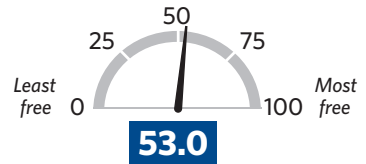


# SEYCHELLES

## Economic Freedom Score



World Rank: **132**

Regional Rank: **27**

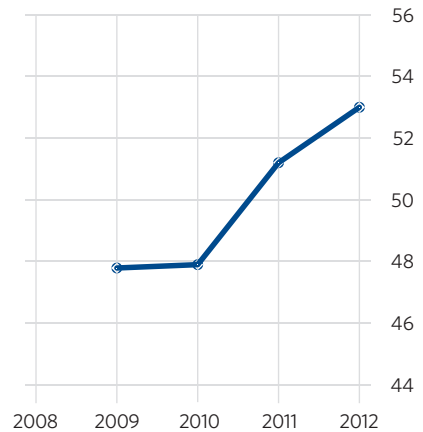
**S**eychelles' economic freedom score is 53.0, making its economy the 132nd freest in the 2012 *Index*. Its score is 1.8 points higher than last year, reflecting a significant improvement in monetary freedom and the control of government spending. Seychelles is ranked 27th among 46 countries in the Sub-Saharan Africa region.

The Seychelles economy registered one of the 15 highest score improvements in the 2012 *Index*. The government has implemented major tax reforms, cutting and simplifying personal and corporate tax rates. Privatization has been slow, but efforts to enhance transparency and improve the governance of state-owned enterprises have continued.

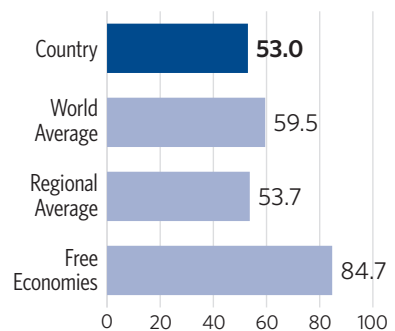
Despite such progress, the overall entrepreneurial environment remains hampered by an inefficient regulatory framework, poor access to financing, and the pervasive state presence in the economy. The judicial system lacks the ability to defend property rights effectively. Corruption remains widespread, undermining prospects for long-term sustainable economic development. High public spending perpetuates fiscal burdens, although some progress toward debt sustainability has been made through the restructuring of external debt. A lack of commitment to open-market policies holds back growth in trade and long term investment.

**BACKGROUND:** The Seychelles People's Progressive Front has been the ruling party since 1977, when France Albert René seized power in a bloodless coup. In 2004, René ceded power to Vice President James Michel. Michel was elected to a third term in May 2011. The economy of this Indian Ocean archipelago relies heavily on tourism and fishing. Services account for close to 70 percent of GDP. Though per capita incomes are among the region's highest, the economy's small size makes it vulnerable to external shocks. When the government defaulted on its external debt in 2008, it appealed to the International Monetary Fund for support. Since mid-2008, Seychelles has largely adhered to an economic reform program focused on reducing its debt-to-GDP ratio.

## Freedom Trend



## Country Comparisons



## Quick Facts

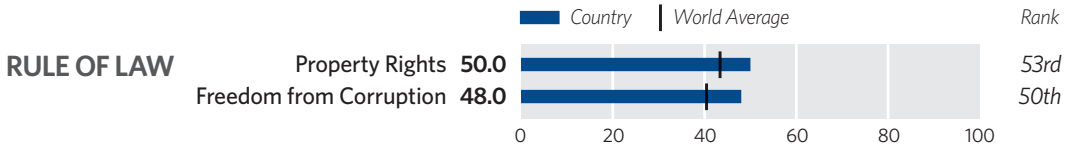
**Population:** 0.1 million  
**GDP (PPP):** \$2.1 billion  
 6.2% growth in 2010  
 5-year compound annual growth 4.2%  
 \$23,428 per capita  
**Unemployment:** 2.0%  
**Inflation (CPI):** -2.4%  
**FDI Inflow:** \$369.0 million  
**Public Debt:** 83.1% of GDP

### How Do We Measure Economic Freedom?

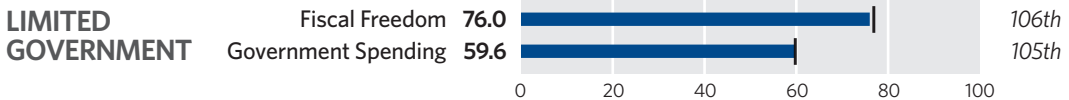
See page 455 for an explanation of the methodology or visit the *Index* Web site at [heritage.org/index](http://heritage.org/index).

2010 data unless otherwise noted.  
 Data compiled as of September 2011.

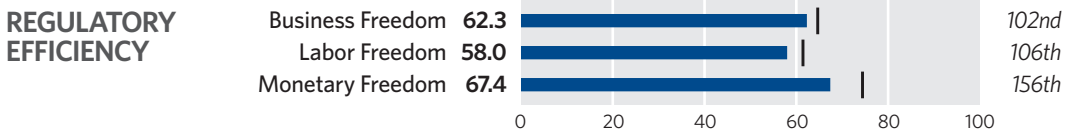
**THE TEN ECONOMIC FREEDOMS**



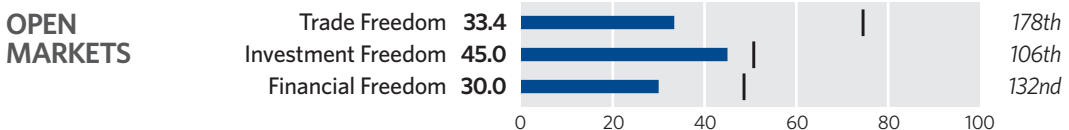
Seychelles’ judicial system is inefficient and subject to executive influence. Civil court cases take years to resolve. Recent changes in the law on property ownership offer freehold title and residency rights to foreign owners and their immediate families in a bid to open the islands to more foreign investment. Widespread public-sector corruption undermines the government’s capacity to provide basic services.



The top income tax rate is a flat 15 percent, and the top corporate tax rate is 33 percent. Other taxes include an interest tax and a vehicle tax, with the overall tax burden amounting to 30.9 percent of total domestic income. Government spending is equivalent to 36.7 percent of total domestic output. The budget surplus has been narrowing, and public debt is equivalent to over 80 percent of GDP.



The regulatory framework still confronts potential entrepreneurs with considerable bureaucratic and procedural hurdles, and continuing reform will be critical to improving competitiveness and ensuring broader-based economic development. The formal labor market is not fully developed. The inefficient public sector accounts for around 40 percent of total employment. With volatile inflation, monetary stability remains weak.



The trade weighted average tariff rate is prohibitively high at 28.3 percent. With flows further obstructed by non-tariff barriers, Seychelles’ trading environment is among the world’s most restricted. Investment is hindered by heavy bureaucracy and inadequate infrastructure. A large part of the population lacks access to formal banking services, and limited capacity for lending to the private sector inhibits growth.

**Score Changes**

RULE OF LAW	LIMITED GOVERNMENT	REGULATORY EFFICIENCY	OPEN MARKETS
Property Rights	Fiscal Freedom	Business Freedom	Trade Freedom
0	-1.7	-0.1	0
Freedom from Corruption	Government Spending	Labor Freedom	Investment Freedom
0	+7.1	-0.1	0
		Monetary Freedom	Financial Freedom
		+12.5	0