

Board decision on the Validation of Seychelles

Decision reference: 2018-49/BC-257

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The Board's decision

Following the conclusion of Seychelles' Validation, the EITI Board decided that Seychelles has made meaningful progress overall in implementing the EITI Standard.

The Board recognised the commitment by the Government of Seychelles and the Multi-Stakeholder Group (MSG) to transparency and accountability in its nascent oil sector and congratulates the government on the progress made in improving transparency and accountability in the extractive industries. Seychelles' EITI implementation was also recognised as having increased collaboration among government agencies and provided useful insights about developments in the petroleum sector. The Board welcomed ongoing efforts to explore opportunities to improve government and company disclosures through systematic disclosures. The Multi-Stakeholder Group (MSG) was also encouraged to further ensure EITI implemented takes the specific circumstances of the country and emerging sector into account. This could include seeking adapted implementation to ensure that the EITI process reflects the sector's nascent stage.

The Board has determined that Seychelles will have 18 months, i.e. until **1 April 2020**, before a second Validation to carry out corrective actions regarding the requirements relating to the Multi-stakeholder Group (1.4), workplan (1.5), license allocations (2.2), register of licenses (2.3), contract disclosure (2.4), state participation (2.6), data quality (4.9) and the review of outcomes and impact of EITI implementation (7.4). Failure to achieve meaningful progress with considerable improvements across several individual requirements in the second Validation will result in suspension in accordance with the EITI Standard. In accordance with the EITI Standard, Seychelles' MSG may request an extension of this timeframe, or request that Validation commences earlier than scheduled.

The Board's decision followed a Validation that commenced on 1 January 2018. In accordance with the 2016 EITI Standard, an initial assessment was undertaken by the International Secretariat. The findings were reviewed by an Independent Validator, who submitted a draft Validation report to the MSG for comment. The MSG's comments on the report were taken into consideration by the independent Validator in finalising the Validation report and the independent Validator responded to the MSG's comments. The final decision was taken by the EITI Board.

Background

The government of Seychelles committed to implement the EITI on 30 June 2013. The country was accepted as an EITI Candidate in 6 August 2014.

The Validation process commenced on 1 January 2018. In accordance with the Validation procedures, an initial assessment was prepared by the International Secretariat. The Independent Validator reviewed the findings and submitted a [draft Validation report](#) on 20 July 2018. Both papers were shared with the MSG for its feedback and comments were received on 20 August 2018. Based on the MSG's comments, the Independent Validator finalised the Validation report and shared the response to the MSG on 1 September 2018.

The Validation Committee reviewed the case on 14 August 2018 and 18 September 2018. Based on the findings above, the Validation Committee agreed to recommend the assessment card and corrective actions outlined below.

The Committee also agreed to recommend an overall assessment of “meaningful progress” in implementing the 2016 EITI Standard. Requirement 8.3.c. of the EITI Standard states that:

ii. Overall assessments. Pursuant to the Validation Process, the EITI Board will make an assessment of overall compliance with all requirements in the EITI Standard.

...

iv. **Meaningful progress.** The country will be considered an EITI candidate and requested to undertake corrective actions until the second Validation.

The Validation Committee agreed to recommend a period of 18 months to undertake the corrective actions. This recommendation takes into account that the challenges identified are relatively significant and seeks to align the Validation deadline with the timetable for Seychelles’ 2017 EITI Report.

Scorecard

EITI Requirements		Level of Progress				
Categories	Requirements	No Progress	Inadequate	Meaningful	Satisfactory	Beyond
MSG oversight	Government engagement (#1.1) 					
	Industry engagement (#1.2) 					
	Civil society engagement (#1.3) 					
	MSG governance (#1.4) 					
	Workplan (#1.5) 					
Licenses and contracts	Legal framework (#2.1) 					
	License allocations (#2.2) 					
	License register (#2.3) 					
	Policy on contract disclosure (#2.4) 					
	Beneficial ownership (#2.5) 					
	State participation (#2.6) 					
Monitoring production	Exploration data (#3.1) 					
	Production data (#3.2) 					
	Export data (#3.3) 					

EITI Requirements		Level of Progress				
Categories	Requirements	No Progress	Inadequate	Meaningful	Satisfactory	Beyond
Revenue collection	Comprehensiveness (#4.1)					
	In-kind revenues (#4.2)					
	Barter agreements (#4.3)					
	Transportation revenues (#4.4)					
	SOE transactions (#4.5)					
	Direct subnational payments (#4.6)					
	Disaggregation (#4.7)					
	Data timeliness (#4.8)					
	Data quality (#4.9)					
Revenue allocation	Distribution of revenues (#5.1)					
	Subnational transfers (#5.2)					
	Revenue management and expenditures (#5.3)					
Socio-economic contribution	Mandatory social expenditures (#6.1)					
	SOE quasi-fiscal expenditures (#6.2)					
	Economic contribution (#6.3)					
Outcomes and impact	Public debate (#7.1)					
	Data accessibility (#7.2)					
	Follow up on recommendations (#7.3)					
	Outcomes and impact of implementation (#7.4)					
Overall Progress						

No progress. All or nearly all aspects of the requirement remain outstanding and the broader objective of the requirement is not fulfilled.

Inadequate progress. Significant aspects of the requirement have not been implemented and the broader objective of the requirement is far from fulfilled.

Meaningful progress. Significant aspects of the requirement have been implemented and the broader objective of the requirement is being fulfilled.

Satisfactory progress. All aspects of the requirement have been implemented and the broader objective of the requirement has been fulfilled.

Beyond. The country has gone beyond the requirements.

This requirement is only encouraged or recommended and should not be taken into account in assessing compliance.

The MSG has demonstrated that this requirement is not applicable in the country.

Corrective actions

The EITI Board agreed the following corrective actions to be undertaken by Seychelles. Progress in addressing these corrective actions will be assessed in a second Validation commencing on **1 April 2020**:

1. In accordance with Requirement 1.4. a and 1.4b.vi, the MSG should ensure that the industry constituency is adequately represented on the MSG and that there is a system in place for replacing representatives that leave their positions. In accordance with Requirement 1.4.b.vii, the MSG should also ensure that there is adequate record keeping of their discussions and decisions.
2. In line with EITI Requirement 1.5, the MSG should ensure it has a current EITI work plan outlining targeted objectives in line with the national priorities for the sector, and that the work plan is made widely available to the public, for example published on the national EITI website and/or other relevant ministry and agency websites, in print media or in places that are easily accessible to the public.
3. In accordance with EITI Requirement 2.2, the government should disclose a description of the process for transferring or awarding the license; the technical and financial criteria used; information about the recipient(s) of the license that has been transferred or awarded, including consortium members where applicable; any non-trivial deviations from the applicable legal and regulatory framework governing license transfers and awards. The MSG should ensure that there is clarity on the government's plans in the year under review for the quarrying sector, and that there is a publicly available description on the allocation of mining licenses, the process for transferring licenses and the technical and financial criteria applied.
4. In accordance with EITI Requirement 2.3, the government should ensure that comprehensive information on petroleum licenses and agreements is made available, including dates of application and award of licenses/agreements.
5. In accordance with Requirement 2.4, the government and the MSG should clarify and document the government's policy on disclosure of contracts and licenses, as well as actual practice, including any reforms that are planned or underway.
6. In accordance with Requirement 2.6, the Government of Seychelles should ensure that there is

publicly-accessible information on the rules and practice of financial relations between SOEs and the state (including retained earnings, reinvestments and third-party funding), the level of state participation, including associated terms, and any change thereof in the year(s) under review.

7. In accordance with Requirement 4.9 and the standard Terms of Reference for Independent Administrators, the Seychelles should ensure that future EITI Reports provide a clearer assessment on the reliability of the data disclosed, and that actual audit practices by government entities are described.
8. In accordance with Requirement 7.4, the MSG should ensure that future annual reviews of outcomes and impacts include an assessment of progress made against each EITI Requirement. This should also include an assessment of the impact and outcomes of the work plan objectives. The MSG could also consider alternative ways to assess progress of EITI implementation that would suit the context of Seychelles in a request for adapted EITI implementation.

The government and the MSG are encouraged to consider the other recommendations in the Validator's report and the International Secretariat's initial assessment, and to document the MSG's responses to these recommendations in the next annual progress report.

News

Seychelles builds foundation for transparent revenue management of nascent petroleum sector

EITI Board assesses the island nation as having achieved "meaningful progress" against the EITI Standard.

The EITI Board decided on 1 October that the Seychelles has made "meaningful progress" overall in implementing the EITI Standard, following the conclusion of the Validation process - the EITI's quality assurance process.

The Board recognises the commitment by the Government of Seychelles and the Multi-Stakeholder Group (MSG) to good governance in its nascent oil sector and commends the government on the progress made in improving transparency and accountability in the extractive industries. The implementation of the EITI in the Seychelles is also contributing to increased collaboration between government agencies and is providing useful insight into developments in the petroleum sector.

"The Government of the Seychelles is clearly committed to good governance in its extractive and fisheries industries, and we encourage their efforts to introduce new transparency legislation," said Fredrik Reinfeldt, Chair of the EITI. "The process has begun to build a platform for transparent revenue management, for if and when the

country makes commercial petroleum discoveries.”

The Board welcomed the government’s ongoing efforts to improve government and company reporting through systematic disclosure rather than separate data collection. Stakeholders in the Seychelles and the MSG are also encouraged to adapt the EITI implementation to the country’s own needs. This could include seeking adapted implementation to ensure asking the EITI Board to just at focus on what is most relevant in a non-producing country.

Validation is an essential feature of the EITI process. It serves to assess performance and promote dialogue and learning at the country level. It also safeguards the integrity of the EITI by holding implementing countries to the same global standard. It is intended to provide all stakeholders with an impartial assessment of whether EITI implementation in a country is in line with the Standard. In addition, the Validation report seeks to identify the impact of the EITI in the country.

All EITI countries have a Validation deadline. When the EITI Board accepts a country as an implementing country, it establishes timelines for publishing the first EITI Report and undertaking a Validation. The Validation process is required to start within two and a half years of becoming an EITI implementing country. The Seychelles was admitted as an EITI candidate in August 2014. The EITI Board approved the Seychelles’ Validation to start on 1 January 2018.

The Seychelles has no petroleum production, but one company is currently undertaking exploration activities and others are collecting seismic data. The country, which comprises 115 islands spread over 1.4 million square kilometres in the Indian Ocean, also manages a joint petroleum zone with Mauritius, where exploration activities were recently initiated.

Stakeholders in the Seychelles are hopeful about the potential development of an oil and gas sector, although there are concerns regarding the impact petroleum mining could have on the marine ecology and other sectors such as tourism and fisheries. Currently, the revenue from the petroleum sector is small, but information on licenses and the process of allocating licenses is useful in developing transparent and accountable systems. According to the 2015 -16 EITI Report, revenues collected from the extractive industries contributed 0.16% of total government revenues in 2016. There were no petroleum revenues. Mineral commodities are produced in the Seychelles at a small scale, and include clay for bricks, crushed stone, granite dimension stone, salt and sand.

- [Read more about Seychelles on their country page](#)
- [Validation of the Seychelles](#) - documentation
- [Seychelles progress by requirement](#)