



TECHNICAL ASSISTANCE REPORT

SEYCHELLES

Central Bank Strategic Planning

August 2024

Prepared by

Paul Woods and Thorvald Grung Moe

Authoring Department:

**Monetary and Capital Markets
Department**

DISCLAIMER

The contents of this report constitute technical advice provided by the staff of the International Monetary Fund (IMF) to the authorities of the Seychelles in response to their request for technical assistance. This report (in whole or in part) or summaries thereof may be disclosed by the IMF to IMF Executive Director of Seychelles, to other IMF Executive Directors and members of their staff, as well as to other agencies or instrumentalities of the CD recipient, and upon their request, to World Bank staff, and other technical assistance providers and donors with legitimate interest unless the CD recipient specifically objects to such disclosure (see [Staff Operational Guidance on the Dissemination of Capacity Development Information](#)). Publication or Disclosure of this report (in whole or in part) to parties outside the IMF other than agencies or instrumentalities of the CD recipient, World Bank staff, other technical assistance providers and donors with legitimate interest shall require the explicit consent of the CD recipient and the IMF's MCM Department.

Contents

Page

Glossary	4
Preface.....	5
Executive Summary	6
I. Introduction	8
II. Strategic Planning & Prioritization	9
III. Governance	11
IV. Multi-year Operational Budgeting.....	13
V. Conclusion	14
Figures	
1. Prioritization Challenges.....	10
2. Prioritization Assessment.....	10
Tables	
1.Key Recommendations	7
Appendices	
I. Informal Input on Strategic Planning and Report to the Board—10/6/2023.....	16
II. Follow Up Input on Strategic Planning and Reporting to the Board—10/18/2023	20
III. Late November Input on Strategic Planning—11/22/2023	23
IV. Core Functions According to the Draft Amendments to the CBS Act.....	25

GLOSSARY

BSD	Banking Services Department
CBDC	Central Bank Digital Currency
CBS	Central Bank of Seychelles
FIMCD	Financial Inclusion and Market Conduct
FMD	Financial Markets Department
FSD	Financial Surveillance
MCM	Monetary and Capital Markets Department
NCBs	National Central Banks
PESTLE	Political, Economic, Sociological, Technological, Legal, and Environmental Analysis
RSD	Research and Statistics Department
SRA	Strategic Risk Assessment
SWOT	Strengths, Weaknesses, Opportunities, and Threats Analysis
TA	Technical Assistance

PREFACE

At request of the Central Bank of Seychelles (CBS), a mission from the Monetary and Capital Markets (MCM) Department offered technical assistance (TA) to the CBS from October 29 to November 29, 2023. The mission comprised Messrs. Thorvald Grung Moe and Paul Woods (MCM external experts) and was backstopped at IMF HQ by Mr. Ashraf Khan.

The primary objectives of the mission were to provide advice and assistance to the CBS in the development of its Strategic Plan for the period 2024-2028 and to offer guidance on the subsequent steps, particularly in the areas of strategic planning and prioritization.

To support the onsite mission, a desktop review of pertinent documentation was conducted, facilitated by pre-mission virtual engagements. The TA team offered early written guidance, considering the tight time constraints for finalizing the CBS strategy. During the visit, the TA mission made multiple contributions to a two-day Board and Management workshop, concentrating on the Board's role. The team provided observations and guidance on the draft strategy to the executive and management. Subsequently, an onsite post-workshop engagement was conducted to assist the broader CBS management team in refining the draft strategy. Following the onsite meetings, the TA team engaged virtually with CBS management for further advisory sessions on prioritization and multi-year budgeting. The CBS Strategic Plan for 2024-2028 was officially published on December 1, 2023.

The mission team would like to thank the CBS for their cooperation, productive engagement, and hospitality, and wish them success with the implementation of the new CBS Strategic Plan 2024-2028.

EXECUTIVE SUMMARY

The Central Bank of Seychelles (CBS) has sought IMF assistance in the formulation of its Strategic Plan. The new Strategic Plan, covering the years 2024-2028, represents the fourth such strategic plan, with its publication in December 2023 coinciding with the 45th anniversary, given the Seychelles Monetary Authority was established in 1978, and transformed into the Central Bank of Seychelles (CBS) in 1983. The IMF was requested to provide advice and support during the preparation of the new plan.

The prior Strategic Plan 2019-2023 formed a good foundation for the future plan, though it had several constraints. A review of that plan highlighted a focus on a bottom-up approach to planning, which partly obscured clarity on the prioritization of objectives, while also creating challenges in comprehensively monitoring its implementation. Given this bottom-up approach to planning, that strategy had an inward bias on improving the internal processes across the CBS, as against broader consideration of the external operating context, and setting clear high-level outcome indicators.

The TA mission provided support to the management, executive and non-executive. The methodology involved a virtual review of desktop documentation, followed by an onsite mission in early November 2023. During the onsite visit, the TA mission also provided multiple contributions to a two-day Board and Management workshop, which outlined international best practice in strategy formulation and strategic planning, the role of the non-executive versus the executive, and providing observations and guidance on the draft strategy to the executive and management. The TA team facilitated an on-site post workshop engagement to assist the broader CBS management team to further refine the draft strategy. Following the on-site mission, the TA team also provided a follow-up virtual engagement with CBS management, which included providing further advice specific to strategic prioritization and multi-year operational budgeting. While the CBS has taken account of and incorporated some of the advice provided during the TA mission, additional recommendations apply to the follow through required to support the effective governance, resourcing, and execution of the now published strategy.

The mission advised that the core objectives of the new strategic plan should leverage the top-down executive perspective, allow for the external operating context, and be filtered by the risk appetite. It was evident that the CBS strategic planning process would benefit from an executive prioritization process, ensuring proportionate weighting of core objectives, aligned to the CBS legal mandate, such as safeguarding price stability and financial system stability. Additionally, the CBS risk appetite should be leveraged as one of the prioritization filters.

As strategic planning matures, there is an opportunity to better integrate the approach to prioritization, with human resource planning and multi-year budgeting. Given the time constraints to finalize the 2024-2028 strategy, further plan refinement will be inevitably required, including to scope and size the strategic initiatives and associated deliverables. This will also require fine-tuning of the outcome indicators that will be utilized to evaluate success. The

outputs of the prioritization process should support the CBS in integrating its approach to strategic workforce management, including the headcount complement, whilst also ensuring capital and operational expenditure is calibrated to the outcomes to be delivered in the strategy.

The key recommendations from the TA mission are set out in Table 1.

Table 1. Key Recommendations

	Recommendations	Priority	Timeframe¹	Paragraph
<i>Strategic Planning</i>				
1	Prioritization: Complete prioritization assessment of the initiatives, taking account of the core mandate, risk appetite, critical processes and material risk and control issues.	High	Near term	7
2	Phasing: Assess the output of the prioritization assessment, to determine implications for human resource and budgeting, to form an input to the phasing, and multi-year budgeting.	High	Near term	9
3	Detailed planning: Develop an underlying detailed planning document to support the execution of the strategic plan, and to formulate the baseline for annual planning purposes.	Medium	Near term	11
<i>Governance</i>				
4	Board alignment: Seek Board endorsement of the strategic prioritization assessment, clarifying priority initiatives over the medium-term, and initiatives or projects to be deprioritized.	High	Near term	9
5	Board oversight seminar: Develop and conduct a seminar to ensure clarity on the Board’s oversight role in monitoring the strategic plan.	High	Near term	12
6	Monitoring: Draft a proposal for endorsement by the Board, on the approach to the Board’s regular oversight and monitoring of the progress in implementing the strategic plan.	Medium	Near term	13
<i>Multi-year Operational Budgeting</i>				
7	Budgeting: Strategic planning to engage with the CBS finance team to draft and align on an integrated approach to multi-year operational budgeting, to ensure that the initiatives to be delivered within the strategic plan have been effectively scoped and sized and are aligned within aggregate financial constraints.	Medium	Near term	16

¹ Near term: < 12 months.

I. INTRODUCTION

1. The CBS has been in the process of updating its strategic plan, with the current plan expiring at the end of 2023. Preparations for the new Strategic Plan 2024-2028 commenced in early 2023 with the establishment of a dedicated strategic planning team, directed by the Second Deputy Governor. As part of its update process for the new plan, this team collected bottom-up input from CBS organizational units, engaged bilaterally with other national central banks (NCBs) and completed three stakeholder surveys. The surveys highlighted the need for the CBS to improve its approach to prioritization and resource capacity allocation. A Board and management workshop was held in November 2023.

2. To support the strategy formulation and planning, the CBS requested technical assistance from the IMF. The first phase of the TA mission consisted of a desktop review of available documentation, including a review of the prior CBS strategic plans. During this first phase, the TA mission team also conducted virtual engagements with the CBS prior to the onsite mission, including providing written advice to support the timely progression of the CBS work on the draft strategy. The second phase of the plan involved the onsite mission work in Victoria with CBS staff, involving a pre-workshop, followed by a two-day Board and management workshop, and ending with a post-Board workshop to provide supplemental guidance to CBS management. The third phase of the TA mission consisted of follow-up engagements provided virtually on the revised draft of the strategic plan, prior to its finalization and publication.

3. The CBS Strategic Plan 2024-2028 was launched on December 1. The CBS presented its first draft Strategic Plan 2024-2028 at a workshop in early November 2023. The workshop comprised the CBS Board and executive, management, and representatives from the IMF. The focus included central bank governance, transparency, strategic planning, the legal framework, risk management, internal audit, and balance sheet management. The launch of the strategic plan was timed to coincide with the CBS' 45th anniversary in 2023. The strategic plan sets out what the CBS will do to fulfil its mandate, and to realize its vision and mission. It articulates a set of strategic initiatives that are derived from this mandate, with emphasis on discharging its core functions.

4. The draft Strategic Plan contained sixty strategic initiatives. These initiatives were arrived at through a comprehensive bottom-up engagement process with departments across the CBS. In addition, a section on cross-cutting internal initiatives were added. Each strategic initiative was in turn broken down into the associated activities/tasks required. The CBS team also completed both SWOT and PESTLE analyses to support planning consideration.

5. This report summarizes the TA assistance on strategic planning. The first section details the approach to strategic planning observed at CBS, following a detailed review of the 2019-2023 Strategic Plan. It outlines the advice provided to CBS to enhance its approach to the formulation, implementation and monitoring of the new strategic plan. The report also covers governance issues relating to the core oversight role of the Board in approving and monitoring

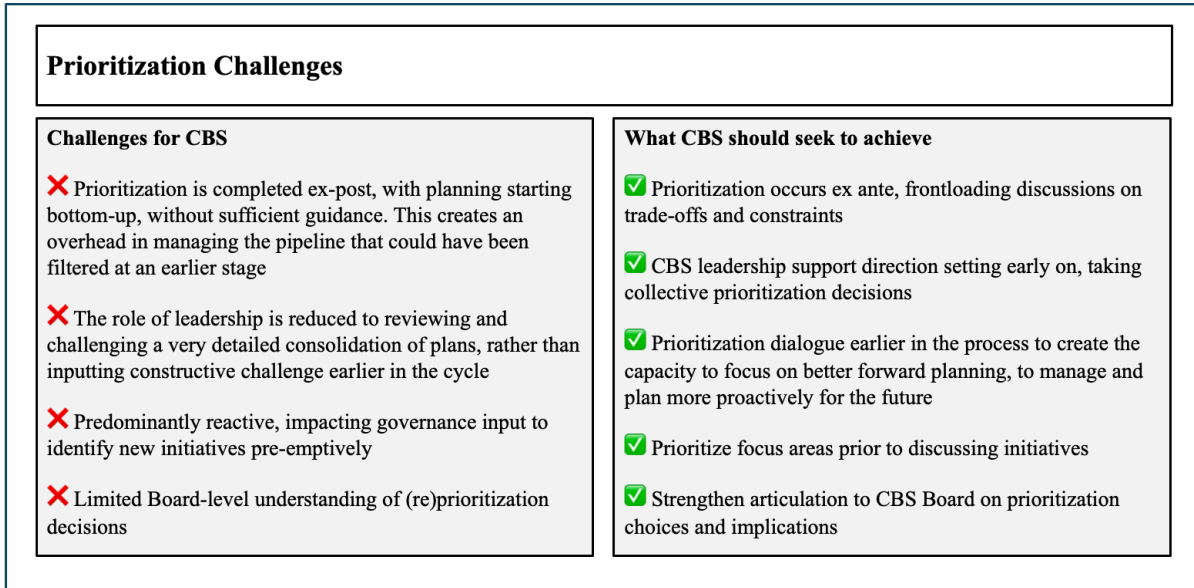
the strategic plan, especially its role in providing constructive challenge with regard to the strategic direction. Finally, the report sets out advice on the issue of multi-year operational budgeting, which is aligned to the 2023 IMF TA mission advice on “Stress Testing the Central Bank Balance Sheet” (see Paragraph 69 of that TA report).

II. STRATEGIC PLANNING & PRIORITIZATION

6. As central bank mandates become more intricate, effective strategic planning is increasingly crucial. Although the discipline of strategic planning can be traced back to early origins, with the emergence of business strategy in the early 20th century, the associated processes have evolved to enhance the clarity of direction setting. This is achieved by ensuring horizon analysis and aligning key internal and external stakeholders in relation to strategy formulation, planning, implementation, monitoring, and evaluation. Given the broadening and increasing complexity of mandates, and the necessity to adapt and respond to an increasingly interconnected world, including markets and regulated institutions, central banks have progressively sought to adopt good practices in strategic planning. While central bank mandates are enshrined in legislation, there remains considerable flexibility in how internal operations are structured and how objectives are prioritized to effectively fulfill the mandate. In this operational context, effective strategic planning becomes increasingly important due to heightened stakeholder expectations and binding resource capacity constraints.

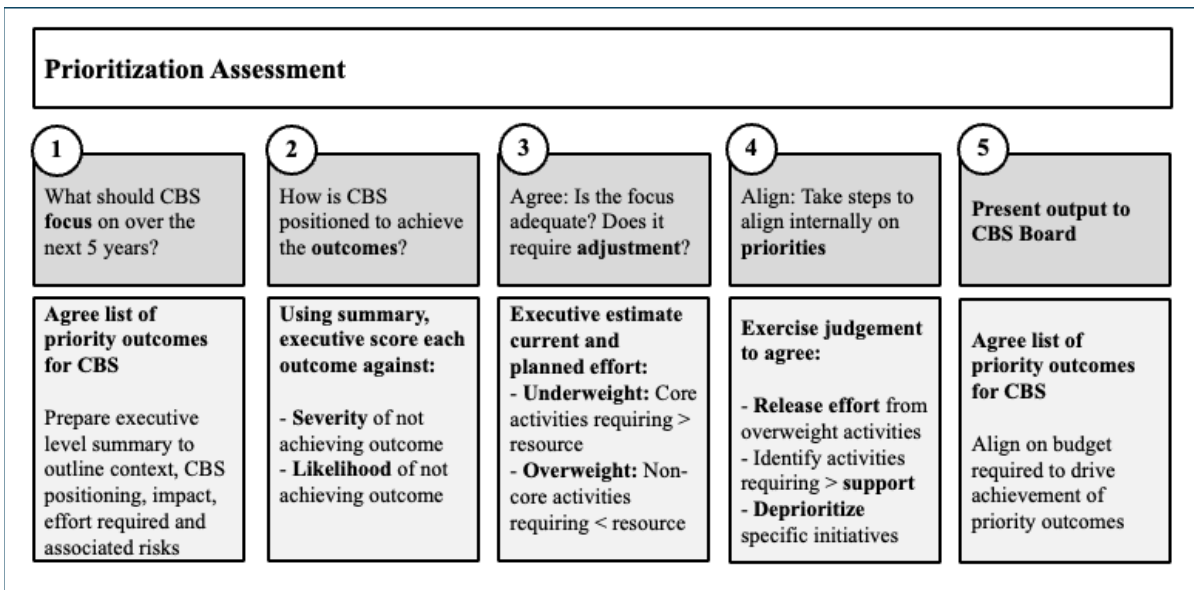
7. The CBS should conduct a directional prioritization assessment. The analysis from the TA mission revealed that previous CBS strategic plans often comprised extensive lists of activities identified by each department. Aggregating these lists made it challenging to discern the priority objectives, and resulted in prioritization only occurring ex post, as illustrated in Figure 1. A key drawback of this approach is that the Board is not sufficiently involved in the re-prioritization process. Legislative framing should serve as a crucial input to filter the strategic initiatives into primary, secondary, and tertiary objectives. Such a priority assessment should also reference the CBS risk appetite, its critical processes and any outstanding material risk and control deficiencies. The initial feedback provided during the TA mission is set out in Appendix I and II, advising the CBS to clarify its strategic objectives and to ensure focus on fewer strategic imperatives. A guide on the process for prioritization assessment is illustrated in Figure 2.

Figure 1. Prioritization Challenges



Source: Mission.

Figure 2. Prioritization Assessment



Source: Mission.

8. The CBS has a host of responsibilities. As noted, the CBS’ primary responsibility per the current CBS Act is price stability. The other objectives of the Bank are to advise the Government on banking, monetary and financial matters, and to promote a sound financial system. In addition to its core objectives, other thematic work areas arise, including those related to financial inclusion, support of broader economic development, macroprudential policy,

microprudential supervision, fintech-related activities, and the CBS activities in response to the impact of climate change on the financial industry.

9. The priority assessment forms the key input into phasing delivery. While some of the associated activities will relate to the core mission of CBS, others may be deemed secondary, or at least require careful scoping and sizing of the underlying workstreams, especially in the context of coherently implementing a strategy in the presence of constrained resources. It is important therefore that CBS assess the output of the prioritization assessment and use the insights to determine the implications for the human resourcing and financial budgeting to support the phased delivery of the strategy. Developing a coherent phasing for the delivery of the strategy is important to align stakeholders, including the Board, on the resourcing practicalities, the multi-year operational budgeting to support delivering of the plan, and to align on activities that could be deprioritized if necessary. Once a draft is completed, this analysis to determine the prioritized phasing should be shared with the Board, seeking both their input and endorsement. Such an approach will support executive and Board alignment as the Board commences oversight to monitor the ongoing progress of delivery of the strategy.

10. Central banks in general are confronting a multitude of strategic and operational challenges. In the aftermath of the response to the COVID-19 pandemic, many now have fragile balance sheets, driven at least in part due to asset purchase programs and currency interventions, which have led to interest rate mismatches on assets held. The balance sheet and profitability risks being experienced by central banks represent a relatively new phenomenon, that challenges the traditional perception of central banks being capable of taking on a broadening mandate and any associated additional activities.

11. Accordingly, the CBS will require a more detailed implementation plan. Given this operating context, it becomes much more important for the CBS to develop a detailed implementation plan, that should underlay the higher-level 2024-2028 strategy, clearly delineating between core and non-core activities, and facilitating detailed sizing and scoping of activities, so that the required resourcing and prioritization trade-off decisions can be effectively made. The need for a detailed planning document that sits beneath the strategy has also been reinforced by observations during the TA mission that the CBS has taken on several new initiatives that have significantly stretched its resource capacity. This has also been further reinforced by staff feedback as an input to one of its stakeholder surveys, which has been completed as an input to the strategy formulation.

III. GOVERNANCE

12. Analysis of the Strategic Plan 2019-2023 reveals a detailed level of complexity that posed challenges in monitoring and evaluation. Although the plan clearly articulated the CBS vision and mission across five strategic pillars, each department within the CBS developed its own strategic imperatives and objectives, varying in number and level of detail. However, these were not mapped back to the mandate or desired outcomes in a manner that facilitated a unified,

prioritized perspective for the entire CBS. Consequently, the strategy's aggregate complexity and detail made implementation and monitoring challenging, a fact underscored by various progress reports submitted to the Board. The TA team also noted an inward bias. For example, the 2021 mid-year review (Page 4) identified eight functions as "major thematic areas:" governance, capacity building, innovation, internal processes, financial sustainability, stakeholder engagement, technology, and infrastructure. While these functions are crucial for enhancing CBS performance, executive management and the Board found it difficult to gain clear oversight of overall progress in delivering the strategy, hindering their oversight ability to filter for priority deliverables.

13. There is a need for more strategic oversight by the Board, including through an integrated progress report. It is important to aid those responsible for oversight of the strategy, and in particular the Board, by ensuring they have an integrated progress report. This requires clarifying strategic focus and avoiding an exhaustive review of all activities and performance indicators, opting instead to consolidate reporting at an appropriate level. Over time, it became apparent that new activities were added without clear prioritization, deviating from the original plan. There was also a tendency to blend existing activities related to ongoing operations with entirely new strategic initiatives, such as those required for the Financial Stability Bill. The recommendation is for CBS to provide more strategic oversight of the progress in delivering the strategy, aligning it with the legal mandate, external stakeholder expectations, and better calibrating it to the CBS risk appetite. The TA mission identified a root cause related to the need for stronger alignment at the Board and executive levels early in the strategy, including ensuring that the Board reviews and endorses the strategic prioritization assessment. This involves identifying priority initiatives and deliverables over the medium term and clarifying initiatives or projects that may be deprioritized. This approach would also ensure Board alignment on any significant capacity constraints that could impede the delivery of the strategy.

14. The Board would benefit from a seminar clarifying their oversight accountabilities. The Board is not responsible for strategy *execution*. Rather, the Board can provide *early guidance* and *constructive challenge* on high-level strategic direction, such as the challenges they believe the strategy should address over the period, and boundary conditions that may apply to resource allocation. The Board should maintain *oversight of the strategy formulation process*, to ensure it is well-governed, but leave it to the executive to present options. The Board should also be looking ahead to ensure the core financial position of CBS is robust and that the strategic plan is reconciled within any financial constraints. It is recommended that a follow-on Board-level seminar be completed, to reinforce with the Board their ongoing and specific role in oversight of the new strategy. This would hold in particular for when new (nonexecutive) Board members would be appointed.

15. The formal approach to Board oversight and monitoring should be agreed. As the Board has a key accountability to maintain regular oversight of the progress in implementing the plan, the approach to and timing of such oversight should be formally drafted and approved at Board-level. This requires proposing the key performance or outcome indicators to be used to

evaluate progress. This could include a high-level approach to completing a Strategic Risk Assessment (SRA), to identify material risks that could impede or delay implementation. **The TA mission observed a need to strengthen the differentiation between core and non-core activities.** The executive plays an important role in reviewing the bottom-up planning inputs and ensuring they have been adequately filtered between core and non-core activities, in order to support the prioritization process as outlined earlier in figure 1. This filtering should also consider any new mandated activity that could arise due to changes to the Central Bank of Seychelles Act (see Appendix IV). It is also important to ensure clarity within the plan on the departments that will take primary responsibility for each of the core functions, and to also clarify the support that may be required from functions that provide underlying capabilities (IT, HR, etc.).

17. The CBS should consider an external efficiency review.² As noted in the Board and staff surveys, there is a tension between the view that the CBS already has adequate resources and staff feeling they have too many things to do with too few resources. Thus, deciding to do less in certain areas, and prioritizing others will be challenging, but important now. The local skills pool is also limited, and the CBS should consider an efficiency review to calibrate the available human resources according to its core mandate.

18. Following the post-workshop meeting in November 2023, the CBS subsequently reduced the number of strategic initiatives from 60 to 28, representing a useful refinement that will support more focused consideration. The next step will be to further size and scope each of the initiatives. The CBS Board should be engaged in this discussion to ensure greater awareness of the trade-offs and financial implications of the prioritization choices proposed.

IV. MULTI-YEAR OPERATIONAL³ BUDGETING

19. Central bank balance sheets have weakened in response to recent crises. Given an extended period of low interest rates, the expansion of central bank balance sheets, and the recent response to the pandemic, central banks have been left to manage the complexity of a period of rising inflation, coupled with increasing interest rate mismatch, lower balance sheet resilience, and medium to longer-term profitability constraints. In this operating environment, the CBS will need to carefully manage its future activities, through the clear scoping and sizing of its strategic initiatives, to safeguard its ability to execute its priorities. It should explore the scope for recapitalization with the Ministry of Finance to determine the future resource envelope, as well as develop a multi-year operational budget capability to ensure that its aggregate priorities over the planning period are coherently phased and aligned within its available resources.⁴ Ideally, a multi-year operational budget should have been determined well in advance to determine the

² MCM report (2023): Stress testing the CBS balance sheet, p. 46.

³ For the purposes of this report, the term operational budgeting refers to the CBS internal budget as it relates to the day-to-day running of the central bank.

⁴ Ibid., pp. 15-16.

financial resource envelope required to deliver the plan. However, the opportunity remains in early 2024 to engage the executive and Board, using prioritization filters such as: (i) impact on core mission; (ii) available budget; (iii) mitigating material risk; (iv) HR resources; and (v) cost recovery.

20. It is recommended that the CBS strategic planning team collaborates with the CBS finance team to develop an approach to multi-year budgeting. In many cases, the financial boundaries or constraints will be identified prior to formulating the strategy. However, the budget can also be developed either in parallel to the publication of a strategy, or afterwards in the event that the strategy sets out a high-level direction, that requires further sizing and scoping of activities. The TA mission observed that the CBS approach has been the latter, such that it will be only possible to further advance the multi-year budgeting process, by first completing the prioritization assessment, and then working to further scope and size the priority deliverables. Given that the strategic plan 2024-2028 has been published in December 2023, it is imperative that those responsible for strategic planning engage with the CBS finance team to start to develop the multi-year budgeting approach, while in parallel working to have the prioritization assessment approved by the Board.

V. CONCLUSION

21. The TA mission offered practical guidance to support the ongoing improvement of the strategic planning process. The advisory services encompassed virtual pre-engagement, an onsite mission, and post-mission support. The mission team underscored the increasing importance of effective strategic planning as central bank mandates become more intricate. An analysis of previous strategic plans revealed an excessive level of complexity that posed challenges in monitoring and evaluating the progress in implementing the plans. The initial draft of the new strategic plan comprised sixty strategic initiatives, derived from a comprehensive bottom-up engagement process with departments across the CBS. The TA team recommended that the core objectives of the new strategic plan should incorporate a top-down executive perspective, consider the external operating environment, and be filtered to better align with the CBS risk appetite. Throughout the TA mission, the team observed that the CBS sought to incorporate the advisory provided, to the extent possible, prior to finalizing their new plan. As the strategic planning process matures, there is an opportunity to enhance the integration of prioritization with human resource planning and multi-year budgeting. It is advisable to conduct a prioritization assessment on the new strategic plan to serve as a key input for the more detailed implementation plan that will underpin the execution of the strategy.

22. Recommendations for follow-up. The recommendations are outlined in Table 1 of the report. The Board, in particular the nonexecutive members, would benefit from a follow-up seminar to clarify their oversight accountabilities. Additionally, it is recommended that the Board be engaged throughout the completion of the prioritization assessment to align on the differentiation between core and non-core initiatives. Given recent international developments that have weakened central bank balance sheets, it is recommended that the strategic planning

team collaborates with their finance colleagues to develop an approach to multi-year budgeting that supports prioritized and phased execution. This approach to multi-year budgeting should be reviewed by the executive team and endorsed by the Board. Lastly, it is recommended that an approach to integrated progress reporting be developed to assist the Board in maintaining comprehensive oversight of the progress in implementing the strategy.

APPENDIX I. INFORMAL INPUT ON STRATEGIC PLANNING AND REPORTING TO THE BOARD—10/6/2023

With reference to your e-mail dated October 1, which enclosed four progress reports on the Strategic Plan 2019–2023, we would like to offer some quick reactions on *“how the reporting to the Board can improve”* and how the new Strategic Plan can be adjusted to facilitate better reporting. We also make some observations on *“how you can create more awareness amongst staff and external stakeholders of the strategic plan document.”*

We note first that CBS has completed two full strategic planning cycles, the latter under very challenging conditions. The four progress reports track an impressive range of activities, of which most have been delivered on time. Some activities are ongoing and will be continued into the next planning cycle.

The reporting to the Board consisted of three mid-year reviews and one final full-year review (2022). All four reports track progress along the strategic imperatives listed for each department in the Strategy Plan: Chapter 8—Departmental Strategic Plans.

Level of Information Aggregation

We note that the tracking of each action plan became quite challenging given the disaggregated information contained in the Strategic Plan, Chapter 8. This is evident as time goes by, and as new activities (not in the original Strategy Plan) were added. There was also a tendency over time to mix ongoing activities (e.g., “publication of relevant reports”) with more strategic initiatives (e.g., “Financial Stability Bill”).

The detailed information provided in the departmental progress reports is essential for the ongoing planning of activities in the bank and for linking the strategic planning cycle to the budget process and risk assessment process. A key consideration for the next Strategic Plan is *the level of detail that the new Strategic Plan document should be pitched at*, i.e., what is considered relevant information for the Board and for communicating to stakeholders versus the detail that is required for the CBS executives in their day-to-day management of the bank, and to ensure the strategy is operationalized.

1. Review and decide on appropriate level of information in the next Strategic Plan

Prioritization

The Progress Report for 2021 notes that “key lessons learnt include being reminded of the importance of prioritization, sequencing and promoting cooperative arrangements with concerned parties” (Page 5). We note that an attempt was made to prioritize the planned activities according to the new risk assessment exercise. This was followed up in the Progress Report for 2022 (Annex 1), but without revising the already long list of detailed activities in the Strategic Plan (listed in Annex 2).

Prioritizing becomes difficult when the criteria are vague and changing, and the list of activities is a mixture of ongoing and new initiatives. It would help if the strategic objectives were fewer and clearer, so that resources could be allocated towards activities that are deemed to be most important in delivering impactful outcomes against the CBS mandate.

2. The strategic plan should try to prioritize new activities towards more explicit criteria

Performance Measures

The starting point for any central bank strategic plan is the core activities listed in the Central Bank Act, first and foremost price stability and financial stability/financial inclusion. The next step is to operationalize these core activities into performance measures that can be tracked. This helps a central bank to determine and assign the necessary resources needed to be put where they have most impact.

The Strategic Plan 2019–2023 developed the CBS mission/vision in several directions, including the “Five Strategic Pillars (Page 17):

- Domestic price stability
- Financial soundness/stability and consumer protection
- Organization strengthening
- Managing stakeholder expectations
- Strategic communication

Each strategic pillar was then elaborated in more detail in several strategic imperatives (Page 21). The plan also included a chapter (6) elaborating on “key strategic issues for CBS.” And finally, each department developed their own “strategic imperatives” (varying in content and number).

Monitoring all these strategic dimensions of the plan became quite challenging, especially as there were few performance measures to monitor. As one of the progress reports noted (2021), attempts were made to use a new software for strategic planning, but CBS tried instead to enhance the excel worksheet to ensure more reporting consistency (Page 2).

3. The new strategic plan should clarify the CBS strategic objectives and focus on fewer strategic imperatives with related performance measures

Core vs. Support Activities

The current strategic planning process in CBS involves all 12 departments/units in a process where all activities are given equal space in the plan for their activities, both ongoing and new.

An alternative approach would start with the overall strategic objectives, elaborate on the key policy activities required to fulfil the CBS mandate, and then associate the required resources from the various support units in the bank. The focus of the strategic plan would then be on the core business (price and financial stability/financial inclusion, as well as other core tasks that only the central bank can and should deliver).

The main policy departments then become the focus of the strategy process, with their needs for support directing the resources needed from the support departments. The strategic plan would focus on what the CBS plan to do to fulfil its core mandate, the challenges ahead and the planned activities (but not list all the internal activities needed to support these policy activities).

4. The upcoming strategy process should differentiate more between core business and supporting activities

Inward vs. Outward Focus

We note that the strategy process has tended to take on an “inward bias,” ref. the reporting in the 2020 Progress report (Annex II) and the 2021 Mid-year Review (Page 4) where the following (eight) functions is reported to have been the major “thematic areas:” Governance, Capacity building, Innovation, Internal processes, financial sustainability, Stakeholder engagement, Technology, and Infrastructure.

These functions are all important for the improved performance of the CBS, but there is an unfortunate tendency for strategy processes to become overly concentrated on internal processes if there is not an explicit focus on outward, customer-oriented goals (like providing means of payments to the public, banking services for the Government, and accounts for the banks, just to mention a few).

5. The Strategic Plan should highlight key deliverables related to core customer segments (government, banks, and the public) and prioritize among them based on explicit performance criteria

These are just some observations based on a quick review of the four Progress Report (and the Strategic Plan 2019–2023).

In summary, it is important to clarify and report the strategic priorities, and the progress in achieving the associated key strategic objectives, in aggregate form, on a succinct and regular basis. This will ensure that the Board maintain a clear overarching view, enabling constructive challenge in support of effective governance.

We note at the end that CBS is cognizant of the challenge of reporting progress on the template adopted in the Strategic Plan 2019–2023, ref. the following observation in the 2020 Progress Report:

Going forward there is a need to have a more dynamic strategic plan also linked to other key processes at the Bank. Discussions with Management with respect to the strategic nature of the activities being monitored as well as more pronounced engagement with staff at all levels, would lead to more and better communication, rather than merely informing of developments at set timings.

We hope our informal observations may be helpful in developing a more focused and dynamic Strategic Plan.

As to your second concern, regarding “*how to create more awareness amongst staff and external stakeholders of the strategic plan document, and reporting to them on its execution,*” we think that some of our observations on simplifying and streamlining the strategy process should also help in your communication with staff and external stakeholders. It is important for them that the Strategic Plan is not overly detailed, as it should feel relevant to them and worth their time reading. (Unfortunately, sometimes strategy processes become “rituals” that needs to be done, but without staff buy-in).

A consultative engagement process focusing on high-level strategy formulation can be achieved through engagement with each department and through multidisciplinary workshops. Combining a top-down review of the strategic objectives with bottom-up staff engagement, would cultivate better buy-in to the strategy. Anchoring the strategy process in the key strategic objectives would also build broad-based engagement and better prioritization of resources.

APPENDIX II. FOLLOW UP INPUT ON STRATEGIC PLANNING AND REPORTING TO THE BOARD—10/18/2023

With reference to your email dated October 13, and the uploaded material for the CBS Strategic Plan, we would like to offer some short informal comments.

First, as the Communication Plan clearly indicates, the timeframe is short as the new Strategic Plan is scheduled for December 1, 2023 (CBS Anniversary Lecture). This plan is also especially important now as it coincides with the 45 years Anniversary of CBS. Communicating in a transparent and understandable way with key stakeholders and the public about “what the CBS do and why it is important” is therefore paramount.

This calls for a simple structure, without too much “strategic planning jargon.” As we have noted before, the current Strategic Plan became quite difficult to follow as so many different strategic pillars, directions, imperatives, and issues were introduced. This also made monitoring of the plan challenging.

Second, as we also have noted before, the Strategic Plan should be a document for the Board and the Bank to discuss and communicate strategic directions on a rather aggregate level. This would enable you to discuss overall strategic directions, like the balance between cash—non-cash payments, bank, or non-bank development, etc. Each department would then work out their individual work programs within the broad parameters of the Strategic Plan, but their detailed work programs should NOT be included in the new Plan. They would, however, be a central part of the internal planning process in the bank and the proposed new five-year planning cycle. This would help in making the Strategic Plan a simpler document to read and it would better facilitate the monitoring of progress.

Third, the suggested re-ordering of CBS vision and mission seem to us to be a useful step in clarifying the role of CBS. As you noted in the Annex, central banks tend to vary on how they rank these two, but to us it seems more logical to have a rather general vision, “Dynamic and credible central bank, contributing to the sustainable economic growth and development of Seychelles,” and then to be more specific in the mission statement: “To promote price and financial system stability.” The exact formulations are really up to you; personally, we liked the old “To contribute to inclusive growth and development of Seychelles.” “Dynamic and credible” are really core values that might come in under that heading.

Forth, you rightfully note the new listing of core central bank functions in the revised central bank Act (Page 2-3), but the discussion of these under section 1.2 Vision is rather cursory and don’t add much information about what you plan to do under each heading. We would suggest a structure for the report, where you (obviously) start discussing the vision and mission of the CBS, and then elaborate in more detail on your strategic plans for each of these core functions. The Strategic Plan 2014-2018 used this format, although its discussion of each function was rather schematic.

Developing and articulating the strategic direction for CBS in these core functions should be the central part of the new Plan and the substance of what you would like to engage the Board in discussing. So, it should not be cut in stone, but invite them (in the draft version) to have opinions on which directions to go.

Also, it is important to be clear in the plan as to which departments are (primary) responsible for each of these core functions and differentiate between these and all the other (very important) support functions of the bank (IT, HR, ADM, etc.). The strategic plan should deal primarily with how the CBS can deliver on its core mandate and how you prioritize among the various functions of the bank in doing so.

Fifth, it is important that the Strategic Plan takes account of the tight financial situation facing CBS now (ref. the findings of the IMF Recapitalization mission). This makes it even more important to prioritize. As noted by the Board and staff in the survey, there is a tension between the view that the CBS already has a lot of resources and staff feeling they have too many things to do with too few resources. Thus, deciding to do less in certain areas, and prioritizing others will be challenging, but important now.

Sixth, given the resource constraints, it is important that the new Plan includes discussion of cost recovery initiatives, i.e., how the CBS can recover cost for some of its operations to better balance cost and revenues. Charging banks for supervision is for example something quite natural in many central banks around the world and could be considered by CBS. Other cost recovery schemes could also be considered. The important thing is to develop a plan that is realistic considering the financial resource envelope, while also specific enough to give the reader guidance about what direction the CBS intend to take. Ref. the SWOT analysis: “Alternative income avenues.”

Seven, we read with interest the PESTLE and SWOT analyses, but would encourage you to distill the specific aspects of these that are especially relevant for your current plan, e.g., misalignment of capacity vs. number of priorities and then what you intend to do about this. Or what to do with the offshore sector. The trick is not to include a lot of general observations but try to be as concrete as possible when discussing these different aspects of the external environment facing CBS.

Finally, we read your “Lessons Learnt” from the previous plan 2019–2023 but notes that it was rather general in its observations. We would suggest not using it as is in the new Plan, as it really does not add much value. If a section on lessons learnt and what has been achieved during the previous period should be included in the new document, we would advise it to be more concrete.

FYI, we have added a draft outline below of a generic Strategic Plan that you might take inspiration from. Again, the format and substance differ among central banks in this area, so use your own best judgement:

Suggested Outline of CBS Strategic Plan

1. Forward by the Governor
2. Executive summary
3. Mission and vision
4. Challenges and opportunities
5. Financial and human resources
6. Ongoing strategic initiatives
7. New strategic initiatives
8. Priorities for 2024–2028
9. Timeline and responsibilities

APPENDIX III. LATE NOVEMBER INPUT ON STRATEGIC PLANNING—11/22/2023

With reference to your email dated November 20, enclosing the draft Strategic Plan 2024–2028, we would like to offer the following feedback:

Overall, we note that you and your team have made progress to sharpen the focus of the strategic plan to align it with the core mission of the CBS.

We appreciate the work completed to date to prioritize the strategic initiatives, and that your team are taking on board our TA guidance to keep the more detailed activities in a supplemental planning document for internal use.

As discussed in our post-workshop meeting, it is important to find the appropriate balance between the focus on new strategic initiatives and priority work on ongoing operations, particularly to address material risks or control deficiencies.

The capacity of staff and financial resources will represent a binding constraint that needs to be considered in the work ahead. This is now covered in the draft report, and we believe this should be an area for further engagement with the Board over the next two quarters, as it represents an important filter for prioritization, and will also impact the sizing and phasing of some of the activities, which will also have implications for the multi-year budgeting.

Other than the changes in the section on strategic priorities, the report remains quite similar to the draft presented to us during our onsite mission. You'll recollect that we suggested that the full SWOT and PESTLE analysis does not need to be incorporated into the final strategic plan. If you do decide to include it, we would suggest editing the SWOT analysis into a summary figure, summarizing the material points (ref. Page 15 in the previous plan) and to present the PESTLE in a succinct two-page summary format.

To achieve greater balance between the backward-looking review of the previous strategic plan (currently 6 pages) and the new strategic plan 2024-2028 (2 pages), we suggest that you include some additional text to explain and elaborate the rationale behind monetary and financial stability, the six strategic initiatives related to monetary stability, and the fourteen strategic initiatives related to financial stability. This summary text could be positioned after the respective listings under each theme (1&2). This text could also be used to explain further to the public what the CBS is doing to fulfil its core mandate of price and financial system stability, and to highlight to stakeholders the core importance of each to the CBS mandate. On the backward look, think of compressing the six pages to achieve better balance with the forward-looking part of the plan.

We also think you should consider adding some text to the listing of core function on Page 6 and 7, and to keep a simple heading of “Core Functions” here, rather than the “Alignment of Core Functions with Mission and Vision.” It might be worth using some additional pictures or

symbols here to accompany some of these functions, as this could help to communicate to the public what the CBS is doing and why the work is essential to safeguarding the economy of Seychelles.

We previously noted that the re-ordering of the vision and mission for CBS was in order. We would, however, note that the current sub-headline for the new strategic plan—“Fostering sustainable economic transformation”—is different from the CBS vision: “To contribute towards inclusive growth and development.” Both are legitimate visions, but if you choose to keep both, they should at least be dealt with explicitly in the report somewhere, to give some context for these ambitions. A good place to deal with this would be in the Governor’s foreword or in the Vision, Mission, and Values section.

As for the CBS values, we note that some are new, and many are similar to those of the previous plan. Since the Governor emphasizes three in her foreword (innovation, inclusivity, and transparency), we suggest that these three also be listed first in the value section (on Page 5). These values are something that relates to the whole central bank (together with integrity). The other values related to individual conduct, e.g., result-oriented, teamwork, humility and mutual respect should follow.

Finally, may we suggest that you review the content of the current Executive Summary (Page 3). It currently reads more as a description of the internal strategy process in the CBS than a straightforward summary. If you wish to describe the internal strategy process, it could be covered in a separate “introduction” (like Page 8 in the previous report). The valuable observations on the need to prioritize, including noting follow on work on scoping and prioritizing, should be included in the executive summary, the core section on strategic priorities 2024–2028, and briefly noted in the section on monitoring and evaluation. The point is to ensure this “thread” on scoping, prioritization and phasing is coherent throughout the strategic plan.

We know you are working under a tight time constraint and our suggestions above should therefore be considered as advisory to be considered and actioned as you and the team can. As noted in the workshop, your new strategic plan will bring you further in the right direction and it has been our privilege to provide guidance to support you and the CBS team.

APPENDIX IV. CORE FUNCTIONS ACCORDING TO THE DRAFT AMENDMENTS TO THE CBS ACT

Division	Legal Mandate	§
RSD	Formulate monetary policy.	4A(1)(a)
	Determine FX regime policy.	4A(1)(b)
	Advise the Government on banking, monetary and financial matters. RSD, BSD, and FMD involved.	4A(1)(h)
	Collect, compile, and disseminate monetary and other financial statistics. IMCD also compiles financial inclusion and market conduct statistics.	4A(1)(n)
FMD	Implement monetary policy.	4A(1)(a)
	Hold and manage FX reserves.	4A(1)(f)
FSD	License, regulate and supervise banks. This includes prudential and AML supervision, non-bank institutions and payment service providers. FIMCD undertakes market conduct oversight.	4A(1)(d)
	Macro-prudential oversight.	4A(1)(c)
	Act as resolution authority for banks and other designated institutions.	4A(1)(k)
FIMCD	Promote and ensure safe, secure, efficient, and effective payment system. Divisions such as FSD-regulation of payment systems and BSD-operator of payment systems are relevant here. FSD also oversees the national payment system.	4A(1)(g)
	Establish facilities for credit information.	4A(1)(l)
	Handle financial consumer disputes.	4A(1)(m)
BSD	Act as banker to banks.	4A(1)(j)
	Act as banker and fiscal agent to Government. FMD also acts as fiscal agent for the issuance and management of government securities.	4A(1)(i)
	Issue notes and coins.	4A(1)(e)