

**MINUTES OF THE 23<sup>RD</sup> MEETING OF THE MULTI-STAKEHOLDER GROUP (MSG) OF THE UGANDA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE (UGEITI) HELD ON THURSDAY, 1<sup>ST</sup> DECEMBER 2022 AT THE IMPERIAL ROYALE HOTEL, KAMPALA STARTING AT 9:00 A.M.**

**Attendance List**

No.	Name	Institution
<b>GOVERNMENT</b>		
1.	Mr. Clovice Bright Irumba	Petroleum Authority of Uganda (PAU)
2.	Mr. John Kennedy Okewling	Ministry of Energy & Mineral Development (MEMD)
3.	Mr. David Sebagala	Ministry of Energy & Mineral Development
4.	Eng. Timothy Tibesigwa	Ministry of Works & Transport (MoWT)
5.	Mr. Robert Tugume	Ministry of Energy & Mineral Development (MEMD)
6.	Ms. Sarah Aijuka	National Environment Management Authority (NEMA)
7.	Mr. Robert Tugume	Ministry of Energy & Mineral Development
8.	Mr. Joseph Kyeyune	Uganda Revenue Authority (URA)
9.	Ms. Allen Bucyana	Ministry of Justice and Constitutional Affairs (MoJCA)
10.	Mr. James Musherure	Petroleum Authority of Uganda
<b>CIVIL SOCIETY ORGANISATIONS</b>		
11.	Mr. Onesmus Mugenyi	Advocates Coalition for Development & Environment (ACODE) (Chair)
12.	Ms. Margaret Lomonyang	Karamoja Women Umbrella Organisation (KWUO)
13.	Mr. Paul Mulindwa	Kitara Civil Society Organization Network (KCSO)
14.	Mr. Sam Mucunguzi	Citizens' Concern Africa
15.	Mr. Paul Twebaze	Pro-Biodiversity Conservationists in Uganda
16.	Mr. Henry Bazira	Water Governance Institute (WGI)
<b>INDUSTRY</b>		
17.	Mr. Mathius Ssenkaali	Oranto Petroleum Limited
18.	Mr. Faustine Mugisha	TotalEnergies Uganda Limited
19.	Dr. Tom Buringuriza	Armour Energy Limited
20.	Ms. Emily Nakamya	Uganda National Oil Company
21.	Ms. Ingrid Muhanguzi	CNOOC Uganda Limited
22.	Mr. John Byamukama Kisoke	Uganda Local Government Association (ULGA)
23.	Mr. John Bosco Bukya	Uganda Association of Artisanal & Small-Scale Miners Limited (UGAASM)
24.	Mr. Emmanuel Kibirige	Uganda Association of Artisanal & Small-Scale Miners Limited (UGAASM)
<b>OBSERVERS</b>		
25.	Mr. Ambrose Promise	Accountant General's Office
26.	Mr. Joseph Hirya	Office of the Auditor General (OAG)
27.	Mr. Robert Muhumuza	Office of the Auditor General (OAG)
28.	Ms. Magdalene Babirye	Office of the Auditor General (OAG)
29.	Mr. Frank Byaruhanga	Office of the Auditor General (OAG)
30.	Ms. Diana Prida	Uganda Revenue Authority (URA)
31.	Mr. Ham Mubinga	Ministry of Energy & Mineral Development
<b>UGEITI</b>		
32.	Mr. Saul Ongaria	National Coordinator (Secretary)
33.	Ms. Gillian Lawino	Technical Support Officer
34.	Mrs. Gloria Mugambe	Head of Secretariat
35.	Mr. Kanakulya Edwin Kavuma	Compliance Officer
36.	Ms. Bronia Arinda	Secretary

37.	Mr. Dan Denis Agaba	Statistician
38.	Mr. Perez Ham Bwoye	Administration Assistant
39.	Mr. Edgar Mutungi	Finance Officer
40.	Mr. Abbey Gitta	Data Management Assistant
41.	Ms. Susan Angela Achom	Office Assistant
42.	Mr. Ignatius Ariho	Information Technology Assistant
43.	Mr. Gordon Muhereza	Office Assistant
44.	Ms. Betty Kisakye	Procurement Assistant
45.	Mr. Francis Garvin Okello	M&E Assistant
46.	Ms. Gertrude Angom	Administration Officer
<b>MSG MEMBERS ABSENT WITH APOLOGY</b>		
1.	Mr. Moses Kaggwa	Ministry of Finance, Planning & Economic Development
2.	Ms. Jennifer Hinton	Jervois Mining Limited
3.	Mr. Philip Andrew Wabulya	Bank of Uganda (BOU)

## Agenda

1. Welcome and Introductions.
2. Communication from the Chairperson.
3. Presentations:
  - a) Revenues (Petroleum and Mining) FY 2020/2021
  - b) Local Content for the FY 2020/2021
  - c) Analysis of Accountant General's reports since creation of Petroleum Fund
  - d) Cost Recovery Audits
  - e) Local Government Royalty Payments
4. UGEITI's second report: Preliminary Scoping.
  - a) Rationalisation of Mineral Export Figures.
  - b) Formation of a Committee for the UGEITI Report FY 2020/2021
5. Any Other Business
  - a) Nomination of Members to the Contracts Committee for Procurement of the Independent Administrator.

## MIN 1.0: WELCOME AND INTRODUCTIONS

- 1.1 The National Coordinator called the meeting to order at 10:03 a.m. He welcomed everyone to the meeting and requested all the participants to introduce themselves. He notified the participants that the Chairperson of the MSG, Mr. Moses Kaggwa was out of the country on official duty. Mr. Onesmus Mugenyi (CSO Representative) was then nominated by members to preside over the meeting as Chair.
- 1.2 The meeting agenda was adopted.

## MIN 2.0: COMMUNICATION FROM THE CHAIRPERSON

- 2.1 Mr. Mugenyi read the communication from the MSG Chairperson which is appended as *Annex A*. The major highlights of the communication were:



- a) The process of procuring the IA for production of the second UGEITI report was expected to be completed in December 2022, with the IA commencing work in January 2023.
- b) Representatives from the Accountant General's Office and the Office of the Auditor General were present to shed light on issues surrounding the operations of the Petroleum Fund and Cost Recovery Audits in the oil and gas sector respectively.
- c) He commended the Natural Resource Governance Institute (NRGI) for supporting UGEITI to build the capacity of the MSG on energy transition following the training held on 12<sup>th</sup> November 2022. He further commended the CSO Constituency for supporting the sensitization of Members of Parliament from the Natural Resources and Environment Committee on 30<sup>th</sup> November, 2022.

## 2.2 Reactions from Members.

A member from the Government Constituency noted that although the Chairperson had mentioned that a committee would be constituted at this meeting to oversee the production of the second report, the activity had not been included as an agenda item. In response, the Chair explained that it would be incorporated as a subsection under Agenda item number 4- UGEITI's *second report: Preliminary Scoping*.

## MIN 3.0: PRESENTATION ON REVENUES (PETROLEUM AND MINING) FOR FY 2020/2021

3.1 The presentation attached as *Annex B* was made by a representative from Uganda Revenue Authority. He made the following highlights:

- a) The total number of mining entities was 185. The total revenues from the sector amounted to UGX 516 billion.
- b) The contribution of Income tax to total revenue collected from the extractive industries increased to 16% in FY2020/2021 compared to 1% in 2019/2020.
- c) The contribution of Non-Tax Revenues to total revenues from the extractive industries decreased to 3% in FY2020/2021 from 13% in FY2019/2020.
- d) The contribution of VAT to the total revenues increased to 39% in 2020/2021 as compared to 33% in FY2019/2020. Among the revenue streams, VAT had the highest contribution to the revenues collected.
- e) The total number of mining companies that made payments were 185 in 2020/2021 as compared to 234 in 2019/2020.
- f) He proposed the reconciliation of all the oil and gas revenues and a reporting threshold of UGX 100 million as material payments for mining entities for FY2020/2021.

### 3.2 Reaction from Members

- a) The members appreciated that reducing the threshold from last year's level of 500 million to the current proposed level of 100 million would capture more information on mining in the UGEITI report. However, they enquired about the cost implication of undertaking reconciliation for the mining sector as well. In response, the Head of Secretariat stated that there was a proposal to carry out reconciliation for mining royalty payments only in order to get a clear picture of actual mining revenues.
- b) A query was raised concerning the reduction in the number of reporting entities in the mining sector from 234 in FY2019/2020 to 185 for the FY2020/2021. A representative from DGSM stated that the COVID-19 lockdown affected the operations of many mines. The Presidential ban on the export of unprocessed minerals could also have affected the number of licenses issued by DGSM for the FY 2020/2021. Furthermore, some licenses that had expired at the end of FY2019/2020 were not renewed.
- c) Regarding the discrepancy in the export data for minerals (refer to 5<sup>th</sup> recommendation from 2019/2020 report, a member stated that there was need for the relevant institutions to streamline the process of exporting minerals. The Chair enquired whether it was possible to request URA to capture the exports in a disaggregated format according to the permit issuing agency.
- d) A representative from the Government Constituency stated that it was difficult to report on the fees paid to NEMA since the environmental payments made are not exclusively identified as payments made for mining activities yet some entities operated in more than one sector.

### 3.3 For the second report, the MSG proposed the following subject to the findings of the scoping study.

- a) The reconciliation of all revenues for the oil and gas sector for the FY 2020/2021.
- b) To consider a materiality threshold of UGX 100 million for revenues paid by mining companies for the reporting period.
- c) To reconcile mineral royalties.

## **MIN 4.0: PRESENTATION ON LOCAL CONTENT (IN THE PETROLEUM SECTOR) FOR THE FY 2020/2021**

### 4.1 The presentation attached as Annex C was made by a representative from the Petroleum Authority of Uganda to inform UGEITI's second report. He made the following highlights:

- a) The contract value for utilization of Ugandan goods and services amounted to Ugx 1,202,611,845, with Ugandan enterprises taking up 96% of the contracts. However, value retention was still low since most Ugandan companies relied on imported commodities.



- b) There were higher percentages for employment in the sector for nationals. However, low percentages were noted in terms of wages paid to nationals compared to what was earned by expatriates.

#### **4.2 Reaction from Members**

- a) A representative from the industry constituency enquired whether PAU could share the factsheets for funds allocated for training in the sector to show how these funds were utilized for purposes of accountability. However, the meeting was informed that these funds were not managed by PAU. The funds were part of the conditions for signing the Production Sharing Agreements (PSAs) and are paid to the Petroleum Fund. They were managed by the Accountant General's Office.

The meeting was informed by the PAU representative that companies holding production licenses provided extra funding for capacity building that is managed by PAU. In that regard, PAU sends requests to the relevant government MDAs to nominate officers for training. The Head of Secretariat stated that the figures on employment from the oil companies, PAU and Uganda Bureau of Statistics were different for the F Y 2019/2020 and that this compromised the authenticity of the information on employment. The presenter explained that the figures were different because UGEITI did not include information on the contribution of the service sector including secondary contractors at the different levels of the value chain. Most of the work in the petroleum sector was carried out by contractors who employed more people than the IOCs.

- b) The Chair noted that the aspect of gender had been excluded from the presentation. He stated that gender considerations to the data would give more meaning to the performance of the sector as well as add value to the quality of the UGEITI report.
- c) A member from the Civil Society Constituency expressed concern about the high number of expatriates working in the oil and gas sector. He enquired whether PAU had a threshold to limit the number of foreigners employed in the sector, so that the system could favor nationals.
- d) A member from the Civil Society Constituency requested that the contribution of the petroleum sector to the local communities be included to provide more information on resource sharing in the extractive regions.
- e) The meeting also requested that PAU provide a post-assessment of the skills and number of people trained including any information on any enterprise they are currently engaged in. This could be used to assess the impact of the training programs on nationals.

The presenter assured the meeting that he would provide all the above information to the MSG.

### **4.3 Way Forward**

The meeting proposed the following:

- a) To include the contribution of secondary contractors along the value chain for a holistic performance of the sector.
- b) To disaggregate local content data according to gender.
- c) To provide data on the contribution of the sector to the local communities where there are oil and gas operations.
- d) To Provide a post-assessment of the skills and number of people trained including information on any enterprise engaged in.

### **MIN 5.0: ANALYSIS OF ACCOUNTANT GENERAL'S REPORTS SINCE CREATION OF PETROLEUM FUND**

**5.1** The presentation attached as Annex D was made by Mr. Ambrose Promise from the Accountant General's office. He made the following highlights:

- a) He stated that the purpose of his presentation was to share insights on the performance of the Petroleum Fund in terms of revenue collected and funds transferred out, since it was created in 2015.
- b) The revenues from all the oil companies included;
  - Taxes revenues from income tax derived from petroleum operations (WHT, Capital Gains)
  - Non-Tax Revenue from government share of production, signature bonus, surface rentals, royalties, proceeds from sale of gov't share of production, proceeds from sale of gov'ts commercial interests, and other duties payable to gov't from contract revenues under the petroleum agreement.

### **5.2 Reaction from Members**

- a) A member from the Government Constituency stated that EITI was interested in the allocation of funds from the petroleum sector and therefore it would add value to the discussions if information was provided on how much revenues were received and spent for the reporting period FY 2020/2021. The Head of Secretariat explained that all the information was shared in the first report and the same would be done for the second UGEITI report.
- b) A member from civil society enquired about the management of the funds in relation to requests and approvals for withdrawals. He also enquired about the amount of money that had been collected by the Petroleum Fund. In response, the representative from the Accountant General's office stated that all the audited reports on the fund were available and could be obtained from the OAG's website.



- c) The meeting was informed that funds were withdrawn by applying the fiscal rule. A maximum of petroleum revenue worth 0.8% of the preceding year's estimated non-oil GDP outturn shall be transferred from the Petroleum Fund to the Consolidated Fund for budget operations, and the remainder of the petroleum revenues shall be transferred to the Petroleum Revenue Investment Reserve.

## **MIN 6.0: PRESENTATION ON COST RECOVERY AUDITS**

**6.1** The presentation attached as Annex E was made by Mr. Joseph Hirya from the Office of the Auditor General (OAG). He made the following highlights:

- a) The OAG had been given the mandate to audit and approve the expenditure incurred by the Oil Companies for cost recovery purposes. Specifically, under sections 37 (2), 37(3) and 192 of the Petroleum (Exploration, Development and Production) Regulations 2016.
- b) Production Sharing Agreements (PSAs) were the contractual arrangements preferred by Government in the exploitation of petroleum resources for the following reasons;
- The agreements transferred exploration risks to the private company.
  - The existence of limited technology and expertise in developing countries.
  - Reduction to government financial burden in exploitation of petroleum resources since financing of operations is by private companies.
- c) The recoverable costs under the PSAs include:
- All necessary, appropriate and economical exploration and development expenditures applicable to the contract area.
  - Operating expenses incurred for the Petroleum activities.
  - Service costs in support of petroleum activities.
  - General and Administrative Expenses.
  - Main office, field office and associated general and administrative costs incurred in relation to Petroleum Activities in the Contract Area.
  - Annual overhead charge for services rendered by Licensee's Affiliated Companies.

## **6.2 Reaction from Members**

- a) A member from the Government Constituency explained that the public was not well informed about PSAs and stated that UGEITI could include information on recoverable and non-recoverable costs in the second report and the relevance of this information in addition to the progress reported on contract disclosure.

- b) The Head of Secretariat enquired whether the cost recovery audit could be broken down per company and further stating that disaggregated data would provide meaningful context to the information on recoverable costs.

## **MIN 7.0: DISCUSSION ON LOCAL GOVERNMENT ROYALTY PAYMENTS.**

7.1 The Head of Secretariat informed the meeting that Mr. Ham Matsiko from DGSM would lead the discussion on mineral royalties to inform the second UGEITI report. He made the following highlights:

- a) According to the Mining Act 2003, royalties were distributed as follows:
  - 80% to central government
  - 10% to districts
  - 7% to sub counties
  - 3% to landowners
- b) Cement companies were the largest contributors of royalties. Additionally, mineral dealers also paid royalties.
- c) Limestone and Marble were regarded as the same product in the data provided
- d) The districts that received the highest royalty disbursements included Moroto, Kapchorwa Kasese, etc.
- e) The challenges in disbursement of royalties included:
  - District demarcation disputes in the local communities.
  - High expectations on royalty payments by extractive communities.
  - Difficulty in dissemination of information due to Political disagreements at the district level.
  - High costs incurred by DGSM to publish information in newspapers
- f) Difficulty in identifying land owners some Areas where mining occurred. The mineral royalty rates applied were in accordance with the law.

### **7.2 Reaction from Members**

- a) The Chair noted that there was limited information on the volumes of the minerals mined from these areas making it difficult to ascertain the royalties due. In response, DGSM stated that they could provide the MSG with the breakdown for royalty calculations. This would include the rate and quantity of minerals produced.
- b) The representative from ULGA enquired whether the same information could be availed to him for onward dissemination to the ULGA fraternity. He explained that ULGA would ensure that this information reached the grassroots.
- c) A representative from the Civil Society Constituency advised that Government needed to revise the percentage distribution of royalties to Ugandans. The Chair stated that this information needed to be shared with Parliament for debate after the production of the second report.



### **7.3 Way Forward**

The MSG agreed to the following:

- a) DGSM provides disaggregated information on royalties by volume produced, mineral type and rate, aggregated calculation to inform the second UGEITI report.

## **MIN 8.0: RECOMMENDATIONS FROM PREVIOUS REPORT**

### **8.1 Rationalisation of Mineral Export Figures**

The meeting was informed that the PS of MEMD had written to URA requesting it to set up a team to resolve the discrepancies in the export data of minerals. The meeting requested for the following:

- a) Share a copy of the letter sent to URA by MEMD on rationalization of mineral export figures with the Secretariat.
- b) Engage with Ministry of Trade Industry and Cooperatives to resolve the issue of mineral exports.
- c) Write and follow up with the relevant institutions to address the recommendations from the first UGEITI Report.

### **8.2 Constitution of a Committee for the UGEITI Report FY 2020/2021.**

The MSG resolved to maintain the committee that oversaw the production of the first UGEITI Report. The Secretariat was tasked to communicate with these members informing them of the renewal of their mandate. The members include the following:

- a) Mr. Henry Bazira - Water Governance Institute to represent the Civil Society Constituency.
- b) Ms. Gloria T. Akatuhurira - Uganda Revenue Authority (URA) to represent the Government Constituency.
- c) Mr. Emmanuel Kibirige - Uganda Association of Artisanal & Small-Scale Miners Limited (UGAASM) to represent the Industry Constituency on Mining.
- d) Mr. Faustine Mugisha - TotalEnergies E&P Uganda BV to represent the Industry Constituency on oil and gas.

## **MIN 9.0: ANY OTHER BUSINESS**

- 9.1 The European Union (EU) Delegation had requested the MSG to nominate two representatives to the Evaluation Committee to support the team in the procurement of a consultant for the Independent

Administrator role to produce the 2020/2021 UGEITI report. The MSG appointed the following members:

- a) Mr. Paul Twebaze, CSO representative on the MSG.
- b) Ms. Gillian Mercy Lawino, Technical Support to the Secretariat.

9.2 There being no other business, the meeting was closed at 2:28 p.m.



## ACTION MATRIX

Min No.	Action Point	Resp. Inst./Individual	Timeline	Action Update
<b>4.0</b>	<b>Presentation on Local Content (in the Petroleum Sector) FY 2020/2021</b>			
a)	Include the contribution of secondary contractors along the value chain for a holistic performance of the sector.	PAU	30/01/23	Done. Information shared with the Secretariat and will be used to inform the second EITI report.
b)	To disaggregate local content data according to gender.	PAU	30/01/23	Done. Information shared with the Secretariat and will be used to inform the second EITI report.
c)	To provide data on the contribution of the sector to the local communities where there are oil and gas operations.	PAU	30/01/23	Done. Information shared with the Secretariat and will be used to inform the second EITI report.
d)	To Provide a post-assessment of the skills and number of people trained including information on any enterprise engaged in.	PAU	30/01/23	Done. Information shared with the Secretariat and will be used to inform the second EITI report.
7.3 (a)	Provide disaggregated information on royalties by volume produced, mineral type and rate, aggregated calculation to inform the second UGEITI report.	DGSM	28/02/23	Pending. DGSM to provide update
8.1	<b>Rationalisation of Mineral Export Figures</b>			
a)	Share with the Secretariat a copy of the letter sent to URA by MEMD on rationalisation of mineral export figures.	MEMD	15/02/23	The Secretariat requested MEMD for the letter. We have not yet received a copy. DGSM to clarify.

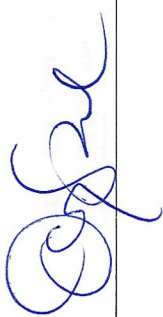
b)	Engage with Ministry of Trade Industry and Cooperatives to resolve the issue of mineral exports.	MSG Chairperson	15/02/23	Ministry of Trade and Industry was contacted by MoFPED to provide a technical person on mineral export issues. We are still awaiting their feedback.
c)	Write and follow up with the relevant institutions to address the recommendations from the first UGEITI Report.	Secretariat	15/02/23	Secretariat wrote to the various institutions regarding follow-up on the recommendations.

**Signed:**



**Chair:**

Date: 28/2/2023



**Secretary/National Coordinator:**

Date:

28/02/2023