

# UGANDA ADVANCES TRANSPARENCY IN EXTRACTIVE SECTOR THROUGH EITI

By John Odyek

**U**ganda's National Development Plan III highlights transparency and accountability as essential pillars in advancing the country's extractive sector. In 2020, Uganda joined the Extractive Industries Transparency Initiative (EITI) to promote openness and accountability in the management of its extractive sector.

## EITI STANDARDS, REQUIREMENTS

Countries adhering to the EITI Standard must comply with seven key requirements, which include: effective oversight by a Multi-Stakeholder Group (MSG); annual production of EITI reports; reconciliation of revenues reported by companies and government; and full disclosure of upstream contracts between the government and extractive companies.

In Uganda, the implementation of the EITI is overseen by the MSG, a steering committee that includes representatives from government, civil society and private sector. The MSG is supported by the EITI Secretariat, which operates under the Ministry of Finance, Planning and Economic Development.

## EITI REPORTING, VALIDATION

Uganda's journey with EITI reporting began in May 2022, when the MSG and the EITI Secretariat released the first report, covering the fiscal year 2019/2020. The report highlighted areas for improvement, such as revenue transparency and change to accuracy of export data. The second report, published in June last year, built on these findings.

The third EITI report, published in October, continues this progress. The latest Uganda Extractive Industry Transparency Initiative (UGEITI) report for FY2021/2022 provides a detailed overview of the extractive industry, focusing on the audited and certified data declarations from both government entities and industry players, verified by the Office of the Auditor General and certified audit firms.



**Artisanal miners using an underground mining method called Carbon In Pulp (CIP) to extract gold in Tiira Town Council in Busia district last year. Through regular EITI reporting, Uganda has greatly enhanced transparency in its oil and mining sectors**

## ACHIEVEMENTS FROM EITI IMPLEMENTATION IN UGANDA

Since joining the EITI, Uganda has made significant strides in improving transparency and governance in its extractive sector. These achievements have been instrumental in promoting openness, accountability and public engagement in the country's management of its oil, gas and mineral resources.

### 1 IMPROVED TRANSPARENCY

Through regular EITI reporting, Uganda has greatly enhanced transparency in its oil and mining sectors. The EITI reports have become a comprehensive, reliable source of information on the extractive industry. Information that was once difficult and time-consuming to access is now readily available, making it easier for stakeholders to monitor the sector and hold companies and the government accountable.

### 2 ENHANCED PUBLIC OUTREACH AND DEBATE

EITI implementation in Uganda has sparked public debate and facilitated outreach activities on key topics, such as contract transparency, beneficial ownership, fiscal

justice and within the affected communities. The publication and dissemination of EITI reports have provided the public with valuable information, encouraging wider participation in discussions on the governance of the extractive industry. This increased public engagement has contributed to a more informed and active citizenry in the sector's oversight.

### 3 SUCCESSFUL VALIDATION

In May, Uganda underwent its first EITI validation since joining the initiative. The validation process, conducted by the EITI International Secretariat, evaluates how well an EITI member country adheres to the global standards for good governance in the extractive sector. Uganda received a score of 78.5%, reflecting significant progress in the country's commitment to EITI's transparency and governance standards. This score marks a major milestone in Uganda's EITI journey and underscores the country's ongoing efforts to improve its extractive sector governance.

## IN UGANDA, THE IMPLEMENTATION OF THE EITI IS OVERSEEN BY THE MULTI-STAKEHOLDER GROUP.

### KEY FINDINGS OF THE THIRD UGEITI REPORT

**1 Increased revenue contribution:** Revenue from the extractive industry sector grew by 70%, rising from sh241.35b (1.43% of total domestic revenue) in FY 2020/21 to sh411.38b (0.6% of total domestic revenue) in FY2021/2022. This significant increase is a positive sign of the economy's recovery after the disruptions caused by the COVID-19 pandemic.

In the mining sector, minerals such as vermiculite and iron ore contributed a combined sh14.14b, with vermiculite alone accounting for 86% of this amount.

**2 Boost in mining production:** Although

oil and gas production has yet to begin, the mining sector showed remarkable growth in production value. The value of mining production surged from sh17.65b in FY2020/21 to sh201.91b in FY2021/22 – an astounding 1,044% increase.

This leap highlights the positive impact of relaxed pandemic restrictions on mining operations, which have significantly boosted production.

**3 Challenges in mineral exports and value addition:** While mineral exports showed improvement, the sector faces challenges related to raw mineral exports, with limited domestic processing. This lack of value addition restricts job creation and economic growth opportunities. Despite these challenges, mineral exports contributed sh18.5b to Uganda's total exports, which was 0.13% of the total exports, compared to sh2.035b the previous year.

## WHAT THEY SAY

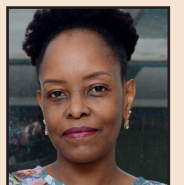
**Moses Kagwa, DIRECTOR, ECONOMIC AFFAIRS, MINISTRY OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT, CHAIRPERSON, MSG**

The MSG is fully committed to the objectives of EITI. The extractive sector plays a crucial role in driving the country's economic growth, with the potential to expand tenfold in the coming years. EITI is not the final step, but a starting point for deeper engagement.



**Gloria Mugambe, HEAD OF UGANDA NATIONAL EITI SECRETARIAT**

By disseminating the report, we engage local communities, making them more aware of extractive activities in their areas. This transparency allows them to hold duty bearers and companies accountable based on factual data, opening the sector up to scrutiny.



**Winfred Ngabiirwe, EXECUTIVE DIRECTOR, GLOBAL RIGHTS ALERT**

The report highlights a significant lack of compliance among mining companies, which has hindered the reconciliation process, making it less comprehensive. This is discouraging and raises concerns about the country's commitment to EITI implementation. We risk seeing compliant companies fall into non-compliance, wasting resources and missing out on the benefits of EITI.



## RECOMMENDATIONS

The recommendations from the UGEITI reports require attention to further strengthen the sector's transparency, compliance and efficiency.

**1** The UGEITI recommends that the MSG advocate for a legal framework to mandate the participation of companies and government agencies in timely and accurate transparency reporting. This framework will help ensure compliance with EITI standards.

**2** The Uganda Revenue Authority (URA) is encouraged to implement more specific payment identification processes to improve the accuracy of revenue reporting, ensuring better traceability of extractive sector revenues.

**3** The Directorate of Geological Survey and Mines is advised to regularly update the Mining Cadastre to include licence holder identification numbers and detailed licence histories for all licences granted, transferred, retroceded or expired.

**4** The MSG is urged to expand the scope of beneficial ownership data to include information on

politically exposed persons, in accordance with EITI Requirement 2.5. URSB is developing a beneficial ownership register with online submission systems.

**5** State-Owned Enterprises and companies making substantial payments should publicly disclose their financial statements. If audited statements are unavailable, key financial documents such as balance sheets and profit and loss statements should still be disclosed.

**6** The Petroleum Authority of Uganda is tasked with ensuring the timely and complete disclosure of project costs, including both CAPEX and OPEX. This will help improve financial transparency in the extractive sector.

**7** The Government is encouraged to develop a framework for disclosing greenhouse gas emissions from extractive industries, aligning with international best practices and climate commitments. Companies should be required to report their GHG emissions, with guidelines on calculation and reporting.