

**MINUTES OF THE 9<sup>TH</sup> MEETING OF THE MULTI-STAKEHOLDER GROUP (MSG) OF THE UGANDA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE (UGEITI) HELD ON THURSDAY, 10<sup>TH</sup> DECEMBER 2020 AT THE IMPERIAL ROYALE HOTEL, KAMPALA STARTING AT 9:00 A.M.**

**Attendance List**

<b>No.</b>	<b>Name</b>	<b>Institution</b>
<b>GOVERNMENT</b>		
1.	Mr. Moses Kaggwa	Ministry of Finance, Planning & Economic Development ( <b>MSG Chairperson</b> )
2.	Eng. John Kennedy Okewling	Mining Engineer, Ministry of Energy & Mineral Development
3.	Eng. Timothy Tibesigwa	Ministry of Works & Transport
4.	Mr. Peter Rumanzi	Bank of Uganda
5.	Mr. Isaac Ntujju	National Environment Management Authority (NEMA)
6.	Ms. Sarah Aijuka	National Environment Management Authority (NEMA)
7.	Ms. Nakawuma Juliet Magala	Ministry of Foreign Affairs
8.	Mr. Clovice Bright Irumba	Petroleum Authority of Uganda
9.	Ms. Sandra Kaitare	Uganda Revenue Authority
10.	Ms. Tracy Basiima (proxy)	Uganda Revenue Authority
11.	Mr. Jonan Kandwanaho	National Planning Authority (NPA) (via zoom)
<b>CIVIL SOCIETY ORGANISATIONS</b>		
12.	Ms. Winfred Ngabiirwe	Global Rights Alert (via Zoom)
13.	Ms. Lomonyang Margaret	Karamoja Women Umbrella Organisation
14.	Mr. Gard Benda	World Voices Uganda
15.	Mr. Mugenyi Onesmus	Advocacy Coalition for Development & Environment (ACODE) (via Zoom)
16.	Mr. Magara Siragi Luyima	OXFAM (via Zoom)
<b>INDUSTRY</b>		
17.	Mr. Obad Noah	Oranto Petroleum
18.	Mr. Faustine Mugisha	TOTAL E & P (via Zoom)
19.	Dr. Elly Karuhanga	Uganda Chamber of Mines and Petroleum (via zoom)
20.	Dr. Tom Buringuriza	Armour Energy Limited (via zoom)
21.	Ms. Emilly Nakamya	Uganda National Oil Company (UNOC)
22.	Ms. Sandra Mwesigye (proxy)	CNOOC
23.	Mr. Aggrey Ashaba (proxy)	Uganda Chamber of Mines and Petroleum
<b>OBSERVERS</b>		
24.	Mr. Ambrose Promise	Ministry of Finance, Planning & Economic Development (C/PSA)
25.	Mr. James Muhindo	Civil Society Coalition on Oil & Gas (CSCO) (via Zoom)
26.	Ms. Masika Hellen	Communications Consultant
<b>UGEITI</b>		
27.	Mr. Saul Ongaria	National Coordinator / Secretary
28.	Mrs. Gloria Mugambe	Head of Secretariat, UGEITI
29.	Mr. Kanakulya Edwin Kavuma	Compliance Officer, UGEITI
30.	Ms. Bronia Arinda	Secretary, UGEITI

31.	Mr. Dan Denis Agaba	Statistician, UGEITI
32.	Ms. Gertrude Angom	Administration Officer, UGEITI
33.	Mr. Edgar Mutungi	Finance Officer, UGEITI
34.	Mr, Abbey Gitta	Office Assistant, UGEITI
35.	Ms. Susan Angela Achom	Office Assistant, UGEITI
<b>MSG MEMBERS ABSENT WITH APOLOGY</b>		
1	Dr. Jennifer Hinton	Uganda Chamber of Mines and Petroleum
2	Mr. Robert Tugume	Ministry of Energy & Mineral Development

## **Agenda**

1. Welcome and Introductions (National Co-ordinator)
2. Communication from Chairperson.
3. Review of Minutes from the previous meeting
4. Summary and key takeaways from the retreat- Head of Secretariat
5. Update on SOEs network meeting - UNOC
6. Feedback from meeting with the Heads of Government Institutions on contract disclosure
7. Requirements 2.2 and 2.4: Contracts, licenses and their allocation procedures - PAU
8. Plenary discussion
9. Presentation of the reporting template
10. Next steps

## **MIN 1.0: WELCOME AND INTRODUCTIONS**

- 1.1 The National Coordinator called the meeting to order at 9:37 a.m. He welcomed members, and thanked them for honouring their invitations to attend the meeting. He requested them to introduce themselves.
- 1.2 Following introductions, he welcomed the Chairperson of the MSG to give his opening remarks.

## **Min 2.0: Communication from the Chairperson**

Mr. Moses Kaggwa, the Chairperson welcomed members to the 9<sup>th</sup> MSG meeting and requested that they observe the COVID-19 Standard Operating Procedures (SOPs). He pointed out the following;

1. It was important that members finalize outstanding issues from the induction retreat held from the 18<sup>th</sup> to 21<sup>st</sup> November, 2020, so as to commence work plan implementation in January 2021.
2. Government was in the middle of the budgeting process for the next Financial Year 2021/2022, and it had been emphasised that revenues from the extractive sector were essential to drive growth as the current revenues were much lower than the needs of the country.
3. The Permanent Secretary/Secretary to the Treasury (PS/ST) Mr. Keith Muhakanizi held a meeting with the Heads of Government Institutions managing the extractives sector on 29<sup>th</sup> October 2020 regarding the issue of contract disclosure. In the meeting, he had emphasized the need to work towards full disclosure since Uganda was now an EITI member.



### **Min 3.0: Review of minutes of the 8<sup>th</sup> MSG meeting and matters arising**

The Chairperson led the review of the previous meeting's minutes, and members made the following amendments:

1. On Page 1, Mr. Gard Benda, the Executive Director of World Voices Uganda notified members that the person Ssentongo Benon who had registered as his proxy was neither a staff nor proxy in the organization. This was duly noted by the Secretariat who promised to follow up the matter. Mr. Gard Benda subsequently requested that he be registered as absent with apology, and this was done.
2. Minutes 4.1 and 4.2 were noted as repetitions; it was agreed that one of them be deleted.
  - a) Minute 4.4 (i) and (iii) were identified as 2 disclosure issues, the first on beneficial ownership – who the actual owner of the company involved in the extractive sector is; and the second on contract disclosure. The requirement on beneficial ownership was already in force and all EITI countries must register their details. In addition, from January 2021, a new requirement on contract disclosure will be enforced.
  - b) It was further proposed that the phrase '1<sup>st</sup> Jan 2020' be removed and the sentence rephrased so that it is understood as the need to publicly disclose the full text of contract and licenses, from January 2021.
3. In the Action Matrix (Matters Arising), actions were agreed as follows;
  - a) Under the Mining and Mineral Bill 2019, participants stated that it was important that EITI criteria was reflected in the bill. It was agreed that when the bill copy is printed, members would comment and collate their proposed input.
  - b) Under the discussion of disclosure of contracts and licenses, the Secretariat would call a meeting of the identified MSG committee members, and report on their deliberations during the next MSG meeting.
  - c) Under minute 7.3, there was need to consider representation of artisanal miners on the MSG. The Secretariat was requested to analyse the ToRs and identify possibilities for incorporating new members into the MSG.
  - d) Minute 8.2 and 8.3 both related to the issue of collaborating with CSOs so as to harness synergies. was ongoing. The Head Secretariat stated that CSOs had a comparative advantage in the area of outreach and dissemination. The Secretariat therefore intended to collaborate with them in this area.
4. A member of the civil society constituency informed the meeting that they were currently undertaking capacity assessment trainings of their participation in EITI, and once this activity was completed, they would engage and partner with the Secretariat in outreach programmes. The Chairperson advised that this joint venture be expedited so that the public is educated in matters of the extractive sector.

With all the above corrections made, the minutes were adopted as a true record of the proceedings of the 8<sup>th</sup> MSG meeting.

## **Minute 4.0: Summary and key takeaways from the retreat – Head Secretariat**

The Head Secretariat presented key takeaways from the retreat as follows:

### **4.1 Highlights from individual presentations, including peer EITI implementation countries**

- 1) The Chairperson EITI Tanzania emphasised the importance of sustainable funding. He noted that a clear funding pipeline was vital to ensure continuity, so that reports are produced regularly the first one (due February 2022) onwards.
- 2) He also stated that political goodwill was central. Political heads need to understand that contract disclosure is an important requirement to EITI. For instance, regarding beneficial membership, there are 761 mining companies listed in the mining cadastre whose revenues and real owners need to be known. Therefore, there was need to cultivate good will amongst key stakeholders to ensure information is acquired and shared.
- 3) Commitment by MSG members to EITI implementation was key. Consistent attendance of meetings and provision of guidance to the Secretariat was necessary for ownership and successful delivery on the work plan objectives.
- 4) From the Zambian experience, it was pointed out that meeting the reporting requirements was critical.
- 5) Not all information needed to be disclosed. The MSG has the mandate to decide how much information to disclose for each requirement.
- 6) There is need to develop a communication strategy in order for members to have a clear path for information dissemination.
- 7) The test of non-disclosure and confidentiality by government and companies may affect or shape EITI. There is need to decide how EITI will engage government and companies – is there an agreement between them to disclose?
- 8) The retreat reiterated the importance of ensuring that the artisanal and small-scale miners' contribution to the mining sector was reflected in Uganda's first EITI report.
- 9) Identify people that can support the team, and have EITI champions from the respective institutions and sectors.
- 10) The International Secretariat pointed out that flexible reporting, beneficial ownership and the new validation guidelines were key aspects that have to be discussed and incorporated into EITI implementation.

### **4.2 Sectoral presentations**

The 7 EITI standard criteria were presented individually by the different institutions represented on the MSG whose mandate it was to cover them.



- a) The Ministry of Energy and Mineral Development presented an overview of the extractive sector, its potential contribution to the economy, as well as production figures relating to the various minerals.
- b) The Ministry also made a presentation on the petroleum cadastre known as the Crane database, and mentioned that it intended to publish the database on the Petroleum Authority Uganda website. Whereas members proposed that this be expedited since it was an EITI requirement, it was noted that confidentiality issues still remained significant with regard to Production Sharing Agreement (PSA) disclosures.
- c) Uganda National Oil company (UNOC) presented on State participation.
- d) Uganda Revenue Authority (URA) made a presentation on how extractive revenues are captured.
- e) The Executive Director of the Petroleum Investment Fund's presentation highlighted the challenges relating to direct money deposits made to the Fund. The MSG inquired whether it was possible for the Central Bank to share a print out of account transactions for the reporting period (July 2019 – June 2020), as defined by the criteria in the EITI Standard. The Central Bank advised the MSG to forward their request to the office of the Accountant General.
- f) National Environment Management Authority (NEMA) presented on "Environmental impact of extractive activity" which included environment and social expectations, as well as an overview of international best practice.
- g) Civil society presented on the outcomes and impact of enhancing public awareness. UGEITI intends to jointly undertake activities with CSO members to sensitise Ugandans on EITI's mandate.

#### **Min 05: Update on the SOEs Network meeting with the International Secretariat**

The MSG member from the Uganda National Oil Company shared insights from an e-conference held from the 24<sup>th</sup> – 25<sup>th</sup> November, 2020 which involved a network of State Owned Enterprises (SOEs) from EITI member countries. The EITI-SOE network is a platform that convenes different SOEs aimed at:

- (1) sharing best practices among the different SOEs
- (2) providing input into EITI policies and guide the respective SOEs; and
- (3) encouraging peer learning among the participating SOEs. She stated that the EITI-SOE network was a global network, with more than 60 SOEs participating in EITI reporting with 25 SOEs having representation in multi-stakeholder groups in their respective countries and 23 of them fully disclosing their transactions.

The presentation is attached to these minutes as Annex A. The key takeaways were the following:

- i) Transparency through sharing of information was critical for stakeholder management.

- ii) The network would enable SOEs to learn from each other's experiences, and support each other in:
  - a. setting clear performance targets.
  - b. developing creative approaches to the global energy transition, as well as smart reporting techniques and communications strategies – reports must be written in a clear, consistent, comprehensive and creative way.
  - c. benchmarking against a set of specific goals, as well as the need to maintain an awareness of global issues in the industry.

### **5.1 Reaction from members**

- 1) The Chairperson thanked the presenter for her presentation and appreciated UNOC's commitment to EITI implementation in Uganda.
- 2) A representative from the Government inquired about the relationship between SOE reporting and MSG reporting. In response, the presenter stated that EITI reporting was the sole responsibility of the MSG and not the SOE network nor UNOC. The platform only shared innovative reporting practices for the SOEs to adopt for their own use.
- 3) The representative from the National Environment Management Authority inquired how other SOEs handled challenges during the performance of their activities. The presenter responded by stating that challenges were inevitable and emphasised the need to develop innovative ways of resolving them to attain desired goals.
- 4) The presenter concluded by noting that the SOE network is a platform where different participating countries convene to share experiences of their participation in the EITI process. The EITI International Secretariat selects a few issues and areas of improvement to inform policies and guide SOEs in the reporting process.

### **Min 6.0: Feedback from meeting with Heads of Government Institutions on Contract Disclosure**

The Head of Secretariat began her presentation by reminding the meeting that at the 8<sup>th</sup> MSG meeting, an MSG committee on contracts disclosure had been formed, and that its role was to handle disclosure issues and prepare a roadmap for contract disclosure.

She then gave feedback from the meeting of Heads of Government institutions on contract disclosure. She stated that the meeting had two key follow-up issues:

- a) The Heads of Government institutions requested the EITI Secretariat to inform them about their respective institutions' expected contribution towards EITI.
- b) Members requested to know how other countries were dealing with contract disclosure – deriving examples from international best practices in both Africa and Europe.



## **Min 7.0: Requirement 2.2 and 2.4: Contracts, Licenses and other allocation procedures- Petroleum Authority Uganda.**

The MSG member from the Petroleum Authority of Uganda delivered a presentation on the legal framework, award of contracts and the contractual regime governing the oil and gas sector in Uganda. His presentation was circulated after the meeting, and is attached to these minutes as Annex B.

He concluded by observing that the legal framework governing licensing in Uganda has successfully been tested in the licensing round, and is currently being used for the second licensing round. However, the licensing climate is currently changing especially with the COVID-19 pandemic situation and the low oil price environment.

## **Min 8.0: Plenary discussion**

In the plenary discussion session that followed, members raised the following questions:

- a) Contract negotiation: A few members carry out negotiations on behalf of government, however, what safeguards does Uganda have in place to ensure that the process is effective? What form of oversight exists to ensure the licensing process is adequate, and what kind of participation takes place in this process?
- b) The National Oil and Gas Policy has never been reviewed since its formulation in 2008. Does the Ministry of Energy and Mineral Development have any plans to undertake its review?

## **Response by presenter to issues raised in plenary**

- a) The presenter informed the meeting that the Ministry of Energy and Mineral Development had begun the process of reviewing the 2008 National Oil and Gas policy. Recently, a workshop was held to develop a regulatory impact assessment as a requirement for putting in place improvements to the policy.
- b) The presenter revealed the agencies that participate in the negotiation process as: Ministry of Energy and Mineral Development, Ministry of Finance, Planning & Economic Development, Ministry of Justice and Constitutional Affairs, Uganda Revenue Authority and Petroleum Authority Uganda. He noted that these were the agencies mandated by their areas of expertise and operations to negotiate on behalf of the government, and that they did so in good faith, and with the intention to secure the best deal for the country in mind. He also noted that in some instances, agreements had been revisited in order to ensure that the national position was fully optimized.
- c) He added that the safeguard in contract negotiation was that if there was anything that had not been agreed upon, it was not endorsed.

- d) The presenter also stated that all agreements must be presented to Cabinet through a Cabinet memorandum; and scrutinized for the minister to sign. Cabinet represents the political leadership, therefore, it is not possible for an unworthy document to be approved.
- e) He stated that it was important to clearly define information that was to be shared as a country, and that challenges led to continuous improvements.

## **9.0 Presentation on the process for ascertaining scope and materiality**

The Head of the Secretariat outlined the process that the MSG needed to undertake in order to ascertain the scope and materiality of the EITI report.

- 1) First, the MSG would get the list of all extractive companies with licenses operating in the sector, together with their TIN numbers, from the petroleum and mining cadastres.
- 2) This list would then be shared with URA in order to ascertain the revenues that these companies had paid over the reporting period, which the MSG had agreed on as the 2019/2020 fiscal year. The monies received on the Petroleum Fund during the same period would also be ascertained and recorded for accuracy and totality.
- 3) The companies would then be ranked according to amounts paid, and the level of materiality determined based on the amounts and ranking, as had been described during the session on reporting at the Induction retreat.
- 4) The different revenue streams (e.g. with-holding tax, Corporation Tax and VAT) would also be assessed for materiality, so as to decide which ones would be reconciled, and which ones would be fully reported on.
- 5) She stated that having undertaken the above steps, the MSG would then prepare a scoping study report detailing the decisions that had been made on scope and materiality, and documenting how they had been arrived at.
- 6) Following the publication of the scoping study report, the MSG would issue the reporting template. A workshop would then be organised for government agencies and companies to distribute the templates and guide them on how to fill them in.
- 7) Once they had been filled in, they would then be certified, collected and the reconciliation report prepared.

## **9.1 Presentation on the reporting template**

This presentation was made by the Statistician at the UGEITI Secretariat. He informed the meeting that the reporting template was still in draft form, and consultations were ongoing to finalise it.

He stated that the EITI Standard required disclosure of information regarding company payments and government receipts which would be collected by the individual parties comprehensively filling in the reporting template.

The presentation highlighted major considerations to take into account while filling in the template. The information required was the following:



- i) Comprehensive disclosure of taxes paid by companies and revenues received by government.
- ii) Any sale of State's share of production or revenues collected in kind.
- iii) Infrastructure provisions and barter arrangements.
- iv) Transportation revenues like in the case of EACOP.
- v) SOE transactions e.g. between government and UNOC.
- vi) Subnational payments especially royalty payments.
- vii) Level of disaggregation (project level reporting).

He highlighted that, whereas URA collected 21 different tax heads in FY2018/2019, 92.8% of the total revenues were contributed by only five revenue streams. The MSG would therefore have to decide which revenue streams were material for consideration in the EITI report.

In conclusion, the presenter noted that the reporting template was a significant task that included data collection and reconciliation. He proposed that the process of identifying an Independent Administrator be expedited to facilitate timely reporting.

## **9.2 Discussion: Reactions to the presentation on the reporting template**

- a) The members agreed that it was important to include reporting on other areas of national content in the template, including the supply of goods and services, procurement, and the supply of goods and services.
- b) In regard to making payments, the following questions were raised;
  - 1) How do we capture fees aimed at implementing a particular assignment, e.g., a fee paid to NEMA to undertake an EIA for the Crude Oil Pipeline?
  - 2) Where should companies pay their annual fees? The PFMA (2015) Act states that all petroleum revenues should be paid to the Petroleum Fund.
- c) Is it URA to determine the materiality of revenues reported?
- d) Are individual licenses in the mining sector to be considered?
- e) In regard to Pay As You Earn (PAYE), the following issues were raised:
  - 1) URA does not consider PAYE as an extractive revenue. However, companies consider all taxes that they pay, including PAYE, VAT, withholding tax and income tax as extractive revenues.
  - 2) How different is individual income tax from PAYE?

## **9.3 Response to questions on the reporting template**

- a) It was noted that the reporting template was a draft. Additional tools would be designed for collecting information on other disclosure requirements including national content, beneficial ownership and environmental safeguards.
- b) Members stated that all annual fees are paid to URA. However, it was noted that some companies made directly to the Petroleum Fund.
- c) The level of materiality will be determined by the MSG.
- d) A government representative from the Ministry of Energy and Mineral Development advised the Secretariat that individuals who owned mines be

included on the list of companies that paid revenues to government as their production figures were available.

- e) The meeting agreed that PAYE and Non-Tax Revenues (NTR) be included in the reporting template.
- f) It was noted that the reporting template was draft. In addition, tools would be designed for collecting information on the requirements.

#### Chairperson's summary of discussion on template

- 1) The Chairperson stated that the Non-Tax Revenue (NTR) book published annually by the Tax Policy Department (TPD) on non-tax revenues provides great insights on the different non-tax revenue sources and should be shared with the MSG members by the Secretariat.
- 2) Following the discussion on materiality, the Chairperson proposed that a material level of five million Uganda shillings be considered as the minimum threshold.

#### **Min 10.0: Next steps**

Members agreed to set up a working group/ Committee to work with the Secretariat to discuss the scope and material revenue streams so as to make recommendations for the MSG to consider as a way forward.

It was agreed that this committee should comprise of members from all three constituencies as follows:

- i) Two representatives from the Ministry of Energy and Mineral Development (one each for petroleum & mining).
- ii) One representative from a mining and one from an oil and gas company.
- iii) One representative from Civil Society.
- iv) One representative from URA and one from PAU.
- v) One representative from UNOC.

It was also agreed that this committee would meet and report back to the MSG on its assignment at the earliest opportunity.

#### **10.1 Closing remarks**

The National Co-ordinator proposed that the next MSG meeting be held on 28<sup>th</sup> January, 2021 to discuss the scope and materiality of revenues and thereafter, a training workshop on the reporting template be conducted.

The Chairperson agreed to the next proposed MSG meeting and thanked members for attending the 9<sup>th</sup> MSG meeting.

There being no other business, the meeting was adjourned at 2:15 pm.



## ACTION MATRIX

Min No.	Action Point	Resp. Inst./Individual	Timeline	Action Update
8 <sup>th</sup> MSG Min 4.3 (h)	Reimbursable expenses in the oil and gas sector - liaise with the stake holder institutions and provide the MSG with an update at the next opportunity.	National Secretariat	By next MSG	A meeting between the OAG and Secretariat took place on 2 <sup>nd</sup> Feb 2021. The OAG is going to make a presentation on the subject in this meeting.
3.0 (3 c)	Representation of artisanal miners on the MSG - consider the MSG Terms of Reference (TOR) for guidance	National Secretariat	By next MSG	The Secretariat has reviewed the MSG TORs and has a presentation on options for consideration by the MSG in this meeting.
3.0 (3 d)	Outreach programmes be expedited so that the public is educated in matters of the extractive sector	National Secretariat	Ongoing	The Secretariat is liaising with the CSO constituency to plan a series of outreach visits.
9.1	Engage with the Office of the Auditor General to get an update on their commitment to perform the role of the Independent Administrator	National Secretariat	Done	OAG has responded in writing to the MSG request and has referred the matter to the Solicitor General for legal advice.
9.3 (d)	Include individuals who own mines on the list of companies that paid revenues to government as their production figures were available.	National Secretariat	Done	The process is ongoing. List of mining companies and individuals has been availed. Secretariat is waiting for production figures from DGSM.
9.3	Share with the MSG and the Secretariat the book on NTR that is published by the Ministry of Finance annually.	National Coordinator	By next MSG	Relevant information from the NTR book to be extracted, synthesized and presented to members.
10.0	Set up an MSG Committee to work with the Secretariat to discuss scope and materiality so as to make recommendations for the MSG to consider as a way forward	National Secretariat	By next MSG	Done. The Committee is going to present a progress report during this meeting

**Signed:**

**MSG Chairperson:**

*Alayanga*

Date:

*21/4/2021*

**Secretary/National Coordinator:**

*[Signature]*

Date:

*11/08/2021*