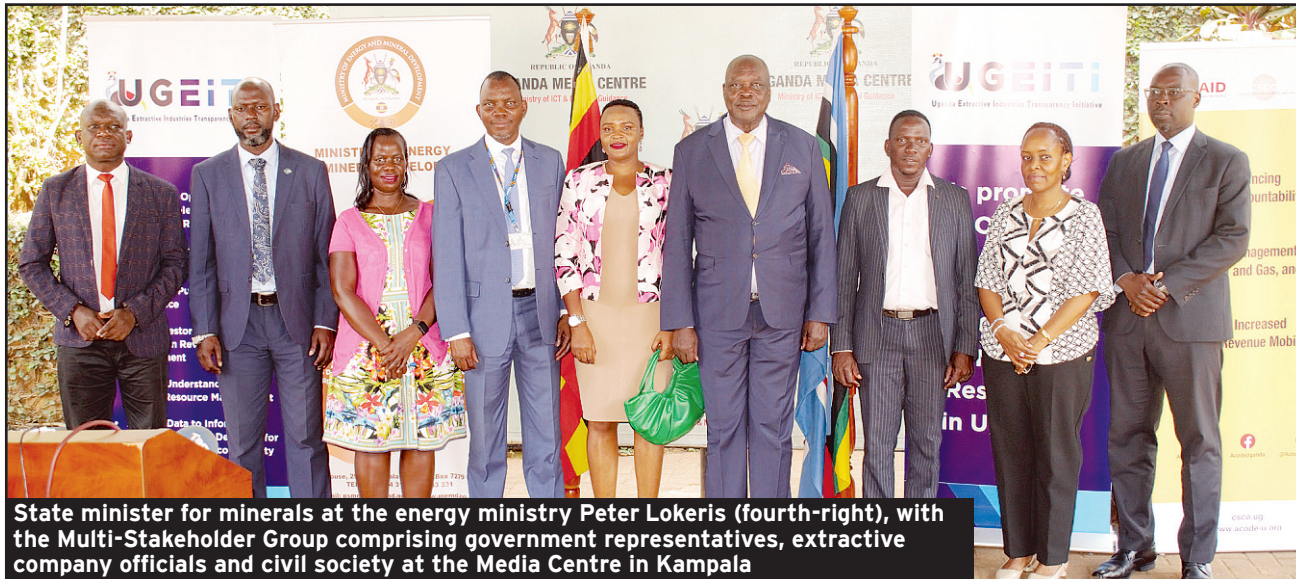


MAKES STRIDES IN TRANSPARENCY

PHOTO BY JOHN ODYEK



State minister for minerals at the energy ministry Peter Lokeris (fourth-right), with the Multi-Stakeholder Group comprising government representatives, extractive company officials and civil society at the Media Centre in Kampala

improve transparency. This is provided for under the Domestic Resource Mobilisation Strategy (FY 2019/20-2023/24).

OIL AND GAS SECTOR

The oil and gas sector was still at the exploration and pre-production stage during the FY 2020-21 and, therefore, there was no significant contribution of the oil and gas sector to the GDP. The Directorate of Petroleum and the Petroleum Authority of Uganda (PAU) have confirmed that there was no oil and gas production during the fiscal year 2020-21.

The development of the upstream and midstream projects is expected to lead to an investment of approximately \$15b in a period of five to seven years. In the downstream segment, the investment is estimated at \$1.5b per year as of 2021.

As the country gears towards the production and value-addition of the confirmed petroleum resources, it is presented with an opportunity to also address the insecurity of supply of petroleum products in the country as this has been a long-standing problem. Uganda is a net importer of petroleum products, 95% of the products are sourced through Kenya and 5% through Tanzania.

Uganda's petroleum resources are estimated at 6.5 billion barrels of Stock Tank Oil-Initially-In-Place (STOIIP), of which 1.4 billion barrels are estimated to

be recoverable. In addition, gas resources are currently estimated at 500 billion standard cubic feet (BCF).

There is potential for additional resources in the country expected from the 60% of the Albertine Graben that is unexplored and Moroto-Kadam, Lake Kyoga and Hoima basins that are yet to be explored.

The first commercial discovery in Uganda was made over the Mputa field in 2006. This discovery created great interest in exploration in the country. To date, 21 oil and gas discoveries have been made in the country out of the 31 prospects drilled, putting the prospect success rate in the Albertine Graben at 68%. At least 121 exploration and appraisal wells have been drilled, with 106 wells encountering oil and/or gas, which is an unprecedented drilling success rate of over 88%.

LEGAL FRAMEWORK OF THE OIL AND GAS SECTOR

There are several pieces of legislation which provide a conducive environment for prospection, exploration and production of oil and gas resources. They aim to promote a transparent, accountable and environmentally responsible oil and gas sector.

The Government set up the Petroleum Fund in the Bank of Uganda, where revenues from petroleum activities are deposited as part of the Public Financial Management Act 2015 and the National Oil and Gas Policy of 2012.

The audited financial statements of the Petroleum Fund for the FY 2020-2021 show that a total of sh824.7m has been deposited into the Fund since its inception in March 2015.

Subsequently, sh580.3m (70.4% of the total deposits) was transferred to the consolidated fund for annual budget support.

MINING EXPLORATION HISTORY IN UGANDA

Large-scale mining in Uganda commenced in the 1970s with the establishment of Kilembe Mine as a large-scale mine, producing over 21,700,017 tonnes of blister copper, as well as cobalt, phosphates and limestone.

Several mining activities were also focusing on extracting tungsten, tin, beryl, niobium, tantalum and gold in operation. Precious minerals and base metals continue to be exploited informally.

The period after 1986 was marked by an improvement in international commodity prices and a favourable business climate in Uganda which made mining a viable investment. As a result, many mining companies applied for licences in the mining sector. Furthermore, several mineral occurrences led to the discovery of minerals that have since been mined and/or processed. Others remain in exploration phases.

Today, the mining sector in Uganda has a limited number of large-scale producers of limestone and pozzolanic materials for the manufacture of cement.

NATIONAL LOCAL CONTENT

The Constitution of Uganda vests all minerals and petroleum in the Government on behalf of Ugandans. The Constitution of Uganda mandates that all natural resources belong to the Government on behalf of Ugandans. The legal and regulatory framework for mining, oil and gas in the

country places obligations on companies to offer job opportunities to Ugandan citizens, prioritise them in public procurement, ensure skills and technology transfer and involve nationals in developing and implementing local content plans. These provisions are helping in socio-economic development in Uganda.

Buy Uganda Build Uganda is a policy geared towards promoting use of locally-manufactured goods and use of local skills/personnel. This policy has been more embraced in the petroleum sector and being developed in the minerals sector.

The National Oil and Gas Policy 2018 sets out how Uganda aims to use the country's oil and gas resources to contribute to early achievement of poverty eradication and create lasting value to society. Objective seven of the policy is to ensure optimum national participation in oil and gas activities and objective eight advocates support to the development and maintenance of national skills and expertise.

The Petroleum (Exploration, Development, and Production) (National Content) Regulations, 2016 defines "national content" as using Ugandan local expertise, goods and services, companies, citizens, registered entities, businesses and financing in petroleum activities.

It includes the significant combined value added or created in the Ugandan economy through the use of Ugandan human and material resources for the provision of goods and services to the petroleum industry.

RECOMMENDATIONS

The EITI standard requires taking steps to act upon lessons learnt with a view to strengthening 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 implementation on natural resource governance in Uganda.

Updating data on the contribution of the informal mining sector: Studies are conducted to document the contribution of the informal mining sector in the country's economy. This would support DGS and the energy ministry to better control the mining sector.

Production details and export data of gold: An analysis of gold quantities traded in the country would need to be completed in future by undertaking a study to generate information on quantities of gold production, refining and export to minimise variations in the value-chain.

Awarding licences: The review of the licences awarded during the fiscal year 2020-21 revealed that some required criteria were not met. The existing shortcomings are not significant deviations from the applicable legal and regulatory framework governing licence awards.

However, their existence demonstrates that there is a risk that companies with limited capacity could still be awarded mining licences. An independent audit of the mining licence awards will be conducted to improve the licensing process.

Mainstreaming and systematic disclosure of EITI data: 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 re-use of EITI data. Government Agencies and extractive entities are expected to publish EITI data under an open licence and to make users aware that information can be reused without prior consent as stipulated by EITI requirement of data accessibility and open data.

Public disclosure of the full text of the mining licences on the ministry website: Though hard copies of licences are accessible through payment of administrative fees, it is recommended to make the full text of the licences publicly accessible online through the ministry website.

Public disclosure of contracts and licences in petroleum and mining sectors: 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, Production Sharing Agreements are not publicly available. The UGEITI MSG should set out a short-term work plan for the publication of all agreements in the extractive sector.

Data quality and assurance: The UGEITI MSG 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. It is also recommended to put in place an assurance process of the Government reporting templates to allow its reconciliation with the audited accounts.

Public disclosure of beneficial ownership information: It is recommended that the Uganda Registration Services Bureau should expedite the beneficial ownership register and to put in place. This will provide an assurance process of information and due diligence procedures to ensure reliability of the information declared. It should have plans for developing a database that would be filled in by reporting entities systematically online rather than manually through hard copies of the required forms.

Uganda's legal, policy, institutional and regulatory frameworks to oversee the extractive sector's operations, expanding and positioning Uganda's technical capabilities for management of the extractive sector will see Uganda get blessings from the extractive sector.

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