Uganda Extractive Industries Transparency Initiative (UG-EITI)

MULTISTAKEHOLDER GROUP
STRATEGIC/INDUCTION RETREAT

Chobe Safari Lodge, Murchison Falls National Park, Nwoya District

18th – 21st November 2020

SUMMARY REPORT OF PROCEEDINGS

by

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and

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Abbreviations & Acronyms

ACODE	Advocates Coalition for Environment and Development
ASSM	Artisanal and small scale mining
BoU	Bank of Uganda
CNOOC	Chinese National Offshore Oil Corporation
Covid-19	Novel Coronavirus Disease, 2019 Outbreak
CSCO	Civil Society Coalition on Oil and Gas in Uganda
CSOs	Civil Society Organizations
CSR	Corporate Social Responsibility
EACOP	East Africa Crude Oil Pipeline
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EITI	Extractive Industries Transparency Initiative
ESIAs	Environmental and Social Impact Assessments
EU	European Union
EVs	Electric Vehicles
FEED	Front End Engineering Design
FID	Final Investment Decision
GIS	Geographical Information System
GRI	Global Reporting Initiative
HGA	Host Government Agreement
IA	Independent Administrator
IGA	Intergovernmental Agreement
IMF	International Monetary Fund
IOs	International organizations
KCCL	Kasese Cobalt Company Limited
MDAs	Ministries, Departments and Agencies
MEMD	Ministry of Energy and Mineral Development
MoFPED	Ministry of Finance, Planning and Economic Development
MoGLSD	Ministry of Gender, Labour and Social Development

MoH	Ministry of Health
MoJCA	Ministry of Justice and Constitutional Affairs
MoLHUD	Ministry of Lands Housing and Urban Development
MoWE	Ministry of Water and Environment
MSG	Multi-Sectoral Working Group
NDP III	Third National Development Plan
NEMA	National Environment Management Authority
NFA	National Forestry Authority
NGOs	Non-Governmental Organizations
NOGP	National Oil and Gas Policy
NPC	National Pipeline Company
NRGI	Natural Resources Governance Institute
NSSF	National Social Security Fund
OMA	Operational Management Agreement
PAU	Petroleum Authority of Uganda
PAYE	Pay as You Earn
PFMA	Public Finance Management Act, 2015
PRIR	Petroleum Revenue Investment Reserve
PSAs	Production Sharing Agreements
PwhC	Price Waterhouse Coopers
R&D	Research and Development
SDGs	Sustainable Development Goals
SOE	State-owned Enterprise
SOPs	Standard Operating Procedures
SPV	Special Purpose Vehicle
STAMICO	State Mining Corporation (Tanzania)
TCFD	Taskforce on Climate-related Financial Disclosures
TIN	Tax Identification Number
TMAA	Tanzania Mining Audit Agency
ToRs	Terms of References

TPDC	Tanzania Petroleum Development Corporation
TRA	Tanzania Revenue Authority
UG-EITI	Uganda Extractive Industries Transparency Initiative
UK	United Kingdom (of Great Britain)
UNOC	Uganda National Oil Company
URA	Uganda Revenue Authority
UWA	Uganda Wildlife Authority
VAT	Value-Added Tax

Summary

This report is a summary of the two-day Strategic Induction Retreat of the Multi-Stakeholder Group (MSG) of the Uganda Extractive Industries Transparency Initiative (hereinafter, "UG-EITI"). The Retreat took place between 18^{th} and 21^{st} November 2020, at Chobe Safari Lodge, in Murchison Falls National Park.

The purpose of the retreat was twofold:

to enhance the capacity of the MSG to undertake their oversight role in the implementation of the EITI work plan and activities in Uganda for the period July 2020 – June 2022.

to build a shared understanding of the approaches and challenges to EITI implementation, and the need to work together in order to ensure its success.

The retreat sought to meet the following objectives:

a) Build the capacity of MSG members to appreciate the rationale and importance of extractives governance and how EITI can support the country's quest for improved governance in the sector;
b) Highlight and agree on the strategic priorities of the MSG work plan and its implementation;
c) Agree on the process toward completion of Uganda's first EITI report; and
d) Enhance buy-in and trust amongst the different constituencies on the MSG, thereby fostering improved co-operation and encouraging a harmonized approach to EITI implementation.

Delivery modality was through presentations from key experts in the different areas, including members of the MSG, followed by plenary discussions in which all participants engaged. The meeting followed the layout of the 2019 EITI Standard, in an effort to address all the criteria that needed to be met in the preparation of Uganda's first EITI report, due on 12^{th} February 2022.

The following are the **cross-cutting lessons and key takeaways** from the Induction Retreat:

1. Sustainable funding for EITI implementation, preferably reliable domestic funding, was key for successful EITI delivery.
2. Political Goodwill: the MSG needs to work toward achieving and maintaining high-level political will from government.
3. There is need to develop enabling legislation that mandates implementation of EITI.
4. Internal Commitment of MSG members and the UG-EITI Secretariat is necessary for successful implementation.

5. Meeting reporting requirements is critical, as is seeking support from the EITI International Secretariat. Peer learning and benchmarking from other EITI-implementing countries in Africa and beyond is also key.
6. The Ugandan MSG needs to identify 'quick wins' that demonstrate already existing compliance with the 2019 Standard requirements, and use them to showcase Uganda as already implementing international best practice in extractives management (e.g. online and publicly available mining cadastre; single collection point for all government revenue i.e. URA etc)
7. Key Lessons from the Zambian experience:
   (a) not all information has to be disclosed;
   (b) consider limiting the attendance of all MSG members; opt to use small committees for specific business;
   (c) focus on work-plan implementation;
   (d) ToRs of members, observers, and alternates, need to be clearly defined.
8. There is need to develop a communication strategy for the MSG.
9. The Test of Non-Disclosure & Confidentiality: Non-disclosure by government and/or companies may affect implementation of EITI – how does the MSG and Secretariat intend to address this?
10. Cadastre-Information availability: the availability, accuracy and accessibility of the petroleum and mining cadastres are important for EITI processes. While presentations from these sectors indicated that this information was available, the public accessibility of these cadastres needs to be worked upon.
11. The Mining Sector still presents challenges: ASSMs' individual output is limited, yet aggregate output is significant due to the large numbers of people working as ASSMs. It is possible EITI processes will capture less information than obtains in the sector because of the challenges involved in engaging too many ASSMs whose informality and elusiveness can render data collection and interaction with EITI team difficult.
12. Reporting process should begin NOW: while there seems to be some time till early 2022 when the first EITI report will be due, the time left to compile sufficient information is limited considering that MSG members have other engagements and the country is facing the dual constraints of Covid-19 and election season.
13. The MSG and Secretariat should "measure what they can bite and chew" and, where necessary, "identify people that can help you to move things", make and follow decisions through, because "the price of indecision and non- implementation is high in the EITI business."

Introduction

The Strategic Retreat of the Multi-Stakeholder Group (MSG) of the Uganda Extractive Industries Transparency Initiative (hereinafter, “UG-EITI”) took place between 18th and 21st November 2020, at Chobe Safari Lodge.

The Retreat attracted 34 participants - 18 MSG members, 3 representatives from the Ministry of Finance, the Co-ordinator of the Civil Society Coalition on Oil and Gas (CSCO), 1 facilitator/ key expert, one rapporteur, and 10 staff from the EITI Secretariat. It was also attended (virtually) by experts from Tanzania and Zambia, as well as a team from the International Secretariat headed by the Deputy Executive Director/ Director Africa.

The Retreat met its objectives because it enhanced the MSG’s understanding of the capacity and capability requirements for effective oversight in the implementation of the EITI work plan and activities in Uganda. It also underlined the priority areas to consider when preparing the UG-EITI report, engaging stakeholders, and igniting public debate, both during and after the work plan period July 2020 – June 2022. This understanding has informed the MSG’s awareness that sustainable funding, commitment of both the MSG and Secretariat, effective and timely reporting, and seeking political goodwill, are critical for the attainment of the goals for which Uganda joined the EITI.

The report is structured as follows: It begins with a description of the background to EITI in Uganda. Section 1 contains the Welcome Remarks and the Keynote Address. Section 2 is the presentation by the National Co-ordinator of EITI in Zambia that shares experiences in EITI implementation. Section 3 describes the EITI reporting process. Section 4 documents the discussion with the team from the International Secretariat. Section 5 covers Requirement 3 of the EITI Standard. Section 6 covers Revenue collection, including: revenue from extractives as captured by Uganda Revenue Authority (URA), and a discussion on the Petroleum Investment Fund. Section 7 covers Requirement 6 of the EITI Standard, including social and environmental expenditures by extractive companies and the environmental impact of extractive activities. It also contains a forward looking presentation on the energy transition and strategic minerals. Section 8 covers Requirement 7 - how to enhance public awareness and impact, and promote public debate. Section 9 and 10 conclude.

Background

Government of the Republic of Uganda indicated its commitment to joining EITI as early as 2008 in the National Oil and Gas Policy (NOGP), when it promised to ensure transparency and accountable management of oil and gas resources by, among others, exploring possibilities of joining the EITI. Building on this commitment, civil society organisations, especially under their umbrella, CSCO, continued to engage government and private-sector companies on the importance of joining the global Initiative. During a Cabinet Meeting, held on 28th January 2019, the decision to join EITI was taken. To move the process forward, a Chairperson and Coordinator were appointed. A Multi-Stakeholder Group (MSG) comprising representatives from different government ministries, departments and agencies (MDAs), civil society, and extractive industries, was appointed. In addition, a national secretariat (UGEITI Secretariat) to coordinate EITI implementation was established.

The MSG, supported by the UGEITI Secretariat, spearheaded the development of a national costed work plan and the finalization of the application for Uganda's candidature to the EITI. On 12th August 2020, Uganda was admitted as a candidate member of the EITI.

The first EITI report if expected on 12th February 2022, 18 months after admission, and validation will take place thereafter. Implementation of EITI will require that the MSG has the requisite capacity, commitment and preparedness, to ensure that the reporting entities – government and private sector – provide correct and accurate information with regard to mining, oil and gas activities in the country, in a timely and disaggregated manner. This requires the MSG to have a solid grasp of the requirements and criteria in order to prepare Uganda's first EITI report for submission to the International EITI Secretariat.

Day 1: 18th Nov. 2020

1. Welcome Remarks and Keynote Address

Welcome Remarks

Participants were welcomed to the Retreat on the evening of Wednesday, 18th November 2020, by Mr. Saul Ongaria, the National Coordinator, UG-EITI. He revealed that the main programme would begin the following day, and that the main agenda item for that evening was a keynote address from the Chairperson of Tanzania's MSG, Mr. Ludovic Utouh.

Keynote Address

Optimising EITI as a Tool for Transparency and Accountability

- **Ludovic Utouh, Chairperson, Tanzania EITI MSG**

The former Auditor-General, Tanzania, and Chairperson of the Tanzanian EITI-MSG, Mr. Ludovic Utouh, spoke on *Optimising EITI as a Tool for Transparency and Accountability*[1]. He covered the following areas: Background of EITI implementation in Tanzania; the role of transparency and accountability in the extractive sector, the role of EITI in promoting transparency and accountability in the country's extractive sector, and the future of TEITI commitments.

In summary, he made the following key points:

1. Natural resources do not belong to governments, as some people wrongly believe, but to national citizens on whose behalf, and in whose service, governments work: "oil belongs to the Ugandan people; gas belongs to the Tanzanian people".
2. Tanzania had EITI legislation – the TEITA Act 2015, and attendant Regulations (2019).
3. The Tanzanian MSG has 15 members, 5 from each constituency.
4. **Compliance with requirements is important.** For instance, on revenue allocation, all revenues, in their varied forms, need to be captured by the government and made known to the MSG, independently verified, and annual reconciliations of what companies report and what government receives made. Similarly, on broad and hard-to-measure requirements like *outcomes and impact*, the question is whether the desirable social, economic and environmental impacts are achieved; whether exploitation of extractives guarantees benefits for future generations via sustainable investment of revenues; and whether stakeholders are engaged in dialogue about extractives resources management. In brief, **"The Ugandan people have a right to know what is happening to their natural resources", including budgets and plans and [strategic] expenditures of those resources**".
5. Being compliant with the requirements of the EITI 2019 Standard demands commitment … "you will

What Lies Ahead for Uganda

The Keynote Speaker stressed that EITI has 7 requirements, which are enshrined in Standard 2019. To this Standard, every country must comply. To assess these standards, the International EITI Secretariat will be coming to Uganda for validation. It is important that UGEITI registers success and demonstrates this over the 7 requirements mentioned above. Compliance with the 7 Standard Requirements should be emphasized and demonstrated as

[1] His full remarks are available on request.

find the going rough but rewarding at the end." The sacrifice put in will "become meaningful and rewarding to you all."

6. It was important that the Uganda MSG identified existing quick wins that showed existing compliance with the 2019 Standard requirements, and these should be showcased in the EITI report to demonstrate early compliance.

He wished Uganda's MSG and Secretariat success in their endeavour, and pledged the support of the Tanzanian MSG, which he said, was on hand to offer assistance in case of any challenge, so that in the next validation "you produce good performance, and not otherwise."

Questions & Comments

1. What challenges has the Tanzanian EITI faced in implementing the Standard?

- ***Limited knowledge of EITI processes and procedures***: you need to take time, as you are doing in the induction course, to acquaint yourselves with the standards of EITI.
- ***Priorities and reporting***: Prioritize quick wins, so that at the time of validation, there is positive evidence of progress. If you start wrong, you send completely wrong messages to the public and erode the credibility of subsequent reports. The first report, therefore, should be an accurate and positive report – seek guidance from the International Secretariat to ensure things are done in "the correct way".
- ***Political will***: Ensure that the political hierarchy appreciates the work of the MSG – "otherwise, if there is no political will at the highest level of the hierarchy, believe me, it will take a lot of effort to get the job well done.
- ***Compliance – Reconciliation Reporting***: There was a time when Tanzania was almost suspended from EITI because it had failed to prepare reconciliation report for 2-3 years, owing to funding problems. The issue of sustainable funding was therefore key to ensuring compliance.
- ***How do you ensure that the monies from natural resources are well spent – are extractive revenues ear-marked in Tanzania?***

In Tanzania, all government monies are collected into a common pool, hence making it difficult to identify individual revenue sources once they are in a common pool. The MSG is not able to determine what the extractives revenues are spent on; it requires a robust financial management system to ensure that what goes into the Consolidated Fund is put to good use for the benefit of the citizens. It is important for the MSG to assure the Independent Valuator that the internal audit function ensures that monies collected are safeguarded and "properly put into use."

Day 02: 19th November 2020

Opening Remarks – Chair, Uganda MSG, Moses Kaggwa

The Chairperson welcomed the members to the retreat, and thanked them for sparing the time to attend. He reminded members of the retreat's objectives, and appreciated the facilitation that would be provided by experts and practitioners in EITI implementation. He wished participants fruitful deliberations, and declared the meeting open.

Recasting the Objectives of the Meeting – Head, Uganda EITI Secretariat

The Head, Uganda EITI Secretariat, Ms. Gloria Mugambe reiterated the Chairperson's welcome, and expressed the Secretariat's gratitude to ACODE and CSCO for their early logistical support in preparing for the retreat, adding that their early intervention had made it possible for the event to take place.

She indicated that the expertise in the room represented the beginning of laying out, writing, and describing the current status of extractives in Uganda. The Retreat would go through each requirement in the EITI Standard, and discuss the implementation of the work plan alongside the requirements. Based on the work plan implementation, the EITI report would be generated.

She called upon everyone to ensure that they acquired a good working knowledge of the entire EITI Standard and reporting requirements. It was important that participants understood "the whole extractives value chain", not just the requirements that applied to them, so as to ensure their holistic contribution to the entire report.

Since each institution represented on the MSG was going to make a presentation on its specific requirement, by the end of the retreat, it would be possible to have a 'skeleton' illustration of the report. She called for an interactive session, allowing "people to be able to interject" whenever they do not understand.

She reminded participants of the advice from yesterday's address by the Chairperson of the Tanzanian MSG, of identifying "our quick wins as Uganda". She called upon MSG members to educate their organisations on what information was required of them, so as to avoid delays and informational lags: the EITI message in each MSG institution should be streamlined, and trickle through from top to bottom and bottom up.

On political commitment from the highest level, she indicated that different sections of difference stakeholder organisations should join efforts in give the message "so that everybody across the board" within the institution is aware of Uganda's EITI commitment.

2. The Role of the MSG in implementing EITI: Success Factors, Challenges and Lessons from Zambia

- Ian Mwiinga, National Coordinator, Zambia EITI

Mr. Mwiinga began by thanking the Ugandan MSG and Secretariat for giving him the opportunity to share with them the Zambian experience. He said his intention was to share key pieces of advice, "not to provide answers" but pointers on issues for further reflection. His remarks were based on experience and the challenges faced on a daily basis in implementing EITI.

1) **The Composition of the MSG** - from inception, everybody felt the need to be on the MSG, because some organizations expected financial benefits from their MSG membership. This raised queries not just about the representativeness of the MSG but also feelings by some organizations that they had been left out. Simultaneously, those who joined the MSG realized that they had no benefits. Thus, clarity of membership to the MSG, organizational roles should be made; membership is organizational, not individual. This helps foster feedback mechanisms, and maintains continuity.
2) **Selection of organisations to be on the MSG** - Relevant organizations within constituencies should be used to judge who joins MSG. "You need to be mindful of those institutions that are left out, so that they are prepared to join at a later stage". An elaborate, transparent, and elective process should define who civil society is under the EITI. In Mali, pre-validation process indicated 3,000 CSOs, yet managing these processes can be very challenging. Some industry actors may be affiliated with political parties (ruling or opposition), which can easily filter into the EITI process. There are no financial benefits to being on the MSG. Sectors need to support their members who sit on the MSG, because funding for EITI activities from government may be limited.
3) Mechanisms for **dealing with issues of confidentiality** and commercially-sensitive information, need to be addressed to build trust. Otherwise, it will become difficult to collect information needed to report on the EITI. The EITI Zambia has faced difficulties collecting certain matrices from companies, because companies "want guarantees that the information will not leak to other companies or the public prematurely", or even other investors especially forecasts. "Not all information has to be disclosed because there could be a confidentiality clause."
4) **Work balance between the Secretariat and the MSG**: It is very easy for the MSG to just come and attend the meeting, and leave all the work to the Secretariat. Requests for feedback, comments, suggestions, may be slow and the MSG may fail to read reports and submissions. However, when it comes to validation, there has to be evidence that the MSG discussed, resolved and made decisions on certain things. In some instances, technical working groups (TWGs) may be formed; a good idea but may face difficulties when there are deadlines to be met. There is a

cost for meetings of TWGs - TWGs should be functional because validation will seek to establish their functionality. The MSG has to take keen interest (immerse themselves) in the technical side of issues, to understand how reporting is done, what documents are useful, and what details go into official documents. Work should not be left to consultants. The MSG needs to guide the Secretariat in terms of policy. MSG members need to allocate themselves to the different thematic areas according to their interest, motivation and expertise. e.g. who is interested in energy transition, anti-corruption, beneficial ownerships, etc., and then apportion themselves accordingly.

5) **Financial sustainability:** Donor dependence was not sustainable. It was better to ensure that the MSG/Secretariat budget was part of national budget. He also encouraged civil society to implement some activities directly, so as to relieve pressure from the MSG budget.
6) **Technical support:** The role of the MSG is to provide policy direction; however, there may be issues that require technical input beyond the skills that are available within the MSG. The MSG must therefore find a way of tapping into the required expertise without compromising its independence.
7) **Observers and Alternates:** Especially for "colleagues from civil society", there are issues around observer status. Zambia has not encouraged international NGOs, such as Oxfam, Zambia to be MSG members. Elaborate and transparent ToRs have to be drawn up, and agreed on, that detail the number of observes at a particular time, and the process for allowing alternates and observers to attend meetings, as well as defining their roles. In Zambia the definition of observers has been limited to international organizations and CSOs. There is a temptation that alternates may want to attend meetings; this adds to the costs. Alternates should only attend when the principal is not available, and this has to be defined in the ToRs.

Question and Answer Session with Zambia EITI

1. Dr. Jennifer Hinton (Mining sector representative): (1) Regarding financial sustainability, comparing the two scenarios i.e. before and after the availability of donor funding: did this change definitions, thresholds, scope of exploration, and the modus operandi? (2) Uganda has a national oil company, and is setting up a mining company. What challenges would arise from such government-owned companies operating in the private sector?
2. Jonan Kandwanaho (National Planning Authority): on confidentiality, there could be a leak of information via media, and the MSG is a team sitting on high-level meetings: how do you deal with this issue? Should not some members of MSG attend [high-level] meetings where confidential information may be shared? What criterion is used to select attendees?

3. Winnie Ngabirwe (Civil Society Representative): how do you navigate big oil companies and so many small companies in the mining sector, in terms of what to focus on and how to combine the two?
4. Saul Ongaria (National Co-ordinator): On the issue of the Independent Administrator (IA) – Uganda is seeking to use Auditor General's office as the IA: how far is Zambia in co-operating with the Aud. Gen's office Which is a better approach?

Responses

- *On financial sustainability*: there would be different approaches to doing things, because the luxury of donor support with "sacks and sacks of money" should not blind one to the fact that "there will be a time when that tap will dry up". The MSG needs to be prepared for either eventuality.
- For *methodology and scope*, the MSG has to decide whether to focus on companies, or adopt a risk based approach. At some point in Zambia, 40 companies were being reconciled on receipt of little money - a lot of money was being spent to track 'little' money. The inclination may be to reconcile the top companies that pay at least 80% of revenue to URA. Some people may claim these companies are transparent, follow rules, and so do not require follow-up; tracking small scale miners in Mubende may be the more pertinent issue. This moves to risk: is it the risk of payment of mineral royalties? The MSG may look at revenue streams – it could decide to reconcile mineral royalty taxes and for the rest focus on unilateral disclosure. Choose whether or not to reconcile, but disclose the relevant information in an indicated annex. The MSG can choose to focus on specific revenue streams depending on the timeliness of the information - imagine chasing for an SME based in Mubende for a receipt; would that be worth the effort?
- *On confidentiality*: This issue has both negative and positive sides. Negatively, it can be used to hide critical public-interest information. However, when it involves protecting commercial interests of companies involved, it can be problematic. CSOs need to gain the confidence of other stakeholders to allow them discuss critical issues. This may kill CSO vibrancy -some Chatham House room, for sharing, should be in place. People in government may not be allowed to discuss certain things unless cleared by senior colleagues. A safe environment is needed for government officials to share information without fear of being misquoted or quoted.
- *Beyond reconciliation: Tools and building forecasting models*: begin thinking of analytical tools like financial modelling, revenue forecasting, in order to inform government about projections. Revenue forecasting may make more sense rather than chasing information that is 2 years old or more.

- *On Auditor General*: government processes are slow, and EITI processes are not as slow or as kind. It may be important to have a medium plan and an immediate plan. e.g. foreign consultant (KPMG, PWCs, etc.) working with the AG's office. Companies may be apprehensive about anything government, and may not co-operate with governmental agencies; consensus may be needed to ensure exchange of information and capacity between private and governmental actors. Independent Assessment (IA) is needed from the onset.

MSG Chairperson summary of presentation from Zambia.

Create effective and efficient sub-committees in case technical backstopping is required.

The MSG should not relegate its responsibility to the Secretariat, whose task is to prepare background information and share with the MSG.

Reading, discussion, and ownership of information is important.

Consultants should assist rather than do work for the MSG.

The roles of observers should be clearly defined.

Sustainability of EITI should also be defined: "I am putting this to my colleagues from Ministry of Finance… without money there will be reporting difficulties.

"It's actually worse to be suspended than not to be a member" because you go into the [rather deplorable] shame list of non-compliant members.

3. The EITI Reporting Process - Juvinal Betambira, BDO, Tanzania

Mr. Betambira shared his experience from leading EITI reporting processes in Tanzania and Zambia. As an introduction, he described the reconciliation report as the most basic form of the report; some countries had gone further to conduct EITI audits. The reconciliation merely reconciled company payments and government receipts. However, one could widen the scope of the exercise to include what was paid versus what should have been paid – an audit process of the revenues of companies and their expenses, to establish the actual profit that should have been taxed.

Reporting process: The process starts with appointing an IA, then preparation of the ***scoping study*** (purpose and importance, preliminary information on which companies and MDAs should be included in the reports, which payment types to include, which companies pay taxes where, etc., materiality determination and reconciliation scope), scoping study report and draft reporting template, surveying, training workshop and final reporting template.

In Tanzania, a list of licensed companies was acquired from the Mining Register "of everyone with a mining license", which, in Tanzania, included cement companies since limestone was considered a mineral. The list was then sent to the Tanzania Revenue Authority (TRA) to obtain information on how much these companies had paid in revenue over the reporting period to the different government agencies, including local authorities, Ministry of Lands, etc. Receipts from all government agencies were tabulated and ranked from the highest to the lowest payer. This tabulation helped determine the materiality of the data. Knowing licensed companies and what they pay informs the decision on scope.

Determining the materiality (who should be in the report), was done by: (i) using quantitative measures (going for big actors); or (ii) qualitative measures using risk analysis. 500 companies were considered, but including them all would not be feasible, and might lead to a lengthy report. Instead, the numbers were "banded", and it was established that 40 companies paid about 99.9% of total revenue receipts in a year. Thus, about 450 out of 500 had paid less than 1% of the annual revenue payments. The materiality was established to be 1% (one percent).[2] Thus, while in reporting all 500 companies were listed in the appendix and their reported payments were appended, the reconciliation focus was on the 50 highest-paying companies.

In terms of payment streams, the MSG decided that any payment more than TShs. 5 million, would be included in the report. This is what is defined as a "Material Revenue Stream'. NSSF payments were also included in the report, because while it was not a tax, the amounts were significant, and companies wanted to show that they were making significant contributions. The TShs. 5 million materiality threshold was arrived at based on identifying companies, payment streams, and government entities receiving the money. The MSG also resolved that any difference beyond TShs. 5 million has to be followed up, while those below could be ignored.

While some MSG members called for reconciling differences up to zero, small amounts were ignored after deciding the level of difference to be accepted. The level of materiality for the payment streams was the same amount as the level of reconciliation threshold to determine differences.

URA MSG members took note of how the scoping of what was paid was done, who determined what was paid and what should have been paid, and how that would work with URA's compliance audits. Materiality was key, because Uganda may also have very few firms that contribute significant percentages of revenues from extractives. Revenues of oil and gas companies will be audited, and most will meet the materiality threshold of 1%. URA also reports on sub-contractors, and it is unclear whether these will also be included.

[2] Auditing processes always take 1% as materiality.

It was key that the MSG educates itself on materiality: URA tended to categorise companies as large, medium, and small, based on the nature of activities they undertake. Every company involved in petroleum operations may be reconciled, as a criterion. Companies tended to avoid the additional costs involved in complying with EITI: the MSG had to decide based on these considerations. Including secondary companies (sub-contractors) which have no mining or petroleum exploration license would have to be considered based on their contribution to revenues, which was considered to be significant.

Cement companies would also have to be included because they are significant revenue contributors, and the value of limestone is the highest in the country in terms of minerals. While gold has overtaken and dwarfed the limestone value, the cement companies remained important actors.

Every year of reporting should be preceded by a scoping study, to cater for companies whose revenues payments may change. Mr. Betambira noted that the report is for transparency, and to initiate discussion and debate (a reason reports are translated in local languages, workshops held and public debates allowed). Once you do the reconciliation, you include all the information on export, exploration, environmental impact, economic impact, etc. Information may, in the process, come to light about companies that may not have been included in the report, and this may raise issues for their possible further investigation.

After the scoping study, a report is produced. This guides development of reporting template. Thereafter, the template is sent to companies and government MDAs to fill in the relevant information. To confirm the information acquired during scoping, a workshop is held. The MSG publishes in the media the selected companies as well as the MDAs to be included. They are invited to the workshop to explain the process, templates, and provide feedback on the template design. MDAs, the MSG, and companies are invited to the same workshop, during which the MSG explains the issues to the companies. Companies respond more to media invitations than to formal letters of invitation. Templates may be distributed in the workshop or sent by emails or letter. Companies should be represented by whoever is going to fill in the template.

The EITI reconciliation report: Information has to be of high quality; completed templates should be certified by their external auditors, and their management, which is an additional cost. The template follows a cash basis of accounting. The reporting years may not be the same (annual vs fiscal). Government templates may be certified by the Auditor General. Some companies may send uncertified templates, and this has to be explained in the report - what was done to ascertain that the information shared is correct? Audited accounts and external auditor's certification are additional requirements to give more confidence in the quality of the validation –

validators will be looking for companies that have not submitted certified audit information, and this will be considered to be a red flag.

After receiving certified templates, with numbers supported with relevant documents, itemized transaction by transaction, receipt by receipt, and reference numbers, it is possible to reconcile using supporting documents from government. This is a tedious and meticulous reporting requirement. With information, companies may need a month to prepare these documents and deliver them back to the IA (Independent Administrator), but some companies may send directly to the Secretariat: the template instructions should clearly state that the information should be sent to the IA. Any differences are reconciled using details that have been provided by government and companies, to identify mismatches in transactions, and to investigate why these differences exist.

After reconciliations the report is agreed on and produced. No opinions are made on numbers; they are reported as they are. Summary (figures, certified templates, economic and environmental impact), contextual framework, beneficial ownership and contract information, unselected companies (materiality considerations), etc., are all included. The report has to meet all the EITI Standard requirements. It is then discussed, validated, publicized and posted on the EITI country website. This marks the end of reporting.

REVENUE REPORTING – STEP BY STEP ROADMAP.

1. Get a list of all extractive companies with licenses from the Energy Ministry cadastres. (Tanzania got a list of 500 companies and ended up with 40).
2. Send list to URA for information on revenue payments (including royalties) (Which other government agencies receive revenues from the extractive companies?)
3. Rank companies according to amounts.
4. Determine materiality, and revenue stream materiality. (Tanzania decided to include NSSF and cement companies)
5. Determine level of difference that is acceptable.
6. Prepare the scoping study report, detailing the above process, and stating the scope, materiality, and irreconcilable margin that has been agreed.
7. Prepare reporting templates
8. MSG issues press release calling companies for workshop to discuss and share templates.
9. Certify completed templates.

4. Welcome, Uganda, to EITI – International Secretariat

Mr. Bady Balde, Deputy Executive and Africa Director

Mr. Bady Balde presented a welcome note to Uganda and introduced his colleagues at the International Secretariat who had joined him online.

The EITI team listed the expectations of the Secretariat, highlighted what Uganda should expect, and reiterated had been said when Mr. Balde visited Uganda in preparation for its application: “becoming a member is the first step. Once you are a member, start implementing the Standard.” He noted that "Uganda has joined the EITI at a very opportune time", when the EITI has passed through the first-decade development phase, drawing lessons from other countries, leading to the development of a much more comprehensive Standard. The latest iteration of the Standard therefore focused on issues like beneficial ownership, contract transparency, environmental reporting, etc. This has been a gradual expansion, and an opportunity for countries like Uganda to find the requirements in the Standard most relevant to the country and likely to be more impactful.

Uganda should be purposeful and systematic in the way it implements activities related to the Standard. He hoped the retreat was part of the development of the work plan, key priorities, challenging issues for 2021, and how the Secretariat can draw from its experience to guide the MSG "through those challenges."

On the role of the MSG, he indicated that Uganda had impressed the Secretariat, with its well prepared application, good calibre of stakeholders, and staff at the National Secretariat. "That was well noted by us and by the whole world, when the application was submitted." He added that MSGs are not paid civil servants, and depend on availability, dedication and leadership of the MSG to make EITI implementation dynamic, impactful and able to address key issues of concern to communities where EITI is implemented. As members of the MSG, interaction with communities and stakeholders was very important. Reporting back to the constituencies was equally important, and shaped MSG discussions and deliberations to reflect concerns from respective constituencies. Decisions should be based on those concerns.

On the practicality of the Standard, Mr. Balde stated that Uganda is joining at an exciting time. The Standard has evolved and is still evolving. New things are being considered by the Board. The challenge for the MSG is to keep up with new developments and consider how they can be used to enhance the EITI process in Uganda: flexible reporting or "Alternative Approaches to Reporting" (due to the impact of Covid-19), engaging in the energy transition, etc.

Development of the work plan merits special attention from the MSG: setting out objectives, studying the priorities, and deciding what issues need to be up-fronted. In the work plan the purpose is also set, positions on things like roles or expectations are stated, and measures crafted on how risks of corruption are to be controlled or minimized. The issue of mineral traceability, for instance, is important: "it is the prerogative of the MSG to decide the appropriate scope to be included", but that should not be limiting to the MSG. The Secretariat is happy to guide the MSG through the Standard.

On systematic disclosure: the EITI fraternity is witnessing a move from EITI reports as aggregates or disclosures, to getting into where disclosures are made at source. The EITI only comes in to analyse the data, look at the gaps, and these considerations are tabled as the MSG deliberates on reporting. Uganda does not have to go through the full learning process other countries have undergone, even as she may also learn her own lessons, but can draw from experiences of other EITI countries and the International Secretariat. This will help avoid the tough lessons some of the countries have gone through: e.g. avoiding costly reporting exercises, making reporting sustainable and capacitating the MSG to do more analytic work. "Uganda's first disclosures will be particularly important…"; they ought to be more relevant, forward looking, compliant with EITI requirements, and more.

Question and Answer Session with International Secretariat

I. *Artisanal and small-scale mining*: any experiences and lessons to share?
II. *Beneficial ownership*: share more about disclosures on beneficial ownership, as a new aspect of EITI reporting
III. *Disclosure of documents with confidentiality clauses*, e.g. Production Sharing Agreements (PSAs): what insights can be shared on the issue?

In response, Balde thanked Ian Mwiinga from Zambia, a Board Member, for being online and supporting the country MSGs within his region. He recommended learning from Ian, because Ian was an expert in all these issues.

On artisanal mining: there is no specific section that says "this is artisanal mining that disclosed X, Y and Z. in some countries this can be relevant; in others it can be marginal or non-existent. Where it is relevant, a number of

EITI requirements can be applicable to the artisanal and small scale mining (SSAM) sub-sector. Licensing issues, land ownership, mineral traceability, etc., are relevant. The MSG has to judge what EITI mechanism is fit for SSAM issues. The OECD due diligence guidelines can be referred to; the intergovernmental forum has also developed guidelines and policy prescriptions. The MSG is sovereign and should take what it considers priority and set it out in the work plan as an objective, agree with the Secretariat on what activities to be conducted there, and share examples with other countries on a number of those issues.

Beneficial Ownership: the EITI is working with OECD to support these processes, especially with gold. This new area requires companies to submit information on beneficial owners, but there is a broader reform effort to ensure that governments have correct information on owners of companies. Uganda has requirements in the Financial Action Taskforce, which has basic guidelines on how government authorities can access information on beneficial and legal company owners – this may also be a legal requirement (e.g. Registration Processes, Companies Act, etc.). Information submitted by companies can be used as the starting point, then later additional information on the identities of owners can be acquired, quality assured, and publicly disclosed. Opportunities for improving data collection forms, can be explored, to play a more meaningful role of checking this information – starting with legal and regulatory frameworks to additional external information and background checks. One of the main users of data is government agencies, covering financial intelligence centres, tax authorities, procurement agencies, and these are possible sources. More information can be shared on good practices from the region and beyond.

Contracts and confidentiality issues, Ines revealed that the requirement places demands on new contracts entered into after January 2021. Consultation with companies in question is important here; such discussions can guide on how to address those provisions. Several examples from other countries can be shared through the EITI process – some have agreed to publish contract processes. Contract Transparency Week, in December 2020, will involve sharing more information. She called upon the MSG to join the week.

Processes do not take a day to complete. They are continuous, as is learning. "Now that you are implementing the EITI, there will probably be a lot of scope to learn." Whenever in doubt, "call for help, and call for help in good time."

More questions/Comments: Reporting on Environmental Concerns started in 2019, and the Standard is evolving. What is the best practice of reporting these concerns? Comment: we are keen for some specific guidance on implementation mechanisms, because Uganda is being told that "we are at the cutting edge, we are the new frontier" who should not repeat the mistakes already made. But there is no precedent, and it is difficult to pioneer new ways of doing things. How can Uganda be expected to do things the new way, when no one has ever done them that way, yet Uganda has not done it before or the old way, and the IA will not be considerate about the newness of Uganda to this new process?

In response, Ines revealed that the new validation model will be rewarding formative efforts in EITI implementation. This is about identifying national country owned priorities, and moving away from following set frameworks. The expectations and objectives set by the MSG are critical in this regard. Validation will not be seeking to confirm what is being published. Disclosures will be required, and validation will look at this, but the EITI is changing the way this information is shared, data accuracies and assurances, as well as data reliability. Is the data available? Where is the data disclosed? Issues of "what should have been paid", for instance, are interesting, and a number of countries - Argentina, Trinidad and Tobago, regional peers (on flexible reporting: Sierra Leone, Zambia, Malawi), are piloting the flexible reporting model.

On environment, CSR, gender reporting, the new provisions are flexible for the MSG to decide what information stakeholders may be interested in: is it about EIAs? Is it about companies meeting obligations on environmental protections? Is it about environmental monitoring for compliance with environmental obligations? Environmental funding mechanisms? Options are flexible and the MSG can consider which government agencies or companies need to provide which information. Examples from Mongolia, Mozambique, are available, and can be shared for learning purposes. The challenge is less about previous experience and more about creativity and commitment in data collection and reconciliation, identification of risks, and highlighting underlying assurances to reconcile correct figures. Ian added that the validation model had been criticised on some methodology aspects – scoring, clarity of what constitutes civil society, etc. The model was now able to address some of the issues by introducing quantitative assessment of country performance – in terms of reporting, and possible quantification ways of how people can assess progress from one year.

One suggestion is to weight all the requirements contained in the Standard and get an average from each requirement; or get blocks in terms of the requirements and make averages of those components after scoring. "If you average each component, each requirement, and add up everything, it will reveal that disclosure is more emphasized", but if one takes averages, governance may take more prominence. The International Secretariat team promised to reach out to National Coordinators to find common ground on what should be submitted as a region, in terms of validation architecture. On civil society, there is strong feeling that "we need to define civil society in relation to EITI", to avoid over-association and over-subscription by non-relevant civil society members. In other words, validation should be done to relevant, and not all CSOs.

5. Requirement 3: Exploration and Production

Overview of the Extractive Industry in Uganda (Oil and Gas)

Francis Elungat, Coordinator, Oil and Gas, MEMD

This presentation covered the petroleum sector, including significant exploration activities, the legal and regulatory framework, and the status of the oil and gas sector (petroleum prospectivity: licensing, commercialization plans, national content, and contribution to the economy).

- Albertine Graben is the most prospective, discoveries have been made there (21 discoveries, 14 fields under development), 6.0 billion barrels with 1.4 billion recoverable (from 14% of the licensed Albertine Graben); 500 BCF gas (non-associated); and other sedimentary basins.
- A total of 9 companies have been issued production and exploration licenses.
- There is a second licensing round with 5 blocs on offer, 6 companies' submitted bids and are under review, and soon exploration licenses will be issued in 2021.
- The commercialization plan is costed at US$ 20 billion, which includes a 60,000-barrel/day refinery, export pipeline, and crude-to-power option.
- The Albertine Graben Refinery Consortium, consisting of four consortium members, signed an agreement in 2018.
- The East Africa Crude Oil Pipeline (EACOP); the FEED (Front End Engineering Design) is completed, land has been acquired, while EIAs are ongoing. The EACOP is to be developed by a Special Purpose Vehicle (SPV) – consisting of Total, CNOOC, UNOC and TPDC (Tanzania Petroleum Development Corporation).
- Intergovernmental Agreement (IGA) was signed in 2017, and from 2018 the Host Government Agreement (HGA) has been under negotiation and was completed in September 2020.
- Local Content Policy was approved in 2018, and focuses on capacity building, employment of Ugandans, competitiveness of Ugandans, increased use of local goods and services, and R&D.
- Estimates indicate that investing US$ 25.9 billion in the sector (which is 70% of Uganda's current GDP, at US$ 37 billion) would contribute to indirect growth by US$ 15.54 billion. Thus, during development phase, an estimated US$ 60 billion worth of GDP is expected from the sector.
- Considering government's commitment, the EITI process is expected to enable further the realization of benefits from the oil and gas sector, for the quick realization of Vision 2040 and NDP III Plans.
- Tullow Oil exited the sector early November 2020, and UNOC is expected to join the other companies in the sector, in the near future.

Questions, Comments

What is the level of employment of Ugandans, and what quality of services do they provide? How much do Ugandans earn from their employment compared to what the companies pay out at the end of the day? In Tanzania, each oil company pays US$ 400,000 to train Tanzanians: do we have this in Uganda? On PSAs, how easy will companies allow PSAs to be disclosed in the reports?

Responses: studies have been made to establish the levels of skills available, the sector is new and some skills are in short supply; capabilities of Ugandans continue to grow. As a country, we have no minimum wage, but at the same time unemployment is high which compels Ugandans into the hard realities of seeking employment and working under certain conditions. National content also entails preparation for national takeover: where an expert is in place, there should be a Ugandan understudying to be able to take over in future. Companies make annual contributions to a training fund that supports Ugandans. At present, the PSAs have confidentiality clauses and are not publicly available.

UNOC is expected to play a role of holding government's commercial interests in the sector. Issues related to EITI have to be discussed as a country, and specifics, such as PSAs, are issues that cannot be concluded in the retreat. Feedback from those companies may remain confidential, or in high-level UG-EITI circles, and engagement processes are ongoing. PAU can provide figures of what companies provide as training fees.

Contribution of the Extractive Sectors to the Economy (mining)

- **David Sebagala - Directorate of Geological Surveys and Mines, MEMD**

The presenter focused on how to implement the EITI initiative given the characteristics of the mining sector. The Mineral Resources Development Cycle was outlined, from land resources through exploration and development to operation closure and reclamation and monitoring.

- Uganda has mineral occurrences, not mineral deposits. Converting occurrences into deposits requires studies that have not yet been undertaken.
- The sector contributes 0.1% to GDP (minus gold production figures). Its growth rate is 3-7%, almost close to the national GDP growth rate. With gold mining, its contribution increases to 1.02%.
- As at 30th September 2020, 761 licenses had been issued.
- In the last quarter (July to September 2020), fees generated by the sector (royalties and other fees), was estimated at UGX 4.58 billion. The value of minerals produced during the same period was UGX 39 billion.
- The sector does not have official exports and imports, partly because of the Presidential Directive against export of mineral concentrates.
- There is a functional mining cadastre that displays all the information required by EITI Standard, save for information on production volumes.

Questions, Comments

- Reported figures from different government agencies - Directorate of Geological Surveys and Mines (DGSM), URA were not tallying, and the Ministry of Trade and Industry was also giving export licenses instead of using permits from the MEMD: how is this being resolved?

- The issue of mineral versus metal needs clarity: when someone refines gold to 99.9%, is it still a mineral or it is a metal? The Ministry of Trade has been issuing export licenses for refined gold.
- Shouldn't DGSM capture gold before refining for royalty purposes? Isn't gold covered by the Mining Act? Big mining companies' finds and activities should also be captured in the report, whose purpose is to show the public the extent to which they are benefiting from their resources (in terms of royalties, CSR, other taxes, employment and capacity building, etc.)
- Artisanal and small scale miners are problematic; they produce small quantities but are many in numbers. Would the inclusion of Dealers not help capture such information? Some countries have included dealers in their reports. Are dealers paying what they are supposed to pay? With their export licenses, are they exporting officially or smuggling illegally? We need to strengthen collection of information on smelters: track what they are smelting and their level of production – at MSG level.
- The draft mining law has provisions to regulate small scale miners and refiners. KCCL, for instance, produce copper oxide and other hydroxide minerals.

The Uganda Petroleum Cadastre – Existence and Public Availability

- Robert Tugume, Petroleum Directorate, MEMD

- The presenter revealed that the petroleum cadastre exists, as a database of all licences in the petroleum sector in relation to their location according to Geographical Information System (GIS). It is called the CRANE Database, and is housed at the Petroleum Authority of Uganda. The plan is to make it publicly available on www.pau.go.ug
- Confidentiality issues need to be discussed by the MSG in due course, because what is captured in database excludes PSAs. The cost of licensing is unclear, but "any other information can be given out on request."
- Request for data for one well is US$ 50,000. Companies that buy the data sign a confidentiality agreement with the Permanent Secretary and pay the funds into the Petroleum Fund Account at the Central Bank.

State Participation in the Extractive Industry (Requirements 2.6 & 4.5)

– Emilly Nakamya, Manager, Business Planning and Performance, UNOC

In her presentation, Ms. Nakamya, discussed the establishment of UNOC, its mandate, and state participation.

- UNOC as a company established by the Exploration, Development and Production Act, 2013, and incorporated under the 2012 Company Act. It is a State Owned Enterprise (SOE), 100% owned by government, and it manages the state's commercial interests in the petroleum sector.
- UNOC has 117 employees. 39% of its staff are female. Its full staffing structure provides for 255 staff.
- In September 2020, UNOC was officially recognised as an International Oil Company (IOC).

- Critical projects include the refinery, where the state owns 40%; capacity building; Industrial Park; Multi-Product Pipeline; and terminal facilities (Kampala Storage Terminal (KST), where government owns 51%). Uganda's 15% in the EACOP will also be managed by the UNOC.
- The company is involved in trading, has made revenues of UGX 600 million through importing and selling petroleum products.
- UNOC has also registered and incorporated 02 subsidiaries: Uganda Refinery Holding Company (URHC), incorporated in January 2016; and National Pipeline Company (NPC) Ltd, incorporated in April 2017.

Questions, Comments

Ideally, the company should be both a tax payer and dividend payer. These taxes should not be avoided or evaded. This information can be captured in the report, explaining the shareholding, other structures, and payments to government.

What is UNOC's plan for financial independence?

In response, Ms. Nakamya indicated that UNOC, was not financed based on the PFMA. Instead, the NOGP provides for institutionalization, which gave birth to PAU and UNOC. Its financing is not defined, "in any of our laws." At inception, it was agreed that shareholders would pay seed capital, which has not been paid, hence the ongoing discussions on the capitalization plan.

The laws that govern the company are clear; any law that relates to company operations applies for that particular project. In terms of guidance as to whether UNOC should come to MSG for guidance, the message is that UNOC is not operating from a vacuum but there are benchmarks and reference points. Things will be clearer as UG-EITI clearer once we have defined our information needs, and our templates.

The dividends aspects are clear, though there are no dividends yet. Information on taxes and PAYE is available, and has been shared with the EITI Secretariat.

In summary, the meeting concluded that it was very important for UNOC to come out at the forefront of transparency, and that the EITI would greatly support them in this.

DAY 3 – Friday, 20 Nov. 2020

Recap of Day 1 – Gloria Mugambe, EITI Secretariat

Ms Mugambe provided highlights from the previous day's discussions. These included:

- Advice from Zambia: pick your ***quick wins***, which can be showcased in the EITI report e.g. for Uganda, the mining cadastre was already up and running.

- The ***revenue reporting process*** – the steps to follow in line with Requirement 4, and the choice of approach – risk-based approach (potential) vs. quantitative (actual amounts reported). The MSG's decision on which approach to take would mark the starting point for the scoping study.
- Determining the ***materiality*** of revenue streams, level of difference to accept, and ranking of companies according to their revenue contributions.
- ***The status of the extractive industry*** - the sector's potential contribution and investment potential; availability of the petroleum cadastre (said to be online, but not confirmed); state participation
- Issues like ***artisanal and small scale mining***, gender, land issues, in keeping with available verifiable information about mining sector activities and revenues in the country

Following her recap, the meeting proceeded with the day' presentations. The narrative below captures the highlights from both the presentations and discussions that followed. All presentations are available on request.

6. Requirement 4 - Revenue collection

Revenue from extractives as captured by Uganda Revenue Authority

– Sandra Kaitare, Assistant Commissioner, Petroleum and Mining, URA

- URA is mandated by law to collect all revenues from the extractives sectors. However, there are instances where individuals pay directly to the Petroleum Fund Account with Bank of Uganda (e.g. companies that pay to access data on various wells).
- PAYE is considered non-Petroleum Revenue, and while companies pay it, the definition of petroleum revenue in the PFMA (2015) excludes PAYE.
- Monies foregone in the mineral and oil and gas sector by way of exemptions, ought to be part of the information that is made available to the public in the report. (Companies are exempted from paying taxes on imports that are for exclusive use in oil and gas or mining activities).
- Oil and mining companies may deduct withholding taxes from their suppliers and service providers; it is possible to capture and reflect these revenues, or at least append them to the report for disclosure purposes.
- In mining revenues, non-tax revenues are also collected and paid to URA, including royalties, transfer fees, mineral rents, and withholding tax.
- The 2019 shift from multiple revenue collection channels to URA-centred collection should make it easy to track revenues and reconcile these figures.

The Petroleum Investment Fund

- **Andrew Wabulya, Bank of Uganda**

He provided an overview of the Petroleum Revenue Management processes, from appropriation, to Parliamentary debate, to Consolidated Fund account withdrawals, and to expenditure in the national budget.

- BoU has had a challenge with actors who directly send money to the Fund. BoU does not return such monies; it only advises URA and MoFPED about such transfers.
- Petroleum Fund money is appropriated by Parliament. In 2019, Parliament decided that the money be transferred to the Consolidated Fund. Such monies can also be allocated for investment.
- Uganda has no percentage limits on how much may be withdrawn from the Petroleum Fund. Government is working on the Fiscal Rule to put in place percentage limits.
- Why is it taking so long to have a Petroleum Revenue Investment Policy? What can the MSG do to ensure that this takes place?
- Royalties to sub-national authorities – district and cultural leaders: at what point are these royalties paid? The PFMA indicates that these authorities should get the royalties, and hence monies allocated to the Consolidated Fund should cater for them. Civil society needs to "pay attention to what Parliament is approving", and the royalty allocation process.
- There is a Petroleum Fund - is there similar framework for other extractives, like mining? This remains unclear; the Mining Act is being reviewed, and the BoU is also grappling with these questions. Other minerals like uranium and other high-value minerals may generate significant amounts of money that could dwarf Petroleum Fund revenues, and the development of the policy, legal and institutional framework prior to venturing into these areas is in order. EITI processes are also necessary in this regard.

7. Requirement 6: Social and Economic Spending

Environmental and Social Expectations of the Mining Sector

- **Dr. Jennifer Hinton, Mining Companies representative**

In her presentation, Dr. Hinton, stressed the need to consider the environmental, social and governance (ESG) factors in the mining sector. These included environmental protection, social responsibility, community engagement and anti-corruption. The discussion that followed raised the following questions:

- Does the law or contract between mining companies and governments mandate any social expenditures? Companies are required to hire locally, and engagement processes with community centres on compensation issues. Mining leases require ESIAs. There is commitment on training and employment of Ugandans, and sourcing of goods (and services) locally.

- Are there any benefits provided in kind? Although this is not a legal requirement, forms of local support may be provided.
- Do companies make material payments to government related to the environment that are mandated by law, regulation or contract? Environment Fund is not mandated, and only normal fees are mandatory. Compliance is required through the use of performance and other bonds. Companies may be expected to report these issues under EITI.
- What is SOEs' track record on ESG? Few SOEs are involved in mining, due to the high costs of exploration and risks. In Tanzania, companies put aside some funds for environmental restoration, experts are involved, and auditors review these amounts. Uganda has no mining SOE/company. State Mining Corporation (STAMICO) of Tanzania holds shares in other mining companies, and its role is limited to investment. Since 2019, 20% shares of all mining companies are owned by government via STAMICO. There is no law requiring companies in Tanzania to provide corporate social responsibility (CSR), and companies do so on their own. EITI reports in Tanzania have provided information on CSR expenditures.
- Uganda's JVPs seem to have similar expenditures on social and environmental issues, stakeholder management, and community engagement. Social expenditures are meant to mitigate the impact of the project, livelihood restoration programs, relocations, resettlements, and helping people adjust to relocation areas. Environmental expenditures are mandated by the NEMA Act and Regulations, payment of fees for permits and other payments mandated by law and regulation.
- Other than reconciling monetary expenses, understanding ESIA reports and social and environmental protections remains inadequate in Uganda. Beyond money auditing, environmental audits may be required to assess whether steps are being taken to rectify environmental damage being made by extractive activities. The best practice in Canada is to work with communities via consultative processes and simplify ESIA reports, to ensure community-based monitoring and engagement.
- For the MSG, the question to ponder about is whether private companies disclose what they have done to remedy their effect on the environment, and whether this is verifiable; the MSG should find a way of verifying whether what companies report to have done is actually done.
- When the MSG commences reporting, there will be a good start with large mining companies: however, there may be difficulties in reporting on small and medium miners. The mining sector is dominated by artisanal and small-scale miners; large-scale miners are always in conflict with ASSMs, and these conflicts have sucked in policy, army, politicians, RDCs, and "it's all murky and very, very confused." The MSG has to determine what is appropriate when preparing to report, as large companies may also have problems in reporting everything especially where they are conflicting with ASSMs.

International Best Practices in Contract Disclosure – Requirement 2
- Francis Elungat, MEMD

Questions, Comments and Responses.

- *What and how far will you disclose, given confidentiality issues and the Access to Information Act? What if the most important details are withheld?* There is no local precedent/ best practice on disclosure; MSG decisions will be based on the law and engagements with companies and the State.
- *The Standard requires that PSAs be shared. What does "mandatory" mean according to EITI? What will the MSG discuss beyond complying with the Standard?* Initially, one view was that post-2020 PSAs be disclosed, but new PSAs have no confidentiality clauses. A meeting was held with the top technical people in the relevant MDAs, to help them appreciate the importance of full disclosure "as long as industrial secrets are kept confidential." During that meeting, they were open but not fully committed on the issue. The dialogue and engagement process is ongoing.
- *Is information disclosure the same as access by the MSG and taking the information to the public?* When the MSG gets access, it has been disclosed to. Disclosure of accessed information is about publishing it in the EITI report, thereby allowing the information into the public domain.
- *Requirement 2.4c policy on disclosure of licenses and contracts information: is there any policy under way? If none, any plans to do so? Any planned reviews or amendments to relevant instruments?* The MSG needs to start thinking about the policy and changes that may be needed in relevant laws. The process of engaging senior executives in the MDAs is a good process; oil companies say they are willing to disclose and the Solicitor General seems to have no problem – but "it is still work in progress".
- Emphasis is being put on what the industry actors say about disclosing PSAs, but government may have concerns that need to be addressed, such as sharing royalties, profit sharing, and other issues. Some of these issues are negotiated rigorously and the government may fail to get a better deal with future investment companies – there is need to avoid undermining the ability of the State to get better deals in future as the sector evolves. However, on the other hand, disclosure will enable the government to improve where it may have got a bad deal.

Environmental Impact of Extractive Activities (Requirement 6.4)
- **Sarah Aijuka, Senior Environment Inspector, NEMA**

Questions, Comments, Discussion

Money to meet pollution costs. If a petroleum company pays pollution cost, is it a Petroleum Fund revenue? How can MSG also route for Petroleum Fund to partly address environmental damages – to have an Environmental Fund that can facilitate restoration and remediation processes?

The presenter was not sure if it was possible to use the Petroleum Fund for environmental remediation. However, the Petroleum Fund and the

Decommissioning Fund are legally regulated and difficult to use for environmental restoration. The Environment Fund, initially set up for environmental remediation, was integrated into the central reserves. It is up for discussion on how this may be addressed.

Polluter-Pays-Principle: to what extent does NEMA enforce this principle that has helped in many other parts of the world?
The polluter-pays-principle is not a legal obligation, but costs for such payment may not be captured even as companies invest in pollution controls. 0.05 – 0.1% of the project cost is supposed to be spent on EIAs. These are insufficient funds; for instance, a UGX 300 million project may not have enough money to conduct an expert ESIA.

Allocation of cumulative impacts: we know that time horizons, and an elaborate *environmental and social lifecycle assessment* with databases of hotspots on social and ecological sites would help. Has this been done?
This is an issue of environmental planning, based on many models and assumptions within a 'dynamic' environment. Some smart moves may not be politically feasible, but other projects may be susceptible to accepted regulations. It is inevitable and hard to disaggregate because apportioning responsibility for environmental damages can be elusive.

Clarify the cost of the ESIA process. Is it subject to negotiations?
Statutory Fees are set by the law, in EIA Regulations. What is paid is determined by project costs, as a percentage of the project cost.

The ESIA process is up to the extractives companies; they do competitive bidding and invite ESIA consultant companies, contract, undertake ESIA – NEMA does not regulate the selection of consultants; its only focus is on whether requirements are met (only registered practitioners can undertake ESIAs). This is always expensive because processes of data collection and engagement during ESIA processes are long and tedious. Oil companies will likely report this as considerable expenditures to undertake EIAs and ESIAs.

There are other environment stakeholders, such as UWA, NFA, cultural sites protectors, MoGLSD (safety issues): how do we link up with them and ensure compliance? What is the cost of compliance & enforcement?

The other players require coordination and information sharing. They regulate part of the environment, and reporting for the MSG needs to bring in information from these MDAs. There are different costs paid by companies to meet obligations to other regulatory institutions (like UWA and NFA)

NEMA has undertaken some studies, such as Albertine Graben Baseline and Sensitivity Atlas, but this does not erase the hotspot nature of the region, the already-done damage, oncoming new developments, unplanned settlements and other issues. Physical plans may have been developed by the MoLHUD, but "we still have challenges to be worked on."

Energy Transition and Strategic Minerals **- Dr. Jennifer Hinton**

- There is a global push for countries to become carbon neutral by 2050. China committed US$ 1.2 billion for charging points for electric cars. The EU has provided incentives for the production of EVs and Norway is phasing out internal combustion engines by 2025.
- By 2050, it is possible that the demand for oil and gas products will have reduced especially when the motor industry shifts to new technologies.
- There is potential in the mining sector brought about by the energy transition drive. Solar power requires rare earth metals, copper and aluminium, while wind power also needs copper, molybdenum and rare earth metals. Uganda has high potential, and needs to invest in deposits discovery so as to attract companies that can explore responsibly with respect to climate change.

8. Requirement 7 - Outcomes and Impact

How to Enhance Public Awareness and Impact, Understanding the Figures and Promoting Public Debate

– Onesmus Mugyenyi, CSCO & ACODE

This presentation focused on explaining the possible role of the MSG in enhancing public debate on EITI processes. The disclosure of extractives data would not be useful if not passed on to relevant stakeholders to create debate around these issues. The eventual intention was to ensure that stakeholders are engaged, discuss, and make recommendations that are followed up.

- The MSG must ensure availability of comprehensive and accessible information, share it, and capacitate citizens to create debates around it.
- The MSG must follow up on the recommendations from EITI report.
- MSG needs to: (i) develop and implement a communication strategy, (ii) develop a consultative feedback mechanism, and (iii) develop a planning, monitoring and evaluation mechanism. This will ensure structured and consistent processed, feedback, monitoring, and learning.

Plenary discussion: Energy Transition, & Outcomes and Impact.

On energy transition: There are still many products we can get from petroleum, which make the sector lucrative. The future is still very bright.

On Communication strategy: are you talking about having a Strategy as MSG, or as companies? There are lots of things to get on the same level, so as to avoid haphazard strategies by different stakeholders. The MSG may require its own strategy that conveys a consistent message to a target audience.

EITI is not a box ticking exercise. The EITI process should support home-grown mechanisms, identify issues, make recommendations, and use it to better the sector. We also need to consider how EITI will connect to the sub-national levels – deep in Mubende, Buliisa, where there are local governments: how do we link the MSG to local governance actors and systems?

Response: The communication plan is for the MSG. In Tanzania, a report is summarized in small portions, summaries, translated in Swahili, and disseminated into the community. In Uganda, the report may have to be written in different languages, in a simplified and summarized form. The MSG needs to plan road shows to take it to all the regions and districts where resources are extracted. The website, data templates, numbers, links to mining cadastres and petroleum cadastres, licensees and ownerships, should all be publicly available. Wide dissemination is important for validation.

The EITI process gives Uganda the opportunity to exploit her mineral potential, despite the lopsided emphasis on oil and gas. Preliminarily, there is information that Uganda is likely to benefit more from the mining sector than from oil and gas. The way forward is to push for proper policy and legal instruments. In terms of clean energy, the kinds of minerals that are relevant for clean-energy industrial development are important. Even in the NDP III, clean energy, electrical cars, are considered, which indicates the need to prioritise mining.

On the communication strategy the EITI Standard is elaborate enough to guide the MSG in drawing up one for itself. It should contain components that cater for different constituencies; this is an important priority for the MSG. "If we are unable to demonstrate that we have engaged in comprehensive and far-reaching consultations, our report may not be accepted."

Rapporteur's Summary – Discussion and Comments

The rapporteur was given an opportunity to provide a synthesis of the key issues that had arisen from the two days' presentations and discussions. The summary focused on highlights, and emphasised direct lessons and considerations that the MSG needs to pay attention to. In response to the wrap-up, the following issues and questions were raised:

1) Arising from the presentation from Zambia: not all information has to be disclosed; limit the attendance of everyone, opt to use small committees for specific issues; an agenda is not a measure of performance - focus on the role and implementation of the work-plan; the ToRs need to be clear, and some members can become observers.
2) Are the communication and engagement strategy the same? If not, are both needed by the MSG?
3) How would the MSG address the issue of (non) disclosure by government and companies during implementation of EITI? An EITI law was needed.

9. Concluding Remarks – Mr. Moses Kaggwa, Chairperson, MSG

Mr. Kaggwa's concluding remarks highlighted the following:

- The MSG needs to capture the low-hanging fruit for clear wins.
- The MSG and Secretariat needs to embark on preparing the scoping report.
- The MSG needs a follow-up meeting to agree on the sequence of next steps; it was agreed that this would take place in the first week of December.

The Chairperson's remarks marked the end of the workshop. He expressed gratitude for the Induction retreat, and the need for a scoping retreat that would help the MSG "to know what we are going to do after." He stated that the discussions had clarified a lot of issues. He reminded members that hard work lay ahead, but expressed assurance that the MSG members were "committed to ensure our success." While many things, of various facets, had been reemphasized, he stressed that the *completion of the EITI report should be a priority* for the MSG. He called upon participants to begin by refreshing their minds with ToRs, the Standard, as well as the laws, regulations and policies that would be used in the MSG's day-today work. Wishing everyone safe journey the following day, he closed the Induction Retreat at 3:45pm.

10. Conclusion

From the proceedings, the content, and breadth and depth of information and experiences shared during this Retreat, is within reasonable intellectual and practical judgement to infer that the MSG was enabled to build a shared understanding of the approaches to EITI processes, the challenges to be met in EITI implementation, and the critical considerations to be made to ensure EITI processes are successful in Uganda now and in future.

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2 KEY ISSUES ARISING FROM THE RETREAT FOR CONSIDERATION IN THE SCOPING REPORT:

Direct Company-Employee Tax: Should PAYE paid by employees of extractive companies be considered as an extractive revenue? Why [or Why Not]?

Royalties to sub-national authorities: how are they paid and how are their receipts recorded at sub-national level? CSOs' follow-up and monitoring of this process is required