes
14	Small cafes with known 'branding to be developed' – traditional style	Increase tourist spend	Query	STB/ SENPA	Query	No
	New products					
15	'Seychellois Gardens'	Additional day-visit product	Query	STB	Query	No
16	'Seychelles Creole Fisheries Cuisine' – 'Taste of Seychelles'	Developing a value proposition	Yes	STA/ STB	Yes	Yes
	Joint Ventures/ Capital - New opportunities for local stake					

	Intervention	Impact	Addressing Resource shortages	Possible Implementing Agency	Possible Rapid Impact	To be Short listed
	holding					
17	Ease capacity restrictions for Seychellois – small, medium businesses	Increased local investment & incomes	Query	STB/ Seychelles Licensing Authority	Query	No
18	Ease permissions for tourism micro-businesses - Cottage industries. Roadside vendors. Beach Services	Increase local incomes and small investments	Query	SEnPA	Yes	Yes
19	Government to make sites available to Seychellois hotel investors – auctioning sites on leasehold basis	Transparency	Yes	Query	Query	No

The Short-Listing process resulted in six possible interventions, as follows: -

A. Managerial Training Programme for Mature Seychellois in which STB / STA can play a major role;

B. Technical Training Programme for maintenance skills – electrics, plumbing, electronics, carpentry/ fitting, engineering (Mature Students) in which SIT can play the key role;

C. Agriculture – selected products – Pilot Scheme (Food Security Issues) in which Seychelles agriculture can take the lead;

D. Encourage development of tourist attractions (day-visit) in which SENPA can play a key role;

E. 'Seychelles Creole Fisheries Cuisine' – 'Taste of Seychelles' in which STB/ STA can play a key role; and

F. Ease permissions for tourism micro-businesses to cover Cottage industries., Roadside vendors. And Beach Services. A key role could be played by SEnPA, Seychelles Licensing Authority and other authorities.

Design – Phase Three

The STB selected three of the Options, as detailed in Section 5 of this Report. Following detailed consideration of these three Options, Option E above has been integrated into Option C, under Agriculture. For Option C, detailed assessment indicated that a Pilot Linkages Scheme is not currently plausible with the enhancement of local agricultural supplies to tourism being pursued by other means.

APPENDIX 12: IMPORTS

SITC CODE	Description	200 3	2004	2005	20 06	2007
	TOTAL ALL IM PORTS	**2,230,648**	**2,731,782**	**3,712,202**	**4,150,340**	**5,728,359**
Section 0	**Food and live animals**	**605,917**	**665,523**	**720,670**	**908,133**	**1,151,419**
1	Meat and meat preparations	32,514	30,141	37,936	63,207	82,034
02 2.23, 24, 3 2	Milk - evaporated or condensed	2,420	2,867	1,947	1,858	2,110
02 2 (Other)	Milk - dried or fresh	23,896	28,782	32,020	42,543	50,523
02 3; 02 4; 02 5	Other dairy products	15,032	13,904	17,895	23,671	31,435
03 4.200, 550	Frozen fish	350,529	406,028	422,531	517,581	523,373
04 2.100,320	Rice	23,502	24,807	22,592	29,461	34,300
04 6; 04 7	Flour	10,648	14,737	11,235	11,919	17,572
04 8.200	Malt	3,969	3,063	2,623	3,060	6,982
5	Fruit and vegetables	67,657	69,452	79,514	93,773	117,822
06 1.100, 200	Sugar	7,588	6,305	8,480	11,002	11,767
08 1.100 – 081.990	Animal feedstuff	8,399	7,282	4,762	3,626	4,100
09 1.01 0- 091.090	Margarine, ghee and lard	4,552	4,140	3,669	3,392	4,409
0 (other)	Other food and live animals	55,212	54,016	75,467	103,042	264,991
Section 1	**Beverages and tobacco**	**31,533**	**34,817**	**44,691**	**60,322**	**77,679**
Section 2	**Crude materials, inedible**	**39,087**	**5,086**	**43,598**	**83,293**	**86,922**
Section 3	**Mineral fuels , etc ...**	**358,166**	**718,016**	**872,393**	**1,113,806**	**1,438,983**
Section 4	**Animal & vegetable oils and fats**	**56,574**	**68,231**	**83,162**	**96,236**	**75,576**
Section 5	**Chemicals**	**161,071**	**136,872**	**168,001**	**190,998**	**250,789**
Section 6	**Manufactured goods**	**396,404**	**445,428**	**535,354**	**608,536**	**763,984**
Section 7	**Machinery and transport equipment**	**362,744**	**408,799**	**978,826**	**769,616**	**1,495,646**
Section 8	**Miscellaneous manufactured articles**	**216,982**	**226,392**	**264,574**	**318,229**	**385,695**
Section 9	**Commodities not elsewhere specified**	**2,170**	**2,617**	**933**	**1,171**	**1,666**

Source: NSB

APPENDIX 13: CONSULTATIONS HELD

Individual consultations have been held, including with the following:

Affiliation	Individual
Central Bank of Seychelles	Caroline Abel, Head of Division Policy, Market Operations and Statistics Brian Commettant, Economist
National Statistics Bureau	Laura Ahtime, National Accounts Michel Mellie, Principal Statistician Josianne Marie, Senior Statistician
International Trade Centre, Geneva	Fabrice Leclercq
Ministry of Employment & Human Resources Development	Marina Confait, Principal Secretary
Ministry of Education	Fiona Ernesta, DG Technical & Further Education Division
Seychelles Licensing Authority	Michel Nalletamby, lately Chief Executive Officer
Small Enterprise Promotion Agency	Sylvianne Valmont, Chief Executive Officer Alfred Brewster, Finance and Administration Manager
Ministry of Finance	Ahmed Afif, Principal Secretary
Seychelles Agricultural Agency	Antoine-Marie Moustache, Chief Executive Office Keven Nancy, Principal Officer Roy Govinden, Research Officer Monette Nourice, Research Officer
Seychelles Hospitality & Tourism Association	Jenifer Sinon, Chief Executive Officer
Seychelles Farmers Association	Serge Benstrong, Chairperson Garry Coopoosamy, David Marie, Andre Sofa Beryl Payet
Le Domaine De l'Orangerie	Stephane Burkhalter, General Manager
Seychelles Tourism Board	Maurice Lousteau-Lalanne, Chairman & CEO (to July) Alain St. Ange, CEO (from August 2010) Philomena Hollanda, Manager, Standards & Product Enhancement Selma Magnan, Manager, Events and Product Diversification Sector Ralph Hissen-Lee, Policy and International Cooperation Betty Seraphine, Environmentalist
Sunset Beach Hotel	Albert E M Geers, Director, Honorary Consul of the Netherlands,
Dani's Car Hire	Dani Loiseau, Director
Small Enterprise Promotion Agency	Sylvianne Valmont, Chief Executive Officer Alfred Brewster, Finance & Administration Manager Norma Jean-Louis
Seychelles Agricultural Agency	Antoine-Marie Moustache, Chief Executive Officer
Ministry of Finance	Ahmed Afif, Principal Secretary
Kot Man-Yo Les Canelles Nurseries	Marc MRM Marengo
Seychelles Investment Bureau	Sherin Renaud, Chief Executive Officer
UNDP Programme Coordination Unit	Brad Auer, National Programme Coordinator Joseph Rath, Project Manager Biodiversity
Ephelia Resort	Neil Shorthouse, Human resources Director
Eden Island Village Management Association	Jasper van der Westhuizen, Director
Choice Villas	Mrs. Berlouis, Director
Berjaya	Ken Choo, General Manager
Coral Strand Hotel	Denis Verkhorubov, General Manager
HSL	Mano Karan, General Manager
Duc de Praslin/ Café des Arts	Robert Payet, Director
Ocean Charters	Gerard Lafortune, Managing Director
Denis, Private Island	Marion Naiken
Hibiscus	Michael Lavigne
Avis Rent a Car	J Kaven Parcou, Managing Director

Affiliation	Individual
Mason’s	Srinivas Rayudu, Financial Controller
Seychelles European	Daniella Payet-Alis
Hilton Seychelles	Chrystel Naiken, Human Resources & Development Manager
	S P Pradeep, Financial Controller
MAIA	Edouard Grosmangin, Resort Manager
Holidays Seychelles	Pascal Esparon, Chief Executive Officer
Seychelles Breweries Ltd	David Vidot, Finance Director
	Guy Morel, Commercial Director
ISPC	Xavier Heinen, General Manager
Le Tropique Villa	Therese Morel, Owner
Gill Holdings	Christopher Gill, Director
La Reserve	Serge Robert, Resident Manager
The Britannia Hotel & Restaurant	Lidia Lablache, Managing Director
Coco de Mer Hotel	Ash Behari, Director
Barclays	Loganaden Sidambaram, Managing Director
Select Seychelles	Freddy Karkaria, Managing Director
Creole Travel Services	Eric Renard, Manager Marketing and Sales
Kingdom Hotels	Grant Heyer, Owner Representative
Air Seychelles	Captain David Savy, Executive Chairman
	Garry Albert, Planning Manager
VIJAY Construction	V J Patel, Managing Director
Sainte Anne	Herve Duboscq, General Manager
La Diguoise	Elodie Jeannevole, Director
Hotel L’Ocean	Marie de Robillard, General Manager
Anchor Cafe	Keith Berke, Director
North Island	Martin Brouwer, Director
Meridien Fishermans Cove	Olivier Francais, General Manager
Four Seasons Resort	Alastair MacAlpine, General Manager
	Sanantha Das, Executive Chef
	Abdul Rahim, Director of Human Resources
Banyan Tree	Anders Dimblad, General Manager
	Marcel Oostenbrink, Director F&B
Silhouette Cruises	Amit Wasserburg, Director
Big Blue Divers	Director
Inter Island Ferries	William Rose, Managing Director
Seychelles Institute of Management	Audrey Nanon, CEO
Seychelles Institute of Technology	A. Rasool, Director
Seychelles Tourism Academy	A. Gabriel

APPENDIX 14: GLOSSARY

BOP	Balance of Payments
CBS	Central Bank of the Seychelles
COMSEC	Commonwealth Secretariat
DMC	Destination Management Company
FIAS	Foreign Investment Advisory Service (International Finance Corporation)
GiG	Gambia is Good
GDP	Gross Domestic Product
IMF	International Monetary Fund
MEFP	Memorandum of Economic and Financial Policies
NGO	Non-Governmental Organisation
NSB	National Statistics Bureau
SEnPA	Small Enterprise Promotion Agency
SHTA	Seychelles Hotel and Tourism Association
SIM	Seychelles Institute of Management
SIT	Seychelles Institute of Technology
SME	Small and Medium Sized Enterprise
SR m	Seychelles Rupees (millions)
STA	Seychelles Training Academy
STB	Seychelles Tourism Board
TIA	Tourism Investment Act
UK	United Kingdom
US	United States of America
VC	Value Chain
VCA	Value Chain Analysis