

UGEITI ANNUAL PROGRESS REPORT JULY 2020- JUNE 2022



EU Delegation in Uganda

## ANNUAL PROGRESS REPORT

PREPARED BY UGEITI SECRETARIAT

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## 1.0 Introduction

This is a report covering EITI implementation activities for the period July 2020 to June 2022. It was originally developed to assess progress for the first year of implementation. However, following advice from the International Secretariat, the scope of the report was expanded to cover the entire two-year workplan period.

The report discusses EITI general performance, including the production of Uganda's 1st EITI report. It also contains an overview of outcomes and impact from EITI implementation, and assesses performance against the 7 EITI requirements as stipulated in the 2019 EITI Standard.

## 2.0 Overview of the EITI in Uganda

The Extractive Industries Transparency Initiative (EITI) is a global norm for transparency and accountability in the oil, gas and mining sectors through the disclosure of information along the EITI value chain. The EITI seeks to strengthen government and company systems, inform public debate and promote understanding in implementing countries.

Uganda is endowed with abundant natural resources. It has an estimated 6.5 billion barrels of oil of which 1.4 billion barrels is thought to be recoverable. Uganda is also rich in mineral resources including gold, limestone, wolfram, pozzolana and vermiculite.

On 28<sup>th</sup> January 2019, Cabinet decided that Uganda should apply to join the EITI so as to encourage investment, and promote the open and accountable management of the country's oil, gas and mineral resources. On 12<sup>th</sup> August 2020, the EITI Board approved Uganda's application to join the EITI, making it the 54<sup>th</sup> member country to join the Initiative.

During a Public Statement on Uganda joining EITI, the Honorable Minister of Finance, Planning and Economic Development (MoFPED), Matia Kasaija said the following:

***“The decision to join the EITI was informed by the appreciation of the value of transparency as we progress our plans to develop Uganda's natural resource wealth.”***

***“We believe that this initiative has the potential to strengthen tax collection, improve the investment climate, build trust among sector stakeholders and help create lasting value from our mineral and petroleum resources.”***

The Uganda EITI is overseen by a Multi-stakeholder Group comprising representatives from government, industry and civil society. The State Minister in charge of Minerals in the Ministry of Energy and Mineral Development is the EITI Co-Champion, while the State Minister of Planning in the Ministry of Finance, Planning and Economic Development serves as the Champion. The MSG is governed by its terms of reference and internal rules. Members of the MSG have completed their first term of three (3) years which ended in March 2022 and are currently in their second and final term of office.

On 16<sup>th</sup> May 2022 Uganda published its first EITI report covering the oil, gas and mining sector for the Financial Year 2019/20 using the flexible reporting methodology. The report included reconciliation of the data from the Government and oil and gas companies, and unilateral reporting on mining revenues by the government. It is believed that implementation of the recommendations from the report will make significant contributions to the achievement of the country's national priorities.



The current two-year UGEITI work plan expired at the end of June 2022 and stakeholder consultations towards developing a new plan have begun. Uganda will commence Validation on 1<sup>st</sup> April 2023 based on the revised 2020 EITI Validation model. In terms of assessing the country's compliance against the EITI requirements, validation will take into account three components: Stakeholder engagement, Transparency and Outcomes and Impact. In due course the MSG and Secretariat will undergo training in preparation for validation.

### 3.0 Overview of Outcomes and impact from EITI implementation

- a) Increased transparency in the extractive sector: The production and publication of the UGEITI Report FY 2019/2020 has made it possible to access information, some of which was not previously publicly available, along the entire extractive value chain from a single source. This has significantly improved transparency in Uganda's extractive sector which was not the case prior to Uganda's joining and implementing EITI. The creation of the UGEITI website, where the UGEITI Report FY 2019/2020 has been posted is another way of promoting transparency in Uganda's extractive sector.
- b) Improved inter agency coordination amongst stakeholders: The MSG has provided a platform for the various stakeholders to engage together directly and more regularly than was previously the case. This has improved inter-agency coordination especially among the government institutions. This, for example, has been manifested with the improved coordination of the Directorate of Geological Surveys and Mines with other stakeholders in regard to determining the mining revenues in the sector.
- c) Increased sensitization among the local communities in extractive regions about the extractive sector: The MSG, with the lead from the CSO constituency has held a number of engagements with communities in some of the extractive regions in the country. The MSG, during these engagements, sensitized the local communities about the extractive activities that were taking place in their community and also about EITI.



**Prime Minister of Bunyoro Kingdom hands over the portrait of the King of Bunyoro to the Head, UGEITI Secretariat Mrs. Gloria Mugambe on 17<sup>th</sup>, March 2021. Looking on is the UGEITI National Coordinator.**

- d) Participation in the reforms in the legal framework: The MSG is actively participating in the ongoing legal reforms in the country in regard to the extractive sectors. The MSG provided proposals on the Mining and Mineral Bill when it was being worked on by the Natural Resources Committee of Parliament. Furthermore, the MSG has held various engagements with Uganda Registration Services Bureau and also submitted proposals on beneficial ownership transparency to be considered in the ongoing amendment of the Companies Act. Once the Bill amending the Companies Act is tabled in Parliament, the MSG will continue contributing to the process of coming up with a new law on beneficial ownership transparency.
- e) Enhanced public debate and awareness: Since the publication of the EITI report, there is increased awareness, on the extractive sector, to the public especially through newspaper articles that are informed by the UGEITI Report FY2019/2020. The MSG expects that the UGEITI Report will, with time, increase public debate on issues in the extractive sectors.

## 04 General Performance between July 2020 - June 2022

### 4.1 Multi-stakeholder Group Engagements

The EITI Standard requires effective oversight by the Multi-Stakeholder Group with effective and equal participation by government, industry and civil society. During the two-year period under review, the MSG held regular meetings, trainings, field visits and other engagements. The MSG created committees to lead on thematic aspects of EITI reporting. These committees met regularly to familiarize themselves and guide the MSG on implementing the requirements.

Between May 2021 and March 2022, most of the MSG meetings were held online to comply with the Covid-19 pandemic restrictions. Furthermore, the discussions during this period focused on the production of the 1<sup>st</sup> UGEITI report, beneficial ownership reporting, contract disclosure and local content. Over time, MSG engagements have led to increased trust and improved collaboration amongst its members.

### 4.2 Development of the UGEITI work plan (July 2020 - June 2022)

Between December 2019 and July 2020, the MSG developed a two-year work plan through consultations with government, industry and civil society as part of its oversight function. By the end of the consultative process, the MSG agreed on three objectives that were linked to national priorities:

**Objective 1** - To enhance transparency in the extractive sector.

**Objective 2** - To strengthen revenue management and accountability.

**Objective 3** - To build the operational capacity of the MSG and Secretariat so as to ensure EITI is effectively implemented.

The work plan was approved at the 7<sup>th</sup> MSG meeting held on 2<sup>nd</sup> July, 2020. It was published on the UGEITI website as well as on various government, and civil society websites including Global Rights Alert and ACODE.

After a year of implementation, the MSG at the 13<sup>th</sup> MSG meeting held on 9<sup>th</sup> September, 2021, reviewed work plan progress and identified priority areas of focus for the remaining work plan period. These were:

- Beneficial ownership disclosure.
- Contract disclosure.
- Preparation and launch of Uganda's first EITI report.
- Development of the next work plan.

#### 4.3 Development of UGEITI website

The UGEITI website [www.ugeiti.org](http://www.ugeiti.org) is one of the Secretariat's key platforms for dissemination of accurate and up-to-date information on extractive activities along the EITI value chain. The website serves as a tool for sharing information with members of the public.

Regular updates on UGEITI engagements including awareness raising events, reports from studies, workshops and minutes of MSG meetings are posted on the website in a timely and efficient manner. The website is also linked to partner institutions' websites with relevant information on the sector.

#### 4.4 Development of the Communication Strategy and Work Plan (CSWP)

The UGEITI has developed a five (5) year Communication Strategy with support from the European Union (EU) JAR program. An MSG communications sub-committee was formed to oversee the UGEITI communication work plan. The consultant hired for the assignment met with the MSG on 21<sup>st</sup> May 2021 to provide input into its design. Finalization of the communications strategy and work plan was enabled through the review and feedback from the communications committee, the UGEITI Secretariat and the International Secretariat.

The next steps involve operationalizing the strategy, through priority activities that had been identified for implementation, including information and education campaigns, podcasts, explainer videos and factsheets on EITI implementation in Uganda. The communications strategy is accessible on the UGEITI website [www.ugeiti.org](http://www.ugeiti.org).



**MSG members taking part in group sessions during the training retreat at Speke Resort Munyonyo on developing the communication's strategy on 21<sup>st</sup> March 2021.**



## 4.5 EITI Awareness Raising Activities

### a) Community Engagements

Despite the prevailing constraints due to the Covid pandemic at that time, civil society groups on the MSG in partnership with the UGEITI Secretariat undertook field visits to regions engaged in extractive activities during 2021.

From 16<sup>th</sup> to 18<sup>th</sup> March 2021, UGEITI MSG supported by Global Rights Alert (GRA) undertook a three (3) day community engagement in the oil rich region of Bunyoro where large scale oil exploitation is taking place. The event was an opportunity for the MSG to meet local government institutions and the Bunyoro kingdom officials. The visit raised the community's awareness of the EITI process and secured high level buy-in from Bunyoro Kitara Kingdom being one of the key stakeholders and regional players in the oil and gas sector.

### b) Field visit to the mining areas.

Artisanal and Small-Scale Mining (ASM) accounts for more than 50% of the mining sector in Uganda. This makes the sub-sector an integral part of the extractive sector in Uganda and of key interest to the EITI. From 26<sup>th</sup> to 28<sup>th</sup> May 2021, the MSG and Global Rights Alert (GRA) jointly organized a community engagement and field visit for MSG members to the Kagaba Hill in Kitumbi Sub-County, Kassanda district and Mubende District to create awareness about the EITI and its potential in transforming the ASM sector. During the MSG's interactions with the community the women in mining revealed some of the challenges they were facing, including discrimination, lower wages and sexual intimidation.

The group also observed the difficult conditions under which mining was conducted. Following this community interface, two representatives from the ASM community were nominated to represent the Artisanal and Small-Scale Miners' Association on the MSG. The government is also engaging different financial institutions to support ASMs by extending credit for investment in their mining operations.

Since their nomination to the MSG, the ASM representatives have been actively engaged in the EITI process through regular participation in MSG meetings. The field visit also gave the female miners a strong sense of encouragement that their challenges would be addressed through the EITI. Furthermore, the field visit increased awareness among the community about the work of EITI and implementation in the region.



**Members of the UGEITI MSG pose for a group picture with miners at the mines on Kagaba Hill in Kassanda District on 28th May 2021.**



**MSG members posing for a picture in front of the CNOOC Uganda Ltd offices during the regional stakeholder engagement in Hoima on 18th March 2021.**

## **5.0 Stakeholder Capacity Building**

### **a) Induction Training for MSG members**

From 18<sup>th</sup> to 21<sup>st</sup> November 2020, MSG members and staff of the Secretariat participated in a three-day strategic induction retreat for capacity building on implementing the EITI requirements and the work plan. A team from the International Secretariat headed by the Deputy Executive Director/Director of Africa was in virtual attendance, together with EITI experts from peer EITI implementing countries - Tanzania and Zambia.

Together they provided guidance on EITI implementation and shared their experiences at the retreat. The MSG was able to build a shared understanding of the approaches to EITI processes, challenges to be addressed in implementation, and the critical considerations to be made in order for EITI to have an impact.

During the reporting period, the MSG and civil society conducted trainings to build their capacities to implement and sustain the EITI. These trainings have resulted in more constructive deliberations by members during MSG meetings and informed decision making.





**MSG members during an Induction training at Chobe Safari Lodge on 19<sup>th</sup> November 2020**

### **b) Civil Society training on the EITI Standard**

Civil Society Coalition on Oil and Gas (CSCO) facilitated a Civil Society Reflection Meeting on 11 December 2020 with the aim of sustaining the momentum and capacity of EITI Stakeholders to implement the EITI Standard.

Members of the CSO constituency on the MSG saw the need to provide an induction training for their proxies to enhance their participation in the EITI process. CSO proxies possess complementary skills set and are required to participate in all meetings of the MSG.

The training resulted in improved understanding among participants on the EITI Standard and its requirements for effective implementation. This training led to more effective contributions from the CSO constituency.

### **c) Beneficial Ownership Disclosure**

Beneficial ownership disclosure under the EITI Standard is new in Uganda. EITI recommends that EITI implementing countries are to maintain a publicly available register of the beneficial owners of extractive companies.

The UGEITI MSG in conjunction with Civil Society Coalition on Oil and Gas (CSCO) and Advocates Coalition for Development and Environment (ACODE) organized a Beneficial Ownership capacity building workshop from 19<sup>th</sup> - 21<sup>st</sup> May 2021 to familiarize participants with the BO concept and discuss the adoption of beneficial ownership at the national level.

Key stakeholders in the BO process such as the Uganda Registration Services Bureau (URSB) and regulators in the mining, oil and gas sectors were in attendance. Given the URSB's mandate to register businesses, the MSG agreed that URSB would lead on the collection of beneficial ownership information from companies during registration.

The current Companies Act 2012 does not provide for BO disclosure under the EITI Standard. A proposal was therefore made to URSB to request

companies to provide beneficial ownership information as part of their ongoing amendments to the Companies Act. A proposed definition of beneficial ownership was submitted to the URSB for this purpose. Since the workshop, several follow-up meetings have been held with URSB officials to obtain progress on the proposed amendments. These have resulted in



**MSG members attending a training retreat on Beneficial Ownership held at Munyonyo Speke Resort from 18<sup>th</sup> -21<sup>st</sup> May 2021**

#### **d) Training on Contract Disclosure**

The requirement on public disclosure of contracts gained wide attention from the MSG, high-level government officials, oil and gas companies and civil society. To prepare for the disclosure, the UGEITI Secretariat took members through presentations on the requirement. The MSG and key stakeholders held extensive discussions on the nature and timeframe for the disclosure and received guidance from the Ministry of Justice and Constitutional Affairs as a key stakeholder in the Petroleum sector.

The MSG Sub-committee on Legal Affairs and Contract Disclosure is leading on implementation of the contract disclosure requirement. On 27<sup>th</sup> April 2021 the MSG committee led by the MSG Chairperson met with heads of extractive companies including TotalEnergies, CNOOC Uganda Ltd, Oranto Petroleum Uganda and Armour Energy Uganda to discuss contract disclosure. The companies had no objection to disclosing their contracts and proposed to commence with disclosure of contracts linked to upstream operations.

A contract disclosure workshop for stakeholders was held from 30<sup>th</sup> September to 1<sup>st</sup> October 2021 to provide training on developing a contract disclosure plan. The workshop was joined by Gilbert Makore, EITI Regional Director – Anglophone & Lusophone Africa and Marie Gay Alessandra Ordenes, Asia Director and Anti-Corruption Lead who provided extensive guidance and shared practical experiences on contract disclosure roadmap. An initial draft roadmap was developed at the end of the workshop and will be improved on pending a scoping study on contract disclosure.

The workshop has led to improved dialogue and understanding on contract disclosure. In addition, there has been greater appreciation and the contribution of each constituency's efforts in the drive to ensure contract disclosure.

## 6.0 Preliminary in-house MSG studies

### 6.1 MSG data compilation and determination of the reporting parameters

The MSG commenced preliminary work on the preparation of Uganda's first EITI report with the undertaking of a scoping exercise for the mining sector.

Data for FY 2019/20 was collected from the government institutions that received payments from extractive companies i.e.: Uganda Revenue Authority (URA), and National Environmental Management Authority (NEMA). At the end of this exercise, the MSG agreed on a materiality threshold, the list of relevant companies and the revenue streams to report on. Following this study, the MSG decided to hire an external consultant for the Independent Administrator (IA) role to prepare the full FY2019/20 report, which also included conducting a scoping study.

The IA was able to build on the preliminary work that the MSG had done in understanding the scope, parameters and stakeholders involved in the mining sector. The scoping exercise also enabled members to fully appreciate the EITI process, and increased their understanding regarding the data needs for fulfilling the EITI requirements.

### 6.2 Study on the Artisanal & Small-Scale Mining (ASM)

UGEITI commissioned the Centre for Research and Sustainable Solutions to conduct a study on Artisanal and Small-Scale Mining Stakeholder Mapping. The main purpose of the study was to determine the status of ASM, identify key issues affecting the sub-sector and make recommendations to enhance transparency and accountability in the sector. The study also aimed at exploring how information on the legal and fiscal regime governing the ASM sector could be incorporated into EITI reporting. Its findings were used to develop the contextual section of Uganda's first EITI report.

## 7.0 Production of the 2019/2020 Report

Uganda published its first EITI report covering payments and revenues for the FY 2019/20 and contextual information along the EITI value chain. The contextual section included background information on the country's legal and fiscal framework, contracts disclosure, beneficial ownership disclosure, contributions of the extractive sector to the economy, local content, and gender.

### a) Terms of Reference of the Report and Recruitment of the Independent Administrator

The Terms of Reference for the assignment were approved by the MSG on 29<sup>th</sup> April 2021. With support from the European Union, the MSG procured the services of DT Global Consortium and BDO as Independent Administrator (IA) to produce the report. The contractual obligation of the IA included building the capacity of the Office of the Auditor General to take on the role of IA in future. Given the Covid- 19 related challenges associated with data collection, the MSG opted to adopt the flexible reporting methodology in producing the report. This involved unilateral disclosure for the mining sector, and full reconciliation for the oil and gas sector.



### b) Preparation of the Scoping Report

A scoping study was undertaken by the IA to establish the reporting parameters for the mining sector. At the end of the study, the MSG approved:

- a materiality threshold of UGX 500 million for the mining sector,
- Disaggregated reporting for the 23 mining companies above the threshold,
- 13 material revenue streams to be reported on unilaterally by URA and NEMA.

The MSG further approved the following parameters for the oil and gas sector:

- reporting by the four (4) oil and gas companies operating in the sector without setting any materiality threshold &
- Seven revenue streams to be reconciled between companies and government.

As part of the scoping work, the IA drafted reporting templates which were approved by the MSG for data collection. The MSG's decision on the reporting scope was confirmed through its approval of the Inception report.

### c) Training On Completion of the Templates

On 15<sup>th</sup> December 2021, the IA conducted a training workshop to guide the reporting entities which included the main oil and gas companies as well as the major mining companies on how to complete the reporting templates. This enhanced the capacity of participants, and increased general awareness about the implementation of EITI in Uganda among the stakeholders.



**The IA, Mr. Rached Maleej explaining the UGEITI Reporting process at the training workshop for the MSG and reporting entities on EITI Reporting Template held on 15<sup>th</sup> December 2021 at Hotel Africana.**

#### **d) Data Collection & Quality Assurance of the Data**

In collecting data for the EITI report, the data on government revenues and payments made by industry were collected through the approved reporting templates. For quality assurance of the data, the MSG agreed that government entities would submit templates certified by their respective Accounting Officers, while oil companies' templates would be certified by their external auditors. Due to the Covid 19-related delay experienced in data collection, the EITI International secretariat granted a three-month extension of the reporting deadline from February 2022 to May 2022 upon request by the MSG.

#### **e) Total Extractive Revenues, Data Reconciliation and Discrepancies**

Total government revenues reported in FY2019/20 were UGX 374,938,775,934 for the mining sector and UGX 61,414,168,020 for the oil and gas sector.

After reconciling the data between the oil and gas companies and government entities, a net discrepancy of UGX 4.3 million remain unreconciled. It represented 0.01% of total revenue. The MSG considered this discrepancy insignificant, and agreed that there was no need for further investigation.

#### **f) Review, Approval and Publication of the Final Report**

All key EITI stakeholders beyond the MSG were involved in the report's preparation. Government, industry and civil society constituencies held separate consultations to discuss and provide feedback on the report. At the end of the consultative processes, the MSG held a two-day meeting to finalize and approve the report at its 19<sup>th</sup> MSG meeting held on 11<sup>th</sup> and 13<sup>th</sup> May 2022. The final report was submitted to the EITI International Secretariat on 16<sup>th</sup> May 2022 and subsequently published on the UGEITI website.

### **8.0 Launch of the EITI report**

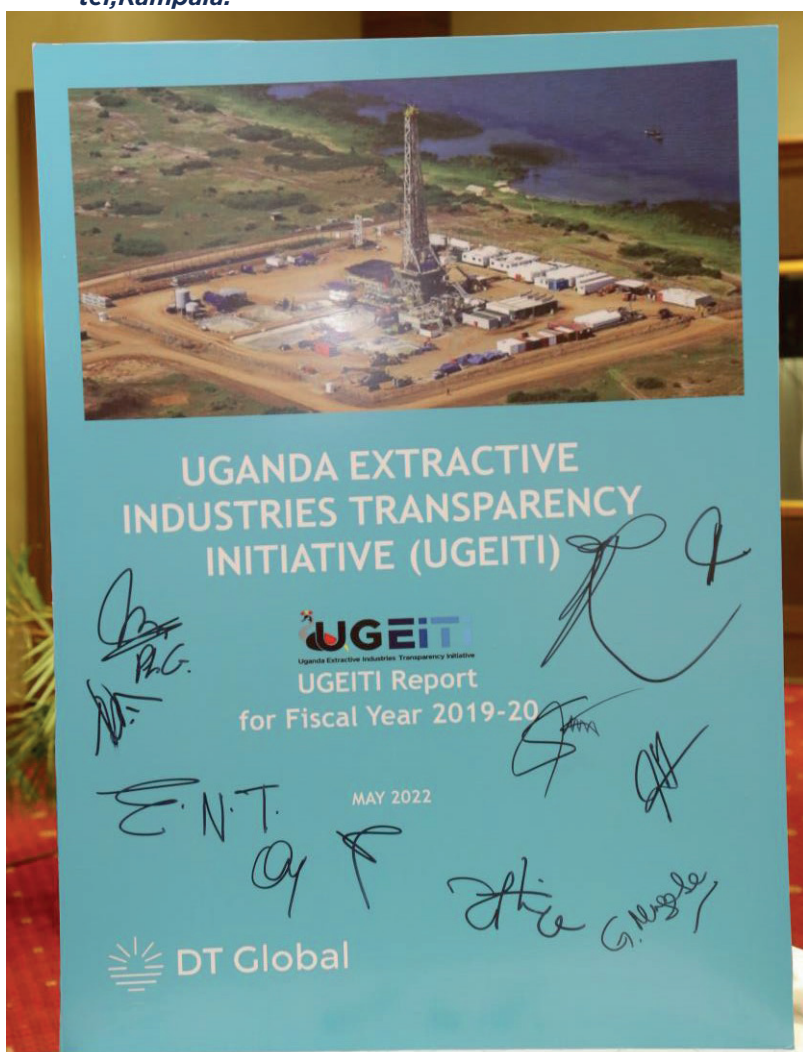
The Uganda EITI report 2019/2020 was officially launched on 10<sup>th</sup> June 2022. The launch was witnessed by the UGEITI Co-champion, members of the UGEITI Multi-Stakeholder Group, Ministries, Departments and Agencies (MDAs), the Private Sector, NGOs, Civil Society Organizations (CSO) and development partners.

The purpose of the launch was to raise public awareness of the extractive sector for citizens' benefit; to update the citizens on the status of the EITI implementation and to provide a platform for public debate on the contents of the report.

The launch provided an opportunity for stakeholders to debate issues highlighted in the report and to discuss how these issues would be addressed by relevant authorities. More awareness was created by the high number of participants that attended and the hosting of the event on different media platforms.



**The state minister (Minerals) MEMD, Hon. Peter Lokeris officially launching the First UGEITI Report with other stakeholders from MDAs on 10<sup>th</sup> June 2022 at Sheraton Hotel, Kampala.**



**Signature of Dignitaries on a dummy of Uganda's first UGEITI Report launched on 10<sup>th</sup> June, 2022.**



## 9.0 Media Activities and engagement

The Multi-Stakeholder Group members and staff of the Secretariat appeared on a number of talk shows on radio and television to raise awareness about the EITI process and to update the public on implementation. Under the Uganda Chamber of Mines and Petroleum's 90 days of oil and mining campaign, the Head of Secretariat was hosted on NBS television, NTV and related online channels to discuss oil exploration and mining investments in Uganda. Other key stakeholders including the MSG Chairperson were also hosted on the various media outlets to popularize EITI implementation in Uganda to the public.

Civil society organizations continue to support the flow of information to the public using television, radio and online engagements such as Twitter, zoom, and Facebook which have a wide public audience.

## 10. Other activities implemented

### 10.1 Legislative Reforms in the Mining Sector

In addition to the ongoing amendment to the Companies Act 2012, the MSG reviewed the Mining and Minerals Bill 2021 to provide for compliance with the EITI Standard.

With guidance from the International EITI Secretariat, the Contract Disclosure and Legal Affairs Committee of the MSG noted that the Bill was favorable towards EITI implementation - for example, it requires that a register of beneficial owners be publicly accessible on DGSM<sup>1</sup>'s website. The Bill was passed by Parliament on 17<sup>th</sup> February, 2022, and is awaiting final assent by the President

### 10.2 Environment

The environmental impact of the extractive industries is a focal point of public debate. The 2019 EITI Standard reiterates that the EITI should cover material environmental payments by companies to governments, and encourages disclosures of contextual information related to environmental monitoring.

The MSG has put in place an Environmental Committee to discuss the issues of environment, compliance and also collect data on the environment that fulfills the EITI requirement. This committee provided input for the environment section of the first EITI report.

### 10.3 Integration of Gender issues in EITI

The 2019 EITI Standard requires the MSG to consider gender balance in their representation and disclose employment data by company, gender and occupational level. Gender balance was taken into consideration during formation of the MSG. The current ratio of female to male on the MSG is 30.43% to 69.5%.

Despite Government's effort to promote gender equality by putting in place appropriate legislative and policy frameworks, employment levels, income, training and other yardsticks show that women are still marginalized. The first UGEITI report presents the gender situation analysis in Uganda and provides data on gender participation. It is the goal of the MSG to use the EITI data to address gender gaps in the extractive sector.

<sup>1</sup> The Directorate of Geological Survey and Mines in the Ministry of Energy and Mineral Development (MEMD)

## 11.0 Lessons learnt, opportunities, and efforts to strengthen implementation

### 11.1 Lessons learned

- a) Political support: There is need for strong political commitment to EITI implementation especially at the highest level of Government in order to ensure that the recommendations are implemented.
- b) Capacity building of stakeholders: Continuous capacity building for key stakeholders especially for the members of the Multi-Stakeholder Group is essential to enable stakeholders understand their role in furthering the EITI objectives.
- c) Credibility is important: For the EITI process to be successful since various stakeholders from different constituencies of Government, private sector and civil society are involved, it must be perceived as credible. Trust should be a driving factor in the continuous engagement amongst the institutions represented on the Multi- Stakeholder Group.
- d) Management of public expectations: There is need for the MSG to manage public expectations regarding the objectives of EITI and the functions of the MSG. The EITI should be viewed as complementary to the existing institutional frameworks that are mandated to enforce laws and regulations in extractive industries such as NEMA, PAU and IGG.
- e) EITI can aid research and planning in Government: EITI should be used to create a reliable database for information and further research, and as a basis for planning by institutions of Government.
- f) Data management: The discrepancies in information and data amongst Government institutions indicate the need to improve inter- agency coordination for purposes of information sharing.
- g) Lack of clarity in the laws regarding disclosure of contracts: The review of various legislations to provide for contract disclosure exposed some legal contradictions. This raised a lot of debate on whether contracts should be disclosed or not. The disclosure of contracts may require further and intense engagement to ensure that all stakeholders agree on a position.
- h) EITI a means to an end: EITI should not be viewed as an end in itself but rather as a tool that is a means to an end that can be harnessed to provide useful data for proper planning and policy reform processes.
- i) Importance of continuous awareness creation programs: It is important to continuously engage with the public to enhance awareness about EITI and its objectives in order for the wider public to appreciate and benefit from it.

### 11.2 Opportunities

- a) Minimize leakages and corruption: EITI provides us an opportunity to verify the information provided by stakeholders thereby enabling us identify the source of discrepancies. This process lays a foundation for identifying leakages and minimizing corruption in corporate and Government institutions.

- b) EITI is a planning tool: Because of its reliable data and information, EITI is a good source of information for promotion of research and planning especially for Government in its development programs.
- c) EITI will help to build trust among various stakeholders: The EITI utilizes a multi-stakeholder group approach that includes Government, civil society, communities and companies with divergent views and perceptions on many issues. In this way, the EITI platform provides an opportunity for collaboration and working together in trust which will help to minimize conflicts in the extractive industries.
- d) Opportunity for Government to show commitment: The EITI will help Government to promote its good will as a partner in the sustainable management and development of the mineral sector.
- e) Avenue to identify and address challenges: The EITI process provides a good opportunity for stakeholders to present challenges and possible solutions to improve the extractive sector.
- f) An opportunity to minimize misinformation: EITI will help all stakeholders including government and companies to provide factual information in order to minimize contradictions and conflicts.
- g) Efficiency of institutional systems: The EITI provides an opportunity for institutions of Government to coordinate better in order to improve data management to ensure there is timely and accurate access of information by the public.
- h) Policy reform: The EITI platform provides an opportunity for consultations between stakeholders to ensure that the policies formulated are well appreciated and taken through a consultative process. This will create a conducive environment for policy reforms to take effect.

### **11.3 Planned and ongoing efforts to strengthen implementation**

- a) Beneficial ownership disclosure: Engagements between the relevant institutions of Government are going on to provide for beneficial ownership disclosure within the current legal framework.
- b) Contract disclosure: Engagements between the relevant institutions of Government and oil companies are ongoing to ensure that consensus is reached on the nature and process of contract disclosure.
- c) Inter-agency collaboration and improved coordination: Engagements between stakeholders under the MSG have created an opportunity for strengthened collaboration and coordination between the key institutions of Government especially DGSM and URA.
- d) Review of policies and laws: Currently, a number of laws are being reviewed to incorporate the principles of EITI and this will strengthen the EITI implementation process.
- e) Awareness creation: The MSG will be conducting more awareness campaigns and sensitization engagements to enhance the involvement and participation of the citizens in the EITI process.



Requirements	Progress
<p><b>1. Oversight by the Multi-Stakeholder Group</b></p> <p>1.1 Government Engagement</p> <p>1.2 Company Engagement</p> <p>1.3 Civil Society Engagement</p> <p>1.4 Multi-stakeholder group</p> <p>1.5 Work plan</p>	<p>The UGEITI Multi-Stakeholder Group was well constituted with consideration placed on the three (3) high-level constituencies i.e., government, industry and civil society organizations that effectively engaged in the design, evaluation and implementation of the EITI.</p> <p>The nominations of senior officials as members and proxies from the three constituencies of the MSG was done through a transparent process which guaranteed adequate stakeholders' representation on the MSG.</p> <p>Engagement in EITI implementation within government has gone beyond the Multi-Stakeholder Group membership with UGEITI coordinating with the Directorate of Geological Survey and Mines in the MEMD, the Office of the Auditor General, URSB and relevant Parliamentary committees; facilitating capacity building of government officials, providing input to legislative changes and conducting sectoral analyses. (See section on Outcomes and Impact above).</p> <p>Civil society nominations to the MSG were achieved through a transparent democratic process which involved a public call for expression of interest by members of the civil society fraternity, and a voting exercise involving over thirty civil society organizations working in the extractive sector across the country.</p> <p>The MSG members, particularly civil society representatives, have a wide reach into local communities in extractive areas. Consultations with civil society indicated that they had leveraged this reach to contribute to public debate on extractives, in part, based on EITI data.</p> <p>Government representatives confirmed, upon consultations, that they had also used civil society platforms to engage with community members in the industry.</p> <p>During the initial stages of the MSG formulation, the Ministry of Finance Planning and Economic Development, as the lead Ministry in the EITI process in Uganda, sent out a general letter, dated 11th February 2019 to all the stakeholders that had been initially considered as directly relevant to EITI in Uganda. This letter was addressed to all five companies that were licensed to operate in the oil and gas sector in Uganda at that time informing them of the government's decision to apply to join the EITI and requesting them to nominate members to the MSG. They all responded positively by each sending a representative to be part of the industry constituency of the MSG, and have consistently attended all the MSG meetings. They have also been active in all discussions and deliberations at the committee level, including in the development of the MSG TOR and the EITI work plan.</p> <p>The mining companies' representative was nominated by the Uganda Chamber of Mines and Petroleum Mining Subcommittee which comprises of active mineral exploration companies. The limited number of large-scale mining activities posed a challenge with regard to liaison and engagement with the EITI process. However, the artisanal and small-scale mining sub-sector was successfully engaged through the Uganda Association of Artisanal and Small-Scale Miners (UGAASM), and participated actively.</p> <p>The MSG developed and agreed on its Terms of Reference (ToR) which defined the scope, functions and responsibilities of the MSG. The governance rules of the group are clear and members are largely compliant with these conditions.</p>

	<p>All three constituencies participated in identifying the objectives of EITI implementation, agreeing the scope of disclosures, and contributing to public discussion on disclosures.</p> <p>EITI implementation is funded by the Government of Uganda with development partner support, specifically the European Union. However, with the work plan budget exceeding the Government allocations received, part of the gap was covered through support from Civil Society Organisations.</p> <p>While the Government contributed funding for Uganda EITI activities, sustainability of EITI implementation in Uganda will require increased government support. Lastly, Gender balance was taken into consideration during formation of the MSG and the current ratio of female to male is 30.43% to 69.5%.</p> <p>MSG meetings have improved inter-agency coordination and information sharing amongst member institutions and other stakeholders.</p>
<b>2. Legal and institutional framework, including allocation of contracts and licenses</b>	<p>Ugandan government entities systematically disclosed some data i.e., information on licenses and geographical location, through their respective online portals (mining cadaster, websites).</p> <p>Furthermore, considerations were being made to improve the government systems needed on the routine disclosures of contracts, beneficial ownership, production statistics and export data.</p> <p>The legal and fiscal frameworks governing the Uganda extractive sector were publicly disclosed through the relevant government websites during the period under review.</p> <p>A Contract Disclosure Committee was established to study the legal regime for disclosing contracts. Whereas a number of meetings have been held, the MSG was yet to reach a consensus on what and how the contracts should be disclosed. Efforts to have contracts disclosed were still going on with the various stakeholders.</p>

<b>3. Exploration and Production</b>	<p>All the licensed acreage for petroleum exploration and production to date is in the Albertine Graben. The Albertine Graben averages 45 kilometres in width and about 500 kilometres in length. This represents an area of approximately 22,500 km<sup>2</sup>. The nine (9) production licenses covering fourteen (14) oil fields that have been approved for development and production cover a total area of 885 km<sup>2</sup>.</p> <p>The information on mining production data is contained in the FY 2019/20 UGEITI report under Section 2.3.</p> <p>There was no oil and gas production during the fiscal year 2019-20.</p> <p>The information on the mineral exports is contained in the FY 2019/20 UGEITI report under Table 38, page 103.</p> <p>There were no oil and gas exports during the fiscal year 2019-20.</p>
<b>4. Revenue Collection</b> <b>4.1 Comprehensive disclosure of taxes</b> <b>4.2 Sale of the state's share of production or other revenues collected in kind</b> <b>4.3 Infrastructure provisions and barter arrangements</b> <b>4.4 Transport revenues</b>	<p>The FY 2019/20 report was produced using the flexible reporting methodology. The MSG agreed to disclose and reconcile all payments and revenues in the oil and gas sector and requested the Government to report unilaterally on the 23 companies that met the reporting threshold of UGX 500 million.</p> <p>The FY 2019/20 report is publicly available on the UGEITI website – <a href="http://www.ugeiti.org">www.ugeiti.org</a> – and disclosure on tax revenue information according to the requirements where applicable.</p> <p>State's share of production and other in-kind revenues – None of the reporting entities declared revenues in kind during the fiscal year 2019-20.</p>



- 1.5 Transactions related to State - owned enterprises
- 1.6 Sub national payments
- 1.7 Level of disaggregation
- 1.8 Data timeliness
- 1.9 Data quality and assurance

**Infrastructure provisions and barter arrangements**-None of the reporting entities declared any agreements or sets of agreements involving the provision of goods and services (including loans, grants and infrastructure works, in full or partial exchange for mining exploration or production concessions or physical delivery of such commodities).

**Oil/gas-** The Uganda National Oil Company (UNOC) confirmed that no revenues were collected from the pipeline during the reporting period since the oil and gas **sector was still at the exploration stage during the FY 2019-20.**

State participation in the mining sector

Kilembe Mines Limited (KML) which is 100% owned by the Government of Uganda (GoU), is the custodian of Kilembe mines which is Uganda's largest copper mine, with deposits of copper in excess of 4,000,000 tonnes and undetermined amounts of cobalt ore. It is located in Kilembe, at the foothills of the Rwenzori Mountains in the Western Region of Uganda. KML's role as an asset-holding company is to look after and maintain the national assets until a qualified replacement operator is identified by the Government of Uganda to continue its exploitation.

**Transport revenues of minerals** - There were no significant revenues from the transport of minerals for the FY 2019/20 as stipulated by Requirement 4.4 of the EITI Standard (2019).

**Sub-national payments** - The UGEITI MSG agreed to include information on payments to sub-national government agencies through unilateral disclosure by extractive companies included in the reconciliation scope. Sub-national transfers are detailed in Section 7.2.3 of this report.

#### **Level of disaggregation**

The MSG agreed on the level of disaggregation for EITI data by extractive entity selected in the scope and additionally to present aggregated revenue collected from extractive entities that are not selected in the reconciliation scope MSG agreed on the level of disaggregation by company for EITI data by extractive entity selected in the scope and to present aggregated revenues collected from extractive entities that are not selected in the reconciliation scope.

<p><b>5. Revenue Allocations</b></p> <p><b>5.1 Distribution of extractive industry revenues</b></p> <p><b>5.2 Subnational transfers</b></p> <p><b>5.3 Revenue management and expenditures.</b></p>	<p>Once revenues from the extractive sector are collected by the government, they are recorded in the government accounts. All of the revenue goes to the Consolidated Fund and is subsequently allocated as part of the national budget, some of which are transferred to Local Governments.</p>
<p><b>6. Social and economic spending</b></p>	<p>The UGEITI MSG agreed to include mandatory and discretionary social and environmental expenditure in the scope through unilateral disclosure by extractive companies. Social and environmental expenditures are presented in Section 7.2.2 of the FY 2019/20 UGEITI report.</p> <p>The details of these expenditures are further presented in Annex 7 in the FY 2019/20 UGEITI report.</p>
<p><b>7. Outcomes and Impact</b></p>	<p>To date, a number of outcomes have been registered as having resulted from EITI implementation and engagement:</p> <ul style="list-style-type: none"> <li>• Increased transparency in the extractive sector</li> <li>• Improved inter agency coordination amongst stakeholders</li> <li>• Increased sensitization among the local communities in extractive regions about extractive sector</li> <li>• Participation in the reforms in the legal framework</li> <li>• Enhanced public debate and awareness</li> </ul>

### 13.0 Conclusion and next steps

This report has provided a synopsis of the first two years of EITI implementation in Uganda, including the launch of Uganda's first EITI report. It contains a summary of the achievements of UGEITI and the Uganda MSG, including the outcomes and impact of EITI processes in Uganda to date. It also contains an assessment of the challenges and areas for further improvement.

It is hoped that as Uganda begins preparations for production of its second EITI report, due at the end of June 2023, and validation which is due to commence in April 2023, this report will serve as a reference point **and** consolidated synthesis of the major areas of work for the next phase of EITI implementation in Uganda.



