



# Work plan for the Period 2014-2016

## Seychelles Petroleum Multi-stakeholder Group

June, 2014

## Seychelles EITI Work plan for 2014-2016

### About Seychelles

The Republic of Seychelles is a small, middle income island state and an estimated population of 90,846 (2013). Per capita income -- around US\$11,349 (2012) -- is among the highest of the Middle Income Countries (MICs). The economy is small (a gross domestic product of US\$1,031 million in 2012), predominantly service-based, and highly vulnerable to global shocks and climate change due to its small size and geographic particulars.

Seychelles comprises 115 islands spread over 1,374 million sq. km. in the western Indian Ocean, containing 455.3 sq. km. in land area. Ten of the islands are inhabited, and approximately 90% of the population live on the largest island, Mahé (60% urbanized), where the capital and main port, Victoria, is located.

Seychelles has been rebounding from a 2008 macroeconomic crisis and is completing its transition to market-based economic policies. Like other small island states, it potentially faces a middle income trap, having achieved high living standards but with limited opportunities to attain high-income status, due partly by its population constraints.

### Developments in the Oil Sector

Hydrocarbons exploration in Seychelles started in the early 1970's following the discovery of thick sedimentary sequences offshore the granitic islands during the International Indian Ocean Expedition in the 1960's. Since then, several oil companies have conducted geophysical surveys and four wells have been drilled with the aim of finding commercial accumulations of hydrocarbons. Although no commercial discovery has been made to date, the results from three wells and data from the geophysical surveys are very encouraging.

Currently there are two companies that have signed Petroleum Agreements with the Government. The Agreement permits to the oil company to explore and if successful, produce oil/gas from the Seychelles Exclusive Economic Zone. The two companies are: Australian based, WHL Energy Ltd and the London-based Afren Plc. Recently WHL has farmed out 75% of its interest to Ophir Energy Plc. Afren completed a 3D seismic survey of 2500 sq.km in early 2013 and Ophir will be acquiring 1500 sq.km of 3D seismic in mid-2014. Both Afren and WHL have drilling commitments in terms of work programme. A third company, Japanese Oil Gas and Minerals Exploration Company, (JOGMEC) has an exploration license with the Government and they completed a 2D seismic survey and a geochemical survey in May 2014.

There are several companies that have expressed interest in the EEZ and a potential discovery may not be too far in the future.

### Sector Strategy

Seychelles depends overwhelmingly on petroleum products for energy generation, supplemented by a growing output of renewable energy. Total domestic consumption of petroleum has been rising, to 133,070 Mtons in 2011, of which more than half was used for electricity generation. Imports of petroleum products represent a high percentage of total imports, and the Government is therefore keen on expediting petroleum exploration in its EEZ. A discovery of oil will not only improve security of supply, but will also generate additional revenues to the Government. The Government has revised the legal and fiscal frameworks of the petroleum sector to make it more attractive for international oil companies to explore and exploit hydrocarbons in the EEZ. The government policy objectives are to:

- Promote petroleum exploration in the Seychelles EEZ by putting in place fiscal and regulatory incentives that attract oil companies, expedite exploration and allow an early commercial discovery. This is a priority objective.
- Improve energy security, develop renewable energy and reduce oil price volatility.
- Attract foreign direct investment and stimulate ancillary economic growth in the services and other sectors, generating additional inflows of foreign exchange.
- Ensure transfer of technology and know-how from international oil companies to enable PetroSeychelles to effectively supervise petroleum agreements and manage resources.
- Maximize the economic benefit at minimum risk to safety and the environment.
- Systematically build up a comprehensive data-base on all aspects of petroleum activity in Seychelles. This will entail proper collection, sorting, processing, storage, and dissemination of data.

In order to meet these policy objectives, the Government created a national company, PetroSeychelles, to implement the petroleum policy and strengthen government capabilities in developing petroleum resources in Seychelles.

## EITI Objectives

Seychelles has made significant progress in public sector governance, as shown by its high ranking in the Ibrahim Governance indicators of African countries. The Government remains highly committed to continue improving governance, accountability and transparency in the management of public resources. The Government believes that in the event of oil discovery, oil revenues could be substantial given Seychelles' small economy, which may be highly adverse and distortive for the non-oil sector, making it uncompetitive and consigning it to a much lower growth rate. Therefore, Seychelles will need to put in place safeguards against this so-called "Dutch disease" in the form of a revenue management mechanism. The Petroleum MSG feels that the conceptual framework for such a mechanism should already be prepared.

Furthermore, it is in the interest of the Petroleum MSG to establish a legal basis for EITI, so that it becomes a mandatory initiative rather than a voluntary one. The Petroleum MSG believes that building knowledge of the contextual framework of the oil sector will allow it to take an effective role in the development of the sector, which should include the definition of its role to ensure that the environmental safeguards are adequately addressed.

In summary, the main objective of the Seychelles-EITI is to contribute to enhancing oil sector governance through the efficient management of oil revenues for the benefit of present and future generations. Specifically:

- i. Establish a legal basis for the Seychelles-EITI;
- ii. Prepare a feasibility study for a revenue management framework in the event that hydrocarbons are found to be commercially viable; and
- iii. Build MSG knowledge about the oil sector context and revenues in Seychelles.

## SEYCHELLES PETROLEUM MSG WORKPLAN 2014-2016

	ACTIVITIES	PRECONDI- TIONS / CHALLENGES	ACTIONS	TIMELINE	RESPONSIBLE	PRODUCTS	RESULTS INDICATORS	FINANCING		STATUS
								MDTF (US\$)	GOS (US\$)	
<b>OBJECTIVE 1. SEYCHELLES ENDORSES AND BECOMES AN EITI CANDIDATE COUNTRY</b>										
1	1.1 Prepare sign-up steps for EITI Candidacy		GoS issued an unequivocal public statement of intention to implement EITI	Press Release, June 19, 2013 by Min of Fin & 2014 Budget Speech, Dec. 10 2013	Minister of Finance	Expressed commitment by the President to adhere to the principles of the EITI, as per Press Release & Budget Speech	Seychelles' candidacy to the EITI approved by the EITI Board on ... .., 2014			Met
2		Political will	GoS appointed a high ranking official to lead the implementation of EITI	President appointed Minister of Finance on 19 <sup>th</sup> March 2014	President	Letter of appointment				Met
3		Political will	GoS committed to work with civil society & companies and established the Petroleum MSG to implement the EITI	March - April, 2014	Minister of Finance	Invitations to stakeholders to join the Petroleum MSG				Met
4			Prepare, gather feedback from stakeholders and approve the Workplan.	May15, 2014	MSG Chair	Work plan published on State House website				Ongoing
5			Prepare and present the application for EITI candidacy before end May 2014	May 30, 2014	Committee Chairman and Minister of Finance	Application sent to the EITI Secretariat on May 30, 2014		Work plan endorsed by MSG		
<b>OBJECTIVE 2. SEYCHELLES ESTABLISHES THE CONDITIONS TO INSTITUTIONALIZE EITI</b>								<b>40,000</b>	<b>15,000</b>	
6	2.1 Establish the conditions for the EITI Secretariat to operate	MSG Chair to operate from Ministry of Finance	Seek place of work and adequate staffing arrangements for Secretariat.	August- October, 2014	Committee Chairman		-Objectives of the work plan can be achieved.	15,000 oper. costs of work- shops	15,000	
7			Apply to the WB EITI Multi- Donor Trust Fund.	July 2014		adequate financing to execute the work plan				

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8		Commitment with EITI	Assign budget line for EITI in the Appropriations Bill	December 2014	EITI Committee					
9	2.2 Establish legislation for Seychelles EITI		Prepare draft legislation for the conduct of the EITI in country. a. Draft ToRs and hire national / international legal consultant to undertake legal review to identify the legal instrument needed to support EITI implementation. b. Workshop by consultant about legal review and proposed legislation.	TORs November 2014 Hiring March 2015  May 2015  Present bill to Cabinet by October 2015	MSG sub-committee	New legislation that makes the EITI mandatory in Seychelles	–Require and maintain the practice of disclosure of oil sector contextual information and revenue flows.  –All companies endorse EITI and disclose payments data	25,000		
10	2.3 Remove legal barriers to EITI disclosure of payments and receipts	Depending on EITI legislation, amendment of SRC Act may not be needed	Propose to enact, where required, changes in Seychelles legislation to enable government and industry full disclosure of payments and receipts.		MSG	EITI Law; other legislation amendments.	–Increased trust by investors.			
11	2.4 Increased accountability of PetroSeychelles	Political will	a. Oversee compliance of PetroSeychelles with the requirements of the Public Enterprise Management Commission (monthly accounts and annual audited financial statements) b. Publication of bulletin incl. financial information easy understanding by the public.	Starting Q4 2014	MSG in coordination with PetroSeychelles	Bulletin of activities and financial summary that is easy to understand by public is posted periodically on the website.	–No. of visits to Petro-Seychelles' website  –No of comments received about information provided in bulletin.			
<b>OBJECTIVE 3. PRUDENT USE OF OIL REVENUES FOR SUSTAINABLE DEVELOPMENT AND POVERTY REDUCTION</b>								<b>55,000</b>		
12	3.1 Feasibility study for a revenue management mechanism	Oil may not be available in commercial quantities.	a. Request WB EI-TAF, CFTC, or other source of financing to undertake a feasibility study.	Q1 2015	MSG	Draft feasibility study & proposed legislation.	Draft legislation approved by Ministry of Finance.	40,000		

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13			b. Organize workshop about countries' experience in coordination with donors.	Q2 2015						
14			c. Draft TORs and hire consultant to do the feasibility study d. Organize 2 workshops by consultant. One on the initial findings and one to discuss draft report. Actively engage government.	Q2 2015  Initial draft by Q3 2015. Second draft by Q4 2015						
	3.2 Understand the implications of oil exploration for sustainable development of a small multiple island state	Ecosystem destruction, overwhelming impact on fragile environment.	a. Undertake in-depth study of the implications of oil extraction for sustainable development in a SIDS and multiple island contexts. b. Seek other donor financing. c. Consultant TORs and hiring. d. Initial report & workshop e. Final Report & workshop f. Seek other donor financing	Q2 2015 Q3 2015 Q4 2015	MSG	Report on the implications of oil extraction for the sustainable development of Seychelles.	Increased public awareness of the implications of oil extraction in Seychelles.	15,000		
<b>OBJECTIVE 4. BUILD SEYCHELLES MSG CAPACITY TO IMPLEMENT, COMMUNICATE AND MONITOR EITI</b>								<b>160,000</b>	<b>30,000</b>	
15	4.1 Build stakeholders knowledge about EITI and oil sector issues and revenues		Identify stakeholders needs and develop formal and informal capacity building program		MSG chair					
16		Interest of Committee members in learning.	Workshops for MSG a. Legal framework and fiscal regime of the Seychelles oil sector b. Model Agreement c. Technical aspects of the oil industry x 2 d. Oil industry contracts and negotiation e. EITI Report f. Validation	November 2014  Feb. 2015 March 2015 & July 2015 October 2015  Nov. 2015 – March 2016	EITI Chair and: a. Revenue Commission & PetroSeychelles b. PetroSeychelles c. Oil company d. Expert e. & f. EITI Secretariat	Companies show their commitment with Seychelles EITI  MSG able to engage in informed debate and take informed decisions regarding the oil sector		d. 25,000		

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17			Review and update scoping report. Complement contextual information as required by scope of proposed objectives --- ---	Aug. 2014 – May 2015	Depending on subject, CSO, Government agencies, PetroSeychelles or outsource.	MSG has the necessary elements to take decisions regarding the scope of the EITI Report	Scope of the EITI Report defined	5,000		
18			a. Formal training for 5 MSG members at Revenue Watch Institute summer program at University of Ghana or similar opportunities b. 2 guest speakers in areas to be specified	July-September 2015  Feb- Nov. 2015		Acquired knowledge of oil sector and of EITI Standard	No. of civil society organizations, academia & media that attended the training sessions.	40,000  15,000	15,000	
19			Exchanges with implementing countries to promote knowledge sharing. a. 2 coordinators of EITI countries. b. 2 people on 2 observation visits to EITI impl. countries.	February 2015 July 2015		Learn from the lessons learned of other countries		40,000	8,000	
20	4.2 Public awareness raising & sharing of information	Interest of other stakeholders to learn	Awareness workshops in 3 main islands including key stakeholder, including academia and media	4Q 2014 2Q 2015 4Q 2015 1Q2016	MSG	Civil society, academia, and media understand the EITI.	No. of MSG-organized public debates.		15,000	
		Perception of population that oil has been discovered	Organize community consultation forum to manage expectations of the population regarding oil production	Q4 2014	MSG and World Bank	Forum organized	No. of CSO and other organizations attending consultation	15,000		
21	4.3 State institutions understand EITI		Organize briefing session for parliamentarians on EITI and MSG achievements.	2Q 2015	MSG	Parliamentarians understand EITI	No of participants attending the session.			
22	4.4 Raise MSG awareness of environmental implications of oil exploration		Engage Ministry of Environment in 2 capacity building workshops on environmental laws and regulations applied to oil exploration.	October 2014  April 2015	MSG Chair and Ministry of the Environment	MSG able to determine adequacy of environmental legislation				

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23	4.5 Specific civil society initiatives in support of transparency /EITI	Interest by civil society in pursuing small transparency projects	a. Evaluate project proposals by civil society. b. Monitor implementation of small initiatives		MSG  MSG			20,000		
<b>OBJECTIVE 5. RECONCILE OIL PAYMENTS AND RECEIPTS AND PUBLISH AND DISSEMINATE THE EITI REPORT</b>								<b>45,000</b>	<b>30,000</b>	
24	5.1 Prepare and publish the first EITI Report		Issue TORs for independent Administrator and develop initial data templates	April 2015	Committee	Scope of EITI report includes: a. Beneficial ownership	–Better scrutiny by citizens of oil revenue flows from the oil industry  –Transparency Index of TI improved	30,000	30,000	
25			Award contract for 2005 - 2014 EITI Report. Independent Administrator to validate contextual information and reconcile revenue data.	July 2015	MSG Chair	b. PetroSeychelles expenditures c. Discretionary social expenditure				
26			Formal submission of EITI Report for evaluation by EITI Secretariat	<b>Within 18 mo. of Admission to Candidacy</b>	Minister of Finance	d. Environmental legislation e. Area rentals & contribution to education				
27	5.2 Disseminate the results of the EITI Report		Prepare agenda of activities to communicate the EITI and the results of the EIT Report to various interested groups.	January 2015	MSG	Report posted on webpage	No of televised roundtables; radio talk shows, other means	15,000		
<b>OBJECTIVE 6. VALIDATE THE IMPLEMENTATION OF SEYCHELLES EITI WITH ALL REQUIREMENTS MET</b>										
28	6.1 Successful Validation		Assess the choice of validators proposed by EITI Secretariat and select the most qualified.	Q4 2015	MSG	– Validator recruited by EITI Secretariat	Successful Validation of the EITI process in Seychelles by the EITI International Board and award of Compliant Country Status			
29		Inability to present adequate documentation to show meaningful progress	Validator visits country, meets stakeholders.	One month Q1 2016	MSG Chair	Initial Validation Report				
30			Validator submits draft Validation Report to the MSG and receives comments	Q2 2016	MSG	MSG comments and clarifies outstanding issues related to EITI implementation				
31			Final Validation Report sent by	Q3 2016	Validator	Committee has the				



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			the Minister to the International EITI Validation Committee for comments			opportunity to answer and provide further clarification on issues arising during Validation				
32			Minister submits final Validation Report to the EITI International Board	<b>Within 2.5 years of admission to Candidacy</b>		Board evaluates the Report and decides whether or not to award EITI Compliant Country status.				
33	<b>Audit of grant</b>							<b>5,000</b>		
							<b>TOTAL</b>	<b>300,000</b>	<b>75,000</b>	