



UGANDA'S FIRST EITI REPORT SHINES



By John Odyek

Uganda has released its inaugural Extractives Industries Transparency Initiative (EITI) report. Uganda was admitted to the EITI in August 2020 as a member country. Thereafter, the country embarked on producing its first EITI report, UGEITI Report 2019/2020.

By joining EITI, the global transparency standard, it means Uganda has embarked on a journey to manage its nascent oil, gas and mineral sectors in an open manner. The report seeks to account to the people of Uganda what is happening in the extractives sector.

Uganda is endowed with many minerals – some have been explored, others are under exploration while others are being mined. This initiative by the Government seeks to show who is doing business in the extractive sector, where are the revenues going, how are Ugandans benefitting and how the environment is being protected.

EITI IN UGANDA

The basis of Uganda's admission was the submission of a candidacy application, which detailed the country's statement of intent for improving the governance of its extractives sector as documented in the Uganda EITI National Workplan 2020-20224. The document has three objectives:

- To enhance transparency in the extractives sector so as to promote good governance and accountability in the management of revenue from extractives.
- To strengthen revenue management and accountability with a view to ensure effective collection, optimisation and allocation of revenues.
- To build the operational and technical capacity of the Multi-Stakeholder Group (MSG) and the secretariat in order to ensure that EITI is effectively implemented.

EITI implementation in Uganda is overseen by a tripartite MSG comprising 25 members as follows; five representatives from civil society organisations, seven from extractive companies and 13 from the Government.

The MSG is supported by a secretariat (UGEITI) which oversees EITI implementation on a day-to-day basis. Gloria Mugambe is the head of Uganda National Extractive Industries Transparency Initiative (EITI).

According to the EITI Uganda secretariat, by joining the EITI, Uganda will see improved resource governance because the principles of the mechanism are premised on



Kigogoro drilling site in Kigwera sub-county in Bullisa district. The Petroleum Authority of Uganda has said there was no oil and gas production during the 2019/2020 financial year

transparency and accountability.

Transparency means disclosing information on extractives such as production, contracts, revenues and expenditures. While accountability means being able to demonstrate efficient use of extractive resources.

With these two principles, Ugandans will be able to appreciate and understand how they are benefiting from their extractive resources, which belong to them.

The EITI process is a journey which requires continuous awareness, learning and education by all stakeholders to improve appreciation of the extractive chain, criteria and requirements.

Economic experts say many countries rich in natural resources exploit and squander that wealth. The resources are characterised by mismanagement, corruption and lead the resource curse not the blessing. At times, the resources benefit a few people, while the minority, especially the communities where the resources are located, are left in poverty. The citizens of resource-rich countries bear the responsibility to push their governments towards transparency and spending that responds to public needs.

EITI is a global standard to promote the open and accountable management of natural resources. It seeks to strengthen the Government and company systems, inform public debate and enhance trust.

In each implementing country, it is supported by MSG comprising government representatives, extractive company officials and civil society organisations.

BENEFICIAL OWNERSHIP DISCLOSURE

The Income Tax Amendment Act 2019 defines a beneficial owner and the Anti-money Laundering Act 2013 defines a politically exposed person. Legal

UGEITI REPORT FINDINGS

The report covers payments made by extractive entities and revenues received by government agencies. It also covers material payments and benefits to government agencies. It includes contextual information about the extractive industries in accordance with EITI requirements.

This information includes a summary description of the legal framework and fiscal regime, an overview of the extractives sector, the extractive industries' contribution to the economy, production data, the state's shareholding in extractive entities, revenue allocations, licence registers and licence allocations.

The report states that total revenues received from the extractives sector amounted to sh436,353 in FY 2019-20. Revenues collected by the Uganda Revenue Authority accounted for 96.97% of the total revenue streams generated by the sector.

The macro-economic data provided by the Uganda Bureau of Statistics (UBOS) indicates that the mining and quarrying sector accounted for sh2,266.31b in the FY 2019-20, which represents 1.63% of

the national GDP on current basic prices, including 1.17% from formal sector activity and 0.46% related to informal sector activities. The contribution of the mining and quarrying sector to GDP has decreased compared to the prior year's contribution (1.72%).

The data from UBOS also indicates that the oil and gas sector employs 178 persons directly, while artisanal and small-scale mining direct employment is estimated at approximately 300,000 jobs. All direct employment represents 1.84% of the country's total workforce of 16.3 million people.

The contribution of the extractives sector to government's revenue amounted to sh436.35b, accounting for 1.27% of the total domestic revenues in the FY 2019-20. The value of exports from the extractives sector amounted to sh2.598b, accounting for 0.02% of the country's total exports in the FY 2019-20.

The Directorate of Petroleum and Petroleum Authority of Uganda (PAU) have confirmed that there was no oil and gas production during the fiscal year 2019-2020.

ownership information of a company can be accessed from Uganda Registration Services Bureau at a sh25,000 search fee as detailed in the following link: [Business Registration Forms \(ursb.go.ug\)](https://www.ursb.go.ug)

Extractive entities included in the reconciliation scope were requested to submit information on their beneficial owners. However, to date, there is no comprehensive register of data on beneficial owners of all companies operating in the mining, oil and gas sectors.

CONTRACT DISCLOSURE

The model Production Sharing Agreement (PSA) is publicly available on Uganda National Oil Company's website. However, the PSA signed with oil and gas companies are not currently publicly available.

UNILATERAL DISCLOSURES

As agreed by UGEITI Multi Stakeholder Group,



revenues collected from mining entities were included in the EITI scope through unilateral disclosure by government agencies in accordance with the EITI requirement.

Based on the above, we included payments of sh374,939m as unilateral disclosure by the government agencies in the report. These unilateral disclosures represent 100% of the revenues of the mining sector.

An inclusion of a combined amount of sh19,170m was unilateral disclosures by government agencies and by oil and gas companies in the report. The unilateral disclosures represent 12% of total revenues of the oil and gas sector, which therefore, means that 69% of the total revenue of the oil and gas sector was included in the reconciliation scope.

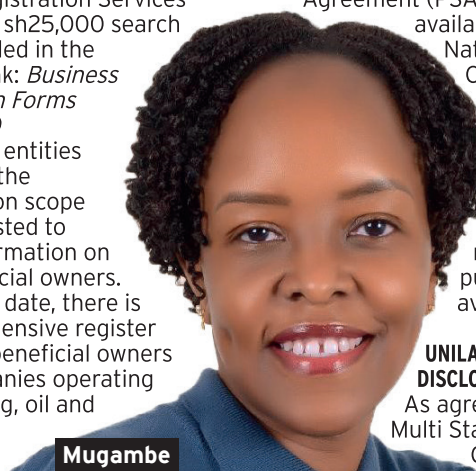
RECOMMENDATIONS

● The EITI standard requires taking steps to act upon lessons learnt with a view to strengthen the impact of EITI implementation on natural resource governance and to consider the recommendations resulting from EITI implementation. The following recommendations have been made in order to improve the impact of EITI.

● The multi-stakeholder group is encouraged to make systematic disclosure of data in machine readable and inter operable format. They are advised to code or tag EITI disclosures and other data files so that the information can be compared with other publicly available data.

● The EITI data disclosed in this report has been collected from different sources, including the government agencies selected in the UGEITI reporting process. However, regarding the contextual information on the extractive sector, data on revenues collected and budget allocations are not systematically published on a centralised platform.

● The UGEITI Multi Stakeholder Group is encouraged to put in place a roadmap for the implementation of an open data platform that centralises all EITI data. This roadmap should provide a clear open data policy on the access, release and reuse of EITI data. Government agencies and extractive entities are expected to publish EITI data under an open licence and to make users



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aware that information can be reused without prior consent as stipulated by requirement of the EITI standard.

- It is recommended that the UGEITI website publishes the relevant links to the different information required by the EITI standard as availed by the different government agencies.

- The government agencies should set up an open EITI database in government systems by; upgrading an integrated cadastral system with adequate details such as data about valid licences, co-ordinates, licensees, revenues collected, production data and export data, as well as beneficial owners of the companies.

- They are required to enhance and integrate the current management information systems of government agencies involved in the UGEITI process, that is the Uganda Revenue Authority (URA), DGSM and National Environment Management Authority, in order to allow the publication of systematic EITI data.

PUBLIC DISCLOSURE OF THE REGISTER OF LICENCES

EITI requirements state that implementing countries should maintain a publicly available register or cadastre system with the following timely and comprehensive data regarding each of the rights pertaining to entities within the EITI scope:

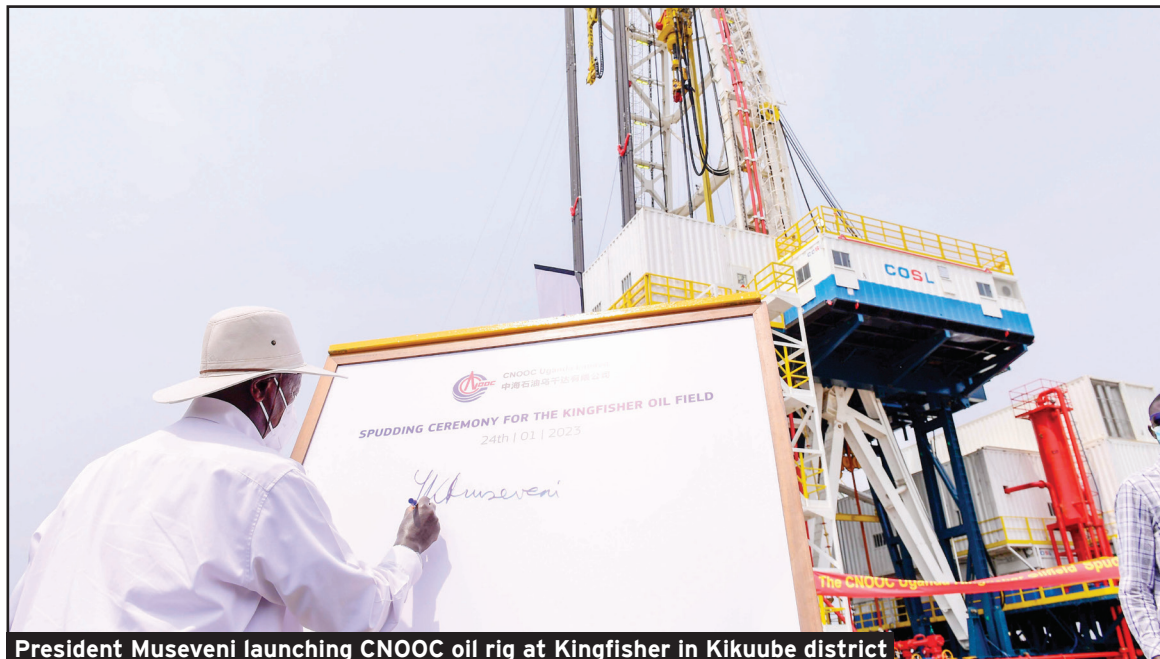
- Name(s) of licence holder(s);
- Co-ordinates of the licensed area
- Date of application, date of award and duration of the licence
- In the case of production licences, the commodity being produced.

EITI requirements expect implementing countries to disclose the full text of any licence, lease, title or permit by which a government confers on a company or individual rights to exploit oil, gas and/or mineral resources.

The online cadastral system provides information on licence holder, co-ordinates of the licensed areas, date of application award and duration of the licence as well as the commodity being produced. Details on licences, including the full text, are available from the Directorate of Geological Survey and Mines at a fee. It is recommended to make publicly accessible the full text of the licences.

DISCLOSURE OF CONTRACTS, LICENCES

In accordance with the requirement of the 2019 standard, countries implementing EITI are required to disclose all contracts and licences that have been granted, entered into or



President Museveni launching CNOOC oil rig at Kingfisher in Kikuube district

amended as of January 1, 2021. Implementing countries are encouraged to publicly disclose any contracts and licences that provide the terms attached to the exploitation of oil, gas and minerals. Currently, PSAs are not publicly available.

It is suggested that the UGEITI Multi Stakeholder Group should set out a short-term work plan for the publication of all agreements in the extractives sector. This work plan may include the following: Defining how the publication of petroleum and mineral agreements can be undertaken. They should consider using UGEITI's official website – the steps required for all petroleum and mineral agreements to be published and how to make these accessible to the public.

There should be a realistic short-term timeline as to when such data could be available and performing a review of the institutional or practical barriers that may prevent such publication.

DATA QUALITY AND ASSURANCE

EITI requirement requires an assessment of whether the payments and revenues are subject to credible, independent audit, following international auditing standards.

EITI requirement warrants companies to publicly disclose their audited financial statements, or the main items where financial statements are not

COMPANIES WERE REQUESTED TO PROVIDE A CONFIRMATION FROM AN EXTERNAL AUDITOR THAT THE FIGURES REPORTED IN THE REPORTING TEMPLATES ARE COMPLETE AND IN AGREEMENT WITH THE AUDITED ACCOUNTS.

available.

As part of the procedures to ensure the reliability of the data reported to the independent administrator during the reconciliation process, reporting entities were requested to provide signed copies of their reporting templates and a copy of their audited financial statements for the year.

Companies were requested to provide a confirmation from an external auditor that the figures reported in the reporting templates are complete and in agreement with the audited accounts. Many reporting entities did not comply with this assurance process agreed by the UGEITI Multi Stakeholder Group.

The UGEITI Multi Stakeholder Group should engage with reporting entities and emphasise the importance of complying with this provision of proper signature and certification of templates by auditors for future reports, in order to meet EITI requirements.

It is recommended to put in place an assurance process of the Government



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reporting templates to allow its reconciliation with the audited accounts.

ACCURACY OF EXPORT DATA

EITI requirement refers to the disclosure of export data for the fiscal year covered by the EITI report, including total export volumes and the value of exports by commodity, and where relevant, by state/region of origin.

Government agencies' records on exports were different from one another. However, the Directorate of Geological Survey and Mines does not systematically cross-check export data against URA's records to identify the potential inconsistencies.

The Directorate of Geological Survey and Mines and URA should implement automated controls to ensure the comprehensiveness of export data reported by extractive entities and to develop analytic tools to ensure better control of mineral trading.

This may include putting in place a computerised system allowing the update of such data as well as collecting data from mining companies on a common and accessible information technology platform for the relevant government agencies. They are

required to undertake monthly control of exports data collected from government agencies to analyse discrepancies and ensure they are fully reconciled.

PUBLIC DISCLOSURE OF BENEFICIAL OWNERSHIP INFORMATION

EITI requirement stipulates that: "As of January 1, 2020, it is required that implementing countries request, and companies publicly disclose beneficial ownership information. This applies to corporate entities that apply for or hold a participating interest in an exploration or production oil, gas or mining licence or contract, and should include the identities of their beneficial owners, the level of ownership and details about how ownership or control is exerted."

Extractive entities included in the reconciliation scope have been requested to submit information on their beneficial owners.

Nevertheless, to date, there is no comprehensive register of data on beneficial owners of all companies operating in the mining, oil and gas sectors.

It is recommended that UGEITI Multi Stakeholder Group and URSB put in place a roadmap relating to the disclosure of information on beneficial ownership. Such a roadmap should include a reporting process to collect data on beneficial ownership of companies in the extractive sector.

Others are; an assurance process of information and due diligence procedures to ensure reliability of the information declared, plans for developing a database that would be accessible by relevant government agencies. These include the Intelligence Financial Authority, Bank of Uganda, Directorate of Geological Survey and Mines, Directorate of Petroleum and URA. The process of agreeing on information to be made publicly available.

Onesmus Mugenyi, the deputy executive director of the Advocates Coalition for Development and Environment (ACODE), says implementation of the EITI in Uganda promotes transparency in the extractives revenue management.

"It has the potential to improve extractive revenue collection and boost public finances.

The first report provides good recommendations. If they are adopted and implemented, it will be a good milestone in enhancing transparency. The reconciliation of minerals extracted, revenues paid by licence holders and received by the Government will improve revenue collection," Mugenyi says.

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