

# Proposal for proportionate implementation: Seychelles

For decision

The Implementation Committee recommends that the EITI Board accepts Seychelles' proposal for proportionate implementation for the reporting period 2017-2021.

The proposed approach reflects the limited size of Seychelles' extractive sector and national priorities. It would reduce implementation costs, while ensuring that EITI Principles are upheld.

# Proposal for proportionate implementation: Seychelles

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### Supporting documentation

Limited engagement policy. [https://eiti.org/sites/default/files/documents/2017\\_limited-engagement-policy.pdf](https://eiti.org/sites/default/files/documents/2017_limited-engagement-policy.pdf)

Has the EITI competence for any proposed actions been considered?

The EITI Standard ([Article 1, Chapter 4](#)) mandates the EITI Board to review requests for adapted implementation.

### Financial implications of any actions

Approval of the proposal is expected to reduce costs related to EITI implementation in the Seychelles.

### Document history

|   |                   |
|---|-------------------|
| Submitted to the Implementation Committee | 12 September 2019 |
| Discussed by the Implementation Committee | 19 September 2019 |
| Approval by the Implementation Committee  | 19 September 2019 |
| Submitted to the EITI Board               | 2 October 2019    |

## 1. Recommendation

The Implementation Committee recommends that the Board takes the following decision:

*The EITI Board accepts Seychelles' multi-stakeholder group's proposal for proportionate implementation. The request is granted for the reporting period 2017-2021. Thereafter, the Seychelles' multi-stakeholder group should review progress and consider whether a further request is necessary.*

*The EITI Standard allows for adapted implementation "where the country faces exceptional circumstances that necessitate deviation from the implementation requirements" ([Article 1, Chapter 4](#)). The Limited engagement policy specifies that the irrelevance of an EITI Requirement in a specific country may constitute an exceptional circumstance. In taking this decision, the EITI Board notes that Seychelles joined the EITI to strengthen transparency and accountability in the petroleum sector, which remains at exploration stage. As the economic significance of the sector is limited, the Board agrees that a tailored, more cost-efficient approach to EITI implementation is sensible.*

*The EITI Board welcomes the multi-stakeholder group's continued commitment to transparency and good governance, and efforts to systematically disclose information required by the EITI Standard. Unilateral disclosures of government revenues and other EITI data on government websites will reduce the cost of implementation and strengthen government systems. The MSG is encouraged to consider nationally relevant topics beyond the EITI Requirements in its next work plan.*

## 2. Background

Seychelles joined the EITI in 2014 to establish good governance and transparency in the nascent petroleum industry.<sup>1</sup> To date, oil or gas has not been discovered in commercially viable quantities. Seychelles has a small quarrying sector, which is dominated by construction companies. The cost of EITI implementation is high in comparison with extractive revenues.<sup>2</sup>

The 2018 Seychelles Validation report noted the following: "Striking the right balance with regards to EITI implementation in the Seychelles has however been challenging given the small size of the sector. EITI reporting and governance processes do not appear to be proportionate to the current size of the sector."

In October 2017, the EITI Board adopted the Limited engagement policy that addresses cases

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<sup>1</sup> Candidature application:  
[https://eiti.org/sites/default/files/documents/2014\\_seychelles\\_eiti\\_candidature\\_application\\_june\\_11\\_2014.pdf](https://eiti.org/sites/default/files/documents/2014_seychelles_eiti_candidature_application_june_11_2014.pdf).

<sup>2</sup> See proposal in Annex A for further information.

where a country's extractive sector is small and full EITI implementation is not deemed relevant. The policy seeks to ensure that EITI implementation is proportionate, cost-efficient and responds to the country's challenges. In the policy, the Board agreed that existing mechanisms, such as adapted implementation, could be used to ensure that EITI implementation in each country was fit for purpose.

### 3. Relevant rules and precedents

Article 1 of Chapter 4 of the 2019 EITI Standard<sup>3</sup> outlines the scope for multi-stakeholder groups (MSGs) to request "adapted implementation" of the EITI Standard:

*Should the multi-stakeholder group conclude that it faces exceptional circumstances that necessitate deviation from the implementation requirements, it must seek prior EITI Board approval for adapted implementation. The request must be endorsed by the multi-stakeholder group and reflected in the work plan. The request should explain the rationale for the adapted implementation.*

*The EITI Board will only consider allowing adaptations in exceptional circumstances. In considering such requests, the EITI Board will place a priority on the need for comparable treatment between countries and ensuring that the EITI Principles are upheld, including ensuring that the EITI process is sufficiently inclusive, and that EITI disclosures are comprehensive, reliable and will contribute to public debate.*

The EITI's Limited engagement policy from October 2017 notes that if a country can demonstrate that a requirement is not relevant, that would qualify as an exceptional circumstance, and thus legitimate grounds for seeking adapted implementation.<sup>4</sup> Seychelles is the first country to seek adapted implementation on the basis that its extractive sector is currently so small that implementation of all EITI Requirements is not cost-efficient or proportionate. In October 2017, the Board accepted Norway's adapted implementation request on the basis that existing governance and disclosures systems made a number of EITI Requirements irrelevant in the Norwegian context.<sup>5</sup>

### 4. Overview of Seychelles' proposal for proportionate implementation

Seychelles EITI proposes an approach to implementation that reflects the limited size of the country's extractive sector and the MSG's priorities. Given that there is currently no oil or gas production, the MSG considers implementation of all EITI Requirements in the same manner as

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<sup>3</sup> <https://eiti.org/document/standard2019-eiti-board-oversight-of-eiti-implementation#A1>.

<sup>4</sup> <https://eiti.org/document/limited-engagement-policy>.

<sup>5</sup> Board decision 2017-49/BM-38/BP-38-4-E: <https://eiti.org/BD/2017-49>.

producing countries to be disproportionate in the Seychellois context. The proposal addresses five areas:

1. **Scope of implementation.** The MSG proposes that the scope of EITI disclosures and their assessment in Validation should cover only the petroleum sector. The MSG will continue to consider disclosures related to quarrying to the extent relevant in the Seychelles' context and based on demand from stakeholders. Seychelles joined the EITI to establish transparency and good governance ahead of a commercially viable discovery of oil. At first, the MSG considered the quarrying sector to be material, but EITI reporting demonstrated that the economic significance of the sector is negligible and comprehensive disclosures were not cost-efficient.
2. **Revenue disclosure.** The MSG considers that there are currently no material payments to reconcile in the extractive sector. Revenue from oil and gas companies represented 0.0001% of total government revenue in the latest reporting year 2016. The MSG proposes that the government unilaterally discloses any revenues from the oil and gas sector on project-level. The proposal includes mechanisms to ensure data reliability. Revenues are not expected to increase within the reporting period covered by the request (2017-2021), but the MSG will revisit the need for reconciliation if this changes.
3. **Non-applicable requirements.** The MSG is seeking the EITI Board's confirmation that Requirements 3.2 (production data) and 6.3 (economic contribution) are not applicable in the Seychelles, in addition to the requirements that Validation found not to apply. There is no petroleum production and the sector's economic contribution is negligible.
4. **Industry engagement.** The MSG proposes that industry engagement in EITI governance is assessed taking into consideration the limited presence of petroleum companies in the Seychelles. Currently, apart from state-owned PetroSeychelles, no petroleum companies have physical presence in the Seychelles. Seychelles was assessed as having made meaningful progress with meeting the requirement on industry engagement in the 2018 Validation, due to the difficulties with engaging companies due to the lack of operating companies with physical presence in the country.
5. **Nationally relevant disclosures.** The proposal notes that proportionate implementation will allow the MSG to focus on priorities beyond the EITI Requirements. These are not specified.

The full proposal is available in Annex A.

## 5. Assessment of the proposal

The request seeks the Board's confirmation that the proposed approach is aligned with the EITI Standard. The 2019 EITI Standard allows MSGs considerable flexibility to determine which companies and payments are material and how information is disclosed. The Secretariat's view is that adapted implementation is mainly required regarding Requirement 1.2 on industry engagement. The Secretariat has assessed Seychelles' multi-stakeholder group's request for proportionate implementation in accordance with Article 1 on adapted implementation. Table 1 addresses five aspects or criteria cited in Article 1 of the EITI Standard.

Table 1 – Assessment of Seychelles’ proposal for proportionate implementation

| Criteria   | Secretariat’s Assessment  |
|--|---|
| 1. The request must be endorsed by the multi-stakeholder group and reflected in the workplan.  | <p>The request is from the MSG, signed by Vice President Vincent Meriton. The MSG endorsed the request on 29 August 2019.</p> <p>Seychelles’ 2018 work plan does not make a specific reference to seeking adapted implementation, but the importance of this request has been emphasized in consultations with the MSG and national secretariat. The tailored approach to implementation will be reflected in the 2019 work plan.</p>   |
| 2. Must seek prior EITI Board approval.  | <p>The application was made in advance of the publication of Seychelles’ 2017 EITI data, which is due by 31 December 2019. The MSG proposes that the approach covers financial years 2017-2021. The MSG would revisit the approach in the case of a commercially viable oil discovery and subsequent rise in revenues.</p>  |
| 3. The request should “explain the rationale for the adapted implementation”, and the “exceptional circumstances that necessitate deviation from the implementation requirements”.                               | <p>The rationale behind the approach and each aspect of the proposal (scope of implementation, revenue disclosure, non-applicable requirements, industry engagement) is clearly explained. The proposal seeks to reduce costs, while ensuring that the objectives set for EITI implementation are met and the country is well prepared for a commercial discovery of oil.</p> <p>The exceptional circumstances relate to the limited size of the extractive sector. The economic significance of the sector is minimal, and no petroleum companies have a presence in the Seychelles.</p> |
| 4. The need for comparable treatment between countries.  | <p>Seychelles is the first country to request adapted implementation on the basis of the small size of its extractive sector. There are however other countries that have decided to exclude sub-sectors from the scope of reconciliation due to the immateriality of the sector (e.g. Norway and Iraq’s mining industries).</p>  |
| 5. Ensuring that the EITI Principles are upheld, including ensuring that the EITI process is sufficiently inclusive, and that EITI disclosures are comprehensive, reliable and will contribute to public debate. | <p>The Secretariat’s view is that the proposed approach is pragmatic and in line with the EITI Principles. The approach will enable EITI implementation that is proportionate and focuses on nationally relevant topics. This may increase the EITI’s contribution to public debate. Safeguards to ensure data accessibility and reliability are in place.</p>  |

## 6. Conclusion

The Secretariat's assessment is that the proposed approach is sensible in the Seychelles' context and upholds the EITI Principles. It will help reduce costs and ensure that EITI implementation reflects national priorities. The limited size of the extractive sector can be considered as an exceptional circumstance, in line with the Limited engagement policy.

The Implementation Committee therefore recommends that the Board approves the proposal for the reporting period 2017-2021, after which the situation should be reviewed and a new proposal submitted if necessary.

### **Board members:**

Ruslan Baimishev  
Marte Briseid  
Stuart Brooks  
Django Coulibaly  
Sören Dengg  
Maria Teresa Habitan  
Carolina Rojas Hayes  
Marie-Thérèse Holenn  
Diana Kaissy  
Ian Mwiinga  
Simone Niven  
Mtwalo Msoni  
Oscar Pineda  
Samuel Urkato  
Erica Westenberg

## Annex A: Seychelles proposal for proportionate EITI implementation



### THE VICE PRESIDENT

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OFFICE OF THE VICE PRESIDENT  
STATE HOUSE, VICTORIA, MAHE  
REPUBLIC OF SEYCHELLES

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30<sup>th</sup> August 2019

Mrs. Helen Clark Chair  
EITI Board

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Dear Mrs. Clark,

**RE: SEYCHELLES EITI PROPOSAL FOR PROPORTIONATE EITI IMPLEMENTATION**

This letter shall serve as the official submission from the Government of Seychelles to the EITI International Board.

Enclosed herewith is the documentation for due consideration:

1. Seychelles EITI proposal for proportionate EITI implementation

In consideration of our application should your office require additional information, please do not hesitate to contact: Mr. Patrick Payet- Secretary of State for Finance and Chair of the Seychelles EITI Multi-Stakeholder Group on [psf@finance.gov.sc](mailto:psf@finance.gov.sc) and Ms. Fatime Kante, the Seychelles National EITI Coordinator on [fatime.kante@statehouse.gov.sc](mailto:fatime.kante@statehouse.gov.sc)

Yours sincerely,





**Vincent Meriton** W cent  
Meriton Vice President

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(Friday 30<sup>th</sup> August 2019)

## Seychelles EITI proposal for proportionate EITI implementation

The Seychelles EITI MSG seeks the EITI Board's approval for an approach to EITI implementation that reflects the limited size of the extractive sector and advances the objectives set by the MSG. Seychelles joined the EITI in 2014 to establish good governance and transparency in the nascent petroleum industry. Given that there is currently no oil or gas production, the MSG considers implementation of all EITI Requirements in the same manner as producing countries to be disproportionate in the Seychellois context.

Total extractive revenue in 2016, including the quarrying sector, was SCR 11.5 million (approximately USD 850,000). The cost of implementation in 2016 was SCR 453,550 (approximately USD 33,000). The cost of implementation excludes the salary and office costs of the National Coordinator.

The 2018 Validation report<sup>1</sup> noted the following: "Striking the right balance with regards to EITI implementation in the Seychelles has however been challenging given the small size of the sector. EITI reporting and governance processes do not appear to be proportionate to the current size of the sector."

The following proposal seeks to reduce costs, while ensuring that the objectives set for EITI implementation are met and the country is well prepared for a commercial discovery of oil. A more focused approach will also allow the MSG to concentrate on topics of national relevance. Seychelles is also seeking to align implementation of the EITI with other different sector-specific transparency standards such as the Fisheries Transparency Initiative in a coordinated matter.

The proposal addresses the scope of EITI disclosures, the format of revenue disclosures, nonapplicable requirements, industry engagement and nationally relevant disclosures.

The MSG proposes that the approach covers financial years 2017-2021, after which it is revisited. The MSG would also revisit the approach in the event of a commercially viable oil discovery and a rise in revenues from the oil industry. The latest EITI Report covers years 2015 and 2016.

This proposal was approved by the Seychelles EITI MSG on (29 August 2019).

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<sup>1</sup> Final Validation report 2018:

[https://eiti.org/sites/default/files/documents/validation\\_seychelles\\_final\\_report.pdf](https://eiti.org/sites/default/files/documents/validation_seychelles_final_report.pdf).

## 1. Scope of EITI disclosures

The MSG proposes that the scope of EITI disclosures and their assessment in Validation should cover the petroleum sector. The MSG will continue to consider disclosures related to quarrying to the extent relevant in the Seychelles' context.

Seychelles joined the EITI in 2014 to prepare for the discovery of oil by strengthening governance, accountability and transparency.<sup>6</sup> Seychelles does not currently produce petroleum, but international companies are exploring offshore. A commercially viable discovery could have a significant impact on the Seychelles as the population is only 95,000 and the economy relies on tourism and fishing.

Subsequently, the MSG decided to cover quarrying in EITI Reporting. As there is no petroleum production and revenues from the oil and gas sector are minimal, the quarrying sector appeared material. However, reporting exercises demonstrated that disclosures on the level required by the EITI Standard are not cost-efficient. The 2015-2016 EITI Report<sup>7</sup> shows that the economic significance of the quarrying sector in the Seychelles is negligible, and companies active in quarrying are construction companies.

Ensuring comprehensive disclosures in the quarrying sector requires considerable resources and does not advance the objectives set for EITI implementation in Seychelles. However, given continued interest by stakeholders in quarrying activities, the MSG is committed to continuing to promote transparency in the quarrying sector to the extent disclosures are considered relevant and the benefits supersede the resources required.

## 2. Revenue disclosure

Seychelles proposes that the government unilaterally discloses revenues from the oil and gas sector on project-level on the PetroSeychelles/Ministry of Finance websites. This will accompany existing systematic disclosures on the PetroSeychelles website related to the legal and fiscal framework. license allocations and register and state participation in the sector.

The MSG considers that there are currently no material payments in the extractive sector. Revenue from oil and gas companies represented 0.0001% of total government revenue in the latest reporting year 2016. The total contribution of the extractive sector, including quarrying, was less than 0.5% of total government revenue. The MSG's view is that reconciliation of these

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<sup>6</sup> Candidature application:

[https://eiti.org/sites/default/files/documents/2014\\_seychelles\\_eiti\\_candidature\\_application\\_june\\_11\\_2014.pdf](https://eiti.org/sites/default/files/documents/2014_seychelles_eiti_candidature_application_june_11_2014.pdf).

<sup>7</sup> 2015-2016 Seychelles EITI Report:

[https://eiti.org/sites/default/files/documents/2014\\_seychelles\\_eiti\\_candidature\\_application\\_june\\_11\\_2014.pdf](https://eiti.org/sites/default/files/documents/2014_seychelles_eiti_candidature_application_june_11_2014.pdf).

revenues is disproportionate, costly and does not contribute to improved extractive sector governance.

Seychelles has the necessary mechanisms in place to ensure that government disclosures meet the EITI Standard's requirements for data reliability. The MSG has initiated discussions about integrating the EITI data certification as part of the annual audits conducted by the Office of the Auditor General (OAG) on government agencies and SOEs. The MSG will annually take stock on disclosures and address any gaps that appear.

Government agencies are annually audited by the Office of the Auditor General, which is considered by the MSG to be a credible and independent entity. The results of the audits are presented in annual reports, which are discussed in parliament and published online.<sup>8</sup> The OAG's audits also cover the SOE PetroSeychelles.

PetroSeychelles will make its audited financial statements available on its website or through the Public Enterprise Monitoring Commission's website.

If government revenues from oil and gas activities reach SCR 70 million (approximately USD 5 million) in any given financial year, the MSG will revisit the need to reconcile the payments and revenues. This would currently represent approximately 1% of total government revenue, based on the information in the 2016 EITI Report. The MSG will seek confirmation from the tax administration on an annual basis whether any payments were made above the materiality threshold. The OAG will be asked to confirm the accuracy of revenue data disclosed by the government as part of its annual auditing exercise.

### 3. Non-applicable requirements

Seychelles' first Validation under the EITI Standard found that the following requirements were not applicable: export data (3.3), in-kind revenues (4.2), barter and infrastructure agreements (4.3), transportation revenues (4.4), subnational payments (4.6), subnational transfers (5.2) and quasifiscal expenditures (6.2).

Following the MSG's decision to focus EITI implementation on the petroleum sector the MSG is seeking the EITI Board's confirmation that in addition the following requirements are not applicable in the Seychelles: production data (3.2) and economic contribution (6.3).

No commercially viable oil or gas discoveries have been made. There is currently no petroleum production, and production is not expected to commence in the period covered by this proposal.

The 2013-2014 and 2015-2016 EITI Reports demonstrate that the extractive sector's contribution to the economy of Seychelles is negligible. All parameters under Requirement 6.3 are either at zero or very close to zero. Collating and disclosing the required information does not increase the understanding of stakeholders or contribute to public debate about natural resource governance.

### 4. Industry engagement

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<sup>8</sup> <http://oag.sc/>.

The MSG proposes that industry engagement in EITI governance is assessed taking into consideration the limited presence of petroleum companies in the Seychelles.

Seychelles' first Validation in 2018 documented challenges in replacing industry representatives on the MSG and required that Seychelles ensure that the constituency is adequately represented on the MSG. The Validation report noted the following: "The petroleum industry's engagement is particularly low, which is understandable in light of the limited activities and the lack of in-country presence."

The petroleum industry is at exploration stage and there has been heavy turnover in company presence. Since the MSG was established in 2014, the main petroleum companies are no longer operating in the country. Currently, apart from state-owned PetroSeychelles, no petroleum companies have physical presence in the Seychelles.

With very limited extractive sector activities, Seychelles may not be able to ensure full industry engagement. The MSG will, however, continue efforts to engage the private sector in the MSG by engaging industry associations in Seychelles such as the Chamber of Commerce and Industry. PetroSeychelles is committed to fully and actively participate in EITI implementation.

Validation has helped to ensure that the implementation of the EITI in Seychelles falls in line with the standards of the international EITI. This process involved data collection and consultations held with the Multi-Stakeholder Group (MSG) in Seychelles with a final review done by an appointed validator Cowater Sogema.

Seychelles has not yet reached the point of discovering or extracting oil in its waters but this process of validation helped in ensuring that Seychelles is ready for such a step and that all the necessary laws, disclosure agreements are in place, that the people can trust in the system and that the government, private sectors and the National Assembly are all in favour if ever oil is discovered and ready to be extracted in Seychelles.

## **5. Nationally relevant disclosures**

An approach focused on the petroleum sector will allow the MSG to concentrate efforts on topics beyond the minimum requirements of the EITI Standard.