

STATEMENT BY DANNY FAURE,
GOVERNOR FOR SEYCHELLES
AFDB ANNUAL MEETINGS
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Mr. President,
Governors,
Ladies and Gentlemen,

Good Afternoon. I would like to take the opportunity to first of all thank the host country, Côte d'Ivoire, for the warm welcome and hospitality.

Seychelles strongly supports the steps being taken by the Bank to respond to the international financial crisis. Under the leadership of Dr. Kaberuka, the Bank has begun a transformation that – in the world of international financial institutions – is nothing short of remarkable. We have stood behind our President as he built out the Bank's private sector operations, expanded the Bank's role in poverty alleviation, and tripled the Bank's capital so that it has the firepower we African nations need to provide a countercyclical punch when G8 markets turn sour.

We have stood behind our President as he took measures that were less noticeable, but just as important to enhance the Bank's image and human resources to create the truly impressive cadre of staff we see today. In these meetings over the last few days I can see management, staff, and Governors together behind this institution in a way that I have never seen before. For they are together behind the vision that Dr. Kaberuka and Management have brought to make the Bank a market-savvy institution that not only listens to our needs, but also leads the way.

For me, the transformation of the Bank is personal, for it goes hand in hand with the transformation of my own country. In Seychelles the waves had begun to crash before the crisis, but it was the crisis that triggered the tsunami. We had borrowed too much, allowed the state's role to grow ever larger, and implemented an overly generous social welfare policy which eventually led to economic misalignments. The story I can tell is one of how the AfDB put aside the past to stand with us, to stand by our side with the IMF and World Bank and help us through every turn of our crisis. The AfDB management and staff listened to our needs, and then delivered a comprehensive support package with such speed that I think they surprised even themselves.

To summarize our story, we launched a far-reaching reform package later that year under the auspices of our first-ever IMF supported programme. Even before the approval of the stand-by arrangement, we floated the Seychelles rupee after decades of operating under a fixed peg. We also reduced our public sector workforce by 17%, and implemented a fundamental rationalization of public finances. In parallel, our monetary policy was revamped in order to support our new fiscal policy and exchange rate regime.

The results were dramatic. After an initial sharp devaluation, our currency bounced back and shortly stabilized, helping inflation to fall to single-digit levels. Our reserves recovered dramatically after reaching less than US\$10 million in 2008, and we closed 2009 with the highest primary surplus in the non-oil producing world. All of these achievements have helped confidence to return to our economy.

Although the responsibility for implementing the reform programme has fallen squarely on our shoulders, we have been fortunate enough to have valuable partners by our side throughout these defining moments in our country's history. The AfDB's support for Seychelles has been unwavering from the very start.

The Bank has provided critical budget support for the reform programme through a multi-year policy-based loan that was designed, implemented, and negotiated in a very efficient manner. But the Bank went further. In mid-2009, having already achieved a historic debt reduction agreement with the Paris Club, we asked the AfDB to help us to implement a comparable restructuring of our external commercial debt by providing a partial guarantee on interest under the new international bonds that we expected to issue as part of our debt exchange offer.

The project was an ambitious one, and the risks were large. We were asking our international bondholders to agree to painful concessions, and never before had a multilateral organization supported a sovereign debt restructuring exercise in such an explicit way. Despite this, the AfDB was quick to spot the potential for helping a highly-indebted African economy to make a giant leap towards debt sustainability by leveraging a relatively modest financial commitment. Not only did it take the plunge to embrace the partial guarantee project whole-heartedly, but staff, Management and Executive Directors worked extremely hard to meet our tight schedule.

The transaction was well received by the markets: 100% of the eligible external debt was restructured on terms that included a 50% haircut to principal. We are confident that the partial guarantee from the AfDB was critical to the outstanding success of the transaction. And the transaction, together with the other restructuring agreements that we have reached with our other creditors, has transformed our outlook. As recently as 2009, our debt to GDP ratio was estimated at 160%. As incredible as it may seem, today it stands at half that amount.

President Kaberuka,

We thank you and your team for your continued support for Seychelles. We have always been strong advocates of the capital increase, and we strongly support your re-election. I strongly support the proposal put forward by the Governor of Morocco for us to vote for President Kaberuka by a strong acclamation. We also want to express our deep gratitude to the current and departing group of Executive Directors for their exemplary collaboration with Management to produce such strong results in what we know was an extremely challenging 2009.

Today, we join the rest of the continent in saying that we are proud of the Bank and its staff. And today, we join the rest of the continent in looking forward to meeting in five years to marvel again at how the Bank has moved and, most importantly, how it is moving forward and leading the way in Africa.